

PUBLIC DISCLOSURE

March 18, 2002

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Comerica Bank - California
RSSD #803368**

**333 West Santa Clara Street
San Jose, California 95113**

**Federal Reserve Bank of San Francisco
101 Market Street
San Francisco, California 94105**

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'S RATING

INSTITUTION'S CRA RATING:

Comerica Bank - California is rated "SATISFACTORY."

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

PERFORMANCE LEVELS	COMERICA BANK - CALIFORNIA		
	PERFORMANCE TESTS		
	LENDING TEST*	INVESTMENT TEST	SERVICE TEST
OUTSTANDING			
HIGH SATISFACTORY		X	X
LOW SATISFACTORY	X		
NEEDS TO IMPROVE			
SUBSTANTIAL NONCOMPLIANCE			

* The lending test is weighted more heavily than the investment and service tests in determining the overall rating.

The major factors supporting the institution's rating include:

- Good responsiveness to the credit needs of the bank's assessment areas, including a substantial majority of loans made within these assessment areas;
- Excellent distribution of loans among geographies throughout the assessment areas;
- Comparatively low level of lending to small businesses;
- Adequate level and impact of community development lending;
- Good level of qualified community development investments and grants;
- Delivery systems reasonably accessible throughout the bank's assessment areas; and
- Relatively high level and responsiveness of community development services.

INSTITUTION

DESCRIPTION OF INSTITUTION

Comerica Bank - California ("Comerica") is a \$14.9 billion, multi-state bank with 47 branch offices in Arizona, California, Colorado, and Washington. Headquartered in San Jose, Comerica is the fourth largest bank in California and a subsidiary of Comerica Incorporated, a multi-bank holding company located in Detroit, Michigan. Comerica Incorporated, with \$51 billion in assets, ranks among the top twenty largest banking companies in the United States.

Affiliated Comerica banks operate in Texas and Michigan (a multi-state bank with offices in Michigan and Florida), with additional banking subsidiaries in Canada and Mexico. Financial service subsidiaries of Comerica, Inc. offer the following:

- Investment banking and corporate finance services to Fortune 500 and middle-market companies;
- Brokerage, investment advisory and account management services to private individuals, corporations, municipalities and charitable organizations;
- Insurance products for businesses and individuals; and
- Equipment leasing and financing for businesses.

In September 2000, Comerica completed its acquisition of Imperial Bank (Imperial), formerly headquartered in Los Angeles, California. This merger of two similarly-sized institutions created California's fourth largest bank and significantly strengthened Comerica's market position in southern California urban centers such as Los Angeles and Orange County. The bank also became the dollar volume leader among California banks in Small Business Administration 7(a) lending.

Comerica has a business banking strategy that is middle-market focused. The company's goal is to increase growth by enhancing customer relationships across business lines, with a primary focus on large urban growth markets. Business development efforts focus on middle-market companies with gross annual sales between \$5 and \$250 million. Middle-market lending is supplemented by smaller amounts of large corporate and small business lending as well as private banking and other consumer services.

The combined bank is now a principal lender in the emerging growth markets, primarily technology and life sciences (TLS). While both Imperial and Comerica had TLS lending niches, they had different focuses. Imperial focused on start-up and early stage financing, while Comerica focused on later stage companies. The combined bank is now able to maintain the TLS banking relationships through more life cycles of the company.

With regard to small business lending, the bank has a Community Business Banking Group that houses a Small Business Finance Center. This group focuses on originating loans to new business customers in amounts of \$250,000 or less. While consumer-purpose loan products, including home mortgage loans, are available, they are not actively promoted and are extended primarily to existing business customers. As such, business-purpose loans, at 81 percent of total loans, represent the major portion of the bank's portfolio. The composition of Comerica's loan portfolio as of December 31, 2001, is shown in the following table.

LOAN TYPE	DOLLAR AMOUNT (000s)	PERCENT OF VALUE
Commercial/Industrial & Non-Farm Non-Residential Real Estate	\$7,011,246	81%
Construction & Land Development	\$907,199	11%
All Other	\$231,134	2%
Secured by 1-4 Family Residential Real Estate	\$226,845	3%
Consumer Loans & Credit Cards	\$189,583	2%
Leases	\$115,069	1%
Total (Gross)	\$2,484,456	100%

The bank has 13 assessment areas, of which 10 are in California. Forty-seven full-service branches are operated within these assessment areas. The ten California assessment areas cover all of the major metropolitan areas in the state and include all or portions of the following eleven counties - Contra Costa, Fresno, Los Angeles, Monterey, Orange, Sacramento, San Diego, San Francisco, San Mateo, Santa Clara, and Santa Cruz. The three assessment areas located outside of California include the metropolitan areas of Phoenix (Arizona), Denver (Colorado), and Kirkland (Washington). Changes to the assessment areas were made in conjunction with the Imperial merger. These changes were generally a blending or enlarging of the two banks existing assessment areas.

Comerica's assessment areas contain diverse markets with unique credit needs and opportunities. Nevertheless, the markets are generally high growth urban areas, and the bank focuses on addressing business credit needs with a particular focus on emerging growth markets.

There are no legal or financial impediments that would inhibit the bank's ability to meet the credit needs of its communities, consistent with its business strategy, size and resources, as well as the local economic climate. At their respective CRA examinations conducted in March 1999 and September 2000, both Imperial and Comerica received satisfactory performance ratings.

SCOPE OF EXAMINATION

This examination covers the period from January 1, 2001, through December 31, 2001. Given the bank's commercial focus, small business loans are the basis of the lending test evaluation. Although home mortgage loans are extended, they are few in number and do not allow for a meaningful lending analysis. Therefore, they were not considered in this performance evaluation. Table 1 (Arizona), Table 6 (California), Table 11 (Colorado), and Table 16 (Washington) in Appendix D¹ contain loan volume figures for all products broken out by assessment area. Summary data regarding loan volume can be found in Exhibit 1 on page 5.

The Los Angeles, Orange County, San Jose, and Santa Cruz assessment areas in California were reviewed using full-scope examination procedures. All other California assessment areas were reviewed using limited-scope examination procedures. The three assessment areas outside of California - Denver, Kirkland, and Phoenix - received full-scope reviews. The full-scope assessment areas were selected based on loan volume, percentage of deposits, deposit market share, past performance, and how recently they had been examined under the full-scope examination procedures.

¹ All Tables referenced in this document can be found in Appendix D - Core CRA Tables.

Los Angeles and San Jose carried the greatest weight in this performance evaluation. Assessment areas were weighted primarily based upon the bank's level of lending and deposit activity within the assessment areas. Additional factors are overall presence in each respective market, economic and demographic factors, and the bank's strategic goals and objectives.

The scope of the evaluation is consistent throughout the evaluation unless otherwise noted.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

Overall performance under the lending test is low satisfactory. Lending activity within the combined assessment areas and the geographic distribution of loans is good and generally responsive to local credit needs. Conversely, lending to businesses with gross annual revenues of \$1 million or less is low and has a limited responsiveness to the credit needs small businesses. Additionally, the bank extended a low level of community development loans relative to its capacity and local opportunities.

Lending Activity

Lending levels are good given the opportunities and the competition Comerica faces in its markets. Exhibit 1 below and Tables 1, 6, 11 and 16 in Appendix D show Comerica's lending activity since the previous examination broken out by product. As noted above, the bank is primarily a business lender and offers home mortgage loans on an accommodation basis. As a result, the volume of mortgage loans is insufficient to develop any meaningful conclusions regarding the geographic distribution or borrower penetration. However, considering that mortgage lending is not a significant part in the bank's lending strategy and these products are not actively promoted, the low loan volumes are reasonable.

Overall, small business lending levels for each assessment area are generally consistent with the bank's share of deposits in that particular market. One notable exception is in Los Angeles where the overall share of deposits is 13 percentage points greater than the share of loans. Nevertheless, at 34 percent of total small business lending, Los Angeles has the largest share of small business loans extended during the review period.

EXHIBIT 1				
SUMMARY OF LENDING ACTIVITY				
JANUARY 1, 2001 – DECEMBER 31, 2001				
Loan Type	#	%	\$ ('000s)	%
HMDA Home Purchase	7	41.2	5,718	49.5
HMDA Refinance	8	47.1	5,803	50.2
HMDA Home Improvement	2	11.7	35	0.3
HMDA Multifamily	0	--	0	--
Total HMDA-Related	17	0.7	11,556	1.3
Total Small Business	2,296	99.3	886,926	98.7
TOTAL LOANS	2,313	100.0	898,482	100.0

Assessment Area Concentration

As shown in Exhibit 2 below, a significant majority of all small business loans were originated within the bank's assessment areas. The tables in Appendix D have additional information regarding assessment area lending.

EXHIBIT 2								
LENDING INSIDE AND OUTSIDE THE ASSESSMENT AREAS								
JANUARY 1, 2001 – DECEMBER 31, 2001								
Loan Type	Inside				Outside			
	#	%	\$ ('000s)	%	#	%	\$ ('000s)	%
Total Small Business	1,708	74.4	612,405	69.1	588	25.6	274,521	30.9
TOTAL LOANS	1,708	74.4	612,405	69.1	588	25.6	274,521	30.9

Geographic and Borrower Distribution

The geographic distribution of small business loans reflects an excellent penetration throughout assessment area geographies, with no significant lending gaps. Lending levels in low- and moderate-income areas were particularly strong. With the exception of the Fresno and Salinas assessment areas, the geographic distribution of loans compared very favorably with the concentration of businesses and with the aggregate lending performance. Additionally, Comerica's market share of lending in low- and moderate-income areas was often larger than its overall market share of lending.

Lending to small businesses, however, was often low across the various assessment areas. As detailed in the Core Tables, the number of loans to small businesses represented less than one-third of all small business loan originations in seven of the thirteen assessment areas. Moreover, performance in those assessment areas where the bank has the greatest market share (i.e., Los Angeles, Orange County, and San Jose) significantly lags both the aggregate market as well as its peer banks. In these markets, aggregate lenders and peer banks reported lending levels to small businesses that were 8 to 12 percentage points higher than Comerica.

Because these direct lending levels are consistent with the bank's business strategy, historically management has employed alternative methods to address small business credit needs. These methods include its Easy Business Loan Application to streamline and simplify financing for small businesses as well as micro-loan and consortia loan programs. These strategies for meeting small business credit needs are intended to complement the bank's business strategy of focusing on middle-market businesses. In particular, consortium lending allows the bank to participate with other financial institutions and make loans to start-up companies and other very small businesses. During this review period, however, Comerica originated just 35 loans totaling \$32,211 through these types of financial intermediaries.² This low level of consortium lending does not adequately compensate for low direct lending levels to small businesses.

Community Development Lending

During the review period, Comerica extended an adequate level of community development loans with a limited responsiveness to community development needs. As shown in the Core Tables, seven of thirteen assessment areas had no community development lending. In the remaining six, the bank extended 15 loans for a total of \$37.6 million. Given the opportunities in the various markets as well as peer bank performance, the lending levels are comparatively low.

INVESTMENT TEST

Investment test performance is high satisfactory. Comerica made a good level of qualified community development investments, occasionally in a leadership role. As shown in Tables 4, 9, 14, and 19 the bank funded \$15.3 million in new investments. In addition, there was \$31.5 million in prior investments remaining on the bank's books with another \$11.1 million in unfunded commitments. Included in these figures are contributions from the Comerica Bank - California Foundation which sets aside half of its annual budget for community development activities. These investments and grants were generally responsive to community credit needs and addressed the following community development areas:

- Affordable housing development projects, primarily in the form of low-income housing tax credits;
- Business associations providing technical assistance to small businesses; and
- Community organizations providing services targeted to low- and moderate-income individuals.

Comerica makes occasional use of innovative and complex investments to support community development initiatives. The bank regularly purchases low-income housing tax credits, and these types of investments occasionally require restructuring to effectively address affordable housing needs. Several of the low-income housing tax credits benefited individual assessment areas while others benefited a broader statewide or regional area.

The bank also makes extensive use of mortgage-backed securities. While mortgage-backed securities are standard investment products, the bank uses this investment vehicle throughout its combined assessment areas, impacting numerous low- or moderate-income individuals and geographies.

² This low level of consortium lending was due, in part, to internal processing difficulties that prevented bank management from identifying and reporting all applicable consortia activity.

Seed capital to start-up businesses is an additional investment vehicle used in several assessment areas. Through Comerica Ventures, Inc., a licensed Small Business Investment Company, the bank invests in the development of start-up businesses, particularly in the technology and life sciences industries.

SERVICE TEST

Performance with respect to the service test is high satisfactory. The bank provided a good level of retail banking and community development services in its combined assessment areas.

Retail Banking Services

Retail delivery systems are reasonably accessible within the various assessment areas. Branch closings have not adversely impacted the accessibility of its delivery systems. In addition to its main office in San Jose, the bank operates 46 full-service branches throughout its four-state area. The distribution of these branches by census tract income level is detailed in Core Tables 5, 10, 15, and 20. Products and services are available throughout its assessment areas. Other delivery mechanisms that enhance accessibility include a multi-lingual ATM network, business banking services, bank-by-mail, bank-by-phone, and Internet banking services.

Of particular note is the bank's partnership with Family Savings Bank. Through this arrangement, the bank continues to take a leadership role in providing loans to small businesses in the southern Los Angeles area. Opened in August 1999, Comerica has a loan production office (LPO) adjacent to the lobby of the Family Savings Bank Crenshaw Boulevard office. In 2001, the LPO originated 16 loans totaling \$13 million. This strategic alliance enables each financial institution to reach additional customers within their particular niches.

Community Development Services

Comerica employees provided a relatively high level of community development services. During the review period, 61 bank employees provided over 4,200 hours of community development services to 75 different organizations. In addition to the good level of services, many of these addressed critical needs in the various assessment areas. Consistent with the bank's business strategy, services often promoted the economic development of small businesses.

COMPLIANCE WITH FAIR LENDING LAWS AND REGULATIONS

The bank is in compliance with the substantive provisions of the anti-discrimination laws and regulations. Established policies and procedures are designed to ensure compliance with fair lending laws and regulations. Also, the fair lending review performed concurrently with this examination did not evidence that Comerica engages in any type of discriminatory lending practices.

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: High Satisfactory

The major factors supporting Comerica's California rating are the same as those supporting the overall rating and are repeated below.

- Good responsiveness to the credit needs of the bank's assessment areas, including a substantial majority of loans made within these assessment areas;
- Excellent distribution of loans among geographies throughout the assessment areas;
- Comparatively low level of lending to small businesses;
- Adequate level and impact of community development lending;
- Good level of qualified community development investments and grants;
- Delivery systems reasonably accessible throughout the bank's assessment areas; and
- Relatively high level and responsiveness of community development services.

SCOPE OF EXAMINATION

The scope of the examination for California is consistent with the overall scope of the CRA examination. As previously stated, the Los Angeles, Orange County, San Jose, and Santa Cruz assessment areas were reviewed using full-scope examination procedures. All other California assessment areas were reviewed using limited-scope examination procedures. The limited scope reviews were conducted to determine if the bank's performance in these assessment areas was consistent with its overall performance.

Los Angeles and San Jose carried the greatest weight in this performance evaluation. These are the two areas where the bank has the largest branch presence and the greatest overall market share. In total, the four full-scope areas account for 83 percent of the bank's California deposits and 73 percent of its small business lending. Community development lending was similarly concentrated in these areas.

DESCRIPTION OF OPERATIONS IN CALIFORNIA

Although Comerica has a presence in four western states, California is its predominate market. The bank operates branch offices and conducts lending activities in all of California's major metropolitan areas. The state is home to 10 of the bank's 13 assessment areas and 44 of its 47 branch offices. More importantly, 98 percent of all bank deposits and 92 percent of all small business lending are in California.

The bank's presence in California has increased significantly as a result of its 2001 merger with Imperial Bank. As previously noted, this merger created the state's 4th largest bank. Imperial's stronghold was in the southern California markets of Los Angeles and Orange County, while Comerica's stronghold was in northern California markets such as San Jose.

Although concentrated in high growth urban markets, Comerica's assessment areas contain diverse markets with unique credit needs and opportunities. The East Bay, San Francisco, and

San Jose assessment areas are part of the San Francisco Consolidated Metropolitan Statistical Area (CMSA). Home to what is commonly known as the Silicon Valley, technology-based industries drive the economy. Similar to the Bay Area but not as reliant on the high-technology industry is the neighboring Santa Cruz County. Credit needs in these areas include small business loans and a critical need for affordable housing.

In southern California, the bank has its Los Angeles, Orange County and San Diego assessment areas. Los Angeles remains one of the nation's largest counties, with a population of over nine million. Economic conditions in these southern California communities have been improving since 1996 as they continue to record job growth and a relatively low unemployment rate. In fact, southern California has experienced a relatively stable economy over the past year relative to the rest of the nation, a fact attributed to the area's diverse economy. Credit needs here include small business loans and affordable housing; however, the housing issues are not nearly as critical in southern California as they are in the San Francisco Bay Area.

Comerica's presence in California's Central and San Joaquin Valleys consist of the Fresno and Sacramento assessment areas. While these economies are generally agriculturally based, services dominate area businesses. Sacramento is the state capital and, therefore, has a large government influence as well. Farming generally drives the economies of these areas. While services dominate area businesses, these services are targeted to the facilitation of agricultural production. As a result, small business and small farm loans are the predominant credit needs in those areas.

The bank's operations in Salinas County are located on California's Central Coast. This area is more rural, deriving its economic base from government employment, seasonal industries such as tourism, and some agricultural production. Businesses are primarily engaged in services and retail trade. Small business loans are the most critical need in these areas. More detailed demographics pertaining to the bank's assessment areas can be found in the full-scope assessment area descriptions or in the limited-scope demographic tables in the Appendices to this report.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN CALIFORNIA

Conclusions regarding Comerica's overall performance in California with respect to the lending, investment and services tests are the same as the overall conclusions for the bank as a whole. Well over 90 percent of all banking activities for the entity are located in the state. As a result, the overall conclusions starting on page 4 of this report are the same for the California market. The following sections contain specific conclusions regarding individual assessment areas within the state of California, noting some deviations in performance among the individual areas.

LOS ANGELES, CALIFORNIA

(Reviewed using the full-scope examination procedures)

DESCRIPTION OF OPERATIONS IN LOS ANGELES

Comerica's Los Angeles assessment area encompasses 1,599 of the Los Angeles-Long Beach MSA's most populated 1,652 census tracts. Located along the southern coast of California, Los Angeles County has the distinction of being the most populated county in the state with over nine million residents.

Major political subdivisions within the assessment area include the cities of Compton, Glendale, Long Beach, Los Angeles, Pasadena, Santa Monica, and Whittier. Comerica operates twelve branches in this assessment area. Deposit activity in Los Angeles accounted for 48 percent of all of the bank's deposit activity in California, while small business lending accounted for 31 percent of the bank's overall small business loan activity. With \$5.7 billion in deposits, Comerica ranks 7th in market share out of 147 financial institutions operating in Los Angeles County.³

Exhibit 3 on the following page depicts certain demographic data based on the 1990 U.S. Census and 2001 Dun & Bradstreet data. This information was used to develop the performance context for Los Angeles County.

³ Source: FDIC/OTS Summary of Deposits - June 30, 2001.

EXHIBIT #3								
ASSESSMENT AREA DEMOGRAPHICS								
LOS ANGELES								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	146	9.1	155,570	8.0	54,591	35.1	452,521	23.4
Moderate-income	376	23.5	493,796	25.5	101,224	20.5	330,582	17.1
Middle-income	522	32.7	647,292	33.4	56,781	8.8	378,080	19.5
Upper-income	536	33.5	640,191	33.1	19,200	3.0	775,666	40.0
Tract not reported	19	1.2	0	0	0	0	0	0
Total AA	1,599	100.0	1,936,849	100.0	231,796	12.0	1,936,849	100.0
Income Categories	Housing Units by Tract	Housing Types by Tract						
		Owner-occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	251,248	33,619	2.5	13.4	197,840	78.7	19,789	7.9
Moderate-income	720,384	203,886	15.1	28.3	476,548	66.2	39,950	5.5
Middle-income	1,049,135	463,467	34.4	44.2	530,998	50.6	54,680	5.2
Upper-income	1,001,840	646,247	48.0	64.5	308,094	30.8	47,499	4.7
Tract not reported	246	7	0	2.8	235	95.5	4	1.6
Total AA	3,022,853	1,347,226	100.0	44.6	1,513,715	50.1	161,922	5.4
Income Categories	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or Equal to \$1 Million		Greater than \$1 Million		Revenue Not Reported	
			#	%	#	%	#	%
Low-income	34,906	9.3	27,824	8.9	4,937	12.8	2,145	9.2
Moderate-income	72,442	19.4	59,647	19.1	8,157	21.2	4,638	19.8
Middle-income	124,201	33.3	104,056	33.4	12,325	32.0	7,820	33.4
Upper-income	140,550	37.6	119,002	38.2	12,865	33.5	8,683	37.1
Tract not reported	1,287	0.3	1,019	0.3	174	0.5	94	0.4
Total AA	373,386	100.0	311,548	100.0	38,458	100.0	23,380	100.0
Percentage of Total Businesses:			83.4		10.3		6.3	

Affordable housing is an issue in Los Angeles with less than half the housing units being owner-occupied. This assessment area has a median housing value and a median family income higher than the state of California. The median housing value for the assessment area is \$234,687 while the median housing value for the state of California is \$194,307. Median family income for this assessment area is \$42,361, as compared to the state median family income of \$40,559. Higher home values coupled with lower owner-occupancy rates show that housing affordability is a challenge in Los Angeles.

Economic conditions in Los Angeles County have been improving since 1996 as the county continues to record job growth and a relatively low unemployment rate of 5.4 percent in the year in 2000. However, housing remains unaffordable to many assessment area residents, especially low- and moderate-income individuals. In particular, 78 percent of the assessment area's owner-occupied housing units cost \$150,000 or more, and the owner-occupancy rate is less than 50 percent.

The county's diverse economic base includes finance and business services, health services, tourism and entertainment, electronics, apparel, retail and wholesale distribution, as well as international trade. According to the 2000 annual average statistics, services is the largest industry in the county, accounting for 33 percent of total employment. Within services, a large concentration of jobs is in the business services and health services sectors. Another dominate industry is retail trade, accounting for 15 percent of all employment with a majority of the jobs in the eating and drinking places sector. Manufacturing makes up 15.4 percent of total employment with a concentration of jobs in the apparel and other textile products sector.⁴

Throughout 2001 Los Angeles continued to struggle with recession. Employment was falling as the unemployment rate rose for the first time since 1996. However, the recession has been mild when compared to the downturn in northern California or in the manufacturing regions of the Midwest or Southeast. Real estate markets are healthy and household credit quality is stable. The huge Los Angeles economy, with its many links to both national and international demand could hardly avoid recession, but its mild nature attests to the balance in the local economy that had few examples of overinvestment.⁵

The lack of a large presence of IT-producing industries or durable goods manufacturing has kept Los Angeles' downturn mild. High office vacancy rates in west Los Angeles do attest to the loss of some e-commerce and other high-tech employment, but much of Los Angeles' technology base is linked to the entertainment and film industries, for which demand has remained stable.⁶

The downturn in travel and tourism following 9/11, however, made recession inevitable. Hotel revenues are still well below one year ago and passenger arrivals, particularly from overseas, are lackluster. Corporate travel to Los Angeles remains weak, but there has been some rebound in local leisure spending from the huge southern California and southwest markets.⁷

Defense spending may play an important role in the Los Angeles economy, but rising defense expenditure has yet to have a significant impact on hiring within the economy. While some aerospace firms are beginning to hire as a result of rising defense contracting, makers of civilian aircraft and space equipment are still paring payrolls at a rate sufficient to offset the defense-related gains.⁸

While major employers such as Los Angeles County, Kaiser Permanente, and Ralph's Grocery continue to employ large numbers of persons, over 84 percent of assessment area businesses report gross annual revenues of \$1 million or less. Given the preponderance of small businesses, financing for the sector was routinely cited as a significant credit need.

⁴ Source: State of California, Employment Development Department, County Snapshots.

⁵ Source: Economy.com, Inc.

⁶ Ibid.

⁷ Ibid.

⁸ Ibid.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN LOS ANGELES

LENDING TEST

Comerica's lending performance in its Los Angeles assessment area is adequate. Lending activity was good, and there was a good distribution of small business loans among assessment area geographies. The bank made an adequate level of community development loans. However, the bank originated a relatively low number of small business loans to businesses with gross annual revenues of \$1 million or less.

Lending Activity

Lending levels are good in this assessment area. While there is a difference in Los Angeles' share of deposits (46 percent) versus its share of small business loans (33 percent), this assessment area had the largest share of the bank's small business loans. Refer to Table 6 for complete details regarding loan volume.

Lending Distribution by Geography

The geographic distribution of small business loans reflects a good penetration throughout the assessment area, including low- and moderate-income geographies. As shown in Tables 7 and 7a, the distribution of small business loans in low- and moderate-income census tracts slightly exceeds the number of businesses operating within those geographies. Additionally, the number and dollar volume of loans within low- and moderate-income geographies exceeded the aggregate lending levels. Market share figures in these areas also were greater than the bank's overall market share of small business loans.

Lending Distribution by Business Size

The distribution of small business loans reflects a poor penetration among businesses of different sizes. Tables 8 and 8a illustrate the bank's lending to small businesses. As shown, less than one-third of the total number of small business loans were originated to businesses with gross annual revenues of \$1 million or less. The bank's performance in this assessment area significantly lags its peer group of lenders and the aggregate lending data. Both the peer group and the aggregate lenders reported results ranging from nearly 40 percent to over 50 percent of loans extended to small businesses. Responsiveness to the credit needs of small businesses was further limited due to the lack of participation with consortium loan pools or similar programs within the assessment area.

Community Development Lending

Comerica had an adequate level of community development lending activity within its Los Angeles assessment area, with a good impact on community credit needs. The bank extended five community development loans totaling \$11.5 million. These included a loan to a financial intermediary promoting the economic development of small businesses through a micro loan program. The remaining four loans were to organizations providing housing, health care, job placement and other social services targeted to low- and moderate-income individuals.

INVESTMENT TEST

The bank provided a good level of investment and grant activity in its Los Angeles assessment area. Consistent with a primary credit need, the bank funded \$3.8 million in low-income housing tax credits within this assessment area resulting in the construction of 995 affordable housing units. Investment activities also included \$6.4 million in unfunded commitments of low-income housing tax credits for the planned development of more affordable housing units. Contributions consisted of over \$273,000, primarily to organizations targeting the needs of low- and moderate-income individuals and promoting the economic development of small businesses throughout Los Angeles County. Finally, the bank maintained just over \$6 million in prior period investments on its books. Details regarding investment activity are found in Table 9.

SERVICE TEST

Comerica's high level of qualified community development services coupled with delivery systems accessible to essentially all portions of the assessment area demonstrated a good response to identified service needs.

Retail Banking Services

Retail banking services are available to essentially all portions of its assessment area. The bank's 12 full-service branches offer the entire range of the bank's products and services to assessment area geographies, two of which are located in low- or moderate-income census tracts. Business hours are 10:00 a.m. to 3:00 p.m., Monday through Thursday, and 10:00 a.m. to 5:00 p.m. on Friday. Consistent with the location of these offices either in office towers or commercial districts, these hours provide adequate access to the bank's business clientele. Twenty-four hour ATM access is available at a majority of the branches and customers have account access 24-hours a day through telephone banking and Internet banking.

Additionally, the bank has its partnership with Family Savings Bank in this assessment area. By establishing an LPO in Family Savings Bank's Crenshaw Boulevard Office, Comerica is able to offer small business loans along the Crenshaw corridor, an area where such services are not readily available.

Community Development Services

Comerica provided a relatively high level of qualified community development services in its Los Angeles assessment area. Twenty different bank officers and other personnel provided financial services to 33 separate organizations, with several different officers providing services to more than one organization. Together, these activities totaled 150 hours per month. Services were targeted to low- and moderate-income individuals, affordable housing, small business development, and the stabilization and revitalization of low- and moderate-income geographies.

ORANGE COUNTY, CALIFORNIA

(Reviewed using the full-scope examination procedures)

DESCRIPTION OF OPERATIONS IN ORANGE COUNTY

The Orange County assessment area consists of Orange County in its entirety. Orange County, situated just south of Los Angeles, has 2.8 million residents and is second only to Los Angeles County in population. With 42 miles of southern California coastline, it is bordered by Los Angeles County to the north, San Diego County to the south, and Riverside and San Bernardino Counties to the east. Incorporated cities are mostly located in the northwest area, stretching south along the coast. Anaheim and Santa Ana are the county's two largest cities.

Comerica's one branch in this assessment area is responsible for 11.7 percent of the bank's California deposits and 11.9 percent of its overall small business lending activities. Comerica's \$1.4 billion in deposits ranks 8th in deposit market share among 94 banks or thrifts operating 556 branches within Orange County.⁹

Exhibit 4 on the following page depicts certain demographic data based on the 1990 U.S. Census and 2001 Dun & Bradstreet data. This information was used to develop the performance context for Orange County.

⁹ Source: FDIC/OTS Summary of Deposits - June 30, 2001.

EXHIBIT #4								
ASSESSMENT AREA DEMOGRAPHICS								
ORANGE COUNTY								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	14	2.9	15,290	2.6	3,318	21.7	110,124	18.6
Moderate-income	118	24.4	136,218	23.1	14,239	10.5	112,222	19.0
Middle-income	213	44.0	255,474	43.3	9,892	3.9	139,185	23.6
Upper-income	133	27.5	183,508	31.0	3404	1.9	228,959	38.8
Tract not reported	6	1.2	0	0	0	0	0	0
Total AA	484	100.0	590,490	100.0	30,853	5.2	590,490	100.0
Income Categories	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	20,617	3,826	0.8	18.6	15,730	76.3	1,061	5.1
Moderate-income	215,961	85,406	17.2	39.5	118,214	54.7	12,341	5.7
Middle-income	385,685	223,987	45.1	58.1	142,066	36.8	19,632	5.1
Upper-income	252,804	183,605	37.0	72.6	54,227	21.5	14,972	5.9
Tract not reported	5	0	0	0	5	0	0	0
Total AA	875,072	496,824	100.0	56.8	330,242	37.7	48,006	5.5
Income Categories	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or Equal to \$1 Million		Greater than \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low-income	5,805	4.0	4,668	3.9	843	5.5	294	3.5
Moderate-income	38,135	26.6	31,268	26.1	4,921	32.4	1,946	22.9
Middle-income	56,414	39.3	47,801	39.9	5,197	34.2	3,416	40.1
Upper-income	37,166	25.9	31,507	26.3	3,073	20.2	2,493	29.3
Tract not reported	6,103	4.2	4,677	3.9	1,159	7.6	360	4.2
Total AA	143,623	100.0	119,921	100.0	15,193	100.0	8,509	100.0
Percentage of Total Businesses:			83.5		10.6		5.9	

As in most urban areas in California, affordable housing is an issue in Orange County. Similar to the Los Angeles and San Jose assessment areas, this area exhibits a median housing value and a median family income significantly higher than the state of California as a whole. The median housing value for this assessment area is \$247,872, compared to the median housing value for the state of \$194,307. Likewise, the median family income for Orange County is \$53,694, compared to the median family income for the state of \$40,559. Higher home values coupled with lower owner-occupancy rates show that housing affordability is a challenge in Orange County.

Orange County is home to a vast number of major industries and service organizations. The county's diverse economic base is dominated by the services, trade and manufacturing industries. Services is the largest industry employer, accounting for 31.2 percent of the county's employment. Trade in Orange County has grown steadily since 1996. Currently the industry accounts for 24.3 percent of the county's total employment, with a majority of the jobs in retail trade. Manufacturing follows at 18 percent of total employment.¹⁰

The county also has a diverse high technology sector and is focused on key high-growth technology industry clusters. These include telecommunications, computer software, biomedical, electronics and computers, aerospace/defense, and advanced materials. Within these clusters, telecommunications and computer software clusters are growing more rapidly.¹¹

Recent expansion in the entertainment industry, such as additions to the Disneyland theme park supports the predominance of services as the largest employer in the assessment area. Unskilled, minimum wage service workers typically commute into Orange County for employment. Small businesses, however, continue to be the assessment area's most prevalent employer. Eighty-four percent of the assessment area's 119,742 businesses generate gross annual revenues of \$1 million or less. Given the preponderance of small businesses, credit for these entities is a significant need.¹²

Orange County's economy continues to expand. The recession's impact has been moderate in the county, although it did manage to slow the pace of job growth. Dampening Orange County's economy this past year has been a falloff in trade activity at southern California ports of more than 20 percent over the past year. Personal bankruptcy filings are rising rapidly, indicative of Orange County's exposure to travel and tourism as well as manufacturing, both of which are at the center of the recession. Still, the economy has not contracted and housing markets remain resilient.¹³

Tech industries did take a hit over the past year, particularly Orange County's semiconductor makers that cater to the telecommunications industry. However, semiconductor sales are rising in domestic and Asia-Pacific markets. Electronics and computers were hit early in the recession and have nearly stabilized. Tech-related producers are getting a boost from defense spending. Aerospace industries reported a particularly rapid improvement.¹⁴

Rising office vacancies attest to the weakened pace of growth in the economy as well as to the surge in new space coming on line from construction begun over the past two years. Construction activity did respond quickly to the slowdown in the economy, however, so net absorption should turn positive by year-end 2002. Despite the slower pace of economic growth and home building, Orange County housing markets remain undersupplied, according to estimates.¹⁵

¹⁰ Source: State of California; Employment Development Department; County Snapshots.

¹¹ Source: Economy.com, Inc.

¹² Source: State of California; Employment Development Department; County Snapshots.

¹³ Source: Economy.com, Inc.

¹⁴ Ibid.

¹⁵ Ibid.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN ORANGE COUNTY

LENDING TEST

Lending test performance in Orange County is adequate. Lending activity in the area was good, with an excellent geographic distribution of lending. Similar to other areas in the bank's markets, lending to small businesses was low as was the level of community development lending.

Lending Activity

As shown in Table 6, lending activity in Orange County is good. Loan volume, at 11.8 percent of total lending, compares favorably to the county's 11.3 percent share of total deposits.

Lending Distribution by Geography

Comerica's lending patterns demonstrate an excellent distribution of small business loans among the various census tracts with no conspicuous lending gaps. As shown in Tables 7 and 7a, lending patterns compare very favorably with the percentage of businesses within individual census tracts as well as with aggregate lending levels. The bank's performance was particularly strong in low- and moderate-income census tracts where originations were 43.9 percent of total lending, compared to aggregate origination rates of 27.0 percent. Market share figures add further support to this record as they were significantly higher in low- and moderate-income areas than in other areas.

Lending Distribution by Business Size

The distribution of small business loans reflects a poor penetration among businesses of different sizes. Tables 8 and 8a illustrate the bank's lending to small businesses. As shown, less than one-third of the total number of small business loans were originated to businesses with gross annual revenues of \$1 million or less. As discussed in the overall assessment, this performance compares unfavorably with aggregate and local peer lending data. Responsiveness to the credit needs of small businesses was further limited due to the limited participation with consortium loan pools or similar programs within the assessment area.

Community Development Lending

The bank originated a low level of community development loans in the Orange County assessment area during the review period. In 2001, the bank extended just one community development loan totaling \$1.5 million and participated in a countywide micro-business loan pool. The one community development loan supported an organization providing temporary and full-time staffing, global training, and other employment services and placement for low- and moderate-income individuals.

INVESTMENT TEST

Comerica made an adequate level of investments in this assessment area. During 2001, the bank funded \$517,000 of a \$1.5 million commitment for the development of 137 affordable housing units within Orange County. The bank also purchased and held until November 2001, a \$1.9 million statewide investment in a mortgage-backed security holding mortgages to low- and moderate-income borrowers from Orange and other California counties. Qualified grants and donations totaled \$57,000 primarily to organizations focusing on the provision of services to low- and moderate-income individuals and on developing affordable housing throughout the county. In addition, through Comerica Ventures, Inc., the bank invested \$300,000 in seed money to a start-up business within Orange County. Details regarding investment activity can be found in Table 9.

SERVICE TEST

Comerica's provision of retail banking and community development services is good.

Retail Banking Services

The bank provides an adequate level of services in the Orange County assessment area, despite the presence of only one branch. While the branch office has limited hours, 10:00 a.m. to 3:00 p.m., Monday through Thursday, and 10:00 a.m. to 5:00 p.m. on Friday, these hours are reasonable for their business customers. Twenty-four hour ATM access is available and customers have account access 24 hours a day through telephone banking and Internet banking.

Community Development Services

Bank employees provide a good level of qualified community development services in the assessment area. Five members of senior management and staff provided qualified services to community organizations through participation in those organizations' board of directors and loan/finance committees. Through these volunteer efforts totaling approximately 20 hours per month, the bank rendered technical and financial expertise to organizations that promote health care programs, youth initiatives, childcare programs, and small business development. One employee served on the board of a community development corporation offering small business loans to companies located in low-moderate income areas and enterprise zones.

SAN JOSE, CALIFORNIA

(Reviewed using the full-scope examination procedures)

DESCRIPTION OF OPERATIONS IN SAN JOSE

The bank's San Jose assessment area consists of 335 of Santa Clara County's 385 census tracts. Situated south of the San Francisco Bay, Santa Clara County is part of one of the state's busiest urban areas - the San Francisco Bay Area. Northwestern Santa Clara County is also part of the region known as the Silicon Valley, an industrial region centered around the southern shores of the San Francisco Bay.

Comerica operates 11 branch offices in this assessment area. Deposit activity in San Jose accounted for 20 percent of all deposit activity in California while small business lending accounted for 29 percent of the bank's overall small business loan activity. With \$2.5 billion in deposits, the bank ranks 5th in deposit market share in the county.¹⁶

Exhibit 5 on the following page depicts certain demographic data based on the 1990 U.S. Census and 2001 Dun & Bradstreet data. This information was used to develop the performance context for Santa Clara County.

¹⁶ Source: FDIC/OTS Summary of Deposits - June 30, 2001.

EXHIBIT #5									
ASSESSMENT AREA DEMOGRAPHICS									
SAN JOSE									
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income		
	#	%	#	%	#	%	#	%	
Low-income	11	3.3	10,909	3.1	2,331	21.4	67,355	18.9	
Moderate-income	59	17.6	68,673	19.3	7,015	10.2	66,934	18.8	
Middle-income	156	46.6	198,564	55.8	7,447	3.8	85,209	24.0	
Upper-income	66	19.8	77,480	21.8	1,071	1.4	136,128	38.3	
Tract not reported	43	12.8	0	0	0	0	0	0	
Total AA	335	100.0	355,626	100.0	17,864	5.0	355,626	100.0	
Income Categories	Housing Units by Tract	Housing Types by Tract							
		Owner-Occupied			Rental		Vacant		
		#	%	%	#	%	#	%	
Low-income	17,011	4,400	1.5	25.9	11,893	69.9	718	4.2	
Moderate-income	112,294	42,383	14.2	37.7	65,162	58.0	4,749	4.2	
Middle-income	297,510	171,611	1	57.6	57.7	114,816	38.6	11,083	3.7
Upper-income	102,182	79,469	26.7	77.8	19,621	19.2	3,092	3.0	
Tract not reported	0	0	0	0	0	0	0	0	
Total AA	528,997	297,863	3	100.0	56.3	211,492	40.0	19,642	3.7
Income Categories	Total Businesses by Tract		Businesses by Tract & Revenue Size						
			Less Than or Equal to \$1 Million		Greater than \$1 Million		Revenue Not Reported		
			#	%	#	%	#	%	#
Low-income	4,547	6.1	3,530	5.7	793	9.5	224	5.9	
Moderate-income	17,430	23.6	14,385	23.3	2,250	26.9	795	20.9	
Middle-income	38,518	52.1	32,156	52.0	4,320	51.6	2,042	53.6	
Upper-income	13,290	18.0	11,602	18.8	963	11.5	725	19.0	
Tract not reported	193	0.3	120	0.2	49	0.6	24	0.6	
Total AA	73,978	100.0	61,793	100.0	8,375	100.0	3,810	100.0	
Percentage of Total Businesses:			83.5		11.3		5.2		

The lack of affordable housing continues to be one of the most critical needs in the Bay Area and is particularly serious in the Santa Clara County suburbs near the Silicon Valley. California, particularly the Bay Area, remains one of the least affordable housing markets in the U.S. As of the first quarter of 2001, San Jose was the 4th least affordable housing market in the country.¹⁷ One key reason for the housing affordability issue is that the entire Bay Area region has historically created new jobs at over five times the rate it has created new housing. This

¹⁷ Source: California Building Industry Association.

phenomenon results in housing shortages that drive up rental costs and housing prices. The current recession has begun to ease the housing issue with rents and housing prices starting to decline. However, the core dynamics continue to exist, and housing will continue to be a problem in the Bay Area for the foreseeable future.

The entire Bay Area showed positive growth into 2000 with the labor force and employment growing and unemployment rates declining. Services dominated employment with the business services component responsible for the largest share of new jobs.¹⁸ However, by 2001 the San Francisco Bay Area was in the midst of a recession, primarily due to dot-com failures. As a result, the economy is suffering from a downturn in financial services and travel-related industries. Travel has fallen as the tech slump has sharply curtailed business travel to the area. In addition, office vacancies are rising as demand slumps and office rents fall.¹⁹ As a result, unemployment rates also rose sharply in 2001 after continuing to decline in 2000.²⁰ This recent rise in unemployment is attributable to the technology downturn, but job losses are widespread, extending from technology, manufacturing and services to financial services and trade and transportation.

Particularly hard hit during the recession is the San Jose metropolitan area in Santa Clara County, which is dominated by the Silicon Valley. Its name is derived from the dense concentration of electronics and computer companies, although its emphasis has shifted somewhat from computer manufacturing to research, development and marketing of computer products and software. Given its technology focus, this area has seen the largest decrease in employment due to dot-com failures and layoffs. According to recent statistics, since January 2000, well over 200 Internet companies based in California either went out of business or filed bankruptcy.²¹ Also, dot-com layoffs in 2001 doubled those in 2000. As a result, the greater San Jose metropolitan area has gone from one of the nation's lowest jobless rates to one of the highest.²²

Dun & Bradstreet data show that small businesses dominate the market, both in numbers of employees and revenue size. Approximately 85 percent of the 193,919 businesses operating in the assessment area have gross annual revenues of \$1 million or less, while 64 percent have less than five employees. This data also shows that services and retail trade make up the preponderance of business sectors.

As detailed above, the current economic slowdown is causing job losses and unemployment to rise significantly. While housing prices have declined somewhat, housing affordability remains a major issue. Also, given the preponderance of small businesses in the market, credit for small businesses remains a major need. As the above data suggests, the number of businesses to lend to has drastically decreased. Nevertheless, community representatives emphasize the need for small dollar loans and technical assistance for small businesses and affordable housing programs and loans. In addition, there was an indicated need for community development services and for lending to non-profit organizations in general.

¹⁸ Source: State of California, Employment Development Department, County Snapshots.

¹⁹ Source: Economy.com, Inc.

²⁰ Source: California Employment Development Department.

²¹ Source: "Silicon Valley.com" article entitled "Dot-com Death Toll Doubles in 2001, Report Says."

²² Source: Economy.com, Inc.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN SAN JOSE

LENDING TEST

Comerica demonstrated adequate lending performance in its San Jose assessment area. While the geographic distribution of small business loans showed excellent responsiveness to assessment area businesses, loan penetration to businesses with gross annual revenues of \$1 million or less compared unfavorably with aggregate lending performance. In addition, the bank originated a limited number of community development loans within this assessment area.

Lending Activity

Lending levels in San Jose are excellent. As shown in Table 6, loan volume, at 28.6 percent of total lending, compares very favorably to the county's 19.2 percent share of total deposits.

Lending Distribution by Geography

The geographic distribution of small business lending reflects an excellent penetration of loans throughout the assessment area, including low- and moderate-income geographies. As shown in Tables 7 and 7a, the distribution of small business loans in low- and moderate-income geographies significantly exceeded the concentration of assessment area businesses as well as the aggregate lenders. Further, the bank's market share of loans in low- and moderate-income areas is significantly higher than its overall market share of small business loans.

Lending Distribution by Business Size

The distribution of small business loans reflects a poor penetration among businesses of different sizes. Tables 8 and 8a illustrate the bank's lending to small businesses within the San Jose assessment area. As shown, approximately one-quarter of the total number of small business loans were originated to businesses with gross annual revenues of \$1 million or less. As discussed in the overall assessment, the bank's performance in this category lags its peer group of lenders and the aggregate lending data. Aggregate data for this assessment area showed small business loan-penetration rates of 37 percent to small businesses.

Consortium lending somewhat compensates for the low level of direct lending. The bank's pro rata share of a small business micro-loan pool consisted of twelve loans totaling \$5,247.

Community Development Lending

Comerica's community development loan activity in San Jose is limited. The bank's two community development loans totaling \$8.3 million consisted primarily of a \$7.8 million construction loan for an affordable housing project in Milpitas. While this loan is responsive to the critical need for affordable housing in Santa Clara County, the level of community development lending is low given the bank's capacity and the performance of other lenders in the market.

INVESTMENT TEST

The bank made an adequate level of investments in the San Jose assessment area. Investment activities consisted of two low-income housing tax credits for the construction of 191 affordable housing units for individuals whose incomes are at or below 50 percent of the median family income. The bank's total commitment to these projects equals \$6 million, of which \$2.8 million was funded during the review period. Although limited in number, these activities address a primary need for affordable housing in this assessment area. The strong high tech and computer industries located in and around Silicon Valley make housing unaffordable for many people, including low- and moderate-income persons.

Grant and donation activities otherwise showed good responsiveness to assessment area credit needs. The bank contributed over \$209,000 to community development organizations primarily serving the needs of low- and moderate-income individuals.

SERVICE TEST

Comerica's provision of retail banking and community development services is good.

Retail Banking Services

Retail delivery systems within the assessment area provided good access to services. Three of the bank's eleven branches are located in either low- or moderate-income census tracts. Business hours are 9:00 a.m. to 4:00 p.m., Monday through Thursday, with extended hours until at least 5:00 p.m. on Friday. These banking hours offer good access to bank services given the business customer base. Twenty-four hour ATM access is available at a majority of the branches and customers can access their accounts 24-hours a day through telephone banking and Internet banking.

Community Development Services

Bank employees provided a relatively high level of qualified community development services in the San Jose assessment area. Fourteen different bank personnel offered nearly 70 hours a month to organizations serving various community development needs. For example, one employee served as the co-chair of a housing and land use committee that advocates the development of low- to moderate cost housing. That committee of a manufacturing group reviewed and supported over 50 residential projects, all of which contained an affordable housing component. Other employees served on loan committees of community development corporations that provide technical and financial assistance to small businesses or participated in tutoring low- and moderate-income individuals on financial literacy.

SANTA CRUZ, CALIFORNIA

(Reviewed using the full-scope examination procedures)

DESCRIPTION OF OPERATIONS IN SANTA CRUZ

Comerica's Santa Cruz assessment area consists of 62 of Santa Cruz County's 80 census tracts. Santa Cruz County is located at the northern end of Monterey Bay, on the central coast of California. Surrounding counties include San Mateo to the north, Santa Clara to the east, and Monterey to the south. Only 440 square miles, Santa Cruz County is the second smallest in the state.

Political subdivisions within the county include the cities of San Lorenzo Valley, Santa Cruz, Scotts Valley, and Watsonville. Comerica operates seven branches within this assessment area. With just under \$380 million in deposits and a 13.8 percent deposit share, the bank ranks 4th out of 14 financial institutions operating in Santa Cruz County.²³

Exhibit 6 on the following page depicts certain demographic data based on the 1990 U.S. Census and 2001 Dun & Bradstreet data. This information was used to develop the performance context for Santa Cruz County.

²³ Source: FDIC/OTS Summary of Deposits - June 30, 2001.

EXHIBIT #6								
ASSESSMENT AREA DEMOGRAPHICS								
SANTA CRUZ								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	0	--	0	--	0	--	0	--
Moderate-income	9	14.5	10,315	21.6	1,137	11.0	9,689	20.3
Middle-income	21	33.9	25,207	52.8	1,646	6.5	8,905	18.7
Upper-income	9	14.5	12,174	25.5	366	3.0	10,947	22.9
Tract not reported	23	37.1	0	0	0	0	18,155	38.1
Total AA	62	100.0	47,696	100.0	3,149	6.6	47,696	100.0
Income Categories	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	0	0	0	0	0	0	0	0
Moderate-income	17,939	6,238	14.5	34.8	10,410	58.0	1,291	7.2
Middle-income	44,770	23,781	55.5	53.1	16,884	37.7	4,105	9.2
Upper-income	18,343	12,863	30.0	70.1	3,806	20.7	1,674	9.1
Tract not reported	0	0	0	0	0	0	0	0
Total AA	81,052	42,882	100.0	52.9	31,100	38.4	7,070	8.7
Income Categories	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or Equal to \$1 Million		Greater than \$1 Million		Revenue Not Reported	
			#	%	#	%	#	%
Low-income	0	0	0		0		0	
Moderate-income	2,649	22.9	2,322	22.8	196	24.1	131	22.4
Middle-income	6,273	54.2	5,526	54.3	436	53.7	311	53.1
Upper-income	2,652	22.9	2,328	22.9	180	22.2	144	24.6
Tract not reported	0	0	0	0	0	0	0	0
Total AA	11,574	100.0	10,176	100.0	812	100.0	586	100.0
Percentage of Total Businesses:			87.9		7.0		5.1	

The lack of affordable housing continues to be a critical need in Santa Cruz County, California, particularly the Bay Area and surrounding counties, remains one of the least affordable housing markets in the United States. Santa Cruz has been particularly impacted because of its desirability as a coastal community and its proximity to the Silicon Valley.²⁴ Recent surveys by both the California Building Industry Association and the National Association of Homebuilders list the

²⁴ Source: City of Santa Cruz Housing and Community Development Department Consolidated Plan 2000-2005.

Santa Cruz MSA as the second least affordable area in the country, with only 8.3 percent of homes being affordable for a median income family.²⁵

Santa Cruz County's mild weather, the presence of a major university, and the proximity to the Silicon Valley contribute to diverse economic opportunities in the area. Information and knowledge-based industries, tourism, and agriculture are the county's major industries, with five of the top 15 employers being either educational or governmental.²⁶ Although the county is largely dependent upon tourism and recreation, retail trade and government constitute the largest portion of the county's economy. Services account for 28 percent of all employment, followed by retail trade at 21 percent, and government and government-related services at 18 percent.

Portions of Santa Cruz County such as Watsonville and Scotts Valley benefit from their proximity to Silicon Valley. These communities are developing into bedroom communities for commuters to jobs in San Jose and Silicon Valley. The remainder of Santa Cruz County, in particular Santa Cruz itself remains largely isolated due to the coastal range of mountains separating it from large employment centers.

In addition, the southern area of the county is a productive agricultural district, yielding apples, artichokes, brussel sprouts, flowers, lettuce, and strawberries. Food processing firms are also a significant presence in the area. These varying industries contributed to fluctuating, but overall positive growth throughout 1999 and 2000.²⁷ While reliance on traditional industries resulted in a slower level of growth than the neighboring Bay Area and its booming high-tech sector, it also prevented the severe negative impact brought on in early 2001 by increasing dot-com failures.²⁸ According to local reports, some area hotels and resorts showed a slight drop in business due to a decrease in business travel and conventions, but the overall travel industry showed improvement as those impacted by the economic downturn cancelled costly foreign vacations and stayed closer to home.²⁹

Despite the overall positive growth, the seasonal nature of the travel and agriculture industries is such that it is normal for the county to experience a large fluctuation in unemployment rates throughout the year. The second and third quarters of each year, which encompasses both the farming and summer travel seasons, generally bring unemployment rates below the state average. However, the first and fourth quarters show unemployment rates substantially higher than the state average. On an average annual basis, however, the area unemployment rate declined steadily for the five-year period from 1996 through 2000 and continued this downward trend through 2001.³⁰

Dun & Bradstreet data shows that small businesses dominate the market. Specifically, there are 12,175 businesses in the assessment area, of which 10,766 (88 percent) have gross annual revenues less than or equal to \$1 million. In addition, the majority of businesses have less than five employees, with services and the retail trade comprising the preponderance of the business sectors.

²⁵ Source: California Building Industry Association and National Association of Homebuilders, Housing Opportunity Index.

²⁶ Source: Santa Cruz County Government.

²⁷ Source: California State Employment Development Department.

²⁸ Source: Santa Cruz Sentinel, *Santa Cruz Economy Resists Downturn; Jobless Rate Falls*, July 25, 2001.

²⁹ Ibid.

³⁰ Source: California Employment Development Department.

As detailed above, the area was not severely impacted during the economic slowdown of 2001. Given the preponderance of small businesses in the market, credit for small businesses remains a significant need. Community representatives interviewed in connection with this review also indicated a need for technical assistance for small and start-up businesses, small dollar commercial loans, and affordable housing programs and loans.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN SANTA CRUZ

LENDING TEST

The bank's record of lending in the Santa Cruz assessment area is satisfactory. Small business lending results show satisfactory performance in the distribution of loans among assessment area geographies and penetration to businesses of different sizes. However, the bank originated no community development loans within this assessment area.

Lending Activity

Lending levels in Santa Cruz are good. As shown in Table 6, loan volume, at 5.6 percent of total lending compares favorably to the county's 3.1 percent share of total deposits.

Lending Distribution by Geography

Comerica's small business lending demonstrates a reasonable distribution among various census tracts. There are no low-income census tracts in this assessment area. As shown in Tables 7 and 7a, lending results in moderate-income tracts are similar to both aggregate lending performance and business concentrations. This loan distribution, however, is consistent with the distribution of the bank's branches and the concentration of assessment area businesses in the areas surrounding its branch offices. Over 76 percent of assessment area businesses operate within middle- and upper-income geographies, and six of the bank's seven branches are located in middle- or upper-income areas.

Lending Distribution by Business Size

The distribution of small business loans in Santa Cruz County reflect an adequate penetration among businesses of different sizes. As illustrated in Tables 8 and 8a, Comerica originated 38.9 percent of its small business loans to businesses with gross annual revenues of \$1 million or less. Aggregate loan data for this assessment area showed overall small business penetration rates of 41.9 percent.

Community Development Lending

The bank did not extend any community development loans nor participate in any consortium lending activities within its Santa Cruz assessment area.

INVESTMENT TEST

Comerica provides a nominal level of CRA-qualified investment and grant activity in Santa Cruz. The bank's qualified grant activities consisted of two donations totaling \$4,040 to community organizations providing services to low- and moderate-income individuals and economic development assistance for small businesses. While opportunities in this area are more limited than in other bank assessment areas, this amount is nevertheless low when compared to available opportunities and the bank's presence in the market.

SERVICE TEST

Comerica's provision of retail banking and community development services is adequate.

Retail Banking Services

Bank branches and other delivery systems provided a good level of retail banking services within the Santa Cruz assessment area. Among the bank's seven Santa Cruz branches, one office is located in a moderate-income tract. Branch business hours are 9:00 a.m. to 4:00 p.m., Monday through Thursday, and 9:00 a.m. to 6:00 p.m. on Friday. These hours provide adequate access to the bank's business clientele. Twenty-four hour ATM access is available and customers have account access 24-hours a day through telephone banking and Internet banking.

Community Development Services

Comerica provided a relatively low level of qualified community development services in the assessment area. One bank employee serves on the board of an organization providing vision care and other services to low- and moderate-income individuals. Similar to investments, service opportunities are more limited in this assessment area but this level remains low in comparison to those opportunities that do exist.

METROPOLITAN AREAS

(For each metropolitan area where a limited-scope review was performed)

Comerica's performance in the assessment areas receiving a limited review is generally consistent with the bank's overall performance. As shown in the following table, performance was consistent across the limited-scope assessment areas. In many of these areas the bank has a small branch presence or market share. Therefore, the following conclusions regarding performance did not impact the overall rating. Facts and data reviewed, including performance and demographic information, can be found in the tables accompanying this report.

ASSESSMENT AREA	LENDING TEST	INVESTMENT TEST	SERVICE TEST
East Bay	Consistent	Consistent	Consistent
Fresno	Consistent	Consistent	Consistent
Sacramento	Consistent	Consistent	Consistent
Salinas	Below	Consistent	Consistent
San Diego	Consistent	Consistent	Consistent
San Francisco	Consistent	Consistent	Consistent

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: High Satisfactory

The major factors supporting Comerica's Arizona rating include:

- Good geographic distribution of small business lending;
- Good responsiveness to small business credit needs; and
- Adequate community development investment and service activities.

SCOPE OF EXAMINATION

The scope of the examination for Arizona is consistent with the overall scope of the CRA examination. Although the bank's overall presence and loan activity is limited in this area, a full-scope review of the only assessment area - Phoenix - was conducted. This review was performed in order to determine the overall state rating for Arizona.

DESCRIPTION OF OPERATIONS IN ARIZONA

Comerica operates just one branch office in Arizona. Imperial Bank initially opened the office in the city of Phoenix to expand its technology and life sciences lending niche. Comerica has continued this branch's focus on venture capital banking opportunities within the Phoenix metropolitan area. The branch's \$89.5 million in deposits ranks 30th in total market share.³¹

The Phoenix assessment area includes 460 of Maricopa County's most populated census tracts. Maricopa County is essentially the Phoenix metropolitan area. It is one of two counties, along with Pinal County, that comprises the Phoenix-Mesa Metropolitan Statistical Area. Maricopa County consists of 95 percent of the total population of the Phoenix-Mesa MSA and 60 percent of the population for the entire state of Arizona. Major cities included in the area are Phoenix, Mesa, Tempe, and Scottsdale. Exhibit 7 below depicts certain demographic data based on the 1990 U.S. Census and the 2001 Dun & Bradstreet data. This information was used to develop the performance context for Arizona.

³¹ Source: FDIC/OTS Summary of Deposits - June 30, 2001.

EXHIBIT #7								
ASSESSMENT AREA DEMOGRAPHICS								
PHOENIX, ARIZONA								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	27	5.9	19,500	3.6	7,867	40.3	102,653	18.8
Moderate-income	105	22.8	120,816	22.2	19,656	16.3	98,424	18.1
Middle-income	176	38.3	224,271	41.2	14,554	6.5	126,411	23.2
Upper-income	148	32.2	180,396	33.1	5,145	2.9	217,495	39.9
Tract not reported	4	0.9	0	0	0	0	0	0
Total AA	460	100.0	544,983	100.0	47,222	8.7	544,983	100.0
Income Categories	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	35,766	10,878	2.2	30.4	18,301	51.2	6,587	18.4
Moderate-income	252,420	93,286	18.5	37.0	103,804	41.1	55,330	21.9
Middle-income	383,889	216,897	43.0	56.5	115,489	30.1	51,503	13.4
Upper-income	265,991	182,936	36.3	68.8	55,451	20.8	27,604	10.4
Tract not reported	116	0	0	0	61	0	55	47.4
Total AA	938,182	503,997	100.0	53.7	293,106	31.2	141,079	15.0
Income Categories	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or Equal to \$1 Million		Greater than \$1 Million		Revenue Not Reported	
			#	%	#	%	#	%
Low-income	5,613	5.2	4,268	4.7	987	9.5	358	5.3
Moderate-income	23,002	21.4	18,982	21.0	2,640	25.3	1,410	20.8
Middle-income	39,253	36.5	33,179	36.8	3,533	33.9	2,541	37.4
Upper-income	38,901	36.2	33,277	36.9	3,189	30.6	2,435	35.8
Tract not reported	662	0.6	499	0.6	84	0.8	49	0.7
Total AA	107,431	100.0	90,205	100.0	10,433	100.0	6,793	100.0
Percentage of Total Businesses:			84.0		9.7		6.3	

The city of Phoenix is responsible for producing approximately 78 percent of Arizona's gross domestic product.³² The largest business sectors for Maricopa County and the state of Arizona are services, trade and manufacturing. Construction activities have experienced a substantial increase during recent years but seem to be slowing as vacancy rates rise. The county has been successful in attracting high-tech firms, which have contributed the majority share of Maricopa's manufacturing jobs. However, Phoenix's economy has been affected by the national recession,

³² Source: Economy.com, Inc.

the slowdown in the high tech sector, and the decline in tourism following last year's terrorist attacks. A recent analysis found that Phoenix has gone from one of the fastest growing metropolitan areas in the nation to one of the fastest *slowing* areas.³³ Recently, there have been significant job cuts by large area employers such as Motorola.³⁴ These job losses and the decline in income of the area's largest employer, Honeywell, have played a part in the downturn in the local economy.³⁵

The unemployment rate of the Phoenix MSA has jumped in the past six months. There has been a 2.7 percent increase in the unemployment rate of Maricopa County from December 2000 to December 2001, and forecasts predict that the rate will continue to rise in the coming year.³⁶ A community contact reported that the effect of the economic slowdown is fewer start-up companies in the Phoenix area due to the tightening of credit standards. The contact also noted that the primary credit needs for existing small businesses are small dollar loans, ranging from \$35,000 to \$150,000, to ease cash flow constraints.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN ARIZONA

LENDING TEST

Lending performance in the state of Arizona is low satisfactory. The lending record in this state is consistent with the bank's overall lending record. Lending activity and the geographic distribution of lending are both good, while other lending criteria exhibited adequate performance.

Lending Activity

Lending levels are good given Comerica's limited presence in the Phoenix area. The Phoenix office accounts for just one percent of total bank deposits, yet this branch extended six percent of all small business loans. Refer to Table 1 for complete details regarding loan volume in Arizona.

Lending Distribution by Geography

Lending patterns in this assessment area demonstrated a good distribution of small business loans among various census tracts, with no conspicuous gaps in lending patterns. As shown in Tables 2 and 2a, distribution of small business loans compared favorably with the distribution of assessment area businesses and aggregate lending levels. Consistent with overall bank lending patterns, performance was strong in low- and moderate-income areas. Market share figures in these areas were significantly higher than the bank's overall market share of small business loans.

Lending Distribution by Business Size

The distribution of small business loans in the Phoenix assessment area reflects an adequate penetration among businesses of different sizes. As detailed in Tables 3 and 3a, Comerica

³³ Ibid.

³⁴ Ibid.

³⁵ Ibid.

³⁶ Source: Bureau of Labor Statistics

originated 36.6 percent of its small business loans to businesses with gross annual revenues of \$1 million or less. The level of lending is higher than the aggregate level of 32.4 percent, but less than the 84 percent concentration of small businesses.

Community Development Lending

Comerica did not originate any community development loans in this assessment area during the review period. The bank did, however, participate in a multi-bank community development corporation with the defined mission statement of supporting small business development within this assessment area. The bank received credit for its pro rata share of ten loans totaling \$20,900.

INVESTMENT TEST

Investment test performance in Arizona is high satisfactory. Investment and grant activities within the Phoenix assessment area represented good responsiveness to assessment credit needs. Qualified investments and grants are noted in Table 4 and consisted of:

- A \$500,000 low-income housing tax credit used to fund the development of two affordable housing projects within the Phoenix/Mesa area;³⁷
- A mortgage-backed security totaling \$539,376 secured by mortgages to low- and moderate-income individuals or within low- and moderate-income geographies; and
- Contributions of \$34,000 primarily to organizations serving the needs of low- and moderate-income individuals.

SERVICE TEST

Arizona performance under the service test is high satisfactory. Comerica's provision of retail banking and community development services is good.

Retail Banking Services

The bank provides an adequate level of retail services within this assessment area through its branch office located in a low-income tract and through alternative delivery systems. Although the branch offers limited business hours, 10:00 a.m. to 3:00 p.m., Monday through Friday, these hours are reasonable for their high-technology based business customers. Customers also have account access 24-hours a day through telephone banking and Internet banking.

Community Development Services

Bank employees provide a good level of qualified community development services in the assessment area. Six employees provided 26 hours monthly in community development services to organizations that utilized their financial and technical expertise. These services consisted primarily of involvement in programs targeting low- and moderate-income individuals and small business development. In particular, they provided financial and technical assistance to small

³⁷ Of the total amount, \$172,500 was funded during this review period with the remaining \$327,500 noted as an unfunded commitment.

business owners through a multi-bank community development corporation and taught financial education seminars to low- and moderate-income high school students.

COLORADO

CRA RATING FOR COLORADO: SATISFACTORY

The lending test is rated: Low Satisfactory

The investment test is rated: Low Satisfactory

The service test is rated: Low Satisfactory

The major factors supporting Comerica's Colorado rating include:

- Low lending levels that are too few to draw meaningful conclusions;
- Good community development investment activity; and
- Adequate levels of community development services.

SCOPE OF EXAMINATION

The scope of the examination for Colorado is consistent with the overall scope of the CRA examination. Although the bank's overall presence and loan activity is limited in this area, a full-scope review of the only assessment area - Denver - was conducted. This review was performed in order to determine the overall state rating for Colorado.

DESCRIPTION OF OPERATIONS IN COLORADO

Comerica operates just one branch office in Colorado. Imperial Bank initially opened the Denver office in 1998 to expand its technology and life sciences lending niche. Comerica has continued this branch's focus on venture capital banking opportunities within the Denver metropolitan area. The branch's \$73.4 million in deposits ranks 17th in market share with 1.3 percent of the area's deposit base.³⁸

The Denver assessment area consists of 207 of the Denver, Colorado MSA's 498 census tracts. Known as the "Mile High City," Denver's central location in the United States has contributed to its development as transportation and distribution hub for the Rocky Mountain/Plains region.

Thirty-three air cargo carriers base their operations at the Denver International Airport, two of the country's four major railways maintain switching facilities in Denver, and three interstate highways provide commercial access for 200 locally-based trucking companies. Exhibit 8 below depicts certain demographic data based on the 1990 U.S. Census and the 2001 Dun & Bradstreet data. This information was used to develop the performance context for Colorado.

³⁸ Source: FDIC/OTS Summary of Deposits - June 30, 2001.

EXHIBIT #8									
ASSESSMENT AREA DEMOGRAPHICS									
DENVER, COLORADO									
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income		
	#	%	#	%	#	%	#	%	
Low-income	30	14.5	20,184	17.8	6,892	34.1	33,069	29.1	
Moderate-income	46	22.2	37,794	33.3	5,253	13.9	23,533	20.7	
Middle-income	46	22.2	37,674	33.2	2,053	5.4	24,268	21.4	
Upper-income	28	13.5	17,831	15.7	411	2.3	32,613	28.7	
Tract not reported	57	27.5	0	0	0	0	0	0	
Total AA	207	100.0	113,483	100.0	14,609	12.9	113,483	100.0	
Income Categories	Housing Units by Tract	Housing Types by Tract							
		Owner-Occupied			Rental		Vacant		
		#	%	%	#	%	#	%	
Low-income	47,149	12,627	11.8	26.8	25,671	54.4	8,851	18.8	
Moderate-income	84,154	33,631	31.5	40.0	40,610	48.3	9,913	11.8	
Middle-income	78,758	39,282	36.8	49.9	31,883	40.5	7,593	9.6	
Upper-income	35,385	21,200	19.9	59.9	11,209	31.7	2,976	8.4	
Tract not reported	8	8	0	0	0	0	0	0	
Total AA	245,454	106,74	8	100.0	43.5	109,373	44.6	29,333	12.0
Income Categories	Total Businesses by Tract		Businesses by Tract & Revenue Size						
			Less Than or Equal to \$1 Million		Greater than \$1 Million		Revenue Not Reported		
			#	%	#	%	#	%	
Low-income	7,386	21.4	6,085	21.1	887	24.9	414	20.7	
Moderate-income	9,229	26.8	7,646	26.5	1,031	29.0	552	27.5	
Middle-income	11,893	34.5	10,113	35.0	1,111	31.2	669	33.4	
Upper-income	5,684	16.5	4,835	16.7	490	13.8	359	17.9	
Tract not reported	268	0.8	219	0.8	39	1.1	10	0.5	
Total AA	34,460	100.0	28,898	100.0	3,558	100.0	2,004	100.0	
Percentage of Total Businesses:			83.9		10.3		5.8		

The city of Denver continues to be the location of choice for corporate regional headquarters. The largest business sectors for Denver and the state of Colorado are services, retail trade, and government. However, Denver's economy is languishing, with telecommunications and a decline in tourism resulting from last year's terrorist attacks impacting the local economy. Employment growth has been flat except for health services and government sectors and unemployment is at a 13-year high. In fact, the state's unemployment rate in January, 2002 exceeded the national rate for the first time in nearly twelve years.³⁹ State-wide, only 19,000 new jobs were created in 2001,

³⁹ Source: Economy.com, Inc.

compared with an average of 77,800 during the previous three years. The growth rate of 0.9 percent was the weakest since 1987.⁴⁰ Job growth in Denver this year is expected to be the weakest it has been in 16 years. Further consolidation and potential layoffs in the telecom industry coupled with weak business and leisure travel are dampening expansion.⁴¹

The Denver office market vacancy rate more than doubled in 2001, reaching 19.3 percent. More than 70 percent of the new space in the northwest corridor along U.S. Highway 36 was never occupied due to the deteriorating economy. This drove that area's vacancy rate to more than 35 percent. The industrial and retail vacancy rates in metro-Denver also increased. The state of the economy has also weakened credit quality resulting in business bankruptcies increasing to a level nearly double of that a year ago.⁴²

Denver's housing market also is cooling. Single-family home prices in the fourth quarter 2001 were flat from the prior quarter for the first time in over a decade.⁴³

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN COLORADO

LENDING TEST

Lending test performance is low satisfactory. During this review period, the bank extended just two small business loans in this assessment area. No community development loans were extended. However, the one branch is relatively new and staffing levels are fairly low. Given the low level of activity, meaningful conclusions regarding individual lending criteria cannot be drawn. Therefore, there is no evidence that lending performance in Colorado is inconsistent with the bank's overall low satisfactory performance.

INVESTMENT TEST

Investment test performance in Colorado is low satisfactory. Comerica demonstrated an adequate level of investment and grant activity within this assessment area. Investment activity consisted of one mortgage-backed security for \$565,234 secured by mortgages to low- and moderate-income individuals or within low- and moderate-income geographies. The bank also provided \$20,000 in qualified grants and donations to organizations that provide community services targeted to low- and moderate-income individuals and technical assistance to small businesses. These organizations act as liaison between Denver's business community, city, and county governments to address the employment and training needs of low- and moderate-income individuals through job placement referrals and resume construction.

SERVICE TEST

Colorado performance under the service test is low satisfactory. Comerica's provision of retail banking and community development services is adequate.

⁴⁰ Source: State.co.us/gov, Economic and Revenue Forecast 2002-2007.

⁴¹ Source: Economy.com, Inc.

⁴² Source: State.co.us/gov, Economic and Revenue Forecast 2002-2007.

⁴³ Source: Economy.com, Inc.

Retail Banking Services

The bank provides an adequate level of retail services within this assessment area through its branch office and through alternative delivery systems. Although the branch offers limited business hours, 10:00 a.m. to 3:00 p.m., Monday through Friday, these hours are reasonable for their high-technology based business customers. Customers also have account access 24-hours a day through telephone banking and Internet banking.

Community Development Services

Comerica provides a level of qualified community development services in the assessment area consistent with its limited presence. One branch employee contributed 10 hours per month to a community development organization in the form of financial expertise. This organization provides emergency services to low- and moderate-income families in Boulder County including rental assistance, transitional housing, food, and counseling.

WASHINGTON

CRA RATING FOR WASHINGTON: SATISFACTORY

The lending test is rated: Low Satisfactory

The investment test is rated: High Satisfactory

The service test is rated: Low Satisfactory

The major factors supporting Comerica's Washington rating include:

- Good geographic distribution of small business lending;
- Good responsiveness to small business credit needs;
- Good community development investment activities; and
- Adequate retail banking and community development services.

SCOPE OF EXAMINATION

The scope of the examination for Washington is consistent with the overall scope of the CRA examination. Although the bank's overall presence and loan activity is limited in this area, a full-scope review of the only assessment area – Kirkland - was conducted. This review was performed in order to determine the overall state rating for Washington.

DESCRIPTION OF OPERATIONS IN WASHINGTON

Comerica operates just one branch office in the state of Washington. Imperial Bank initially opened the office in Kirkland as a loan production office to expand its technology and life sciences lending niche. The office was later converted to a deposit-taking branch as an accommodation to the technology and life sciences customer base. It continues to focus on venture capital banking opportunities in the greater Seattle area. The branch's \$61.9 million in deposits ranks 31st out of 51 financial institutions operating in King County.⁴⁴

The Kirkland assessment area consists of portions of King County. King County is the commercial, cultural, and advanced technology hub for the Pacific Northwest region and is Washington's most populous county. The Port of Seattle also serves the Trans-Pacific and European trade routes. Exhibit 9 below depicts certain demographic data based on the 1990 U.S. Census and the 2001 Dun & Bradstreet data. This information was used to develop the performance context for Washington.

⁴⁴ Source: FDIC/OTS Summary of Deposits - June 30, 2001.

EXHIBIT #9								
ASSESSMENT AREA DEMOGRAPHICS								
KIRKLAND, WASHINGTON								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	10	4.0	5,355	2	2,013	37.6	44,485	16.0
Moderate-income	40	15.9	34,266	12	4,394	12.8	48,717	17.5
Middle-income	127	50.0	152,660	55	6,259	4.1	69,616	25.0
Upper-income	63	25.0	85,883	31	1412	1.6	115,346	41.5
Tract not reported	12	4.8	0	0	0	0	0	0
Total AA	252	100.0	278,164	100.0	14,078	5.1	278,164	100.0
Income Categories	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	11,754	2,201	0.8	18.7	8,663	73.7	890	7.6
Moderate-income	81,251	27,368	10.1	33.7	49,149	60.5	4,734	5.8
Middle-income	274,584	149,927	55.5	54.6	112,951	41.1	11,706	4.3
Upper-income	126,109	90,493	33.5	71.8	30,867	24.5	4,749	3.8
Tract not reported	0	0	0	0	0	0	0	0
Total AA	493,698	269,989	100.0	54.7	201,630	40.8	22,079	4.5
Income Categories	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or Equal to \$1 Million		Greater than \$1 Million		Revenue Not Reported	
			#	%	#	%	#	%
Low-income	2,928	3.6	2,386	3.5	349	4.8	193	3.4
Moderate-income	16,023	19.6	13,080	19.0	1,846	25.2	1,097	19.1
Middle-income	38,193	46.6	32,420	47.1	2,986	40.8	2,787	48.6
Upper-income	24,777	30.2	20,984	30.5	2,132	29.1	1,661	28.9
Tract not reported	12	0	9	0	3	0	0	0
Total AA	81,933	100.0	68,879	100.0	7,316	100.0	5,738	100.0
Percentage of Total Businesses:			84.1		8.9		7.0	

Kirkland, Washington is located in King County, which is the primary economic engine of the Central Puget Sound Region.⁴⁵ The county dominates the state, representing 29 percent of the state's population and 43 percent of the jobs.⁴⁶

During 2001, many companies released disappointing news affecting the region, including Boeing's decision to layoff 30,000 employees, 75 percent, from the Puget Sound Region. These job

⁴⁵ Source: Washington Research Council, Special Report: A Regional Economic Vitality Agenda – Overview.

⁴⁶ Source: Washington State Employment Security Department's King County Profile, April 2001.

cuts adversely affect the region, as the aerospace giant accounts for approximately 6 percent of the region's overall employment.⁴⁷ The region's economy peaked in December 2000. Since that time the unemployment rate has risen from 3.5 percent to 6.5 percent in January 2002. The Seattle PMSA (King, Snohomish, and Island Counties) has lost 65,100 jobs, a drop of 4.6 percent. With the layoffs at Boeing expected to continue through at least the middle of this year, the economy is forecast to remain relatively flat during the rest of 2002, and then begin to grow in 2003.⁴⁸

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN WASHINGTON

LENDING TEST

Lending test performance in the Kirkland assessment area is low satisfactory. The lending record in this state is consistent with the bank's overall lending record. The geographic distribution of lending is good, while other lending criteria exhibited adequate performance.

Lending Activity

Lending levels are adequate given Comerica's limited presence in this market. Overall, small business lending is commensurate with the bank's capacity. The assessment area accounts for less than one percent of total bank deposits and 1.6 percent of all small business loans. Nevertheless, the remainder of the lending test evaluation is based on a small universe of loans as just 28 small business loans were extended in the assessment area. Refer to Table 16 for complete details regarding loan volume in Washington.

Lending Distribution by Geography

Comerica's lending patterns in this assessment area demonstrated a good distribution of small business loans among various census tracts, with no conspicuous lending gaps. As shown in Tables 17 and 17a, distributions of small business loans compared very favorably with business concentrations and aggregate lending performance. Small business lending in low- and moderate-income areas was particularly strong. In these areas, the bank's market share of loans exceeded its overall market share.

Lending Distribution by Business Size

Within the assessment area, the bank has demonstrated good responsiveness to the credit needs of small businesses. As shown in Tables 18 and 18a, the bank extended 57 percent of its small business loans to businesses with gross annual revenues of \$1 million or less. This record compares favorably with aggregate lending performance. Aggregate loan data for this assessment area showed an overall small business penetration rate of 42.7 percent.

⁴⁷ Source: Martin Smith, Inc., Seattle Market Overview.

⁴⁸ Source: City of Seattle, Finance Department, May 2002, Economic Update.

Community Development Lending

The bank did not extend any community development loans nor did the bank participate in any loan consortium activities within its Kirkland assessment area.

INVESTMENT TEST

Comerica's investment test performance in the Kirkland area is high satisfactory. The bank demonstrated a good level of investment and grant activity within this assessment area, making two investments totaling \$989,434. First, the bank invested \$689,434 in a mortgage-backed security secured by mortgages to low- and moderate-income individuals or within low- or moderate-income geographies. Second, the bank provided \$300,000 in seed capital to a start-up technology company through Comerica Ventures, Inc. In addition, \$47,000 in qualified grants and donations were made to organizations that provide community services and affordable housing targeted to low- and moderate-income individuals. These organizations provide emergency shelter and transitional housing for the homeless, job training, youth programs, and first-time homebuyer programs.

SERVICE TEST

Performance under the service test is low satisfactory. Comerica's provision of retail banking and community development services is adequate.

Retail Banking Services

The bank provides an adequate level of services in the Kirkland assessment area, despite the presence of only one branch located in an upper-income tract. Although the branch offers limited business hours, 10:00 a.m. to 3:00 p.m., Monday through Friday, these hours are reasonable for their high-technology based business customers. Twenty-four hour ATM access is available and customers have account access 24-hours a day through telephone banking and Internet banking.

Community Development Services

Branch employees provide a reasonable level of qualified community development services in the assessment area. Bank staff provided two qualified services to community organizations that utilized their financial and technical expertise. The first involved tutoring of low- and moderate-income youth on financially related subjects. The second involved a financial seminar on foreclosures, liquidation and bankruptcy proceedings targeted to small business professionals.

APPENDIX A

SCOPE OF EXAMINATION

Please refer to page 3 of this report for a discussion of the examination scope. The following chart is a supplement to that discussion and serves to illustrate the scope of the various states and assessment areas.

SCOPE OF EXAMINATION			
TIME PERIOD REVIEWED		January 1, 2001 - December 31, 2001	
FINANCIAL INSTITUTION Comerica Bank - California San Jose, California		PRODUCTS REVIEWED Small Business	
LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
Assessment Area	Type of Examination	Branches Visited	Other Information
CALIFORNIA <ul style="list-style-type: none"> ▪ Los Angeles ▪ Orange ▪ San Jose ▪ Santa Cruz ▪ East Bay ▪ Fresno ▪ Sacramento ▪ Salinas ▪ San Diego ▪ San Francisco 	<p style="text-align: center;">Full</p> <p style="text-align: center;">Full</p> <p style="text-align: center;">Full</p> <p style="text-align: center;">Full</p> <p style="text-align: center;">Limited</p> <p style="text-align: center;">Limited</p> <p style="text-align: center;">Limited</p> <p style="text-align: center;">Limited</p> <p style="text-align: center;">Limited</p> <p style="text-align: center;">Limited</p>	<p>2</p> <p>1</p> <p>2</p>	
ARIZONA <ul style="list-style-type: none"> ▪ Phoenix 	Full		
COLORADO <ul style="list-style-type: none"> ▪ Denver 	Full		
WASHINGTON <ul style="list-style-type: none"> ▪ Kirkland 	Full		

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APPENDIX B

SUMMARY OF STATE RATINGS

STATE	LENDING TEST RATING	INVESTMENT TEST RATING	SERVICE TEST RATING	OVERALL STATE RATING
Arizona	Low Satisfactory	High Satisfactory	High Satisfactory	Satisfactory
California	Low Satisfactory	High Satisfactory	High Satisfactory	Satisfactory
Colorado	Low Satisfactory	Low Satisfactory	Low Satisfactory	Satisfactory
Washington	Low Satisfactory	High Satisfactory	Low Satisfactory	Satisfactory

APPENDIX C

GLOSSARY OF TERMS

Aggregate lending: The number of loans originated and purchased by all lenders subject to reporting requirements as a percentage of the aggregate number of loans originated and purchased by all lenders in the MSA/assessment area.

Block numbering area (“BNA”): Statistical subdivisions of a county for grouping and numbering blocks in non-metropolitan counties where local census statistical area committees have not established census tracts. BNAs do not cross county lines.

Census tract: Small subdivisions of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. They usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community development: Affordable housing for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals, activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration’s Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies,

Consumer loan: A loan to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories of loans: motor vehicle, credit card, home equity, other secured loan, and other unsecured loan.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married couple family or other family, which is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

Full review: Performance under the lending, investment, and service tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, branch distribution) and qualitative factors (e.g., innovation, complexity).

Geography: A census tract or a block numbering area delineated by the U.S. Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (“HMDA”): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applications, the amount of loan requested, and the disposition of the application (e.g., approved, denied, and withdrawn).

Home mortgage loans: Include home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes and refinancings of home improvement and home purchase loans.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Low-income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

Limited review: Performance under the lending, investment, and service tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, branch distribution).

Market share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all lenders in the MSA/assessment area.

Metropolitan area: Any primary metropolitan statistical area (“PMSA”), metropolitan statistical area (“MSA”), or consolidated metropolitan area (“CMSA”), as defined by the Office of Management and Budget, with a population of 250 thousand or more, and any other area designated as such by the appropriate federal financial supervisory agency.

Moderate-income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent in the case of a geography.

Middle-income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units.

Optional loans: Includes any unreported category of loans for which the institution collects and maintains data for consideration during a CRA examination. Also includes consumer loans and other loan data an institution may provide concerning its lending performance.

Owner-occupied units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Small loans to business: A loan included in “loans to small businesses” as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small loans to farms: A loan included in “loans to small farms” as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500 thousand or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

Owner-occupied units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Upper-income: Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent in the case of a geography.

APPENDIX D

CORE CRA TABLES

ARIZONA

Table 1	Lending Volume
Table 2	Geographic Distribution of Small Loans to Businesses - By Market Share (%) by Geography
Table 2a	Geographic Distribution of Small Loans to Businesses - By Aggregate Lending (%) by Tract Income
Table 3	Borrower Distribution of Small Loans to Businesses - By Market Share
Table 3a	Borrower Distribution of Small Loans to Businesses - By Aggregate Lending Data
Table 4	Qualified Investments
Table 5	Distribution of Branch Delivery System and Branch Openings/Closings

CALIFORNIA

Table 6	Lending Volume
Table 7	Geographic Distribution of Small Loans to Businesses - By Market Share (%) by Geography
Table 7a	Geographic Distribution of Small Loans to Businesses - By Aggregate Lending (%) by Tract Income
Table 8	Borrower Distribution of Small Loans to Businesses - By Market Share
Table 8a	Borrower Distribution of Small Loans to Businesses - By Aggregate Lending Data
Table 9	Qualified Investments
Table 10	Distribution of Branch Delivery System and Branch Openings/Closings

COLORADO

Table 11	Lending Volume
Table 12	Geographic Distribution of Small Loans to Businesses - By Market Share (%) by Geography
Table 12a	Geographic Distribution of Small Loans to Businesses - By Aggregate Lending (%) by Tract Income
Table 13	Borrower Distribution of Small Loans to Businesses - By Market Share
Table 13a	Borrower Distribution of Small Loans to Businesses - By Aggregate Lending
Table 14	Qualified Investments
Table 15	Distribution of Branch Delivery System and Branch Openings/Closings

CRA APPENDIX D

CORE CRA TABLES (continued)

WASHINGTON

Table 16	Lending Volume
Table 17	Geographic Distribution of Small Loans to Businesses - By Market Share (%) by Geography
Table 17a	Geographic Distribution of Small Loans to Businesses - By Aggregate Lending (%) by Tract Income
Table 18	Borrower Distribution of Small Loans to Businesses - By Market Share
Table 18a	Borrower Distribution of Small Loans to Businesses - By Aggregate Lending Data
Table 19	Qualified Investments
Table 20	Distribution of Branch Delivery System and Branch Openings/Closings

APPENDIX E

LIMITED SCOPE ASSESSMENT AREAS

MARKET PROFILES

All demographic and economic information in this appendix came from one of the following sources:

- 1990 U.S. Census
- 2001 Dun & Bradstreet data
- Economy.com, Inc.
- State of California, Employment Development Department, County Snapshots