Building a better way

TCF Financial Corporation
2013 First Quarter Earnings Results Presentation

TCF Financial Corporation

Agenda

- First Quarter Highlights
  - William Cooper (Chairman & CEO)
- Credit / Expenses
  - Mike Jones (Chief Financial Officer)
- Lending
  - Craig Dahl (Vice Chairman of Lending)
- Deposits & Fee Generation / Capital
  - Tom Jasper (Vice Chairman of Funding, Operations & Finance)
- Summary
  - William Cooper (Chairman & CEO)
- Q&A

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First Quarter Highlights

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- Net income of $25.5 million, up $308.3 million from first quarter 2012
- Earnings per share of 16 cents, up 100 percent from first quarter 2012 before the balance sheet repositioning charge[1]
- Net interest margin of 4.72 percent, up 58 bps from first quarter 2012
- Pre-tax pre-provision profit of $87.7 million, up 24.3 percent from first quarter 2012[2]
- Provision for credit losses of $38.4 million, down 20.9 percent from first quarter 2012
- Over 60-day accruing delinquent loans decreased by $15.5 million, or 16.3 percent, from fourth quarter 2012
- Non-accrual loans and leases and other real estate owned decreased $61.3 million, or 12.9 percent, from fourth quarter 2012
- Average loans and leases increased $792.4 million, or 5.4 percent, from first quarter 2012
- Average deposits increased $1.8 billion, or 14.4 percent, from first quarter 2012

[1] First quarter of 2012 includes a net after-tax charge of $295.8 million, or $1.87 per share, related to the balance sheet repositioning

[2] Pre-tax pre-provision profit ("PTPP") is calculated as total revenues less non-interest expense. First quarter 2012 PTPP excludes the non-recurring net loss of $473.8 million related to the balance sheet repositioning completed in the first quarter of 2012.

First Quarter Highlights – Revenue Growth

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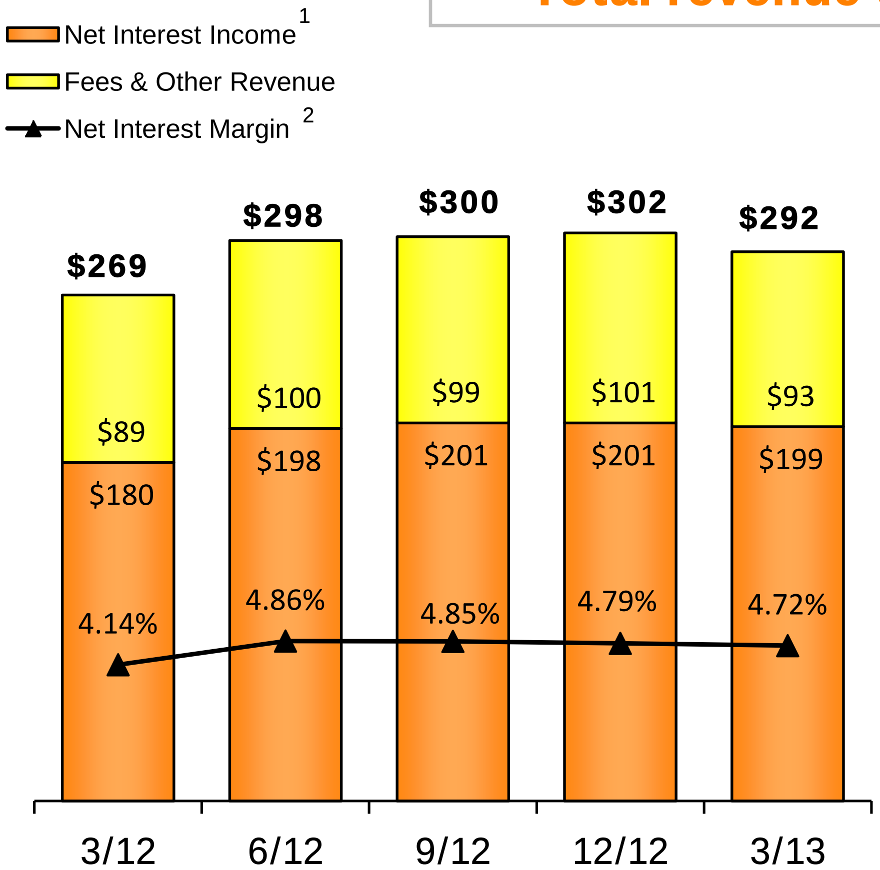
($ millions)

Total revenue up 8.5% from 1Q12



- 1Q13 revenue impacted by:
  - Customer-driven nature of leasing revenue
  - Seasonality of deposit account fees
  - Decreased consumer spending
  - Sale of consumer real estate and auto loans
- 1Q13 net margin impacted by:
  - Loan and lease yield compression due to the lower interest rate environment
  - Higher than anticipated asset liquidity balances

[1] Excludes gains/(losses) on sales of securities of $76.6 million, $13.1 million, $13.0 million, $(528) thousand, and $0 at 3/12, 6/12, 9/12, 12/12, and 3/13, respectively

[2] Annualized

First Quarter Highlights – Peer Analysis

	TCF 1Q13[2]	Banks $10-$50 billion in total assets[1] 2012 Average
As a % of average assets :		
Net interest income	4.36%	3.28%
Adjusted non-interest income [3]	2.03%	1.24%
Adjusted revenue [3]	6.40%	4.52%
Adj. pre-tax pre-provision profit [4]	1.92%	1.67%
Net interest margin	4.72%	3.58%
Yield on loans	5.38%	5.15%
Yield on securities	2.84%	2.82%
Rate on deposits	.28%	.50%
As a % of average assets:		
Securities	3.70%	24.56%
Loans and leases	84.80%	65.72%
Deposits	76.94%	75.99%
Borrowings	10.61%	12.62%

- TCF has a higher margin because it has more loans at a higher rate and deposits at a lower rate
- TCF has more fee income due to a large and diversified base of revenue sources

[1] All publicly-traded banks and thrifts excluding TCF
[2] Annualized
[3] Excludes gains on sales of securities and non-recurring items (see "Reconciliation of GAAP to Non-GAAP Financial Measures – Revenue Ratios" slide)
[4] Total revenue less non-interest expense; excludes gains on sales of securities and non-recurring items (see "Reconciliation of GAAP to Non-GAAP Financial Measures – Revenue Ratios" slide)
Source: Banks $10-$50 Billion in Total Assets data – SNL Financial LC; 12/31/2012

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Credit Quality Highlights

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Consumer Real Estate – key metrics show positive trend as home values improve

- Over 60-day delinquencies[1] decreased $13.3 million, or 14.9 percent, from fourth quarter 2012
- Non-accrual loans and leases and other real estate owned decreased $38.0 million, or 12.5 percent, from fourth quarter 2012
- Net charge-offs decreased $3.5 million, or 10.2 percent, from fourth quarter 2012

Commercial – credit issues contained

- Non-accrual loans and leases and other real estate owned decreased $21.3 million, or 13.7 percent, from fourth quarter 2012
- Classified assets down $44.8 million from fourth quarter 2012
- Net charge-offs of $7.8 million, down $502 thousand, or 6.0 percent, from fourth quarter 2012

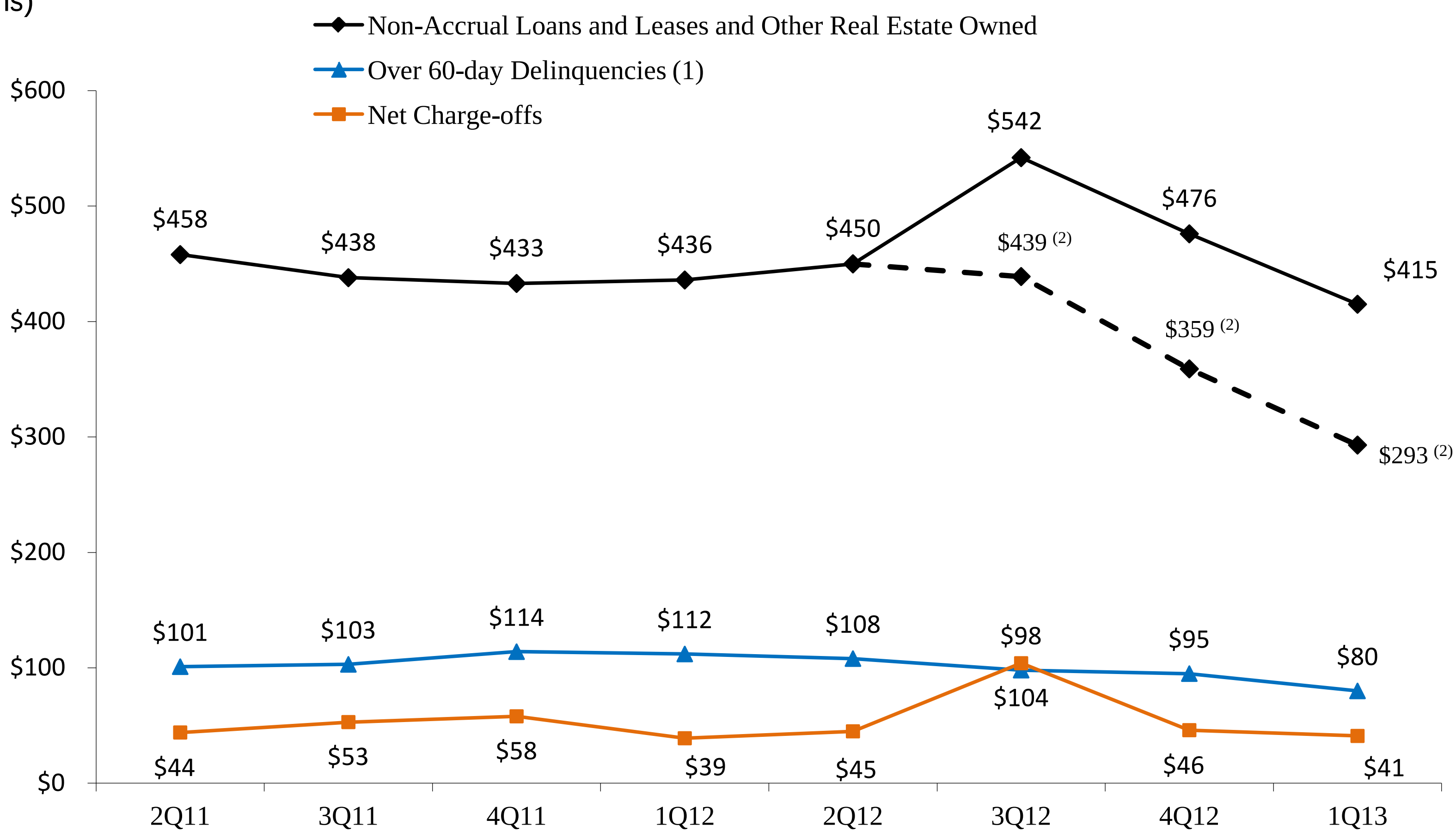
Leasing, Auto and Inventory Finance – continued strong credit performance

- First quarter net charge-offs of 17 bps[2], down 1 bp from fourth quarter 2012
- Over 60-day delinquencies[1] of 5 bps, down 1 bp from fourth quarter 2012

[1] Excluding non-accrual loans and leases and acquired portfolios
[2] Annualized

Credit Trends

($ millions)



(1) Excludes acquired portfolios and non-accrual loans and leases.
(2) Excludes $122.1 million, $117.7 million and $103.2 million of non-accrual assets at March 31, 2013, December 31, 2012 and September 30, 2012, respectively, associated with the implementation of clarifying bankruptcy-related regulatory guidance in the third quarter of 2012.

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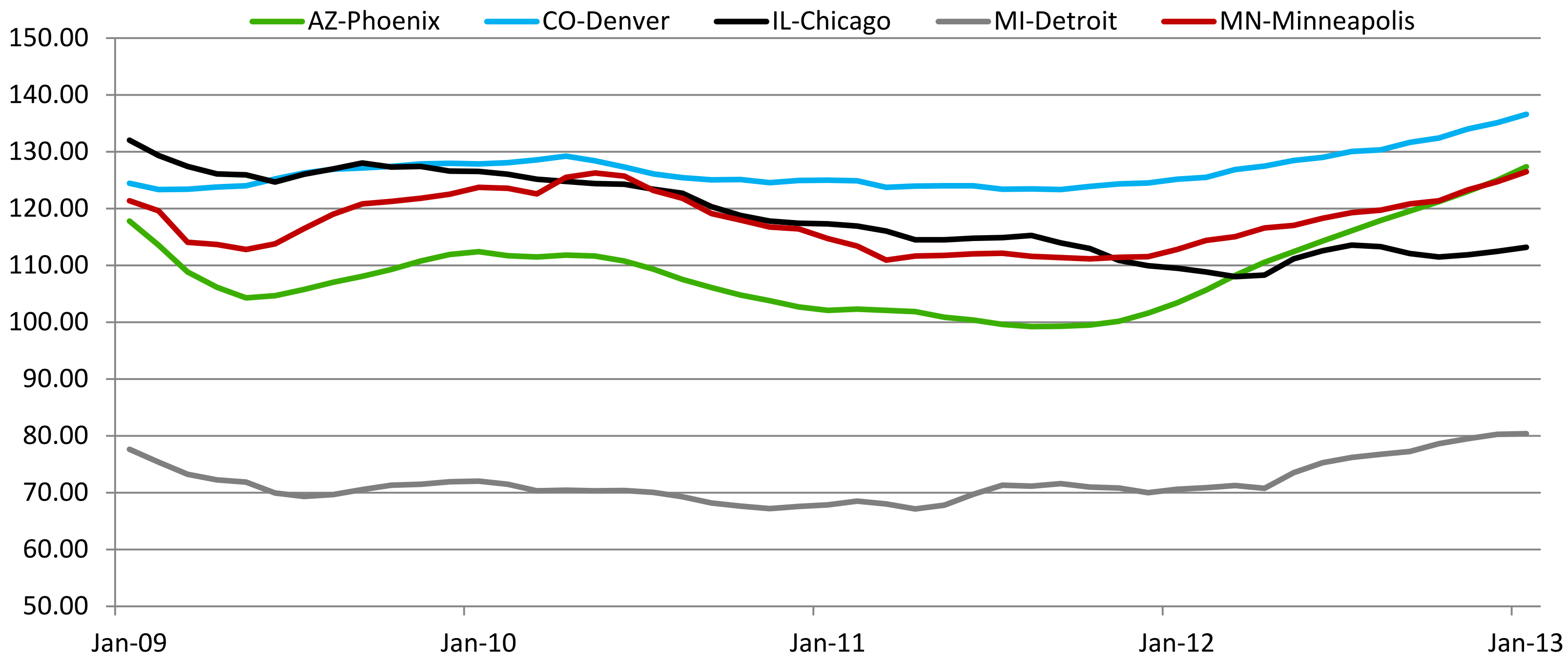
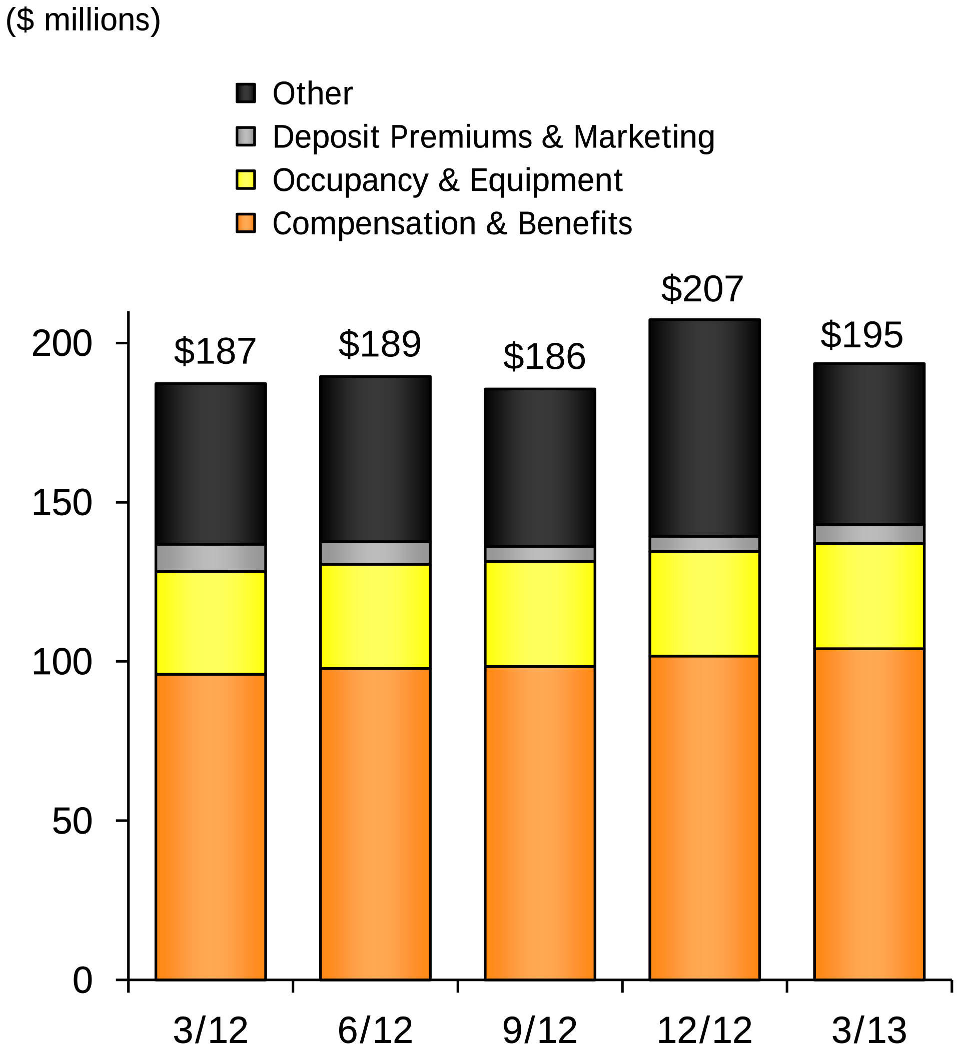
Home Prices

S&P/Case-Shiller Home Price Indices in TCF Markets show slow improvement in our core markets in 2012 and 2013



The S&P/Case-Shiller Home Price Indices are constructed to accurately track the price path of typical single-family homes located in each metropolitan area provided. The S&P/Case-Shiller Composite of 20 Home Price Index is a value-weighted average of the 20 metro area indices. The indices have a base value of 100 in January 2000; thus, for example, a current index value of 150 translates to a 50% appreciation rate since January 2000 for a typical home located within the subject market.

Core Operating Expenses

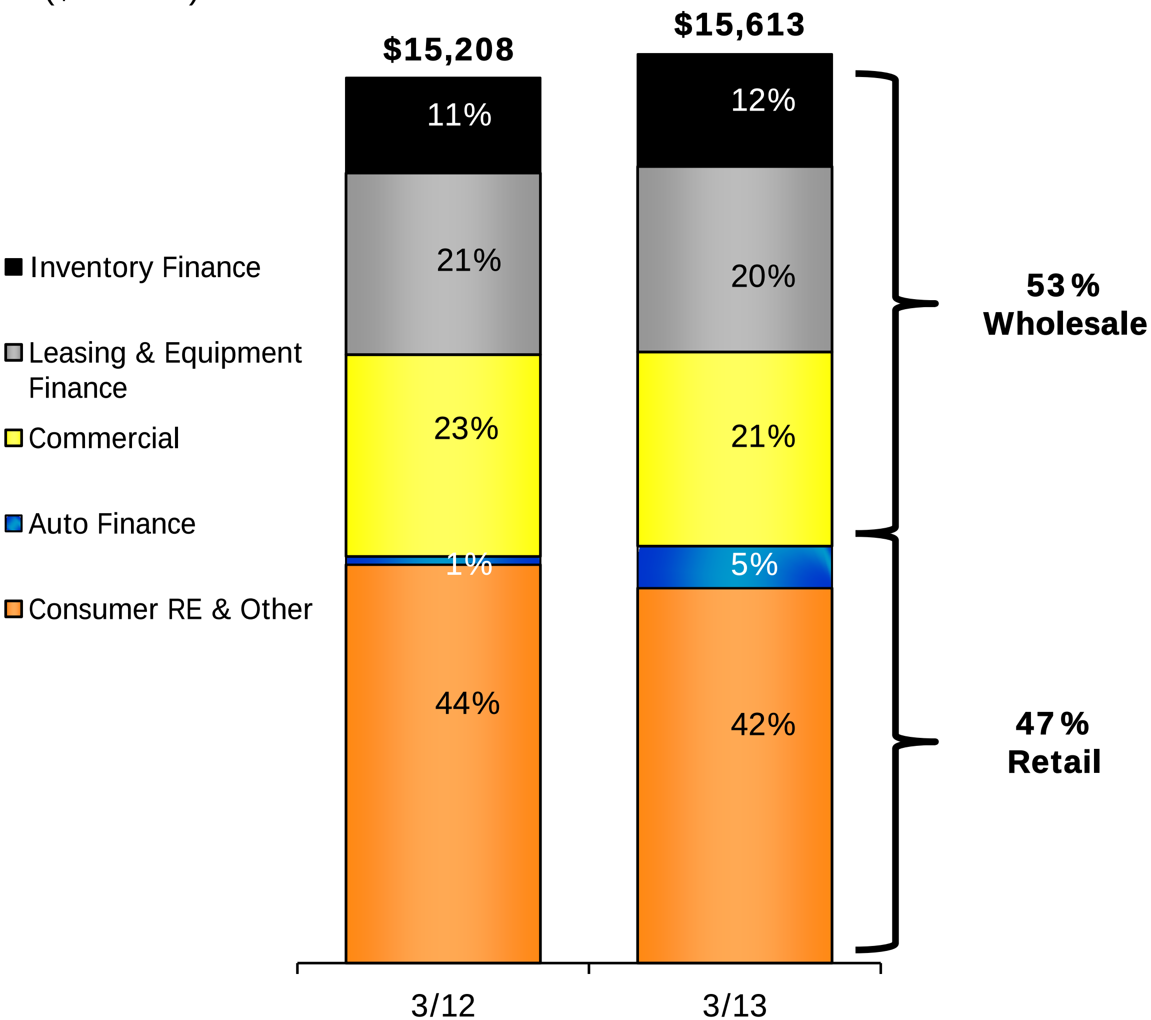


Grow revenue into expense base in 2013

- Higher compensation expenses due to continuing growth in lending platforms and quarter seasonality of payroll taxes
- Accelerated foreclosed real estate expenses

Lending – Portfolio Balances

($ millions)



- TCF maintains a well-diversified loan and lease portfolio by business unit, segment, geography, rate, duration and collateral type
- First quarter loan growth despite $470 million in loan sales

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Loan and Lease Originations

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Loan and lease origination opportunities continue

($ millions)	1Q12	1Q13	Change
Period Beginning Balance	$14,150	$15,426	$1,276
New Volume	2,694	2,661	(33)
Run-off [1]	(1,531)	(2,004)	(473)
Subtotal	1,163	657	(506)
Loan & Lease Sales	(105)	(470)	(365)
Period Ending Balances	$15,208	$15,613	$405

Change in New Volume

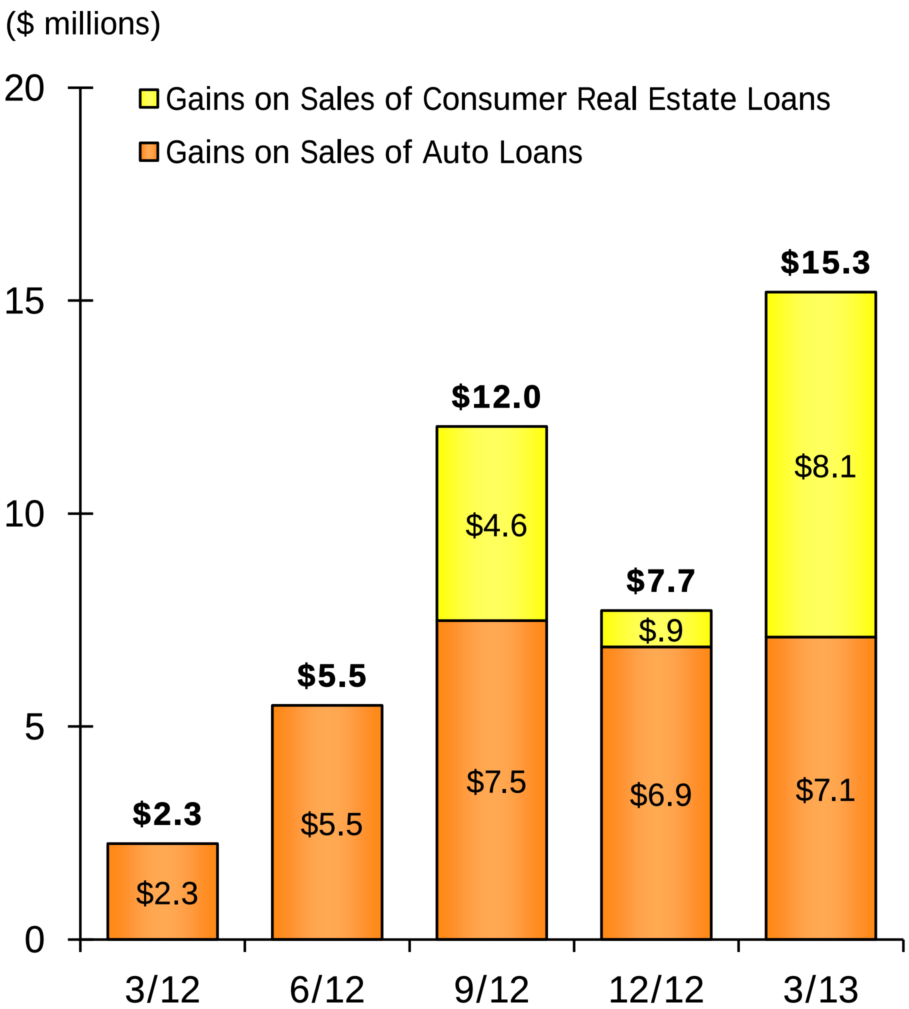
($ millions)	1Q12 vs. 1Q13
Consumer Real Estate	$ 144
Auto Finance	167
Total Retail	311
Commercial	4
Leasing	(11)
Inventory Finance[2]	(337)
Total Wholesale	(344)
Total Lending	$ (33)

- Strong diversity across asset classes
- 1Q12 was impacted by the buy-out of BRP assets of $589.2 million, as the program commenced

[1] Includes activity from payments, pre-payments, and charge-offs

[2] Origination levels impacted by the high velocity of fundings and repayments with dealers

Loan and Lease Sales



Sales of consumer real estate and auto loans is a core competency and revenue stream

- 1Q13 auto loan sales of $179.8 million with gain of $7.1 million
- 1Q13 consumer real estate loan sales of $279.2 million with gain of $8.1 million
- TCF's strong origination capabilities enable the organization to grow while generating fee income

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Loan and Lease Yields

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Utilize diverse lending mix to remain competitive despite low rate environment

	1Q12	2Q12	3Q12	4Q12	1Q13
Consumer real estate	5.65%	5.54%	5.60%	5.60%	5.58%
Auto Finance	7.44	6.89	5.97	5.53	5.23
Commercial	5.32	5.16	5.14	5.10	4.86
Leasing & Equipment Finance	5.63	5.48	5.33	5.24	5.11
Inventory Finance	6.58	6.07	6.19	6.11	6.16
Total Loans and Leases	5.65	5.52	5.50	5.47	5.38

- Competitive commercial marketplace; large banks in all of our markets competing on price for assets
- Growth in auto business with yield compression due to lower yields on new originations in the current low rate environment and continued sales of lower FICO originations

Deposit Generation

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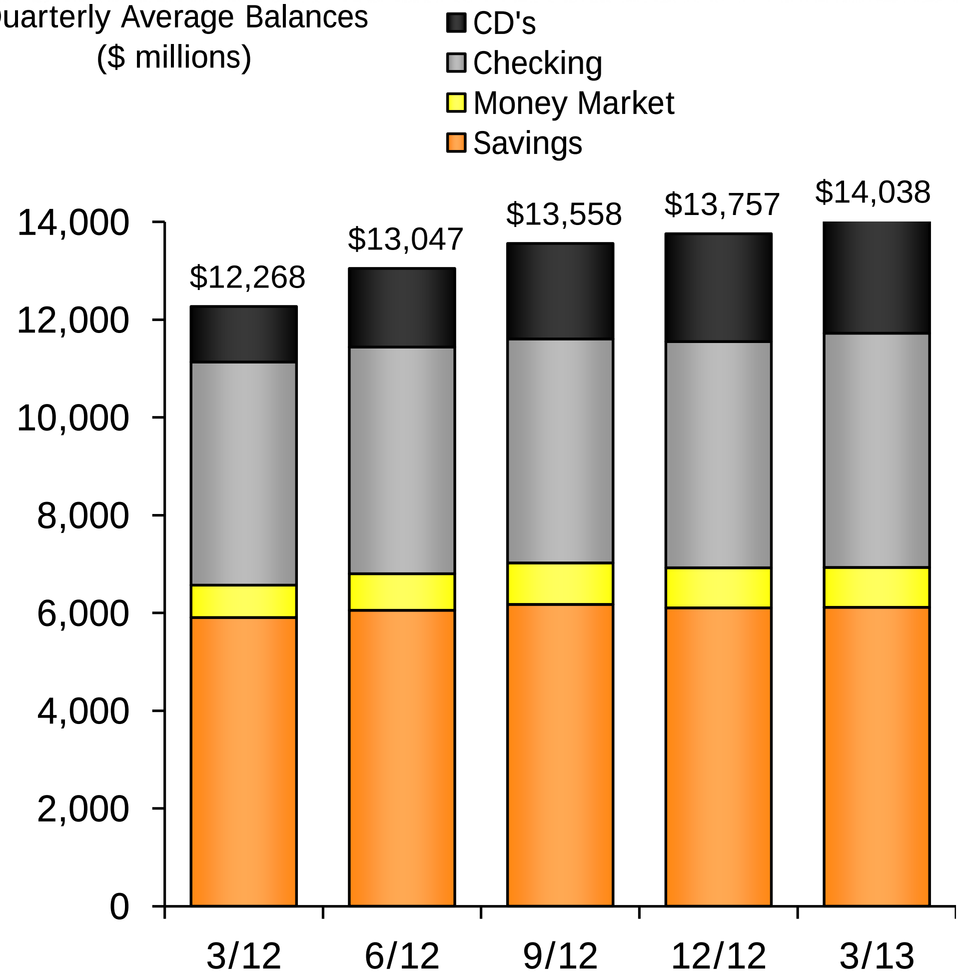
Quarterly Average Balances
($ millions)



Average cost: .30% .31% .32% .32% .28%

- Checking account attrition rates have declined for five consecutive quarters
- Average total deposits have increased for ten consecutive quarters
- Target marketing, providing the right products to the right customers through various channels at the right time
- Senior Funding process uses “switches and dials” to deliver on lending demand

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Net Banking Fee Generation

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($ millions)

Net fee income stabilized

	1Q12	2Q12	3Q12	4Q12	1Q13	1Q12 vs 1Q13
Fees & service charges, card revenue and ATM revenue[1]	$56.0	$63.3	$62.8	$62.8	$57.2	2.1%
Fees affected by return to free checking	5.3	4.6	--	--	--	(100)%
Marketing & deposit account premium expense	(8.6)	(7.1)	(4.7)	(4.8)	(6.3)	(26.7)%
Net Fee Income	$52.7	$60.8	$58.1	$58.0	$50.9	(3.4)%

- Net checking accounts have grown three consecutive quarters by an annualized average of 5.2%
- Net fee income was down from the fourth quarter of 2012 by $7.1 million, impacted by first quarter seasonality and lower first quarter consumer spending
  - "Retail sales in the U.S. dropped in March by the most in nine months, pointing to a slowdown in consumer spending as the first quarter drew to a close. Purchases fell 0.4 percent, the biggest setback since June..." ~ *Bloomberg (4/12/13)*
  - "...the latest Thomson Reuters/University of Michigan reading on consumer sentiment fell to the lowest level in nine months." ~*Wall Street Journal (4/12/13)*

[1] Net of fees affected by return to free checking

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Capital Ratios – Holding Company

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Sufficient capital levels for growth strategy

Capital Ratios	4Q12	1Q13
Tangible realized common equity[1]	7.52%	7.55%
Tier 1 common capital[2]	9.21%	9.24%
Tier 1 leverage capital	9.21%	9.23%
Tier 1 risk-based capital	11.09%	11.14%
Total risk-based capital	13.63%	13.49%

- Focus on building capital through retained earnings in the quarter and going forward

[1] See "Reconciliation of GAAP to Non-GAAP Financial Measures – Tangible Realized Common Equity" slide
[2] See "Reconciliation of GAAP to Non-GAAP Financial Measures – Tier 1 Common Capital Ratio" slide

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Summary

- **Continued credit improvement in 1Q13**
  - Decreasing non-accrual loans and leases and other real estate owned
  - Improving home values in our markets
  - Key commercial credit metrics all show improvement in 1Q13
- **Balancing a diversified revenue base**
  - Revitalized deposit base leading to revenue growth opportunities
  - Core loan sale opportunities in auto finance and consumer real estate
  - Strong net interest margin following balance sheet repositioning
- **Disciplined growth in high-quality lending businesses**
  - Continued growth in auto finance
  - Inventory finance growth opportunities through new programs and relationship expansion with existing dealers

Cautionary Statements for Purposes of the Safe Harbor Provisions of the Securities Litigation Reform Act

Any statements contained in this earnings presentation regarding the outlook for the Company's businesses and their respective markets, such as projections of future performance, guidance, statements of the Company's plans and objectives, forecasts of market trends and other matters, are forward-looking statements based on the Company's assumptions and beliefs. Such statements may be identified by such words or phrases as "will likely result," "are expected to," "will continue," "outlook," "will benefit," "is anticipated," "estimate," "project," "management believes" or similar expressions. These forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those discussed in such statements and no assurance can be given that the results in any forward-looking statement will be achieved. For these statements, TCF claims the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. Any forward-looking statement speaks only as of the date on which it is made, and we disclaim any obligation to subsequently revise any forward-looking statement to reflect events or circumstances after such date or to reflect the occurrence of anticipated or unanticipated events.

Certain factors could cause the Company's future results to differ materially from those expressed or implied in any forward-looking statements contained in this earnings release. These factors include the factors discussed in Part I, Item 1A of the Company's Annual Report on Form 10-K under the heading "Risk Factors," the factors discussed below and any other cautionary statements, written or oral, which may be made or referred to in connection with any such forward-looking statements. Since it is not possible to foresee all such factors, these factors should not be considered as complete or exhaustive.

<u>Adverse Economic or Business Conditions; Competitive Conditions; Credit and Other Risks.</u> Deterioration in general economic and banking industry conditions, including defaults, anticipated defaults or rating agency downgrades of sovereign debt (including debt of the U.S.), or continued high rates of or increases in unemployment in TCF's primary banking markets; adverse economic, business and competitive developments such as shrinking interest margins, reduced demand for financial services and loan and lease products, deposit outflows, deposit account attrition or an inability to increase the number of deposit accounts; customers completing financial transactions without using a bank; adverse changes in credit quality and other risks posed by TCF's loan, lease, investment and securities available for sale portfolios, including declines in commercial or residential real estate values or changes in the allowance for loan and lease losses dictated by new market conditions or regulatory requirements; interest rate risks resulting from fluctuations in prevailing interest rates or other factors that result in a mismatch between yields earned on TCF's interest-earning assets and the rates paid on its deposits and borrowings; foreign currency exchange risks; counterparty risk, including the risk of defaults by our counterparties or diminished availability of counterparties who satisfy our credit quality requirements; decreases in demand for the types of equipment that TCF leases or finances; the effect of any negative publicity.

<u>Legislative and Regulatory Requirements.</u> New consumer protection and supervisory requirements and regulations, including those resulting from action by the Consumer Financial Protection Bureau and changes in the scope of Federal preemption of state laws that could be applied to national banks; the imposition of requirements with an adverse impact relating to TCF's lending, loan collection and other business activities as a result of the Dodd-Frank Act, or other legislative or regulatory developments such as mortgage foreclosure moratorium laws or imposition of underwriting or other limitations that impact the ability to use certain variable-rate products; impact of legislative, regulatory or other changes affecting customer account charges and fee income; changes to bankruptcy laws which would result in the loss of all or part of TCF's security interest due to collateral value declines; deficiencies in TCF's

(continued)

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Cautionary Statements for Purposes of the Safe Harbor Provisions of the Securities Litigation Reform Act (continued)

TCF

compliance under the Bank Secrecy Act in past or future periods, which may result in regulatory enforcement action including monetary penalties; increased health care costs resulting from Federal health care reform legislation; adverse regulatory examinations and resulting enforcement actions or other adverse consequences such as increased capital requirements or higher deposit insurance assessments; heightened regulatory practices, requirements or expectations, including, but not limited to, requirements related to the Bank Secrecy Act and anti-money laundering compliance activity.

<u>Earnings/Capital Risks and Constraints, Liquidity Risks.</u> Limitations on TCF's ability to pay dividends or to increase dividends because of financial performance deterioration, regulatory restrictions or limitations; increased deposit insurance premiums, special assessments or other costs related to adverse conditions in the banking industry, the economic impact on banks of the Dodd-Frank Act and other regulatory reform legislation; the impact of financial regulatory reform, including additional capital, leverage, liquidity and risk management requirements or changes in the composition of qualifying regulatory capital (including those resulting from U.S. implementation of Basel III requirements); adverse changes in securities markets directly or indirectly affecting TCF's ability to sell assets or to fund its operations; diminished unsecured borrowing capacity resulting from TCF credit rating downgrades and unfavorable conditions in the credit markets that restrict or limit various funding sources; costs associated with new regulatory requirements or interpretive guidance relating to liquidity; uncertainties relating to customer opt-in preferences with respect to overdraft fees on point of sale and ATM transactions or the success of TCF's reintroduction of free checking, which may have an adverse impact on TCF's fee revenue; uncertainties relating to future retail deposit account changes, including limitations on TCF's ability to predict customer behavior and the impact on TCF's fee revenues.

<u>Supermarket Branching Risk; Growth Risks.</u> Adverse developments affecting TCF's supermarket banking relationships or any of the supermarket chains in which TCF maintains supermarket branches, including SUPERVALU's sale of several of its supermarket chains, including Jewel-Osco®, in which TCF has 156 branches; slower than anticipated growth in existing or acquired businesses; inability to successfully execute on TCF's growth strategy through acquisitions or cross-selling opportunities; failure to expand or diversify TCF's balance sheet through programs or new opportunities; failure to successfully attract and retain new customers, including the failure to attract and retain manufacturers and dealers to expand the inventory finance business; risks related to new product additions and addition of distribution channels (or entry into new markets) for existing products.

<u>Technological and Operational Matters.</u> Technological or operational difficulties, loss or theft of information, cyber-attacks and other security breaches, counterparty failures and the possibility that deposit account losses (fraudulent checks, etc.) may increase; failure to keep pace with technological change.

<u>Litigation Risks.</u> Results of litigation, including class action litigation concerning TCF's lending or deposit activities including account servicing processes or fees or charges, or employment practices, and possible increases in indemnification obligations for certain litigation against Visa U.S.A. and potential reductions in card revenues resulting from such litigation or other litigation against Visa.

<u>Accounting, Audit, Tax and Insurance Matters.</u> Changes in accounting standards or interpretations of existing standards; federal or state monetary, fiscal or tax policies, including adoption of state legislation that would increase state taxes; ineffective internal controls; adverse state or Federal tax assessments or findings in tax audits; lack of or inadequate insurance coverage for claims against TCF; potential for claims and legal action related to TCF's fiduciary responsibilities.

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Appendix

Reconciliation of GAAP to Non-GAAP Financial Measures – Tangible Realized Common Equity[1]

($000s)

Computation of tangible realized common equity to tangible assets	Dec. 31, 2012	Mar. 31, 2013
Total equity	$ 1,876,643	$ 1,900,159
Less: Non-controlling interest in subsidiaries	13,270	20,933
Total TCF stockholders' equity	1,863,373	1,879,226
Less:		
Preferred stock	263,240	263,240
Goodwill	225,640	225,640
Intangibles	8,674	7,860
Accumulated other comprehensive income	12,443	3,536
Tangible realized common equity	$ 1,353,376	$ 1,378,950
Total assets	$ 18,225,917	$ 18,504,026
Less:		
Goodwill	225,640	225,640
Intangibles	8,674	7,860
Tangible assets	$ 17,991,603	$ 18,270,526
Total realized common equity to tangible assets	7.52 %	7.55 %

[1] When evaluating capital adequacy and utilization, management considers financial measures such as Tangible Realized Common Equity to Tangible Assets and the Tier 1 Common Capital Ratio. These measures are non-GAAP financial measures and are viewed by management as useful indicators of capital levels available to withstand unexpected market or economic conditions, and also provide investors, regulators, and other users with information to be viewed in relation to other banking institutions.

Reconciliation of GAAP to Non-GAAP Financial Measures – Revenue Ratios[1]

($000s)

	TCF 1Q13[3]		Banks \$10-\$50 billion in total assets 2012 Avg[2]	
	\$	% of Total Avg Assets[3]	\$	% of Total Avg Assets
<u>Computation of non-interest income excluding gains on sales of securities and non-recurring revenue:</u>				
Total non-interest income	\$ 370,812	2.03%	\$ 239,070	1.26%
Less:				
Gains on sales of securities	--		11,356	
Non-recurring revenue	--		1,625	
Total non-interest income excluding gains on securities and non-recurring revenue	\$ 370,812	2.03%	\$ 226,089	1.19%
<u>Computation of total revenue excluding gains on sales of securities and non-recurring revenue:</u>				
Total revenue	\$ 1,167,176	6.40%	\$ 840,643	4.44%
Less:				
Gains on sales of securities	--		11,356	
Non-recurring revenue	--		1,625	
Total revenue excluding gains on sales of securities and non-recurring revenue	\$ 1,167,176	6.40%	\$ 827,662	4.37%
<u>Computation of pre-tax pre-provision profit excluding gains on sales of securities and non-recurring items:</u>				
Total revenue	\$ 1,167,176		\$ 840,643	
Less non-interest expense	816,208		525,339	
Pre-tax pre-provision profit	350,968		315,304	
Less:				
Gains on sales of securities	--		11,356	
Non-recurring (expense) revenue	--		1,625	
Pre-tax pre-provision profit excluding gains on sales of securities and non-recurring (expense) revenue	\$ 350,968	1.92%	\$ 302,323	1.60%
Total Average Assets	\$ 18,244,552		\$ 18,945,570	

[1] When evaluating asset utilization, management considers measures related to revenue that adjust for certain operating items. These measures are non-GAAP financial measures and are viewed by management as useful indicators of TCF's ability to generate returns to cover potential credit losses.
[2] All publicly-traded banks and thrifts excluding TCF
[3] Annualized

Reconciliation of GAAP to Non-GAAP Financial Measures – Tier 1 Common Capital Ratio[1]

($000s)

	Dec. 31, 2012		Mar. 31, 2013	
Tier 1 risk-based capital ratio:				
Tier 1 capital	$ 1,633,336		$ 1,666,630	
Total risk-weighted assets	$ 14,733,203		$ 14,964,703	
Tier 1 risk-based capital ratio	11.09	%	11.14	%
Computation of tier 1 common capital ratio:				
Tier 1 capital	$ 1,633,336		$ 1,666,630	
Less:				
Preferred stock	263,240		263,240	
Qualifying non-controlling interest in subsidiaries	13,270		20,933	
Tier 1 common capital	1,356,826		1,382,457	
Tier 1 common capital ratio	9.21	%	9.24	%

[1] When evaluating capital adequacy and utilization, management considers financial measures such as Tangible Realized Common Equity to Tangible Assets and the Tier 1 Common Capital Ratio. These measures are non-GAAP financial measures and are viewed by management as useful indicators of capital levels available to withstand unexpected market or economic conditions, and also provide investors, regulators, and other users with information to be viewed in relation to other banking institutions.