

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

**FORM 10-Q**

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

For the quarterly period ended  
September 30, 2014

or

**[ ] Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

**Commission File No. 001-10253**

**TCF Financial Corporation**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**41-1591444**  
(I.R.S. Employer Identification No.)

**200 Lake Street East, Mail Code EX0-03-A,  
Wayzata, Minnesota 55391-1693**  
(Address and Zip Code of principal executive offices)  
**(952) 745-2760**  
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer   
Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

| Class                         | Outstanding at<br>October 29, 2014 |
|-------------------------------|------------------------------------|
| Common Stock, \$.01 par value | 167,229,255 shares                 |

## TCF FINANCIAL CORPORATION AND SUBSIDIARIES

## INDEX

|  | Pages |
|--|-------|
| Part I. Financial Information  |       |
| Item 1. Financial Statements   |       |
| Consolidated Statements of Financial Condition at<br>September 30, 2014 and December 31, 2013                      | 1     |
| Consolidated Statements of Income for the<br>Three and Nine Months Ended September 30, 2014 and 2013               | 2     |
| Consolidated Statements of Comprehensive Income for the<br>Three and Nine Months Ended September 30, 2014 and 2013 | 3     |
| Consolidated Statements of Equity for the<br>Nine Months Ended September 30, 2014 and 2013                         | 4     |
| Consolidated Statements of Cash Flows for the<br>Nine Months Ended September 30, 2014 and 2013                     | 5     |
| Notes to Consolidated Financial Statements   | 6     |
| Item 2. Management's Discussion and Analysis of<br>Financial Condition and Results of Operations                   | 39    |
| Item 3. Quantitative and Qualitative Disclosures About Market Risk   | 61    |
| Item 4. Controls and Procedures  | 62    |
| Part II. Other Information   |       |
| Items 1 - 6  | 63    |
| Signatures   | 65    |
| Index to Exhibits  | 66    |

---

**PART I – FINANCIAL INFORMATION**  
**Item 1. Financial Statements**  
**TCF FINANCIAL CORPORATION AND SUBSIDIARIES**  
**Consolidated Statements of Financial Condition**

| (Dollars in thousands, except per-share data)  | At September 30,<br>2014 | At December 31,<br>2013 |
|--|--------------------------|-------------------------|
|  | (Unaudited)              |                         |
| <b>Assets:</b>   |                          |                         |
| Cash and due from banks  | \$ 840,847               | \$ 915,076              |
| Investments  | 84,478                   | 94,326                  |
| Securities held to maturity  | 215,371                  | 19,912                  |
| Securities available for sale  | 466,130                  | 551,064                 |
| Loans and leases held for sale   | 156,390                  | 79,768                  |
| Loans and leases:  |                          |                         |
| Consumer real estate:  |                          |                         |
| First mortgage lien  | 3,444,581                | 3,766,421               |
| Junior lien  | 2,526,486                | 2,572,905               |
| Total consumer real estate   | 5,971,067                | 6,339,326               |
| Commercial   | 3,159,766                | 3,148,352               |
| Leasing and equipment finance  | 3,632,793                | 3,428,755               |
| Inventory finance  | 1,836,538                | 1,664,377               |
| Auto finance   | 1,749,411                | 1,239,386               |
| Other  | 24,003                   | 26,743                  |
| Total loans and leases   | 16,373,578               | 15,846,939              |
| Allowance for loan and lease losses  | (222,658)                | (252,230)               |
| Net loans and leases   | 16,150,920               | 15,594,709              |
| Premises and equipment, net  | 436,316                  | 437,602                 |
| Goodwill   | 225,640                  | 225,640                 |
| Other assets   | 446,011                  | 461,743                 |
| Total assets   | \$ 19,022,103            | \$ 18,379,840           |
| <b>Liabilities and Equity:</b>   |                          |                         |
| Deposits:  |                          |                         |
| Checking   | \$ 5,075,309             | \$ 4,980,451            |
| Savings  | 5,385,611                | 6,194,003               |
| Money market   | 1,706,206                | 831,910                 |
| Certificates of deposit  | 3,022,394                | 2,426,412               |
| Total deposits   | 15,189,520               | 14,432,776              |
| Short-term borrowings  | 3,384                    | 4,918                   |
| Long-term borrowings   | 1,198,297                | 1,483,325               |
| Total borrowings   | 1,201,681                | 1,488,243               |
| Accrued expenses and other liabilities   | 517,470                  | 494,062                 |
| Total liabilities  | 16,908,671               | 16,415,081              |
| Equity:  |                          |                         |
| Preferred stock, par value \$0.01 per share, 30,000,000 shares authorized; 4,006,900 issued                                      | 263,240                  | 263,240                 |
| Common stock, par value \$0.01 per share, 280,000,000 shares authorized; 167,160,721 and 165,164,861 shares issued, respectively | 1,672                    | 1,652                   |
| Additional paid-in capital   | 809,778                  | 779,641                 |
| Retained earnings, subject to certain restrictions   | 1,088,992                | 977,846                 |
| Accumulated other comprehensive loss   | (16,216)                 | (27,213)                |
| Treasury stock at cost, 42,566 shares, and other   | (48,879)                 | (42,198)                |
| Total TCF Financial Corporation stockholders' equity   | 2,098,587                | 1,952,968               |
| Non-controlling interest in subsidiaries   | 14,845                   | 11,791                  |
| Total equity   | 2,113,432                | 1,964,759               |
| Total liabilities and equity   | \$ 19,022,103            | \$ 18,379,840           |

See accompanying notes to consolidated financial statements.

**TCF FINANCIAL CORPORATION AND SUBSIDIARIES**  
**Consolidated Statements of Income**  
(Unaudited)

| (In thousands, except per-share data)                 | Three Months Ended<br>September 30, |                  | Nine Months Ended<br>September 30, |                  |
|---|-------------------------------------|------------------|------------------------------------|------------------|
|   | 2014                                | 2013             | 2014                               | 2013             |
| <b>Interest income:</b>                               |                                     |                  |                                    |                  |
| Loans and leases                                      | \$ 205,604                          | \$ 203,879       | \$ 614,929                         | \$ 615,459       |
| Securities available for sale                         | 2,973                               | 4,448            | 8,941                              | 13,880           |
| Securities held to maturity                           | 1,445                               | 57               | 3,852                              | 183              |
| Investments and other                                 | 9,681                               | 7,069            | 26,699                             | 19,089           |
| Total interest income                                 | 219,703                             | 215,453          | 654,421                            | 648,611          |
| <b>Interest expense:</b>                              |                                     |                  |                                    |                  |
| Deposits  | 10,711                              | 9,644            | 27,625                             | 28,176           |
| Borrowings  | 4,812                               | 6,182            | 15,241                             | 19,673           |
| Total interest expense                                | 15,523                              | 15,826           | 42,866                             | 47,849           |
| Net interest income                                   | 204,180                             | 199,627          | 611,555                            | 600,762          |
| Provision for credit losses                           | 15,739                              | 24,602           | 40,140                             | 95,576           |
| Net interest income after provision for credit losses | 188,441                             | 175,025          | 571,415                            | 505,186          |
| <b>Non-interest income:</b>                           |                                     |                  |                                    |                  |
| Fees and service charges                              | 40,255                              | 42,457           | 114,909                            | 123,352          |
| Card revenue  | 12,994                              | 13,167           | 38,493                             | 38,854           |
| ATM revenue   | 5,863                               | 5,941            | 16,976                             | 17,274           |
| Subtotal  | 59,112                              | 61,565           | 170,378                            | 179,480          |
| Leasing and equipment finance                         | 24,383                              | 28,778           | 69,432                             | 67,591           |
| Gains on sales of auto loans, net                     | 14,863                              | 7,140            | 30,603                             | 22,421           |
| Gains on sales of consumer real estate loans, net     | 8,762                               | 4,152            | 28,619                             | 16,347           |
| Servicing fee income                                  | 5,880                               | 3,619            | 15,079                             | 9,503            |
| Other   | 3,170                               | 986              | 8,341                              | 3,384            |
| Fees and other revenue                                | 116,170                             | 106,240          | 322,452                            | 298,726          |
| (Losses) gains on securities, net                     | (94)                                | (80)             | 1,047                              | (80)             |
| Total non-interest income                             | 116,076                             | 106,160          | 323,499                            | 298,646          |
| <b>Non-interest expense:</b>                          |                                     |                  |                                    |                  |
| Compensation and employee benefits                    | 112,393                             | 110,833          | 337,146                            | 320,599          |
| Occupancy and equipment                               | 34,121                              | 33,253           | 103,276                            | 99,190           |
| FDIC insurance  | 7,292                               | 8,102            | 22,480                             | 24,174           |
| Operating lease depreciation                          | 7,434                               | 6,706            | 20,274                             | 18,491           |
| Advertising and marketing                             | 5,336                               | 4,593            | 16,676                             | 15,857           |
| Deposit account premiums                              | 320                                 | 664              | 1,121                              | 1,866            |
| Other   | 47,888                              | 43,730           | 131,841                            | 123,615          |
| Subtotal  | 214,784                             | 207,881          | 632,814                            | 603,792          |
| Foreclosed real estate and repossessed assets, net    | 5,315                               | 4,162            | 17,126                             | 21,884           |
| Other credit costs, net                               | (411)                               | 189              | 79                                 | (876)            |
| Total non-interest expense                            | 219,688                             | 212,232          | 650,019                            | 624,800          |
| Income before income tax expense                      | 84,829                              | 68,953           | 244,895                            | 179,032          |
| Income tax expense                                    | 30,791                              | 24,551           | 88,755                             | 61,554           |
| Income after income tax expense                       | 54,038                              | 44,402           | 156,140                            | 117,478          |
| Income attributable to non-controlling interest       | 1,721                               | 1,607            | 5,941                              | 5,805            |
| Net income attributable to TCF Financial Corporation  | 52,317                              | 42,795           | 150,199                            | 111,673          |
| Preferred stock dividends                             | 4,847                               | 4,847            | 14,541                             | 14,218           |
| <b>Net income available to common stockholders</b>    | <b>\$ 47,470</b>                    | <b>\$ 37,948</b> | <b>\$ 135,658</b>                  | <b>\$ 97,455</b> |
| <b>Net income per common share:</b>                   |                                     |                  |                                    |                  |
| Basic   | \$ 0.29                             | \$ 0.24          | \$ 0.83                            | \$ 0.61          |
| Diluted   | \$ 0.29                             | \$ 0.23          | \$ 0.83                            | \$ 0.60          |

See accompanying notes to consolidated financial statements.

TCF FINANCIAL CORPORATION AND SUBSIDIARIES  
Consolidated Statements of Comprehensive Income  
(Unaudited)

| (In thousands)  | Three Months Ended<br>September 30, |                  | Nine Months Ended<br>September 30, |                  |
|---|-------------------------------------|------------------|------------------------------------|------------------|
|   | 2014                                | 2013             | 2014                               | 2013             |
| <b>Net income attributable to TCF Financial Corporation</b>             | \$ 52,317                           | \$ 42,795        | \$ 150,199                         | \$ 111,673       |
| <b>Other comprehensive (loss) income:</b>                               |                                     |                  |                                    |                  |
| Securities available for sale:  |                                     |                  |                                    |                  |
| Unrealized (losses) gains arising during the period                     | (862)                               | 850              | 19,652                             | (47,399)         |
| Reclassification of net losses (gains) to net income                    | 254                                 | —                | (375)                              | —                |
| Net investment hedge:   |                                     |                  |                                    |                  |
| Unrealized gains (losses) arising during the period                     | 1,849                               | (647)            | 1,677                              | 764              |
| Foreign currency translation adjustment:                                |                                     |                  |                                    |                  |
| Unrealized (losses) gains arising during the period                     | (2,066)                             | 615              | (2,043)                            | (980)            |
| Recognized postretirement prior service cost and transition obligation: |                                     |                  |                                    |                  |
| Net actuarial losses arising during the period                          | (12)                                | (11)             | (35)                               | (35)             |
| Income tax (expense) benefit  | (464)                               | (72)             | (7,879)                            | 17,609           |
| <b>Total other comprehensive (loss) income</b>                          | <b>(1,301)</b>                      | <b>735</b>       | <b>10,997</b>                      | <b>(30,041)</b>  |
| <b>Comprehensive income</b>   | <b>\$ 51,016</b>                    | <b>\$ 43,530</b> | <b>\$ 161,196</b>                  | <b>\$ 81,632</b> |

See accompanying notes to consolidated financial statements.

**TCF FINANCIAL CORPORATION AND SUBSIDIARIES**  
**Consolidated Statements of Equity**  
(Unaudited)

TCF Financial Corporation

| (Dollars in thousands)  | Number of Shares Issued |             | Common | Preferred Stock | Common Stock | Additional Paid-in Capital | Retained Earnings | Accumulated Other Comprehensive (Loss) Income | Treasury Stock and Other | Total     | Non-controlling Interests | Total Equity |
|---|-------------------------|-------------|--------|-----------------|--------------|----------------------------|-------------------|---|--------------------------|-----------|---------------------------|--------------|
|   | Preferred               | Common      |        |                 |              |                            |                   |   |                          |           |                           |              |
| <b>Balance, December 31, 2012</b>                                       | 4,006,900               | 163,428,763 | —      | 263,240         | 1,634        | 750,040                    | 877,445           | 12,443  | (41,429)                 | 1,863,373 | 13,270                    | 1,876,643    |
| Net income attributable to TCF Financial Corporation                    | —                       | —           | —      | —               | —            | —                          | 111,673           | —   | —                        | 111,673   | 5,805                     | 117,478      |
| Other comprehensive loss  | —                       | —           | —      | —               | —            | —                          | —                 | (30,041)                                      | —                        | (30,041)  | —                         | (30,041)     |
| Net distribution to non-controlling interest                            | —                       | —           | —      | —               | —            | —                          | —                 | —   | —                        | —         | (5,797)                   | (5,797)      |
| Dividends on preferred stock  | —                       | —           | —      | —               | —            | —                          | (14,218)          | —   | —                        | (14,218)  | —                         | (14,218)     |
| Dividends on common stock   | —                       | —           | —      | —               | —            | —                          | (24,148)          | —   | —                        | (24,148)  | —                         | (24,148)     |
| Grants of restricted stock  | —                       | 494,277     | —      | —               | 5            | (6)                        | —                 | —   | —                        | (1)       | —                         | (1)          |
| Common shares purchased by TCF employee benefit plans                   | —                       | 1,070,506   | —      | —               | 10           | 15,224                     | —                 | —   | —                        | 15,234    | —                         | 15,234       |
| Cancellation of shares of restricted stock                              | —                       | (111,873)   | —      | —               | —            | (274)                      | 25                | —   | —                        | (249)     | —                         | (249)        |
| Cancellation of common shares for tax withholding                       | —                       | (60,756)    | —      | —               | (1)          | (870)                      | —                 | —   | —                        | (871)     | —                         | (871)        |
| Net amortization of stock compensation                                  | —                       | —           | —      | —               | —            | 7,688                      | —                 | —   | —                        | 7,688     | —                         | 7,688        |
| Stock compensation tax expense  | —                       | —           | —      | —               | —            | (475)                      | —                 | —   | —                        | (475)     | —                         | (475)        |
| Change in shares held in trust for deferred compensation plans, at cost | —                       | —           | —      | —               | —            | 243                        | —                 | —   | (243)                    | —         | —                         | —            |
| <b>Balance, September 30, 2013</b>                                      | 4,006,900               | 164,820,917 | —      | 263,240         | 1,648        | 771,570                    | 950,777           | (17,598)                                      | (41,672)                 | 1,927,965 | 13,278                    | 1,941,243    |
| <b>Balance, December 31, 2013</b>                                       | 4,006,900               | 165,164,861 | —      | 263,240         | 1,652        | 779,641                    | 977,846           | (27,213)                                      | (42,198)                 | 1,952,968 | 11,791                    | 1,964,759    |
| Net income attributable to TCF Financial Corporation                    | —                       | —           | —      | —               | —            | —                          | 150,199           | —   | —                        | 150,199   | 5,941                     | 156,140      |
| Other comprehensive income  | —                       | —           | —      | —               | —            | —                          | —                 | 10,997  | —                        | 10,997    | —                         | 10,997       |
| Net distribution to non-controlling interest                            | —                       | —           | —      | —               | —            | —                          | —                 | —   | —                        | —         | (2,887)                   | (2,887)      |
| Dividends on preferred stock  | —                       | —           | —      | —               | —            | —                          | (14,541)          | —   | —                        | (14,541)  | —                         | (14,541)     |
| Dividends on common stock   | —                       | —           | —      | —               | —            | —                          | (24,512)          | —   | —                        | (24,512)  | —                         | (24,512)     |
| Grants of restricted stock  | —                       | 1,110,706   | —      | —               | —            | (11)                       | —                 | —   | —                        | —         | —                         | —            |
| Common shares purchased by TCF employee benefit plans                   | —                       | 1,109,887   | —      | —               | 11           | 17,791                     | —                 | —   | —                        | 17,802    | —                         | 17,802       |
| Cancellation of shares of restricted stock                              | —                       | (70,790)    | —      | —               | (1)          | (326)                      | —                 | —   | —                        | (327)     | —                         | (327)        |
| Cancellation of common shares for tax withholding                       | —                       | (200,943)   | —      | —               | (2)          | (3,260)                    | —                 | —   | —                        | (3,262)   | —                         | (3,262)      |
| Net amortization of stock compensation                                  | —                       | —           | —      | —               | —            | 7,141                      | —                 | —   | —                        | 7,141     | —                         | 7,141        |
| Exercise of stock options   | —                       | 47,000      | —      | —               | 1            | 739                        | —                 | —   | —                        | 740       | —                         | 740          |
| Stock compensation tax benefit  | —                       | —           | —      | —               | —            | 1,382                      | —                 | —   | —                        | 1,382     | —                         | 1,382        |
| Change in shares held in trust for deferred compensation plans, at cost | —                       | —           | —      | —               | —            | 6,681                      | —                 | —   | (6,681)                  | —         | —                         | —            |
| <b>Balance, September 30, 2014</b>                                      | 4,006,900               | 167,160,721 | —      | 263,240         | 1,672        | 809,778                    | 1,088,992         | (16,216)                                      | (48,879)                 | 2,098,587 | 14,845                    | 2,113,432    |

See accompanying notes to consolidated financial statements.

**TCF FINANCIAL CORPORATION AND SUBSIDIARIES**  
**Consolidated Statements of Cash Flows**  
(Unaudited)

| (In thousands)  | Nine Months Ended September 30, |             |
|---|---------------------------------|-------------|
|   | 2014                            | 2013        |
| <b>Cash flows from operating activities:</b>                                      |                                 |             |
| Net income attributable to TCF Financial Corporation                              | \$ 150,199                      | \$ 111,673  |
| Adjustments to reconcile net income to net cash provided by operating activities: |                                 |             |
| Provision for credit losses   | 40,140                          | 95,576      |
| Depreciation and amortization   | 95,428                          | 85,229      |
| Proceeds from sales of loans and leases held for sale                             | 373,429                         | 165,764     |
| Gains on sales of assets, net   | (60,784)                        | (43,805)    |
| Net income attributable to non-controlling interest                               | 5,941                           | 5,805       |
| Originations of loans held for sale, net of repayments                            | (451,304)                       | (242,890)   |
| Net increase in other assets and accrued expenses and other liabilities           | 66,434                          | 168,126     |
| Other, net  | (24,007)                        | (29,713)    |
| Net cash provided by operating activities   | 195,476                         | 315,765     |
| <b>Cash flows from investing activities:</b>                                      |                                 |             |
| Loan originations and purchases, net of principal collected on loans and leases   | (1,485,383)                     | (859,419)   |
| Purchases of equipment for lease financing  | (654,671)                       | (631,545)   |
| Purchase of inventory finance portfolios  | —                               | (9,658)     |
| Proceeds from sales of loans  | 1,469,077                       | 956,406     |
| Proceeds from sales of lease receivables  | 22,590                          | 30,921      |
| Proceeds from sales of securities   | 2,813                           | 245         |
| Purchases of securities   | (136,341)                       | (48,034)    |
| Proceeds from maturities of and principal collected on securities                 | 42,377                          | 80,295      |
| Purchases of Federal Home Loan Bank stock   | (71,000)                        | (5,789)     |
| Redemption of Federal Home Loan Bank stock  | 80,928                          | 25,975      |
| Proceeds from sales of real estate owned  | 42,935                          | 85,135      |
| Purchases of premises and equipment   | (32,988)                        | (24,479)    |
| Other, net  | 21,248                          | 22,430      |
| Net cash used in investing activities   | (698,415)                       | (377,517)   |
| <b>Cash flows from financing activities:</b>                                      |                                 |             |
| Net increase in deposits  | 737,299                         | 374,244     |
| Net (decrease) increase in short-term borrowings                                  | (1,534)                         | 5,630       |
| Proceeds from long-term borrowings  | 1,840,008                       | 176,168     |
| Payments on long-term borrowings  | (2,075,047)                     | (510,367)   |
| Redemption of subordinated debt   | (50,000)                        | (71,020)    |
| Net distribution to non-controlling interest                                      | (2,887)                         | (5,797)     |
| Dividends paid on preferred stock   | (14,541)                        | (14,218)    |
| Dividends paid on common stock  | (24,512)                        | (24,148)    |
| Stock compensation tax benefit (expense)  | 1,382                           | (475)       |
| Common shares sold to TCF employee benefit plans                                  | 17,802                          | 15,234      |
| Other, net  | 740                             | —           |
| Net cash provided by (used in) financing activities                               | 428,710                         | (54,749)    |
| Net decrease in cash and due from banks   | (74,229)                        | (116,501)   |
| Cash and due from banks at beginning of period                                    | 915,076                         | 1,100,347   |
| Cash and due from banks at end of period  | \$ 840,847                      | \$ 983,846  |
| <b>Supplemental disclosures of cash flow information:</b>                         |                                 |             |
| Cash paid (received) for:   |                                 |             |
| Interest on deposits and borrowings   | \$ 39,864                       | \$ 47,292   |
| Income taxes, net   | \$ 89,132                       | \$ (31,142) |
| Transfer of loans to other assets   | \$ 65,704                       | \$ 84,910   |
| Transfer of securities available for sale to securities held to maturity          | \$ 191,665                      | \$ —        |

See accompanying notes to consolidated financial statements.

TCF FINANCIAL CORPORATION AND SUBSIDIARIES  
Notes to Consolidated Financial Statements  
(Unaudited)

**Note 1. Basis of Presentation**

TCF Financial Corporation, a Delaware corporation (“we,” “us,” “our,” “TCF,” or the “Company”), is a national bank holding company based in Wayzata, Minnesota. Unless otherwise indicated, references herein to “TCF” include its direct and indirect subsidiaries. Its principal subsidiary, TCF National Bank (“TCF Bank”), is headquartered in South Dakota.

The accompanying unaudited consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and, therefore, do not include all of the information and notes necessary for complete financial statements in conformity with generally accepted accounting principles in the United States (“GAAP”). The information in this Quarterly Report on Form 10-Q is written with the presumption that the users of the interim financial statements have read or have access to the Company’s most recent Annual Report on Form 10-K, which contains the latest audited financial statements and notes thereto, together with Management’s Discussion and Analysis of Financial Condition and Results of Operations at December 31, 2013, and for the year then ended. All significant intercompany accounts and transactions have been eliminated in consolidation. Certain reclassifications have been made to prior period financial statements to conform to the current period presentation. Any policies in effect at December 31, 2013, remain unchanged and will be followed similarly as in previous periods. The Company’s securities held to maturity policy described below became significant in the first quarter of 2014.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. These estimates are based on information available to management at the time the estimates are made. Actual results could differ from those estimates. In the opinion of management, the accompanying unaudited consolidated financial statements contain all significant adjustments, consisting of normal recurring items, considered necessary for fair presentation. The results of operations for interim periods are not necessarily indicative of the results to be expected for the entire year.

**Other Significant Accounting Policies**

**Securities Held to Maturity** Securities held to maturity are carried at cost and adjusted for amortization of premiums or accretion of discounts using a level yield method; however, transfers of securities available for sale to securities held to maturity are made at fair value at the date of transfer. The unrealized holding gain or loss at the date of each transfer is retained in accumulated other comprehensive loss and in the carrying value of the held to maturity investment security. Such amounts are then amortized over the remaining life of the transferred security as an adjustment of the yield on those securities. TCF periodically evaluates securities held to maturity for other than temporary impairment. Declines in value considered other than temporary, if any, would be recorded as non-interest income within (losses) gains on securities, net.



**Note 2. Cash and Due from Banks**

At September 30, 2014 and December 31, 2013, TCF Bank was required by Federal Reserve regulations to maintain reserves of \$86.5 million and \$95.5 million, respectively, in cash on hand or at the Federal Reserve Bank.

TCF maintains cash balances that are restricted as to their use in accordance with certain contractual agreements primarily related to the sale and servicing of auto loans and consumer real estate loans. Cash payments received on loans serviced for third parties are held in separate accounts until remitted. TCF also retains cash balances for potential loss recourse on certain sold auto loans as well as cash for collateral on certain borrowings and foreign exchange contracts. TCF maintained restricted cash totaling \$64.8 million and \$46.1 million at September 30, 2014 and December 31, 2013, respectively.

**Note 3. Securities Available for Sale and Securities Held to Maturity**

Securities consisted of the following.

|  | At September 30, 2014 |                              |                               |               | At December 31, 2013 |                              |                               |               |
|--|-----------------------|------------------------------|-------------------------------|---------------|----------------------|------------------------------|-------------------------------|---------------|
|  | Amortized<br>Cost     | Gross<br>Unrealized<br>Gains | Gross<br>Unrealized<br>Losses | Fair<br>Value | Amortized<br>Cost    | Gross<br>Unrealized<br>Gains | Gross<br>Unrealized<br>Losses | Fair<br>Value |
| (Dollars in thousands)                                     |                       |                              |                               |               |                      |                              |                               |               |
| <b>Securities available for sale:</b>                      |                       |                              |                               |               |                      |                              |                               |               |
| Mortgage-backed securities:                                |                       |                              |                               |               |                      |                              |                               |               |
| U.S. Government sponsored enterprises and federal agencies | \$473,821             | \$ 462                       | \$ 8,217                      | \$ 466,066    | \$592,283            | \$ 1,131                     | \$ 45,377                     | \$548,037     |
| Other  | 64                    | —                            | —                             | 64            | 93                   | —                            | —                             | 93            |
| Other securities   | —                     | —                            | —                             | —             | 1,642                | 1,292                        | —                             | 2,934         |
| Total securities available for sale                        | \$473,885             | \$ 462                       | \$ 8,217                      | \$ 466,130    | \$594,018            | \$ 2,423                     | \$ 45,377                     | \$551,064     |
| Weighted-average yield                                     | 2.62%                 |                              |                               |               | 2.65%                |                              |                               |               |
| <b>Securities held to maturity:</b>                        |                       |                              |                               |               |                      |                              |                               |               |
| Mortgage-backed securities:                                |                       |                              |                               |               |                      |                              |                               |               |
| U.S. Government sponsored enterprises and federal agencies | \$210,410             | \$ 2,440                     | \$ 146                        | \$ 212,704    | \$ 14,610            | \$ —                         | \$ —                          | \$ 14,610     |
| Other securities   | 4,961                 | —                            | —                             | 4,961         | 5,302                | —                            | —                             | 5,302         |
| Total securities held to maturity                          | \$215,371             | \$ 2,440                     | \$ 146                        | \$ 217,665    | \$ 19,912            | \$ —                         | \$ —                          | \$ 19,912     |
| Weighted-average yield                                     | 2.65%                 |                              |                               |               | 3.43%                |                              |                               |               |

Gross realized gains of \$29.0 thousand and \$1.2 million were recognized on sales of securities available for sale during the third quarter and first nine months of 2014, respectively. There were no sales of securities available for sale during the first nine months of 2013. At September 30, 2014 and December 31, 2013, mortgage-backed securities with a carrying value of \$15.0 million and \$14.7 million, respectively, were pledged as collateral to secure certain deposits and borrowings. There were no impairment charges recognized on securities available for sale during the first nine months of 2014 or 2013.

Unrealized losses on securities available for sale are due to lower values for equity securities or changes in interest rates. TCF has the ability and intent to hold these investments until a recovery of fair value occurs.

During the first nine months of 2014, TCF transferred \$191.7 million of available for sale mortgage-backed securities to held to maturity, reflecting TCF's intent and ability to hold these securities to maturity. At September 30, 2014 and December 31, 2013, the unrealized holding loss on the transferred securities retained in accumulated other comprehensive loss totaled \$16.3 million and \$0.3 million, respectively. These amounts are amortized over the remaining life of the transferred security. Other held to maturity securities consist primarily of non-trading mortgage-backed securities and other bonds which qualify for investment credit under the Community Reinvestment Act. During the first nine months of 2014 and 2013, TCF recorded an impairment charge of \$0.1 million on held to maturity securities, which had a carrying value of \$5.0 million and \$5.6 million at September 30, 2014 and 2013, respectively.

The following tables show the gross unrealized losses and fair value of securities available for sale at September 30, 2014 and December 31, 2013 and securities held to maturity at September 30, 2014, aggregated by investment category and the length of time the securities were in a continuous loss position. There were no gross unrealized losses for securities held to maturity at December 31, 2013.

| (In thousands)   | At September 30, 2014 |                   |                   |                   |            |                   |
|--|-----------------------|-------------------|-------------------|-------------------|------------|-------------------|
|  | Less than 12 months   |                   | 12 months or more |                   | Total      |                   |
|  | Fair Value            | Unrealized Losses | Fair Value        | Unrealized Losses | Fair Value | Unrealized Losses |
| <b>Securities available for sale:</b>                      |                       |                   |                   |                   |            |                   |
| Mortgage-backed securities:                                |                       |                   |                   |                   |            |                   |
| U.S. Government sponsored enterprises and federal agencies | \$ 79,014             | \$ 162            | \$ 311,988        | \$ 8,055          | \$ 391,002 | \$ 8,217          |
| Total securities available for sale                        | \$ 79,014             | \$ 162            | \$ 311,988        | \$ 8,055          | \$ 391,002 | \$ 8,217          |

**Securities held to maturity:**

Mortgage-backed securities:

|  |           |        |      |      |           |        |
|--|-----------|--------|------|------|-----------|--------|
| U.S. Government sponsored enterprises and federal agencies | \$ 11,863 | \$ 146 | \$ — | \$ — | \$ 11,863 | \$ 146 |
| Total securities held to maturity                          | \$ 11,863 | \$ 146 | \$ — | \$ — | \$ 11,863 | \$ 146 |

| (In thousands)   | At December 31, 2013 |                   |                   |                   |            |                   |
|--|----------------------|-------------------|-------------------|-------------------|------------|-------------------|
|  | Less than 12 months  |                   | 12 months or more |                   | Total      |                   |
|  | Fair Value           | Unrealized Losses | Fair Value        | Unrealized Losses | Fair Value | Unrealized Losses |
| <b>Securities available for sale:</b>                      |                      |                   |                   |                   |            |                   |
| Mortgage-backed securities:                                |                      |                   |                   |                   |            |                   |
| U.S. Government sponsored enterprises and federal agencies | \$ 353,449           | \$ 22,678         | \$ 156,472        | \$ 22,699         | \$ 509,921 | \$ 45,377         |
| Total securities available for sale                        | \$ 353,449           | \$ 22,678         | \$ 156,472        | \$ 22,699         | \$ 509,921 | \$ 45,377         |

The amortized cost, fair value and yield of securities available for sale and securities held to maturity by contractual maturity, at September 30, 2014 and December 31, 2013, are shown below. The remaining contractual principal maturities do not consider possible prepayments. Remaining expected maturities will differ from contractual maturities because borrowers may have the right to prepay.

| (Dollars in thousands)                     | At September 30, 2014 |                   |             | At December 31, 2013 |                   |             |
|--|-----------------------|-------------------|-------------|----------------------|-------------------|-------------|
|  | Amortized Cost        | Fair Value        | Yield       | Amortized Cost       | Fair Value        | Yield       |
| <b>Securities available for sale:</b>      |                       |                   |             |                      |                   |             |
| Due in one year or less                    | \$ 6                  | \$ 6              | 11.63%      | \$ —                 | \$ —              | —%          |
| Due in 1-5 years                           | 88                    | 89                | 4.61        | 138                  | 140               | 5.24        |
| Due in 5-10 years                          | 85,802                | 85,937            | 1.93        | 24,328               | 24,543            | 2.17        |
| Due after 10 years                         | 387,989               | 380,098           | 2.77        | 567,910              | 523,447           | 2.67        |
| No stated maturity                         | —                     | —                 | —           | 1,642                | 2,934             | —           |
| <b>Total securities available for sale</b> | <b>\$ 473,885</b>     | <b>\$ 466,130</b> | <b>2.62</b> | <b>\$ 594,018</b>    | <b>\$ 551,064</b> | <b>2.65</b> |
| <b>Securities held to maturity:</b>        |                       |                   |             |                      |                   |             |
| Due in one year or less                    | \$ 500                | \$ 500            | 2.00%       | \$ —                 | \$ —              | —%          |
| Due in 1-5 years                           | 2,500                 | 2,500             | 3.08        | 3,000                | 3,000             | 2.90        |
| Due after 10 years                         | 212,371               | 214,665           | 2.65        | 16,912               | 16,912            | 3.52        |
| <b>Total securities held to maturity</b>   | <b>\$ 215,371</b>     | <b>\$ 217,665</b> | <b>2.65</b> | <b>\$ 19,912</b>     | <b>\$ 19,912</b>  | <b>3.43</b> |

#### Note 4. Loans and Leases

Loans and leases consisted of the following.

| (Dollars in thousands)                       | At September 30, 2014 | At December 31, 2013 | Percent Change |
|--|-----------------------|----------------------|----------------|
| <b>Consumer real estate:</b>                 |                       |                      |                |
| First mortgage lien                          | \$ 3,444,581          | \$ 3,766,421         | (8.5)%         |
| Junior lien                                  | 2,526,486             | 2,572,905            | (1.8)          |
| <b>Total consumer real estate</b>            | <b>5,971,067</b>      | <b>6,339,326</b>     | <b>(5.8)</b>   |
| <b>Commercial:</b>                           |                       |                      |                |
| <b>Commercial real estate:</b>               |                       |                      |                |
| Permanent                                    | 2,452,931             | 2,604,673            | (5.8)          |
| Construction and development                 | 191,306               | 139,024              | 37.6           |
| <b>Total commercial real estate</b>          | <b>2,644,237</b>      | <b>2,743,697</b>     | <b>(3.6)</b>   |
| Commercial business                          | 515,529               | 404,655              | 27.4           |
| <b>Total commercial</b>                      | <b>3,159,766</b>      | <b>3,148,352</b>     | <b>0.4</b>     |
| Leasing and equipment finance                | 3,632,793             | 3,428,755            | 6.0            |
| Inventory finance                            | 1,836,538             | 1,664,377            | 10.3           |
| Auto finance                                 | 1,749,411             | 1,239,386            | 41.2           |
| Other  | 24,003                | 26,743               | (10.2)         |
| <b>Total loans and leases <sup>(1)</sup></b> | <b>\$ 16,373,578</b>  | <b>\$ 15,846,939</b> | <b>3.3</b>     |

(1) Loans and leases are reported at historical cost including net direct fees and costs associated with originating and acquiring loans and leases, lease residuals, unearned income, and unamortized purchase premiums and discounts. The aggregate amount of these loan and lease adjustments was \$43.7 million and \$30.3 million at September 30, 2014 and December 31, 2013, respectively.

The consumer real estate junior lien portfolio was comprised of \$2.1 billion of home equity lines of credit (“HELOCs”) and \$450.4 million of amortizing junior lien mortgage loans at September 30, 2014, compared with \$2.1 billion and \$505.5 million at December 31, 2013, respectively. At September 30, 2014 and December 31, 2013, \$857.2 million and \$969.2 million, respectively, of the consumer real estate junior lien HELOCs were interest-only revolving draw loans with no defined amortization period and draw periods of 5 to 40 years and, at September 30, 2014, 18.7% will mature prior to 2021. At September 30, 2014 and December 31, 2013, \$1.2 billion and \$1.1 billion, respectively, had a 10-year interest-only draw period and a 20-year amortization repayment period and all were within the 10-year initial draw period, and will not convert to amortizing loans until 2021 or later.

During the nine months ended September 30, 2014 and 2013, TCF sold \$966.3 million and \$559.3 million, respectively, of consumer auto loans with servicing retained, received cash of \$993.0 million and \$544.2 million, respectively, and recognized gains of \$31.5 million and \$22.4 million, respectively. Related to these sales, TCF retained interest-only strips of \$12.1 million and \$42.2 million for the nine months ended September 30, 2014 and 2013, respectively. Total interest-only strips related to sales of auto loans totaled \$51.6 million and \$64.9 million at September 30, 2014 and December 31, 2013, respectively. TCF recorded impairment charges on these interest-only strips of \$1.6 million and \$5.2 million during the nine months ended September 30, 2014 and 2013, respectively, as a result of higher prepayments than originally assumed. Contractual recourse liabilities related to sales of auto loans totaled \$0.7 million and \$1.1 million at September 30, 2014 and December 31, 2013, respectively. No servicing assets or liabilities related to consumer auto loans were recorded within TCF’s Consolidated Statements of Financial Condition, as the contractual servicing fees are adequate to compensate TCF for its servicing responsibilities based on the amount demanded by the marketplace. In July 2014, TCF transferred consumer auto loans totaling \$256.3 million with servicing retained to a trust in a securitization transaction, received cash proceeds of \$266.7 million, and recognized gains of \$7.4 million from the Company’s inaugural consumer auto loan securitization, which qualified for sale accounting and is included in the amounts above. This trust is considered a variable interest entity due to its limited capitalization and special purpose nature, however it is not consolidated as TCF is not the primary beneficiary because the Company does not have a variable interest in the trust. TCF’s auto loan managed portfolio, which includes portfolio loans, loans held for sale, and loans sold and serviced for others, totaled \$3.5 billion and \$2.4 billion at September 30, 2014 and December 31, 2013, respectively.

During the nine months ended September 30, 2014 and 2013, TCF sold \$805.2 million and \$560.8 million, respectively, of consumer real estate loans, received cash of \$828.6 million and \$564.1 million, respectively, and recognized gains of \$28.3 million and \$16.3 million, respectively. Related to these sales, TCF retained interest-only strips of \$9.1 million and \$16.4 million for the nine months ended September 30, 2014 and 2013, respectively. Total interest-only strips related to sales of consumer real estate loans totaled \$21.9 million and \$19.6 million at September 30, 2014 and December 31, 2013, respectively. TCF had no impairment charges on these interest-only strips for the nine months ended September 30, 2014, and recorded impairment charges of \$0.5 million on these interest-only strips during the nine months ended September 30, 2013. Contractual recourse liabilities related to sales of consumer real estate loans totaled \$0.6 million at September 30, 2014 and December 31, 2013. No servicing assets or liabilities related to consumer real estate loans were recorded within TCF’s Consolidated Statements of Financial Condition, as the contractual servicing fees are adequate to compensate TCF for its servicing responsibilities based on the amount demanded by the marketplace. TCF’s consumer real estate loan managed portfolio, which includes portfolio loans, loans held for sale, and loans sold and serviced for others, totaled \$7.2 billion and \$7.0 billion at September 30, 2014 and December 31, 2013, respectively.

From time to time, TCF sells leasing and equipment finance loans and minimum lease payment receivables to third-party financial institutions at fixed rates. During the nine months ended September 30, 2014 and 2013, TCF sold \$40.4 million and \$43.4 million, respectively, of loans and minimum lease payment receivables, received cash of \$41.4 million and \$44.4 million, respectively, and recognized net gains of \$0.3 million and net losses of \$44.0 thousand, respectively. Related to these sales, TCF established servicing liabilities of \$0.7 million and \$1.0 million for the nine months ended September 30, 2014 and 2013, respectively. At September 30, 2014 and December 31, 2013, TCF had total servicing liabilities related to leasing and equipment finance of \$1.6 million and \$1.7 million, respectively. At September 30, 2014 and 2013, TCF had lease residuals related to sales of outstanding minimum lease payment receivables of \$14.9 million and \$15.2 million, respectively. TCF's leasing and equipment finance loan managed portfolio, which includes portfolio loans and leases, loans held for sale, operating leases, and loans sold and serviced for others, totaled \$3.9 billion and \$3.7 billion at September 30, 2014 and December 31, 2013, respectively.

TCF's agreements to sell auto and consumer real estate loans typically contain certain representations and warranties regarding the loans sold. These representations and warranties generally relate to, among other things, the ownership of the loan, the validity, priority and perfection of the lien securing the loan, accuracy of information supplied to the buyer, the loan's compliance with the criteria set forth in the agreement, payment delinquency, and compliance with applicable laws and regulations. TCF may be required to repurchase loans in the event of an unremedied breach of these representations or warranties. During the nine months ended September 30, 2014 and 2013, losses related to repurchases pursuant to such representations and warranties were immaterial. The majority of such repurchases were of consumer auto loans where TCF typically has contractual agreements with the automobile dealership that originated the loan requiring the dealer to repurchase such contracts from TCF.

**Note 5. Allowance for Loan and Lease Losses and Credit Quality Information**

The following tables provide the allowance for loan and lease losses and other information regarding the allowance for loan and lease losses. TCF's key credit quality indicator is the receivable's payment performance status, defined as accruing or non-accruing.

| (In thousands)  | Consumer Real Estate | Commercial | Leasing and Equipment Finance | Inventory Finance | Auto Finance | Other   | Total      |
|---|----------------------|------------|-------------------------------|-------------------|--------------|---------|------------|
| <b>At or For the Three Months Ended September 30, 2014:</b> |                      |            |                               |                   |              |         |            |
| Balance, beginning of quarter                               | \$ 161,349           | \$ 31,361  | \$ 19,184                     | \$ 9,539          | \$ 13,865    | \$ 783  | \$ 236,081 |
| Charge-offs   | (24,072)             | (262)      | (2,350)                       | (548)             | (2,958)      | (2,448) | (32,638)   |
| Recoveries  | 1,912                | 406        | 1,157                         | 284               | 494          | 1,448   | 5,701      |
| Net (charge-offs) recoveries                                | (22,160)             | 144        | (1,193)                       | (264)             | (2,464)      | (1,000) | (26,937)   |
| Provision for credit losses                                 | 6,636                | 1,785      | (391)                         | 411               | 6,302        | 996     | 15,739     |
| Other   | (700)                | —          | —                             | (130)             | (1,395)      | —       | (2,225)    |
| Balance, end of quarter                                     | \$ 145,125           | \$ 33,290  | \$ 17,600                     | \$ 9,556          | \$ 16,308    | \$ 779  | \$ 222,658 |

|   |            |           |           |          |          |         |            |
|---|------------|-----------|-----------|----------|----------|---------|------------|
| <b>At or For the Three Months Ended September 30, 2013:</b> |            |           |           |          |          |         |            |
| Balance, beginning of quarter                               | \$ 181,052 | \$ 50,072 | \$ 17,975 | \$ 8,197 | \$ 7,509 | \$ 794  | \$ 265,599 |
| Charge-offs   | (20,452)   | (7,286)   | (1,733)   | (216)    | (1,281)  | (2,550) | (33,518)   |
| Recoveries  | 2,208      | 773       | 1,075     | 130      | 159      | 1,557   | 5,902      |
| Net charge-offs   | (18,244)   | (6,513)   | (658)     | (86)     | (1,122)  | (993)   | (27,616)   |
| Provision for credit losses                                 | 15,377     | 3,505     | 899       | 390      | 3,430    | 1,001   | 24,602     |
| Other   | (215)      | (426)     | —         | 46       | (705)    | —       | (1,300)    |
| Balance, end of quarter                                     | \$ 177,970 | \$ 46,638 | \$ 18,216 | \$ 8,547 | \$ 9,112 | \$ 802  | \$ 261,285 |

| (In thousands)   | Consumer Real Estate | Commercial | Leasing and Equipment Finance | Inventory Finance | Auto Finance | Other   | Total      |
|--|----------------------|------------|-------------------------------|-------------------|--------------|---------|------------|
| <b>At or For the Nine Months Ended September 30, 2014:</b> |                      |            |                               |                   |              |         |            |
| Balance, beginning of period                               | \$ 176,030           | \$ 37,467  | \$ 18,733                     | \$ 8,592          | \$ 10,623    | \$ 785  | \$ 252,230 |
| Charge-offs  | (51,639)             | (5,628)    | (5,760)                       | (898)             | (7,682)      | (6,343) | (77,950)   |
| Recoveries   | 5,319                | 785        | 2,845                         | 661               | 1,109        | 4,523   | 15,242     |
| Net charge-offs  | (46,320)             | (4,843)    | (2,915)                       | (237)             | (6,573)      | (1,820) | (62,708)   |
| Provision for credit losses                                | 17,821               | 737        | 1,782                         | 1,336             | 16,650       | 1,814   | 40,140     |
| Other  | (2,406)              | (71)       | —                             | (135)             | (4,392)      | —       | (7,004)    |
| Balance, end of period                                     | \$ 145,125           | \$ 33,290  | \$ 17,600                     | \$ 9,556          | \$ 16,308    | \$ 779  | \$ 222,658 |

|  |            |           |           |          |          |         |            |
|--|------------|-----------|-----------|----------|----------|---------|------------|
| <b>At or For the Nine Months Ended September 30, 2013:</b> |            |           |           |          |          |         |            |
| Balance, beginning of period                               | \$ 182,013 | \$ 51,575 | \$ 21,037 | \$ 7,569 | \$ 4,136 | \$ 798  | \$ 267,128 |
| Charge-offs  | (79,160)   | (18,896)  | (5,021)   | (745)    | (3,154)  | (6,846) | (113,822)  |
| Recoveries   | 6,743      | 2,085     | 2,909     | 318      | 431      | 5,022   | 17,508     |
| Net charge-offs  | (72,417)   | (16,811)  | (2,112)   | (427)    | (2,723)  | (1,824) | (96,314)   |
| Provision for credit losses                                | 71,729     | 12,299    | (709)     | 1,480    | 8,949    | 1,828   | 95,576     |
| Other  | (3,355)    | (425)     | —         | (75)     | (1,250)  | —       | (5,105)    |
| Balance, end of period                                     | \$ 177,970 | \$ 46,638 | \$ 18,216 | \$ 8,547 | \$ 9,112 | \$ 802  | \$ 261,285 |

The following tables provide information regarding the allowance for loan and lease losses and balances by type of allowance methodology.

At September 30, 2014

| (In thousands)                                  | Consumer<br>Real Estate | Commercial   | Leasing and<br>Equipment<br>Finance | Inventory<br>Finance | Auto<br>Finance | Other     | Total         |
|---|-------------------------|--------------|-------------------------------------|----------------------|-----------------|-----------|---------------|
| <b>Allowance for loan and lease losses:</b>     |                         |              |                                     |                      |                 |           |               |
| Collectively evaluated for impairment           | \$ 36,582               | \$ 26,530    | \$ 16,208                           | \$ 9,129             | \$ 15,648       | \$ 774    | \$ 104,871    |
| Individually evaluated for impairment           | 108,543                 | 6,760        | 1,392                               | 427                  | 660             | 5         | 117,787       |
| Total   | \$ 145,125              | \$ 33,290    | \$ 17,600                           | \$ 9,556             | \$ 16,308       | \$ 779    | \$ 222,658    |
| <b>Loans and leases outstanding:</b>            |                         |              |                                     |                      |                 |           |               |
| Collectively evaluated for impairment           | \$ 5,337,898            | \$ 3,018,148 | \$ 3,617,506                        | \$ 1,833,058         | \$ 1,746,816    | \$ 23,912 | \$ 15,577,338 |
| Individually evaluated for impairment           | 633,169                 | 141,618      | 15,014                              | 3,480                | 2,408           | 91        | 795,780       |
| Loans acquired with deteriorated credit quality | —                       | —            | 273                                 | —                    | 187             | —         | 460           |
| Total   | \$ 5,971,067            | \$ 3,159,766 | \$ 3,632,793                        | \$ 1,836,538         | \$ 1,749,411    | \$ 24,003 | \$ 16,373,578 |

At December 31, 2013

| (In thousands)                                  | Consumer<br>Real Estate | Commercial   | Leasing and<br>Equipment<br>Finance | Inventory<br>Finance | Auto<br>Finance | Other     | Total         |
|---|-------------------------|--------------|-------------------------------------|----------------------|-----------------|-----------|---------------|
| <b>Allowance for loan and lease losses:</b>     |                         |              |                                     |                      |                 |           |               |
| Collectively evaluated for impairment           | \$ 54,449               | \$ 28,994    | \$ 17,093                           | \$ 8,308             | \$ 10,528       | \$ 781    | \$ 120,153    |
| Individually evaluated for impairment           | 121,581                 | 8,473        | 1,640                               | 284                  | 95              | 4         | 132,077       |
| Total   | \$ 176,030              | \$ 37,467    | \$ 18,733                           | \$ 8,592             | \$ 10,623       | \$ 785    | \$ 252,230    |
| <b>Loans and leases outstanding:</b>            |                         |              |                                     |                      |                 |           |               |
| Collectively evaluated for impairment           | \$ 5,673,518            | \$ 2,971,308 | \$ 3,412,769                        | \$ 1,657,636         | \$ 1,238,556    | \$ 26,649 | \$ 14,980,436 |
| Individually evaluated for impairment           | 665,808                 | 177,044      | 15,139                              | 6,741                | 470             | 94        | 865,296       |
| Loans acquired with deteriorated credit quality | —                       | —            | 847                                 | —                    | 360             | —         | 1,207         |
| Total   | \$ 6,339,326            | \$ 3,148,352 | \$ 3,428,755                        | \$ 1,664,377         | \$ 1,239,386    | \$ 26,743 | \$ 15,846,939 |

**Accruing and Non-accrual Loans and Leases** The following tables set forth information regarding TCF's accruing and non-accrual loans and leases. Non-accrual loans and leases are those which management believes have a higher risk of loss. Delinquent balances are determined based on the contractual terms of the loan or lease.

| (In thousands)  | At September 30, 2014                         |  |   |                   |             |               |
|---|---|--|---|-------------------|-------------|---------------|
|   | Current-59 Days<br>Delinquent and<br>Accruing | 60-89 Days<br>Delinquent<br>and Accruing | 90 Days or More<br>Delinquent and<br>Accruing | Total<br>Accruing | Non-accrual | Total         |
| Consumer real estate:                                   |   |  |   |                   |             |               |
| First mortgage lien                                     | \$ 3,250,937                                  | \$ 13,572                                | \$ 1,010                                      | \$ 3,265,519      | \$ 179,062  | \$ 3,444,581  |
| Junior lien   | 2,485,498                                     | 2,554                                    | —   | 2,488,052         | 38,434      | 2,526,486     |
| Total consumer real estate                              | 5,736,435                                     | 16,126                                   | 1,010   | 5,753,571         | 217,496     | 5,971,067     |
| Commercial:   |   |  |   |                   |             |               |
| Commercial real estate                                  | 2,602,645                                     | —  | 4,117   | 2,606,762         | 37,475      | 2,644,237     |
| Commercial business                                     | 514,463                                       | —  | —   | 514,463           | 1,066       | 515,529       |
| Total commercial  | 3,117,108                                     | —  | 4,117   | 3,121,225         | 38,541      | 3,159,766     |
| Leasing and equipment finance                           | 3,614,191                                     | 1,933                                    | 267   | 3,616,391         | 13,517      | 3,629,908     |
| Inventory finance                                       | 1,833,507                                     | 78                                       | 32  | 1,833,617         | 2,921       | 1,836,538     |
| Auto finance  | 1,743,209                                     | 2,445                                    | 1,161   | 1,746,815         | 2,408       | 1,749,223     |
| Other   | 23,770  | 4  | 1   | 23,775            | 228         | 24,003        |
| Subtotal  | 16,068,220                                    | 20,586                                   | 6,588   | 16,095,394        | 275,111     | 16,370,505    |
| Portfolios acquired with deteriorated<br>credit quality | 3,063   | 10                                       | —   | 3,073             | —           | 3,073         |
| Total   | \$ 16,071,283                                 | \$ 20,596                                | \$ 6,588                                      | \$ 16,098,467     | \$ 275,111  | \$ 16,373,578 |

| (In thousands)  | At December 31, 2013                          |  |   |                   |             |               |
|---|---|--|---|-------------------|-------------|---------------|
|   | Current-59 Days<br>Delinquent and<br>Accruing | 60-89 Days<br>Delinquent<br>and Accruing | 90 Days or More<br>Delinquent and<br>Accruing | Total<br>Accruing | Non-accrual | Total         |
| Consumer real estate:                                   |   |  |   |                   |             |               |
| First mortgage lien                                     | \$ 3,564,716                                  | \$ 19,815                                | \$ 1,079                                      | \$ 3,585,610      | \$ 180,811  | \$ 3,766,421  |
| Junior lien   | 2,531,151                                     | 3,532                                    | —   | 2,534,683         | 38,222      | 2,572,905     |
| Total consumer real estate                              | 6,095,867                                     | 23,347                                   | 1,079   | 6,120,293         | 219,033     | 6,339,326     |
| Commercial:   |   |  |   |                   |             |               |
| Commercial real estate                                  | 2,706,633                                     | 886                                      | —   | 2,707,519         | 36,178      | 2,743,697     |
| Commercial business                                     | 399,750                                       | 190                                      | 354   | 400,294           | 4,361       | 404,655       |
| Total commercial  | 3,106,383                                     | 1,076                                    | 354   | 3,107,813         | 40,539      | 3,148,352     |
| Leasing and equipment finance                           | 3,404,346                                     | 2,226                                    | 613   | 3,407,185         | 14,041      | 3,421,226     |
| Inventory finance                                       | 1,661,798                                     | 29                                       | 21  | 1,661,848         | 2,529       | 1,664,377     |
| Auto finance  | 1,236,678                                     | 1,105                                    | 773   | 1,238,556         | 470         | 1,239,026     |
| Other   | 26,323  | 9  | 1   | 26,333            | 410         | 26,743        |
| Subtotal  | 15,531,395                                    | 27,792                                   | 2,841   | 15,562,028        | 277,022     | 15,839,050    |
| Portfolios acquired with deteriorated<br>credit quality | 7,870   | 14                                       | 5   | 7,889             | —           | 7,889         |
| Total   | \$ 15,539,265                                 | \$ 27,806                                | \$ 2,846                                      | \$ 15,569,917     | \$ 277,022  | \$ 15,846,939 |



The following table provides interest income recognized on loans and leases in non-accrual status and contractual interest that would have been recorded had the loans and leases performed in accordance with their original contractual terms.

| (In thousands)   | Three Months Ended<br>September 30, |          | Nine Months Ended<br>September 30, |           |
|--|-------------------------------------|----------|------------------------------------|-----------|
|  | 2014                                | 2013     | 2014                               | 2013      |
| Contractual interest due on non-accrual loans and leases   | \$ 6,720                            | \$ 8,856 | \$ 20,259                          | \$ 27,131 |
| Interest income recognized on non-accrual loans and leases | 2,531                               | 2,346    | 6,411                              | 10,140    |
| Foregone interest income                                   | \$ 4,189                            | \$ 6,510 | \$ 13,848                          | \$ 16,991 |

The following table provides information regarding consumer real estate loans to customers currently involved in ongoing Chapter 7 and Chapter 13 bankruptcy proceedings which have not yet been discharged.

| (In thousands)  | At September 30, 2014 |        | At December 31, 2013 |        |
|---|-----------------------|--------|----------------------|--------|
| Consumer real estate loans to customers in bankruptcy:      |                       |        |                      |        |
| 0-59 days delinquent and accruing                           | \$                    | 61,602 | \$                   | 65,321 |
| 60+ days delinquent and accruing                            |                       | 101    |                      | 682    |
| Non-accrual   |                       | 13,342 |                      | 13,475 |
| Total consumer real estate loans to customers in bankruptcy | \$                    | 75,045 | \$                   | 79,478 |

**Loan Modifications for Borrowers with Financial Difficulties** Included within loans and leases in the previous tables are certain loans that have been modified in order to maximize collection of loan balances. If, for economic or legal reasons related to the customer's financial difficulties, TCF grants a concession, the modified loan is classified as a troubled debt restructuring ("TDR"). TDR loans consist primarily of consumer real estate and commercial loans.

Total TDR loans at September 30, 2014 and December 31, 2013 were \$722.0 million and \$796.5 million, respectively, of which \$570.5 million and \$632.8 million were accruing at September 30, 2014 and December 31, 2013, respectively. TCF held consumer real estate TDR loans of \$611.3 million and \$641.1 million at September 30, 2014 and December 31, 2013, respectively, of which \$483.0 million and \$506.6 million were accruing at September 30, 2014 and December 31, 2013, respectively. TCF also held \$104.3 million and \$147.1 million of commercial TDR loans at September 30, 2014 and December 31, 2013, respectively, of which \$86.0 million and \$120.9 million were accruing at September 30, 2014 and December 31, 2013, respectively. TDR loans for the remaining classes of finance receivables were not material at September 30, 2014 or December 31, 2013.

The amount of unfunded commitments to consumer real estate and commercial loans classified as TDRs was \$3.6 million and \$6.1 million at September 30, 2014 and December 31, 2013, respectively. At September 30, 2014 and December 31, 2013, no additional funds were committed to leasing and equipment finance, inventory finance or auto finance loans classified as TDRs.

When a loan is modified as a TDR, principal balances are generally not forgiven. Loan modifications to troubled borrowers are not reported as TDR loans in the calendar year after modification if the loans were modified at an interest rate equal to the yields of new loan originations with comparable risk and the loans are performing based on the terms of the restructured agreements. All loans classified as TDR loans are considered to be impaired. During the nine months ended September 30, 2014 and 2013, \$11.1 million and \$17.1 million, respectively, of commercial loans were removed from TDR status as they were restructured at market terms and are performing.

The financial effects of TDR loans represent the difference between interest income recognized on accruing TDR loans and the contractual interest that would have been recorded under the original contractual terms, or foregone interest income. For the three months ended September 30, 2014, foregone interest income for consumer real estate first mortgage lien accruing TDR loans and consumer real estate junior lien accruing TDR loans was \$4.3 million and \$0.3 million, respectively. The average yield for the same period on consumer real estate accruing TDR loans was 3.3%, which compares to the original contractual average rate of 6.9%. For the three months ended September 30, 2013, foregone interest income for consumer real estate first mortgage lien accruing TDR loans and consumer real estate junior lien accruing TDR loans was \$4.6 million and \$0.3 million, respectively. The average yield for the same period on consumer real estate accruing TDR loans was 3.3%, which compares to the original contractual average rate of 6.9%. The foregone interest income for the remaining classes of finance receivables was not material for the three months ended September 30, 2014 and 2013.

For the nine months ended September 30, 2014, foregone interest income for consumer real estate first mortgage lien accruing TDR loans and consumer real estate junior lien accruing TDR loans was \$12.9 million and \$0.9 million, respectively. The average yield for the same period on consumer real estate accruing TDR loans was 3.3%, which compares to the original contractual average rate of 6.8%. For the nine months ended September 30, 2013, foregone interest income for consumer real estate first mortgage lien accruing TDR loans and consumer real estate junior lien accruing TDR loans was \$13.1 million and \$0.9 million, respectively. The average yield for the same period on consumer real estate accruing TDR loans was 3.3%, which compares to the original contractual average rate of 6.9%. The foregone interest income for the remaining classes of finance receivables was not material for the nine months ended September 30, 2014 and 2013.

The table below summarizes TDR loans that defaulted during the three and nine months ended September 30, 2014 and 2013, which were modified during the respective reporting period or within one year of the beginning of the respective reporting period. TCF considers a loan to have defaulted when it becomes 90 or more days delinquent under the modified terms, has been transferred to non-accrual status subsequent to the modification or has been transferred to other real estate owned or repossessed and returned assets.

|  | Three Months Ended September 30, |                             | Nine Months Ended September 30, |                             |
|--|----------------------------------|-----------------------------|---------------------------------|-----------------------------|
|  | 2014                             | 2013                        | 2014                            | 2013                        |
| (Dollars in thousands)   | Loan Balance <sup>(1)</sup>      | Loan Balance <sup>(1)</sup> | Loan Balance <sup>(1)</sup>     | Loan Balance <sup>(1)</sup> |
| Consumer real estate:  |                                  |                             |                                 |                             |
| First mortgage lien  | \$ 703                           | \$ 2,087                    | \$ 3,068                        | \$ 7,804                    |
| Junior lien  | 203                              | 332                         | 1,338                           | 1,124                       |
| Total consumer real estate   | 906                              | 2,419                       | 4,406                           | 8,928                       |
| Commercial:  |                                  |                             |                                 |                             |
| Commercial real estate   | —                                | 3,340                       | 3,814                           | 5,296                       |
| Commercial business  | 127                              | —                           | 127                             | —                           |
| Total commercial   | 127                              | 3,340                       | 3,941                           | 5,296                       |
| Auto finance   | 113                              | 14                          | 237                             | 18                          |
| Defaulted TDR loans modified during the applicable period                                  | \$ 1,146                         | \$ 5,773                    | \$ 8,584                        | \$ 14,242                   |
| Total loans modified in the applicable period  | \$ 115,533                       | \$ 246,530                  | \$ 174,433                      | \$ 361,649                  |
| Defaulted modified TDR loans as a percent of total loans modified in the applicable period | 1.0%                             | 2.3%                        | 4.9%                            | 3.9%                        |

(1) The loan balances presented are not materially different than the pre-modification loan balances as TCF's loan modifications generally do not forgive principal amounts.

Consumer real estate TDR loans are evaluated separately in TCF's allowance methodology. Impairment is generally based upon the present value of the expected future cash flows or the fair value of the collateral less selling expenses for collateral dependent loans. The allowance on accruing consumer real estate TDR loans was \$95.7 million, or 19.8% of the outstanding balance, at September 30, 2014, and \$103.3 million, or 20.4% of the outstanding balance, at December 31, 2013. In determining impairment for consumer real estate accruing TDR loans, TCF utilized assumed remaining re-default rates ranging from 6% to 25% in 2014 and 2013, depending on modification type and actual experience. At September 30, 2014, 1.0% of accruing consumer real estate TDR loans were more than 60-days delinquent, compared with 1.4% at December 31, 2013.

Consumer real estate TDR loans generally remain on accruing status following modification if they are less than 90 days past due and payment in full under the modified loan terms is expected based on a current credit evaluation and historical payment performance. Of the non-accrual TDR balance at September 30, 2014, \$74.1 million, or 57.8%, were loans discharged in Chapter 7 bankruptcy that were not reaffirmed, of which 77.7% were current. Of the non-accrual TDR balance at September 30, 2013, \$82.4 million, or 63.5%, were loans discharged in Chapter 7 bankruptcy that were not reaffirmed, of which 72.6% were current. All eligible loans are re-aged to current delinquency status upon modification.

Commercial TDR loans are individually evaluated for impairment based upon the present value of the expected future cash flows, or for collateral dependent loans, at the fair value of collateral less selling expense. The allowance on accruing commercial TDR loans was \$2.7 million, or 3.1% of the outstanding balance, at September 30, 2014, and \$6.3 million, or 5.2% of the outstanding balance, at December 31, 2013. No accruing commercial TDR loans were 60 days or more delinquent at September 30, 2014 and 2013.

**Impaired Loans** TCF considers impaired loans to include non-accrual commercial loans, non-accrual equipment finance loans and non-accrual inventory finance loans, as well as all TDR loans. Non-accrual impaired loans, including non-accrual TDR loans, are included in non-accrual loans and leases within the previous tables. Accruing TDR loans have been disclosed by delinquency status within the previous tables of accruing and non-accrual loans and leases. In the following tables, the loan balance of impaired loans represents the amount recorded within loans and leases on the Consolidated Statements of Financial Condition, whereas the unpaid contractual balance represents the balances legally owed by the borrowers.

The following table summarizes impaired loans.

| (In thousands)                                       | At September 30, 2014      |              |                            | At December 31, 2013       |              |                            |
|--|----------------------------|--------------|----------------------------|----------------------------|--------------|----------------------------|
|  | Unpaid Contractual Balance | Loan Balance | Related Allowance Recorded | Unpaid Contractual Balance | Loan Balance | Related Allowance Recorded |
| <b>Impaired loans with an allowance recorded:</b>    |                            |              |                            |                            |              |                            |
| Consumer real estate:                                |                            |              |                            |                            |              |                            |
| First mortgage lien                                  | \$ 500,763                 | \$ 467,648   | \$ 96,098                  | \$ 553,736                 | \$ 521,248   | \$ 107,841                 |
| Junior lien  | 79,498                     | 67,432       | 11,772                     | 85,309                     | 72,548       | 12,989                     |
| Total consumer real estate                           | 580,261                    | 535,080      | 107,870                    | 639,045                    | 593,796      | 120,830                    |
| Commercial:  |                            |              |                            |                            |              |                            |
| Commercial real estate                               | 67,123                     | 63,390       | 6,532                      | 84,851                     | 71,785       | 7,594                      |
| Commercial business                                  | 6,126                      | 603          | 229                        | 9,917                      | 4,380        | 880                        |
| Total commercial                                     | 73,249                     | 63,993       | 6,761                      | 94,768                     | 76,165       | 8,474                      |
| Leasing and equipment finance                        | 7,566                      | 7,566        | 697                        | 8,238                      | 8,238        | 717                        |
| Inventory finance                                    | 2,944                      | 2,951        | 427                        | 6,741                      | 6,741        | 284                        |
| Auto finance   | 1,821                      | 1,690        | 660                        | 373                        | 308          | 95                         |
| Other  | 99                         | 90           | 3                          | 97                         | 94           | 4                          |
| Total impaired loans with an allowance recorded      | 665,940                    | 611,370      | 116,418                    | 749,262                    | 685,342      | 130,404                    |
| <b>Impaired loans without an allowance recorded:</b> |                            |              |                            |                            |              |                            |
| Consumer real estate:                                |                            |              |                            |                            |              |                            |
| First mortgage lien                                  | 94,246                     | 69,436       | —                          | 59,233                     | 43,025       | —                          |
| Junior lien  | 32,970                     | 6,740        | —                          | 26,710                     | 4,306        | —                          |
| Total consumer real estate                           | 127,216                    | 76,176       | —                          | 85,943                     | 47,331       | —                          |
| Commercial:  |                            |              |                            |                            |              |                            |
| Commercial real estate                               | 71,004                     | 60,055       | —                          | 102,523                    | 79,833       | —                          |
| Commercial business                                  | 496                        | 482          | —                          | 5,410                      | 5,412        | —                          |
| Total commercial                                     | 71,500                     | 60,537       | —                          | 107,933                    | 85,245       | —                          |
| Inventory finance                                    | 529                        | 529          | —                          | —                          | —            | —                          |
| Auto finance   | 1,359                      | 718          | —                          | 317                        | 162          | —                          |
| Total impaired loans without an allowance recorded   | 200,604                    | 137,960      | —                          | 194,193                    | 132,738      | —                          |
| Total impaired loans                                 | \$ 866,544                 | \$ 749,330   | \$ 116,418                 | \$ 943,455                 | \$ 818,080   | \$ 130,404                 |

The average loan balance of impaired loans and interest income recognized on impaired loans during the three and nine months ended September 30, 2014 and 2013 are included within the table below.

| (In thousands)                                       | Three Months Ended         |                                  |                            |                                  | Nine Months Ended          |                                  |                            |                                  |
|--|----------------------------|----------------------------------|----------------------------|----------------------------------|----------------------------|----------------------------------|----------------------------|----------------------------------|
|  | September 30, 2014         |                                  | September 30, 2013         |                                  | September 30, 2014         |                                  | September 30, 2013         |                                  |
|  | Average<br>Loan<br>Balance | Interest<br>Income<br>Recognized | Average<br>Loan<br>Balance | Interest<br>Income<br>Recognized | Average<br>Loan<br>Balance | Interest<br>Income<br>Recognized | Average<br>Loan<br>Balance | Interest<br>Income<br>Recognized |
| <b>Impaired loans with an allowance recorded:</b>    |                            |                                  |                            |                                  |                            |                                  |                            |                                  |
| Consumer real estate:                                |                            |                                  |                            |                                  |                            |                                  |                            |                                  |
| First mortgage lien                                  | \$ 491,424                 | \$ 3,537                         | \$ 499,760                 | \$ 4,716                         | \$ 494,448                 | \$ 11,169                        | \$ 483,789                 | \$ 12,152                        |
| Junior lien  | 70,131                     | 825                              | 65,003                     | 1,001                            | 69,990                     | 2,618                            | 57,657                     | 2,315                            |
| Total consumer real estate                           | 561,555                    | 4,362                            | 564,763                    | 5,717                            | 564,438                    | 13,787                           | 541,446                    | 14,467                           |
| Commercial:  |                            |                                  |                            |                                  |                            |                                  |                            |                                  |
| Commercial real estate                               | 60,981                     | 589                              | 108,682                    | 905                              | 67,587                     | 1,826                            | 114,301                    | 2,452                            |
| Commercial business                                  | 1,123                      | —                                | 6,640                      | 5                                | 2,491                      | —                                | 10,449                     | 69                               |
| Total commercial                                     | 62,104                     | 589                              | 115,322                    | 910                              | 70,078                     | 1,826                            | 124,750                    | 2,521                            |
| Leasing and equipment finance                        | 7,913                      | 2                                | 5,797                      | 3                                | 7,902                      | 54                               | 6,550                      | 45                               |
| Inventory finance                                    | 2,114                      | 6                                | 3,837                      | 52                               | 4,846                      | 77                               | 3,614                      | 113                              |
| Auto finance   | 1,262                      | —                                | 89                         | 1                                | 999                        | —                                | 56                         | 1                                |
| Other  | 89                         | 1                                | 31                         | 1                                | 93                         | 4                                | 34                         | 4                                |
| Total impaired loans with an allowance recorded      | 635,037                    | 4,960                            | 689,839                    | 6,684                            | 648,356                    | 15,748                           | 676,450                    | 17,151                           |
| <b>Impaired loans without an allowance recorded:</b> |                            |                                  |                            |                                  |                            |                                  |                            |                                  |
| Consumer real estate:                                |                            |                                  |                            |                                  |                            |                                  |                            |                                  |
| First mortgage lien                                  | 54,008                     | 991                              | 67,369                     | 386                              | 56,230                     | 1,726                            | 91,520                     | 1,758                            |
| Junior lien  | 4,817                      | 360                              | 10,519                     | 319                              | 5,523                      | 899                              | 14,933                     | 1,356                            |
| Total consumer real estate                           | 58,825                     | 1,351                            | 77,888                     | 705                              | 61,753                     | 2,625                            | 106,453                    | 3,114                            |
| Commercial:  |                            |                                  |                            |                                  |                            |                                  |                            |                                  |
| Commercial real estate                               | 63,619                     | 690                              | 86,614                     | 586                              | 69,944                     | 2,128                            | 99,417                     | 2,385                            |
| Commercial business                                  | 3,657                      | 17                               | 8,104                      | 53                               | 2,947                      | 94                               | 6,485                      | 174                              |
| Total commercial                                     | 67,276                     | 707                              | 94,718                     | 639                              | 72,891                     | 2,222                            | 105,902                    | 2,559                            |
| Inventory finance                                    | 832                        | 9                                | —                          | —                                | 265                        | 54                               | —                          | —                                |
| Auto finance   | 675                        | —                                | 154                        | —                                | 440                        | —                                | 145                        | —                                |
| Total impaired loans without an allowance recorded   | 127,608                    | 2,067                            | 172,760                    | 1,344                            | 135,349                    | 4,901                            | 212,500                    | 5,673                            |
| Total impaired loans                                 | \$ 762,645                 | \$ 7,027                         | \$ 862,599                 | \$ 8,028                         | \$ 783,705                 | \$ 20,649                        | \$ 888,950                 | \$ 22,824                        |

**Note 6. Deposits**

Deposits are summarized as follows.

| (Dollars in thousands)                   | At September 30, 2014 |              |            | At December 31, 2013  |              |            |
|--|-----------------------|--------------|------------|-----------------------|--------------|------------|
|  | Weighted-Average Rate | Amount       | % of Total | Weighted-Average Rate | Amount       | % of Total |
| Checking:                                |                       |              |            |                       |              |            |
| Non-interest bearing                     | —%                    | \$ 2,818,002 | 18.6%      | —%                    | \$ 2,642,600 | 18.3%      |
| Interest bearing                         | 0.04                  | 2,257,307    | 14.8       | 0.06                  | 2,337,851    | 16.2       |
| Total checking                           | 0.02                  | 5,075,309    | 33.4       | 0.03                  | 4,980,451    | 34.5       |
| Savings                                  | 0.16                  | 5,385,611    | 35.5       | 0.20                  | 6,194,003    | 42.9       |
| Money market                             | 0.47                  | 1,706,206    | 11.2       | 0.29                  | 831,910      | 5.8        |
| Total checking, savings and money market | 0.13                  | 12,167,126   | 80.1       | 0.14                  | 12,006,364   | 83.2       |
| Certificates of deposit                  | 0.77                  | 3,022,394    | 19.9       | 0.86                  | 2,426,412    | 16.8       |
| Total deposits                           | 0.25                  | \$15,189,520 | 100.0%     | 0.26                  | \$14,432,776 | 100.0%     |

Certificates of deposit had the following remaining maturities at September 30, 2014.

| (In thousands) | Denominations<br>\$100 Thousand or<br>Greater | Denominations<br>Less Than<br>\$100 Thousand | Total        |
|----------------|---|--|--------------|
| Maturity:      |   |  |              |
| 0-3 months     | \$ 304,434                                    | \$ 183,821                                   | \$ 488,255   |
| 4-6 months     | 338,490                                       | 246,289                                      | 584,779      |
| 7-12 months    | 430,169                                       | 271,177                                      | 701,346      |
| 13-24 months   | 583,789                                       | 532,227                                      | 1,116,016    |
| Over 24 months | 52,155  | 79,843                                       | 131,998      |
| Total          | \$ 1,709,037                                  | \$ 1,313,357                                 | \$ 3,022,394 |

**Note 7. Short-term Borrowings**

Selected information for short-term borrowings (borrowings with an original maturity of less than one year) consisted of the following.

| (Dollars in thousands)                                  | September 30, 2014 |             | December 31, 2013 |             |
|---|--------------------|-------------|-------------------|-------------|
|   | Amount             | Rate        | Amount            | Rate        |
| <b>Short-term borrowings at:</b>                        |                    |             |                   |             |
| Securities sold under repurchase agreements             | \$ 2,491           | 0.10%       | \$ 4,918          | 0.10%       |
| Line of Credit - TCF Commercial Finance Canada, Inc.    | 893                | 2.05        | —                 | —           |
| <b>Total</b>  | <b>\$ 3,384</b>    | <b>0.61</b> | <b>\$ 4,918</b>   | <b>0.10</b> |
| <b>Average daily balances for the period ended:</b>     |                    |             |                   |             |
| Federal Home Loan Bank advances                         | \$ 99,451          | 0.26%       | \$ 14             | 0.34%       |
| Federal funds purchased                                 | 333                | 0.38        | 660               | 0.34        |
| Securities sold under repurchase agreements             | 5,808              | 0.17        | 5,713             | 0.18        |
| Line of Credit - TCF Commercial Finance Canada, Inc.    | 3,268              | 1.90        | 1,298             | 2.57        |
| <b>Total</b>  | <b>\$ 108,860</b>  | <b>0.30</b> | <b>\$ 7,685</b>   | <b>0.60</b> |
| <b>Maximum month-end balances for the period ended:</b> |                    |             |                   |             |
| Federal Home Loan Bank advances                         | \$ 250,000         | N.A.        | \$ —              | N.A.        |
| Securities sold under repurchase agreements             | 4,040              | N.A.        | 7,071             | N.A.        |
| Line of Credit - TCF Commercial Finance Canada, Inc.    | 11,751             | N.A.        | 9,587             | N.A.        |

N.A. Not Applicable.

At September 30, 2014, the securities sold under short-term repurchase agreements were related to TCF Bank's Repurchase Investment Sweep Agreement product and were collateralized by mortgage-backed securities having a fair value of \$13.6 million.

**Note 8. Long-term Borrowings**

Long-term borrowings consisted of the following.

| (Dollars in thousands)          | Stated<br>Maturity | At September 30, 2014 |                           | At December 31, 2013 |                           |
|---------------------------------|--------------------|-----------------------|---------------------------|----------------------|---------------------------|
|                                 |                    | Amount                | Weighted-<br>Average Rate | Amount               | Weighted-<br>Average Rate |
| Federal Home Loan Bank advances | 2014               | \$ 100,000            | 0.37%                     | \$ 398,000           | 0.37%                     |
|                                 | 2015               | 125,000               | 0.38                      | 200,000              | 0.33                      |
|                                 | 2016               | 547,000               | 0.71                      | 497,000              | 0.76                      |
|                                 | 2017               | 150,000               | 0.21                      | 75,000               | 0.21                      |
| Subtotal                        |                    | 922,000               | 0.55                      | 1,170,000            | 0.52                      |
| Subordinated bank notes         | 2015               | —                     | —                         | 50,000               | 1.83                      |
|                                 | 2016               | 74,914                | 5.59                      | 74,868               | 5.59                      |
|                                 | 2022               | 109,174               | 6.37                      | 109,113              | 6.37                      |
| Subtotal                        |                    | 184,088               | 6.05                      | 233,981              | 5.15                      |
| Discounted lease rentals        | 2014               | 8,241                 | 3.84                      | 26,275               | 4.06                      |
|                                 | 2015               | 29,245                | 3.81                      | 18,866               | 3.96                      |
|                                 | 2016               | 23,635                | 3.79                      | 13,319               | 3.92                      |
|                                 | 2017               | 16,119                | 3.71                      | 8,281                | 3.69                      |
|                                 | 2018               | 5,996                 | 3.66                      | 1,689                | 3.45                      |
|                                 | 2019               | 946                   | 3.64                      | 76                   | 3.31                      |
| Subtotal                        |                    | 84,182                | 3.78                      | 68,506               | 3.94                      |
| Other long-term                 | 2014               | —                     | —                         | 2,718                | 1.36                      |
|                                 | 2015               | 2,642                 | 1.36                      | 2,669                | 1.36                      |
|                                 | 2016               | 2,642                 | 1.36                      | 2,705                | 1.36                      |
|                                 | 2017               | 2,743                 | 1.36                      | 2,746                | 1.36                      |
| Subtotal                        |                    | 8,027                 | 1.36                      | 10,838               | 1.36                      |
| Total long-term borrowings      |                    | \$ 1,198,297          | 1.63                      | \$ 1,483,325         | 1.41                      |

At September 30, 2014, TCF Bank had pledged loans secured by residential real estate, commercial real estate, and Federal Home Loan Bank (“FHLB”) stock with an aggregate carrying value of \$4.4 billion as collateral for FHLB advances. At September 30, 2014, \$400.0 million of FHLB advances outstanding were prepayable monthly at TCF’s option.

On March 17, 2014, TCF Bank redeemed at par \$50.0 million of subordinated notes due 2015, since the notes no longer qualified for treatment as Tier 2 or supplementary capital prior to redemption.

The \$74.9 million of subordinated notes due 2016 have a fixed-rate coupon of 5.5% per annum until maturity. The \$109.2 million of subordinated notes due 2022 have a fixed-rate coupon of 6.25% per annum until maturity. At September 30, 2014, all of the subordinated notes qualify as Tier 2 or supplementary capital for regulatory purposes, subject to certain regulatory limitations.



**Note 9. Stock Compensation**

The following table reflects TCF's restricted stock and stock option transactions under the TCF Financial Incentive Stock Program during the nine months ended September 30, 2014.

|                                   | Restricted Stock |             |           |  | Stock Options |             |           |  |                                 |
|-----------------------------------|------------------|-------------|-----------|--|---------------|-------------|-----------|--|---------------------------------|
|                                   | Shares           | Price Range |           | Weighted-Average Grant Date Fair Value | Shares        | Price Range |           | Weighted-Average Remaining Contractual Life in Years | Weighted-Average Exercise Price |
| Outstanding at December 31, 2013  | 3,355,295        | \$ 6.16     | - \$15.17 | \$ 11.09                               | 1,626,000     | \$12.85     | - \$15.75 | 4.36   | \$ 13.97                        |
| Granted                           | 1,078,550        | 14.65       | - 16.02   | 15.67                                  | —             | —           | - —       | —  | —                               |
| Exercised                         | —                | —           | - —       | —                                      | (47,000)      | 15.75       | - 15.75   | —  | 15.75                           |
| Forfeited/canceled                | (70,790)         | 6.80        | - 15.78   | 12.82                                  | —             | —           | - —       | —  | —                               |
| Vested                            | (1,495,061)      | 8.35        | - 14.90   | 11.21                                  | —             | —           | - —       | —  | —                               |
| Outstanding at September 30, 2014 | 2,867,994        | 6.16        | - 16.02   | 12.71                                  | 1,579,000     | 12.85       | - 15.75   | 3.23   | 13.91                           |
| Exercisable at September 30, 2014 | N.A.             |             |           | N.A.                                   | 1,579,000     | 12.85       | - 15.75   |  | 13.91                           |

N.A. Not applicable

Valuation and related assumption information for TCF's stock option plans related to options issued in 2008 have not changed from December 31, 2013, and no stock options were subsequently issued through September 30, 2014.

Unrecognized stock compensation expense for restricted stock awards and options was \$24.2 million, excluding estimated forfeitures, with a weighted-average remaining amortization period of 2.6 years at September 30, 2014.

At September 30, 2014, there were 1,080,916 shares of performance-based restricted stock outstanding that will vest only if certain return on asset goals, loan volumes and credit quality metrics, and service conditions are achieved. Failure to achieve the performance and service conditions will result in all or a portion of the shares being forfeited.

**Note 10. Employee Benefit Plans**

The following table sets forth the net periodic benefit cost included in compensation and employee benefits expense for the TCF Cash Balance Pension Plan (the "Pension Plan") and TCF health care benefits for eligible retired employees (the "Postretirement Plan") for the three and nine months ended September 30, 2014 and 2013.

| (In thousands)                 | Pension Plan                     |        |                                 |        |
|--------------------------------|----------------------------------|--------|---------------------------------|--------|
|                                | Three Months Ended September 30, |        | Nine Months Ended September 30, |        |
|                                | 2014                             | 2013   | 2014                            | 2013   |
| Interest cost                  | \$ 397                           | \$ 323 | \$ 1,191                        | \$ 969 |
| Return on plan assets          | (183)                            | (193)  | (549)                           | (581)  |
| Net periodic benefit plan cost | \$ 214                           | \$ 130 | \$ 642                          | \$ 388 |

  

| (In thousands)                     | Postretirement Plan              |       |                                 |        |
|------------------------------------|----------------------------------|-------|---------------------------------|--------|
|                                    | Three Months Ended September 30, |       | Nine Months Ended September 30, |        |
|                                    | 2014                             | 2013  | 2014                            | 2013   |
| Interest cost                      | \$ 49                            | \$ 43 | \$ 148                          | \$ 131 |
| Amortization of prior service cost | (12)                             | (11)  | (35)                            | (35)   |
| Net periodic benefit plan cost     | \$ 37                            | \$ 32 | \$ 113                          | \$ 96  |

TCF made no cash contributions to the Pension Plan in either of the nine months ended September 30, 2014 or 2013. During the three and nine months ended September 30, 2014 and 2013, TCF paid \$0.1 million and \$0.3 million, respectively, for benefits under the Postretirement Plan.

#### **Note 11. Derivative Instruments**

All derivative instruments are recognized within other assets or other liabilities at fair value within the Consolidated Statements of Financial Condition. The value of derivative instruments will vary over their contractual terms as the related underlying rates fluctuate. The accounting for changes in the fair value of a derivative instrument depends on whether or not the contract has been designated and qualifies as a hedge. To qualify as a hedge, a contract must be highly effective at reducing the risk associated with the exposure being hedged. In addition, for a contract to be designated as a hedge, the risk management objective and strategy must be documented at inception. Hedge documentation must also identify the hedging instrument, the asset or liability and type of risk to be hedged and how the effectiveness of the contract is assessed prospectively and retrospectively. To assess effectiveness, TCF uses statistical methods such as regression analysis. A contract that has been, and is expected to continue to be, effective at offsetting changes in cash flows or the net investment must be assessed and documented at least quarterly. If it is determined that a contract is not highly effective at hedging the designated exposure, hedge accounting is discontinued.

Upon origination of a derivative instrument, the contract is designated either as a hedge of a forecasted transaction or the variability of cash flows to be paid related to a recognized asset or liability (“cash flow hedge”), a hedge of the volatility of an investment in foreign operations driven by changes in foreign currency exchange rates (“net investment hedge”), or is not designated as a hedge. Changes in net investment hedges recorded within other comprehensive (loss) income are subsequently reclassified to non-interest expense during the period in which the foreign investment is substantially liquidated or when other elements of the currency translation adjustment are reclassified to income. If a hedged forecasted transaction is no longer probable, hedge accounting is discontinued and any gain or loss included in other comprehensive (loss) income is reported in earnings immediately.

**Net Investment Hedges** Foreign exchange contracts, which include forward contracts that settle within 30 days, are used to manage the foreign exchange risk associated with the Company’s net investment in TCF Commercial Finance Canada, Inc., a wholly-owned indirect Canadian subsidiary of TCF Bank.

**Derivatives Not Designated as Hedges** TCF executes interest rate swaps with commercial banking customers to facilitate their respective risk management strategies. Those interest rate swaps are simultaneously hedged by offsetting interest rate swaps that TCF executes with a third party, such that TCF minimizes its net risk exposure resulting from such transactions. As the interest rate swaps associated with this program do not meet hedge accounting requirements, changes in the fair value of both the customer swaps and the offsetting swaps are reflected in non-interest income. These contracts have original fixed maturity dates ranging from three to ten years.

During the second quarter of 2012, TCF sold its Visa® Class B stock. In conjunction with the sale, TCF and the purchaser entered into a derivative transaction whereby TCF may receive or be required to make cash payments whenever the conversion ratio of the Visa Class B stock into Visa Class A stock is adjusted. The fair value of this derivative has been determined using estimated future cash flows using probability weighted scenarios for multiple estimates of Visa’s aggregate exposure to covered litigation matters, which include consideration of amounts funded by Visa into its escrow account for the covered litigation matters. Changes, if any, in the valuation of this swap agreement, which has no determinable maturity date, are reflected in non-interest income.

TCF uses forward foreign exchange contracts to manage foreign exchange risk. Forward foreign exchange contracts represent agreements to exchange foreign currency for U.S. dollars at an agreed-upon price and settlement date. These foreign exchange contracts generally settle within 30 days and are not designated as hedges. Changes in the fair value of these foreign exchange contracts are reflected in non-interest expense.

TCF enters into interest rate lock commitments (“IRLCs”) in conjunction with certain consumer real estate loans. These IRLCs are agreements to extend credit under certain specified terms and conditions at fixed rates and have original lock expirations of up to 60 days. They are not designated as hedges and accordingly, changes in the valuation of these commitments are reflected in non-interest income.

The following tables summarize TCF’s outstanding derivative instruments as of September 30, 2014 and December 31, 2013. See Note 12, Fair Value Measurement for additional information.

| (In thousands)  | At September 30, 2014 |                          |                      |                                     |
|---|-----------------------|--------------------------|----------------------|-------------------------------------|
|   | Notional Amount       | Gross Amounts Recognized | Gross Amounts Offset | Net Amount Presented <sup>(1)</sup> |
| <b>Derivative Assets:</b>                                   |                       |                          |                      |                                     |
| Net investment hedges                                       | \$ 40,551             | \$ 689                   | \$ —                 | \$ 689                              |
| Forward foreign exchange contracts not designated as hedges | 505,551               | 9,256                    | (2,580)              | 6,676                               |
| Swap agreements   | 83,459                | 968                      | —                    | 968                                 |
| Interest rate lock commitments                              | 8,840                 | 159                      | —                    | 159                                 |
| Total derivative assets                                     |                       | \$ 11,072                | \$ (2,580)           | \$ 8,492                            |
| <b>Derivative Liabilities:</b>                              |                       |                          |                      |                                     |
| Swap agreements   | \$ 97,817             | \$ 1,663                 | \$ (1,663)           | \$ —                                |
| Interest rate lock commitments                              | 139                   | —                        | —                    | —                                   |
| Total derivative liabilities                                |                       | \$ 1,663                 | \$ (1,663)           | \$ —                                |

| (In thousands)  | At December 31, 2013 |                          |                      |                                     |
|---|----------------------|--------------------------|----------------------|-------------------------------------|
|   | Notional Amount      | Gross Amounts Recognized | Gross Amounts Offset | Net Amount Presented <sup>(1)</sup> |
| <b>Derivative Assets:</b>                                   |                      |                          |                      |                                     |
| Forward foreign exchange contracts not designated as hedges | \$ 98,847            | \$ 151                   | \$ (151)             | \$ —                                |
| Swap agreements   | 13,500               | 131                      | —                    | 131                                 |
| Total derivative assets                                     |                      | \$ 282                   | \$ (151)             | \$ 131                              |
| <b>Derivative Liabilities:</b>                              |                      |                          |                      |                                     |
| Net investment hedges                                       | \$ 32,761            | \$ 87                    | \$ —                 | \$ 87                               |
| Forward foreign exchange contracts not designated as hedges | 363,475              | 834                      | —                    | 834                                 |
| Swap agreements   | 41,358               | 1,031                    | (1,031)              | —                                   |
| Total derivative liabilities                                |                      | \$ 1,952                 | \$ (1,031)           | \$ 921                              |

(1) All amounts were offset in the Consolidated Statements of Financial Condition.

The following table summarizes the pre-tax impact of derivative activity within the Consolidated Statements of Income and the Consolidated Statements of Comprehensive Income, by accounting designation.

| (In thousands)  | Three Months Ended<br>September 30, |            | Nine Months Ended<br>September 30, |           |
|---|-------------------------------------|------------|------------------------------------|-----------|
|   | 2014                                | 2013       | 2014                               | 2013      |
| <b>Consolidated Statements of Income:</b>                   |                                     |            |                                    |           |
| Non-interest income:  |                                     |            |                                    |           |
| Swap agreements   | \$ 10                               | \$ —       | \$ (40)                            | \$ —      |
| Interest rate lock commitments                              | 159                                 | —          | 159                                | —         |
| Non-interest expense:                                       |                                     |            |                                    |           |
| Forward foreign exchange contracts not designated as hedges | 21,533                              | (9,424)    | 20,882                             | 11,237    |
| Net realized gain (loss)                                    | \$ 21,702                           | \$ (9,424) | \$ 21,001                          | \$ 11,237 |
| <b>Consolidated Statements of Comprehensive Income:</b>     |                                     |            |                                    |           |
| Other comprehensive (loss) income:                          |                                     |            |                                    |           |
| Net investment hedges                                       | \$ 1,849                            | \$ (647)   | \$ 1,677                           | \$ 764    |
| Net unrealized gain (loss)                                  | \$ 1,849                            | \$ (647)   | \$ 1,677                           | \$ 764    |

TCF executes all of its foreign exchange contracts in the over-the-counter market with large, international financial institutions pursuant to International Swaps and Derivatives Association, Inc. agreements. These agreements include credit risk-related features that enhance the creditworthiness of these instruments as compared with other obligations of the respective counterparty with whom TCF has transacted by requiring that additional collateral be posted under certain circumstances. The amount of collateral required depends on the contract and is determined daily based on market and currency exchange rate conditions.

At September 30, 2014, credit risk-related contingent features existed on forward foreign exchange contracts with a notional value of \$151.8 million. In the event TCF is rated less than BB- by Standard and Poor's, the contracts could be terminated or TCF may be required to provide approximately \$3.0 million in additional collateral. There were no forward foreign exchange contracts containing credit risk-related features in a net liability position at September 30, 2014.

At September 30, 2014, TCF had posted \$4.2 million of cash collateral related to its swap agreements and had received \$2.6 million of cash collateral related to its forward foreign exchange contracts.

## Note 12. Fair Value Measurement

TCF uses fair value measurements to record fair value adjustments to certain assets and liabilities, and to determine fair value disclosures. The Company's fair values are based on the price that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Securities available for sale, derivatives, certain loans held for sale, forward loan sales commitments, and assets and liabilities held in trust for deferred compensation plans are recorded at fair value on a recurring basis. Certain securities held to maturity, loans, other real estate owned, repossessed and returned assets and interest-only strips are recorded at fair value on a non-recurring basis.

TCF groups its assets and liabilities measured at fair value in three levels, based on the markets in which the assets and liabilities are traded, and the degree and reliability of estimates and assumptions used to determine fair value as follows: Level 1, which includes valuations that are based on prices obtained from independent pricing sources for the same instruments traded in active markets; Level 2, which includes valuations that are based on prices obtained from independent pricing sources that are based on observable transactions of similar instruments, but not quoted markets; and Level 3, for which valuations are generated from Company model-based techniques that use significant unobservable inputs. Such unobservable inputs reflect estimates of assumptions that market participants would use in pricing the asset or liability.

The following tables present the balances of assets and liabilities measured at fair value on a recurring and non-recurring basis.

| (In thousands)   | Fair Value Measurements at September 30, 2014 |                        |                        |            |
|--|---|------------------------|------------------------|------------|
|  | Level 1 <sup>(1)</sup>                        | Level 2 <sup>(2)</sup> | Level 3 <sup>(3)</sup> | Total      |
| <b>Recurring Fair Value Measurements:</b>                  |   |                        |                        |            |
| Securities available for sale:                             |   |                        |                        |            |
| Mortgage-backed securities:                                |   |                        |                        |            |
| U.S. Government sponsored enterprises and federal agencies | \$ —  | \$ 466,066             | \$ —                   | \$ 466,066 |
| Other  | —   | —                      | 64                     | 64         |
| Forward foreign exchange contracts                         | —   | 9,945                  | —                      | 9,945      |
| Swap agreements  | —   | 968                    | —                      | 968        |
| Loans and leases held for sale                             | —   | —                      | 182                    | 182        |
| Interest rate lock commitments                             | —   | —                      | 159                    | 159        |
| Forward loan sales commitments                             | —   | —                      | 3                      | 3          |
| Assets held in trust for deferred compensation plans       | 17,904  | —                      | —                      | 17,904     |
| Total assets   | \$ 17,904                                     | \$ 476,979             | \$ 408                 | \$ 495,291 |
| Swap agreements  | \$ —  | \$ 1,009               | \$ 654                 | \$ 1,663   |
| Forward loan sales commitments                             | —   | —                      | 15                     | 15         |
| Liabilities held in trust for deferred compensation plans  | 17,904  | —                      | —                      | 17,904     |
| Total liabilities  | \$ 17,904                                     | \$ 1,009               | \$ 669                 | \$ 19,582  |
| <b>Non-recurring Fair Value Measurements:</b>              |   |                        |                        |            |
| Loans  | \$ —  | \$ —                   | \$ 212,021             | \$ 212,021 |
| Other real estate owned:                                   |   |                        |                        |            |
| Consumer   | —   | —                      | 39,887                 | 39,887     |
| Commercial   | —   | 4,839                  | 7,343                  | 12,182     |
| Reposessed and returned assets                             | —   | 1,920                  | 934                    | 2,854      |
| Interest-only strips                                       | —   | —                      | 18,311                 | 18,311     |
| Securities held to maturity                                | —   | —                      | 1,561                  | 1,561      |
| Total non-recurring fair value measurements                | \$ —  | \$ 6,759               | \$ 280,057             | \$ 286,816 |

| (In thousands)   | Fair Value Measurements at December 31, 2013 |                        |                        |            |
|--|--|------------------------|------------------------|------------|
|  | Level 1 <sup>(1)</sup>                       | Level 2 <sup>(2)</sup> | Level 3 <sup>(3)</sup> | Total      |
| <b>Recurring Fair Value Measurements:</b>                  |  |                        |                        |            |
| Securities available for sale:                             |  |                        |                        |            |
| Mortgage-backed securities:                                |  |                        |                        |            |
| U.S. Government sponsored enterprises and federal agencies | \$ —   | \$ 548,037             | \$ —                   | \$ 548,037 |
| Other  | —  | —                      | 93                     | 93         |
| Other securities   | 2,934  | —                      | —                      | 2,934      |
| Forward foreign exchange contracts                         | —  | 151                    | —                      | 151        |
| Swap agreements  | —  | 131                    | —                      | 131        |
| Assets held in trust for deferred compensation plans       | 16,724                                       | —                      | —                      | 16,724     |
| Total assets   | \$ 19,658                                    | \$ 548,319             | \$ 93                  | \$ 568,070 |
| Forward foreign exchange contracts                         | \$ —   | \$ 921                 | \$ —                   | \$ 921     |
| Swap agreements  | —  | 132                    | 899                    | 1,031      |
| Liabilities held in trust for deferred compensation plans  | 16,724                                       | —                      | —                      | 16,724     |
| Total liabilities  | \$ 16,724                                    | \$ 1,053               | \$ 899                 | \$ 18,676  |
| <b>Non-recurring Fair Value Measurements:</b>              |  |                        |                        |            |
| Loans  | \$ —   | \$ —                   | \$ 214,183             | \$ 214,183 |
| Other real estate owned:                                   |  |                        |                        |            |
| Consumer   | —  | —                      | 40,355                 | 40,355     |
| Commercial   | —  | —                      | 14,088                 | 14,088     |
| Reposessed and returned assets                             | —  | 1,537                  | 730                    | 2,267      |
| Interest-only strips                                       | —  | —                      | 33,098                 | 33,098     |
| Securities held to maturity                                | —  | —                      | 1,902                  | 1,902      |
| Total non-recurring fair value measurements                | \$ —   | \$ 1,537               | \$ 304,356             | \$ 305,893 |

(1) Based on readily available market prices.

(2) Based on observable market prices.

(3) Based on valuation models that use significant assumptions that are not observable in an active market.

Management assesses the appropriate classification of financial assets and liabilities within the fair value hierarchy by monitoring the level of availability of observable market information. Changes in markets and/or economic conditions, as well as changes to Company valuation models may require the transfer of financial instruments from one fair value level to another. Such transfers, if any, are recorded at the fair values as of the beginning of the quarter in which the transfer occurred. TCF had no transfers in the periods ended September 30, 2014 and 2013.

The following tables present changes in Level 3 assets and liabilities measured at fair value on a recurring basis.

| (In thousands)                            | Three Months Ended September 30, |             |        |             |
|---|----------------------------------|-------------|--------|-------------|
|   | 2014                             |             | 2013   |             |
|   | Assets                           | Liabilities | Assets | Liabilities |
| Balance, beginning of quarter             | \$ 81                            | \$ (737)    | \$ 104 | \$ (1,064)  |
| Principal paydowns / settlements          | (17)                             | 83          | (6)    | 82          |
| Total gains (losses) recorded in income   | 344                              | (15)        | —      | —           |
| Asset (liability) balance, end of quarter | \$ 408                           | \$ (669)    | \$ 98  | \$ (982)    |

| (In thousands)                           | Nine Months Ended September 30, |             |        |             |
|--|---------------------------------|-------------|--------|-------------|
|  | 2014                            |             | 2013   |             |
|  | Assets                          | Liabilities | Assets | Liabilities |
| Balance, beginning of period             | \$ 93                           | \$ (899)    | \$ 127 | \$ (1,227)  |
| Principal paydowns / settlements         | (29)                            | 245         | (29)   | 245         |
| Total gains (losses) recorded in income  | 344                             | (15)        | —      | —           |
| Asset (liability) balance, end of period | \$ 408                          | \$ (669)    | \$ 98  | \$ (982)    |

The following is a description of valuation methodologies used for assets and liabilities recorded at fair value on a recurring basis.

**Securities Available for Sale** Securities available for sale consist primarily of securities of U.S. Government sponsored enterprises and federal agencies. The fair value of securities of U.S. Government sponsored enterprises and federal agencies, categorized as Level 2, is recorded using prices obtained from independent asset pricing services that are based on observable transactions, but not quoted markets. Management reviews the prices obtained from independent asset pricing services for unusual fluctuations and comparisons to current market trading activity. The fair value of other mortgage-backed securities for which there is little or no market activity, categorized as Level 3, is determined using internal pricing methods. The fair value of other securities, categorized as Level 1, is determined using quoted prices from the New York Stock Exchange.

**Forward Foreign Exchange Contracts** TCF's forward foreign exchange contracts are currency contracts executed in over-the-counter markets and are valued using a cash flow model that includes key inputs such as foreign exchange rates and, in accordance with GAAP, an assessment of the risk of counterparty non-performance. The risk of counterparty non-performance is based on external assessments of credit risk. The fair value of these contracts, categorized as Level 2, is based on observable transactions, but not quoted markets. As permitted under GAAP, TCF has elected to net derivative receivables and derivative payables and the related cash collateral received and paid, when a legally enforceable master netting agreement exists. For purposes of the previous tables, the derivative receivable and payable balances are presented gross of this netting adjustment.



**Swap Agreements** TCF executes interest rate swaps with commercial banking customers to facilitate the customer's risk management strategy. These interest rate swaps are simultaneously hedged by offsetting interest rate swaps TCF executes with a third party, such that TCF minimizes its net risk exposure resulting from such transactions. The fair value of these swap agreements, categorized as Level 2, is determined using a cash flow model which considers the forward curve, the discount curve and credit valuation adjustments related to counterparty and borrower non-performance risk. TCF also entered into a swap agreement related to the sale of TCF's Visa Class B stock, categorized as Level 3. The value of the Visa swap agreement is based upon TCF's estimated exposure related to the Visa covered litigation through a probability analysis of the funding and estimated settlement amounts. As permitted under GAAP, TCF has elected to net derivative receivables and derivative payables and the related cash collateral received and paid, when a legally enforceable master netting agreement exists. For purposes of the previous tables, the derivative receivable and payable balances are presented gross of this netting adjustment.

**Loans and Leases Held for Sale** Certain loans and leases held for sale, categorized as Level 3, are carried at fair value under the elected fair value option. TCF relies on internal valuation models, which utilize quoted investor prices to estimate the fair value.

**Interest Rate Lock Commitments and Forward Loan Sales Commitments** TCF's interest rate lock commitments are derivative instruments which are carried at fair value. The related forward loan sales commitments to sell the resulting loans held for sale are also carried at fair value under the elected fair value option. TCF relies on internal valuation models to estimate the fair value of these instruments. The valuation models utilize estimated rates of successful loan closings and quoted investor prices. While these models use both Level 2 and 3 inputs, TCF has determined that the majority of the inputs significant in the valuation of these commitments fall within Level 3 and therefore they are categorized as Level 3.

**Assets and Liabilities Held in Trust for Deferred Compensation Plans** Assets held in trust for deferred compensation plans include investments in publicly traded stocks, excluding TCF common stock reported in treasury and other equity, and U.S. Treasury notes. The fair value of these assets, categorized as Level 1, is based upon prices obtained from independent asset pricing services based on active markets.

The following is a description of valuation methodologies used for assets measured on a non-recurring basis.

**Loans** Loans for which repayment is expected to be provided solely by the value of the underlying collateral, categorized as Level 3, are valued based on the fair value of that collateral. Such loans include impaired loans as well as certain delinquent non-accrual consumer real estate and auto finance loans. The fair value of the collateral is determined based on internal estimates and assessments provided by third-party appraisers.

**Other Real Estate Owned and Repossessed and Returned Assets** The fair value of other real estate owned is based on independent appraisals, real estate brokers' price opinions, or automated valuation methods, less estimated selling costs. Certain properties require assumptions that are not observable in an active market in the determination of fair value. The fair value of repossessed and returned assets is based on available pricing guides, auction results or price opinions, less estimated selling costs. Assets acquired through foreclosure, repossession or returned to TCF are initially recorded at the lower of the loan or lease carrying amount or fair value less estimated selling costs at the time of transfer to other real estate owned or repossessed and returned assets. Other real estate owned and repossessed and returned assets were written down \$2.8 million and \$9.0 million for the three and nine months ended September 30, 2014, respectively, and these amounts were included in foreclosed real estate and repossessed assets, net expense.

**Interest-Only Strips** The fair value of interest-only strips, categorized as Level 3, represents the present value of future cash flows retained by TCF on certain assets. TCF uses available market data, along with its own empirical data and discounted cash flow models, to arrive at the estimated fair value of its interest-only strips. The present value of the estimated expected future cash flows to be received is determined by using discount, loss and prepayment rates that TCF believes are commensurate with the risks associated with the cash flows and what a market participant would use. These assumptions are inherently subject to volatility and uncertainty and, as a result, the estimated fair value of the interest-only strips may fluctuate significantly from period to period.

**Securities Held to Maturity** The fair value of certain securities held to maturity, categorized as Level 3, is estimated based on discounted cash flows using current market rates and consideration of credit exposure. There is no observable secondary market for these securities.

### **Note 13. Fair Value of Financial Instruments**

Management discloses the estimated fair value of financial instruments, both assets and liabilities on and off the balance sheet, for which it is practicable to estimate fair value. These fair value estimates were made at September 30, 2014 and December 31, 2013, based on relevant market information and information about the financial instruments. Fair value estimates are intended to represent the price at which an asset could be sold or a liability could be settled. However, given there is no active market or observable market transactions for many of the Company's financial instruments, the estimates of fair values are subjective in nature, involve uncertainties and include matters of significant judgment. Changes in assumptions could significantly affect the estimated values.



The carrying amounts and estimated fair values of the Company's financial instruments are set forth in the following table. This information represents only a portion of TCF's balance sheet, and not the estimated value of the Company as a whole. Non-financial instruments such as the intangible value of TCF's branches and core deposits, leasing operations, goodwill, premises and equipment and the future revenues from TCF's customers are not reflected in this disclosure. Therefore, this information is of limited use in assessing the value of TCF.

| (In thousands)   | Level in Fair Value Measurement Hierarchy | At September 30, 2014 |                      | At December 31, 2013 |                      |
|--|---|-----------------------|----------------------|----------------------|----------------------|
|  |   | Carrying Amount       | Estimated Fair Value | Carrying Amount      | Estimated Fair Value |
| <b>Financial instrument assets:</b>                                      |   |                       |                      |                      |                      |
| Cash and due from banks  | 1   | \$ 840,847            | \$ 840,847           | \$ 915,076           | \$ 915,076           |
| Investments  | 2   | 84,478                | 84,478               | 94,326               | 94,326               |
| Securities held to maturity  | 2   | 210,410               | 212,704              | 14,610               | 14,610               |
| Securities held to maturity  | 3   | 4,961                 | 4,961                | 5,302                | 5,302                |
| Securities available for sale  | 1   | —                     | —                    | 2,934                | 2,934                |
| Securities available for sale  | 2   | 466,066               | 466,066              | 548,037              | 548,037              |
| Securities available for sale  | 3   | 64                    | 64                   | 93                   | 93                   |
| Forward foreign exchange contracts <sup>(1)</sup>                        | 2   | 7,365                 | 9,945                | —                    | 151                  |
| Swap agreements <sup>(1)</sup>   | 2   | 968                   | 968                  | 131                  | 131                  |
| Loans and leases held for sale   | 3   | 156,390               | 164,468              | 79,768               | 84,341               |
| Interest rate lock commitments   | 3   | 159                   | 159                  | —                    | —                    |
| Forward loan sales commitments   | 3   | 3                     | 3                    | —                    | —                    |
| Interest-only strips <sup>(2)</sup>                                      | 3   | 73,538                | 76,439               | 84,561               | 85,265               |
| Loans:   |   |                       |                      |                      |                      |
| Consumer real estate   | 3   | 5,971,067             | 6,014,265            | 6,339,326            | 6,279,328            |
| Commercial real estate   | 3   | 2,644,237             | 2,602,531            | 2,743,697            | 2,673,825            |
| Commercial business  | 3   | 515,529               | 492,897              | 404,655              | 392,947              |
| Equipment finance  | 3   | 1,748,418             | 1,731,549            | 1,546,134            | 1,534,905            |
| Inventory finance  | 3   | 1,836,538             | 1,824,609            | 1,664,377            | 1,653,345            |
| Auto finance   | 3   | 1,749,411             | 1,757,503            | 1,239,386            | 1,256,357            |
| Other  | 3   | 24,003                | 20,532               | 26,743               | 25,216               |
| Allowance for loan losses <sup>(3)</sup>                                 | N.A.                                      | (222,658)             | —                    | (252,230)            | —                    |
| <b>Total financial instrument assets</b>                                 |   | <b>\$16,111,794</b>   | <b>\$16,304,988</b>  | <b>\$15,456,926</b>  | <b>\$15,566,189</b>  |
| <b>Financial instrument liabilities:</b>                                 |   |                       |                      |                      |                      |
| Checking, savings and money market deposits                              | 1   | \$12,167,126          | \$12,167,126         | \$12,006,364         | \$12,006,364         |
| Certificates of deposit  | 2   | 3,022,394             | 3,036,392            | 2,426,412            | 2,434,946            |
| Short-term borrowings  | 1   | 3,384                 | 3,384                | 4,918                | 4,918                |
| Long-term borrowings   | 2   | 1,190,270             | 1,210,009            | 1,472,487            | 1,496,017            |
| Long-term borrowings   | 3   | 8,027                 | 8,027                | 10,838               | 10,838               |
| Forward foreign exchange contracts <sup>(1)</sup>                        | 2   | —                     | —                    | 921                  | 921                  |
| Swap agreements <sup>(1)</sup>   | 2   | —                     | 1,009                | —                    | 132                  |
| Swap agreement <sup>(1)</sup>  | 3   | —                     | 654                  | —                    | 899                  |
| Forward loan sales commitments   | 3   | 15                    | 15                   | —                    | —                    |
| <b>Total financial instrument liabilities</b>                            |   | <b>\$16,391,216</b>   | <b>\$16,426,616</b>  | <b>\$15,921,940</b>  | <b>\$15,955,035</b>  |
| <b>Financial instruments with off-balance sheet risk: <sup>(4)</sup></b> |   |                       |                      |                      |                      |
| Commitments to extend credit   | 2   | \$ 26,305             | \$ 26,305            | \$ 29,057            | \$ 29,057            |
| Standby letters of credit  | 2   | (46)                  | (46)                 | (52)                 | (52)                 |
| <b>Total financial instruments with off-balance sheet risk</b>           |   | <b>\$ 26,259</b>      | <b>\$ 26,259</b>     | <b>\$ 29,005</b>     | <b>\$ 29,005</b>     |

N.A. Not Applicable.

(1) Contracts are carried at fair value, net of the related cash collateral received and paid when a legally enforceable master netting agreement exists.

(2) Carrying amounts are included in other assets.

(3) Expected credit losses are included in the estimated fair values.

(4) Positive amounts represent assets, negative amounts represent liabilities.

The carrying amounts of cash and due from banks approximate their fair values due to the short period of time until their expected realization. Securities available for sale, forward foreign exchange contracts, swap agreements, certain loans and leases held for sale, interest rate lock commitments and forward loan sales commitments are carried at fair value (see Note 12, Fair Value Measurement). Certain financial instruments, including lease financings and all non-financial instruments are excluded from fair value of financial instrument disclosure requirements. The following methods and assumptions are used by TCF in estimating fair value for its remaining financial instruments, all of which are issued or held for purposes other than trading.

**Investments** The carrying value of investments in FHLB stock and Federal Reserve Bank stock, categorized as Level 2, approximates fair value.

**Securities Held to Maturity** Securities held to maturity consist primarily of securities of U.S. Government sponsored enterprises and federal agencies. The fair value of securities of U.S. Government sponsored enterprises and federal agencies, categorized as Level 2, is estimated using prices obtained from independent asset pricing services that are based on observable transactions, but not quoted markets. Management reviews the prices obtained from independent asset pricing services for unusual fluctuations and comparisons to current market trading activity. The fair value of other securities, categorized as Level 3, is estimated based on discounted cash flows using current market rates and consideration of credit exposure or other internal pricing methods. There is no observable secondary market for these securities.

**Securities Available for Sale** Securities available for sale consist primarily of securities of U.S. Government sponsored enterprises and federal agencies. The fair value of securities of U.S. Government sponsored enterprises and federal agencies, categorized as Level 2, is recorded using prices obtained from independent asset pricing services that are based on observable transactions, but not quoted markets. Management reviews the prices obtained from independent asset pricing services for unusual fluctuations and comparisons to current market trading activity. The fair value of other mortgage-backed securities for which there is little or no market activity, categorized as Level 3, is determined using internal pricing methods. The fair value of other securities, categorized as Level 1, is determined using quoted prices from the New York Stock Exchange.

**Forward Foreign Exchange Contracts** TCF's forward foreign exchange contracts are currency contracts executed in over-the-counter markets and are valued using a cash flow model that includes key inputs such as foreign exchange rates and, in accordance with GAAP, an assessment of the risk of counterparty non-performance. The risk of counterparty non-performance is based on external assessments of credit risk. The fair value of these contracts, categorized as Level 2, is based on observable transactions, but not quoted markets.

**Swap Agreements** TCF executes interest rate swaps with commercial banking customers to facilitate the customer's risk management strategy. These interest rate swaps are simultaneously hedged by offsetting interest rate swaps TCF executes with a third party, such that TCF minimizes its net risk exposure resulting from such transactions. The fair value of these swap agreements, categorized as Level 2, is determined using a cash flow model which considers the forward curve, the discount curve and credit valuation adjustments related to counterparty and borrower non-performance risk. TCF also entered into a swap agreement related to the sale of TCF's Visa Class B stock, categorized as Level 3. The value of the Visa swap agreement is based upon TCF's estimated exposure related to the Visa covered litigation through a probability analysis of the funding and estimated settlement amounts.

**Loans and Leases Held for Sale** Certain loans and leases held for sale are carried at the lower of cost or fair value. The cost of loans held for sale includes the unpaid principal balance, net of deferred loan fees and costs. Estimated fair values are based upon recent loan sale transactions and any available price quotes on loans with similar coupons, maturities and credit quality. Other loans and leases held for sale are carried at fair value under the elected fair value option. TCF relies on internal valuation models to estimate the fair value of these loans. Loans and leases held for sale are categorized as Level 3.

**Interest Rate Lock Commitments and Forward Loan Sales Commitments** TCF's interest rate lock commitments are derivative instruments which are carried at fair value. The related forward loan sales commitments are also carried at fair value under the elected fair value option. TCF relies on internal valuation models to estimate the fair value of these instruments. The valuation models utilize estimated rates of successful loan closings and quoted investor prices. While these models use both Level 2 and 3 inputs, TCF has determined that the majority of the inputs significant in the valuation of these commitments fall within Level 3 and therefore they are categorized as Level 3.

**Interest-Only Strips** The fair value of interest-only strips, categorized as Level 3, represents the present value of future cash flows retained by TCF on certain assets. TCF uses available market data, along with its own empirical data and discounted cash flow models, to arrive at the estimated fair value of its interest-only strips. The present value of the estimated expected future cash flows to be received is determined by using discount, loss and prepayment rates that TCF believes are commensurate with the risks associated with the cash flows and what a market participant would use. These assumptions are inherently subject to volatility and uncertainty and, as a result, the estimated fair value of the interest-only strips may fluctuate significantly from period to period.

**Loans** The fair value of loans, categorized as Level 3, is estimated based on discounted expected cash flows and recent sales of similar loans. The discounted cash flows include assumptions for prepayment estimates over each loan's remaining life, consideration of the current interest rate environment compared with the weighted average rate of each portfolio, a credit risk component based on the historical and expected performance of each portfolio and a liquidity adjustment related to the current market environment. TCF also uses pricing data from recent sales of loans with similar risk characteristics as data points to validate the assumptions used in estimating the fair value of certain loans.

**Deposits** The fair value of checking, savings and money market deposits, categorized as Level 1, is deemed equal to the amount payable on demand. The fair value of certificates of deposit, categorized as Level 2, is estimated based on discounted cash flows using currently offered market rates. The intangible value of long-term relationships with depositors is not taken into account in the fair values disclosed.

**Borrowings** The carrying amounts of short-term borrowings, categorized as Level 1, approximate their fair values. The fair value of TCF's long-term borrowings, categorized as Level 2, is estimated based on observable market prices and discounted cash flows using interest rates for borrowings of similar remaining maturities and characteristics. The fair value of other long-term borrowings, categorized as Level 3, is based on unobservable inputs determined at the time of origination.

**Financial Instruments with Off-Balance Sheet Risk** The fair value of TCF's commitments to extend credit and standby letters of credit, categorized as Level 2, is estimated using fees currently charged to enter into similar agreements, as commitments and standby letters of credit similar to TCF's are not actively traded. Substantially all commitments to extend credit and standby letters of credit have floating interest rates and do not expose TCF to interest rate risk; therefore fair value is approximately equal to carrying value.

**Note 14. Earnings Per Common Share**

TCF's restricted stock awards that pay non-forfeitable common stock dividends meet the criteria of a participating security. Accordingly, earnings per share is calculated using the two-class method, under which earnings are allocated to both common shares and participating securities.

| (Dollars in thousands, except per-share data)  | Three Months Ended<br>September 30, |             | Nine Months Ended<br>September 30, |             |
|--|-------------------------------------|-------------|------------------------------------|-------------|
|  | 2014                                | 2013        | 2014                               | 2013        |
| <b>Basic Earnings Per Common Share</b>   |                                     |             |                                    |             |
| Net income attributable to TCF Financial Corporation   | \$ 52,317                           | \$ 42,795   | \$ 150,199                         | \$ 111,673  |
| Preferred stock dividends  | (4,847)                             | (4,847)     | (14,541)                           | (14,218)    |
| Net income available to common stockholders  | 47,470                              | 37,948      | 135,658                            | 97,455      |
| Earnings allocated to participating securities   | 12                                  | 18          | 35                                 | 54          |
| Earnings allocated to common stock   | \$ 47,458                           | \$ 37,930   | \$ 135,623                         | \$ 97,401   |
| Weighted-average shares outstanding  | 166,902,605                         | 164,532,405 | 166,306,915                        | 164,014,293 |
| Restricted stock   | (3,001,529)                         | (3,312,206) | (2,995,932)                        | (3,176,137) |
| Weighted-average common shares outstanding for basic earnings per common share                 | 163,901,076                         | 161,220,199 | 163,310,983                        | 160,838,156 |
| Basic earnings per common share  | \$ 0.29                             | \$ 0.24     | \$ 0.83                            | \$ 0.61     |
| <b>Diluted Earnings Per Common Share</b>   |                                     |             |                                    |             |
| Earnings allocated to common stock   | \$ 47,458                           | \$ 37,930   | \$ 135,623                         | \$ 97,401   |
| Weighted-average common shares outstanding used in basic earnings per common share calculation | 163,901,076                         | 161,220,199 | 163,310,983                        | 160,838,156 |
| Net dilutive effect of:  |                                     |             |                                    |             |
| Non-participating restricted stock   | 322,210                             | 761,404     | 250,060                            | 680,389     |
| Stock options  | 256,325                             | 202,121     | 262,286                            | 174,963     |
| Weighted-average common shares outstanding for diluted earnings per common share               | 164,479,611                         | 162,183,724 | 163,823,329                        | 161,693,508 |
| Diluted earnings per common share  | \$ 0.29                             | \$ 0.23     | \$ 0.83                            | \$ 0.60     |

All shares of restricted stock are deducted from weighted-average shares outstanding for the computation of basic earnings per common share. Shares of performance-based restricted stock are included in the calculation of diluted earnings per common share, using the treasury stock method, at the beginning of the quarter in which the performance goals have been achieved. All other shares of restricted stock, which vest over specified time periods, stock options, and warrants, are included in the calculation of diluted earnings per common share, using the treasury stock method.

For the three and nine months ended September 30, 2014, there were 4.1 million and 4.2 million, respectively, of outstanding shares related to non-participating restricted stock, stock options, and warrants that were not included in the computation of diluted earnings per share because they were anti-dilutive. For the three and nine months ended September 30, 2013, there were 3.7 million and 4.0 million, respectively, of outstanding shares related to non-participating restricted stock, stock options, and warrants that were not included in the computation of diluted earnings per share because they were anti-dilutive.

**Note 15. Business Segments**

Lending, Funding and Support Services have been identified as reportable segments. Lending includes consumer real estate, commercial real estate and business lending, leasing and equipment finance, inventory finance and auto finance. Funding includes branch banking and treasury services. Support Services includes holding company and corporate functions that provide data processing, bank operations and other professional services to the operating segments.

TCF evaluates performance and allocates resources based on each segment's net income or loss. The business segments follow GAAP as described in Note 1, Summary of Significant Accounting Policies in Item 8 of TCF's most recent Annual Report on Form 10-K. Certain reclassifications have been made to prior financial statements to conform to the current period presentation. TCF generally accounts for inter-segment sales and transfers at cost.

The following tables set forth certain information for each of TCF's reportable segments, including a reconciliation of TCF's consolidated totals.

| (In thousands)  | Lending       | Funding      | Support<br>Services | Eliminations   | Consolidated  |
|---|---------------|--------------|---------------------|----------------|---------------|
| <b>At or For the Three Months Ended September 30, 2014:</b> |               |              |                     |                |               |
| Net interest income   | \$ 149,048    | \$ 56,017    | \$ 44               | \$ (929)       | \$ 204,180    |
| Provision for credit losses                                 | 14,593        | 1,146        | —                   | —              | 15,739        |
| Non-interest income   | 58,432        | 57,453       | 35,617              | (35,426)       | 116,076       |
| Non-interest expense  | 107,695       | 111,933      | 35,486              | (35,426)       | 219,688       |
| Income tax expense (benefit)                                | 31,597        | 169          | (46)                | (929)          | 30,791        |
| Income after income tax expense (benefit)                   | 53,595        | 222          | 221                 | —              | 54,038        |
| Income attributable to non-controlling interest             | 1,721         | —            | —                   | —              | 1,721         |
| Preferred stock dividends                                   | —             | —            | 4,847               | —              | 4,847         |
| Net income (loss) available to common stockholders          | \$ 51,874     | \$ 222       | \$ (4,626)          | \$ —           | \$ 47,470     |
| Total assets  | \$ 16,820,759 | \$ 5,894,521 | \$ 179,108          | \$ (3,872,285) | \$ 19,022,103 |
| Revenues from external customers:                           |               |              |                     |                |               |
| Interest income   | \$ 214,070    | \$ 5,633     | \$ —                | \$ —           | \$ 219,703    |
| Non-interest income   | 58,432        | 57,438       | 206                 | —              | 116,076       |
| Total   | \$ 272,502    | \$ 63,071    | \$ 206              | \$ —           | \$ 335,779    |
| <b>At or For the Three Months Ended September 30, 2013:</b> |               |              |                     |                |               |
| Net interest income (expense)                               | \$ 142,251    | \$ 58,112    | \$ (2)              | \$ (734)       | \$ 199,627    |
| Provision for credit losses                                 | 23,490        | 1,112        | —                   | —              | 24,602        |
| Non-interest income   | 46,148        | 60,009       | 34,654              | (34,651)       | 106,160       |
| Non-interest expense  | 101,355       | 107,674      | 37,854              | (34,651)       | 212,232       |
| Income tax expense (benefit)                                | 22,678        | 3,264        | (657)               | (734)          | 24,551        |
| Income (loss) after income tax expense (benefit)            | 40,876        | 6,071        | (2,545)             | —              | 44,402        |
| Income attributable to non-controlling interest             | 1,607         | —            | —                   | —              | 1,607         |
| Preferred stock dividends                                   | —             | —            | 4,847               | —              | 4,847         |
| Net income (loss) available to common stockholders          | \$ 39,269     | \$ 6,071     | \$ (7,392)          | \$ —           | \$ 37,948     |
| Total assets  | \$ 16,068,505 | \$ 7,740,924 | \$ 191,991          | \$ (5,631,332) | \$ 18,370,088 |
| Revenues from external customers:                           |               |              |                     |                |               |
| Interest income   | \$ 209,363    | \$ 6,090     | \$ —                | \$ —           | \$ 215,453    |
| Non-interest income   | 46,148        | 59,996       | 16                  | —              | 106,160       |
| Total   | \$ 255,511    | \$ 66,086    | \$ 16               | \$ —           | \$ 321,613    |

| (In thousands)   | Lending       | Funding      | Support<br>Services | Eliminations   | Consolidated  |
|--|---------------|--------------|---------------------|----------------|---------------|
| <b>At or For the Nine Months Ended September 30, 2014:</b> |               |              |                     |                |               |
| Net interest income  | \$ 443,245    | \$ 170,657   | \$ 98               | \$ (2,445)     | \$ 611,555    |
| Provision for credit losses                                | 37,950        | 2,190        | —                   | —              | 40,140        |
| Non-interest income  | 156,921       | 165,082      | 106,071             | (104,575)      | 323,499       |
| Non-interest expense                                       | 318,112       | 329,170      | 107,312             | (104,575)      | 650,019       |
| Income tax expense (benefit)                               | 89,506        | 1,710        | (16)                | (2,445)        | 88,755        |
| Income (loss) after income tax expense (benefit)           | 154,598       | 2,669        | (1,127)             | —              | 156,140       |
| Income attributable to non-controlling interest            | 5,941         | —            | —                   | —              | 5,941         |
| Preferred stock dividends                                  | —             | —            | 14,541              | —              | 14,541        |
| Net income (loss) available to common stockholders         | \$ 148,657    | \$ 2,669     | \$ (15,668)         | \$ —           | \$ 135,658    |
| Total assets   | \$ 16,820,759 | \$ 5,894,521 | \$ 179,108          | \$ (3,872,285) | \$ 19,022,103 |
| Revenues from external customers:                          |               |              |                     |                |               |
| Interest income  | \$ 637,851    | \$ 16,570    | \$ —                | \$ —           | \$ 654,421    |
| Non-interest income  | 156,921       | 165,037      | 1,541               | —              | 323,499       |
| Total  | \$ 794,772    | \$ 181,607   | \$ 1,541            | \$ —           | \$ 977,920    |
| <b>At or For the Nine Months Ended September 30, 2013:</b> |               |              |                     |                |               |
| Net interest income (expense)                              | \$ 422,883    | \$ 180,115   | \$ (2)              | \$ (2,234)     | \$ 600,762    |
| Provision for credit losses                                | 93,557        | 2,019        | —                   | —              | 95,576        |
| Non-interest income  | 123,831       | 174,764      | 98,885              | (98,834)       | 298,646       |
| Non-interest expense                                       | 297,386       | 322,728      | 103,520             | (98,834)       | 624,800       |
| Income tax expense (benefit)                               | 53,542        | 10,816       | (570)               | (2,234)        | 61,554        |
| Income (loss) after income tax expense (benefit)           | 102,229       | 19,316       | (4,067)             | —              | 117,478       |
| Income attributable to non-controlling interest            | 5,805         | —            | —                   | —              | 5,805         |
| Preferred stock dividends                                  | —             | —            | 14,218              | —              | 14,218        |
| Net income (loss) available to common stockholders         | \$ 96,424     | \$ 19,316    | \$ (18,285)         | \$ —           | \$ 97,455     |
| Total assets   | \$ 16,068,505 | \$ 7,740,924 | \$ 191,991          | \$ (5,631,332) | \$ 18,370,088 |
| Revenues from external customers:                          |               |              |                     |                |               |
| Interest income  | \$ 629,925    | \$ 18,686    | \$ —                | \$ —           | \$ 648,611    |
| Non-interest income  | 123,831       | 174,726      | 89                  | —              | 298,646       |
| Total  | \$ 753,756    | \$ 193,412   | \$ 89               | \$ —           | \$ 947,257    |

**Note 16. Litigation Contingencies**

From time to time, TCF is a party to legal proceedings arising out of its lending, leasing and deposit operations, including foreclosure proceedings and other collection actions as part of its lending and leasing collections activities. TCF may also be subject to enforcement actions brought by federal regulators, including the Securities and Exchange Commission (“SEC”), the Federal Reserve, the OCC and the Consumer Financial Protection Bureau. From time to time, borrowers and other customers, and employees and former employees, have also brought actions against TCF, in some cases claiming substantial damages. TCF and other financial services companies are subject to the risk of class action litigation. Litigation is often unpredictable and the actual results of litigation cannot be determined, and therefore the ultimate resolution of a matter and the possible range of loss associated with certain potential outcomes cannot be established. Based on our current understanding of these pending legal proceedings, management does not believe that judgments or settlements arising from pending or threatened legal matters, individually or in the aggregate, would have a material adverse effect on the consolidated financial position, operating results or cash flows of TCF. TCF is also subject to regulatory examinations, and TCF’s regulatory authorities may impose sanctions on TCF for failures related to regulatory compliance.

**Note 17. Accumulated Other Comprehensive (Loss) Income**

The components of other comprehensive (loss) income and the related tax effects are presented in the tables below.

| (In thousands)  | Three Months Ended September 30, |            |            |            |            |            |
|---|----------------------------------|------------|------------|------------|------------|------------|
|   | 2014                             |            |            | 2013       |            |            |
|   | Before Tax                       | Tax Effect | Net of Tax | Before Tax | Tax Effect | Net of Tax |
| Securities available for sale:  |                                  |            |            |            |            |            |
| Unrealized (losses) gains arising during the period                     | \$ (862)                         | \$ 324     | \$ (538)   | \$ 850     | \$ (321)   | \$ 529     |
| Reclassification of net losses to net income                            | 254                              | (94)       | 160        | —          | —          | —          |
| Net unrealized (losses) gains   | (608)                            | 230        | (378)      | 850        | (321)      | 529        |
| Net investment hedges:  |                                  |            |            |            |            |            |
| Unrealized gains (losses) arising during the period                     | 1,849                            | (698)      | 1,151      | (647)      | 245        | (402)      |
| Foreign currency translation adjustment: <sup>(1)</sup>                 |                                  |            |            |            |            |            |
| Unrealized (losses) gains arising during the period                     | (2,066)                          | —          | (2,066)    | 615        | —          | 615        |
| Recognized postretirement prior service cost and transition obligation: |                                  |            |            |            |            |            |
| Net actuarial losses arising during the period                          | (12)                             | 4          | (8)        | (11)       | 4          | (7)        |
| Total other comprehensive (loss) income                                 | \$ (837)                         | \$ (464)   | \$ (1,301) | \$ 807     | \$ (72)    | \$ 735     |

| (In thousands)  | Nine Months Ended September 30, |            |            |             |            |             |
|---|---------------------------------|------------|------------|-------------|------------|-------------|
|   | 2014                            |            |            | 2013        |            |             |
|   | Before Tax                      | Tax Effect | Net of Tax | Before Tax  | Tax Effect | Net of Tax  |
| Securities available for sale:  |                                 |            |            |             |            |             |
| Unrealized gains (losses) arising during the period                     | \$ 19,652                       | \$ (7,401) | \$ 12,251  | \$ (47,399) | \$ 17,885  | \$ (29,514) |
| Reclassification of net gains to net income                             | (375)                           | 142        | (233)      | —           | —          | —           |
| Net unrealized gains (losses)   | 19,277                          | (7,259)    | 12,018     | (47,399)    | 17,885     | (29,514)    |
| Net investment hedges:  |                                 |            |            |             |            |             |
| Unrealized gains arising during the period                              | 1,677                           | (633)      | 1,044      | 764         | (289)      | 475         |
| Foreign currency translation adjustment: <sup>(1)</sup>                 |                                 |            |            |             |            |             |
| Unrealized losses arising during the period                             | (2,043)                         | —          | (2,043)    | (980)       | —          | (980)       |
| Recognized postretirement prior service cost and transition obligation: |                                 |            |            |             |            |             |
| Net actuarial losses arising during the period                          | (35)                            | 13         | (22)       | (35)        | 13         | (22)        |
| Total other comprehensive income (loss)                                 | \$ 18,876                       | \$ (7,879) | \$ 10,997  | \$ (47,650) | \$ 17,609  | \$ (30,041) |

(1) Foreign investments are deemed to be permanent in nature and therefore TCF does not provide for taxes on foreign currency translation adjustments.



Reclassifications of net losses and net gains to net income were recorded in (losses) gains on securities, net in the Consolidated Statements of Income. The tax effect of these reclassifications was recorded in income tax expense in the Consolidated Statements of Income. See Note 10, Employee Benefit Plans for additional information regarding TCF's recognized postretirement prior service cost.

Accumulated other comprehensive (loss) income balances are presented in the tables below.

| (In thousands)   | Securities<br>Available<br>for Sale | Net<br>Investment<br>Hedge | Foreign<br>Currency<br>Translation<br>Adjustment | Recognized<br>Postretirement Prior<br>Service Cost and<br>Transition Obligation | Total       |
|--|-------------------------------------|----------------------------|--|---|-------------|
| <b>At or For the Three Months Ended September 30, 2014:</b>    |                                     |                            |  |   |             |
| Balance, beginning of quarter                                  | \$ (14,587)                         | \$ 484                     | \$ (1,033)                                       | \$ 221  | \$ (14,915) |
| Other comprehensive (loss) income                              | (538)                               | 1,151                      | (2,066)  | (8)   | (1,461)     |
| Amounts reclassified from accumulated other comprehensive loss | 160                                 | —                          | —  | —   | 160         |
| Net other comprehensive (loss) income                          | (378)                               | 1,151                      | (2,066)  | (8)   | (1,301)     |
| Balance, end of quarter  | \$ (14,965)                         | \$ 1,635                   | \$ (3,099)                                       | \$ 213  | \$ (16,216) |
| <b>At or For the Three Months Ended September 30, 2013:</b>    |                                     |                            |  |   |             |
| Balance, beginning of quarter                                  | \$ (18,366)                         | \$ 457                     | \$ (672)   | \$ 248  | \$ (18,333) |
| Other comprehensive income (loss)                              | 529                                 | (402)                      | 615  | (7)   | 735         |
| Net other comprehensive income (loss)                          | 529                                 | (402)                      | 615  | (7)   | 735         |
| Balance, end of quarter  | \$ (17,837)                         | \$ 55                      | \$ (57)  | \$ 241  | \$ (17,598) |

| (In thousands)   | Securities<br>Available<br>for Sale | Net<br>Investment<br>Hedge | Foreign<br>Currency<br>Translation<br>Adjustment | Recognized<br>Postretirement Prior<br>Service Cost and<br>Transition Obligation | Total       |
|--|-------------------------------------|----------------------------|--|---|-------------|
| <b>At or For the Nine Months Ended September 30, 2014:</b>     |                                     |                            |  |   |             |
| Balance, beginning of period                                   | \$ (26,983)                         | \$ 591                     | \$ (1,056)                                       | \$ 235  | \$ (27,213) |
| Other comprehensive income (loss)                              | 12,251                              | 1,044                      | (2,043)  | (22)  | 11,230      |
| Amounts reclassified from accumulated other comprehensive loss | (233)                               | —                          | —  | —   | (233)       |
| Net other comprehensive income (loss)                          | 12,018                              | 1,044                      | (2,043)  | (22)  | 10,997      |
| Balance, end of period   | \$ (14,965)                         | \$ 1,635                   | \$ (3,099)                                       | \$ 213  | \$ (16,216) |
| <b>At or For the Nine Months Ended September 30, 2013:</b>     |                                     |                            |  |   |             |
| Balance, beginning of period                                   | \$ 11,677                           | \$ (420)                   | \$ 923   | \$ 263  | \$ 12,443   |
| Other comprehensive (loss) income                              | (29,514)                            | 475                        | (980)  | (22)  | (30,041)    |
| Net other comprehensive (loss) income                          | (29,514)                            | 475                        | (980)  | (22)  | (30,041)    |
| Balance, end of period   | \$ (17,837)                         | \$ 55                      | \$ (57)  | \$ 241  | \$ (17,598) |



TCF FINANCIAL CORPORATION AND SUBSIDIARIES

**Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations**

*Overview*

TCF Financial Corporation, a Delaware corporation (“we,” “us,” “our,” “TCF,” or the “Company”), is a national bank holding company based in Wayzata, Minnesota. Unless otherwise indicated, references herein to “TCF” include its direct and indirect subsidiaries. Its principal subsidiary, TCF National Bank (“TCF Bank”), is headquartered in South Dakota. References herein to “TCF Financial” refer to TCF Financial Corporation on an unconsolidated basis. At September 30, 2014, TCF had 382 branches in Illinois, Minnesota, Michigan, Colorado, Wisconsin, Arizona, Indiana and South Dakota (TCF’s primary banking markets).

TCF provides convenient financial services through multiple channels in its primary banking markets. TCF has developed products and services designed to meet specific needs of the largest consumer segments in the market. The Company focuses on attracting and retaining customers through service and convenience, including branches that are open seven days a week and on most holidays, extensive full-service supermarket branches, automated teller machine (“ATM”) networks, and internet, mobile and telephone banking. TCF’s philosophy is to generate interest income, fees and other revenue growth through business lines that emphasize higher yielding assets and low interest-cost deposits. TCF’s growth strategies include organic growth in existing businesses, development of new products and services, new branch expansion, new customer acquisition through electronic channels and acquisitions of portfolios or companies. New products and services are designed to build on existing businesses and expand into complementary products and services through strategic initiatives. TCF continues to focus on asset growth in its leasing and equipment finance, inventory finance and auto finance businesses funded through deposit generation.

Net interest income, the difference between interest income earned on loans and leases, securities, investments and other interest-earning assets and interest paid on deposits and borrowings, represented 63.8% of TCF’s total revenue for the three months ended September 30, 2014. Net interest income can change significantly from period to period based on general levels of interest rates, customer prepayment patterns, the mix of interest-earning assets and the mix of interest-bearing and non-interest bearing deposits and borrowings. TCF manages the risk of changes in interest rates on its net interest income through an Asset/Liability Management Committee and through related interest-rate risk monitoring and management policies. See “Part I, Item 3. Quantitative and Qualitative Disclosures about Market Risk” and “Part II, Item 1A. Risk Factors” for further discussion.

Non-interest income is a significant source of revenue for TCF and an important component of TCF’s results of operations. Increasing fee and service charge revenue has been challenging as a result of changing customer behavior and the impact of changes in regulations. Providing a wide range of retail banking services is an integral component of TCF’s business philosophy and a major strategy for generating non-interest income. Key drivers of bank fees and service charges are the number of deposit accounts and related transaction activity. In addition, as an effort to diversify TCF’s non-interest income sources, the Company continues to increase loan sales, primarily in auto finance and consumer real estate, to improve gains on sales as well as increase servicing fee income through the growth of loans sold with servicing retained by TCF.

The following portions of this Management’s Discussion and Analysis of Financial Condition and Results of Operations (“Management’s Discussion and Analysis”) focus in more detail on the results of operations for the three and nine months ended September 30, 2014 and 2013, and on information about TCF’s balance sheet, loan and lease portfolio, liquidity, funding resources, capital and other matters.

*Results of Operations*

**Performance Summary** TCF reported diluted earnings per common share of 29 cents and 83 cents for the third quarter and first nine months of 2014, respectively, compared with diluted earnings per common share of 23 cents and 60 cents for the same periods in 2013. TCF reported net income of \$52.3 million and \$150.2 million for the third quarter and first nine months of 2014, respectively, compared with net income of \$42.8 million and \$111.7 million for the same periods in 2013.

Return on average assets was 1.15% and 1.11% for the third quarter and first nine months of 2014, respectively, compared with 0.97% and 0.86% for the same periods in 2013. Return on average common equity was 10.50% and 10.30% for the third quarter and first nine months of 2014, respectively, compared with 9.28% and 8.03% for the same periods in 2013.

**Reportable Segment Results**

*Lending* TCF's lending strategy is primarily to originate high credit quality secured loans and leases. The lending portfolio consists of consumer real estate, commercial real estate and business lending, leasing and equipment finance, inventory finance and auto finance. Lending's disciplined portfolio growth generates earning assets and, along with its fee generating capabilities, produces a significant portion of the Company's revenue and net income. Lending generated net income available to common stockholders of \$51.9 million and \$148.7 million for the third quarter and first nine months of 2014, respectively, compared with net income available to common stockholders of \$39.3 million and \$96.4 million for the same periods in 2013.

Lending net interest income for the third quarter and first nine months of 2014 was \$149.0 million and \$443.2 million, respectively, compared with \$142.3 million and \$422.9 million for the same periods in 2013. These increases were primarily driven by higher average loan and lease balances in the auto finance, inventory finance and leasing and equipment finance businesses. This was partially offset by downward pressure on yields across the lending businesses in this increasingly competitive low interest rate environment, as well as lower average balances of higher yielding fixed-rate loans of that type in the commercial and consumer real estate portfolios due to run-off exceeding originations.

Lending provision for credit losses totaled \$14.6 million and \$38.0 million for the third quarter and first nine months of 2014, respectively, compared with \$23.5 million and \$93.6 million for the same periods in 2013. The decreases were primarily due to reduced reserve requirements in the consumer real estate portfolio along with improved credit quality in the commercial portfolio.

Lending non-interest income totaled \$58.4 million and \$156.9 million for the third quarter and first nine months of 2014, respectively, compared with \$46.1 million and \$123.8 million for the same periods in 2013. The increases were primarily due to an increase in gains on sales of auto loans and consumer real estate loans, along with increased servicing fee income.

Lending non-interest expense totaled \$107.7 million and \$318.1 million for the third quarter and first nine months of 2014, respectively, compared with \$101.4 million and \$297.4 million for the same periods in 2013. The increases were primarily due to increased staff levels to support the growth of auto finance and the investment in risk management.

*Funding* TCF's funding is primarily derived from branch banking and wholesale borrowings, with a focus on building and maintaining quality customer relationships. Deposits are generated from consumers and small businesses providing a source of low-cost funds and fee income. Borrowings may be used to offset reductions in deposits or to support lending activities. Funding reported net income available to common stockholders of \$0.2 million and \$2.7 million for the third quarter and first nine months of 2014, respectively, compared with net income available to common stockholders of \$6.1 million and \$19.3 million for the same periods in 2013.

Funding net interest income for the third quarter and first nine months of 2014 was \$56.0 million and \$170.7 million, respectively, compared with \$58.1 million and \$180.1 million for the same periods in 2013. The decreases were primarily due to a reduction in interest income as a result of lower mortgage-backed securities balances, partially offset by the reduced cost of borrowings.

Funding non-interest income totaled \$57.5 million and \$165.1 million in the third quarter and first nine months of 2014, respectively, compared with \$60.0 million and \$174.8 million for the same periods in 2013. The decreases were primarily due to a reduction in fees and service charges due to customer behavior changes and higher average checking account balances per customer.

Funding non-interest expense totaled \$111.9 million and \$329.2 million in the third quarter and first nine months of 2014, respectively, compared with \$107.7 million and \$322.7 million for the same periods in 2013. The increases were primarily due to the investment in compliance and risk management.

*Consolidated Income Statement Analysis*

**Net Interest Income** Net interest income represented 63.8% of TCF's total revenue in the third quarter of 2014, compared with 65.3% in the third quarter of 2013. Net interest income divided by average interest-earning assets is referred to as the net interest margin, expressed as a percentage. Net interest income and net interest margin are affected by changes in prevailing short- and long-term interest rates, loan and deposit pricing strategies and competitive conditions, the volume and the mix of interest-earning assets and both non-interest bearing deposits and interest-bearing liabilities, the level of non-accrual loans and leases and other real estate owned, and the impact of modified loans and leases.

The following tables summarize TCF's average balances, interest, dividends, and yields and rates on major categories of TCF's interest-earning assets and interest-bearing liabilities on a fully tax-equivalent basis.

| (Dollars in thousands)                         | Three Months Ended September 30, |            |                                 |                 |            |                                 |
|--|----------------------------------|------------|---------------------------------|-----------------|------------|---------------------------------|
|  | 2014                             |            |                                 | 2013            |            |                                 |
|  | Average Balance                  | Interest   | Yields and Rates <sup>(1)</sup> | Average Balance | Interest   | Yields and Rates <sup>(1)</sup> |
| <b>Assets:</b>                                 |                                  |            |                                 |                 |            |                                 |
| Investments and other                          | \$ 493,309                       | \$ 3,800   | 3.06%                           | \$ 871,167      | \$ 4,104   | 1.87%                           |
| Securities held to maturity                    | 217,114                          | 1,445      | 2.66                            | 5,518           | 57         | 4.15                            |
| Securities available for sale <sup>(2)</sup>   | 446,514                          | 2,973      | 2.66                            | 638,528         | 4,448      | 2.79                            |
| Loans and leases held for sale                 | 301,512                          | 5,881      | 7.74                            | 156,593         | 2,965      | 7.51                            |
| Loans and leases:                              |                                  |            |                                 |                 |            |                                 |
| Consumer real estate:                          |                                  |            |                                 |                 |            |                                 |
| Fixed-rate                                     | 3,292,031                        | 47,221     | 5.69                            | 3,678,665       | 53,120     | 5.73                            |
| Variable-rate                                  | 2,813,848                        | 36,556     | 5.15                            | 2,723,947       | 34,987     | 5.10                            |
| Total consumer real estate                     | 6,105,879                        | 83,777     | 5.44                            | 6,402,612       | 88,107     | 5.46                            |
| Commercial:                                    |                                  |            |                                 |                 |            |                                 |
| Fixed-rate                                     | 1,443,130                        | 17,870     | 4.91                            | 1,765,172       | 23,856     | 5.36                            |
| Variable- and adjustable-rate                  | 1,701,005                        | 16,787     | 3.92                            | 1,517,708       | 15,747     | 4.12                            |
| Total commercial                               | 3,144,135                        | 34,657     | 4.37                            | 3,282,880       | 39,603     | 4.79                            |
| Leasing and equipment finance                  | 3,575,698                        | 42,130     | 4.71                            | 3,261,638       | 40,281     | 4.94                            |
| Inventory finance                              | 1,806,271                        | 28,137     | 6.18                            | 1,637,538       | 24,820     | 6.01                            |
| Auto finance                                   | 1,603,392                        | 17,601     | 4.36                            | 973,418         | 11,544     | 4.70                            |
| Other  | 11,599                           | 231        | 7.90                            | 12,299          | 258        | 8.34                            |
| Total loans and leases <sup>(3)</sup>          | 16,246,974                       | 206,533    | 5.05                            | 15,570,385      | 204,613    | 5.22                            |
| Total interest-earning assets                  | 17,705,423                       | 220,632    | 4.95                            | 17,242,191      | 216,187    | 4.98                            |
| Other assets <sup>(4)</sup>                    | 1,148,033                        |            |                                 | 1,060,409       |            |                                 |
| Total assets                                   | \$ 18,853,456                    |            |                                 | \$ 18,302,600   |            |                                 |
| <b>Liabilities and Equity:</b>                 |                                  |            |                                 |                 |            |                                 |
| Non-interest bearing deposits:                 |                                  |            |                                 |                 |            |                                 |
| Retail   | \$ 1,540,794                     |            |                                 | \$ 1,435,958    |            |                                 |
| Small business                                 | 823,273                          |            |                                 | 777,538         |            |                                 |
| Commercial and custodial                       | 424,134                          |            |                                 | 347,971         |            |                                 |
| Total non-interest bearing deposits            | 2,788,201                        |            |                                 | 2,561,467       |            |                                 |
| Interest-bearing deposits:                     |                                  |            |                                 |                 |            |                                 |
| Checking                                       | 2,307,066                        | 236        | 0.04                            | 2,292,133       | 350        | 0.06                            |
| Savings  | 5,506,895                        | 2,088      | 0.15                            | 6,238,462       | 3,574      | 0.23                            |
| Money market                                   | 1,527,820                        | 2,288      | 0.59                            | 822,094         | 588        | 0.28                            |
| Subtotal                                       | 9,341,781                        | 4,612      | 0.20                            | 9,352,689       | 4,512      | 0.19                            |
| Certificates of deposit                        | 3,028,259                        | 6,099      | 0.80                            | 2,401,811       | 5,132      | 0.85                            |
| Total interest-bearing deposits                | 12,370,040                       | 10,711     | 0.34                            | 11,754,500      | 9,644      | 0.33                            |
| Total deposits                                 | 15,158,241                       | 10,711     | 0.28                            | 14,315,967      | 9,644      | 0.27                            |
| Borrowings:                                    |                                  |            |                                 |                 |            |                                 |
| Short-term borrowings                          | 9,523                            | 23         | 0.95                            | 6,545           | 11         | 0.59                            |
| Long-term borrowings                           | 1,060,135                        | 4,789      | 1.80                            | 1,609,211       | 6,171      | 1.53                            |
| Total borrowings                               | 1,069,658                        | 4,812      | 1.80                            | 1,615,756       | 6,182      | 1.52                            |
| Total interest-bearing liabilities             | 13,439,698                       | 15,523     | 0.46                            | 13,370,256      | 15,826     | 0.47                            |
| Total deposits and borrowings                  | 16,227,899                       | 15,523     | 0.38                            | 15,931,723      | 15,826     | 0.39                            |
| Other liabilities                              | 537,864                          |            |                                 | 455,911         |            |                                 |
| Total liabilities                              | 16,765,763                       |            |                                 | 16,387,634      |            |                                 |
| Total TCF Financial Corp. stockholders' equity | 2,071,140                        |            |                                 | 1,899,282       |            |                                 |
| Non-controlling interest in subsidiaries       | 16,553                           |            |                                 | 15,684          |            |                                 |
| Total equity                                   | 2,087,693                        |            |                                 | 1,914,966       |            |                                 |
| Total liabilities and equity                   | \$ 18,853,456                    |            |                                 | \$ 18,302,600   |            |                                 |
| <b>Net interest income and margin</b>          |                                  | \$ 205,109 | 4.60                            |                 | \$ 200,361 | 4.62                            |

(1) Annualized.

(2) Average balances and yields of securities available for sale are based upon the historical amortized cost and exclude equity securities.

(3) Average balances of loans and leases include non-accrual loans and leases, and are presented net of unearned income.

(4) Includes operating leases.

Nine Months Ended September 30,

| (Dollars in thousands)                         | 2014            |            | Yields and Rates <sup>(1)</sup> | 2013            |            | Yields and Rates <sup>(1)</sup> |
|--|-----------------|------------|---------------------------------|-----------------|------------|---------------------------------|
|  | Average Balance | Interest   |                                 | Average Balance | Interest   |                                 |
| <b>Assets:</b>                                 |                 |            |                                 |                 |            |                                 |
| Investments and other                          | \$ 578,768      | \$ 11,839  | 2.73%                           | \$ 803,659      | \$ 10,985  | 1.83%                           |
| Securities held to maturity                    | 192,181         | 3,852      | 2.67                            | 5,578           | 183        | 4.39                            |
| Securities available for sale <sup>(2)</sup>   | 440,727         | 8,941      | 2.70                            | 656,513         | 13,880     | 2.82                            |
| Loans and leases held for sale                 | 246,283         | 14,860     | 8.07                            | 142,590         | 8,104      | 7.60                            |
| Loans and leases:                              |                 |            |                                 |                 |            |                                 |
| Consumer real estate:                          |                 |            |                                 |                 |            |                                 |
| Fixed-rate                                     | 3,394,126       | 144,125    | 5.68                            | 3,800,608       | 166,155    | 5.84                            |
| Variable-rate                                  | 2,784,553       | 107,129    | 5.14                            | 2,662,069       | 101,614    | 5.10                            |
| Total consumer real estate                     | 6,178,679       | 251,254    | 5.44                            | 6,462,677       | 267,769    | 5.54                            |
| Commercial:                                    |                 |            |                                 |                 |            |                                 |
| Fixed-rate                                     | 1,505,730       | 56,869     | 5.05                            | 1,832,463       | 73,047     | 5.33                            |
| Variable- and adjustable-rate                  | 1,626,858       | 49,116     | 4.04                            | 1,488,995       | 46,232     | 4.15                            |
| Total commercial                               | 3,132,588       | 105,985    | 4.52                            | 3,321,458       | 119,279    | 4.80                            |
| Leasing and equipment finance                  | 3,504,194       | 124,185    | 4.73                            | 3,232,873       | 121,184    | 5.00                            |
| Inventory finance                              | 1,908,628       | 86,088     | 6.03                            | 1,731,022       | 78,285     | 6.05                            |
| Auto finance                                   | 1,483,951       | 49,158     | 4.43                            | 823,316         | 30,379     | 4.93                            |
| Other  | 12,299          | 703        | 7.64                            | 12,996          | 797        | 8.21                            |
| Total loans and leases <sup>(3)</sup>          | 16,220,339      | 617,373    | 5.09                            | 15,584,342      | 617,693    | 5.30                            |
| Total interest-earning assets                  | 17,678,298      | 656,865    | 4.96                            | 17,192,682      | 650,845    | 5.06                            |
| Other assets <sup>(4)</sup>                    | 1,122,573       |            |                                 | 1,098,845       |            |                                 |
| Total assets                                   | \$ 18,800,871   |            |                                 | \$ 18,291,527   |            |                                 |
| <b>Liabilities and Equity:</b>                 |                 |            |                                 |                 |            |                                 |
| Non-interest bearing deposits:                 |                 |            |                                 |                 |            |                                 |
| Retail   | \$ 1,552,477    |            |                                 | \$ 1,446,184    |            |                                 |
| Small business                                 | 794,735         |            |                                 | 758,156         |            |                                 |
| Commercial and custodial                       | 400,010         |            |                                 | 334,978         |            |                                 |
| Total non-interest bearing deposits            | 2,747,222       |            |                                 | 2,539,318       |            |                                 |
| Interest-bearing deposits:                     |                 |            |                                 |                 |            |                                 |
| Checking                                       | 2,337,624       | 758        | 0.04                            | 2,317,290       | 1,224      | 0.07                            |
| Savings  | 5,835,814       | 7,023      | 0.16                            | 6,130,052       | 9,733      | 0.21                            |
| Money market                                   | 1,124,821       | 3,961      | 0.47                            | 809,800         | 1,765      | 0.29                            |
| Subtotal                                       | 9,298,259       | 11,742     | 0.17                            | 9,257,142       | 12,722     | 0.18                            |
| Certificates of deposit                        | 2,773,254       | 15,883     | 0.77                            | 2,362,274       | 15,454     | 0.87                            |
| Total interest-bearing deposits                | 12,071,513      | 27,625     | 0.31                            | 11,619,416      | 28,176     | 0.32                            |
| Total deposits                                 | 14,818,735      | 27,625     | 0.25                            | 14,158,734      | 28,176     | 0.27                            |
| Borrowings:                                    |                 |            |                                 |                 |            |                                 |
| Short-term borrowings                          | 108,860         | 248        | 0.30                            | 7,487           | 27         | 0.47                            |
| Long-term borrowings                           | 1,305,980       | 14,993     | 1.53                            | 1,804,144       | 19,646     | 1.45                            |
| Total borrowings                               | 1,414,840       | 15,241     | 1.44                            | 1,811,631       | 19,673     | 1.45                            |
| Total interest-bearing liabilities             | 13,486,353      | 42,866     | 0.42                            | 13,431,047      | 47,849     | 0.48                            |
| Total deposits and borrowings                  | 16,233,575      | 42,866     | 0.35                            | 15,970,365      | 47,849     | 0.40                            |
| Other liabilities                              | 529,397         |            |                                 | 421,222         |            |                                 |
| Total liabilities                              | 16,762,972      |            |                                 | 16,391,587      |            |                                 |
| Total TCF Financial Corp. stockholders' equity | 2,020,151       |            |                                 | 1,882,363       |            |                                 |
| Non-controlling interest in subsidiaries       | 17,748          |            |                                 | 17,577          |            |                                 |
| Total equity                                   | 2,037,899       |            |                                 | 1,899,940       |            |                                 |
| Total liabilities and equity                   | \$ 18,800,871   |            |                                 | \$ 18,291,527   |            |                                 |
| <b>Net interest income and margin</b>          |                 | \$ 613,999 | 4.64                            |                 | \$ 602,996 | 4.69                            |

(1) Annualized.

(2) Average balances and yields of securities available for sale are based upon the historical amortized cost and exclude equity securities.

(3) Average balances of loans and leases include non-accrual loans and leases, and are presented net of unearned income.

(4) Includes operating leases.

Net interest income, including the impact of tax-equivalent adjustments of \$0.9 million, was \$205.1 million for the third quarter of 2014, an increase of 2.4% from \$200.4 million for the same period of 2013. This increase was primarily driven by higher average loan and lease balances in the auto finance, inventory finance and leasing and equipment finance businesses, as well as a reduced cost of borrowings. This increase was partially offset by downward pressure on yields across the lending businesses in this increasingly competitive low interest rate environment, as well as lower average balances of higher yielding fixed-rate loans of that type in the commercial and consumer real estate portfolios due to run-off exceeding originations.

Net interest income, including the impact of tax-equivalent adjustments of \$2.4 million, was \$614.0 million for the first nine months of 2014, an increase of 1.8% from \$603.0 million for the same period of 2013. This increase was primarily driven by higher average loan and lease balances in the auto finance, inventory finance, and leasing and equipment finance businesses, and reduced cost of borrowings and deposits. This increase was partially offset by reduced interest income due to lower consumer real estate loan average balances resulting from continued run-off of the first mortgage lien portfolio, as well as a shift in commercial real estate from higher yielding fixed-rate loans to lower yielding variable-rate loans due to marketplace demand.

Net interest margin was 4.60% and 4.62% for the third quarter of 2014 and 2013, respectively. Net interest margin was 4.64% and 4.69% for the first nine months of 2014 and 2013, respectively. The decreases were primarily due to continued margin compression resulting from the increasingly competitive low interest rate environment.

**Provision for Credit Losses** The provision for credit losses is calculated as part of the determination of the allowance for loan and lease losses which is a critical accounting estimate. TCF's methodologies for determining and allocating the allowance for loan and lease losses and the related provision for credit losses focus on historical trends in net charge-offs, delinquencies in the loan and lease portfolio, value of collateral, general economic conditions and management's assessment of credit risk in the current loan and lease portfolio.

The following tables summarize the composition of TCF's provision for credit losses for the third quarter and first nine months of 2014 and 2013.

| (Dollars in thousands)        | Three Months Ended September 30, |               |                  |               | Change            |                |
|-------------------------------|----------------------------------|---------------|------------------|---------------|-------------------|----------------|
|                               | 2014                             |               | 2013             |               | \$                | %              |
| Consumer real estate          | \$ 6,636                         | 42.2%         | \$ 15,377        | 62.5%         | \$ (8,741)        | (56.8)%        |
| Commercial                    | 1,785                            | 11.4          | 3,505            | 14.2          | (1,720)           | (49.1)         |
| Leasing and equipment finance | (391)                            | (2.5)         | 899              | 3.7           | (1,290)           | N.M.           |
| Inventory finance             | 411                              | 2.6           | 390              | 1.6           | 21                | 5.4            |
| Auto finance                  | 6,302                            | 40.0          | 3,430            | 13.9          | 2,872             | 83.7           |
| Other                         | 996                              | 6.3           | 1,001            | 4.1           | (5)               | (0.5)          |
| <b>Total</b>                  | <b>\$ 15,739</b>                 | <b>100.0%</b> | <b>\$ 24,602</b> | <b>100.0%</b> | <b>\$ (8,863)</b> | <b>(36.0)%</b> |

| (Dollars in thousands)        | Nine Months Ended September 30, |               |                  |               | Change             |                |
|-------------------------------|---------------------------------|---------------|------------------|---------------|--------------------|----------------|
|                               | 2014                            |               | 2013             |               | \$                 | %              |
| Consumer real estate          | \$ 17,821                       | 44.5%         | \$ 71,729        | 75.0%         | \$ (53,908)        | (75.2)%        |
| Commercial                    | 737                             | 1.8           | 12,299           | 12.9          | (11,562)           | (94.0)         |
| Leasing and equipment finance | 1,782                           | 4.4           | (709)            | (0.7)         | 2,491              | N.M.           |
| Inventory finance             | 1,336                           | 3.3           | 1,480            | 1.5           | (144)              | (9.7)          |
| Auto finance                  | 16,650                          | 41.5          | 8,949            | 9.4           | 7,701              | 86.1           |
| Other                         | 1,814                           | 4.5           | 1,828            | 1.9           | (14)               | (0.8)          |
| <b>Total</b>                  | <b>\$ 40,140</b>                | <b>100.0%</b> | <b>\$ 95,576</b> | <b>100.0%</b> | <b>\$ (55,436)</b> | <b>(58.0)%</b> |

N.M. Not Meaningful.

TCF provided \$15.7 million and \$40.1 million for credit losses during the third quarter and first nine months of 2014, respectively, compared with \$24.6 million and \$95.6 million for the same periods in 2013. The decreases were primarily due to decreased reserve requirements in the consumer real estate portfolio, along with improved credit quality in the commercial portfolio.

Net loan and lease charge-offs for the third quarter and first nine months of 2014 were \$26.9 million, or 0.66% (annualized) of average loans and leases, and \$62.7 million, or 0.52% (annualized) of average loans and leases, respectively, compared with \$27.6 million, or 0.71% (annualized), and \$96.3 million, or 0.82% (annualized), for the same periods in 2013. The decrease from the third quarter of 2013 was primarily due to improved credit quality in the commercial portfolio resulting in net recoveries for the third quarter of 2014. The decrease from the first nine months of 2013 was primarily driven by improved credit quality in the consumer real estate portfolio as home values improved and incident rates of default declined, as well as continued efforts to actively work out problem loans within the commercial portfolio.

For additional information, see “Consolidated Financial Condition Analysis — Credit Quality — Allowance for Loan and Lease Losses” in this Management’s Discussion and Analysis.

**Non-Interest Income** Non-interest income is a significant source of revenue for TCF, representing 36.2% and 34.6% of total revenues for the third quarter and first nine months of 2014, respectively, compared with 34.7% and 33.2% for the same periods in 2013, and is an important factor in TCF’s results of operations. Total fees and other revenue were \$116.2 million and \$322.5 million for the third quarter and first nine months of 2014, respectively, compared with \$106.2 million and \$298.7 million for the same periods in 2013.

*Fees and Service Charges* Fees and service charges totaled \$40.3 million and \$114.9 million for the third quarter and first nine months of 2014, respectively, compared with \$42.5 million and \$123.4 million for the same periods in 2013. The decreases were primarily due to customer behavior changes and higher average checking account balances per customer.

*Card Revenue* Card revenue, primarily interchange fees, totaled \$13.0 million and \$38.5 million for the third quarter and first nine months of 2014, respectively, compared with \$13.2 million and \$38.9 million for the same periods in 2013.

TCF is the 17th largest issuer of Visa consumer debit cards and the 13th largest issuer of Visa small business debit cards in the United States, based on payment volume for the three months ended June 30, 2014, as provided by Visa. TCF earns interchange revenue from customer card transactions paid primarily by merchants, not TCF’s customers. Card revenue represented 22.0% and 22.6% of banking fee revenue for the third quarter and first nine months of 2014, respectively, compared with 21.4% and 21.7% for the same periods in 2013.

*Leasing and Equipment Finance* Leasing and equipment finance totaled \$24.4 million and \$69.4 million for the third quarter and first nine months of 2014, respectively, compared with \$28.8 million and \$67.6 million for the same periods in 2013. The decrease from the third quarter of 2013 and the increase from the first nine months of 2013 were primarily due to customer-driven events impacting sales-type lease revenue.

*Gains on Sales of Auto Loans, Net* TCF sold \$484.4 million and \$966.3 million of auto loans and recognized gains of \$15.3 million and \$31.5 million for the third quarter and first nine months of 2014, respectively. Included in the third quarter and first nine months of 2014 is \$256.3 million of loans sold related to the execution of the Company’s inaugural auto loan securitization, resulting in net gains of \$7.4 million. TCF sold \$182.5 million and \$559.3 million of auto loans and recognized gains of \$7.1 million and \$22.4 million for the same periods in 2013.

*Gains on Sales of Consumer Real Estate Loans, Net* TCF sold \$233.6 million and \$805.2 million of consumer real estate loans and recognized gains of \$8.6 million and \$28.3 million for the third quarter and first nine months of 2014, respectively. TCF sold \$142.4 million and \$560.8 million of consumer real estate loans and recognized gains of \$4.2 million and \$16.3 million for the same periods in 2013.



*Servicing Fee Income* Servicing fee income was \$5.9 million and \$15.1 million for the third quarter and first nine months of 2014, respectively, compared with \$3.6 million and \$9.5 million for the same periods in 2013. The increases were primarily due to an increase in the portfolio of consumer real estate and auto loans sold with servicing retained by TCF.

**Non-Interest Expense** Non-interest expense totaled \$219.7 million and \$650.0 million for the third quarter and first nine months of 2014, respectively, compared to \$212.2 million and \$624.8 million for the same periods in 2013.

*Compensation and Employee Benefits* Compensation and employee benefits expense totaled \$112.4 million and \$337.1 million for the third quarter and first nine months of 2014, respectively, compared to \$110.8 million and \$320.6 million for the same periods in 2013. The increases were primarily due to increased staff levels to support the growth of auto finance and the investment in risk management.

*Foreclosed Real Estate and Repossessed Assets, Net* Foreclosed real estate and repossessed assets expense, net totaled \$5.3 million and \$17.1 million for the third quarter and first nine months of 2014, respectively, compared with \$4.2 million and \$21.9 million for the same periods in 2013. The increase from the third quarter of 2013 was primarily due to fewer gains on the sales of foreclosed consumer real estate properties and an increase in maintenance expense related to commercial properties. The decrease from the first nine months of 2013 was primarily driven by a reduction in write-downs of existing foreclosed properties as a result of improved property values as well as fewer consumer real estate owned properties.

**Income Taxes** TCF recorded income tax expense of \$30.8 million for the third quarter of 2014, or 36.3% of income before income tax expense, compared with \$24.6 million, or 35.6%, for the same period in 2013. For the first nine months of 2014, income tax expense totaled \$88.8 million, or 36.2% of income before income tax expense, compared with \$61.6 million, or 34.4%, for the same period in 2013.



*Consolidated Financial Condition Analysis*

**Loans and Leases** Total loans and leases were \$16.4 billion at September 30, 2014, an increase of 3.3%, from \$15.8 billion at December 31, 2013, primarily driven by growth in the auto finance, leasing and equipment finance, and inventory finance portfolios.

The consumer real estate portfolio consisted of \$3.4 billion and \$2.5 billion of first mortgage lien loans and junior lien loans, respectively, at September 30, 2014, a decrease of 8.5% and 1.8%, respectively, from \$3.8 billion and \$2.6 billion, respectively, at December 31, 2013. At September 30, 2014, 61.6% of TCF's consumer real estate loans consisted of closed-end loans, compared with 63.7% at December 31, 2013. TCF's closed-end consumer real estate loans require payments of principal and interest over a fixed term. Outstanding balances on consumer real estate lines of credit were \$2.3 billion and \$2.5 billion at September 30, 2014 and December 31, 2013, respectively. TCF's consumer real estate lines of credit require regular payments of interest and do not currently require regular payments of principal. The average Fair Isaac Corporation ("FICO®") credit score at loan origination for the consumer real estate portfolio was 732 and 723 at September 30, 2014 and December 31, 2013, respectively. As part of TCF's credit risk monitoring, TCF obtains updated FICO score information quarterly. The average updated FICO score for the consumer real estate portfolio was 726 and 717 at September 30, 2014 and December 31, 2013, respectively. At September 30, 2014, 45.3% of the consumer real estate loan balance had been originated since January 1, 2009 with annualized net charge-offs of 0.1%.

Commercial loans totaled \$3.2 billion at September 30, 2014, an increase of 0.4% from \$3.1 billion at December 31, 2013. With an emphasis on secured lending, 99.9% of TCF's commercial real estate and commercial business loans were secured either by properties or other business assets at September 30, 2014, compared with 99.0% at December 31, 2013. At September 30, 2014, 89.5% of TCF's commercial real estate loans outstanding were secured by properties located in its primary banking markets, compared with 88.7% at December 31, 2013.

The leasing and equipment finance portfolio consisted of \$1.9 billion and \$1.7 billion of leases and loans, respectively, at September 30, 2014, an increase of 0.1% and 13.1%, respectively, from \$1.9 billion and \$1.5 billion, respectively, at December 31, 2013. The uninstalled backlog of approved transactions was \$446.9 million at September 30, 2014, compared with \$454.4 million at December 31, 2013.

Inventory finance loans totaled \$1.8 billion at September 30, 2014, an increase of 10.3% from \$1.7 billion at December 31, 2013, primarily due to seasonal inventory increases within lawn and garden, combined with growth in new dealer relationships within other industries.

Auto finance loans totaled \$1.7 billion at September 30, 2014, an increase of 41.2% from \$1.2 billion at December 31, 2013. The increase was due to continued growth as the number of active dealers in the network is augmented through the expansion of the sales force and the penetration of existing territories. At September 30, 2014, the auto finance network included more than 10,100 active dealers in 50 states, compared with nearly 8,500 active dealers in 45 states at December 31, 2013. The auto finance portfolio consisted of 74.8% used car loans and 25.2% new car loans at September 30, 2014.

**Credit Quality** The following sections summarize TCF's loan and lease portfolio based on what TCF believes are the most important credit quality data that should be used to understand the overall condition of the portfolio.

*Past Due Loans and Leases* The following table summarizes TCF's over 60-day delinquent loan and lease portfolio by type, excluding non-accrual loans and leases. Delinquent balances are determined based on the contractual terms of the loan or lease. See Note 5 of Notes to Consolidated Financial Statements, Allowance for Loan and Lease Losses and Credit Quality Information for additional information.

| (Dollars in thousands)               | At September 30, 2014 |                         | At December 31, 2013 |                         |
|--------------------------------------|-----------------------|-------------------------|----------------------|-------------------------|
|                                      | Principal Balances    | Percentage of Portfolio | Principal Balances   | Percentage of Portfolio |
| Consumer real estate:                |                       |                         |                      |                         |
| First mortgage lien                  | \$ 14,582             | 0.45%                   | \$ 20,894            | 0.58%                   |
| Junior lien                          | 2,554                 | 0.10                    | 3,532                | 0.14                    |
| Total consumer real estate           | 17,136                | 0.30                    | 24,426               | 0.40                    |
| Commercial real estate               | 4,117                 | 0.16                    | 886                  | 0.03                    |
| Commercial business                  | —                     | —                       | 544                  | 0.14                    |
| Total commercial                     | 4,117                 | 0.13                    | 1,430                | 0.05                    |
| Leasing and equipment finance        | 2,045                 | 0.06                    | 2,401                | 0.07                    |
| Inventory finance                    | 110                   | 0.01                    | 50                   | —                       |
| Auto finance                         | 3,606                 | 0.21                    | 1,877                | 0.15                    |
| Other                                | 5                     | 0.02                    | 10                   | 0.04                    |
| Subtotal                             | 27,019                | 0.17                    | 30,194               | 0.19                    |
| Delinquencies in acquired portfolios | 165                   | 2.27                    | 458                  | 1.64                    |
| Total                                | \$ 27,184             | 0.17%                   | \$ 30,652            | 0.20%                   |

*Loan Modifications* The following table provides a summary of accruing troubled debt restructuring ("TDR") loans.

| (Dollars in thousands)  | At September 30, 2014 | At December 31, 2013 |
|---|-----------------------|----------------------|
| Consumer real estate  | \$ 482,988            | \$ 506,640           |
| Commercial  | 85,988                | 120,871              |
| Leasing and equipment finance                                       | 911                   | 1,021                |
| Inventory finance   | 559                   | 4,212                |
| Other   | 90                    | 93                   |
| Total   | \$ 570,536            | \$ 632,837           |
| Over 60-day delinquency as a percentage of total accruing TDR loans | 0.88%                 | 1.28%                |

TCF modifies loans through forgiveness of interest or reductions in interest rates, extension of payment dates, or term extensions with reduction of contractual payments, but generally not through reductions of principal.

If TCF has not granted a concession as a result of the modification, compared with the original terms, the loan is not considered a TDR loan. Modifications involving a concession that are not classified as TDR loans primarily include interest rate changes to current market rates for similarly situated borrowers who have access to alternative funds. Loan modifications to borrowers who are not experiencing financial difficulties are not included in the table above reporting loan modifications. Loan modifications to troubled borrowers are not reported as TDR loans in the calendar years after modification if the loans were modified to an interest rate equal to or greater than the yields of new loan originations with comparable risk at the time of restructuring and the loan is performing based on the restructured terms.

Under consumer real estate programs, TCF typically reduces a customer's contractual payments for a period of time appropriate for the borrower's financial condition. Due to clarifying bankruptcy-related regulatory guidance adopted in the third quarter of 2012, loans discharged in Chapter 7 bankruptcy where the borrower did not reaffirm the debt are reported as non-accrual TDR loans upon discharge as a result of the removal of the borrower's personal liability on the loan. Due to additional clarifying regulatory guidance adopted in the first quarter of 2014, these loans may now return to accrual status when TCF expects full repayment of the remaining pre-discharged contractual principal and interest. Although loans classified as TDR loans are considered impaired, TCF received more than 47% of the original contractual interest due on accruing consumer real estate TDR loans during the third quarter of 2014, yielding 3.3%, by modifying the loan to a qualified customer instead of foreclosing on the property. At September 30, 2014, 1.0% of accruing consumer real estate TDR loans were more than 60-days delinquent, compared with 1.4% at December 31, 2013.

Commercial loans that are 90 or more days past due and not well secured at the time of modification remain on non-accrual status. Regardless of whether contractual principal and interest payments are well-secured at the time of modification, equipment finance loans that are 90 or more days past due remain on non-accrual status. Loans modified when on non-accrual status continue to be reported as non-accrual loans until there is sustained repayment performance for a reasonable period of at least six consecutive months. At September 30, 2014, 82.4% of total commercial TDR loans were accruing and TCF recognized more than 93% of the original contractual interest due on accruing commercial TDR loans during the third quarter of 2014. At September 30, 2014, collection of principal and interest under the modified terms was reasonably assured on all accruing commercial TDR loans.

TCF utilizes a multiple note structure as a workout alternative for certain commercial loans, which restructures a troubled loan into two notes. When utilizing this multiple note structure, the first note is always classified as a TDR loan. Under TCF policy, the first note is established at an amount and with market terms that provide reasonable assurance of payment and performance. If the loan was modified at an interest rate equal to the yield of a new loan originated with comparable risk at the time of restructuring and the loan is performing based on the terms of the restructuring agreement, this note may be removed from TDR loan classification in the calendar year after modification. This note is reported on accrual status if the loan has been formally restructured so as to be reasonably assured of payment and performance according to its modified terms. This evaluation includes consideration of the customer's payment performance for a reasonable period of at least six consecutive months, which may include time prior to the restructuring, before the loan is returned to accrual status. The second note is charged-off. This second note is a separate and distinct legal contract and is still outstanding. Should the borrower's financial position improve, the loan may become recoverable. At September 30, 2014, three TDR loans restructured as multiple notes with a combined total contractual balance of \$21.9 million and a remaining book balance of \$18.6 million are included in the preceding table.

For additional information regarding TCF's loan modifications refer to Note 5 of Notes to Consolidated Financial Statements, Allowance for Loan and Lease Losses and Credit Quality Information.

*Non-accrual Loans and Leases and Other Real Estate Owned* The following table summarizes TCF's non-accrual loans and leases and other real estate owned.

| (Dollars in thousands)   | At September 30, 2014 | At December 31, 2013 |
|--|-----------------------|----------------------|
| Consumer real estate:  |                       |                      |
| First mortgage lien  | \$ 179,062            | \$ 180,811           |
| Junior lien  | 38,434                | 38,222               |
| Total consumer real estate   | 217,496               | 219,033              |
| Commercial:  |                       |                      |
| Commercial real estate   | 37,475                | 36,178               |
| Commercial business  | 1,066                 | 4,361                |
| Total commercial   | 38,541                | 40,539               |
| Leasing and equipment finance  | 13,517                | 14,041               |
| Inventory finance  | 2,921                 | 2,529                |
| Auto finance   | 2,408                 | 470                  |
| Other  | 228                   | 410                  |
| Total non-accrual loans and leases   | \$ 275,111            | \$ 277,022           |
| Other real estate owned  | 67,614                | 68,874               |
| Total non-accrual loans and leases and other real estate owned   | \$ 342,725            | \$ 345,896           |
| Non-accrual loans and leases as a percentage of total loans and leases   | 1.68%                 | 1.75%                |
| Non-accrual loans and leases and other real estate owned as a percentage of total loans and leases and other real estate owned | 2.08                  | 2.17                 |
| Allowance for loan and lease losses as a percentage of non-accrual loans and leases  | 80.93                 | 91.05                |

The following table summarizes TCF's non-accrual TDR loans included in the table above.

| (In thousands)                | At September 30, 2014 | At December 31, 2013 |
|-------------------------------|-----------------------|----------------------|
| Consumer real estate          | \$ 128,268            | \$ 134,487           |
| Commercial                    | 18,335                | 26,209               |
| Leasing and equipment finance | 2,336                 | 2,447                |
| Inventory finance             | 82                    | —                    |
| Auto finance                  | 2,408                 | 470                  |
| Other                         | —                     | 1                    |
| Total                         | \$ 151,429            | \$ 163,614           |

Non-accrual loans and leases at September 30, 2014 decreased \$1.9 million, or 0.7%, from December 31, 2013, primarily due to continued efforts to actively work out commercial loans and improved credit quality in the commercial and consumer real estate portfolios.

Consumer real estate loans are generally placed on non-accrual status once they become 90 days past due and are charged-off to the estimated fair value of underlying collateral, less estimated selling costs, no later than 150 days past due. Auto loans are generally charged-off to the fair value of the collateral, less estimated selling costs, upon entering non-accrual status no later than 120 days past due. Any necessary additional reserves are established for commercial loans, leasing and equipment finance loans and leases, and inventory finance loans when reported as non-accrual. Most of TCF's non-accrual loans and past due loans are secured by real estate. Given the nature of these assets and the related mortgage foreclosure, property sale and, if applicable, mortgage insurance claims processes, it can take 18 months or longer for a loan to migrate from initial delinquency to final disposition. This resolution process generally takes much longer for loans secured by real estate than for unsecured loans or loans secured by other property primarily due to state real estate foreclosure laws.

Changes in the amount of non-accrual loans and leases for the three and nine months ended September 30, 2014 are summarized in the following tables.

## At or For the Three Months Ended September 30, 2014

| (In thousands)                | Consumer    |            | Leasing and       |                   | Auto     |        | Other      | Total |
|-------------------------------|-------------|------------|-------------------|-------------------|----------|--------|------------|-------|
|                               | Real Estate | Commercial | Equipment Finance | Inventory Finance | Finance  |        |            |       |
| Balance, beginning of quarter | \$ 210,402  | \$ 30,051  | \$ 16,093         | \$ 1,988          | \$ 1,468 | \$ 292 | \$ 260,294 |       |
| Additions                     | 60,915      | 14,140     | 3,508             | 3,775             | 1,234    | 25     | 83,597     |       |
| Charge-offs                   | (22,051)    | (262)      | (1,793)           | (264)             | (32)     | (28)   | (24,430)   |       |
| Transfers to other assets     | (15,618)    | —          | (1,592)           | (173)             | (21)     | —      | (17,404)   |       |
| Return to accrual status      | (11,977)    | —          | (266)             | (723)             | —        | —      | (12,966)   |       |
| Payments received             | (4,400)     | (5,591)    | (1,986)           | (1,180)           | (241)    | (61)   | (13,459)   |       |
| Other, net                    | 225         | 203        | (447)             | (502)             | —        | —      | (521)      |       |
| Balance, end of quarter       | \$ 217,496  | \$ 38,541  | \$ 13,517         | \$ 2,921          | \$ 2,408 | \$ 228 | \$ 275,111 |       |

## At or For the Nine Months Ended September 30, 2014

| (In thousands)               | Consumer    |            | Leasing and       |                   | Auto     |        | Other      | Total |
|------------------------------|-------------|------------|-------------------|-------------------|----------|--------|------------|-------|
|                              | Real Estate | Commercial | Equipment Finance | Inventory Finance | Finance  |        |            |       |
| Balance, beginning of period | \$ 219,033  | \$ 40,539  | \$ 14,041         | \$ 2,529          | \$ 470   | \$ 410 | \$ 277,022 |       |
| Additions                    | 148,908     | 26,755     | 14,285            | 6,723             | 2,531    | 69     | 199,271    |       |
| Charge-offs                  | (44,908)    | (5,605)    | (3,826)           | (452)             | (53)     | (44)   | (54,888)   |       |
| Transfers to other assets    | (46,488)    | (1,434)    | (2,712)           | (289)             | (72)     | (12)   | (51,007)   |       |
| Return to accrual status     | (43,804)    | —          | (1,143)           | (2,577)           | —        | —      | (47,524)   |       |
| Payments received            | (14,600)    | (21,853)   | (6,676)           | (2,521)           | (468)    | (176)  | (46,294)   |       |
| Sales                        | (1,275)     | (607)      | —                 | —                 | —        | (18)   | (1,900)    |       |
| Other, net                   | 630         | 746        | (452)             | (492)             | —        | (1)    | 431        |       |
| Balance, end of period       | \$ 217,496  | \$ 38,541  | \$ 13,517         | \$ 2,921          | \$ 2,408 | \$ 228 | \$ 275,111 |       |

*Credit Quality Risk Rating* TCF assesses the risk of its loan and lease portfolio utilizing numerous risk characteristics as outlined in the previous sections. The credit quality risk ratings represent an additional characteristic that is closely monitored in the overall credit risk process. The credit quality risk ratings derived from standard regulatory rating definitions include: accruing non-classified (pass and special mention) and accruing classified (substandard and doubtful). Accruing classified loans and leases have well-defined weaknesses, but may never become non-accrual or result in a loss.

The following tables summarize accruing loans and leases by portfolio and regulatory classification and non-accrual loans and leases by portfolio.

| (In thousands)                    | At September 30, 2014   |                 |                     |          |               |             |               |
|-----------------------------------|-------------------------|-----------------|---------------------|----------|---------------|-------------|---------------|
|                                   | Accruing Non-classified |                 | Accruing Classified |          | Total         | Total       | Total Loans   |
|                                   | Pass                    | Special Mention | Substandard         | Doubtful | Accruing      | Non-accrual | and Leases    |
| Consumer real estate              | \$ 5,717,618            | \$ 3,959        | \$ 31,994           | \$ —     | \$ 5,753,571  | \$ 217,496  | \$ 5,971,067  |
| Commercial                        | 3,011,818               | 49,440          | 59,967              | —        | 3,121,225     | 38,541      | 3,159,766     |
| Leasing and equipment finance     | 3,588,420               | 17,398          | 13,458              | —        | 3,619,276     | 13,517      | 3,632,793     |
| Inventory finance                 | 1,622,479               | 94,483          | 116,655             | —        | 1,833,617     | 2,921       | 1,836,538     |
| Auto finance                      | 1,742,618               | —               | 4,385               | —        | 1,747,003     | 2,408       | 1,749,411     |
| Other                             | 23,764                  | 8               | 3                   | —        | 23,775        | 228         | 24,003        |
| Total loans and leases            | \$ 15,706,717           | \$ 165,288      | \$ 226,462          | \$ —     | \$ 16,098,467 | \$ 275,111  | \$ 16,373,578 |
| Percent of total loans and leases | 95.9%                   | 1.0%            | 1.4%                | —%       | 98.3%         | 1.7%        | 100.0%        |

| (In thousands)                    | At December 31, 2013    |                 |                     |          |               |             |               |
|-----------------------------------|-------------------------|-----------------|---------------------|----------|---------------|-------------|---------------|
|                                   | Accruing Non-classified |                 | Accruing Classified |          | Total         | Total       | Total Loans   |
|                                   | Pass                    | Special Mention | Substandard         | Doubtful | Accruing      | Non-accrual | and Leases    |
| Consumer real estate              | \$ 6,049,617            | \$ 21,309       | \$ 49,367           | \$ —     | \$ 6,120,293  | \$ 219,033  | \$ 6,339,326  |
| Commercial                        | 2,896,795               | 54,711          | 156,307             | —        | 3,107,813     | 40,539      | 3,148,352     |
| Leasing and equipment finance     | 3,386,301               | 15,966          | 12,445              | 2        | 3,414,714     | 14,041      | 3,428,755     |
| Inventory finance                 | 1,509,960               | 87,024          | 64,864              | —        | 1,661,848     | 2,529       | 1,664,377     |
| Auto finance                      | 1,236,405               | —               | 2,511               | —        | 1,238,916     | 470         | 1,239,386     |
| Other                             | 26,263                  | 68              | 2                   | —        | 26,333        | 410         | 26,743        |
| Total loans and leases            | \$ 15,105,341           | \$ 179,078      | \$ 285,496          | \$ 2     | \$ 15,569,917 | \$ 277,022  | \$ 15,846,939 |
| Percent of total loans and leases | 95.3%                   | 1.1%            | 1.8%                | —%       | 98.2%         | 1.8%        | 100.0%        |

The combined balance of accruing classified loans and leases and non-accrual loans and leases was \$501.6 million at September 30, 2014, a decrease of \$60.9 million from December 31, 2013, primarily due to improving credit quality trends and continued efforts to actively work out problem loans in the commercial portfolio. Included in the table above are \$74.1 million and \$81.5 million of loans discharged in Chapter 7 bankruptcy that were not reaffirmed at September 30, 2014 and December 31, 2013, respectively.

*Allowance for Loan and Lease Losses* The determination of the allowance for loan and lease losses is a critical accounting estimate. TCF's methodologies for determining and allocating the allowance for loan and lease losses focus on historical trends in net charge-offs, delinquencies in the loan and lease portfolio, value of collateral, general economic conditions and management's assessment of credit risk in the current loan and lease portfolio. The various factors used in the methodologies are reviewed on a periodic basis.

The Company considers the allowance for loan and lease losses of \$222.7 million appropriate to cover losses incurred in the loan and lease portfolios at September 30, 2014. However, no assurance can be given that TCF will not, in any particular period, sustain loan and lease losses that are sizable in relation to the amount reserved, or that subsequent evaluations of the loan and lease portfolio, in light of factors then prevailing, including economic conditions, TCF's ongoing credit review process or regulatory requirements, will not require significant changes in the balance of the allowance for loan and lease losses. Among other factors, an economic slowdown, increasing levels of unemployment and/or a decline in commercial or residential real estate values in TCF's markets may have an adverse impact on the current adequacy of the allowance for loan and lease losses by increasing credit risk and the risk of potential loss.

The total allowance for loan and lease losses is generally available to absorb losses from any segment of the portfolio. The allocation of TCF's allowance for loan and lease losses disclosed in the following table is subject to change based on changes in the criteria used to evaluate the allowance and is not necessarily indicative of the trend of future losses in any particular portfolio.

In conjunction with Note 5 of Notes to Consolidated Financial Statements, Allowance for Loan and Lease Losses and Credit Quality Information, the following table includes detailed information regarding TCF's allowance for loan and lease losses.

| (Dollars in thousands)                    | At September 30, 2014 |                             | At December 31, 2013 |                             |
|---|-----------------------|-----------------------------|----------------------|-----------------------------|
|   | Allowance             | Allowance as a % of Balance | Allowance            | Allowance as a % of Balance |
| <b>Consumer real estate:</b>              |                       |                             |                      |                             |
| First mortgage lien                       | \$ 116,771            | 3.39%                       | \$ 133,009           | 3.53%                       |
| Junior lien                               | 28,354                | 1.12                        | 43,021               | 1.67                        |
| Consumer real estate                      | 145,125               | 2.43                        | 176,030              | 2.78                        |
| <b>Commercial:</b>                        |                       |                             |                      |                             |
| Commercial real estate                    | 26,784                | 1.01                        | 32,405               | 1.18                        |
| Commercial business                       | 6,506                 | 1.26                        | 5,062                | 1.25                        |
| Total commercial                          | 33,290                | 1.05                        | 37,467               | 1.19                        |
| Leasing and equipment finance             | 17,600                | 0.48                        | 18,733               | 0.55                        |
| Inventory finance                         | 9,556                 | 0.52                        | 8,592                | 0.52                        |
| Auto finance                              | 16,308                | 0.93                        | 10,623               | 0.86                        |
| Other                                     | 779                   | 3.25                        | 785                  | 2.94                        |
| Total allowance for loan and lease losses | 222,658               | 1.36                        | 252,230              | 1.59                        |
| <b>Other credit loss reserves:</b>        |                       |                             |                      |                             |
| Reserves for unfunded commitments         | 936                   | N.A.                        | 980                  | N.A.                        |
| Total credit loss reserves                | \$ 223,594            | 1.37                        | \$ 253,210           | 1.60                        |

N.A. Not Applicable.

At September 30, 2014, the allowance as a percent of total loans and leases decreased to 1.36%, compared with 1.59% at December 31, 2013. This decrease was driven by reduced reserves in the consumer real estate portfolio resulting from improved home values and a reduction in incidents of default, and reduced reserves in the commercial portfolio as current period charge-offs are taken against previously reserved balances due to continued efforts to actively work out problem loans.

**Other Real Estate Owned and Repossessed and Returned Assets** Other real estate owned and repossessed and returned assets are summarized in the following table.

| (In thousands)  | At September 30, 2014 |        | December 31, 2013 |        |
|---|-----------------------|--------|-------------------|--------|
| <b>Other real estate owned:<sup>(1)</sup></b>                     |                       |        |                   |        |
| Consumer real estate  | \$                    | 44,532 | \$                | 47,637 |
| Commercial real estate  |                       | 23,082 |                   | 21,237 |
| Total other real estate owned                                     |                       | 67,614 |                   | 68,874 |
| Repossessed and returned assets                                   |                       | 4,052  |                   | 3,505  |
| Total other real estate owned and repossessed and returned assets | \$                    | 71,666 | \$                | 72,379 |

(1) Includes properties owned and foreclosed properties subject to redemption.

Total consumer real estate properties reported in other real estate owned included 260 owned properties and 136 foreclosed properties subject to redemption at September 30, 2014, compared with 336 owned properties and 143 foreclosed properties subject to redemption at December 31, 2013. The decrease in owned properties from December 31, 2013 resulted from sales of 517 properties, partially offset by the addition of 441 properties. The average length of time of consumer real estate properties sold during the third quarter of 2014 was approximately 5.6 months from the date the properties were listed for sale.



The changes in the amount of other real estate owned for the third quarter and first nine months of 2014 are summarized in the following table.

| (In thousands)                     | At or For the Three Months Ended September 30, 2014 |            |           |
|------------------------------------|---|------------|-----------|
|                                    | Consumer  | Commercial | Total     |
| Balance, beginning of quarter      | \$ 42,745   | \$ 22,335  | \$ 65,080 |
| Transferred in, net of charge-offs | 14,854  | —          | 14,854    |
| Sales                              | (11,871)  | (72)       | (11,943)  |
| Write-downs                        | (2,146)   | (604)      | (2,750)   |
| Other, net                         | 950   | 1,423      | 2,373     |
| Balance, end of quarter            | \$ 44,532   | \$ 23,082  | \$ 67,614 |

| (In thousands)                     | At or For the Nine Months Ended September 30, 2014 |            |           |
|------------------------------------|--|------------|-----------|
|                                    | Consumer   | Commercial | Total     |
| Balance, beginning of period       | \$ 47,637  | \$ 21,237  | \$ 68,874 |
| Transferred in, net of charge-offs | 43,331   | 1,434      | 44,765    |
| Sales                              | (43,155)   | (2,312)    | (45,467)  |
| Write-downs                        | (5,252)  | (3,427)    | (8,679)   |
| Other, net                         | 1,971  | 6,150      | 8,121     |
| Balance, end of period             | \$ 44,532  | \$ 23,082  | \$ 67,614 |

**Deposits** Deposits totaled \$15.2 billion at September 30, 2014, an increase of \$756.7 million, or 5.2%, from December 31, 2013, primarily due to promotions for money market accounts and certificates of deposit.

Checking, savings and money market deposits are an important source of low interest-cost funds for TCF. These deposits totaled \$12.2 billion at September 30, 2014, an increase of \$160.8 million from December 31, 2013, and comprised 80.1% of total deposits at September 30, 2014, compared with 83.2% of total deposits at December 31, 2013. The average balance of these deposits for the third quarter of 2014 was \$12.1 billion, an increase of \$215.8 million from the \$11.9 billion average balance for the third quarter of 2013. The average balance of these deposits for the first nine months of 2014 was \$12.0 billion, an increase of \$249.0 million from the \$11.8 billion average balance for the first nine months of 2013.

Certificates of deposit totaled \$3.0 billion at September 30, 2014, compared with \$2.4 billion at December 31, 2013.

Non-interest bearing checking represented 18.6% of total deposits at September 30, 2014, compared with 18.3% at December 31, 2013. TCF's weighted-average rate for deposits, including non-interest bearing deposits, was 0.25% at September 30, 2014, compared with 0.26% at December 31, 2013. The decrease was primarily due to a reduction in weighted-average rates on various certificates of deposit, savings, and checking accounts, partially offset by increased weighted-average rates on various money market accounts.

**Borrowings and Liquidity Management** Borrowings totaled \$1.2 billion and \$1.5 billion at September 30, 2014 and December 31, 2013, respectively. The weighted-average rate on long-term borrowings was 1.63% and 1.41% at September 30, 2014 and December 31, 2013, respectively. Historically, TCF has borrowed primarily from the Federal Home Loan Bank ("FHLB") of Des Moines, from institutional sources under repurchase agreements and from other sources. At September 30, 2014, TCF had \$2.2 billion of unused, secured borrowing capacity at the FHLB of Des Moines.

On March 17, 2014, TCF Bank redeemed the aggregate principal amount of \$50.0 million of subordinated notes due 2015, since the notes no longer qualified for treatment as Tier 2 or supplementary capital prior to redemption.



Deposits are the primary source of TCF's funds for use in lending and for other general business purposes. In addition to deposits, TCF derives funds from loan and lease repayments, loan sales, and borrowings. Lending activities, such as loan originations and purchases and equipment purchases for lease financing, are the primary use of TCF's funds.

TCF Bank had \$492.0 million and \$550.0 million of net liquidity qualifying interest-bearing deposits at the Federal Reserve Bank at September 30, 2014 and December 31, 2013, respectively. Interest-bearing deposits held at the Federal Reserve Bank and unencumbered securities were \$1.1 billion at September 30, 2014 and December 31, 2013.

The primary source of funding for TCF Commercial Finance Canada, Inc. ("TCFCFC") is a line of credit with TCF Bank. Primarily for contingency purposes, TCFCFC maintains a \$20.0 million Canadian dollar-denominated line of credit facility with a counterparty, which is guaranteed by TCF Bank. At September 30, 2014, TCFCFC had \$0.9 million (USD) outstanding under the line of credit with the counterparty.

See Note 8 of Notes to Consolidated Financial Statements, Long-term Borrowings for additional information regarding TCF's long-term borrowings.

**Capital Management** TCF is committed to managing capital to maintain protection for depositors and creditors. TCF employs a variety of capital management tools to achieve its capital goals, including, but not limited to, dividends, securities issuances, and the issuance or redemption of subordinated debt and other capital instruments. TCF maintains a Capital Planning and Dividend Policy which applies to TCF Financial and incorporates TCF Bank's Capital Planning and Dividend Policy. These policies ensure that capital strategy actions, including the addition of new capital, if needed, and/or the declaration of preferred stock, common stock or bank dividends, are prudent, efficient, and provide value to TCF's stockholders, while ensuring that past and prospective earnings retention is consistent with TCF's capital needs, asset quality, and overall financial condition. TCF's capital levels are managed in such a manner that all regulatory capital requirements for well-capitalized banks and bank holding companies are exceeded. At September 30, 2014 and December 31, 2013, regulatory capital for TCF and TCF Bank exceeded their regulatory capital requirements.

*Preferred Stock* At September 30, 2014, there were 6,900,000 depository shares outstanding, each representing a 1/1,000th interest in a share of the Series A Non-Cumulative Perpetual Preferred Stock of TCF Financial Corporation, par value \$.01 per share, with a liquidation preference of \$25,000 per share ("Series A Preferred Stock"). Dividends are payable on the Series A Preferred Stock if, as and when declared by TCF's Board of Directors on a non-cumulative basis on March 1, June 1, September 1, and December 1 of each year, at a per annum rate of 7.5%. At September 30, 2014, there were 4,000,000 shares outstanding of 6.45% Series B Non-Cumulative Perpetual Preferred Stock of TCF Financial Corporation, par value \$.01 per share, with a liquidation preference of \$25 per share ("Series B Preferred Stock"). Dividends are payable on the Series B Preferred Stock if, as and when declared by TCF's Board of Directors on a non-cumulative basis on March 1, June 1, September 1, and December 1 of each year, at a per annum rate of 6.45%.

*Equity* Total equity at September 30, 2014 was \$2.1 billion, or 11.1% of total assets, compared with \$2.0 billion, or 10.7% of total assets, at December 31, 2013. Dividends to common stockholders on a per share basis totaled 5 cents for each of the quarters ended September 30, 2014 and 2013. TCF's common dividend payout ratio was 17.2% and 21.3% for the quarters ended September 30, 2014 and 2013, respectively. TCF Financial's primary funding sources for dividends are earnings and dividends received from TCF Bank.

At September 30, 2014, TCF had 5.4 million shares remaining in its stock repurchase program, which has no expiration, authorized by its Board of Directors, but would need approval from the Federal Reserve Board before repurchasing stock pursuant to this authorization.

Tangible common equity at September 30, 2014 was \$1.6 billion, or 8.54% of total tangible assets, compared with \$1.5 billion, or 8.03% of total tangible assets, at December 31, 2013. Tangible common equity and the Tier 1 common capital ratio are not financial measures recognized under generally accepted accounting principles in the United States (“GAAP”) (i.e., non-GAAP). Tangible common equity represents total equity less preferred shares, goodwill, other intangible assets and non-controlling interest in subsidiaries. Tangible assets represent total assets less goodwill and other intangible assets. When evaluating capital adequacy and utilization, management considers financial measures such as tangible common equity to tangible assets and the Tier 1 common capital ratio. These non-GAAP financial measures 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.

The following table includes reconciliations of the non-GAAP financial measures of tangible common equity, tangible assets and Tier 1 common capital to the GAAP measures of total equity, total assets and Tier 1 risk-based capital, respectively.

| (Dollars in thousands)   | At September 30, 2014 | At December 31, 2013 |
|--|-----------------------|----------------------|
| <b>Computation of tangible common equity to tangible assets:</b> |                       |                      |
| Total equity   | \$ 2,113,432          | \$ 1,964,759         |
| Less: Non-controlling interest in subsidiaries                   | 14,845                | 11,791               |
| Total TCF Financial Corporation stockholders’ equity             | 2,098,587             | 1,952,968            |
| Less:  |                       |                      |
| Preferred stock  | 263,240               | 263,240              |
| Goodwill   | 225,640               | 225,640              |
| Other intangibles  | 5,062                 | 6,326                |
| Tangible common equity   | \$ 1,604,645          | \$ 1,457,762         |
| <br>   |                       |                      |
| Total assets   | \$ 19,022,103         | \$ 18,379,840        |
| Less:  |                       |                      |
| Goodwill   | 225,640               | 225,640              |
| Other intangibles  | 5,062                 | 6,326                |
| Tangible assets  | \$ 18,791,401         | \$ 18,147,874        |
| Tangible common equity to tangible assets                        | 8.54%                 | 8.03%                |
| <b>Computation of Tier 1 risk-based capital ratio:</b>           |                       |                      |
| Total Tier 1 capital   | \$ 1,902,785          | \$ 1,763,682         |
| Total risk-weighted assets                                       | 16,351,204            | 15,455,706           |
| Total Tier 1 risk-based capital ratio                            | 11.64%                | 11.41%               |
| <b>Computation of Tier 1 common capital ratio:</b>               |                       |                      |
| Total Tier 1 capital   | \$ 1,902,785          | \$ 1,763,682         |
| Less:  |                       |                      |
| Preferred stock  | 263,240               | 263,240              |
| Qualifying non-controlling interest in subsidiaries              | 14,845                | 11,791               |
| Total Tier 1 common capital                                      | \$ 1,624,700          | \$ 1,488,651         |
| Total risk-weighted assets                                       | \$ 16,351,204         | \$ 15,455,706        |
| Total Tier 1 common capital ratio                                | 9.94%                 | 9.63%                |

*Recent Accounting Developments*

On August 27, 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-15, *Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern*, which provides guidance regarding management’s responsibility to evaluate whether there is substantial doubt about an entity’s ability to continue as a going concern. If substantial doubt exists and is not alleviated, or if substantial doubt exists and is alleviated by consideration of management’s plans, footnote disclosures are required. The adoption of this ASU will be required on a prospective basis beginning with TCF’s Annual Report on Form 10-K for the year ending December 31, 2016. The adoption of this ASU is not expected to have a material impact on our consolidated financial statements.

On August 8, 2014, the FASB issued ASU No. 2014-14, *Classification of Certain Government-Guaranteed Mortgage Loans upon Foreclosure*, which clarified that creditors should classify certain government-guaranteed mortgage loans upon foreclosure as a separate other receivable. The separate other receivable will be measured based on the amount of the loan balance (principal and interest) expected to be recovered from the guarantor. The adoption of this ASU will be required on a prospective or modified retrospective basis beginning with TCF’s Quarterly Report on Form 10-Q for the quarter ending March 31, 2015. The adoption of this ASU is not expected to have a material impact on our consolidated financial statements.

On August 5, 2014, the FASB issued ASU No. 2014-13, *Measuring the Financial Assets and the Financial Liabilities of a Consolidated Collateralized Financing Entity*, which amends guidance on the measurement of financial assets and financial liabilities of a consolidated collateralized financing entity. Under the ASU, a reporting entity that has consolidated a collateralized financing entity may elect to measure the financial assets and financial liabilities using the more observable of the fair value of the financial assets and the fair value of the financial liabilities. When this measurement alternative is not elected, this ASU clarifies that the fair value of financial assets and financial liabilities should be measured in accordance with existing fair value guidance and any difference in the fair value of financial assets and financial liabilities should be reflected in earnings and attributed to the reporting entity. The adoption of this ASU will be required on a retrospective or modified retrospective basis beginning with TCF’s Quarterly Report on Form 10-Q for the quarter ending March 31, 2016. The adoption of this ASU is not expected to have a material impact on our consolidated financial statements.

On June 19, 2014, the FASB issued ASU No. 2014-12, *Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period*, which clarifies that entities should treat performance targets that can be met after the requisite service period of a share-based payment award as performance conditions that affect vesting. Under the ASU, an entity would not record compensation expense related to an award for which transfer to the employee is contingent on the entity’s satisfaction of a performance target until it becomes probable that the performance target will be met. The adoption of this ASU will be required, either on a retrospective basis or prospective basis, beginning with our Quarterly Report on Form 10-Q for the quarter ending March 31, 2016. The adoption of this ASU is not expected to have a material impact on our consolidated financial statements.

On June 12, 2014, the FASB issued ASU No. 2014-11, *Transfers and Servicing (Topic 860) Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures*, which makes limited amendments to guidance in Topic 860 on accounting for certain repurchase agreements. The ASU requires entities to account for repurchase-to-maturity transactions as secured borrowings, eliminates accounting guidance on linking repurchase financing transactions, and expands disclosure requirements related to certain transfers of financial assets that are accounted for as sales and certain transfers accounted for as secured borrowings. The adoption of this ASU, as it relates to accounting changes and disclosures for certain transfers of financial assets treated as sales will be required beginning with our Quarterly Report on Form 10-Q for the quarter ending March 31, 2015. The adoption of this ASU, as it relates to disclosures for certain transfers of financial assets accounted for as secured borrowings, will be required beginning with our Quarterly Report on Form 10-Q for the quarter ending June 30, 2015. Upon adoption of this ASU, changes in accounting for transactions outstanding are required to be presented as a cumulative-effect adjustment to retained earnings as of the beginning of the reporting period, and disclosures are not required to be presented for comparative periods. The adoption of this ASU is not expected to have a material impact on our consolidated financial statements.

On May 28, 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which requires revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The adoption of this ASU will be required, using one of two retrospective application methods, beginning with our Quarterly Report on Form 10-Q for the quarter ending March 31, 2017. Management is currently evaluating the potential impact of this guidance on our consolidated financial statements.

On April 10, 2014, the FASB issued ASU No. 2014-08, *Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity*, which amends the guidance for reporting discontinued operations and requires certain disclosures about a disposal of an individually significant component of an entity. The adoption of this ASU will be required on a prospective basis beginning with TCF's Quarterly Report on Form 10-Q for the quarter ending March 31, 2015. The adoption of this ASU is not expected to have a material impact on our consolidated financial statements.

On January 17, 2014, the FASB issued ASU No. 2014-04, *Receivables - Troubled Debt Restructurings by Creditors (Subtopic 310-40): Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure*, which clarifies when an in substance repossession or foreclosure occurs and when a creditor is considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan. The adoption of this ASU will be required, either on a modified retrospective basis or on a prospective basis, beginning with TCF's Quarterly Report on Form 10-Q for the quarter ending March 31, 2015. The adoption of this ASU is not expected to have a material impact on our consolidated financial statements.

On January 15, 2014, the FASB issued ASU No. 2014-01, *Investments - Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Qualified Affordable Housing Projects*, which permits an accounting policy election to account for investments in qualified affordable housing projects using the proportional amortization method if certain conditions are met. The adoption of this ASU will be required on a retrospective basis beginning with TCF's Quarterly Report on Form 10-Q for the quarter ending March 31, 2015. The adoption of this ASU is not expected to have a material impact on our consolidated financial statements.

#### *Legislative and Regulatory Developments*

Federal and state legislation imposes numerous legal and regulatory requirements on financial institutions. Future legislative or regulatory change, or changes in enforcement practices or court rulings, may have a dramatic and potentially adverse impact on TCF.

**Interchange Litigation** On August 18, 2014, a group of trade associations and merchants (the "petitioners") filed a writ of certiorari in the U.S. Supreme Court seeking review of the decision of the U.S. Court of Appeals, which largely upheld the Federal Reserve Board's rules governing debit card interchange fees. The petitioners argued that the Federal Reserve Board's consideration of costs other than per-transaction incremental costs in setting the interchange fee cap violates the plain language of the Durbin Amendment to the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act"). The Supreme Court has not yet accepted the case for review.

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

Any statements contained in this Quarterly Report on Form 10-Q 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 herein. These factors include the factors discussed in Part I, Item 1A of the Company's Annual Report on Form 10-K for the year ended December 31, 2013, 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.

**Adverse Economic or Business Conditions; Competitive Conditions; Credit and Other Risks** Deterioration in general economic and banking industry conditions, including those arising from government shutdowns, defaults, anticipated defaults or rating agency downgrades of sovereign debt (including debt of the U.S.), 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, changes in the allowance for loan and lease losses dictated by new market conditions or regulatory requirements, or the inability of home equity line borrowers to make increased payments caused by increased interest rates or amortization of principal; deviations from estimates of prepayment rates and fluctuations in interest rates that result in decreases in value of assets such as interest-only strips that arise in connection with TCF's loan sales activity; 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.



**Legislative and Regulatory Requirements** 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 and their subsidiaries; the imposition of requirements that adversely impact TCF's deposit, 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, further regulation of financial institution campus banking programs, use by municipalities of eminent domain on underwater mortgages, or imposition of underwriting or other limitations that impact the ability to use certain variable-rate products; changes affecting customer account charges and fee income, including changes to interchange rates; regulatory actions or changes in customer opt-in preferences with respect to overdrafts, which may have an adverse impact on TCF's fee revenue; 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 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; regulatory criticism and resulting enforcement actions or other adverse consequences such as increased capital requirements, higher deposit insurance assessments or monetary damages or penalties; heightened regulatory practices, requirements or expectations, including, but not limited to, requirements related to enterprise risk management, the Bank Secrecy Act and anti-money laundering compliance activity.

**Earnings/Capital Risks and Constraints, Liquidity Risks** 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 future retail deposit account changes, including limitations on TCF's ability to predict customer behavior and the impact on TCF's fee revenues.

**Branching Risk; Growth Risks** Adverse developments affecting TCF's supermarket banking relationships or any of the supermarket chains in which TCF maintains supermarket branches; costs related to closing underperforming 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; failure to effectuate, and risks of claims related to, sales and securitizations of loans; risks related to new product additions and addition of distribution channels (or entry into new markets) for existing products.

**Technological and Operational Matters** 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, including the failure to develop and maintain technology necessary to satisfy customer demands.

**Litigation Risks** 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; the effect of interchange rate litigation against the Federal Reserve on debit card interchange fees; 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.

**Accounting, Audit, Tax and Insurance Matters** 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 federal, state or foreign 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.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

TCF's results of operations depend to a large degree on its net interest income and its ability to manage interest-rate risk. Although TCF manages other risks, such as credit risk, liquidity risk, operational and other risks in the normal course of its business, the Company considers interest-rate risk to be one of its more significant market risks. Since TCF does not hold a trading portfolio, the Company is not exposed to market risk from trading activities. A mismatch between maturities, interest rate sensitivities and prepayment characteristics of assets and liabilities results in interest-rate risk. TCF, like most financial institutions, has material interest-rate risk exposure to changes in both short-term and long-term interest rates, as well as variable interest rate indices (e.g., the prime rate or LIBOR).

TCF's Asset/Liability Management Committee manages TCF's interest-rate risk based on interest rate expectations and other factors. The principal objective of TCF's asset/liability management activities is to provide maximum levels of net interest income while maintaining acceptable levels of interest-rate risk and liquidity risk and facilitating the funding needs of the Company.

TCF utilizes net interest income simulation models to estimate the near-term effects (next 1-3 years) of changing interest rates on its net interest income. Net interest income simulation involves forecasting net interest income under a variety of scenarios, including the level of interest rates, the shape of the yield curve, and spreads between market interest rates. At September 30, 2014, net interest income is estimated to increase by 4.5%, compared with the base case scenario, over the next 12 months if short- and long-term interest rates were to sustain an immediate increase of 100 basis points.

Management exercises its best judgment in making assumptions regarding events that management can influence, such as non-contractual deposit re-pricings and events outside management's control, such as customer behavior on loan and deposit activity and the effect that competition has on both loan and deposit pricing. These assumptions are inherently uncertain and, as a result, net interest income simulation results will differ from actual results due to the timing, magnitude and frequency of interest rate changes, changes in market conditions, customer behavior and management strategies, among other factors.

In addition to the net interest income simulation model, management utilizes an interest rate gap measure (difference between interest-earning assets and interest-bearing liabilities re-pricing within a given period). While the interest rate gap measurement has some limitations, including no assumptions regarding future asset or liability production and a static interest rate assumption (large quarterly changes may occur related to these items), the interest rate gap represents the net asset or liability sensitivity at a point in time. An interest rate gap measure could be significantly affected by external factors such as loan prepayments, early withdrawals of deposits, changes in the correlation of various interest-bearing instruments, competition, or a rise or decline in interest rates.

TCF's one-year interest rate gap was a positive \$2.3 billion, or 12.1% of total assets, at September 30, 2014, compared with a positive \$1.5 billion, or 8.4% of total assets, at December 31, 2013. This change is primarily due to a decrease in consumer and commercial fixed-rate loans, an increase in total checking and money market balances, and an increase in retail certificates of deposit with maturities greater than one year. A positive interest rate gap position exists when the amount of interest-earning assets maturing or re-pricing exceeds the amount of interest-bearing liabilities maturing or re-pricing, including assumed prepayments, within a particular time period. A negative interest rate gap position exists when the amount of interest-bearing liabilities maturing or re-pricing exceeds the amount of interest-earning assets maturing or re-pricing, including assumed prepayments, within a particular time period.

Although prepayments on fixed-rate portfolios are currently at a relatively low level, TCF estimates that an immediate 100 basis point increase in current mortgage loan interest rates would decrease prepayments on the \$3.7 billion of

fixed-rate mortgage-backed securities and consumer real estate loans at September 30, 2014 by approximately \$64.0 million, or 22.2%, in the first year. A slowing in prepayments would increase the estimated life of the portfolios and may impact net interest income or net interest margin in the future. TCF estimates that an immediate 50 basis point decrease in current mortgage loan interest rates would increase prepayments on the \$3.7 billion of fixed-rate mortgage-backed securities and consumer real estate loans at September 30, 2014, by approximately \$36.0 million, or 12.5%, in the first year. An increase in prepayments would decrease the estimated life of the portfolios and may impact net interest income or net interest margin in the future. The level of prepayments that would actually occur in any scenario will be impacted by factors other than interest rates. Such factors include lenders' willingness to lend funds, which can be impacted by the value of assets underlying loans and leases.

#### **Item 4. Controls and Procedures**

**Disclosure Controls and Procedures** The Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer (Principal Executive Officer), Chief Financial Officer (Principal Financial Officer) and Chief Accounting Officer (Principal Accounting Officer), of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Rules 13a-15 and 15d-15 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Based upon that evaluation, management concluded that the Company's disclosure controls and procedures were effective as of September 30, 2014.

Disclosure controls and procedures are designed to ensure that information required to be disclosed by TCF in reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls are also designed with the objective of ensuring that such information is accumulated and communicated to the Company's management, including the Chief Executive Officer (Principal Executive Officer), Chief Financial Officer (Principal Financial Officer) and Chief Accounting Officer (Principal Accounting Officer), as appropriate, to allow for timely decisions regarding required disclosure. TCF's disclosure controls also include internal controls that are designed to provide reasonable assurance that transactions are properly authorized, assets are safeguarded against unauthorized or improper use and that transactions are properly recorded and reported.

**Changes in Internal Control Over Financial Reporting** There were no changes to TCF's internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) during the quarter ended September 30, 2014, that materially affected, or are reasonably likely to materially affect, TCF's internal control over financial reporting.



## **PART II – OTHER INFORMATION**

### **Item 1. Legal Proceedings**

From time to time, TCF is a party to legal proceedings arising out of its lending, leasing and deposit operations, including foreclosure proceedings and other collection actions as part of its lending and leasing collections activities. TCF may also be subject to enforcement actions brought by federal regulators, including the Securities and Exchange Commission, the Federal Reserve, the OCC and the Consumer Financial Protection Bureau. From time to time, borrowers and other customers, and employees and former employees, have also brought actions against TCF, in some cases claiming substantial damages. TCF and other financial services companies are subject to the risk of class action litigation. Litigation is often unpredictable and the actual results of litigation cannot be determined, and therefore the ultimate resolution of a matter and the possible range of loss associated with certain potential outcomes cannot be established. Based on our current understanding of these pending legal proceedings, management does not believe that judgments or settlements arising from pending or threatened legal matters, individually or in the aggregate, would have a material adverse effect on the consolidated financial position, operating results or cash flows of TCF. TCF is also subject to regulatory examinations, and TCF's regulatory authorities may impose sanctions on TCF for failures related to regulatory compliance.

### **Item 1A. Risk Factors**

There were no material changes in risk factors for TCF in the quarter covered by this report. You should carefully consider the risks and risk factors included under Item 1A of the Company's Annual Report on Form 10-K for the year ended December 31, 2013. TCF's business, financial condition or results of operations could be materially adversely affected by any of these risks.

## Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table summarizes share repurchase activity for the quarter ended September 30, 2014.

| Period                                   | Total Number of Shares Purchased | Average Price Paid Per Share | Total Number of Shares Purchased as Part of Publicly Announced Plan | Maximum Number of Shares that May Yet be Purchased Under the Plan |
|--|----------------------------------|------------------------------|---|---|
| <b>July 1 to July 31, 2014</b>           |                                  |                              |   |   |
| Share repurchase program <sup>(1)</sup>  | —                                | \$ —                         | —   | 5,384,130   |
| Employee transactions <sup>(2)</sup>     | 138,739                          | \$ 16.13                     | N.A.  | N.A.  |
| <b>August 1 to August 31, 2014</b>       |                                  |                              |   |   |
| Share repurchase program <sup>(1)</sup>  | —                                | \$ —                         | —   | 5,384,130   |
| Employee transactions <sup>(2)</sup>     | 3,921                            | \$ 15.46                     | N.A.  | N.A.  |
| <b>September 1 to September 30, 2014</b> |                                  |                              |   |   |
| Share repurchase program <sup>(1)</sup>  | —                                | \$ —                         | —   | 5,384,130   |
| Employee transactions <sup>(2)</sup>     | —                                | \$ —                         | N.A.  | N.A.  |
| <b>Total</b>                             |                                  |                              |   |   |
| Share repurchase program <sup>(1)</sup>  | —                                | \$ —                         | —   | 5,384,130   |
| Employee transactions <sup>(2)</sup>     | 142,660                          | \$ 16.11                     | N.A.  | N.A.  |

N.A. Not Applicable

- (1) The current share repurchase authorization was approved by the Board of Directors on April 14, 2007, and was announced in a press release dated April 16, 2007. The authorization was for a repurchase of up to an additional 5% of TCF's common stock outstanding at the time of the authorization, or 6.5 million shares. TCF has not repurchased shares since October 2007. Future repurchases will be based upon capital levels, growth expectations and market opportunities and may be subject to regulatory approval. The ability to repurchase shares in the future may be adversely affected by new legislation or regulations, or by changes in regulatory policies. This authorization does not have an expiration date.
- (2) Represents restricted stock withheld pursuant to the terms of awards under the TCF Financial Incentive Stock Program to offset tax withholding obligations that occur upon vesting and release of restricted stock. The TCF Financial Incentive Stock Program provides that the value of shares withheld shall be the average of the high and low prices of common stock of TCF Financial Corporation on the date the relevant transaction occurs.

## Item 3. Defaults Upon Senior Securities

None.

## Item 4. Mine Safety Disclosures

Not applicable.

## Item 5. Other Information

None.

## Item 6. Exhibits

See Index to Exhibits on page 66 of this report.

**SIGNATURES**

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

TCF FINANCIAL CORPORATION

/s/ William A. Cooper

William A. Cooper, Chairman and  
Chief Executive Officer  
(Principal Executive Officer)

/s/ Michael S. Jones

Michael S. Jones, Executive Vice President and  
Chief Financial Officer  
(Principal Financial Officer)

/s/ Susan D. Bode

Susan D. Bode, Senior Vice President and  
Chief Accounting Officer  
(Principal Accounting Officer)

Dated: November 5, 2014

**TCF FINANCIAL CORPORATION**  
**INDEX TO EXHIBITS**  
**FOR FORM 10-Q**

| <b>Exhibit<br/>Number</b> | <b>Description</b>  |
|---------------------------|---|
| 10.1                      | Summary of Non-Employee Director Compensation [incorporated by reference to Exhibit 10.1 to TCF Financial Corporation's Current Report on Form 8-K filed July 23, 2014]   |
| 31.1#                     | Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002  |
| 31.2#                     | Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002  |
| 32.1#                     | Certification of the Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002  |
| 32.2#                     | Certification of the Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002  |
| 101#                      | Financial statements from the Quarterly Report on Form 10-Q of the Company for the period ended September 30, 2014, formatted in XBRL: (i) the Consolidated Statements of Financial Condition, (ii) the Consolidated Statements of Income, (iii) the Consolidated Statements of Comprehensive Income, (iv) the Consolidated Statements of Equity, (v) the Consolidated Statements of Cash Flows and (vi) the Notes to Consolidated Financial Statements |

# Filed herewith

## CERTIFICATION

I, William A. Cooper, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of TCF Financial Corporation for the quarter ended September 30, 2014;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 5, 2014

/s/ William A. Cooper

---

William A. Cooper

Chairman and Chief Executive Officer  
(Principal Executive Officer)

---

## CERTIFICATION

I, Michael S. Jones, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of TCF Financial Corporation for the quarter ended September 30, 2014;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 5, 2014

/s/ Michael S. Jones

Michael S. Jones

Executive Vice President  
and Chief Financial Officer  
(Principal Financial Officer)

---

TCF FINANCIAL CORPORATION  
STATEMENT PURSUANT TO 18 U.S.C. §1350

I, William A. Cooper, Chairman and Chief Executive Officer of TCF Financial Corporation, a Delaware corporation (the "Company"), hereby certify as follows:

1. This statement is provided pursuant to 18 U.S.C. § 1350 in connection with the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2014 (the "Periodic Report");
2. The Periodic Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
3. The information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods indicated therein.

Date: November 5, 2014

/s/ William A. Cooper

William A. Cooper

Chairman and Chief Executive Officer

(Principal Executive Officer)

\* A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to TCF Financial Corporation and will be retained by TCF Financial Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

---

TCF FINANCIAL CORPORATION  
STATEMENT PURSUANT TO 18 U.S.C. §1350

I, Michael S. Jones, Executive Vice President and Chief Financial Officer of TCF Financial Corporation, a Delaware corporation (the "Company"), hereby certify as follows:

1. This statement is provided pursuant to 18 U.S.C. § 1350 in connection with the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2014 (the "Periodic Report");
2. The Periodic Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
3. The information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods indicated therein.

Date: November 5, 2014

\_\_\_\_\_  
/s/ Michael S. Jones

Michael S. Jones  
Executive Vice President and  
Chief Financial Officer  
(Principal Financial Officer)

\* A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to TCF Financial Corporation and will be retained by TCF Financial Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

---