



# 2017 Second Quarter Earnings Presentation

July 24, 2017

# Agenda

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## **SECOND QUARTER OBSERVATIONS**

- Craig Dahl (Chief Executive Officer)

## **REVENUE / LOANS AND LEASES / CREDIT**

- Craig Dahl

## **DEPOSITS / INTEREST RATES / EXPENSES / CAPITAL**

- Brian Maass (Chief Financial Officer)

## **CLOSING COMMENTS**

- Craig Dahl

## **Q&A**



# Second Quarter Observations

## CONTINUED FOCUS ON EXECUTING ON OUR STRATEGIC PILLARS IN 2017

Diversification **1** Profitable Growth **2** Operating Leverage **3** Core Funding **4**

- Net income of \$60.4 million, up 4.7% year-over-year
- Auto finance business performing as expected following recent strategic shift, resulting in a more stable source of revenue
- Net interest income growth and margin expansion as interest rates have increased primarily due to our asset sensitive balance sheet and continued pricing discipline
- Strategic investments to enhance technology capabilities and drive efficiencies continue
- Year-over-year improvement in efficiency ratio
- Continued stable credit performance
- Effective income tax rate of 28.9% was primarily impacted by a favorable state tax settlement

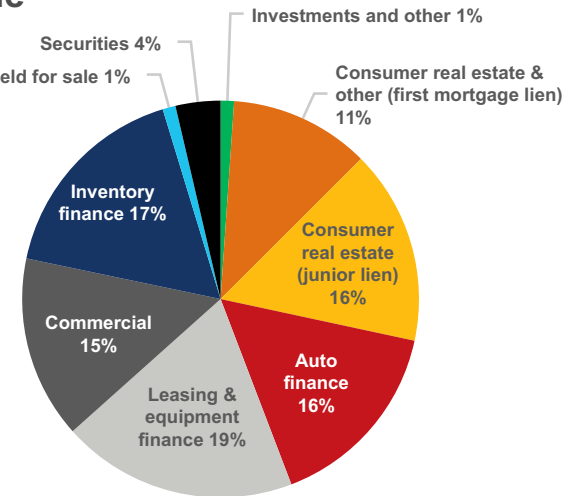


# Revenue Summary

## REVENUE DIVERSIFICATION

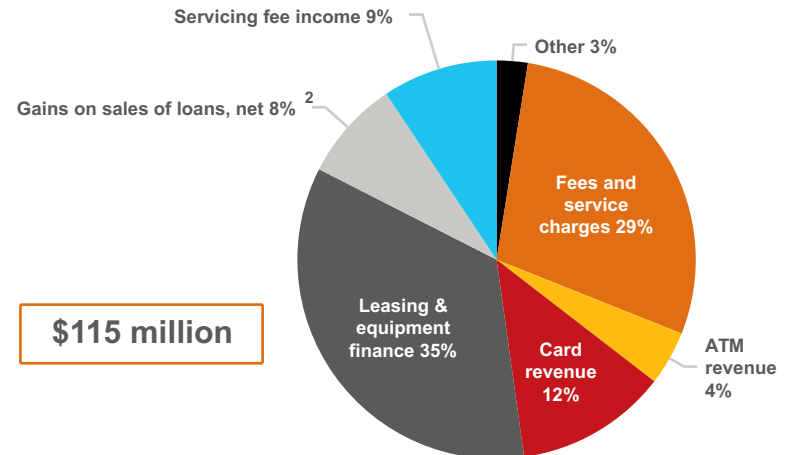
### Interest Income

\$249 million

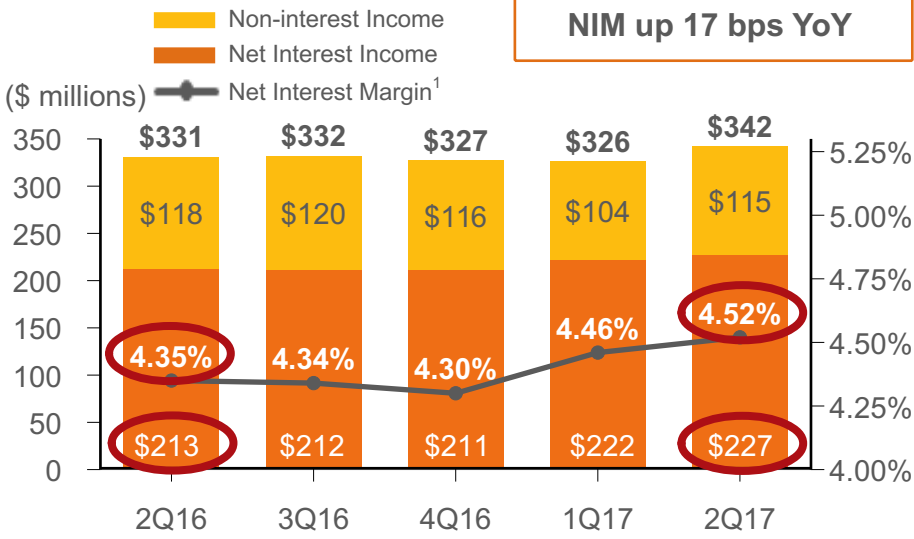


### Non-interest Income

\$115 million



NIM up 17 bps YoY



### 2Q17 vs. 2Q16 revenue and net interest margin impacted by the following 2Q17 items:

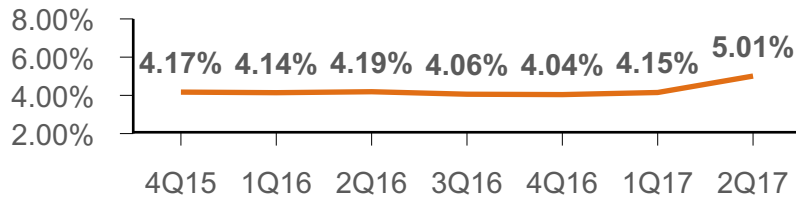
- Higher net interest income driven by the non-auto finance portfolios through a combination of higher variable- and adjustable-rate yields and loan and lease growth
- Reduction in gains on sales of auto finance loans largely offset by higher levels of leasing and equipment finance non-interest income

<sup>1</sup> Annualized

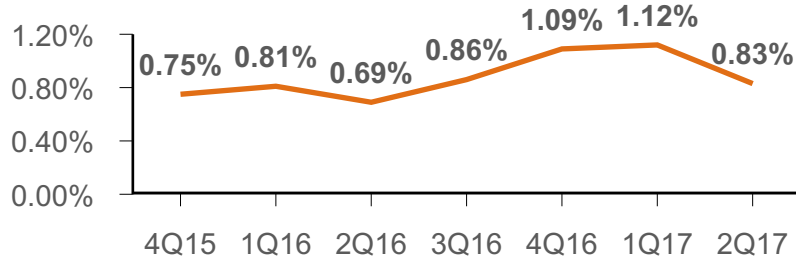
<sup>2</sup> Includes gains on sales of consumer real estate loans and auto finance loans. Gains on sales of auto finance loans, net, was less than 1% of non-interest income.

# Auto Finance Strategy Progressing as Planned

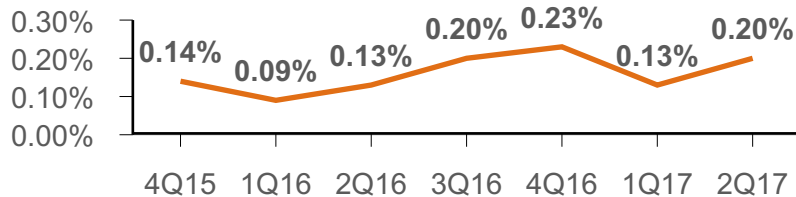
## HELD FOR INVESTMENT LOAN YIELD<sup>1</sup>



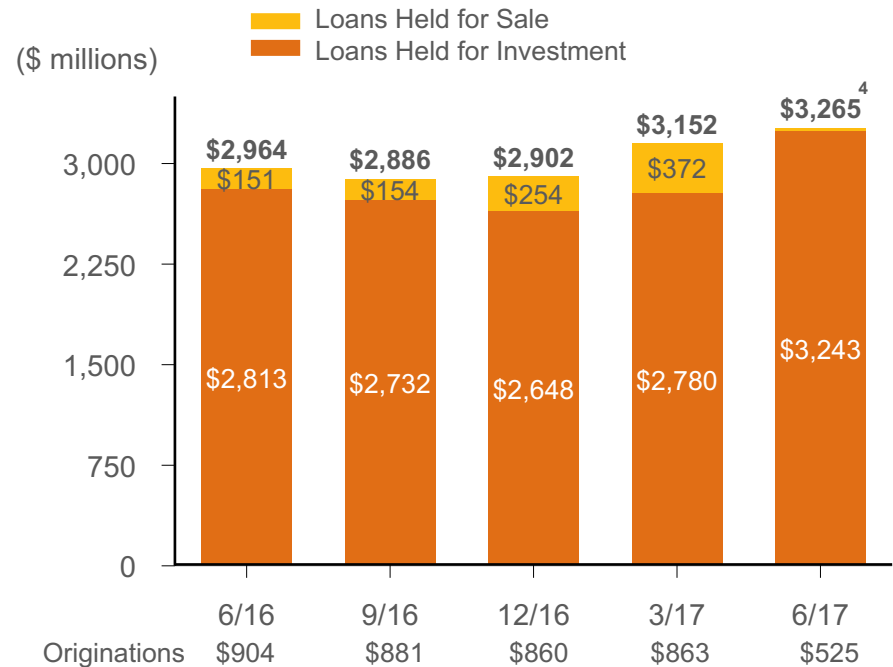
## NET CHARGE-OFF RATIO<sup>2</sup>



## 60+ DAY DELINQUENCIES<sup>3</sup>



## AUTO FINANCE BALANCES



- Reclassified approximately \$345 million of auto loans from held for sale to held for investment in the second quarter
- Year-over-year auto finance originations down \$379 million, or 42.0%

<sup>1</sup> Annualized and presented on a fully tax-equivalent basis

<sup>2</sup> Annualized

<sup>3</sup> Excludes non-accrual loans

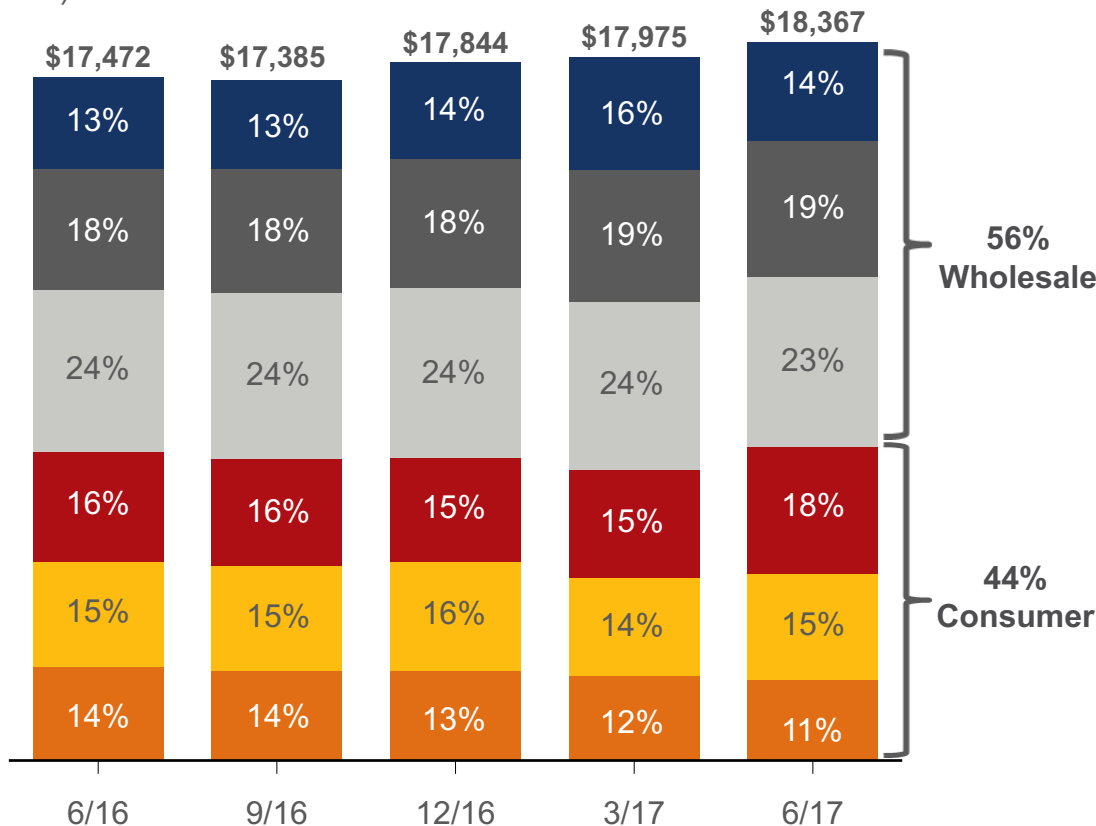
<sup>4</sup> Includes loans held for sale of \$22 million

# Loan and Lease Portfolio

- Inventory Finance
- Commercial
- Leasing & Equipment Finance
- Auto Finance
- Consumer Real Estate - Junior Lien
- Consumer Real Estate & Other - First Mortgage Lien

Loan and lease growth of 5.1% YoY

(\$ millions)



- Year-over-year loan and lease growth in wholesale businesses:
  - Commercial up 12.7%
  - Inventory Finance up 7.5%
  - Leasing & Equipment Finance up 5.2%
- Auto Finance up approximately 4% year-over-year, excluding the reclassification of loans from held for sale to held for investment in the second quarter of approximately \$345 million
- Strong loan and lease diversification by asset class, geography, rate, average loan and lease size, estimated weighted average life and collateral type
- Proven loan and lease origination platform allows for optimization of growth and revenue

# Loan and Lease Yields<sup>1</sup>

## BALANCE SHEET ASSET SENSITIVITY, CONTINUED PRICING DISCIPLINE AND AUTO FINANCE SHIFT RESULTING IN STRONG YIELD PERFORMANCE

	2Q16	3Q16	4Q16	1Q17	2Q17
Consumer Real Estate:					
First Mortgage Lien	5.34%	5.35%	5.22%	5.33%	5.35%
Junior Lien	5.64	5.60	5.64	5.82	6.01
Commercial	4.30	4.22	4.25	4.43	4.50
Leasing & Equipment Finance	4.45	4.48	4.43	4.48	4.48
Inventory Finance	5.74	6.07	5.80	5.93	6.22
Auto Finance	4.19	4.06	4.04	4.15	5.01
<b>Total Loans and Leases</b>	<b>4.88</b>	<b>4.88</b>	<b>4.82</b>	<b>4.95</b>	<b>5.15</b>
Peer Group <sup>2</sup> Average	4.40	4.38	4.40	4.40	N.A.

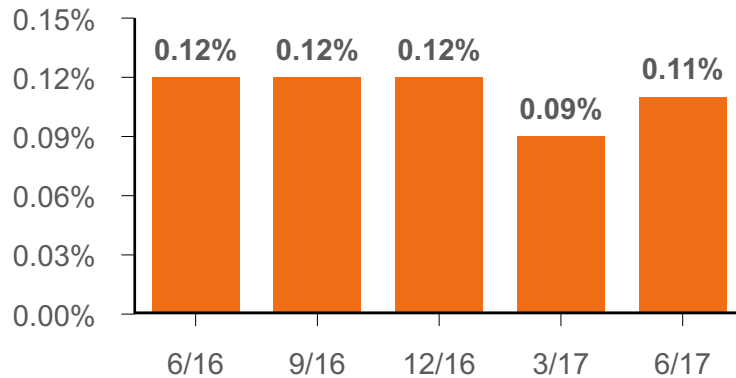
<sup>1</sup> Annualized and presented on a fully tax-equivalent basis

<sup>2</sup> All U.S. publicly-traded banks and thrifts, excluding TCF, with total assets between \$10 and \$50 billion as of March 31, 2017 that have reported loan and lease yields for the past four quarters, includes loans held for sale (source: SNL Financial)

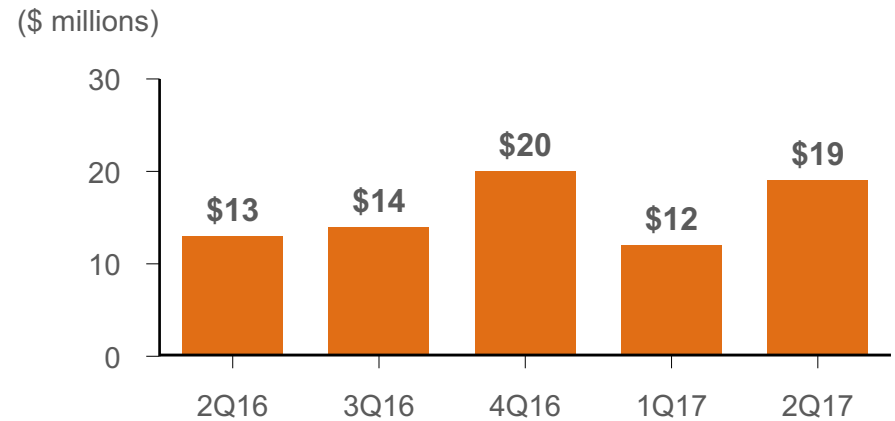


# Credit Quality Trends

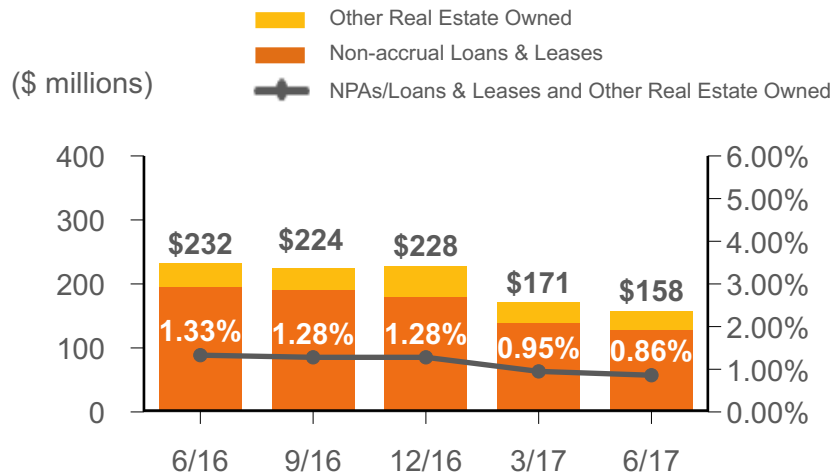
## 60+ DAY DELINQUENCIES<sup>1</sup>



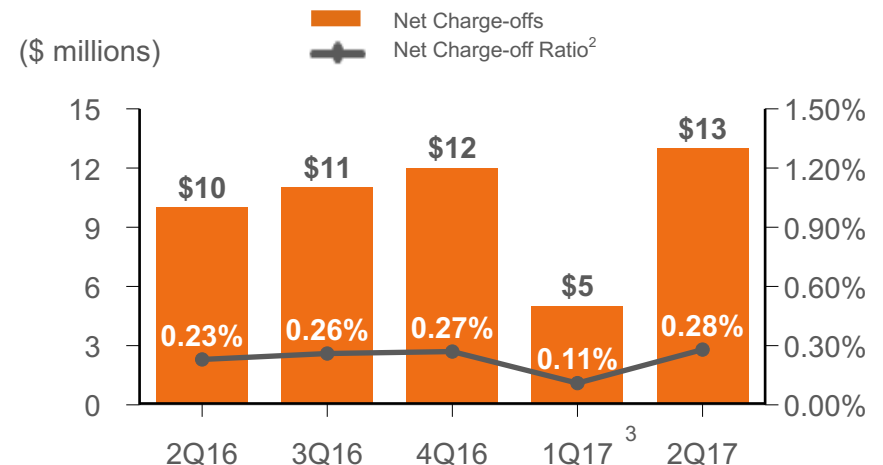
## PROVISION FOR CREDIT LOSSES



## NON-PERFORMING ASSETS



## NET CHARGE-OFFS



<sup>1</sup> Excludes non-accrual loans and leases

<sup>2</sup> Annualized

<sup>3</sup> Excluding the \$8.7 million recovery from the consumer real estate non-accrual loan sale, net charge-offs were \$14 million and the net charge-off ratio was 0.31%



# Net Charge-off Ratio

	Quarter Ended <sup>1</sup>				Jun. 30, 2017	Change from Quarter Ended Jun. 30, 2016
	Jun. 30, 2016	Sep. 30, 2016	Dec. 31, 2016	Mar. 31, 2017 <sup>2</sup>		
<b>Consumer:</b>						
Consumer Real Estate:						
First Mortgage Lien	0.35%	0.34%	0.26%	(0.18)%	0.15%	(20) bps
Junior Lien	0.05	0.04	0.08	(0.89)	0.05	—
Total Consumer Real Estate	0.19	0.17	0.17	(0.58)	0.09	(10)
Auto Finance	0.69	0.86	1.09	1.12	0.83	14
<b>Consumer<sup>3</sup></b>	<b>0.39</b>	<b>0.47</b>	<b>0.53</b>	<b>0.05</b>	<b>0.42</b>	<b>3</b>
<b>Wholesale:</b>						
Commercial	0.08	(0.01)	0.01	0.32	0.29	21
Leasing & Equipment Finance	0.11	0.18	0.10	0.13	0.14	3
Inventory Finance	0.09	0.10	0.07	0.01	0.09	—
<b>Wholesale</b>	<b>0.10</b>	<b>0.10</b>	<b>0.06</b>	<b>0.16</b>	<b>0.18</b>	<b>8</b>
<b>Total<sup>3</sup></b>	<b>0.23</b>	<b>0.26</b>	<b>0.27</b>	<b>0.11</b>	<b>0.28</b>	<b>5</b>

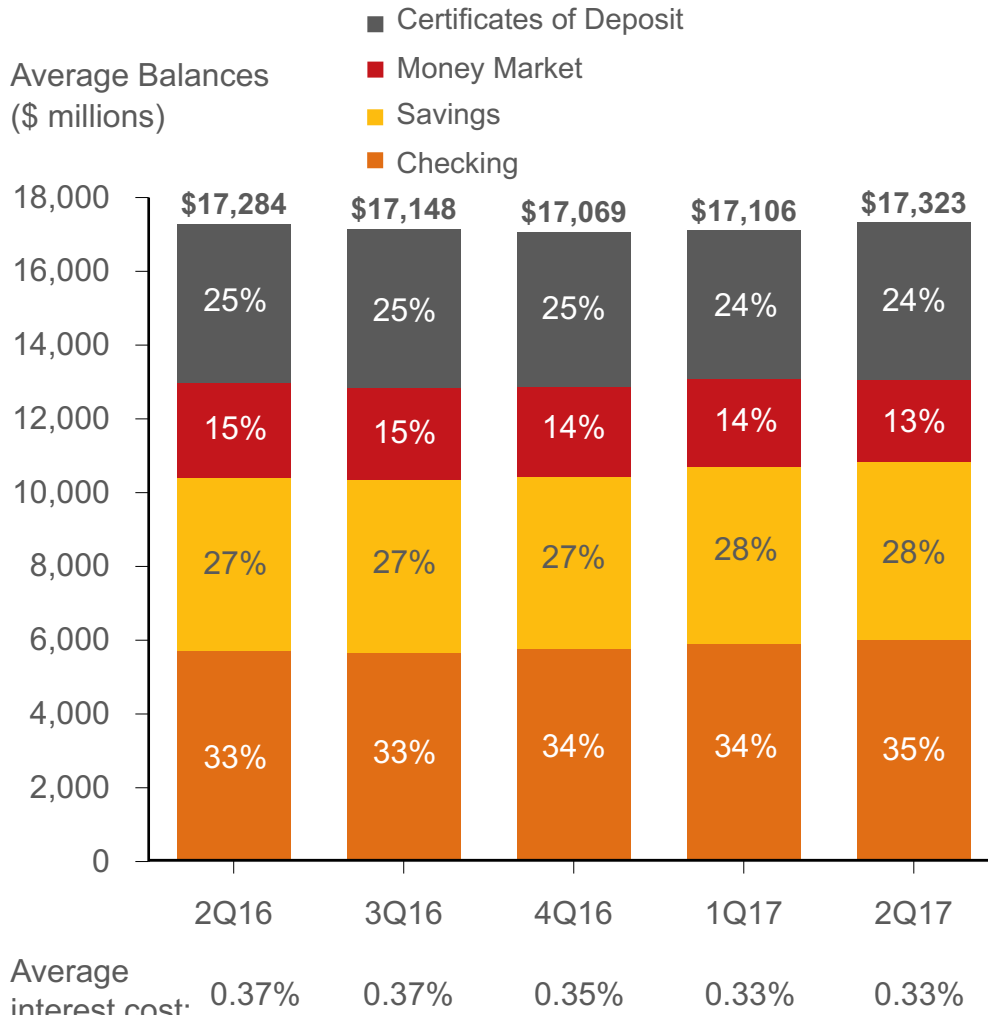
Total levels of net charge-offs remain in the low end of the expected range

<sup>1</sup> Annualized

<sup>2</sup> Excluding the \$8.7 million recovery from the consumer real estate non-accrual loan sale, consumer net charge-off ratio was 0.49% and total net charge-off ratio was 0.31%

<sup>3</sup> Includes Other

# Deposit Generation



- Relative value of retail deposits increasing as short-term interest rates rise
- 90% of average deposit balances are consumer
- Average checking balances increased 5.0% year-over-year
- Average interest rate on deposits decreased year-over-year
- 86% of period-end certificates of deposit are less than \$250,000



# Positive Impact of Rising Interest Rates

## Strategic Pillars

Diversification

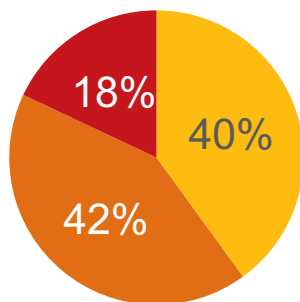
1

Profitable Growth

2

## 2Q17 AVERAGE EARNING ASSETS

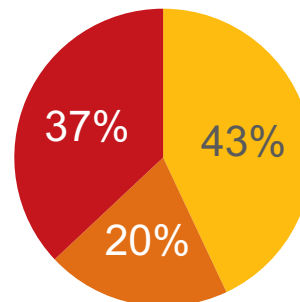
\$20.4 billion



- Variable- and Adjustable-rate<sup>1</sup>
- Fixed-rate - Short/Medium Duration<sup>2</sup>
- Fixed-rate - Long Duration<sup>3</sup>

## 2Q17 AVERAGE DEPOSITS

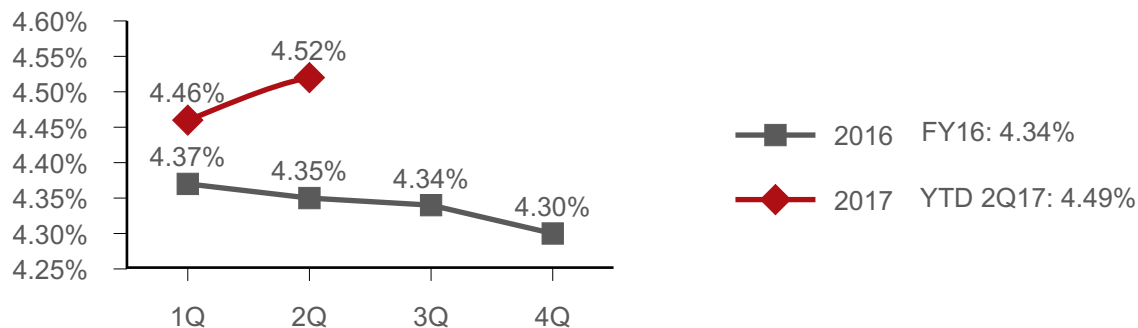
\$17.3 billion



- Low Interest Cost
- No Interest Cost
- Other

- 82% of assets are variable- and adjustable-rate or short/medium duration fixed-rate
- 63% of deposits are low or no interest cost with an average cost of one basis point for 2Q17
- Net interest margin increase of 17 basis points year-over-year impacted by balance sheet asset sensitivity

## NET INTEREST MARGIN



- 2016 FY16: 4.34%
- ◆ 2017 YTD 2Q17: 4.49%

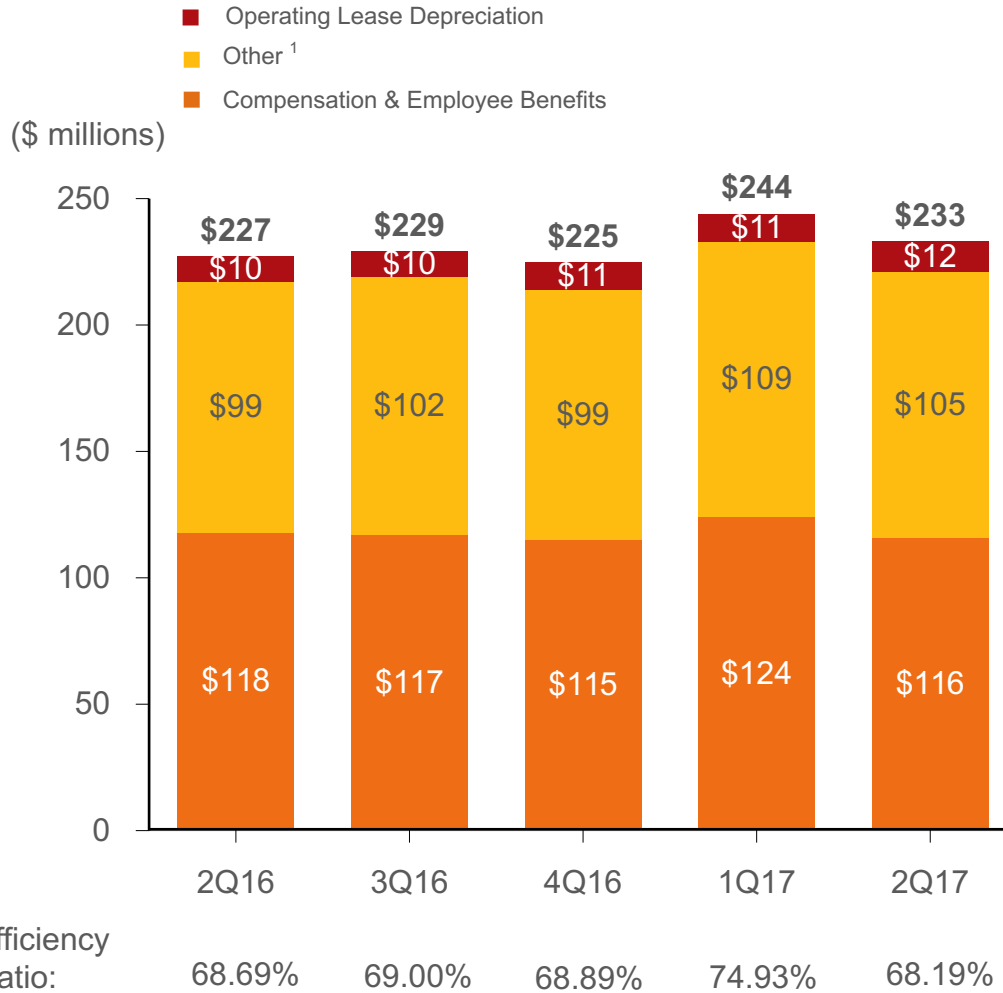


<sup>1</sup> Includes Inventory Finance, Commercial, Consumer Real Estate and Investments

<sup>2</sup> Includes Commercial, Leasing and Auto Finance

<sup>3</sup> Includes Securities and Consumer Real Estate

# Non-interest Expense



- Compensation and employee benefits expense decreased year-over-year primarily due to reduced headcount in auto finance
- Other non-interest expense increased year-over-year primarily due to higher professional fees related to strategic investments in technology capabilities, as well as advertising and marketing expenses
- Efficiency ratio down 50 bps year-over-year



# Capital and Return

	4Q16	2Q17
Common equity Tier 1 capital ratio <sup>1</sup>	10.24%	10.24%
Tier 1 risk-based capital ratio <sup>1</sup>	11.68%	11.66%
Total risk-based capital ratio <sup>1</sup>	13.69%	13.49%
Tier 1 leverage ratio <sup>1</sup>	10.73%	10.76%
Common equity ratio	10.09%	10.26%
Tangible common equity ratio <sup>2</sup>	9.13%	9.24%
Book value per common share	\$ 12.66	\$ 13.20
Tangible book value per common share <sup>2</sup>	\$ 11.33	\$ 11.74
Return on average common equity <sup>3</sup>	8.40%	9.96%
Return on average tangible common equity <sup>3, 4</sup>	9.43%	11.15%

- Maintained strong capital ratios with earnings accumulation
- Common stock dividend of 7.5 cents per share declared on July 19, 2017
- Generating profitable growth is a capital priority



<sup>1</sup> The regulatory capital ratios for 2Q17 are preliminary pending completion and filing of the Company's regulatory reports

<sup>2</sup> See "Reconciliation of GAAP to Non-GAAP Financial Measures – Tangible Common Equity Ratio and Tangible Book Value Per Common Share" slide

<sup>3</sup> Annualized

<sup>4</sup> See "Reconciliation of GAAP to Non-GAAP Financial Measures – Return on Average Tangible Common Equity" slide

# Strategic Pillar Summary

	STRATEGIC PILLARS	2017 OUTLOOK
1	<b>DIVERSIFICATION</b>	<ul style="list-style-type: none"><li>• Continue stable credit quality driven by diversification philosophy</li><li>• Origination opportunities in multiple asset classes provide flexibility to adjust asset composition based on market conditions</li></ul>
2	<b>PROFITABLE GROWTH</b>	<ul style="list-style-type: none"><li>• Increase earnings predictability with reduction in gains on sales replaced with more consistent interest income driven by continued pricing discipline</li><li>• Balance sheet composition provides a competitive advantage in the current rising rate environment</li></ul>
3	<b>OPERATING LEVERAGE</b>	<ul style="list-style-type: none"><li>• Expense growth related to strategic investments in technology capabilities, including enhancing digital channels and other efficiency initiatives</li><li>• Remain focused on revenue growth exceeding expense growth</li></ul>
4	<b>CORE FUNDING</b>	<ul style="list-style-type: none"><li>• Retail deposits provide a competitive pricing advantage in a rising rate environment</li><li>• Investments in the retail bank help drive core deposit growth</li></ul>



# Appendix

The background features a dark gray field with several large, overlapping, curved shapes in a slightly lighter shade of gray. These shapes are positioned primarily on the right side of the frame, creating a sense of depth and movement. The overall aesthetic is clean and modern.

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

Any statements contained in this presentation regarding the outlook for the Company's businesses and their respective markets, such as projections of future performance, targets, 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, 2016 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; adverse economic, business and competitive developments such as shrinking interest margins, reduced demand for financial services and loan and lease products, deposit outflows, increased deposit costs due to competition for deposit growth and evolving payment system developments, 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, securities held to maturity 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 the 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 ("CFPB") 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 such as mortgage foreclosure moratorium laws, further regulation of financial institution campus banking programs, or new restrictions on loan and lease products; changes affecting customer account charges and fee income, including changes to interchange rates; (continued)



# Cautionary Statements for Purposes of the Safe Harbor Provisions of the Securities Litigation Reform Act (cont.)

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regulatory actions or changes in customer opt-in preferences with respect to overdrafts, which may have an adverse impact on TCF; governmental regulations or judicial actions affecting the security interests of creditors; deficiencies in TCF's compliance programs, including under the Bank Secrecy Act in past or future periods, which may result in regulatory enforcement action including monetary penalties; increased health care costs including those resulting from health care reform; 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 impact on banks of regulatory reform, including additional capital, leverage, liquidity and risk management requirements or changes in the composition of qualifying regulatory capital; 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 or unfavorable conditions in the credit markets that restrict or limit various funding sources; costs associated with new regulatory requirements or interpretive guidance including those 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 either of the primary supermarket chains in which TCF maintains supermarket branches; costs related to closing underperforming branches; inability to timely close underperforming branches due to long-term lease obligations; slower than anticipated growth in existing or acquired businesses; inability to successfully execute on TCF's growth strategy through acquisitions or expanding existing business relationships; failure to expand or diversify TCF's balance sheet through new or expanded programs or opportunities; 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, such as by failing to develop and maintain technology necessary to satisfy customer demands, costs and possible disruptions related to upgrading systems; the failure to attract and retain key employees.

Litigation Risks. Results of litigation or government enforcement actions such as TCF's pending litigation with the CFPB and related matters, including class action litigation or enforcement actions concerning TCF's lending or deposit activities, including account opening/origination, servicing practices, fees or charges, employment practices, or checking account overdraft program "opt in" requirements; possible increases in indemnification obligations for certain litigation against Visa U.S.A.

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.

# Reconciliation of GAAP to Non-GAAP Financial Measures – Tangible Common Equity Ratio and Tangible Book Value Per Common Share<sup>1</sup>

(\$ thousands, except per share data)

		At Dec. 31, 2016	At Jun. 30, 2017
Total equity		\$ 2,444,645	\$ 2,549,831
Less: Non-controlling interest in subsidiaries		17,162	22,766
Total TCF Financial Corporation stockholders' equity		2,427,483	2,527,065
Less: Preferred stock		263,240	263,240
Total common stockholders' equity	(a)	2,164,243	2,263,825
Less:			
Goodwill		225,640	227,072
Other intangibles		1,738	22,682
Tangible common equity	(b)	\$ 1,936,865	\$ 2,014,071
Total assets	(c)	\$ 21,441,326	\$ 22,054,651
Less:			
Goodwill		225,640	227,072
Other intangibles		1,738	22,682
Tangible assets	(d)	\$ 21,213,948	\$ 21,804,897
Common stock shares outstanding	(e)	170,991,940	171,489,921
Common equity ratio	(a) / (c)	10.09%	10.26%
Tangible common equity ratio	(b) / (d)	9.13%	9.24%
Book value per common share	(a) / (e)	\$ 12.66	\$ 13.20
Tangible book value per common share	(b) / (e)	\$ 11.33	\$ 11.74

<sup>1</sup> When evaluating capital adequacy and utilization, management considers financial measures such as the tangible common equity ratio and tangible book value per common share. These measures are non-GAAP financial measures and are viewed by management as useful indicators of capital levels available to withstand unexpected market or economic conditions, and also provide investors, regulators and other users with information to be viewed in relation to other banking institutions.

# Reconciliation of GAAP to Non-GAAP Financial Measures – Return on Average Tangible Common Equity<sup>1</sup>

(\$ thousands)

		QTD Dec. 31, 2016	QTD Jun. 30, 2017
Net income available to common stockholders	(a)	\$ 45,245	\$ 55,585
Plus: Other intangibles amortization		290	238
Less: Income tax expense attributable to other intangibles amortization		103	83
Adjusted net income available to common stockholders	(b)	<u>\$ 45,432</u>	<u>\$ 55,740</u>
Average balances:			
Total equity		\$ 2,436,136	\$ 2,520,870
Less: Non-controlling interest in subsidiaries		18,914	26,188
Total TCF Financial Corporation stockholders' equity		<u>2,417,222</u>	<u>2,494,682</u>
Less: Preferred stock		263,240	263,240
Average total common stockholders' equity	(c)	<u>2,153,982</u>	<u>2,231,442</u>
Less:			
Goodwill		225,640	225,876
Other intangibles		1,872	5,045
Average tangible common equity	(d)	<u>\$ 1,926,470</u>	<u>\$ 2,000,521</u>
Return on average common equity <sup>2</sup>	(a) / (c)	8.40%	9.96%
Return on average tangible common equity <sup>2</sup>	(b) / (d)	9.43%	11.15%

<sup>1</sup> When evaluating capital adequacy and utilization, management considers financial measures such as return on average tangible common equity. This measure is a non-GAAP financial measure and is viewed by management as a useful indicator 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.

<sup>2</sup> Annualized