



TCF Financial Corporation 2004 Annual Report

# High Performance Banking



# Financial Highlights

TCF Financial Corporation and Subsidiaries — 2004 Annual Report

(Dollars in thousands, except per-share data)	At or For the Year Ended December 31,		
	2004	2003	% Change
<b>Operating Results:</b>			
Interest income	\$ 622,809	\$ 641,519	(2.9)%
Interest expense	130,918	160,374	(18.4)
Net interest income	491,891	481,145	2.2
Provision for credit losses	10,947	12,532	(12.6)
Net interest income after provision for credit losses	480,944	468,613	2.6
Non-interest income:			
Fees and other revenues	467,866	430,792	8.6
Gains on sales of securities available for sale	22,600	32,832	(31.2)
Gains (losses) on termination of debt	—	(44,345)	100.0
Total non-interest income	490,466	419,279	17.0
Non-interest expense	586,934	560,109	4.8
Income before income tax expense	384,476	327,783	17.3
Income tax expense	129,483	111,905	15.7
Net income	\$ 254,993	\$ 215,878	18.1
<b>Per Common Share Information:</b>			
Basic earnings	\$ 1.87	\$ 1.53	22.2
Diluted earnings	1.86	1.53	21.6
Dividends declared	.75	.65	15.4
Stock price:			
High	32.62	27.13	
Low	23.92	18.25	
Close	32.14	25.68	25.2
Book value	6.99	6.53	7.0
Price to book value	4.60X	3.93X	17.0
<b>Financial Ratios:</b>			
Return on average assets	2.15%	1.85%	16.2
Return on average common equity	27.02	23.05	17.2
Net interest margin	4.54	4.54	—
Net charge-offs as a percentage of average loans and leases	.11	.16	(31.3)
Total equity to total assets at year end	7.77	8.14	(4.5)
(Dollars in thousands)	At December 31,		
	2004	2003	% Change
<b>Selected Balance Sheet Data:</b>			
Securities available for sale	\$ 1,619,941	\$ 1,533,288	5.7%
Residential real estate loans	1,014,166	1,212,643	(16.4)
Subtotal	2,634,107	2,745,931	(4.1)
Loans and leases excluding residential real estate loans	8,372,491	7,135,135	17.3
Goodwill	152,599	145,462	4.9
Mortgage servicing rights	46,442	52,036	(10.8)
Total assets	12,340,567	11,319,015	9.0
Checking, savings and money market deposits	6,493,545	5,999,626	8.2
Certificates of deposit	1,468,650	1,612,123	(8.9)
Total deposits	7,962,195	7,611,749	4.6
Short-term borrowings	1,056,111	878,412	20.2
Long-term borrowings	2,048,492	1,536,413	33.3
Stockholders' equity	958,418	920,858	4.1
Common shares outstanding	137,186,160	140,952,660	(2.7)



# Leadership in Action

TCF's banking philosophies are centered on bringing value to our shareholders and customers. These philosophies have guided TCF's business strategies, which have become the principles by which TCF conducts its business. Simple,

straightforward and enduring strategies, based on a well-grounded philosophy coupled with successful execution and solid management, have made TCF an institution recognized nationally for its High Performance Banking.

## Corporate Profile

TCF Financial Corporation is a Wayzata, Minnesota-based national financial holding company with \$12.3 billion in assets. TCF has 430 banking offices in Minnesota, Illinois, Michigan, Wisconsin, Colorado and Indiana. Other TCF affiliates provide leasing and equipment finance, securities brokerage, and investments and insurance sales.

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William Cooper, Chairman of the Board and Chief Executive Officer; Lynn Nagorske, President and Chief Operating Officer.



# Leadership in Action

## Dear Shareholders:

We are pleased to report that 2004 was a record year for TCF. Our disciplined focus on long-term strategies for growth produced some of the best performance ratios in the banking industry. TCF is clearly a high performance bank.

## Summarizing the year:

- TCF earned a record \$255 million in 2004 compared to \$215.9 million in 2003. An increase of 18.1 percent.
- Diluted earnings per share (EPS) were \$1.86 for 2004 compared to \$1.53 in 2003. An increase of 21.6 percent.
- TCF's 2004 return on average assets (ROA) of 2.15 percent and return on average equity (ROE) of 27.02 percent improved over the previous year.
- TCF's stock price closed at \$32.14 on December 31, 2004, up 25 percent from \$25.68 per share on December 31, 2003. Our annualized total return to investors over the past ten years was over 22 percent.

- Our dividend increased from \$.65 per share in 2003 to \$.75 per share in 2004. In 2005, our dividend increased again and will be \$.85 per share. This is the fourteenth consecutive year we have increased the dividend. We are proud that TCF has a ten-year compounded dividend growth rate of 19.6 percent, the fifth highest dividend growth rate among the 50 largest banks in the country.

The major factors impacting TCF's performance in 2004 were as follows:

1. TCF's net interest income resumed its growth in 2004. Net interest income in 2004 was \$491.9 million, up 2 percent from 2003. Most of this improvement was due to balance sheet growth. TCF's net interest margin remained unchanged for 2004 at 4.54 percent. Short-term interest rates rose over the year as a result of Federal Reserve Board interest rate hikes. This rise in short-term rates helped TCF's net interest margin because interest rate sensitive assets exceed variable-rate sensitive liabilities. The ten-year treasury rates started and ended the year at about 4.25 percent. This resulted in

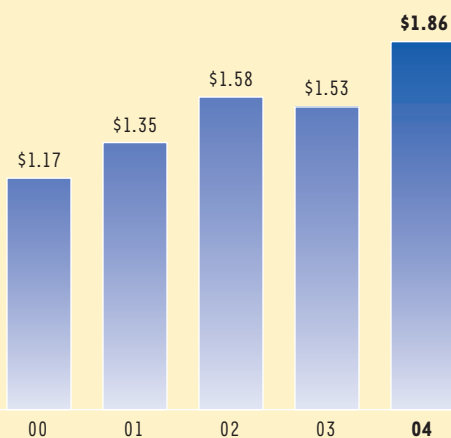
a flattening of the yield curve, which hurt our net interest margin. TCF's longer-term mortgage backed securities (MBSs) and fixed-rate loans were originated or purchased at lower yields than the loans and MBSs that were repaid or sold.

2. Credit quality improved in 2004 and remained very strong. TCF's \$18.8 million leveraged lease to Delta Airlines remains a possible dark cloud on the horizon. This situation improved in the fourth quarter of 2004 as Delta averted bankruptcy, but we are not yet out of the woods.
3. TCF's checking account growth slowed in 2004. The number of checking accounts grew in 2004 by 91,000 accounts (up 6.3 percent) compared to 106,000 (up 8 percent) in 2003. While our new account openings were fairly close to our expectations, despite increased competition, we were hurt by higher than anticipated attrition. Checking account customers are changing their behavior. Debit card transactions continue to replace checks and there are

more ACH transactions. This change in behavior impacts TCF's fee income. Some of our customers have abused their debit card spending privileges and, as a result, their accounts have been closed. This has negatively impacted TCF's fees and service charges. We are working to address this situation, but its impact will continue into 2005. TCF's card revenue grew 19.5 percent in 2004 to \$63.3 million. The debit card is now an integral part of the checking account with many customers using their cards more frequently than they write checks.

4. During 2004, TCF restructured its mortgage banking business. Wholesale loan origination activities were eliminated and the retail loan origination function was downsized and integrated into our consumer lending area. We believe these actions will improve future profitability, lower TCF's prepayment risk and lower future earnings volatility from this cyclical business. We continue to evaluate our options as it relates to the remaining \$4.5 billion mortgage servicing portfolio.
5. TCF realized \$22.6 million of gains on MBS sales in 2004 versus \$32.8 million of gains in 2003. In 2003, TCF incurred \$44.3 million of debt prepayment penalties to cancel high cost fixed-rate borrowings. We sold MBSs in 2004 when longer-term interest rates hovered near 40 year lows.

**Diluted EPS**  
(dollars)



## Power Assets® and Power Liabilities®

TCF continued to experience strong growth in its core businesses in 2004. Power Assets grew 17.3 percent. Consumer loans increased 21.7 percent, which is an excellent performance. Commercial loans increased 10 percent, which was a good performance. Leasing and equipment finance showed a strong increase of 18.5 percent which was aided

## “TCF continued to experience strong growth in its core businesses in 2004.”

by the 2004 acquisition of VGM Financial Services, a company specializing in home medical equipment financing. We are pleased with this acquisition and our leasing operation results.

Average balances for TCF's core deposits increased \$249.4 million, or 4 percent. Certificates of deposit continued to decline in 2004, as other lower cost funding sources were available to TCF. The weighted-average interest rate on deposits at December 31, 2004 was .69 percent, one of the lowest rates in the country. This low cost is directly attributable to our convenience banking strategy and the large amount of TCF's non-interest bearing deposits. We look to grow deposits faster in 2005 to fund a larger portion of TCF's Power Asset growth.

### New Branch Expansion

A good portion of TCF's growth comes from our new branch expansion. This strategy has provided TCF an ever-growing customer base with a very low cost of funds.

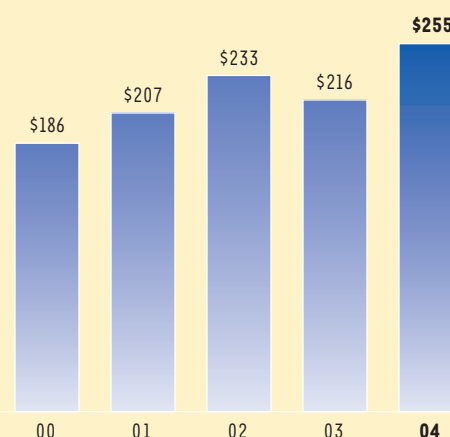
TCF opened 30 new branches during 2004, including 19 new traditional branches and 11 new supermarket branches. New branches opened

since 1998 now have \$1.5 billion in deposits with an average interest cost of .53 percent and 576,000 checking accounts. Checking account growth in new branches was approximately 16 percent. Our new traditional branches are generally performing close to our expectations and financial models. However, we have had traditional branch opening delays due to government approval difficulties, construction delays and poor weather, which has negatively impacted growth in new checking accounts. We have continued to improve our internal capabilities to identify and select the best sites for future growth.

During 2004, we entered into a new supermarket banking relationship in Colorado with King Soopers®, an affiliate of Kroger®. We are encouraged by the early results.

We believe TCF's de novo strategy is a better use of our capital than paying the high premiums of a bank acquisition. We intend to stick to this disciplined approach in 2005.

**Net Income**  
(millions of dollars)





## Risks

We think it is appropriate to discuss what we consider to be the major risks to our continued success. First, as demonstrated over the last two years, the management of interest rate risk is a major challenge. The measurements of interest rate risk are assumption laden and results can quickly change. Changes in interest rates may also adversely impact the value of TCF's mortgage servicing rights. Second, TCF, like all banks, is subject to the effects of economic activity. In particular, a significant decline in home values in our markets could have a negative effect on our results. A bad economy can result in increased loan and lease charge-offs. The third risk is our ability to attract and retain new customers. Competition has stiffened and customer behavior is changing. Debit card transactions now outnumber checks. Other electronic transactions (ACH, ARC, Check 21, etc.) are all changing customer behavior in checking. Our overall growth is dependent on our ability to grow checking accounts and related fee income, while controlling fraud losses and attrition. This area became more difficult in

2004 and will continue to be a challenge in 2005. We are also relying on the continued long-term success of branch banking. Our de novo banking expansion is staked on this premise.

Regulatory issues and the related compliance burden continue to increase. The Bank Secrecy Act, the Patriot Act and the Sarbanes-Oxley Act have increased our compliance risk. We are also subject to the risks of new regulations. Legal and tax issues are always a risk (the 2003 Visa debit card lawsuit is a good example of this legal risk).

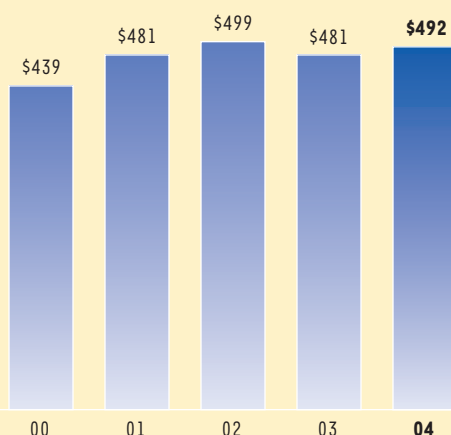
None of these risks are new. Our consistent results over a long period have proven that we have prudently managed these risks in the past and we believe we are adequately prepared to manage them in the future. Our philosophy at TCF is to run a highly profitable bank and to minimize risk.

## In Closing

A careful reading of this annual report will tell you everything about our company. We try to keep our financial reporting simple, but as complete as possible. In our opinion, TCF's accounting is conservative.

We continue to have a mutuality of interest with our shareholders. Our senior management and board of directors own approximately 12 million shares, or 8.8 percent of TCF stock. Seventy-nine percent of our eligible employees participate in TCF's Employees Stock Purchase Plan, which at year-end held over 8.1 million shares. Our stock plans for senior management continue to be performance-based restricted stock grants which vest based on long-term growth in earnings per share. These stock grants are expensed in the income statement just like all the rest of TCF's expenses.

### Net Interest Income (millions of dollars)



## “Our philosophy at TCF is to run a highly profitable bank and to minimize risk.”

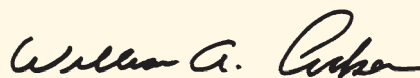
In January of 2005, approximately 1.1 million shares of performance-based restricted stock vested for senior management. Since the issuance of this grant in 2000, TCF's diluted EPS has increased 86 percent, or a 13 percent compound annualized growth rate. Over the same time period, TCF's stock price has increased 158 percent, or a 21 percent compound annualized return to shareholders plus dividends. The cost of this stock grant was largely offset by the related income tax benefit for the market value of the grant when it vested. We believe this performance-based restricted stock plan has helped produce superior financial results for our shareholders and has retained and motivated our talented management team. We are true owners as we face the downside risks of decisions as well as the upside potential.

TCF repurchased 4 million shares of its stock in 2004 at an average cost of \$29.14 per share. TCF has repurchased a total of 54.2 million shares (29 percent) since the beginning of 1998, at an average cost of \$17.58 per share. We will repurchase fewer shares in 2005 since we will be required to retain more capital to fund our balance sheet growth. We consider the return from repurchasing TCF stock as a hurdle rate for acquisitions.

We once again would like to thank our hardworking, responsive and dedicated Board of Directors. Our Board of Directors consists largely of entrepreneurial business people who also own TCF stock. We appreciate their valuable insights and support. During 2004, Doug Scovanner joined TCF's Board of Directors. Doug's retailing perspectives provide a valuable contribution.

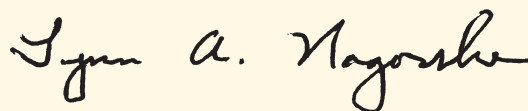
We would also like to recognize and thank our outstanding employees for being part of the TCF Team. Their exceptional abilities, commitment and energy make everything happen. We are proud of the TCF Team and their accomplishments.

Thank you for your continued support and investment in TCF. 2005 promises to be another interesting and challenging year. We remain optimistic about TCF's future prospects.



William A. Cooper

Chairman of the Board and Chief Executive Officer



Lynn A. Nagorske

President and Chief Operating Officer



**Holding Company Senior Management**

Seated, from left: Lynn Nagorske; Craig Dahl. Standing, from left: Paul Brawner; William Cooper; Earl Stratton; Barry Winslow; Neil Brown; Gregory Pulles; Barbara Shaw.



# Leading the Way

## Structure

One of TCF's most important assets is its management bench strength and depth. TCF is organized geographically and by function. Each of the bank presidents is responsible for the operational goals of their state as well as a functional operation such as consumer lending, commercial lending, branches, or marketing. We believe strongly that local management teams make the best decisions regarding local issues. Each of our bank management teams are responsible for local business decisions, business development, customer relations, and community involvement. As firmly as TCF believes that local, geographically-based management is best suited to run our businesses, we also believe functional product line management benefits from a more centralized approach. Centralized functional management facilitates efficient product development, effective communication, consistent implementation, and close monitoring of our strategic initiatives, as well as central accountability for the success of each of our major product areas.

By organizing management teams to most efficiently and effectively manage our local banks and our strategic product areas, TCF has the best of both worlds. We enjoy informed, timely local decision-making that allows us to compete in our markets on a daily basis and long-term strategic product management positioning us for the future.

TCF's flagship state of Minnesota, which began over 80 years ago in 1923, operates 101 full service branches, including 51 branches located inside Cub<sup>®</sup> Foods stores. TCF Minnesota's experienced management is focused on retaining and cultivating its large and profitable customer base by strategically growing our branch network and building additional relationships with our customers through our higher-yielding consumer and commercial loan products. Minnesota's consumer lending division originates home equity loans and lines of credit. The Minnesota consumer lending division is approaching \$2 billion in loans outstanding.

Campus banking is an excellent example of TCF's innovative product development. The Minnesota bank is proud to have added Minnesota State University-Mankato in 2004 to an impressive list of state schools, including the University of Minnesota, that offer this special program to students and faculty.

TCF Lakeshore, comprised of our Illinois, Wisconsin and Indiana operations, has our largest branch system, our largest supermarket-banking network and our largest employee team with over 4,000 helpful members. Since 1998, Lakeshore has added 178 branches and now has 237 branches including 179 supermarket branches.

TCF Lakeshore's supermarket division reached the billion-dollar mark in total deposits early in 2004. This division has branches inside Jewel-Osco® stores, the leading grocery chain by market share in Chicago, and in certain Cub Foods stores. Not content to be the "most convenient bank" with seven-day-a-week banking and long hours (84 hours a week in the supermarkets), TCF has begun remodeling and upgrading many of its supermarket branches. Certain branches will have a new plasma-screen merchandising system installed, allowing TCF to combine product messages, current promotions, news, weather, and sports information for the consideration and enjoyment of our customers.

In Michigan, TCF has focused its expansion efforts in the Detroit metro area with five offices opened in 2004 and eight planned for 2005. Michigan's consumer lending division and commercial lending group achieved double-digit growth in 2004 and plan to expand its number of lenders in 2005. Also, TCF Michigan recently added 11 business bankers with plans to add several more to meet its aggressive 2005 goals.

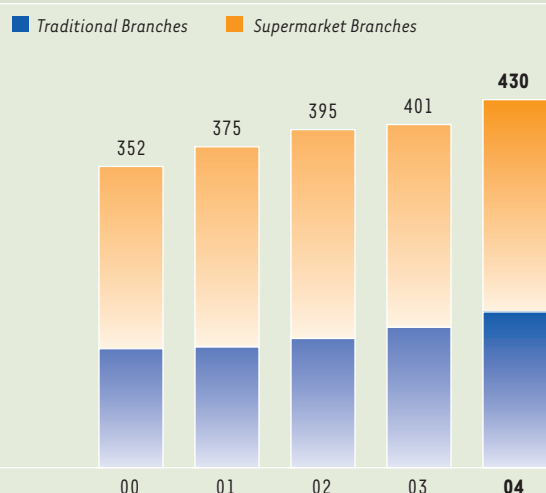
The Colorado franchise in Denver and Colorado Springs is TCF's fastest growing market and continues to represent an area of great potential for future expansion. TCF Colorado now has 32 total branches:

20 traditional branches and 12 supermarket branches. By the end of 2005, TCF Colorado plans to incorporate a business banking division and open ten new branches.

In addition to our banking franchise, we have a separate leasing and equipment finance group headquartered in Minnetonka, Minnesota. TCF has developed an experienced team of equipment finance professionals that provide a variety of unique finance solutions to a diverse group of small to large commercial customers. TCF's leasing and equipment finance operations is national in scope with a broad range of equipment types financed in all 50 states. During 2004, our leasing and equipment finance portfolio increased 19 percent and new business volume rose more than 27 percent.

TCF's holding company and corporate functions provide capital and centralized management services such as data processing, bank operations, product development and marketing, finance, treasury services, employee benefits, legal, compliance, credit review, and internal audit. This structure gives locally managed banks the flexibility to share, compare and refine new products and services while enjoying the economies of scale of a much larger organization.

### Retail Distribution Growth (number of branches)



## Strategies

TCF's banking philosophy is based on carefully planned and consistently executed business strategies. These strategies have become the principles by which TCF conducts its business. TCF's long-term strategies for growth are somewhat unique among our competitors and have served, and will continue to serve, our customers and shareholders well.

TCF's strategies begin with the premise that every customer is valuable. We bank a large and diverse customer base. We do not believe in focusing only on one "profitable" customer segment. Every customer is potentially profitable and may become more so over time through cross-sell initiatives. Each of our many customers contributes incrementally to our revenue.

“We listen to our customers  
and as a result, put emphasis  
on convenience in banking.”

We listen to our customers and as a result, put emphasis on convenience in banking. TCF is “The Leader in Convenience Banking,” and we use our premier convenience services to attract a large, economically diverse and growing customer base. We provide convenience by being open longer hours, seven days a week and open on most holidays. TCF offers a large supermarket branch network, complemented by traditional branches, providing customers with alternative locations to conduct their banking. TCF’s free online banking services, extensive ATM network, automated telephone service, and Internet banking provide even more convenient options — meeting customers needs. Strategically adding new branches where they can best support and increase our customer base, introducing new products and services, and enhancing our existing products and services, are strategies that have worked well for TCF over the last decade.

TCF places emphasis on what it defines as Power Assets (higher-yielding consumer loans, commercial loans and leasing assets) and Power Liabilities (lower-cost checking, savings, money market and certificate of deposit accounts). A principal strategy of TCF’s Power Assets is to lend on a secured basis. Our strong credit quality is evidence that this important strategy is working; TCF has one of the lowest charge-off ratios in the banking industry. TCF’s Power Liabilities are the foundation of our business and are proven profit drivers at TCF. By focusing on both Power Assets and Power Liabilities, we recognize the important contributions to overall profitability by both the liability and asset side

of the balance sheet. By earning at least one percent on each side of the balance sheet, we can generate a total return on assets greater than two percent.

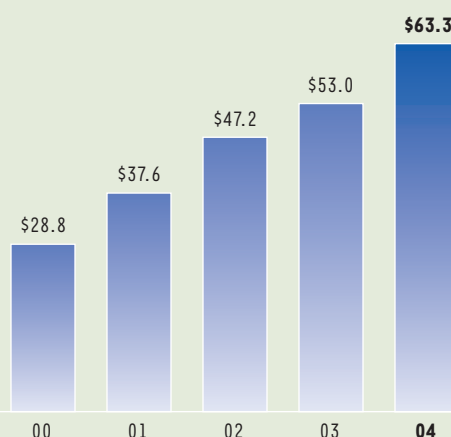
TCF’s superior earnings performance allows us to regularly buy back our own stock. In evaluating potential acquisitions, we look at the stock buy back opportunity as an acquisition alternative that may provide superior returns. Investing in our own stock has been good for TCF and its shareholders.

Simple, straightforward, and enduring strategies, which are based on a well-grounded philosophy coupled with successful execution and solid management, have made TCF one of the top performing banks in the United States.

## De Novo Expansion

TCF continues to be committed to de novo expansion in both our branch network and in our development of new products and services. Each of these components play a fundamental and complementary role — to add new branches supporting our growing customer base and to

**Card Revenue**  
(millions of dollars)







provide new products and services, allowing us to attract new customers and deepen our customer relationships.

Since January of 1998, TCF has added 258 new branches to our rapidly growing branch network — nearly 60 percent of our existing branches.

In some of our markets, TCF has taken the opportunity to support and compliment existing supermarket branches with new traditional branches. Traditional branches act as a visible anchor in our communities, providing convenient, full-service banking to both our retail customers and our growing commercial and small business customers. In 2005, TCF plans to open 22 new traditional branches and two campus branches.

Supermarket banking continues to play a key role in TCF's ability to provide the most convenient banking services in the markets we serve. Our customers enjoy the convenience of one-stop shopping and banking, causing these lower-cost, high-volume branches to become profitable more quickly than traditional branches. Our supermarket branches in Cub Foods, King Soopers and Jewel-Osco play an important role in our expansion strategy. In 2005, TCF plans to open five new supermarket branches.

The other key element of TCF's de novo expansion strategy is the evolution of our convenient products and services. New products attract new customers and allow us to develop additional relationships with our existing customers. TCF's innovative culture fuels the strategic initiatives that have led to the introduction of many of our products and services.

Totally Free Checking remains the best example of a successful innovative product brought to market by TCF. We listened to our customers, and what they wanted was a very low-cost checking account. We gave them a free account, which remains our most popular product. As most of our competitors are attempting to copy this product, we successfully introduced several new checking account products in 2004. We had similar success with our home equity loan products. We have been able to add several enhancements to this product over the years including tiered pricing, Visa credit line access, payment protection products, and this year, a fast-close service.

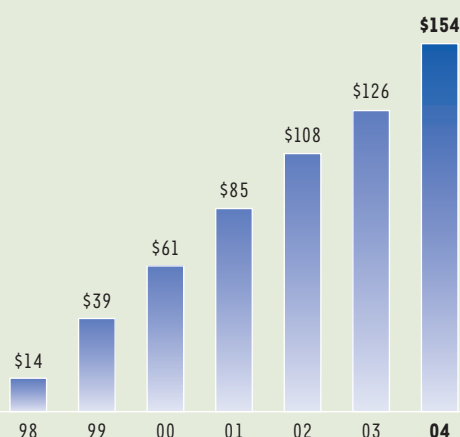
In 2004, TCF launched the "TCF Miles Plus<sup>SM</sup> Card", a free non-revolving credit card that is attached to a checking account. This free card offers points that may be redeemed for airline travel on virtually any airline, anytime, anywhere with the option to use points to purchase merchandise from a leading Internet retailer. The TCF Miles Plus Card attracts a new group of customers to TCF, providing us an opportunity to introduce them to our many other products and services.

TCF's de novo strategy of branch expansion and product line improvements continues to complement each other. New products and services with convenient locations attract new customers to our branch network, which support and grow these relationships by providing the most convenient banking services in our markets. TCF plans to continue this successful strategy.

## Convenience

Everything we do at TCF revolves around the idea of convenience; our fundamental banking strategy is to provide premier convenience products and services to our customers. We deliver convenience based on knowing what our customers want, and we continue to expand and enhance our offerings based on their needs.

**New Branch<sup>1</sup> Banking Fees & Other Revenue<sup>2</sup>**  
(millions of dollars)



<sup>1</sup> Branches opened since January 1, 1998.

<sup>2</sup> Consisting of fees and service charges, card revenue, ATM revenue, and investment and insurance revenue.

TCF's extensive branch network is at the core of our convenience strategy. Spanning six states, TCF's 430 branches are conveniently located where our customers live, shop and do business. We're open seven days a week, with extended hours in both our supermarket and traditional branches, to ensure that our customers can do business when it's convenient for them. Even on most holidays, TCF customers know that personal service is available to open new accounts, make deposits and withdrawals, obtain loans, make investments, and have access to other banking products and services.

Supermarket branches continue to play an important role in TCF's convenience strategy. These full-service branches allow customers to simplify their schedules by handling their banking needs while shopping. During 2004, TCF began remodeling and upgrading its supermarket branches. By the end of 2005, certain supermarket branches will have installed new plasma-screen merchandising systems, allowing TCF to promote its products while displaying news, weather, and sports information.

TCF's customers have also enjoyed the enhancements made to some of our traditional branches. During 2004, we evaluated customer's ease of access to some of our traditional branch locations and, as a result,

moved, consolidated and remodeled targeted branches. We have also added more traditional branch drive-through lanes, which is another easy one-stop banking option for TCF customers. Drive-throughs will become even more readily available as we continue to expand our traditional branch network.

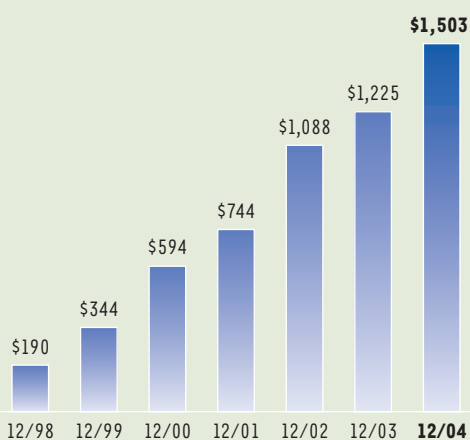
For customers who prefer the convenience of electronic banking, TCF provides a host of products and services. These include an automated phone system, an extensive network of TCF<sup>®</sup> EXPRESS TELLER<sup>®</sup> ATMs and online banking products such as TCF<sup>®</sup> Totally Free Online, TCF<sup>®</sup> Preferred Online and TCF<sup>®</sup> Online Bill Pay. During 2004, TCF's call center operations embarked on an initiative to centralize its retail call centers and implement a new state-of-the-art phone system simplifying phone menu options and incorporating skill-based routing functionality for improved customer service. Our commitment to convenience banking was also evidenced during 2004 by enhancements to our online bill payment service, a complete redesign of the TCFExpress.com website and printable check images available to all online customers.

Online at TCF<sup>®</sup> Express Trade<sup>®</sup>, customers can buy and sell stocks, mutual funds and other securities. Access to investment holdings, account history, stock research, and order placement are available 24 hours a day, seven days a week, 365 days a year. Customers preferring personal service can contact a personal trading representative.

Small business customers may also take advantage of TCF's Internet banking services. TCF<sup>®</sup> Totally Free Online Banking for Business provides basic Internet banking services with no access fee. TCF<sup>®</sup> Preferred Online Business Banking provides expanded account history and the ability to download transaction detail into financial software applications, helping small business owners manage their businesses.

TCF continues to expand its customer base by offering services like TCF Check Cashing<sup>SM</sup> and on-site coin counting through TCF<sup>®</sup> Express Coin Service. New products attract new customers to TCF, such as newly launched TCF Premier Checking Plus<sup>SM</sup> with TCF Miles Plus<sup>SM</sup> Card, TCF

### New Branch<sup>1</sup> Total Deposits (millions of dollars)



<sup>1</sup> Branches opened since January 1, 1998.



Premier Checking<sup>SM</sup>, TCF Premier Savings<sup>SM</sup>, and TCF PLUS e Checking<sup>SM</sup>. Additionally, in 2004, TCF's consumer lending and home loan divisions merged offering new home purchase customers quicker access to their funds through TCF's fast-close loan program.

Our customers' lives and business needs are evolving and we will continue to develop and enhance products and services to meet their needs. At TCF, we remain committed to being "The Leader in Convenience Banking."

## Power Assets and Power Liabilities

In 2004, TCF continued its focus on building Power Assets and Power Liabilities. TCF defines Power Assets as higher-yielding commercial loans, commercial real estate loans, leasing and equipment finance, and consumer home equity loans. Power Liabilities include checking, savings, money market accounts, and certificates of deposits. Power Assets and Power Liabilities now comprise approximately 66 percent of TCF's balance sheet and in 2004 contributed over 92 percent of net income.

TCF was one of the very first banks in America to offer "Totally Free Checking" – which continues to be our most popular and most profitable deposit product. We now have over 1,500,000 checking accounts. TCF uses the checking account as the starting point with our customers, then builds that relationship by offering the most convenient banking environment featuring innovative products and exceptional services. By year-end 2004, this resulted in \$3.9 billion in checking deposits (an increase of more than \$657.6 million), \$1.9 billion in savings deposits and \$659.7 million in money market accounts.

TCF's Power Asset and Power Liability business strategies are inter-related. Because Power Liabilities are a significant contributor to net income, we can afford to be very conservative in underwriting our Power Assets and still generate relatively high earnings performance results. In 2004, TCF's return on average assets was 2.15 percent and return on average equity was 27.02 percent – one of the top performing

banks in the country. Additionally, TCF once again had one of the lowest net charge-off ratios in the banking industry at .11 percent.

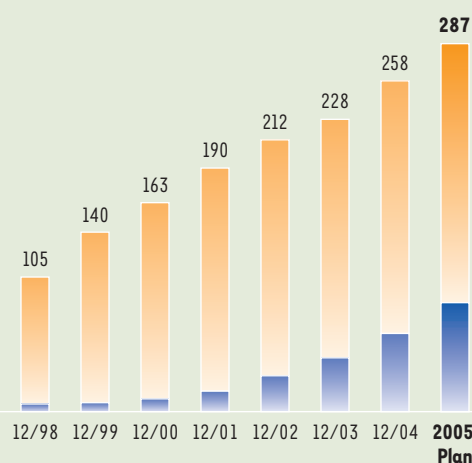
Consumer lending had another exceptional year, comprising over 52 percent of Power Assets at year end. Consumer loans, which are 99 percent home equity loans, increased by \$788.2 million, or 22 percent, during 2004, and ended the year with \$4.4 billion in loans outstanding. This was accomplished by adding new lenders, plus developing and maintaining our staff of the best consumer lenders in the marketplace.

TCF's leasing and equipment finance operations delivered double-digit growth in 2004, gaining \$215 million in loans and leases outstanding, or 19 percent. This increase included the purchase of VGM Financial Services, a home medical equipment leasing company that TCF Leasing acquired early in 2004. Overall, TCF's leasing operations continued to improve credit quality by reducing net charge-offs and delinquencies from year-end 2003.

TCF's commercial lending group also performed well in 2004, increasing loans outstanding by \$234.1 million, or 10 percent. The addition of commercial real estate lending in the Colorado market and the increased number of commercial lenders in our other banking states

### Total New Branches<sup>1</sup> (number of branches)

■ Traditional Branches ■ Supermarket Branches



<sup>1</sup> Branches opened since January 1, 1998.

contributed to this growth. With a focus on secured lending, this portfolio continues to have strong credit quality and low net charge-offs, ending the year at .03 percent.

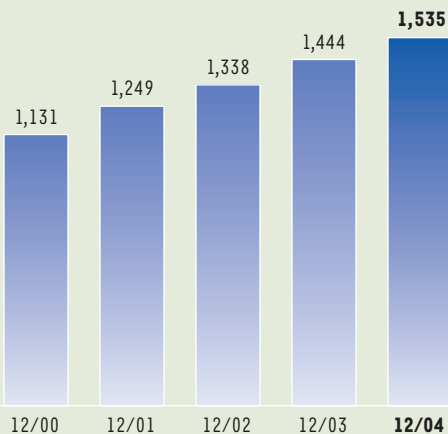
Power Assets and Power Liabilities remain the cornerstone of TCF's growth, profitability and success.

## Community Giving

TCF is dedicated to improving quality of life within the communities we serve. We believe that we have a special obligation to local communities that goes beyond simply providing financial services. TCF and its employees support many local organizations through generous gifts of time, talent and resources.

TCF reflects its commitment to the community by supporting a variety of nonprofit organizations through volunteer time, management counsel and grants. This support is concentrated into four categories: human services, community development, education, and arts & culture. Additionally, we provide assistance to many local organizations supported by TCF employees through their active volunteerism or service on boards and committees.

### Checking Accounts (thousands)



There are a variety of ways local nonprofit organizations receive financial support from the TCF Foundation, TCF Bank and its employees:

- *Branch Funds* – Contributions or grants awarded to organizations located near TCF branches.
- *Employee Matching Gifts* – Donations contributed by employees, matched dollar-for-dollar by TCF, to nonprofit organizations of their choice.
- *Employee's Fund* – Funds contributed by employees through payroll deduction; contributions are matched 100 percent by the TCF Foundation.
- *TCF Foundation and Corporate Giving* – Larger grants and multi-year commitments awarded to many local and some national organizations.

During the past ten years, TCF has contributed more than \$21 million in grants to charitable organizations. We have also supported local affordable housing efforts and assisted with the capitalization of several affordable housing loan funds.

In June of 2004, TCF received the National Business Partner of the Year Award from Goodwill Easter Seals. Seven years ago, TCF joined forces with Goodwill/Easter Seals to develop a program to help give people with barriers to employment a chance to learn skills for entry-level work in the banking industry. TCF has since provided more than \$300,000 to support Goodwill's campaigns and its Bank Skills Training Program.

TCF and its employees are dedicated to making a difference to those in need. We are proud of our investment and will continue to support numerous programs vital towards improving the well-being of our communities.

# The Financials

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# Management's Discussion and Analysis

Management's discussion and analysis of the consolidated financial condition and results of operations of TCF Financial Corporation ("TCF" or the "Company") should be read in conjunction with the consolidated financial statements and other financial data beginning on page 48.

## OVERVIEW

TCF is a national financial holding company located in Wayzata, Minnesota. Its principal subsidiary, TCF National Bank, is headquartered in Minnesota and had 430 banking offices in Minnesota, Illinois, Michigan, Wisconsin, Colorado and Indiana at December 31, 2004.

TCF provides convenient financial services through multiple channels to customers located primarily in the Midwest. TCF has developed products and services designed to meet the needs of all consumers. 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 and automated teller machine ("ATM") networks, and telephone and Internet banking. TCF's philosophy is to generate net interest income and fees and other revenue growth through business lines that emphasize higher yielding assets and lower or no interest-cost deposits. The Company's growth strategies include new branch expansion and the development of new products and services. New products and services are designed to build on existing businesses and expand into complementary products and services through strategic initiatives.

TCF's core businesses are comprised of traditional and supermarket bank branches, campus banking, EXPRESS TELLER® ATM's, Visa U.S.A. Inc. ("Visa") debit cards, commercial banking, small business banking, consumer lending, leasing and equipment finance and investment, securities brokerage and insurance services. TCF emphasizes the checking account as its anchor account, which provides opportunities to cross-sell other convenience products and services and generate additional fee income. During 2004, TCF generated 504,310 new checking accounts and closed 412,979 accounts, or 28.6%, of the checking accounts existing at the beginning of the year, up from 27% in 2003. TCF's management monitors the opening and closing of accounts and is pursuing opportunities to reduce account attrition to further increase the growth in checking accounts. The continued growth in checking accounts is a significant part of TCF's growth strategy.

At December 31, 2004, 258, or 60%, of TCF's 430 branches were opened since January 1, 1998 and consist of 197 supermarket branches and 61 traditional branches. Opening new branches is an integral part of TCF's growth strategy for generating new deposit accounts and the related revenue that is associated with the accounts and other products. New branches typically produce net losses during the first 24–36 months of operations before they become profitable, and therefore the level and timing of new branch expansion can have a significant impact on TCF's profitability. TCF's growth in checking accounts is primarily occurring in new branches with growth in older, mature branches being slower. The success of TCF's branch expansion is dependent on the continued long-term success and viability of branch banking. Success in the supermarket branches is also dependent on the success and viability of the supermarket branch locations. Economic slowdowns, financial or labor difficulties and competitive pressures may have an adverse impact on the supermarket industry and therefore reduce customer activity in TCF's supermarket branches. TCF is subject to the risk, among others, that its license for its supermarket branches will terminate in connection with the sale or closure of a store by a supermarket chain.

TCF's lending strategy is to originate high credit quality, primarily secured, loans and leases. Commercial loans are generally made on local properties or to local customers. TCF's largest core lending business is its consumer home equity loan operation, which offers fixed- and variable-rate loans and lines of credit secured by residential real estate properties. The leasing and equipment finance businesses consist of Winthrop Resources Corporation ("Winthrop"), a leasing company that primarily leases technology and data processing equipment, and TCF Leasing, Inc. ("TCF Leasing"), a company that delivers equipment finance solutions to businesses in select markets. TCF's leasing and equipment finance businesses operate in all 50 states.

As a primarily secured lender, TCF emphasizes credit quality over asset growth. As a result, TCF's credit losses are generally lower than those experienced by other banks. The allowance for loan and lease losses, while generally lower as a percent of loans and leases than the average in the banking industry, reflects the lower historical charge-offs and management's expectation of the risk of loss inherent in the loan and lease portfolio. See "Consolidated Financial Condition Analysis — Allowance for Loan and Lease Losses."

Net interest income, the difference between interest income earned on loans and leases and on investments, and interest expense paid on deposits and short-term and long-term borrowings, represents 50.1% of TCF's total revenue. 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 Committee and through related interest rate risk monitoring and management policies. See "Market Risk — Interest-Rate Risk" for further discussion of TCF's interest rate risk position.

The historically low interest rates in 2003 and 2004 were a significant challenge to asset/liability risk and management made several key decisions that impacted TCF's results. These very low interest rates caused a high level of prepayment in the residential loan and mortgage-backed securities portfolio, which declined a combined \$111.8 million during 2004 and \$1.5 billion during 2003.

The Company's Visa debit card program has grown significantly since its inception in 1996. TCF is one of the largest issuers of Visa Classic debit cards in the United States. TCF earns interchange revenue from customer debit card transactions. During 2004, 88.7% of TCF's debit card sales volume was generated from off-line (signature-based) transactions. The average interchange rate on these off-line transactions was 1.40% in 2004 compared with 1.43% in 2003. The decrease in the average off-line interchange rate was the result of Visa establishing new interchange rates, as part of the settlement of its class action lawsuits, which took effect in August 2003 and were revised in February 2004. Class action litigation against Visa brought by certain merchants who chose not to participate in the 2003 settlements remains pending. In October 2004, the United States Supreme Court decided not to hear an appeal of a ruling that Visa and MasterCard may not bar member banks from issuing cards on rival networks. Rival card networks, such as Discover and

American Express, have brought or are considering bringing private legal action against Visa and MasterCard. Visa is a defendant in several other legal actions. The ultimate impact of any such litigation cannot be predicted at this time. The continued success of TCF's debit card program is dependent on the success and viability of Visa and the continued use by customers and acceptance by merchants of its debit cards.

TCF's mortgage banking business originated residential mortgage loans and sold them to investors, primarily retaining the servicing rights and related servicing revenue. During 2004, TCF restructured its mortgage banking business by eliminating the wholesale loan origination activities and downsizing and integrating its retail loan origination function with TCF's consumer lending business. TCF's mortgage banking business no longer originates any new loans and continues to service the remaining \$4.5 billion portfolio of mortgage loans for third party investors. Generally accepted accounting principles require TCF to record the value of the servicing rights on the balance sheet at the time the loans are sold. Capitalized mortgage servicing rights are amortized in proportion to, and over the period of, estimated related servicing revenues and are also evaluated quarterly for impairment. As interest rates fall, there is a higher probability of prepayment as the customer can generally refinance the loan with relative ease. In addition, as property values increase, customers' home equity increases, enabling customers to engage in "cash-out" refinance transactions where the customer refinances an existing mortgage into a higher balance loan in order to draw out the increased home equity. TCF does not utilize derivatives to manage the impairment risk in its capitalized mortgage servicing rights.

The following portions of the Management's Discussion and Analysis focus in more detail on the results of operations for 2004, 2003 and 2002 and on information about TCF's balance sheet, credit quality, liquidity and funding resources, capital, critical accounting estimates and other matters.



## RESULTS OF OPERATIONS

### Five Year Financial Summary

#### Consolidated Income:

(Dollars in thousands, except per-share data)	Year Ended December 31,					Compound Annual Growth Rate	
	2004	2003	2002	2001	2000	1-Year 2004/2003	5-Year 2004/1999
Total revenue	\$ 982,357	\$ 900,424	\$ 918,987	\$ 852,708	\$ 774,812	9.1%	5.9%
Net interest income	\$ 491,891	\$ 481,145	\$ 499,225	\$ 481,222	\$ 438,536	2.2	3.0
Provision for credit losses	10,947	12,532	22,006	20,878	14,772	(12.6)	(8.3)
Fees & other revenue	467,866	430,792	406,264	367,307	323,463	8.6	11.3
Other non-interest income	22,600	(11,513)	13,498	4,179	12,813	N.M.	(10.5)
Non-interest expense	586,934	560,109	539,288	501,996	457,202	4.8	5.6
Income before income tax expense	384,476	327,783	357,693	329,834	302,838	17.3	7.1
Income tax expense	129,483	111,905	124,762	122,512	116,593	15.7	3.9
Net income	\$ 254,993	\$ 215,878	\$ 232,931	\$ 207,322	\$ 186,245	18.1	9.0
Per common share:							
Basic earnings	\$ 1.87	\$ 1.53	\$ 1.58	\$ 1.37	\$ 1.18	22.2	13.1
Diluted earnings	\$ 1.86	\$ 1.53	\$ 1.58	\$ 1.35	\$ 1.17	21.6	13.2
Dividends declared	\$ .75	\$ .65	\$ .575	\$ .50	\$ .4125	15.4	15.7

N.M. Not Meaningful.

#### Consolidated Financial Condition:

(Dollars in thousands, except per-share data)	At December 31,					Compound Annual Growth Rate	
	2004	2003	2002	2001	2000	1-Year 2004/2003	5-Year 2004/1999
Securities available for sale	\$ 1,619,941	\$ 1,533,288	\$ 2,426,794	\$ 1,584,661	\$ 1,403,888	5.7%	1.3%
Residential real estate loans	1,014,166	1,212,643	1,800,344	2,733,290	3,673,831	(16.4)	(23.7)
Subtotal	2,634,107	2,745,931	4,227,138	4,317,951	5,077,719	(4.1)	(13.5)
Loans and leases excluding residential real estate loans	8,372,491	7,135,135	6,320,784	5,510,912	4,872,868	17.3	16.1
Total assets	12,340,567	11,319,015	12,202,069	11,358,715	11,197,462	9.0	3.0
Checking, savings and money market deposits	6,493,545	5,999,626	5,791,233	4,778,714	4,086,219	8.2	11.8
Certificates of deposit	1,468,650	1,612,123	1,918,755	2,320,244	2,805,605	(8.9)	(12.6)
Total deposits	7,962,195	7,611,749	7,709,988	7,098,958	6,891,824	4.6	3.9
Borrowings	3,104,603	2,414,825	3,110,295	3,023,025	3,184,245	28.6	0.1
Stockholders' equity	958,418	920,858	977,020	917,033	910,220	4.1	3.4
Book value per common share	6.99	6.53	6.61	5.96	5.67	7.0	7.2

#### Key Ratios and Other Data:

	At or For the Year Ended December 31,				
	2004	2003	2002	2001	2000
Return on average assets	2.15%	1.85%	2.01%	1.79%	1.72%
Return on average equity	27.02	23.05	25.38	23.06	22.64
Average total equity to average assets	7.94	8.03	7.91	7.78	7.58
Net interest margin <sup>(1)</sup>	4.54	4.54	4.71	4.51	4.35
Common dividend payout ratio	40.32%	42.48%	36.39%	37.04%	35.26%
Number of banking locations	430	401	395	375	352
Number of checking accounts (in thousands)	1,535	1,444	1,338	1,249	1,131

<sup>(1)</sup> Net interest income divided by average interest-earning assets.

**Performance Summary** TCF reported diluted earnings per common share of \$1.86 for 2004, compared with \$1.53 for 2003 and \$1.58 for 2002. Net income was \$255 million for 2004, compared with \$215.9 million for 2003 and \$232.9 million for 2002. Return on average assets was 2.15% in 2004, compared with 1.85% in 2003 and 2.01% in 2002.

Return on average equity was 27.02% in 2004, compared with 23.05% in 2003 and 25.38% in 2002. During 2003, TCF prepaid \$954 million of high cost FHLB borrowings, incurring early termination fees of \$44.3 million (\$29.2 million after-tax) which reduced diluted earnings per share by 21 cents. There were no debt terminations in 2004 or 2002.

**Operating Segment Results** **BANKING**, comprised of deposits and investment products, commercial banking, small business banking, consumer lending, residential lending and treasury services, reported net income of \$219.9 million for 2004, up 22% from \$180.2 million in 2003. Banking net interest income for 2004 was \$427.5 million, compared with \$415.2 million for 2003. The provision for credit losses totaled \$4.1 million in 2004, down slightly from \$4.4 million in 2003. Non-interest income totaled \$426.9 million, up 20.2% from \$355.1 million in 2003. During 2003, TCF prepaid \$954 million of FHLB advances and recorded losses on terminations of debt totaling \$44.3 million. There were no debt terminations during 2004. During 2004, TCF sold mortgage-backed securities and realized gains of \$22.6 million, compared with similar gains of \$32.8 million for 2003. See "Consolidated Income Statement Analysis – Consolidated Net Interest Income" for further discussion on debt terminations and on the sales of mortgage-backed securities. Fees and other revenues were \$404.3 million for 2004, up \$37.7 million, or 10.3%, from 2003. These increases resulted from TCF's expanding branch network and customer base, new products and services, and increased fees. Banking non-interest expense totaled \$516.6 million, up 5.6% from \$489.2 million in 2003. The increases were primarily due to costs associated with new branch expansion.

TCF had 430 branches, including 248 full service supermarket branches at December 31, 2004. During 2004, TCF opened 30 new branches, of which 11 were supermarket branches. TCF remains focused on a long-term strategy of expanding its franchise with the planned opening of 29 new branches in 2005, consisting of 22 new traditional branches, five new supermarket branches and two campus branches. See "Consolidated Financial Condition Analysis – New Branch Expansion" for further information.

**LEASING AND EQUIPMENT FINANCE**, an operating segment comprised of TCF's wholly-owned subsidiaries Winthrop and TCF Leasing, which includes TCF Leasing's newly acquired business VGM Financial Services ("VGM"), provides a broad range of comprehensive lease and equipment finance products. During the first quarter of 2004, TCF Leasing acquired VGM, a company specializing in financing of home medical equipment. Leasing and Equipment Finance reported net income of \$35.9 million for 2004, up 22.6% from \$29.3 million in 2003. Net interest income for 2004 was \$55.7 million, up 22.8% from \$45.4 million in 2003. The provision for credit losses for this operating segment totaled \$6.8 million in 2004, down from \$8.2 million in 2003, primarily as a result of a decrease in net charge-offs. Non-interest income totaled \$50.7 million in 2004, down \$391 thousand

from \$51.1 million in 2003. Leasing and Equipment Finance revenues may fluctuate from period to period based on customer driven factors not entirely within the control of TCF. Non-interest expense totaled \$43.7 million in 2004, up \$1.7 million from \$42 million in 2003. Included in non-interest expenses for 2004 was an impairment charge of \$1.6 million related to a reduction in the estimated residual value of an aircraft leveraged lease investment.

**MORTGAGE BANKING** activities included the origination of residential mortgage loans, generally for sale to third parties with servicing retained and the servicing of loans for third party investors. This operating segment reported a net loss of \$3.2 million for 2004, compared with net income of \$2.9 million for 2003. TCF's mortgage banking operations funded \$856.7 million in loans during 2004, down from \$3 billion in 2003, primarily reflecting a decline in refinance activity as well as the restructuring of this business operation. Non-interest income totaled \$14.3 million, up from \$13.1 million in 2003. The increase in non-interest income was primarily due to a \$28.1 million increase in net servicing income partially offset by a \$26.9 million decline in gains on sales of loans and other income. See Note 10 of Notes to the Consolidated Financial Statements for further discussion. The prepayment rate on the third party servicing portfolio was 21.4% in 2004, down from 51.8% in 2003. Mortgage Banking's non-interest expense totaled \$27.4 million for 2004, down 8.7% from \$30 million for 2003. Contributing to the decrease in non-interest expense during 2004 were decreased expenses resulting from the decline in refinance activity and the elimination of whole-sale loan origination activities and downsizing and integrating of the retail origination function with the consumer lending business. The Mortgage Banking operations recorded \$2.3 million of expense related to the restructuring of its operations in 2004.

## CONSOLIDATED INCOME STATEMENT ANALYSIS

**Net Interest Income** Net interest income, which is the difference between interest earned on loans and leases, securities available for sale, investments and other interest-earning assets (interest income), and interest paid on deposits and borrowings (interest expense), represented 50.1% of TCF's revenue in 2004. 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 interest rates, by loan and deposit pricing strategies and competitive conditions, the volume and the mix of interest-earning assets and interest-bearing liabilities, and the level of non-performing assets.

The following tables present TCF's average balance sheets, interest and dividends earned or paid, and the related yields and rates on major categories of TCF's interest-earning assets and interest-bearing liabilities:

	Year Ended December 31, 2004			Year Ended December 31, 2003			Change		
	Average Balance	Interest <sup>(1)</sup>	Average Yields and Rates	Average Balance	Interest <sup>(1)</sup>	Average Yields and Rates	Average Balance	Interest <sup>(1)</sup>	Average Yields and Rates (bps)
(Dollars in thousands)									
<b>Assets:</b>									
Investments . . . . .	\$ 124,833	\$ 3,455	2.77%	\$ 101,455	\$ 4,511	4.45%	\$ 23,378	\$ (1,056)	(168)
Securities available for sale <sup>(2)</sup> . . . . .	1,536,673	80,643	5.25	1,891,062	103,821	5.49	(354,389)	(23,178)	(24)
Loans held for sale . . . . .	331,529	11,533	3.48	488,634	20,016	4.10	(157,105)	(8,483)	(62)
Loans and leases:									
Consumer . . . . .	4,005,558	245,439	6.13	3,288,040	214,971	6.54	717,518	30,468	(41)
Commercial real estate . . . . .	2,008,943	110,446	5.50	1,854,452	108,867	5.87	154,491	1,579	(37)
Commercial business . . . . .	431,793	18,569	4.30	445,634	19,020	4.27	(13,841)	(451)	3
Leasing and equipment finance . . . . .	1,285,925	89,364	6.95	1,094,532	81,912	7.48	191,393	7,452	(53)
Subtotal . . . . .	7,732,219	463,818	6.00	6,682,658	424,770	6.36	1,049,561	39,048	(36)
Residential real estate . . . . .	1,104,814	63,360	5.73	1,440,688	88,401	6.14	(335,874)	(25,041)	(41)
Total loans and leases <sup>(3)</sup> . . . . .	8,837,033	527,178	5.97	8,123,346	513,171	6.32	713,687	14,007	(35)
Total interest-earning assets . . . . .	10,830,068	622,809	5.75	10,604,497	641,519	6.05	225,571	(18,710)	(30)
Other assets . . . . .	1,052,679			1,053,073			(394)		
Total assets . . . . .	\$11,882,747			\$11,657,570			\$ 225,177		
<b>Liabilities and Stockholders' Equity:</b>									
Non-interest bearing deposits . . . . .	\$ 2,355,000			\$ 2,232,883			\$ 122,117		
Interest-bearing deposits:									
Checking . . . . .	1,338,893	3,820	.29	1,064,380	948	.09	274,513	2,872	20
Savings . . . . .	1,823,852	7,490	.41	1,847,775	9,298	.50	(23,923)	(1,808)	(9)
Money market . . . . .	763,925	2,992	.39	887,273	4,447	.50	(123,348)	(1,455)	(11)
Subtotal . . . . .	3,926,670	14,302	.36	3,799,428	14,693	.39	127,242	(391)	(3)
Certificates of deposit . . . . .	1,493,938	28,279	1.89	1,743,533	42,102	2.41	(249,595)	(13,823)	(52)
Total interest-bearing deposits . . . . .	5,420,608	42,581	.79	5,542,961	56,795	1.02	(122,353)	(14,214)	(23)
Total deposits . . . . .	7,775,608	42,581	.55	7,775,844	56,795	.73	(236)	(14,214)	(18)
Borrowings:									
Short-term borrowings . . . . .	809,106	12,664	1.57	757,128	9,451	1.25	51,978	3,213	32
Long-term borrowings . . . . .	1,984,069	75,673	3.81	1,778,671	94,128	5.29	205,398	(18,455)	(148)
Total borrowings . . . . .	2,793,175	88,337	3.16	2,535,799	103,579	4.08	257,376	(15,242)	(92)
Total interest-bearing liabilities . . . . .	8,213,783	130,918	1.59	8,078,760	160,374	1.99	135,023	(29,456)	(40)
Total deposits and borrowings . . . . .	10,568,783	130,918	1.24	10,311,643	160,374	1.56	257,140	(29,456)	(32)
Other liabilities <sup>(4)</sup> . . . . .	370,184			409,539			(39,355)		
Total liabilities . . . . .	10,938,967			10,721,182			217,785		
Stockholders' equity <sup>(4)</sup> . . . . .	943,780			936,388			7,392		
Total liabilities and stockholders' equity . . . . .	\$11,882,747			\$11,657,570			\$ 225,177		
<b>Net interest income and margin . . . . .</b>		\$ 491,891	4.54%		\$ 481,145	4.54%		\$ 10,746	—

bps = basis points.

<sup>(1)</sup> Tax-exempt income was not significant and thus interest income and related yields have not been presented on a tax equivalent basis. Tax-exempt income of \$638,000 and \$523,000 was recognized during the years ended December 31, 2004 and 2003, respectively.

<sup>(2)</sup> Average balance and yield of securities available for sale are based upon the historical amortized cost.

<sup>(3)</sup> Average balance of loans and leases includes non-accrual loans and leases, and is presented net of unearned income.

<sup>(4)</sup> Average balance is based upon month-end balances.

(Dollars in thousands)	Year Ended December 31, 2003			Year Ended December 31, 2002			Change		
	Average Balance	Interest <sup>(1)</sup>	Average Yields and Rates	Average Balance	Interest <sup>(1)</sup>	Average Yields and Rates	Average Balance	Interest <sup>(1)</sup>	Average Yields and Rates (bps)
<b>Assets:</b>									
Investments . . . . .	\$ 101,455	\$ 4,511	4.45%	\$ 154,862	\$ 6,934	4.48%	\$ (53,407)	\$ (2,423)	(3)
Securities available for sale <sup>(2)</sup> . . . . .	1,891,062	103,821	5.49	1,879,674	118,272	6.29	11,388	(14,451)	(80)
Loans held for sale . . . . .	488,634	20,016	4.10	437,702	22,464	5.13	50,932	(2,448)	(103)
Loans and leases:									
Consumer . . . . .	3,288,040	214,971	6.54	2,712,812	207,492	7.65	575,228	7,479	(111)
Commercial real estate . . . . .	1,854,452	108,867	5.87	1,746,207	118,355	6.78	108,245	(9,488)	(91)
Commercial business . . . . .	445,634	19,020	4.27	435,488	22,699	5.21	10,146	(3,679)	(94)
Leasing and equipment finance . . . . .	1,094,532	81,912	7.48	995,672	85,447	8.58	98,860	(3,535)	(110)
Subtotal . . . . .	6,682,658	424,770	6.36	5,890,179	433,993	7.37	792,479	(9,223)	(101)
Residential real estate . . . . .	1,440,688	88,401	6.14	2,227,537	151,700	6.81	(786,849)	(63,299)	(67)
Total loans and leases <sup>(3)</sup> . . . . .	8,123,346	513,171	6.32	8,117,716	585,693	7.21	5,630	(72,522)	(89)
Total interest-earning assets . . . . .	10,604,497	641,519	6.05	10,589,954	733,363	6.93	14,543	(91,844)	(88)
Other assets . . . . .	1,053,073			1,020,550			32,523		
Total assets . . . . .	<u>\$11,657,570</u>			<u>\$11,610,504</u>			<u>\$ 47,066</u>		
<b>Liabilities and Stockholders' Equity:</b>									
Non-interest bearing deposits . . . . .	\$ 2,232,883			\$ 1,893,916			\$ 338,967		
Interest-bearing deposits:									
Checking . . . . .	1,064,380	948	.09	915,720	1,479	.16	148,660	(531)	(7)
Savings . . . . .	1,847,775	9,298	.50	1,560,539	15,924	1.02	287,236	(6,626)	(52)
Money market . . . . .	887,273	4,447	.50	919,393	9,737	1.06	(32,120)	(5,290)	(56)
Subtotal . . . . .	3,799,428	14,693	.39	3,395,652	27,140	.80	403,776	(12,447)	(41)
Certificates of deposit . . . . .	1,743,533	42,102	2.41	2,108,708	68,246	3.24	(365,175)	(26,144)	(83)
Total interest-bearing deposits . . . . .	5,542,961	56,795	1.02	5,504,360	95,386	1.73	38,601	(38,591)	(71)
Total deposits . . . . .	7,775,844	56,795	.73	7,398,276	95,386	1.29	377,568	(38,591)	(56)
Borrowings:									
Short-term borrowings . . . . .	757,128	9,451	1.25	573,935	9,903	1.73	183,193	(452)	(48)
Long-term borrowings . . . . .	1,778,671	94,128	5.29	2,277,974	128,849	5.66	(499,303)	(34,721)	(37)
Total borrowings . . . . .	2,535,799	103,579	4.08	2,851,909	138,752	4.87	(316,110)	(35,173)	(79)
Total interest-bearing liabilities . . . . .	8,078,760	160,374	1.99	8,356,269	234,138	2.80	(277,509)	(73,764)	(81)
Total deposits and borrowings . . . . .	10,311,643	160,374	1.56	10,250,185	234,138	2.28	61,458	(73,764)	(72)
Other liabilities <sup>(4)</sup> . . . . .	409,539			442,404			(32,865)		
Total liabilities . . . . .	10,721,182			10,692,589			28,593		
Stockholders' equity <sup>(4)</sup> . . . . .	936,388			917,915			18,473		
Total liabilities and stockholders' equity . . . . .	<u>\$11,657,570</u>			<u>\$11,610,504</u>			<u>\$ 47,066</u>		
<b>Net interest income and margin . . . . .</b>		\$ 481,145	4.54%		\$ 499,225	4.71%		\$ (18,080)	(17)

bps = basis points.

<sup>(1)</sup> Tax-exempt income was not significant and thus interest income and related yields have not been presented on a tax equivalent basis. Tax-exempt income of \$523,000 and \$354,000 was recognized during the years ended December 31, 2003 and 2002, respectively.

<sup>(2)</sup> Average balance and yield of securities available for sale are based upon the historical amortized cost.

<sup>(3)</sup> Average balance of loans and leases includes non-accrual loans and leases, and is presented net of unearned income.

<sup>(4)</sup> Average balance is based upon month-end balances.

The following table presents the components of the changes in net interest income by volume and rate:

(In thousands)	Year Ended December 31, 2004 Versus Same Period in 2003			Year Ended December 31, 2003 Versus Same Period in 2002		
	Increase (Decrease) Due to			Increase (Decrease) Due to		
	Volume <sup>(1)</sup>	Rate <sup>(1)</sup>	Total	Volume <sup>(1)</sup>	Rate <sup>(1)</sup>	Total
Interest income:						
Investments .....	\$ 890	\$ (1,946)	\$ (1,056)	\$ (2,375)	\$ (48)	\$ (2,423)
Securities available for sale .....	(18,761)	(4,417)	(23,178)	713	(15,164)	(14,451)
Loans held for sale .....	(5,775)	(2,708)	(8,483)	2,421	(4,869)	(2,448)
Loans and leases:						
Consumer .....	44,623	(14,155)	30,468	40,204	(32,725)	7,479
Commercial real estate .....	8,743	(7,164)	1,579	7,026	(16,514)	(9,488)
Commercial business .....	(594)	143	(451)	518	(4,197)	(3,679)
Leasing and equipment finance .....	13,597	(6,145)	7,452	8,009	(11,544)	(3,535)
Residential real estate .....	(19,557)	(5,484)	(25,041)	(49,442)	(13,857)	(63,299)
Total interest income .....	13,444	(32,154)	(18,710)	1,006	(92,850)	(91,844)
Interest expense:						
Checking .....	189	2,683	2,872	209	(740)	(531)
Savings .....	(119)	(1,689)	(1,808)	2,535	(9,161)	(6,626)
Money market .....	(566)	(889)	(1,455)	(329)	(4,961)	(5,290)
Certificates of deposit .....	(5,508)	(8,315)	(13,823)	(10,602)	(15,542)	(26,144)
Short-term borrowings .....	684	2,529	3,213	2,693	(3,145)	(452)
Long-term borrowings .....	9,982	(28,437)	(18,455)	(26,838)	(7,883)	(34,721)
Total interest expense .....	3,911	(33,367)	(29,456)	1,396	(75,160)	(73,764)
Net interest income .....	10,247	499	10,746	685	(18,765)	(18,080)

<sup>(1)</sup> Changes attributable to the combined impact of volume and rate have been allocated proportionately to the change due to volume and the change due to rate.

Achieving net interest margin growth over time is dependent on TCF's ability to generate higher-yielding assets and lower-cost retail deposits. The net impact of the changes in interest-bearing assets and deposits and borrowings has positioned TCF to be asset sensitive (i.e. more assets than liabilities will be maturing, repricing, or prepaying during the next twelve months). Although this positive gap position may benefit TCF in a rising rate environment, if interest rates remain at current levels or fall further, the net interest margin may compress and net interest income may decline. An increase in interest rates would affect TCF's fixed-rate/variable-rate product origination mix and would extend the estimated life of its residential real estate loan and mortgage-backed securities portfolios. A change in origination mix and/or the extending of the estimated

life of mortgage-related assets may have an adverse impact on future net interest income or net interest margin as fixed-rate assets are funded with interest-bearing liabilities with increasing rates. Competition for checking, savings and money market deposits, important sources of lower-cost funds for TCF, is intense. A decline in these low-cost deposits may have an adverse impact on future net interest income or net interest margin as TCF would need to replace these funds with short- or long-term borrowings which may have a higher interest cost. See "Consolidated Financial Condition Analysis – Market Risk – Interest-Rate Risk" and "Consolidated Financial Condition Analysis – Deposits" for further discussion on TCF's interest rate risk position.



The increase in 2004 in net interest income primarily reflects the growth in average consumer, commercial and leasing and equipment finance balances, up \$1 billion over 2003, partially offset by the reductions in residential real estate loans and mortgage-backed securities, down \$690.3 million from 2003, and residential mortgage loans held for sale down \$179.9 million during the same period. The decrease in average residential real estate loans and mortgage-backed securities reflects management's decision to delay investing in long-term fixed-rate residential real estate loans and mortgage-backed securities to replace prepayments and sales of such assets during the very low interest rate environment coupled with the growth in higher yielding consumer, commercial and lease equipment finance loans and leases.

The decrease in 2003, from 2002, in both net interest income and net interest margin was primarily the result of a decline in the overall yield on interest-earning assets during 2003, partially offset by a decline in the overall cost of funds on interest-bearing liabilities. The yield on interest-earning assets declined 88 basis points from 6.93% for 2002 to 6.05% for 2003, while the overall cost of funds on interest-bearing liabilities declined 72 basis points to 1.56% for 2003. Interest income decreased \$91.8 million in 2003, reflecting decreases of \$92.9 million due to the decline in rates partially offset by a \$1 million increase due to volume. Interest expense decreased \$73.8 million in 2003, reflecting decreases of \$75.2 million due to lower cost of funds, partially offset by a \$1.4 million increase due to volume.

Net interest income and net interest margin in 2002 increased from 2001 primarily as a result of growth in average low-cost deposits (checking, savings and money market), up \$997.8 million, or 23.2%, coupled with growth in higher-yielding loans and leases (commercial, consumer and lease equipment finance) of \$724.6 million, or 14%, and lower borrowing costs. These increases were partially offset by a decrease of \$850 million, or 17.1%, for 2002 in lower-yielding residential mortgages and mortgage-backed securities.

**Provision for Credit Losses** TCF provided \$10.9 million for credit losses in 2004, compared with \$12.5 million in 2003 and \$22 million in 2002. The decrease in the provision from 2003 primarily reflects declines in net charge-offs. Net loan and lease charge-offs were \$9.5 million, or .11% of average loans and leases in 2004, down from \$12.9 million, or .16% of average loans and leases in 2003 and \$20 million, or .25% of average loans and leases in 2002. Leasing and equipment finance net charge-offs were \$5.5 million, or .43% of related average loans and leases during 2004, down from \$7.5 million, or .69% of related average loans and leases in 2003. The determination of the allowance for loan and lease losses and the related provision for credit losses is a critical accounting estimate which involves a number of factors such as 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. Also see "Consolidated Financial Condition Analysis — Allowance for Loan and Lease Losses."

**Non-Interest Income** Non-interest income is a significant source of revenue for TCF, representing 49.9% of total revenues in 2004, and is an important factor in TCF's results of operations. Providing a wide range of retail banking services is an integral component of TCF's business philosophy and a major strategy for generating additional non-interest income. Total non-interest income was \$490.5 million for 2004, up \$71.2 million from \$419.3 million in 2003. Non-interest income totaled \$419.8 million in 2002. Significantly impacting non-interest income during 2003 were losses on terminations of debt of \$44.3 million, which were part of the strategy to restructure the balance sheet and reduce funding costs in

future periods. There were no terminations of debt in either 2004 or 2002. Fees and other revenue increased \$37.1 million, or 8.6%, during 2004. This increase in 2004 was driven by increased fees, service charges and card revenue generated by TCF's expanding branch network and customer base. The increases in fees and service charges and card revenue primarily reflect an increase in the number of checking accounts, which totaled 1,535,152 accounts at December 31, 2004, up from 1,443,821 accounts at December 31, 2003 and 1,338,313 accounts at December 31, 2002. The average annual fee revenue per retail checking account was \$232 for 2004, compared with \$227 for 2003 and \$218 for 2002.

The following table presents the components of non-interest income:

(Dollars in thousands)	Year Ended December 31,					Compound Annual Growth Rate	
	2004	2003	2002	2001	2000	1-Year 2004/2003	5-Year 2004/1999
Fees and service charges . . . . .	\$271,664	\$247,456	\$226,051	\$195,162	\$166,394	9.8%	14.5%
Card revenue . . . . .	63,312	52,991	47,190	40,525	30,613	19.5	25.0
ATM revenue . . . . .	42,935	43,623	45,296	45,768	47,334	(1.6)	(1.5)
Investments and insurance revenue . . . . .	12,558	13,901	15,848	11,554	12,266	(9.7)	(3.3)
Subtotal . . . . .	390,469	357,971	334,385	293,009	256,607	9.1	12.1
Leasing and equipment finance . . . . .	50,323	51,088	51,628	45,730	38,442	(1.5)	12.0
Mortgage banking . . . . .	12,960	12,719	6,979	12,042	10,519	1.9	.3
Other . . . . .	14,114	9,014	13,272	16,526	17,895	56.6	1.9
Fees and other revenue . . . . .	467,866	430,792	406,264	367,307	323,463	8.6	11.3
Gains on sales of:							
Securities available for sale . . . . .	22,600	32,832	11,536	863	—		
Branches . . . . .	—	—	1,962	3,316	12,813		
Gains (losses) on termination of debt . . . . .	—	(44,345)	—	—	—		
Other non-interest income . . . . .	22,600	(11,513)	13,498	4,179	12,813		
Total non-interest income . . . . .	\$490,466	\$419,279	\$419,762	\$371,486	\$336,276	17.0	9.4
Fee revenue per retail checking account (in dollars) . . . . .	\$ 232	\$ 227	\$ 218	\$ 209	\$ 190	2.2	6.7
Fees and other revenue as a:							
percentage of total revenue . . . . .	47.63%	47.84%	44.21%	43.08%	41.75%		
percentage of average assets . . . . .	3.94	3.70	3.50	3.18	2.98		

**Fees and Service Charges** Fees and service charges increased \$24.2 million, or 9.8%, in 2004 and \$21.4 million, or 9.5%, in 2003. This increase primarily reflects the impact of TCF's expanding branch network and customer base, new products and services, and increased fees.

**Card Revenue** During 2004, card revenue, primarily interchange fees, totaled \$63.3 million, up 19.5%, from \$53 million in 2003. The increase in card revenue in 2004 was primarily attributed to a 21.4% increase in sales volumes generated by increases in both active accounts and the number of transactions per active account, partially offset by a 3 basis point decline in average off-line interchange rates from 2003. Interchange fees have been impacted as a result of the settlement of certain merchant litigation against Visa in 2003. As part of the settlement, interchange rates on debit cards for certain merchants were reduced from August 2003 through February 2004. Additionally, as part of the settlement, Visa established new

interchange rates for debit cards, which took effect in February 2004, and these rates increased from the rate established August 1, 2003; however, overall these new rates remained below the rates which were in effect prior to August 2003.

**ATM Revenue** ATM revenue totaled \$42.9 million for 2004, down 1.6% from \$43.6 million for 2003. The declines in ATM revenue were attributable to the continued decline in utilization of non-owned ATM machines by TCF customers and declines in utilization of TCF's ATM machines by non-customers partially offset by the increased number of TCF customers with cards. These declines resulted from increased use of debit cards as well as the increased competition from other ATM machine networks. Additionally, as ATM site contracts are renewed, merchants have generally required a larger percentage of the fee charged to non-customers for use of TCF's ATM's. At December 31, 2004, TCF had 1,141 EXPRESS TELLER® ATM machines, compared with 1,166 machines at December 31, 2003.

The following table sets forth information about TCF's card business:

(Dollars in thousands)	At or For the Year Ended December 31,			Percentage Increase (Decrease)	
	2004	2003	2002	2004/2003	2003/2002
Average number of checking accounts with a TCF card . . . . .	1,323,877	1,193,936	1,087,592	10.9%	9.8%
Active card users . . . . .	710,893	647,407	578,347	9.8	11.9
Average number of transactions per month . . . . .	13.5	12.5	11.8	8.0	5.9
Sales volume for the year ended:					
Off-line (Signature) . . . . .	\$4,197,678	\$3,543,657	\$2,958,633	18.5	19.8
On-line (PIN) . . . . .	537,124	355,045	257,560	51.3	37.8
Total . . . . .	<u>\$4,734,802</u>	<u>\$3,898,702</u>	<u>\$3,216,193</u>	<u>21.4</u>	<u>21.2</u>
Percentage off-line . . . . .	88.66%	90.89%	91.99%	(2.5)	(1.2)
Average off-line interchange rate . . . . .	1.40%	1.43%	1.55%	(2.1)	(7.7)

*Investments and Insurance Revenue* Investments and insurance revenue, consisting principally of commissions on sales of annuities and mutual funds, decreased \$1.3 million in 2004, compared with a decrease of \$1.9 million in 2003. Annuity and mutual fund sales volumes totaled \$212.2 million for the year ended December 31, 2004, compared with \$239.5 million during 2003. The decreased sales volumes during 2004 were the result of the continuation of low interest rates which reduced the rate of return on annuity products offered by insurance companies. Sales of insurance and investment products may fluctuate from period to period, and future sales levels will depend upon general economic conditions and investor preferences. Sales of annuities will also depend upon their continued tax advantage and may be negatively impacted by the level of interest rates and alternative investment products.

*Leasing and Equipment Finance Revenue* Leasing and equipment finance revenues decreased \$765 thousand, or 1.5%, in 2004, following a decrease of \$540 thousand or 1%, in 2003. The decrease in leasing revenues for 2004 was primarily driven by a decline in operating lease revenues of \$6.1 million, partially offset by a \$3.3 million increase in sales-type lease revenues and a \$2 million increase in other leasing revenues during 2004. Sales-type revenues generally occur at or near the end of the lease term as customers extend the lease or purchase the underlying equipment. As

Winthrop's outstanding lease receivables have declined and coupled with the period new leases take to reach the end of term, it is anticipated that sales-type revenues in 2005 will be lower than those achieved in 2004 and 2003. The decrease in leasing revenues for 2003 was primarily driven by a decline in sales-type revenues of \$3 million in 2003, partially offset by a \$2 million increase in operating lease revenues during 2003. Leasing and equipment finance revenues may fluctuate from period to period based on customer-driven factors not entirely within the control of TCF.

*Mortgage Banking Revenue* During 2004, TCF restructured its mortgage banking business by eliminating the wholesale loan origination activities and downsizing and integrating its retail loan origination function with TCF's consumer lending business. TCF's mortgage banking business no longer originates any new loans and continues to service the remaining \$4.5 billion portfolio of mortgage loans for third party investors. As a result, gains on sales of loans declined as origination volumes declined in 2004, and there will be no gains on sales of loans in 2005. The increase in mortgage banking revenues during 2003 was primarily due to increased gains on sales of loans, up \$15.4 million over 2002, partially offset by a \$9.5 million increase in amortization and provision for impairment of mortgage servicing rights related to the sustained high level of prepayments in 2003.

The following table sets forth information about mortgage banking revenues:

(Dollars in thousands)	Year Ended December 31,				
	2004	2003	2002	2001	2000
Servicing income	\$ 17,349	\$ 20,533	\$ 20,443	\$ 16,932	\$ 12,642
Less mortgage servicing:					
Amortization	13,091	23,680	22,874	16,564	5,326
Provision for impairment	1,500	21,153	12,500	4,400	—
Subtotal	14,591	44,833	35,374	20,964	5,326
Net servicing income (loss)	2,758	(24,300)	(14,931)	(4,032)	7,316
Gains on sales of loans	8,107	33,505	18,110	11,795	1,347
Other income	2,095	3,514	3,800	4,279	1,856
Total mortgage banking revenue	\$ 12,960	\$ 12,719	\$ 6,979	\$ 12,042	\$ 10,519

The following table sets forth information about the mortgage servicing portfolio:

(Dollars in thousands)	At December 31,			Percentage Increase (Decrease)	
	2004	2003	2002	2004/2003	2003/2002
Third party servicing portfolio	\$4,503,564	\$5,122,741	\$5,576,066	(12.1)%	(8.1)%
Weighted average note rate	5.78%	5.97%	6.64%	(3.2)	(10.1)
Capitalized mortgage servicing rights, net	\$ 46,442	\$ 52,036	\$ 62,644	(10.8)	(16.9)
Mortgage servicing rights as a percentage of servicing portfolio	1.03%	1.02%	1.12%	1.0	(8.9)
Average servicing fee	31.0bps	31.7bps	32.9bps	(2.2)	(3.6)
Mortgage servicing rights as a multiple of average servicing fee	3.3X	3.2X	3.4X	3.1	(5.9)

bps = basis points.

Mortgage servicing revenues can be significantly impacted by the amount of amortization and provision for impairment of mortgage servicing rights. The valuation of mortgage servicing rights is a critical accounting estimate for TCF. This estimate is based upon loan types, note rates and prepayment assumptions. Changes in the mix of loans, interest rates, defaults or prepayment speeds may have a material effect on the amortization amount and possible impairment in valuation. In a declining interest rate environment, prepayment speed assumptions will increase and result in an acceleration in the amortization of the mortgage servicing rights as the assumed

underlying portfolio declines and also may result in impairment as the value of the mortgage servicing rights decline. TCF periodically evaluates its capitalized mortgage servicing rights for impairment. A key component in determining the fair value of mortgage servicing rights is the projected cash flows of the underlying loan portfolio. TCF uses projected cash flows and related prepayment assumptions based on management's best estimates. See Notes 1 and 10 of Notes to Consolidated Financial Statements for additional information concerning TCF's mortgage servicing rights.

The following tables summarize the servicing portfolio by interest rate tranche, the prepayment speed assumptions and the weighted average remaining life of the loans by interest rate tranche used in the determination of the value and amortization of mortgage servicing rights as of December 31, 2004 and 2003:

(Dollars in thousands)	At December 31,					
	2004			2003		
	Unpaid Balance	Prepayment Speed Assumption	Weighted Average Life (in Years)	Unpaid Balance	Prepayment Speed Assumption	Weighted Average Life (in Years)
Interest Rate Tranche						
0 to 5.50% . . . . .	\$1,707,934	11.3%	7.5	\$1,648,918	13.3%	7.2
5.51 to 6.00% . . . . .	1,409,983	16.1	5.8	1,407,315	17.9	5.6
6.01 to 6.50% . . . . .	691,148	23.2	4.0	830,161	25.4	3.8
6.51 to 7.00% . . . . .	453,017	25.6	3.4	740,675	31.8	2.7
7.01 and higher . . . . .	241,482	27.6	3.0	495,672	35.5	2.3
	<b>\$4,503,564</b>	<b>15.8</b>	<b>5.8</b>	<b>\$5,122,741</b>	<b>19.0</b>	<b>5.1</b>

At December 31, 2004 and 2003, the sensitivities of the current fair value of mortgage servicing rights to a hypothetical immediate 10% and 25% adverse change in prepayment speed assumptions and discount rate are as follows:

(Dollars in millions)	At December 31,	
	2004	2003
Fair value of mortgage servicing rights . . . . .	<b>\$55.9</b>	\$58.0
Weighted-average life (in years) . . . . .	<b>5.8</b>	5.1
Weighted average prepayment speed assumption . . . . .	<b>15.8%</b>	19.0%
Weighted average discount rate . . . . .	<b>7.5%</b>	7.5%
Impact on fair value of 10% adverse change in prepayment speed assumptions . . . . .	<b>\$(3.1)</b>	\$(3.2)
Impact on fair value of 25% adverse change in prepayment speed assumptions . . . . .	<b>\$(7.1)</b>	\$(7.4)
Impact on fair value of 10% adverse change in discount rate . . . . .	<b>\$(1.5)</b>	\$(1.3)
Impact on fair value of 25% adverse change in discount rate . . . . .	<b>\$(3.4)</b>	\$(3.3)

These sensitivities are theoretical and should be used with caution. As the figures indicate, changes in fair value based on a given variation in assumptions generally cannot be extrapolated because the relationship of the change in assumption to the change in fair value may not be linear. Also, in the above table, the effect of a variation in a particular assumption on the fair value of the mortgage servicing rights is calculated independently without changing any

other assumptions. In reality, changes in one factor may result in changes in another (for example, changes in prepayment speed estimates could result in changes in discount rates or market interest rates), which might either magnify or counteract the sensitivities. TCF does not use derivatives to hedge its mortgage servicing rights asset.



**Other Non-interest Income** Other non-interest income consists of gains on sales of securities available for sale, gains on sales of education loans, losses on termination of debt and gains on sales of branches.

Gains on securities available for sale of \$22.6 million, \$32.8 million and \$11.5 million were recognized on the sales of \$1.4 billion, \$816.5 million and \$473.9 million in mortgage-backed securities in 2004, 2003 and 2002, respectively. Gains of \$7.8 million, \$3.1 million and \$2.7 million were recognized on the sales of education loans in

2004, 2003 and 2002, respectively. Also, as previously discussed, TCF prepaid \$954 million of fixed-rate FHLB advances during 2003, and recorded losses on terminations of debt of \$44.3 million in 2003. There were no prepayments of debt during 2004 or 2002. There were no branch sales during 2004 or 2003. During 2002, TCF recognized a gain of \$2 million on the sale of a branch with \$17.1 million in deposits. TCF may periodically sell branches that it considers underperforming or have limited growth potential.

**Non-Interest Expense** Non-interest expense increased \$26.8 million, or 4.8%, in 2004, and \$20.8 million, or 3.9%, in 2003, and \$37.3 million, or 7.4%, in 2002, compared with the respective prior years. The following table presents the components of non-interest expense:

(Dollars in thousands)	Year Ended December 31,					Compound Annual Growth Rate	
	2004	2003	2002	2001	2000	1-Year 2004/2003	5-Year 2004/1999
Compensation .....	\$273,083	\$256,447	\$254,341	\$234,029	\$209,479	6.5%	5.7%
Employee benefits .....	49,741	46,357	39,954	32,789	29,455	7.3	9.9
Total compensation and employee benefits .....	322,824	302,804	294,295	266,818	238,934	6.6	6.2
Occupancy and equipment .....	95,617	88,423	83,131	78,774	74,938	8.1	5.4
Advertising and promotions .....	26,353	25,536	21,894	20,909	19,181	3.2	9.2
Deposit account losses .....	22,624	18,820	19,206	19,236	19,534	20.2	5.7
Other .....	119,516	124,526	120,762	108,482	96,909	(4.0)	4.9
Subtotal .....	586,934	560,109	539,288	494,219	449,496	4.8	5.9
Amortization of goodwill .....	—	—	—	7,777	7,706	—	—
Total non-interest expense .....	\$586,934	\$560,109	\$539,288	\$501,996	\$457,202	4.8	5.6

Compensation and employee benefits, representing 55%, 54.1% and 54.6% of total non-interest expense in 2004, 2003 and 2002, respectively, increased \$20 million, or 6.6%, in 2004, \$8.5 million, or 2.9%, in 2003 and \$27.5 million, or 10.3%, in 2002. The 2004 increase in compensation expense of 6.5% was driven by a \$9.5 million increase in retail banking operations driven by TCF's continued new branch expansion, a \$6.7 million increase in incentive compensation resulting from improved performance in 2004 and a \$2.1 million increase related to the 2004 acquisition of VGM, partially offset by a \$2.9 million decrease in stock compensation expense. Compensation expense increased \$2.1 million, or .8%, in 2003 and was primarily due to higher levels of mortgage banking production and costs

associated with branches opened during 2003 and 2002, partially offset by a \$1.7 million decline in stock compensation expense. The 2002 increase of 8.7% in compensation expense was primarily due to costs associated with new branch expansion and the addition of lenders and sales representatives. In 2004, employee benefits totaled \$49.7 million, up 7.3%, from 2003, and resulted from an increase in retirement, payroll taxes and medical expenses of \$3.8 million. The 2003 and 2002 increases in employee benefits expense of \$6.4 million, and \$7.2 million, respectively, were primarily driven by increases in retirement and medical expenses. See Note 18 of Notes to Consolidated Financial Statements for further information on postretirement plans.

Occupancy and equipment expenses increased \$7.2 million in 2004, \$5.3 million in 2003 and \$4.4 million in 2002. The increases were primarily due to TCF's new branch expansion and retail banking and leasing activities.

Advertising and promotion expenses increased \$817 thousand in 2004 following increases of \$3.6 million in 2003 and \$985 thousand in 2002. The increases were attributable to additional advertising and promotions expenses focused on the acquisition and retention of TCF's deposit customer base.

Deposit account losses totaled \$22.6 million in 2004, up \$3.8 million from 2003 as a result of increased customer transaction activity. Deposit account losses declined in 2003 and 2002 by \$386 thousand and \$30 thousand, respectively.

Other non-interest expense decreased \$5 million, or 4%, in 2004, primarily attributable to real estate expense, which decreased \$3.1 million to a negative \$175 thousand in 2004 driven by \$3.4 million of net recoveries on sales and redemptions of properties and a decrease in mortgage banking expenses of \$2 million due to the decline in refinance activity and the previously discussed restructuring of the mortgage banking business. In 2003, other non-interest expense increased \$3.8 million, or 3.1%, primarily the result of higher levels of mortgage banking production and prepayment activity. In 2002, other non-interest expense increased \$12.3 million, or 11.3%, primarily the result of increased expenses associated with expanded retail banking and leasing operations, card processing expense resulting from increased utilization and higher levels of production and prepayment activity in the mortgage banking business. A summary of other expense is presented in Note 24 of Notes to Consolidated Financial Statements.

**Income Taxes** Income tax expense represented 33.68% of income before income tax expense during 2004, compared with 34.14% and 34.88% in 2003 and 2002, respectively. The lower effective tax rate in 2004 and 2003 primarily reflects increases in investments in tax-advantaged affordable housing limited partnerships and lower state and local income taxes.

TCF has a Real Estate Investment Trust ("REIT") and a related foreign operating company that acquire, hold and manage mortgage assets and other authorized investments to generate income. These companies are consolidated with TCF National Bank and are therefore included in the consolidated financial statements of TCF Financial Corporation. The REIT and related companies must meet specific provisions of the Internal Revenue Code ("IRC") and state tax laws. If these companies fail to meet any of the required provisions of Federal and state tax laws, TCF's tax expense could increase. TCF's related companies have included companies that operate under provisions of the laws in certain states in which TCF operates (including Minnesota and Illinois) that allow deductions for income derived from foreign operating companies. Use of these companies has been the subject of administrative audit reviews, and proposed legislative change. Unfavorable developments in any of these areas could substantially increase TCF's state tax liability.

The determination of current and deferred income taxes is a critical accounting estimate which is based on complex analyses of many factors including interpretation of Federal and state income tax laws, the differences between the tax and financial reporting bases of assets and liabilities (temporary differences), estimates of amounts due or owed such as the timing of reversal of temporary differences and current financial accounting standards. Additionally, there can be no assurances that estimates and interpretations used in determining income tax liabilities may not be challenged by Federal and state taxing authorities. Actual results could differ significantly from the estimates and tax law interpretations used in determining the current and deferred income tax liabilities. In addition, under generally accepted accounting principles, deferred income tax assets and liabilities are recorded at the current prevailing Federal and state income tax rates. If such rates change, deferred income tax assets and liabilities must be adjusted in the period of change through a charge or credit to the Consolidated Statements of Income. Further detail on income taxes is provided in Note 14 of Notes to Consolidated Financial Statements.

## CONSOLIDATED FINANCIAL CONDITION ANALYSIS

**Securities Available for Sale** Securities available for sale increased \$86.7 million during 2004 to \$1.6 billion at December 31, 2004. This increase reflects purchases of \$1.9 billion of mortgage-backed securities during 2004, partially offset by sales of \$1.4 billion of mortgage-backed securities, in which the company recognized \$22.6 million in gains on sales of securities available for sale, and normal payment and prepayment activity. TCF's securities available for sale portfolio included \$1.6 billion and \$10.2 million of fixed-rate and adjustable-rate mortgage-backed securities, respectively. Net unrealized losses on securities available for sale totaled \$2.2 million at December 31, 2004, compared with net unrealized gains of \$8.9 million at December 31, 2003. TCF may, from time to time,

sell additional mortgage-backed securities and utilize the proceeds to either reduce borrowings or to fund growth in loans and leases.

**Loans Held for Sale** Loans held for sale includes education and residential mortgage loans. Education loans held for sale were \$154.3 million and \$234.3 million at December 31, 2004 and 2003, respectively. Education loans are generally sold when the student graduates or drops below half-time status. Residential mortgage loans held for sale were part of TCF's mortgage banking business that was restructured in 2004. At December 31, 2004, TCF had no residential mortgage loans held for sale, compared with \$101 million in residential mortgage loans held for sale at December 31, 2003. TCF does not anticipate selling residential loans in the secondary market in the future.

**Loans and Leases** The following tables set forth information about loans and leases held in TCF's portfolio, excluding loans held for sale:

(Dollars in thousands)	At December 31,					Compound Annual Growth Rate	
	2004	2003	2002	2001	2000	1-Year 2004/2003	5-Year 2004/1999
Portfolio Distribution:							
Consumer .....	\$4,418,588	\$3,630,341	\$3,005,882	\$2,509,333	\$2,234,134	21.7%	16.5%
Commercial real estate .....	2,154,396	1,916,701	1,835,788	1,622,461	1,371,841	12.4	14.9
Commercial business .....	424,135	427,696	440,074	422,381	410,422	(.8)	3.8
Leasing and equipment finance .....	1,375,372	1,160,397	1,039,040	956,737	856,471	18.5	22.8
Subtotal .....	8,372,491	7,135,135	6,320,784	5,510,912	4,872,868	17.3	16.1
Residential real estate .....	1,014,166	1,212,643	1,800,344	2,733,290	3,673,831	(16.4)	(23.7)
Total loans and leases .....	\$9,386,657	\$8,347,778	\$8,121,128	\$8,244,202	\$8,546,699	12.4	3.5

(In thousands)	At December 31, 2004				
	Consumer	Commercial	Leasing and Equipment Finance	Residential Real Estate	Total
Geographic Distribution:					
Minnesota .....	\$1,789,382	\$ 733,203	\$ 63,624	\$ 517,854	\$3,104,063
Michigan .....	776,654	770,265	89,694	261,678	1,898,291
Illinois .....	1,151,067	430,477	47,926	173,103	1,802,573
Wisconsin .....	429,725	369,669	35,361	28,104	862,859
Colorado .....	227,630	33,521	30,284	6,459	297,894
California .....	645	22,794	175,154	—	198,593
Florida .....	9,350	23,245	94,891	744	128,230
Texas .....	474	1,339	88,919	1,200	91,932
Ohio .....	4,698	20,488	54,019	5,760	84,965
Other .....	28,963	173,530	695,500	19,264	917,257
Total .....	\$4,418,588	\$2,578,531	\$1,375,372	\$1,014,166	\$9,386,657

Loans and leases increased \$1 billion from year-end 2003 to \$9.4 billion at December 31, 2004, reflecting increases of \$788.2 million in consumer loans, \$237.7 million in commercial real estate loans and \$215 million in leasing and equipment finance, partially offset by decreases of \$198.5 million in residential real estate loans and \$3.6 million in commercial business loans. The decline in residential real estate loans during 2004 was due to prepayments. Management expects that the residential loan portfolio will continue to decline, which will provide funding for anticipated growth in other loan or investment categories. At December 31, 2004, TCF's residential real estate loan portfolio was comprised of \$782.1 million of fixed-rate loans and \$226.9 million of adjustable-rate loans.

Consumer loans increased \$788.2 million from year-end 2003 to \$4.4 billion at December 31, 2004, driven by an increase of \$794 million

in home equity loans. Approximately 66% of the home equity portfolio at December 31, 2004 consisted of closed end loans, compared with 70% at December 31, 2003. In addition, at December 31, 2004, 62% of this portfolio carries a variable interest rate tied to the prime rate, compared with 60% at December 31, 2003. Outstanding balances on home equity lines of credit were 49.6% of total lines of credit balances at December 31, 2004, compared with 45.4% at December 31, 2003.

At December 31, 2004, the weighted average loan-to-value ratio for the home equity portfolio was 75%, compared with 74% at December 31, 2003. TCF's credit standards limit higher loan-to-value ratio loans to more creditworthy customers, generally based on credit scoring models. The average FICO (Fair Isaac Company) credit score for the home equity portfolio was 716 and 711 at December 31, 2004 and 2003, respectively.

The following table sets forth additional information about the loan-to-value ratios for TCF's home equity loan portfolio:

(Dollars in thousands)	At December 31,					
	2004			2003		
	Balance	Percent of Total	Over 30-Day Delinquency as a Percentage of Balance	Balance	Percent of Total	Over 30-Day Delinquency as a Percentage of Balance
Loan-to-Value Ratios <sup>(1)</sup>						
Over 100% <sup>(2)</sup>	\$ 32,825	.7%	3.02%	\$ 39,452	1.1%	4.81%
Over 90% to 100%	449,291	10.3	.38	361,374	10.1	.78
Over 80% to 90%	1,750,531	39.9	.32	1,370,523	38.2	.40
80% or less	2,149,369	49.1	.32	1,816,678	50.6	.39
Total	\$4,382,016	100.0%	.35%	\$3,588,027	100.0%	.48%

<sup>(1)</sup> Loan-to-value is based on the loan amount (current outstanding balance on closed-end loans and the total commitment on lines of credit) plus deferred loan origination costs net of fees and refundable insurance premiums, if any, plus the amount of senior liens, if any. Property values represent the most recent market value or property tax assessment value known to TCF.

<sup>(2)</sup> Amount reflects the total outstanding loan balance. The portion of the loan balance in excess of 100% of the property value is substantially less than the amount included above.

The following tables summarize TCF's commercial real estate loan portfolio by property type:

(Dollars in thousands)	At December 31,					
	2004			2003		
	Permanent	Construction and Development	Total	Permanent	Construction and Development	Total
Apartments	\$ 524,253	\$ 2,795	\$ 527,048	\$ 519,622	\$ 28,983	\$ 548,605
Office buildings	420,874	35,865	456,739	399,112	33,262	432,374
Retail services	382,068	28,142	410,210	304,295	10,139	314,434
Warehouse/industrial buildings	258,561	1,729	260,290	189,635	1,253	190,888
Hotels and motels	122,236	15,700	137,936	131,367	19,270	150,637
Health care facilities	44,344	9,308	53,652	32,157	17,664	49,821
Other	205,340	103,181	308,521	169,247	60,695	229,942
Total	\$1,957,676	\$ 196,720	\$2,154,396	\$1,745,435	\$ 171,266	\$1,916,701



(Dollars in thousands)	At December 31,					
	2004			2003		
	Balance	Number of Loans	Over 30-Day Delinquency as a Percentage of Balance	Balance	Number of Loans	Over 30-Day Delinquency as a Percentage of Balance
Apartments .....	\$ 527,048	650	—%	\$ 548,605	730	—%
Office buildings .....	456,739	241	—	432,374	304	—
Retail services .....	410,210	375	—	314,434	282	—
Warehouse/industrial buildings .....	260,290	243	—	190,888	172	—
Hotels and motels .....	137,936	35	—	150,637	35	—
Health care facilities .....	53,652	26	—	49,821	17	—
Other .....	308,521	292	.01	229,942	200	.03
Total .....	\$2,154,396	1,862	—%	\$1,916,701	1,740	—%

Commercial real estate loans increased \$237.7 million from year-end 2003 to \$2.2 billion at December 31, 2004. Commercial business loans decreased \$3.6 million in 2004 to \$424.1 million at December 31, 2004. TCF continues to expand its commercial business and commercial real estate lending activity generally to borrowers located in its primary markets. With a focus on secured lending, at December 31, 2004, approximately 98% of TCF's commercial real estate and commercial business loans were secured either by properties or underlying business assets. At December 31, 2004 and 2003, the construction and development portfolio had no loans over 30-days delinquent. At December 31, 2004, approximately 92% of TCF's commercial real estate loans outstanding were secured by properties located in its primary markets.

The following tables summarize TCF's leasing and equipment finance portfolio by marketing segment and by equipment type:

(Dollars in thousands)	At December 31,					
	2004			2003		
	Balance	Percent of Total	Over 30-Day Delinquency as a Percentage of Balance	Balance	Percent of Total	Over 30-Day Delinquency as a Percentage of Balance
Marketing Segment						
Middle Market <sup>(1)</sup> .....	\$ 747,964	54.3%	.51%	\$ 595,812	51.3%	.88%
Small ticket <sup>(2)</sup> .....	258,094	18.8	.75	124,178	10.7	.56
Winthrop <sup>(3)</sup> .....	200,819	14.6	1.10	229,441	19.8	1.14
Wholesale <sup>(4)</sup> .....	83,913	6.1	—	80,983	7.0	.37
Leveraged leases .....	18,786	1.4	—	22,728	2.0	—
Other .....	65,796	4.8	1.68	107,255	9.2	1.78
Total .....	\$1,375,372	100.0%	.67%	\$1,160,397	100.0%	.93%

<sup>(1)</sup> Middle market consists primarily of loan and lease financing of construction and manufacturing equipment and specialty vehicles.

<sup>(2)</sup> Small ticket includes loan and lease financings to small- and mid-size companies through programs with vendors, manufacturers, distributors, buying groups, and franchise organizations, which as of December 31, 2004 includes the portfolio of VGM. Individual contracts generally range from \$25 thousand to \$250 thousand.

<sup>(3)</sup> Winthrop's portfolio consists primarily of technology and data processing equipment.

<sup>(4)</sup> Wholesale includes the discounting of lease receivables sourced by third party lessors.

(Dollars in thousands)	At December 31,			
	2004		2003	
Equipment Type	Balance	Percent of Total	Balance	Percent of Total
Manufacturing	\$ 251,157	18.2%	\$ 198,321	17.1%
Specialty vehicles	236,582	17.2	225,073	19.4
Technology and data processing	229,160	16.7	249,515	21.5
Construction	182,612	13.3	133,104	11.5
Medical	157,745	11.5	33,462	2.9
Trucks and trailers	74,870	5.4	89,262	7.7
Furniture and fixtures	51,192	3.7	54,052	4.7
Printing	45,394	3.3	38,977	3.3
Material handling	33,810	2.5	27,111	2.3
Aircraft	22,556	1.6	23,965	2.1
Other	90,294	6.6	87,555	7.5
Total	\$1,375,372	100.0%	\$1,160,397	100.0%

The leasing and equipment finance portfolio increased \$215 million from December 31, 2003 to \$1.4 billion at December 31, 2004. This increase in the leasing and equipment finance portfolio was impacted by TCF Leasing's acquisition of VGM in 2004 which added \$103.2 million of portfolio balances to the small ticket marketing segment and the medical equipment type and was net of a \$28.6 million decline in the Winthrop lease portfolio. Winthrop primarily leases technology and data processing equipment to companies nationwide. Technology spending has slowed during the past few years due to a variety of issues, including general economic uncertainty. In addition, the low interest rate environment and temporary tax law changes have led many companies to consider the viability of purchasing technology versus Winthrop's value-added lease alternative. These factors have contributed to reduced levels of new lease originations at Winthrop. TCF continues to focus attention on increasing sales efforts at Winthrop to increase overall portfolio balances. At December 31, 2004 and 2003, \$48.5 million, and \$66.4 million, respectively, of TCF's lease portfolio, were discounted on a non-recourse basis with other third-party financial institutions and consequently TCF retains no credit risk on such amounts. The leasing and equipment finance portfolio tables above include lease residuals. Lease residuals represent the estimated fair value of the leased equipment at the expiration of the initial term of the transaction and are reviewed on an ongoing basis. Any downward revisions are recorded in the periods in which they become known. At December 31, 2004, lease residuals, excluding leveraged lease residuals, totaled \$35.2 million, up from \$34.2 million at December 31, 2003.

The lease residuals on leveraged leases are included in investments in leveraged leases and represent a 100% equity interest in a Boeing 767-300 aircraft leased to Delta Airlines, Inc. ("Delta").

The investment in leveraged leases represents net unpaid rentals and estimated unguaranteed residual values of the leased assets less related unearned income. TCF has no obligation for principal and interest on the notes representing the third-party participation related to this leveraged lease. However, these noteholders have a security interest in the aircraft which is superior to TCF's equity interest. Such notes, which totaled \$19.2 million at December 31, 2004, down from \$22.6 million at December 31, 2003, are recorded as an offset against the related rental receivable. In January 2005, these notes were further reduced to \$15.6 million after Delta made its scheduled payment. During the second quarter of 2004, TCF completed its annual review of the lease residual value assumption for this aircraft and reduced the estimated residual value by \$4.4 million. As required under Statement of Financial Accounting Standards ("SFAS") No. 13, "Accounting for Leases," TCF recognized an impairment charge of \$1.6 million which was recorded in other non-interest expense. The remaining reduction will be amortized through reduced yield on the investment over the remaining years of the lease as prescribed by SFAS No. 13. In 2004, TCF downgraded its credit rating on the aircraft leveraged lease and classified its investment as substandard and placed the lease on non-accrual status. Although Delta is current on its payments related to this transaction, if Delta declares bankruptcy, it would likely result in the charge-off of TCF's \$18.8 million investment in the leveraged lease and the current payment of previously deferred income tax obligations. This lease represents TCF's only material direct exposure to the commercial airline industry. Reduced airline travel, higher oil prices, changes in airline fare structures, and other factors have adversely impacted the airline industry and could have an adverse impact on Delta's ability to meet its lease obligations and on the residual value of the aircraft.

Total loan and lease originations and purchases for TCF's leasing businesses were \$717.8 million at December 31, 2004, compared with \$618.3 million during 2003. The backlog of approved transactions increased to \$195.3 million at December 31, 2004, from \$155.2 million at December 31, 2003. TCF's expanded leasing activity is subject to risk of cyclical downturns and other adverse economic developments. TCF's ability to increase its leasing and equipment finance portfolio

is dependent upon its ability to place new equipment in service. In an adverse economic environment, there may be a decline in the demand for some types of equipment which TCF leases, resulting in a decline in the amount of new equipment being placed into service as well as a decline in equipment values for equipment previously placed in service.

Loan and leases outstanding at December 31, 2004 are shown in the following table by maturity:

(In thousands)	At December 31, 2004 <sup>(1)</sup>					
	Consumer	Commercial Real Estate	Commercial Business	Leasing and Equipment Finance	Residential Real Estate	Total Loans and Leases
Amounts due:						
Within 1 year .....	\$ 218,537	\$ 339,974	\$ 206,658	\$ 548,749	\$ 44,390	\$1,358,308
After 1 year:						
1 to 2 years .....	213,561	254,168	106,279	366,559	45,976	986,543
2 to 3 years .....	240,324	276,953	47,552	257,653	46,728	869,210
3 to 5 years .....	451,705	498,899	33,923	250,525	83,857	1,318,909
5 to 10 years .....	1,105,021	703,562	17,971	56,604	197,913	2,081,071
10 to 15 years .....	1,007,075	58,724	2,750	—	163,283	1,231,832
Over 15 years .....	1,181,627	24,875	8,317	—	426,873	1,641,692
Total after 1 year .....	4,199,313	1,817,181	216,792	931,341	964,630	8,129,257
Total .....	\$4,417,850	\$2,157,155	\$ 423,450	\$1,480,090	\$1,009,020	\$9,487,565
Amounts due after 1 year on:						
Fixed-rate loans and leases .....	\$1,678,920	\$ 342,111	\$ 63,161	\$ 931,341	\$ 743,816	\$3,759,349
Variable and adjustable-rate loans <sup>(2)</sup> .....	2,520,393	1,475,070	153,631	—	220,814	4,369,908
Total after 1 year .....	\$4,199,313	\$1,817,181	\$ 216,792	\$ 931,341	\$ 964,630	\$8,129,257

<sup>(1)</sup> Gross of deferred fees and costs. This table does not include the effect of prepayments, which is an important consideration in management's interest rate risk analysis. Company experience indicates that the loans remain outstanding for significantly shorter periods than their contractual terms.

<sup>(2)</sup> Includes \$189 million of consumer loans and \$13.4 million of commercial real estate and commercial business loans at their interest rate floors.

**Allowance for Loan and Lease Losses** Credit risk is the risk of loss from a customer default on a loan or lease. TCF has in place a process to identify and manage its credit risk. The process includes initial credit review and approval, periodic monitoring to measure compliance with credit agreements and internal credit policies, monitoring changes in the risk ratings of loans and leases, identification of problem loans and leases and procedures for the collection of problem loans and leases. The risk of loss is difficult to quantify and is subject to fluctuations in values, general economic conditions and other factors. The determination of the allowance for loan and lease losses is a critical accounting estimate which involves management's judgment on a number of factors such as net charge-offs, delinquencies in the loan and lease portfolio, general economic conditions and management's assessment of credit risk in the current loan and lease portfolio. The Company considers the allowance for loan and lease losses of \$79.9 million appropriate to cover losses inherent in the loan and lease portfolios as of December 31, 2004. 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 and TCF's on-going credit review process, will not require significant changes in the allowance for loan and lease losses. Among other factors, a protracted economic slowdown and/or a decline in commercial or residential real estate values in TCF's markets may have an adverse impact on the adequacy of the allowance for loan and lease losses by increasing credit risk and the risk of potential loss. See "Forward-Looking Information" and Notes 1 and 7 of Notes to Consolidated Financial Statements for additional information concerning TCF's allowance for loan and lease losses.

The next several pages include detailed information regarding TCF's allowance for loan and lease losses, net charge-offs, non-performing assets, past due loans and leases and potential problem loans and leases. Included in this data are numerous portfolio ratios that must be carefully reviewed and related to the nature of the underlying loan and lease portfolios before appropriate conclusions

can be reached regarding TCF or for purposes of making comparisons to other companies. Most of TCF's non-performing assets and past due loans and leases are secured by residential 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 foreclosure laws.

The key indicators of TCF's credit quality and reserve coverage for 2004 include the ratio of net charge-offs to average loans and leases of .11%, the year-end allowance as a multiple of net charge-offs of 8.4X, and income before income taxes and provision for loan losses as a multiple of net charge-offs of 41.7X.

The following table sets forth information detailing the allowance for loan and lease losses and selected key indicators:

(Dollars in thousands)	Year Ended December 31,				
	2004	2003	2002	2001	2000
Balance at beginning of year . . . . .	\$ 76,619	\$ 77,008	\$ 75,028	\$ 66,669	\$ 55,755
Charge-offs:					
Consumer . . . . .	(4,821)	(5,362)	(6,939)	(6,605)	(7,041)
Commercial real estate . . . . .	(602)	(1,381)	(2,181)	(122)	(76)
Commercial business . . . . .	(235)	(920)	(5,952)	(429)	(143)
Leasing and equipment finance . . . . .	(8,508)	(8,620)	(9,230)	(9,794)	(2,426)
Residential real estate . . . . .	(81)	(86)	(59)	(1)	(15)
	(14,247)	(16,369)	(24,361)	(16,951)	(9,701)
Recoveries:					
Consumer . . . . .	1,589	2,173	2,965	3,487	4,576
Commercial real estate . . . . .	126	45	43	103	295
Commercial business . . . . .	82	138	54	193	690
Leasing and equipment finance . . . . .	2,963	1,083	1,264	649	254
Residential real estate . . . . .	8	9	9	—	28
	4,768	3,448	4,335	4,432	5,843
Net charge-offs . . . . .	(9,479)	(12,921)	(20,026)	(12,519)	(3,858)
Provision charged to operations . . . . .	10,947	12,532	22,006	20,878	14,772
Acquired allowance . . . . .	1,791	—	—	—	—
Balance at end of year . . . . .	\$ 79,878	\$ 76,619	\$ 77,008	\$ 75,028	\$ 66,669
<b>Key Indicators:</b>					
Ratio of net loan and lease charge-offs to average loans and leases outstanding . . . . .	.11%	.16%	.25%	.15%	.05%
Year-end allowance as a multiple of net charge-offs . . . . .	8.4X	5.9X	3.8X	6.0X	17.3X
Income before income taxes and provision for loan losses as a multiple of net charge-offs . . . . .	41.7X	26.3X	19.0X	28.0X	82.3X

The allocation of TCF's allowance for loan and lease losses is as follows:

(Dollars in thousands)	At December 31,					Allocations as a Percentage of Total Loans and Leases Outstanding by Type				
	2004	2003	2002	2001	2000	2004	2003	2002	2001	2000
Consumer . . . . .	\$ 9,939	\$ 9,084	\$ 8,532	\$ 8,355	\$ 9,764	.22%	.25%	.28%	.33%	.44%
Commercial real estate . . . . .	20,742	25,142	22,176	24,459	20,753	.96	1.31	1.21	1.51	1.51
Commercial business . . . . .	7,696	11,797	15,910	12,117	9,668	1.81	2.76	3.62	2.87	2.36
Leasing and equipment finance . . . . .	24,566	13,515	12,881	11,774	7,583	1.79	1.16	1.24	1.23	.89
Unallocated . . . . .	16,139	16,139	16,139	16,139	16,139	N.A.	N.A.	N.A.	N.A.	N.A.
Subtotal . . . . .	79,082	75,677	75,638	72,844	63,907	.94	1.06	1.20	1.32	1.31
Residential real estate . . . . .	796	942	1,370	2,184	2,762	.08	.08	.08	.08	.08
Total allowance balance . . . . .	\$79,878	\$76,619	\$77,008	\$75,028	\$66,669	.85	.92	.95	.91	.78

N.A. Not Applicable.

The allocated allowance balances for TCF's residential and consumer loan portfolios, at December 31, 2004, reflect the Company's credit quality and related low level of net charge-offs for these portfolios. The increase in the allocated allowance for leasing and equipment finance includes coverage related to TCF's investment in the Delta leveraged lease. The allocated allowance for the loan and

lease portfolios do not reflect any significant changes in estimation methods or assumptions.

The decrease in TCF's allowance for loan and lease losses as a percentage of total loans and leases, at December 31, 2004, reflects the impact of the reduction in commercial and commercial real estate and leasing and equipment finance charge-offs.

The following table sets forth additional information regarding net charge-offs:

	Year Ended December 31,			
	2004		2003	
	Net Charge-offs (Recoveries)	% of Average Loans and Leases	Net Charge-offs (Recoveries)	% of Average Loans and Leases
(Dollars in thousands)				
Consumer .....	\$ 3,232	.08%	\$ 3,189	.10%
Commercial real estate .....	476	.02	1,336	.07
Commercial business .....	153	.04	782	.18
Leasing and equipment finance:				
Middle market .....	2,574	.39	1,883	.40
Small ticket .....	2,787	1.29	1,422	1.28
Winthrop .....	462	.21	(32)	—
Wholesale .....	(782)	(0.98)	1,677	1.85
Leveraged leases .....	—	—	—	—
Other .....	504	.59	2,587	1.79
Total leasing and equipment finance .....	5,545	.43	7,537	.69
Residential real estate .....	73	.01	77	.01
Total .....	\$ 9,479	.11	\$12,921	.16

**Non-Performing Assets** Non-performing assets consist of non-accrual loans and leases and other real estate owned. The decrease in total non-performing assets reflects decreases of \$8.9 million, \$8.5 million and \$692 thousand, respectively, in commercial real estate, consumer and residential real estate non-performing assets, partially offset by increases of \$11.7 million and \$1.6 million, respectively, in leasing and equipment finance and commercial business non-performing assets.

Approximately 43% of non-performing assets at December 31, 2004 consisted of, or were secured by, residential real estate. Leasing and equipment finance non-accrual leases at December 31, 2004, included the previously discussed \$18.8 million investment in an aircraft leveraged lease. The accrual of interest income is generally discontinued when loans and leases become 90 days or more past due with respect to either principal or interest (150 days or six payments past due for loans secured by residential real estate) unless such loans and leases are adequately secured and in the process of collection.

Non-performing assets are summarized in the following table:

(Dollars in thousands)	At December 31,				
	2004	2003	2002	2001	2000
Non-accrual loans and leases:					
Consumer .....	\$12,187	\$12,052	\$11,163	\$16,473	\$13,027
Commercial real estate .....	1,093	2,490	3,213	11,135	5,820
Commercial business .....	4,533	2,931	4,777	3,550	236
Leasing and equipment finance .....	25,678	13,940	18,689	13,857	11,286
Residential real estate .....	3,387	3,993	5,798	6,959	4,829
Total non-accrual loans and leases .....	46,878	35,406	43,640	51,974	35,198
Other real estate owned:					
Residential .....	11,726	20,462	16,479	12,830	10,422
Commercial .....	5,465	12,992	10,093	1,825	447
Total other real estate owned .....	17,191	33,454	26,572	14,655	10,869
Total non-performing assets .....	\$64,069	\$68,860	\$70,212	\$66,629	\$46,067
Non-performing assets as a percentage of net loans and leases ....	.69%	.83%	.87%	.82%	.54%
Non-performing assets as a percentage of total assets .....	.52	.61	.58	.59	.41

Included in non-performing assets are loans that are considered impaired. Impaired loans totaled \$8.1 million and \$9.1 million at December 31, 2004 and December 31, 2003, respectively. The related allowance for credit losses was \$3.7 million at December 31, 2004, compared with \$4.5 million at December 31, 2003. All of the impaired loans were on non-accrual status. There were no impaired loans at December 31, 2004 and 2003 which did not have a related allowance for loan losses. The average balance of impaired loans was \$9.8 million for 2004, compared with \$10.8 million for 2003.

**Past Due Loans and Leases** The following table sets forth information regarding TCF's delinquent loan and lease portfolio, excluding loans held for sale and non-accrual loans and leases. TCF's delinquency rates are determined using the contractual method.

(Dollars in thousands)	At December 31,			
	2004		2003	
	Principal Balances	Percentage of Loans and Leases	Principal Balances	Percentage of Loans and Leases
Accruing loans and leases delinquent for:				
30-59 days .....	\$20,776	.23%	\$24,187	.29%
60-89 days .....	8,659	.09	8,953	.11
90 days or more .....	4,950	.05	5,604	.07
Total .....	\$34,385	.37%	\$38,744	.47%

The following table summarizes TCF's over 30-day delinquent loan and lease portfolio, by loan type:

(Dollars in thousands)	At December 31,			
	2004		2003	
	Principal Balances	Percentage of Portfolio	Principal Balances	Percentage of Portfolio
Consumer .....	\$15,436	.35 %	\$17,673	.49%
Commercial real estate .....	32	—	58	—
Commercial business .....	404	.10	282	.07
Leasing and equipment finance .....	8,997	.67	10,619	.93
Residential real estate .....	9,516	.94	10,112	.84
Total .....	\$34,385	.37%	\$38,744	.47%



**Potential Problem Loans and Leases** In addition to non-performing assets, there were \$71.1 million of loans and leases at December 31, 2004, for which management has concerns regarding the ability of the borrowers to meet existing repayment terms, compared with \$48.1 million at December 31, 2003. These loans and leases are primarily classified for regulatory purposes as substandard and reflect the distinct possibility, but not the probability, that the Company will not be able to collect all amounts due according to the contractual terms of the loan or lease agreement. Although these loans and leases have been identified as potential problem loans and leases, they may never become non-performing. Additionally, these loans and leases are generally secured by commercial real

Potential problem loans and leases are summarized as follows:

(Dollars in thousands)	At December 31,		Change	
	2004	2003	\$	%
Commercial real estate .....	<b>\$34,138</b>	\$20,279	<b>\$13,859</b>	<b>68.3%</b>
Commercial business .....	<b>18,112</b>	12,721	<b>5,391</b>	<b>42.4</b>
Leasing and equipment finance .....	<b>18,816</b>	15,094	<b>3,722</b>	<b>24.7</b>
Total .....	<b>\$71,066</b>	\$48,094	<b>\$22,972</b>	<b>47.8</b>

**Liquidity Management** TCF manages its liquidity position to ensure that the funding needs of depositors and borrowers are met promptly and in a cost-effective manner. Asset liquidity arises from the ability to convert assets to cash as well as from the maturity of assets. Liability liquidity results from the ability of TCF to attract a diversity of funding sources to promptly meet funding requirements.

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 primarily from loan and lease repayments, proceeds from the discounting of leases and borrowings. Deposit inflows and outflows are significantly influenced by general interest rates, money market conditions, competition for funds, customer service and other factors. TCF's deposit inflows and outflows have been and will continue to be affected by these factors. Borrowings may be used to compensate for reductions in normal sources of funds, such as deposit inflows at less than projected levels, net deposit outflows or to support expanded activities. Historically, TCF has borrowed primarily from the FHLB, from institutional sources under

estate or assets, thus reducing the potential for loss should they become non-performing. Potential problem loans and leases are considered in the determination of the adequacy of the allowance for loan and lease losses. At December 31, 2004, commercial business potential problem loans were up \$5.4 million from December 31, 2003. Commercial real estate potential problem loans totaled \$34.1 million at December 31, 2004, and were up \$13.9 million from December 31, 2003, primarily due to the addition of two large properties. Leasing and equipment finance potential problem loans include \$1.2 million and \$1.1 million funded on a non-recourse basis at December 31, 2004 and 2003, respectively.

repurchase agreements and, to a lesser extent, from other sources. At December 31, 2004, TCF had over \$2.2 billion in unused capacity under these funding sources, which could be used to meet future liquidity needs. See "Borrowings."

Potential sources of liquidity for TCF Financial Corporation (parent company only) include cash dividends from TCF's wholly owned bank subsidiary, issuance of equity securities and borrowings under a \$105 million line of credit. TCF's National Bank's ability to pay dividends or make other capital distributions to TCF is restricted by regulation and may require regulatory approval. Undistributed earnings and profits at December 31, 2004 includes approximately \$134.4 million for which no provision for federal income tax has been made. This amount represents earnings appropriated to bad debt reserves and deducted for federal income tax purposes, and is generally not available for payment of cash dividends or other distributions to shareholders without incurring an income tax liability based on the amount of earnings removed and current tax rates.

**Deposits** Checking, savings and money market deposits are an important source of low cost funds and fee income for TCF. Deposits totaled \$8 billion at December 31, 2004, up \$350.4 million from December 31, 2003. Lower interest-cost checking, savings and money market deposits totaled \$6.5 billion, up \$493.9 million from December 31, 2003, and comprised 81.6% of total deposits at December 31, 2004, compared with 78.8% of total deposits at December 31, 2003. The average balance of these deposits for 2004 was \$6.3 billion, an increase of \$249.4 million over the \$6 billion average balance for 2003. Higher interest-cost certificates of deposit decreased \$143.5 million from December 31, 2003 as other lower-cost funding sources were available to TCF. TCF had no brokered deposits at December 31, 2004 or 2003. TCF's weighted-average rate for deposits, including non-interest-bearing deposits, was .69% at December 31, 2004, up from .58% at December 31, 2003.

**New Branch Expansion** Key to TCF's growth is its continued investment in new branch expansion. New branches are an important source of new customers in both deposit products and consumer lending products. While supermarket branches continue to play an important role in TCF's expansion strategy, the opportunity to add new supermarket branches within TCF's markets will slow in future years. Therefore, TCF will continue new branch expansion by opening more traditional branches. Although traditional branches require a higher initial investment than supermarket branches, they ultimately attract more customers and become more profitable. During 2004, TCF opened 30 new branches. The focus on opening new branches will continue in 2005 with the planned opening of 29 branches, including 22 new traditional branches, five new supermarket branches and two campus branches.

At December 31, 2004, 258, or 60% of TCF's 430 branches were opened since January 1, 1998. Additional information regarding TCF's branches opened since January 1, 1998 is displayed in the table below:

(Dollars in thousands)	At or For the Year Ended December 31,					Compound Annual Growth Rate	
	2004	2003	2002	2001	2000	1-Year 2004/2003	5-Year 2004/1999
Number of new branches opened during the year:							
Traditional and campus . . . . .	19	14	12	6	3	N.M.	N.M.
Supermarket . . . . .	11	5	15	21	22	N.M.	N.M.
Total . . . . .	30	19	27	27	25	N.M.	N.M.
Number of new branches* at year end:							
Traditional and campus . . . . .	61	42	28	16	10	N.M.	N.M.
Supermarket . . . . .	197	186	184	174	153	N.M.	N.M.
Total . . . . .	258	228	212	190	163	N.M.	N.M.
Percent of total branches . . . . .	60.0%	56.9%	53.7%	50.7%	46.3%	N.M.	N.M.
Number of checking accounts . . . . .	575,537	495,211	411,456	342,493	252,469	16.2%	24.5%
Deposits:							
Checking . . . . .	\$ 868,164	\$ 616,539	\$ 447,914	\$ 335,198	\$ 236,633	40.8	43.9
Savings . . . . .	423,165	390,253	407,088	133,987	63,764	8.4	53.4
Money market . . . . .	54,542	66,604	70,476	91,092	68,504	(18.1)	31.8
Subtotal . . . . .	1,345,871	1,073,396	925,478	560,277	368,901	25.4	45.8
Certificates of deposit . . . . .	156,958	152,050	162,655	184,020	225,401	3.2	2.4
Total deposits . . . . .	\$1,502,829	\$1,225,446	\$1,088,133	\$ 744,297	\$ 594,302	22.6	34.3
Total fees and other revenue for the year . . . . .	\$ 153,788	\$ 126,123	\$ 107,769	\$ 85,333	\$ 60,750	21.9	31.5

N.M. Not Meaningful.

\* New branches opened since January 1, 1998.

**Borrowings** Borrowings totaled \$3.1 billion at December 31, 2004, up \$689.8 million from December 31, 2003. The increase was primarily attributable to the loans and leases increasing \$1 billion during 2004 while deposit balances grew only \$350.5 million which increases TCF's reliance on borrowings. During the second quarter of 2004, TCF National Bank, a subsidiary of TCF Financial Corporation issued \$75 million of subordinated notes due in 2014. These notes qualify as Tier 2 or supplemental capital for regulatory purposes, subject to certain limitations. TCF Bank paid the proceeds from the offering to TCF to be used for general corporate purposes, which may include repurchases in the open market of TCF common stock. See Notes 12 and 13 of Notes to Consolidated Financial Statements for detailed information on TCF's borrowings. Included in long-term borrowings

at December 31, 2004 are \$767.5 million of fixed-rate FHLB advances and repurchase agreements with other financial institutions which are callable quarterly at par until maturity. If called, replacement funding will be provided by the counterparties at the then-prevailing short-term market rate of interest for the remaining term-to-maturity of the advances and repurchase agreements, subject to standard terms and conditions. The weighted-average rate on borrowings increased to 3.37% at December 31, 2004, from 3.24% at December 31, 2003. TCF does not utilize unconsolidated subsidiaries or special purpose entities to provide off-balance-sheet borrowings. See Note 20 of Notes to Consolidated Financial Statements for information relating to off-balance-sheet instruments.

**Contractual Obligations and Commitments** As disclosed in the Notes to Consolidated Financial Statements, TCF has certain obligations and commitments to make future payments under contracts. At December 31, 2004, the aggregate contractual obligations (excluding bank deposits) and commitments are as follows:

(In thousands)		Payments Due by Period			
	Total	Less than 1 Year	1-3 Years	4-5 Years	After 5 Years
Contractual Obligations					
Total borrowings	\$3,104,603	\$2,277,682	\$ 327,663	\$ 125,049	\$ 374,209
Annual rental commitments under non-cancelable operating leases	170,441	23,894	40,631	33,823	72,093
Purchase obligations (construction contracts and land purchase commitments for future branch sites)	20,315	20,315	—	—	—
	\$3,295,359	\$2,321,891	\$ 368,294	\$ 158,872	\$ 446,302

(In thousands)		Amount of Commitment – Expiration by Period			
	Total	Less than 1 Year	1-3 Years	4-5 Years	After 5 Years
Other Commitments					
Commitments to lend:					
Consumer	\$1,576,381	\$ 8,217	\$ 22,311	\$ 38,240	\$1,507,613
Commercial	684,029	443,267	204,625	25,003	11,134
Leasing and equipment finance	72,614	72,614	—	—	—
Other	55,343	55,343	—	—	—
Total commitments to lend	2,388,367	579,441	226,936	63,243	1,518,747
Loans serviced with recourse	97,568	2,288	4,772	4,329	86,179
Standby letters of credit and guarantees on industrial revenue bonds	75,957	46,650	18,677	10,630	—
	\$2,561,892	\$ 628,379	\$ 250,385	\$ 78,202	\$1,604,926

Commitments to lend are agreements to lend to a customer provided there is no violation of any condition in the contract. These commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since certain of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Collateral predominantly consists of residential and commercial real estate.

Loans serviced with recourse represent a contingent guarantee based upon the failure to perform by another party. These loans consist of \$94.9 million of Veterans Administration ("VA") loans. As is typical of a servicer of VA loans, TCF must cover any principal loss in excess of the VA's guarantee if the VA elects its "no-bid" option upon the foreclosure of a loan. Since conditions under which TCF would be required either to cover any principal loss in excess of the VA's guarantee may not materialize, the actual cash requirements are expected to be significantly less than the amount provided in the table above.

Standby letters of credit and guarantees on industrial revenue bonds are conditional commitments issued by TCF guaranteeing the performance of a customer to a third party. These conditional commitments expire in various years through the year 2009. Since the conditions under which TCF is required to fund these commitments may not materialize, the cash requirements are expected to be less than the total outstanding commitments. Collateral held on these commitments primarily consists of commercial real estate mortgages.

**Stockholders' Equity** Stockholders' equity at December 31, 2004 was \$958.4 million, or 7.8% of total assets, up from \$920.9 million, or 8.1% of total assets, at December 31, 2003. The increase in stockholders' equity was primarily due to the net income of \$255 million partially offset by the repurchase of 4 million shares of TCF's common stock at a cost of \$116.1 million, the payment of \$104 million in dividends on common stock and a \$7.1 million decrease in accumulated comprehensive income for the year ended December 31, 2004. On July 21, 2003, TCF's Board of Directors authorized the repurchase of up to an additional 5% of TCF's common stock, or 7.2 million shares. At December 31, 2004, 3.5 million shares remain

available under this authorization from the Board of Directors. Since January 1, 1998, the Company has repurchased 54.2 million shares of its common stock at an average cost of \$17.58 per share. For the year ended December 31, 2004, average total equity to average assets was 7.94% compared with 8.03% for the year ended December 31, 2003. Dividends paid to common shareholders on a per share basis totaled 75 cents in 2004, an increase of 15.4% from 65 cents in 2003. TCF's dividend payout ratio was 40.3% in 2004 and 42.6% in 2003. The Company's primary funding sources for common dividends are dividends received from its subsidiary bank. At December 31, 2004, TCF and TCF National Bank exceeded their regulatory capital requirements and are considered "well-capitalized" under guidelines established by the Federal Reserve Board and the Office of the Comptroller of the Currency. See Notes 15 and 16 of Notes to Consolidated Financial Statements. TCF has used stock options as a form of employee compensation to a limited extent in prior years. At December 31, 2004, the number of incentive stock options outstanding was 325,864, or 18%, of total shares outstanding.

**Market Risk – Interest-Rate Risk** TCF's results of operations are dependent to a large degree on its net interest income and its ability to manage its interest rate risk. Although TCF manages other risks, such as credit and liquidity risk, in the normal course of its business, the Company considers interest rate risk to be its most significant market risk. Since TCF does not hold a trading portfolio, the Company is not exposed to market risk from trading activities. The 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., prime).

TCF's Asset/Liability 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.

Although the interest rate gap measure (difference between interest-earning assets and interest-bearing liabilities repricing within a given period) is subject to a number of assumptions and is only one of a number of interest rate risk measurements, management believes the interest rate gap is an important indication of TCF's exposure to interest rate risk and the related volatility of net interest income in a changing interest rate environment. 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. In addition to the interest rate gap analysis, management also utilizes a net interest income simulation model to measure and manage TCF's interest rate risk, relative to a base case scenario.

TCF has positioned its balance sheet to benefit from a rising interest rate environment. TCF's one-year interest rate gap was a positive \$585.3 million, or 4.7% of total assets, at December 31, 2004, compared with a positive \$161.3 million, or 1% of total assets at December 31, 2003. A positive interest rate gap position exists when the amount of interest-earning assets maturing or repricing, including assumed prepayments, within a particular time period exceeds the amount of interest-bearing liabilities maturing or repricing. However, the benefit of a positive interest rate gap in a rising interest rate environment may be reduced by future asset and liability mix changes including possibly lower yields on newly originated fixed-rate assets and higher rates on new deposits and borrowings. The increase in the one-year interest rate gap is primarily due to consumer and commercial variable rate loans previously at their floor rates, and therefore treated as fixed-rate loans for interest rate gap analysis purposes, becoming floating-rate loans due to the 1.25% increase in the prime interest rate during 2004, partially offset by the impact of \$742 million of borrowings maturing in 2005 moving into the one-year interest rate gap analysis during 2004.

TCF would also likely benefit from an increase in interest rates as this might signify that economic conditions are improving. The favorable impact of an increase in interest rates on net interest income would be partially diminished by an adverse impact on TCF's checking account balances, if customers transfer some of these funds to higher interest rate deposit products or other investments, resulting in an increase in the cost of interest-bearing deposits. Additionally, an increase in interest rates may affect TCF's fixed-rate/variable-rate loan mix and volumes and would also likely result in slower fixed-rate loan prepayments.

TCF believes this positive interest rate gap to be warranted because current rates are still below historical averages and, consequently, there is a greater possibility over time of higher interest rates versus lower interest rates. However, if interest rates fall, TCF could experience an increase in prepayments of residential loans, mortgage-backed securities and fixed-rate consumer and commercial real estate loans and could experience compression of its net interest income.

The one-year interest rate gap could be significantly affected by external factors such as prepayment rates other than those assumed, early withdrawals of deposits, changes in the correlation of various interest-bearing instruments, competition, a general rise or decline in interest rates, and the possibility that TCF's counterparties will exercise their option to call certain of TCF's longer-term callable borrowings. Decisions by management to purchase or sell assets or to retire debt could change the maturity/repricing and spread relationships. In addition, TCF's interest-rate risk may increase during periods of rising interest rates due to slower prepayments on fixed-rate loans and mortgage-backed securities. TCF estimates that an immediate 100 basis point increase in current mortgage loan interest rates would reduce prepayments during 2005 on the \$4.1 billion of fixed-rate mortgage-backed securities, residential real estate loans and consumer first-mortgage loans at December 31, 2004 by approximately \$362 million. A slowing in prepayments would increase the estimated life of the portfolios and may adversely impact net interest income or net interest margin in the future.

The following table summarizes TCF's interest-rate gap position at December 31, 2004:

(Dollars in thousands)	Maturity/Rate Sensitivity					Total
	Within 30 Days	30 Days to 6 Months	6 Months to 1 Year	1 to 3 Years	3+ Years	
Interest-earning assets:						
Loans held for sale . . . . .	\$ 154,270	\$ —	\$ —	\$ —	\$ —	\$ 154,270
Securities available for sale <sup>(1)</sup> . . . . .	17,709	91,190	128,065	435,015	947,963	1,619,942
Real estate loans <sup>(1)</sup> . . . . .	36,767	170,376	176,872	293,028	337,134	1,014,177
Leasing and equipment finance <sup>(1)</sup> . . . . .	63,171	252,394	252,155	567,548	240,103	1,375,371
Other loans <sup>(1)</sup> . . . . .	3,788,957	319,189	356,208	1,164,679	1,368,085	6,997,118
Investments . . . . .	521	80,841	—	—	21,865	103,227
	<b>4,061,395</b>	<b>913,990</b>	<b>913,300</b>	<b>2,460,270</b>	<b>2,915,150</b>	<b>11,264,105</b>
Interest-bearing liabilities:						
Checking deposits <sup>(2)</sup> . . . . .	724,031	—	—	—	3,182,115	3,906,146
Savings deposits <sup>(2)</sup> . . . . .	844,935	—	—	121,899	960,460	1,927,294
Money market deposits <sup>(2)</sup> . . . . .	293,540	—	—	—	366,145	659,685
Certificates of deposit . . . . .	172,694	576,976	313,371	343,758	61,858	1,468,657
Short-term borrowings . . . . .	706,191	102,119	—	4,400	76,409	889,119
Long-term borrowings <sup>(3)</sup> . . . . .	353,509	412,265	803,729	222,583	423,393	2,215,479
	<b>3,094,900</b>	<b>1,091,360</b>	<b>1,117,100</b>	<b>692,640</b>	<b>5,070,380</b>	<b>11,066,380</b>
Interest-earning assets over (under) interest-bearing liabilities . . . . .	<b>966,495</b>	<b>(177,370)</b>	<b>(203,800)</b>	<b>1,767,630</b>	<b>(2,155,230)</b>	<b>197,725</b>
Cumulative gap . . . . .	<b>\$ 966,495</b>	<b>\$ 789,125</b>	<b>\$ 585,325</b>	<b>\$ 2,352,955</b>	<b>\$ 197,725</b>	<b>\$ 197,725</b>
Cumulative gap as a percentage of total assets:						
At December 31, 2004 . . . . .	<b>8 %</b>	<b>6 %</b>	<b>5%</b>	<b>19%</b>	<b>2%</b>	<b>2%</b>
At December 31, 2003 . . . . .	<b>(6)%</b>	<b>(2)%</b>	<b>1%</b>	<b>22%</b>	<b>2%</b>	<b>2%</b>

<sup>(1)</sup> Based upon contractual maturity, repricing date, if applicable, scheduled repayments of principal and projected prepayments of principal based upon experience and third party projections.

<sup>(2)</sup> Includes non-interest bearing deposits. At December 31, 2004, 19% of checking deposits, 44% of savings deposits, and 45% of money market deposits are included in amounts repricing within one year. All remaining checking, savings and money market deposits are assumed to mature in the "3+ Years" category. While management believes that these assumptions are reasonable, no assurance can be given that amounts on deposit in checking, savings, and money market accounts will not significantly change or be repriced in the event of a general change in interest rates. At December 31, 2003, 6% of checking deposits, 49% of savings deposits, and 48% of money market deposits were included in amounts repricing within one year.

<sup>(3)</sup> Includes \$767.5 million of callable borrowings. At December 31, 2004, the contract rates on all callable borrowings exceeded current market rates.

As previously noted, TCF also utilizes net interest income simulation models to estimate the near-term effects (next twelve months) 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 December 31, 2004, net interest income is estimated to increase by 3%, compared with the base case scenario, over the next twelve months if interest rates were to sustain an immediate increase of 100 basis points. In the event interest rates were to decline by 100 basis points, net interest income is estimated to decrease by 3.7%, compared with the base case scenario, over the next twelve months.

Management exercises its best judgment in making assumptions regarding loan prepayments, early deposit withdrawals, and other non-controllable events in estimating TCF's exposure to changes in interest rates. These assumptions are inherently uncertain and, as a result, the simulation models cannot precisely estimate net interest income or precisely predict the impact of a change in interest rates on net interest income. Actual results will differ from simulated results due to the timing, magnitude and frequency of interest rate changes and changes in market conditions and management strategies, among other factors.



**Summary of Critical Accounting Estimates** Critical accounting estimates occur in certain accounting policies and procedures and are particularly susceptible to significant change. Policies that contain critical accounting estimates include the determination of the allowance for loan and lease losses, mortgage servicing rights, income taxes, lease financings and pension liability and expenses. See Note 1 of Notes to Consolidated Financial Statements for further discussion of critical accounting estimates.

**Recent Accounting Developments** In December 2004, the Financial Accounting Standards Board issued Statement of Financial Accounting Standard (SFAS) No. 123R, *Share-Based Payment* which revised SFAS No. 123, *Accounting for Stock-Based Compensation*. This Statement supersedes APB Opinion No. 25, *Accounting for Stock Issued to Employees*, and related implementation guidance and amends SFAS No. 95, *Statement of Cashflows*. It requires that all stock-based compensation now be measured at fair value and recognized as expense in the income statement. This Statement also clarifies and expands guidance on measuring fair value, requires estimation of forfeitures when determining expense, and requires that excess tax benefits be shown as financing cash inflows versus a reduction of taxes paid in the statement of cashflows. Various other changes are also required. This statement is effective beginning July 1, 2005. TCF adopted the recognition provisions of SFAS 123 in January 2000. TCF expects no significant effect on TCF's financial statements upon adoption of this Statement.

**Fourth Quarter Summary** In the fourth quarter of 2004, TCF reported net income of \$67.4 million, compared with \$59.5 million in the fourth quarter of 2003. Diluted earnings per common share was 50 cents for the fourth quarter of 2004, compared with 43 cents for the fourth quarter of 2003. TCF opened 12 new branches in the fourth quarter of 2004, of which four were supermarket branches.

Net interest income was \$126.5 million and \$119.1 million for the quarter ended December 31, 2004 and 2003 respectively. The net interest margin was 4.56% and 4.68% for the fourth quarter of 2004 and 2003, respectively. TCF's net interest income increased by \$7.4 million, or 6.2% over the fourth quarter of 2003. Of this increase in net interest income, \$10.5 million was due to volume changes, partially offset by a decrease of \$3.1 million due to interest rate changes.

TCF provided \$4.1 million for credit losses in the fourth quarter of 2004, compared with \$4 million in the fourth quarter of 2003. Net loan and lease charge-offs were \$3.2 million, or .14% of average loans and leases outstanding, compared with \$6.1 million, or .30% of average loans and leases outstanding during the same 2003 period.

Non-interest income increased \$17.7 million, or 15.4%, during the fourth quarter of 2004 to \$132.5 million. Banking fees and other revenue increased \$7.9 million, or 8.8%, over the fourth quarter of 2003. Card revenues, included in banking fees and other revenue, totaled \$17.5 million for the fourth quarter of 2004, up \$5.4 million, or

44.7% over the same quarter in 2003. The increase was attributable to a 21.2% increase in sales volume coupled with an 18 basis point increase in the average off-line interchange rate. Leasing and equipment finance revenues were up \$5.7 million, or 36.9%, over the fourth quarter of 2003 due to increases in sales-type lease revenues.

Non-interest expense increased \$12.2 million, or 8.5%, in the fourth quarter of 2004 to \$154.4 million. Compensation and employee benefits increased \$9.6 million, or 12.5%, from the fourth quarter of 2003, primarily driven by a \$4.2 million increase in incentive compensation resulting from improved performance in 2004 and a \$1.9 million increase related to new branches opened during the past 12 months. Occupancy and equipment expenses increased \$2.1 million, or 9%, from the fourth quarter of 2003, with \$1.4 million relating to costs associated with new branch expansion.

In the fourth quarter of 2004, the effective income tax rate was 32.96% of income before tax expense compared with 32.14% for the fourth quarter of 2003.

**Earnings Teleconference and Website Information** TCF hosts quarterly conference calls to discuss its financial results. Additional information regarding TCF's conference calls can be obtained from the investor relations section within TCF's website at [www.tcfexpress.com](http://www.tcfexpress.com) or by contacting TCF's Corporate Communications Department at (952) 745-2760. The website also includes free access to company news releases, TCF's annual report, quarterly reports, investor presentations and Securities and Exchange Commission ("SEC") filings. Replays of prior quarterly conference calls discussing financial results may also be accessed at the investor relations section within TCF's website.

### Legislative, Legal 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 and its bank and other subsidiaries.

The Federal Deposit Insurance Corporation ("FDIC") and members of the United States Congress have proposed new legislation that would reform the bank deposit insurance system. This reform could merge the Bank Insurance Fund ("BIF") and Savings Association Insurance Fund ("SAIF"), increase the deposit insurance coverage limits and index future coverage limitations, among other changes. Most significantly, reform proposals could allow the FDIC to raise or lower (within certain limits) the currently mandated designated reserve ratio requiring the FDIC to maintain a 1.25% reserve ratio (\$1.25 against \$100 of insured deposits), and require certain changes in the calculation methodology. Although it is too early to predict the ultimate impact of such proposals, they could, if adopted, result in the imposition of additional deposit insurance premium costs on TCF.

On July 30, 2002, the Sarbanes-Oxley Act of 2002 ("the Act") was signed into law by the President of the United States. The Act provides for sweeping changes dealing with corporate governance, accounting practices and disclosure requirements for public companies, and also for their directors and officers. Section 302 of the Act, entitled "Corporate Responsibility for Financial Reports," required the SEC to adopt rules to implement certain requirements noted in the Act and it did so effective August 29, 2002. The new rules require a company's chief executive and chief financial officers to certify the financial and other information included in the company's quarterly and annual reports. The rules also require these officers to certify that they are responsible for establishing, maintaining and regularly evaluating the effectiveness of the company's disclosure controls and procedures; that they have made certain disclosures to the auditors and to the audit committee of the board of directors about the company's controls and procedures; and that they have included information in their quarterly and annual filings about their evaluation and whether there have been significant changes in disclosure controls or internal controls over financial reporting during the most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, internal control over financial reporting. TCF has filed Chief Executive Officer and Chief Financial Officer certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 as Exhibit 31 to its 2004 Form 10-K. TCF has also furnished as an exhibit to Form 10-K certificates called for under Section 906 of the Act.

On June 5, 2003, the SEC published its final rules on Section 404 of the Act, requiring public companies to complete an annual assessment of the effectiveness of internal control over financial reporting. The rules are effective in 2004 and a management report is included in this 2004 Annual Report describing management's responsibility for establishing and maintaining adequate internal control over financial reporting and its assessment of the effectiveness of such controls as of year-end. The Company's independent auditors also completed an attestation report on management's assessment.

In September 2002, the SEC issued its final ruling covering the acceleration of periodic report filing dates. The rule, as amended in November 2004, applies to certain companies, including TCF, and will reduce the annual report filing deadline from 90 days after year-end to 60 days after year-end for TCF's 2005 Annual Report. The quarterly report on Form 10-Q will also be accelerated from 45 days after quarter-end to 35 days after quarter-end for the quarterly Form 10-Q filings in 2006. TCF has taken steps to modify its financial reporting process to meet these accelerated filing deadlines.

Pursuant to Section 303A.12 of the New York Stock Exchange (NYSE) Listed Company Manual, TCF's Chief Executive Officer submitted a certification to the NYSE on May 18, 2004 indicating that he was not aware of any violation by TCF of the NYSE's Corporate Governance listing standards.

## Forward-Looking Information

This Annual Report and other reports issued by the Company, including reports filed with the SEC, may contain "forward-looking" statements that deal with future results, plans or performance. In addition, TCF's management may make such statements orally to the media, or to securities analysts, investors or others. Forward-looking statements deal with matters that do not relate strictly to historical facts. TCF's future results may differ materially from historical performance and forward-looking statements about TCF's expected financial results or other plans are subject to a number of risks and uncertainties. These include but are not limited to possible legislative changes and adverse economic, business and competitive developments such as shrinking interest margins; deposit outflows; ability to increase the number of checking accounts and the possibility that deposit account losses (fraudulent checks, etc.) may increase; reduced demand for financial services and loan and lease products; adverse developments affecting TCF's supermarket banking relationships or any of the supermarket chains in which TCF maintains supermarket branches; changes in accounting policies and guidelines, or monetary, fiscal or tax policies of the federal or state governments; changes in credit and other risks posed by TCF's loan, lease and investment portfolios, including declines in commercial or residential real estate values or a bankruptcy filing by Delta Airlines, the lessee under a leveraged lease in which TCF holds an equity interest; denial of insurance coverage for claims made by TCF; technological, computer-related or operational difficulties; adverse changes in securities markets; the risk that TCF could be unable to effectively manage the volatility of its mortgage servicing portfolio, which could adversely affect earnings; and results of litigation or other significant uncertainties. Investors should consult TCF's Annual Report to Shareholders and reports on Forms 10-K, 10-Q and 8-K for additional important information about the Company.

## 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, Chief Financial Officer (Principal Financial Officer) and Controller and Assistant Treasurer (Principal Accounting Officer), of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Rule 13a-15 under the Securities Exchange Act of 1934 ("Exchange Act"). Based upon that evaluation, management concluded that the Company's disclosure controls and procedures are effective as of December 31, 2004. Also, there were no significant changes in the Company's disclosure controls or internal controls over financial reporting during 2004. See "Management's Report on Internal Control Over Financial Reporting."

# Consolidated Statements of Financial Condition

(Dollars in thousands, except per-share data)	At December 31,	
	2004	2003
<b>Assets</b>		
Cash and due from banks	\$ 359,798	\$ 370,054
Investments	103,226	75,223
Securities available for sale	1,619,941	1,533,288
Loans held for sale	154,279	335,372
Loans and leases:		
Consumer	4,418,588	3,630,341
Commercial real estate	2,154,396	1,916,701
Commercial business	424,135	427,696
Leasing and equipment finance	1,375,372	1,160,397
Subtotal	8,372,491	7,135,135
Residential real estate	1,014,166	1,212,643
Total loans and leases	9,386,657	8,347,778
Allowance for loan and lease losses	(79,878)	(76,619)
Net loans and leases	9,306,779	8,271,159
Premises and equipment	326,667	282,193
Goodwill	152,599	145,462
Deposit base intangibles	4,245	5,907
Mortgage servicing rights	46,442	52,036
Other assets	266,591	248,321
	<b>\$12,340,567</b>	<b>\$11,319,015</b>
<b>Liabilities and Stockholders' Equity</b>		
Deposits:		
Checking	\$ 3,905,987	\$ 3,248,412
Savings	1,927,872	1,905,923
Money market	659,686	845,291
Subtotal	6,493,545	5,999,626
Certificates of deposit	1,468,650	1,612,123
Total deposits	7,962,195	7,611,749
Short-term borrowings	1,056,111	878,412
Long-term borrowings	2,048,492	1,536,413
Total borrowings	3,104,603	2,414,825
Accrued expenses and other liabilities	315,351	371,583
Total liabilities	11,382,149	10,398,157
Stockholders' equity:		
Preferred stock, par value \$.01 per share, 30,000,000 shares authorized; none issued and outstanding	—	—
Common stock, par value \$.01 per share, 280,000,000 shares authorized; 184,939,094 and 185,026,710 shares issued	1,849	925
Additional paid-in capital	518,741	518,878
Retained earnings, subject to certain restrictions	1,385,760	1,234,804
Accumulated other comprehensive (loss) income	(1,415)	5,652
Treasury stock at cost, 47,752,934 and 44,074,050 shares, and other	(946,517)	(839,401)
Total stockholders' equity	958,418	920,858
	<b>\$12,340,567</b>	<b>\$11,319,015</b>

See accompanying notes to consolidated financial statements.

# Consolidated Statements of Income

(In thousands, except per-share data)	Year Ended December 31,		
	2004	2003	2002
<b>Interest income:</b>			
Loans and leases .....	\$527,178	\$513,171	\$585,693
Securities available for sale .....	80,643	103,821	118,272
Loans held for sale .....	11,533	20,016	22,464
Investments .....	3,455	4,511	6,934
Total interest income .....	622,809	641,519	733,363
<b>Interest expense:</b>			
Deposits .....	42,581	56,795	95,386
Borrowings .....	88,337	103,579	138,752
Total interest expense .....	130,918	160,374	234,138
Net interest income .....	491,891	481,145	499,225
<b>Provision for credit losses</b> .....	10,947	12,532	22,006
Net interest income after provision for credit losses .....	480,944	468,613	477,219
<b>Non-interest income:</b>			
Fees and service charges .....	271,664	247,456	226,051
Card revenue .....	63,312	52,991	47,190
ATM revenue .....	42,935	43,623	45,296
Investments and insurance revenue .....	12,558	13,901	15,848
Subtotal .....	390,469	357,971	334,385
Leasing and equipment finance .....	50,323	51,088	51,628
Mortgage banking .....	12,960	12,719	6,979
Other .....	14,114	9,014	13,272
Fees and other revenue .....	467,866	430,792	406,264
Gains on sales of securities available for sale .....	22,600	32,832	11,536
Gains (losses) on termination of debt .....	—	(44,345)	—
Gains on sales of branches .....	—	—	1,962
Other non-interest income .....	22,600	(11,513)	13,498
Total non-interest income .....	490,466	419,279	419,762
<b>Non-interest expense:</b>			
Compensation and employee benefits .....	322,824	302,804	294,295
Occupancy and equipment .....	95,617	88,423	83,131
Advertising and promotions .....	26,353	25,536	21,894
Other .....	142,140	143,346	139,968
Total non-interest expense .....	586,934	560,109	539,288
Income before income tax expense .....	384,476	327,783	357,693
<b>Income tax expense</b> .....	129,483	111,905	124,762
Net income .....	\$254,993	\$215,878	\$232,931
<b>Net income per common share:</b>			
Basic .....	\$ 1.87	\$ 1.53	\$ 1.58
Diluted .....	\$ 1.86	\$ 1.53	\$ 1.58
<b>Dividends declared per common share</b> .....	\$ .75	\$ .65	\$ .58

See accompanying notes to consolidated financial statements.

# Consolidated Statements of Stockholders' Equity

(Dollars in thousands)

## Balance, December 31, 2001

### Comprehensive income:

Net income

Other comprehensive income

Comprehensive income

Dividends on common stock

Repurchase of 6,216,862 shares

Issuance of 122,880 shares

Cancellation of shares

Amortization of stock compensation

Exercise of stock options, 103,312 shares

Change in shares held in trust for deferred compensation plans, at cost

Repayment of loans to deferred compensation plans

## Balance, December 31, 2002

### Comprehensive income (loss):

Net income

Other comprehensive loss

Comprehensive income (loss)

Dividends on common stock

Repurchase of 6,918,980 shares

Issuance of 285,474 shares

Cancellation of shares

Amortization of stock compensation

Exercise of stock options, 125,558 shares

Change in shares held in trust for deferred compensation plans, at cost

## Balance, December 31, 2003

### Comprehensive income (loss):

Net income

Other comprehensive loss

Comprehensive income (loss)

Dividends on common stock

Stock split

Repurchase of 3,984,890 shares

Issuance of 150,174 shares

Cancellation of shares

Amortization of stock compensation

Exercise of stock options, 155,832 shares

Change in shares held in trust for deferred compensation plans, at cost

## Balance, December 31, 2004

See accompanying notes to consolidated financial statements.

Number of Common Shares Issued	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock and Other	Total
185,439,088	\$ 927	\$ 520,940	\$ 965,454	\$ 6,229	\$ (576,517)	\$ 917,033
—	—	—	232,931	—	—	232,931
—	—	—	—	39,873	—	39,873
—	—	—	232,931	39,873	—	272,804
—	—	—	(86,430)	—	—	(86,430)
—	—	—	—	—	(148,030)	(148,030)
—	—	1,139	—	—	(1,139)	—
(161,214)	(1)	(3,586)	—	—	742	(2,845)
—	—	28	—	—	11,590	11,618
—	—	1,536	—	—	1,551	3,087
—	—	(1,244)	—	—	1,244	—
—	—	—	—	—	9,783	9,783
185,277,874	926	518,813	1,111,955	46,102	(700,776)	977,020
—	—	—	215,878	—	—	215,878
—	—	—	—	(40,450)	—	(40,450)
—	—	—	215,878	(40,450)	—	175,428
—	—	—	(93,029)	—	—	(93,029)
—	—	—	—	—	(150,356)	(150,356)
—	—	1,704	—	—	(1,704)	—
(251,164)	(1)	(3,598)	—	—	2,371	(1,228)
—	—	—	—	—	9,701	9,701
—	—	1,264	—	—	2,058	3,322
—	—	695	—	—	(695)	—
185,026,710	925	518,878	1,234,804	5,652	(839,401)	920,858
—	—	—	254,993	—	—	254,993
—	—	—	—	(7,067)	—	(7,067)
—	—	—	254,993	(7,067)	—	247,926
—	—	—	(104,037)	—	—	(104,037)
—	925	(925)	—	—	—	—
—	—	—	—	—	(116,134)	(116,134)
—	—	1,618	—	—	(1,618)	—
(87,616)	(1)	(2,055)	—	—	835	(1,221)
—	—	—	—	—	6,905	6,905
—	—	1,553	—	—	2,685	4,238
—	—	(328)	—	—	211	(117)
184,939,094	\$ 1,849	\$ 518,741	\$ 1,385,760	\$ (1,415)	\$ (946,517)	\$ 958,418



# Consolidated Statements of Cash Flows

(In thousands)	Year Ended December 31,		
	2004	2003	2002
<b>Cash flows from operating activities:</b>			
Net income	\$ 254,993	\$ 215,878	\$ 232,931
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	39,996	39,478	40,772
Mortgage servicing rights amortization and impairment	14,591	44,833	35,374
Provision for credit losses	10,947	12,532	22,006
Proceeds from sales of loans held for sale	1,051,276	2,944,298	2,703,744
Principal collected on loans held for sale	8,090	8,913	15,814
Originations and purchases of loans held for sale	(879,450)	(2,816,960)	(2,734,741)
Net (increase) decrease in other assets and accrued expenses and other liabilities	(31,265)	(14,913)	43,091
Gains on sales of assets	(23,306)	(32,832)	(13,900)
Losses on termination of debt	—	44,345	—
Other, net	(3,299)	(8,655)	(20,141)
Total adjustments	187,580	221,039	92,019
Net cash provided by operating activities	442,573	436,917	324,950
<b>Cash flows from investing activities:</b>			
Principal collected on loans and leases	3,833,653	4,343,655	3,434,153
Originations and purchases of loans	(4,183,611)	(4,108,727)	(2,984,568)
Purchases of lease financing receivables	—	(58,421)	—
Purchases of equipment for lease financing	(703,712)	(510,140)	(470,917)
Proceeds from sales of securities available for sale	1,437,066	849,333	485,406
Proceeds from maturities of and principal collected on securities available for sale	347,304	881,885	718,431
Purchases of securities available for sale	(1,911,905)	(871,559)	(1,973,974)
Net (increase) decrease in Federal Home Loan Bank stock	(30,142)	79,307	3,126
Proceeds from sales of real estate owned	40,654	26,186	21,926
Acquisitions, net of cash acquired	(4,326)	—	—
Purchases of premises and equipment	(77,788)	(69,782)	(60,279)
Sales of deposits, net of cash paid	—	—	(15,206)
Repayment of loans to deferred compensation plans	—	—	9,783
Other, net	2,278	(18,538)	(21,834)
Net cash (used) provided by investing activities	(1,250,529)	543,199	(853,953)
<b>Cash flows from financing activities:</b>			
Net increase (decrease) in deposits	350,446	(98,239)	628,142
Net (decrease) increase in short-term borrowings	(629,510)	36,361	122,192
Proceeds from long-term borrowings	2,800,614	425,469	52,462
Payments on long-term borrowings	(1,505,847)	(1,147,876)	(11,665)
Purchases of common stock	(116,134)	(150,356)	(148,030)
Dividends paid on common stock	(104,037)	(93,029)	(86,430)
Other, net	2,168	1,211	2,029
Net cash provided (used) by financing activities	797,700	(1,026,459)	558,700
Net (decrease) increase in cash and due from banks	(10,256)	(46,343)	29,697
Cash and due from banks at beginning of year	370,054	416,397	386,700
Cash and due from banks at end of year	\$ 359,798	\$ 370,054	\$ 416,397
<b>Supplemental disclosures of cash flow information:</b>			
Cash paid for:			
Interest on deposits and borrowings	\$ 126,228	\$ 157,751	\$ 234,046
Income taxes	\$ 145,716	\$ 139,120	\$ 87,899
Transfer of loans and leases to other assets	\$ 23,963	\$ 44,292	\$ 51,713

See accompanying notes to consolidated financial statements.

# Notes to Consolidated Financial Statements

## Note 1. Summary of Significant Accounting Policies

**Basis of Presentation** The consolidated financial statements include the accounts of TCF Financial Corporation and its wholly owned subsidiaries. TCF Financial Corporation ("TCF" or the "Company") is a national financial holding company engaged primarily in community banking, mortgage banking and leasing and equipment finance through its wholly owned subsidiary, TCF National Bank. TCF National Bank owns leasing and equipment finance, mortgage banking, securities brokerage and investment and insurance sales, and real estate investment trust ("REIT") subsidiaries. These subsidiaries are consolidated with TCF National Bank and are therefore included in the consolidated financial statements of TCF Financial Corporation. All significant intercompany accounts and transactions have been eliminated in consolidation.

Certain reclassifications have been made to prior years' financial statements to conform to the current year presentation. For Consolidated Statements of Cash Flows purposes, cash and cash equivalents include cash and due from banks.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## POLICIES RELATED TO CRITICAL ACCOUNTING ESTIMATES

**Summary of Critical Accounting Estimates** Critical accounting estimates occur in certain accounting policies and procedures and are particularly susceptible to significant change. Policies that contain critical accounting estimates include the determination of the allowance for loan and lease losses, mortgage servicing rights, income taxes, lease financings and pension liability and expenses.

**Allowance for Loan and Lease Losses** The allowance for loan and lease losses is maintained at a level believed to be appropriate by management to provide for probable loan and lease losses inherent in the portfolio as of the balance sheet date, including known or anticipated problem loans and leases, as well as for loans and leases which are not currently known to require specific allowances. Management's judgment as to the amount of the allowance, including the allocated and unallocated elements, is a result of ongoing review of larger individual loans and leases, the overall risk characteristics of the portfolios, changes in the character or size of the portfolios, the level of impaired and non-performing assets, historical net charge-off amounts, geographic location, prevailing economic

conditions and other relevant factors. Impaired loans include all non-accrual and restructured commercial real estate and commercial business loans and equipment finance loans. Consumer loans, residential real estate loans and leases are excluded from the definition of an impaired loan. Loan impairment is measured as the present value of the expected future cash flows discounted at the loan's initial effective interest rate or the fair value of the collateral for collateral-dependent loans. Consumer loans, residential loans, smaller-balance commercial loans and leases and equipment finance loans are segregated by loan type and sub-type, and are evaluated on a group basis. Loans and leases are charged off to the extent they are deemed to be uncollectible. The amount of the allowance for loan and lease losses is highly dependent upon management's estimates of variables affecting valuation, appraisals of collateral, evaluations of performance and status, and the amounts and timing of future cash flows expected to be received on impaired loans. Such estimates, appraisals, evaluations and cash flows may be subject to frequent adjustments due to changing economic prospects of borrowers, lessees or properties. These estimates are reviewed periodically and adjustments, if necessary, are recorded in the provision for credit losses in the periods in which they become known.

**Mortgage Servicing Rights** TCF records a mortgage servicing rights asset for its right to service mortgage loans it has sold to third parties, but continues to service for a fee. The total cost of loans sold is allocated between the loans sold and the servicing rights retained based on the relative fair values of each. Mortgage servicing rights are initially recorded at cost and are subsequently carried at the lower of cost, adjusted for amortization, or estimated fair value. Mortgage servicing rights are amortized in proportion to, and over the period of, estimated net servicing income.

TCF periodically evaluates its capitalized mortgage servicing rights for impairment. Loan type and note rate are the predominant risk characteristics of the underlying loans used to stratify capitalized mortgage servicing rights for purposes of measuring impairment. The fair value of mortgage servicing rights is estimated by calculating the present value of estimated future net servicing cash flows, taking into consideration actual and expected mortgage loan prepayment rates, discount rates, servicing costs, and other economic factors. The expected and actual rate of mortgage loan prepayments are the most significant factors driving the value of mortgage servicing rights.

Adjustments to the mortgage servicing rights valuation allowance for other than permanent impairment are recorded in mortgage banking revenues. Permanent impairment is recognized as a reduction in the capitalized mortgage servicing rights and a charge to the related valuation allowance.

**Lease Financing** TCF provides various types of lease financing that are classified for accounting purposes as either direct financing, sales-type, leveraged or operating leases. Leases that transfer substantially all of the benefits and risks of equipment ownership to the lessee are classified as direct financing or sales-type leases and are included in loans and leases. Direct financing and sales-type leases are carried at the combined present value of the future minimum lease payments and the lease residual value. Investments in leveraged leases are the sum of all lease payments (less non-recourse debt payments) plus estimated residual values, less unearned income. The determination of the lease classification requires various judgments and estimates by management including the fair value of the equipment at lease inception, useful life of the equipment under lease, and collectibility of minimum lease payments.

Sales-type leases generate dealer profit which is recognized at lease inception by recording lease revenue net of the lease cost. Lease revenue consists of the present value of the future minimum lease payments discounted at the rate implicit in the lease. Lease cost consists of the leased equipment's book value, less the present value of its residual. The revenues associated with other types of leases are recognized over the term of the underlying leases. Interest income on direct financing and sales-type leases is recognized using methods which approximate a level yield over the term of the leases. Income from leveraged leases is recognized using a method which approximates a level yield over the term of the leases based on the unrecovered equity investment. Management has policies and procedures in place for the determination of lease classification and review of the related judgments and estimates for all lease financings.

Additionally, some lease financings include a residual value component, which represents the estimated fair value of the leased equipment at the expiration of the initial term of the transaction. The estimation of residual values involves judgments regarding product and technology changes, customer behavior, shifts in supply and demand and other economic assumptions. These estimates are reviewed at least annually and downward adjustments, if necessary, are charged to non-interest expense in the periods in which they become known.

**Pension Plan** As summarized in Note 18, TCF provides pension benefits to eligible employees in the TCF Cash Balance Pension Plan. In accordance with Statement of Financial Accounting Standards ("SFAS") No. 87 "Employers' Accounting for Pensions," the Company does not consolidate the assets and liabilities associated with the pension plan.

The measurement of the projected benefit obligation, prepaid pension asset and annual pension expense involves complex actuarial valuation methods and the use of actuarial and economic assumptions. Due to the long-term nature of the pension plan obligation, actual results may differ significantly from the actuarial-based estimates. Differences between estimates and actual experience are

required to be deferred and under certain circumstances amortized over the future expected working lifetime of plan participants. As a result, these differences are not recognized when they occur. TCF closely monitors all assumptions and updates them annually.

**Income Taxes** Income taxes are accounted for using the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The determination of current and deferred income taxes is based on complex analyses of many factors including interpretation of Federal and state income tax laws, the difference between tax and financial reporting bases of assets and liabilities (temporary differences), estimates of amounts due or owed, the timing of reversals of temporary differences and current financial accounting standards. Actual results could differ significantly from the estimates and tax law interpretations used in determining the current and deferred income tax liabilities. Additionally, there can be no assurances that estimates and interpretations used in determining income tax liabilities may not be challenged by federal and state taxing authorities.

## OTHER SIGNIFICANT ACCOUNTING POLICIES

**Investments** Investments are carried at cost, adjusted for amortization of premiums or accretion of discounts, using methods which approximate a level yield.

**Securities Available for Sale** Securities available for sale are carried at fair value with the unrealized holding gains or losses, net of related deferred income taxes, reported as accumulated other comprehensive income (loss), which is a separate component of stockholders' equity. Cost of securities sold is determined on a specific identification basis and gains or losses on sales of securities available for sale are recognized at trade dates. Declines in the value of securities available for sale that are considered other than temporary are recorded in noninterest income as a loss on securities available for sale. Discounts and premiums on securities available for sale are amortized using methods which approximate a level yield over the life of the security.

**Loans Held for Sale** Loans held for sale include education loans and prior to December 31, 2004 residential mortgage loans. Education loans held for sale are carried at the lower of cost or market. Residential mortgage loans held for sale are carried at the lower of cost or market as adjusted for the effects of fair value

hedges using quoted market prices. See Note 19 for additional information concerning derivative instruments and hedging activities. Net fees and costs associated with originating and acquiring loans held for sale are deferred and are included in the basis for determining the gain or loss on sales of loans held for sale. Gains on sales are recorded at the settlement date and cost is determined on a specific identification basis.

**Loans and Leases** Net fees and costs associated with originating and acquiring loans and leases are deferred and amortized over the lives of the assets. The net fees and costs for sales-type leases are offset against revenues recorded at the commencement of sales-type leases. Discounts and premiums on loans purchased, net deferred fees and costs, unearned discounts and finance charges, and unearned lease income are amortized using methods which approximate a level yield over the estimated remaining lives of the loans and leases.

Loans and leases, including loans that are considered to be impaired, are reviewed regularly by management and are placed on non-accrual status when the collection of interest or principal is 90 days or more past due (150 days or six payments or more past due for loans secured by residential real estate), unless the loan or lease is adequately secured and in the process of collection. When a loan or lease is placed on non-accrual status, uncollected interest accrued in prior years is charged off against the allowance for loan and lease losses. Interest accrued in the current year is reversed. For those non-accrual leases that have been funded on a non-recourse basis by third-party financial institutions, the related debt is also placed on non-accrual status. Interest payments received on non-accrual loans and leases are generally applied to principal unless the remaining principal balance has been determined to be fully collectible.

**Premises and Equipment** Premises and equipment, including leasehold improvements, are carried at cost and are depreciated or amortized on a straight-line basis over their estimated useful lives of owned assets and for leasehold improvements over the estimated useful life of the related asset or the lease term, whichever is shorter. Maintenance and repairs are charged to expense as incurred.

**Other Real Estate Owned** Other real estate owned is recorded at the lower of cost or fair value less estimated costs to sell at the date of transfer to other real estate owned. At the time a loan is transferred to other real estate owned, any carrying amount in excess of the fair value less estimated costs to sell the property is charged off to the allowance for loan and lease losses. Subsequently, should the fair value of an asset less the estimated costs to sell decline to less than the carrying amount of the asset, the deficiency is recognized in the period in which it becomes known and is included in other non-interest expense. Net operating expenses of properties and recoveries and losses on sales of other real estate owned are also recorded in other non-interest expense.

## **Investments in Affordable Housing Limited Partnerships**

Investments in affordable housing consist of investments in limited partnerships that operate qualified affordable housing projects or that invest in other limited partnerships formed to operate affordable housing projects. TCF generally utilizes the effective yield method to account for these investments with the tax credits net of the amortization of the investment reflected in the Consolidated Statements of Income as a reduction of income tax expense. However, depending on circumstances, the equity or cost methods may be utilized. The amount of the investment along with any unfunded equity contributions which are unconditional and legally binding are recorded in other assets. A liability for the unfunded equity contributions is recorded in other liabilities. At December 31, 2004, TCF's investments in affordable housing limited partnerships were \$49 million, compared with \$41.8 million at December 31, 2003 and were recorded in other assets.

Four of these investments in affordable housing limited partnerships are considered variable interest entities under the Financial Accounting Standards Board ("FASB") Interpretation No. 46, "Consolidation of Variable Interest Entities" as revised (FIN 46). These partnerships are not required to be consolidated with TCF under FIN 46. As of December 31, 2004, the carrying amount of these four investments, which were made in May and October 2002, November 2003 and July 2004, was \$46.7 million. This amount included \$13.9 million of unconditional unfunded equity contributions which are recorded in other liabilities. Thus, the maximum exposure to loss on these four investments was \$46.7 million at December 31, 2004; however, the general partner of these partnerships provides various guarantees to TCF including guaranteed minimum returns. These guarantees are backed by a AAA credit-rated company and significantly limit any risk of loss.

**Intangible Assets** On January 1, 2002, TCF adopted SFAS No. 142, "Goodwill and Other Intangible Assets," which requires that goodwill and intangible assets with indefinite lives no longer be amortized, but instead tested for impairment annually. Deposit base intangibles are amortized over 10 years on an accelerated basis. The Company reviews the recoverability of the carrying values of these assets whenever an event occurs indicating that they may be impaired. See Note 9 for additional information concerning intangible assets and goodwill.

**Stock-Based Compensation** TCF utilizes the recognition provisions of SFAS No. 123, "Accounting for Stock-Based Compensation," for stock-based grants. Under SFAS No. 123, the fair value of an option or similar equity instrument on the date of grant is amortized to expense over the vesting period of the grant. TCF applied the

intrinsic value based method of accounting prescribed by Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees," as amended, for stock-based transactions through December 31, 1999. No compensation expense has been recognized for any stock option grants made prior to 2000. Had the recognition provisions of SFAS No. 123 been applied to the pre-2000 stock option grants, the related pro-forma impact on net income and earnings per share during 2003 and 2002 would have been immaterial. Compensation expense for restricted stock is recorded as unearned compensation in stockholders' equity and amortized to compensation expense over the vesting periods. See Note 17 for additional information concerning stock-based compensation.

### Note 3. Investments

The carrying values of investments, which approximate their fair values, consist of the following:

(In thousands)	At December 31,	
	2004	2003
Federal Home Loan Bank stock, at cost	\$ 80,841	\$ 50,411
Federal Reserve Bank stock, at cost	21,865	24,045
Interest-bearing deposits with banks	520	767
Total investments	\$103,226	\$ 75,223

The carrying values and yields on investments at December 31, 2004, by contractual maturity, are shown below:

(Dollars in thousands)	Carrying Value	Yield
Due in one year or less	\$ 520	1.71%
No stated maturity <sup>(1)</sup>	102,706	3.77
Total	\$103,226	3.76

<sup>(1)</sup> Balance represents FRB and Federal Home Loan Bank ("FHLB") stock, required regulatory investments.

### Note 4. Securities Available for Sale

Securities available for sale consist of the following:

(Dollars in thousands)	At December 31,							
	2004				2003			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Mortgage-backed securities:								
Federal agencies	\$1,614,513	\$2,045	\$(4,034)	\$1,612,524	\$1,514,400	\$13,744	\$(4,677)	\$1,523,467
Other	6,639	—	(222)	6,417	9,272	—	(201)	9,071
Other securities	1,000	—	—	1,000	750	—	—	750
	\$1,622,152	\$2,045	\$(4,256)	\$1,619,941	\$1,524,422	\$13,744	\$(4,878)	\$1,533,288
Weighted-average yield	5.13%				5.33%			

Gross gains of \$22.6 million, \$32.8 million and \$11.5 million were recognized on sales of securities available for sale during 2004, 2003 and 2002, respectively. Mortgage-backed securities aggregating \$1.4 billion and \$1.3 billion were pledged as collateral to secure certain deposits and borrowings at December 31, 2004 and 2003, respectively. See Notes 12 and 13 for additional information regarding securities pledged as collateral to secure certain borrowings.

**Derivative Financial Instruments** TCF utilizes derivative financial instruments to meet the ongoing credit needs of its customers and used derivatives to manage the market exposure of its residential loans held for sale and its commitments to extend credit for residential loans. Derivative financial instruments include commitments to extend credit and forward mortgage loan sales commitments. See Notes 19 and 20 for additional information concerning these derivative financial instruments.

### Note 2. Cash and Due from Banks

At December 31, 2004, TCF was required by Federal Reserve Board regulations to maintain reserve balances of \$70.1 million in cash on hand or at the Federal Reserve Bank.

The following table shows the securities available for sale portfolio's gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at December 31, 2004. TCF has reviewed these securities and has concluded that the unrealized losses are temporary and no impairment has occurred at December 31, 2004.

(In thousands)	Less than 12 months		12 months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Mortgage-backed securities:						
Federal agencies .....	\$994,892	\$(2,658)	\$80,659	\$(1,376)	\$1,075,551	\$(4,034)
Other .....	—	—	5,324	(222)	5,324	(222)
Total temporarily impaired securities .....	\$994,892	\$(2,658)	\$85,983	\$(1,598)	\$1,080,875	\$(4,256)

## Note 5. Loans Held for Sale

Loans held for sale consist of the following:

(In thousands)	At December 31,	
	2004	2003
Education loans .....	\$154,279	\$234,337
Residential mortgage loans .....	—	101,035
Total .....	\$154,279	\$335,372

## Note 6. Loans and Leases

Loans and leases consist of the following:

(Dollars in thousands)	At December 31,		Percentage Change
	2004	2003	
Consumer:			
Real estate secured:			
First mortgage lien .....	\$2,894,538	\$2,446,841	18.3%
Junior lien .....	1,487,478	1,141,186	30.3
Total real estate secured .....	4,382,016	3,588,027	22.1
Other secured .....	22,585	27,265	(17.2)
Unsecured .....	13,987	15,049	(7.1)
Total consumer .....	4,418,588	3,630,341	21.7
Commercial:			
Commercial real estate:			
Permanent .....	1,957,676	1,745,435	12.2
Construction and development .....	196,720	171,266	14.9
Total commercial real estate .....	2,154,396	1,916,701	12.4
Commercial business .....	424,135	427,696	(.8)
Total commercial .....	2,578,531	2,344,397	10.0
Leasing and equipment finance:			
Equipment finance loans .....	334,352	309,740	7.9
Lease financings:			
Direct financing leases .....	1,067,845	853,395	25.1
Sales-type leases .....	22,742	33,073	(31.2)
Lease residuals, excluding leveraged leases .....	35,163	34,171	2.9
Unearned income and deferred lease costs .....	(103,516)	(92,710)	11.7
Investment in leveraged leases .....	18,786	22,728	(17.3)
Total lease financings .....	1,041,020	850,657	22.4
Total leasing and equipment finance .....	1,375,372	1,160,397	18.5
Total consumer, commercial and leasing and equipment finance .....	8,372,491	7,135,135	17.3
Residential real estate .....	1,014,166	1,212,643	(16.4)
Total loans and leases .....	\$9,386,657	\$8,347,778	12.4



The aggregate amount of loans to non-management directors of TCF and their related interests was \$56.5 million and \$60.9 million at December 31, 2004 and 2003, respectively. During 2004, \$22.8 million of new loans were made, repayments of loans totaled \$27.1 million and there were no changes due to the composition of outside directors and their related interests. All loans to outside directors and their related interests were made in the ordinary course of business on normal credit terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with unrelated persons. The aggregate amount of loans to executive officers of TCF was \$115 thousand and \$25 thousand at December 31, 2004 and 2003, respectively. In the opinion of management the above mentioned loans to outside directors and their related interests and executive officers do not represent more than a normal credit risk of collection.

The investment in leveraged leases represents net unpaid rentals and estimated unguaranteed residual values of the leased assets less related unearned income. TCF has no obligation for principal and interest on notes representing third-party participation related to leveraged leases. Such notes, which totaled \$19.2 million at December 31, 2004, down from \$30.2 million at December 31, 2003, are recorded as an offset against the related rental receivable.

TCF's net investment in leveraged leases is comprised of the following:

(In thousands)	At December 31,	
	2004	2003
Rental receivable (net of principal and interest on non-recourse debt) .....	\$10,064	\$ 12,758
Estimated residual value of leased assets .....	13,660	18,679
Less: Unearned income .....	(4,938)	(8,709)
Investment in leveraged leases .....	18,786	22,728
Less: Deferred income taxes .....	(9,039)	(11,813)
Net investment in leveraged leases .....	\$ 9,747	\$ 10,915

Future minimum lease payments for direct financing and sales-type leases as of December 31, 2004 are as follows:

(In thousands)	Payments to be Received by TCF	Payments to be Received by other Financial Institutions	Total
2005 .....	\$ 379,557	\$ 29,610	\$ 409,167
2006 .....	271,260	15,628	286,888
2007 .....	181,254	5,313	186,567
2008 .....	106,949	315	107,264
2009 .....	47,138	45	47,183
Thereafter .....	15,046	—	15,046
Total .....	\$1,001,204	\$ 50,911	\$1,052,115

At December 31, 2004, lease residuals, excluding leveraged lease residuals, totaled \$35.2 million, up from \$34.2 million at December 31, 2003. Included in the investment in leveraged leases, at December 31, 2004 is a 100% equity interest in a Boeing 767-300 aircraft leased to Delta Airlines, Inc. ("Delta"). The third party noteholders have a security interest in the aircraft which is superior to TCF's equity interest. Such notes, which totaled \$19.2 million at December 31, 2004, down from \$22.6 million at December 31, 2003, are recorded as an offset against the related rental receivable. During 2004, TCF completed its annual review of the lease residual value assumption for this aircraft and reduced the estimated residual value by \$4.4 million. As required under SFAS No. 13, "Accounting for Leases", TCF recognized an impairment charge of \$1.6 million which was recorded in other non-interest expense. The remaining reduction will be amortized through reduced yield on the investment over the remaining years of the lease as prescribed by SFAS No. 13. In 2004, TCF downgraded its credit rating on the aircraft leveraged lease and classified its investment as substandard and placed the lease on non-accrual status. Although Delta is current on its payments related to this transaction, if Delta declares bankruptcy, it would likely result in the charge-off of TCF's \$18.8 million investment in the leveraged lease and the current payment of previously deferred income tax obligations.

## Note 7. Allowance for Loan and Lease Losses

Following is a summary of the allowance for loan and lease losses and selected statistics:

(Dollars in thousands)	Year Ended December 31,		
	2004	2003	2002
Balance at beginning of year	\$ 76,619	\$ 77,008	\$ 75,028
Provision for credit losses	10,947	12,532	22,006
Charge-offs	(14,247)	(16,369)	(24,361)
Recoveries	4,768	3,448	4,335
Net charge-offs	(9,479)	(12,921)	(20,026)
Acquired allowance	1,791	—	—
Balance at end of year	\$ 79,878	\$ 76,619	\$ 77,008
Ratio of net loan and lease charge-offs to average loans and leases outstanding	.11%	.16%	.25%
Allowance for loan and lease losses as a percentage of total loan and lease balances at year end	.85	.92	.95

Information relating to impaired loans and non-accrual loans and leases is as follows:

(In thousands)	At or For the Year Ended December 31,		
	2004	2003	2002
Impaired loans:			
Balance, at year-end	\$ 8,092	\$ 9,133	\$12,090
Related allowance for loan losses, at year-end <sup>(1)</sup>	3,668	4,456	5,512
Average recorded investment in impaired loans	9,840	10,770	14,686
Interest income recognized on impaired loans (cash basis)	108	27	92
Other non-accrual loans and leases:			
Balance, at year-end	38,786	26,273	31,550
Interest income recognized on other non-accrual loans and leases (cash basis)	1,409	756	1,133
Contractual interest on non-accrual loans and leases <sup>(2)</sup>	3,881	3,271	4,301

<sup>(1)</sup> There were no impaired loans at December 31, 2004, 2003 and 2002 which did not have a related allowance for loan losses.

<sup>(2)</sup> Represents interest which would have been recorded had the loans and leases performed in accordance with their original terms.

At December 31, 2004, 2003 and 2002, TCF had no loans outstanding with terms that had been modified in troubled debt restructurings. There were no material commitments to lend additional funds to customers whose loans or leases were classified as non-accrual at December 31, 2004.

## Note 8. Premises and Equipment

Premises and equipment are summarized as follows:

(In thousands)	At December 31,	
	2004	2003
Land	\$ 88,227	\$ 76,902
Office buildings	201,373	169,098
Leasehold improvements	46,062	40,927
Furniture and equipment	242,389	242,958
Subtotal	578,051	529,885
Less accumulated depreciation and amortization	251,384	247,692
Total	\$326,667	\$282,193

TCF leases certain premises and equipment under operating leases. Net lease expense was \$25.4 million, \$23.5 million and \$20.8 million in 2004, 2003 and 2002, respectively.

At December 31, 2004, the total annual minimum lease commitments for operating leases were as follows:

(In thousands)	
2005	\$ 23,894
2006	20,998
2007	19,633
2008	17,378
2009	16,445
Thereafter	72,093
Total	\$170,441

## Note 9. Goodwill and Other Intangible Assets

Goodwill and other intangible assets are summarized as follows:

	At December 31,					
	2004			2003		
(In thousands)	Gross Amount	Accumulated Amortization	Net Amount	Gross Amount	Accumulated Amortization	Net Amount
Amortizable intangible assets:						
Mortgage servicing rights	\$ 83,668	\$ 37,226	\$ 46,442	\$ 76,306	\$ 24,270	\$ 52,036
Deposit base intangibles	21,180	16,935	4,245	21,180	15,273	5,907
Total	\$104,848	\$ 54,161	\$ 50,687	\$ 97,486	\$ 39,543	\$ 57,943
Unamortizable intangible assets:						
Goodwill included in Banking Segment	\$145,462		\$145,462	\$145,462		\$145,462
Goodwill included in Leasing Segment	7,137		7,137	—		—
Total	\$152,599		\$152,599	\$145,462		\$145,462

Amortization expense for intangible assets was \$14.8 million, \$25.3 million and \$24.5 million for the years ended December 31, 2004, 2003 and 2002, respectively. The following table shows the estimated future amortization expense for amortized intangible assets based on existing asset balances and the interest rate environment as of December 31, 2004. The Company's actual amortization expense in any given period may be significantly different from the estimated amounts depending upon the addition of new intangible assets, changes in mortgage interest rates, prepayment rates and other market conditions.

(In thousands)	Mortgage Servicing Rights	Deposit Base Intangibles	Total
Estimated Amortization Expense for the Year Ended December 31,:			
2005	\$11,693	\$ 1,659	\$13,352
2006	9,387	1,631	11,018
2007	7,317	955	8,272
2008	5,687	—	5,687
2009	4,440	—	4,440

## Note 10. Mortgage Banking

The activity in mortgage servicing rights and the related valuation allowance is summarized as follows:

(In thousands)	Year Ended December 31,		
	2004	2003	2002
Mortgage servicing rights at beginning of year	\$ 54,036	\$ 71,990	\$ 63,607
Wholesale originations	4,038	21,385	30,781
Retail originations	4,959	12,840	8,976
Amortization	(13,091)	(23,679)	(22,874)
Impairment write-down	—	(28,500)	(8,500)
Mortgage servicing rights at end of year	49,942	54,036	71,990
Valuation allowance at beginning of year	(2,000)	(9,346)	(5,346)
Provision for impairment	(1,500)	(21,154)	(12,500)
Impairment write-down	—	28,500	8,500
Valuation allowance at end of year	(3,500)	(2,000)	(9,346)
Mortgage servicing rights, net	\$ 46,442	\$ 52,036	\$ 62,644

The following table represents the components of mortgage banking revenue:

(In thousands)	Year Ended December 31,		
	2004	2003	2002
Servicing income	\$ 17,349	\$ 20,533	\$ 20,443
Less mortgage servicing:			
Amortization	13,091	23,679	22,874
Provision for impairment	1,500	21,154	12,500
Subtotal	14,591	44,833	35,374
Net servicing income (loss)	2,758	(24,300)	(14,931)
Gains on sales of loans	8,107	33,505	18,110
Other income	2,095	3,514	3,800
Total mortgage banking revenue	\$ 12,960	\$ 12,719	\$ 6,979

Gains on sales of loans includes the changes in fair value of residential mortgage loans held for sale, loan applications in process and related forward sales contracts. At December 31, 2004, there were no residential mortgage loans held for sale or related forward sales contracts.

At December 31, 2004, 2003 and 2002, TCF was servicing real estate loans for others with aggregate unpaid principal balances of approximately \$4.5 billion, \$5.1 billion and \$5.6 billion, respectively. At December 31, 2004 and 2003, TCF had custodial funds of \$106.1 million and \$128.5 million, respectively, relating to the servicing of residential real estate loans, which are included in deposits in the Consolidated Statements of Financial Condition. These custodial deposits relate primarily to mortgage servicing operations and represent funds due to investors on mortgage loans serviced by TCF and customer funds held for real estate taxes and insurance.

The estimated fair value of mortgage servicing rights included in the Consolidated Statements of Financial Condition at December 31, 2004 was approximately \$55.9 million. The estimated fair value is based on estimated cash flows discounted using rates management believes are commensurate with the risks involved. Assumptions regarding prepayments, defaults and interest rates are determined using available market information.

## Note 11. Deposits

Deposits are summarized as follows:

(Dollars in thousands)	At December 31,					
	2004			2003		
	Rate at Year End	Amount	% of Total	Rate at Year End	Amount	% of Total
Checking:						
Non-interest bearing	—%	\$2,378,697	29.9%	—%	\$2,113,572	27.8%
Interest bearing	.55	1,527,290	19.2	.08	1,134,840	14.9
Total checking	.22	3,905,987	49.1	.03	3,248,412	42.7
Savings:						
Non-interest bearing	—	89,578	1.1	—	104,104	1.3
Interest bearing	.62	1,838,294	23.1	.43	1,801,819	23.7
Total savings	.59	1,927,872	24.2	.41	1,905,923	25.0
Money market	.59	659,686	8.3	.37	845,291	11.1
Total checking, savings, and money market	.37	6,493,545	81.6	.20	5,999,626	78.8
Certificates of deposit	2.11	1,468,650	18.4	2.01	1,612,123	21.2
Total deposits	.69	\$7,962,195	100.0%	.58	\$7,611,749	100.0%

Certificates of deposit had the following remaining maturities at December 31, 2004:

(In thousands) Maturity	\$100,000 Minimum	Other	Total
0-3 months	\$ 101,399	\$ 340,345	\$ 441,744
4-6 months	49,633	258,289	307,922
7-12 months	41,327	272,040	313,367
13-24 months	34,964	230,450	265,414
25-36 months	12,496	65,848	78,344
37-48 months	1,784	16,730	18,514
49-60 months	10,211	27,168	37,379
Over 60 months	888	5,078	5,966
Total	\$ 252,702	\$1,215,948	\$1,468,650

## Note 12. Short-term Borrowings

The following table sets forth selected information for short-term borrowings (borrowings with an original maturity of less than one year) for each of the years in the three year period ended December 31, 2004:

(Dollars in thousands)	2004		2003		2002	
	Amount	Rate	Amount	Rate	Amount	Rate
<b>At December 31,</b>						
Federal funds purchased	\$ 219,000	2.29%	\$219,000	.95%	\$265,000	1.20%
Securities sold under repurchase agreements	568,319	2.38	607,631	1.30	547,743	1.37
Treasury, tax and loan note payable	4,792	1.92	14,781	.73	15,808	1.12
Federal Home Loan Bank advances	250,000	2.41	—	—	—	—
Line of credit	14,000	3.18	37,000	1.95	13,500	2.20
Total	<u>\$1,056,111</u>	<u>2.37</u>	<u>\$878,412</u>	<u>1.23</u>	<u>\$842,051</u>	<u>1.32</u>
<b>Year ended December 31,</b>						
<b>Average daily balance</b>						
Federal funds purchased	\$ 203,216	1.45%	\$231,060	1.12%	\$188,559	1.67%
Securities sold under repurchase agreements	528,942	1.53	504,328	1.26	340,311	1.70
Treasury, tax and loan note payable	4,119	1.02	5,103	.86	29,348	1.50
Federal Home Loan Bank advances	57,513	2.02	—	—	—	—
Line of credit	15,316	2.78	16,637	2.63	15,717	3.23
Total	<u>\$ 809,106</u>	<u>1.57</u>	<u>\$757,128</u>	<u>1.25</u>	<u>\$573,935</u>	<u>1.72</u>
<b>Maximum month-end balance</b>						
Federal funds purchased	\$ 336,000	N.A.	\$321,000	N.A.	\$271,000	N.A.
Securities sold under repurchase agreements	614,641	N.A.	896,752	N.A.	766,511	N.A.
Treasury, tax and loan note payable	30,438	N.A.	31,903	N.A.	200,000	N.A.
Federal Home Loan Bank advances	300,000	N.A.	—	N.A.	—	N.A.
Line of credit	43,000	N.A.	47,000	N.A.	42,500	N.A.

N.A. Not Applicable.

The securities underlying the repurchase agreements are book entry securities. During the borrowing period, book entry securities were delivered by appropriate entry into the counterparties' accounts through the Federal Reserve System. The dealers may sell, loan or otherwise dispose of such securities to other parties in the normal course of their operations, but have agreed to resell to TCF identical or substantially the same securities upon the maturities of the agreements. At December 31, 2004, all of the securities sold under repurchase agreements provided for the repurchase of identical securities and were collateralized by mortgage-backed securities having a fair value of \$584.8 million.

TCF Financial Corporation (parent company only) has a \$105 million line of credit maturing in April 2005 which is unsecured and contains certain covenants common to such agreements. TCF is not in default with respect to any of its covenants under the credit agreement. The interest rate on the line of credit is based on either the prime rate or LIBOR. TCF has the option to select the interest rate index and term for advances on the line of credit. The line of credit may be used for appropriate corporate purposes.

### Note 13. Long-term Borrowings

Long-term borrowings consist of the following:

(Dollars in thousands)	Year of Maturity	At December 31,			
		2004		2003	
		Amount	Weighted-Average Rate	Amount	Weighted-Average Rate
Federal Home Loan Bank advances and securities sold under repurchase agreements . . . . .	2004	\$ —	—%	\$ 3,000	4.76%
	2005	1,191,500	3.04	741,500	3.82
	2006	303,000	4.64	303,000	4.20
	2009	122,500	5.25	122,500	5.25
	2010	100,000	6.02	100,000	6.02
	2011	200,000	4.86	200,000	4.85
Total Federal Home Loan Bank advances and securities sold under repurchase agreements . . . . .		1,917,000	3.78	1,470,000	4.31
Discounted lease rentals . . . . .	2004	—	—	43,607	6.24
	2005	27,871	5.63	18,097	5.68
	2006	15,080	5.75	4,134	5.55
	2007	5,183	5.91	522	5.30
	2008	305	6.41	53	5.54
	2009	44	6.59	—	—
Total discounted lease rentals . . . . .		48,483	5.70	66,413	6.04
Subordinated bank notes . . . . .	2014	74,209	5.27	—	—
Other borrowings . . . . .	2005	2,200	4.50	—	—
	2006	2,200	4.50	—	—
	2007	2,200	4.50	—	—
	2008	2,200	4.50	—	—
Total other borrowings . . . . .		8,800	4.50	—	—
Total long-term borrowings . . . . .		\$2,048,492	3.88	\$1,536,413	4.38

At December 31, 2004, \$599.5 million of securities sold under repurchase agreements maturing in 2005 were collateralized by mortgage-backed securities having a fair value of \$634.5 million.

For certain equipment leases, TCF utilizes its lease rentals and underlying equipment as collateral to borrow from other financial institutions at fixed rates on either a partial recourse or non-recourse basis. In the event of a default by the customer on these financings, the other financial institution has a first lien on the underlying leased equipment. In the case of non-recourse financings, the other financial institution has no further recourse against TCF.

At December 31, 2004, TCF has pledged residential real estate loans, consumer loans, commercial real estate loans, mortgage-backed securities and FHLB stock with an aggregate carrying value of \$4.4 billion as collateral for FHLB advances. Included in FHLB advances and repurchase agreements at December 31, 2004 are \$767.5 million of fixed-rate FHLB advances and repurchase agreements with other financial institutions which are callable quarterly at par until maturity. If called, replacement funding will be provided by the counterparties at the then-prevailing short-term market interest rates. The probability that these advances and repurchase agreements will be called depends primarily on the level of related interest rates during the call period. The stated maturity dates for the callable advances and repurchase agreements outstanding at December 31, 2004 were as follows (dollars in thousands):

Year	Stated Maturity	Weighted-Average Rate
2005 . . . . .	\$342,000	6.20%
2006 . . . . .	3,000	5.46
2009 . . . . .	122,500	5.25
2010 . . . . .	100,000	6.02
2011 . . . . .	200,000	4.85
	\$767,500	5.67

In 2004, TCF National Bank ("TCF Bank"), a wholly-owned subsidiary of TCF, issued \$75 million of subordinated notes due 2014. The notes bear interest at a fixed rate of 5.00% for the first five years and will reprice quarterly thereafter at the three-month LIBOR rate plus 1.63%. The notes may be redeemed by TCF Bank at par after five years. These notes qualify as Tier 2 or supplemental capital for regulatory purposes, subject to certain limitations. TCF Bank paid the proceeds from the offering to TCF to be used for general corporate purposes, which may include repurchases in the open market of TCF common stock.

#### Note 14. Income Taxes

Income tax expense consists of:

(In thousands)	Current	Deferred	Total
<b>Year ended December 31, 2004:</b>			
Federal .....	\$148,043	\$ (21,765)	\$126,278
State .....	3,918	(713)	3,205
<b>Total .....</b>	<b>\$151,961</b>	<b>\$ (22,478)</b>	<b>\$129,483</b>
<b>Year ended December 31, 2003:</b>			
Federal .....	\$ 111,922	\$ (4,649)	\$ 107,273
State .....	4,830	(198)	4,632
<b>Total .....</b>	<b>\$ 116,752</b>	<b>\$ (4,847)</b>	<b>\$ 111,905</b>
<b>Year ended December 31, 2002:</b>			
Federal .....	\$ 31,830	\$ 86,288	\$ 118,118
State .....	1,810	4,834	6,644
<b>Total .....</b>	<b>\$ 33,640</b>	<b>\$ 91,122</b>	<b>\$ 124,762</b>

Income tax expense differs from the amounts computed by applying the federal income tax rate of 35% to income before income tax expense as a result of the following:

(In thousands)	Year Ended December 31,		
	2004	2003	2002
Computed income tax expense .....	\$134,567	\$114,724	\$125,192
Increase (decrease) in income tax expense resulting from:			
State income tax, net of federal income tax benefit .....	2,083	3,011	4,319
Deductible stock dividends .....	(3,897)	(3,291)	(3,682)
Investments in affordable housing limited partnerships .....	(2,518)	(1,419)	(489)
Other, net .....	(752)	(1,120)	(578)
	<b>\$129,483</b>	<b>\$111,905</b>	<b>\$124,762</b>
Effective income tax rate .....	<b>33.68%</b>	<b>34.14%</b>	<b>34.88%</b>

The significant components of the Company's deferred tax assets and deferred tax liabilities are as follows:

(In thousands)	At December 31,	
	2004	2003
<b>Deferred tax assets:</b>		
Restricted stock and deferred compensation plans .....	\$ 37,819	\$ 34,325
Allowance for loan and lease losses .....	35,265	35,820
Securities available for sale .....	796	—
Other .....	9,427	11,136
<b>Total deferred tax assets .....</b>	<b>83,307</b>	<b>81,281</b>
<b>Deferred tax liabilities:</b>		
Lease financing .....	122,528	117,991
Subsidiary tax year-end .....	—	28,931
Loan fees and discounts .....	19,339	18,428
Mortgage servicing rights .....	14,090	15,061
Pension plan .....	9,464	9,066
Premises and equipment .....	8,188	6,249
Securities available for sale .....	—	3,214
Other .....	10,901	10,032
<b>Total deferred tax liabilities .....</b>	<b>184,510</b>	<b>208,972</b>
<b>Net deferred tax liabilities .....</b>	<b>\$101,203</b>	<b>\$127,691</b>

The company has determined that a valuation allowance for deferred tax assets is not necessary.



## Note 15. Stockholders' Equity

**Restricted Retained Earnings** Retained earnings at December 31, 2004 includes approximately \$134.4 million for which no provision for federal income taxes has been made. This amount represents earnings legally appropriated to bad debt reserves and deducted for federal income tax purposes and is generally not available for payment of cash dividends or other distributions to shareholders. Future payments or distributions of these appropriated earnings could invoke a tax liability for TCF based on the amount of the distributions removed and the tax rates in effect at that time.

**Shareholder Rights Plan** Each share of TCF common stock outstanding includes one preferred share purchase right. TCF's preferred share purchase rights will become exercisable only if a person or group acquires or announces an offer to acquire 15% or more of TCF's common stock. When exercisable, each right will entitle the

holder to buy one one-hundredth of a share of a new series of junior participating preferred stock at a price of \$200. In addition, upon the occurrence of certain events, holders of the rights will be entitled to purchase either TCF's common stock or shares in an "acquiring entity" at half of the market value. TCF's Board of Directors (the "Board") is generally entitled to redeem the rights at \$.001 per right at any time before they become exercisable. The rights will expire on June 9, 2009, if not previously redeemed or exercised.

**Stock Split** During the third quarter of 2004, TCF announced and completed a two-for-one stock split of its common stock in the form of a 100% stock dividend. The stock split resulted in an increase in issued common stock of 92,485,601 shares and was accounted for by a transfer of \$925 thousand to common stock from additional paid-in capital. All prior period common shares and per share disclosures have been restated to reflect the split.

**Treasury Stock and Other** Treasury stock and other consists of the following:

(In thousands)	At December 31,	
	2004	2003
Treasury stock, at cost	<b>\$(862,543)</b>	\$(751,586)
Shares held in trust for deferred compensation plans, at cost	<b>(70,775)</b>	(71,103)
Unamortized stock compensation	<b>(13,199)</b>	(16,712)
Total	<b>\$(946,517)</b>	\$(839,401)

TCF purchased 3,984,890; 6,918,980 and 6,216,862 shares of its common stock during the years ended December 31, 2004, 2003 and 2002 respectively. On July 21, 2003, TCF's Board of Directors authorized the repurchase of up to an additional 5% of TCF's common stock, or 7.2 million shares. At December 31, 2004, TCF had 3.5 million shares remaining in its stock repurchase program authorized by the Board of Directors.

### Shares Held in Trust for Deferred Compensation Plans

TCF has deferred compensation plans that allow eligible executives, senior officers and certain other employees to defer payment of up to 100% of their base salary and bonus as well as grants of restricted stock. There are no company contributions to these plans, other than payment of administrative expenses. The amounts deferred are invested in TCF stock or other publicly traded stocks, bonds or mutual funds. At December 31, 2004 the fair value of the assets in the plans totaled \$253.3 million and included \$246.3 million invested in TCF

common stock. The cost of TCF common stock held by TCF's deferred compensation plans is reported separately in a manner similar to treasury stock (that is, changes in fair value are not recognized) with a corresponding deferred compensation obligation reflected in additional paid-in capital.

## Note 16. Regulatory Capital Requirements

TCF is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional discretionary, actions by the federal banking agencies that could have a direct material effect on TCF's financial statements. Also, in general, TCF National Bank may not declare or pay a dividend to TCF in excess of 100% of its net profits for that year combined with its retained net profits for the preceding two calendar years without prior approval of the Office of the Comptroller of the Currency ("OCC").

The following table sets forth TCF's and TCF National Bank's regulatory tier 1 leverage, tier 1 risk-based and total risk-based capital levels, and applicable percentages of adjusted assets, together with the excess over minimum capital requirements:

(Dollars in thousands)	Actual		Minimum Capital Requirement		Excess	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
<b>As of December 31, 2004:</b>						
<b>Tier 1 leverage capital</b>						
TCF Financial Corporation .....	\$803,870	6.63%	\$363,940	3.00%	\$439,930	3.63%
TCF National Bank .....	775,100	6.41	362,911	3.00	412,189	3.41
<b>Tier 1 risk-based capital</b>						
TCF Financial Corporation .....	803,870	9.12	352,592	4.00	451,278	5.12
TCF National Bank .....	775,100	8.81	351,865	4.00	423,235	4.81
<b>Total risk-based capital</b>						
TCF Financial Corporation .....	958,900	10.88	705,185	8.00	253,715	2.88
TCF National Bank .....	930,130	10.57	703,730	8.00	226,400	2.57
<b>As of December 31, 2003:</b>						
<b>Tier 1 leverage capital</b>						
TCF Financial Corporation .....	\$ 765,271	6.87%	\$ 334,402	3.00%	\$ 430,869	3.87%
TCF National Bank .....	754,599	6.83	331,649	3.00	422,950	3.83
<b>Tier 1 risk-based capital</b>						
TCF Financial Corporation .....	765,271	9.75	313,825	4.00	451,446	5.75
TCF National Bank .....	754,599	9.64	313,143	4.00	441,456	5.64
<b>Total risk-based capital</b>						
TCF Financial Corporation .....	841,982	10.73	627,650	8.00	214,332	2.73
TCF National Bank .....	831,310	10.62	626,286	8.00	205,024	2.62

At December 31, 2004, TCF and TCF National Bank exceeded their regulatory capital requirements and are considered "well-capitalized" under guidelines established by the FRB and the OCC pursuant to the Federal Deposit Insurance Corporation Improvement Act of 1991.

#### Note 17. Incentive Stock Program

The TCF Financial 1995 Incentive Stock Program (the "Program") was adopted to enable TCF to attract and retain key personnel. Under the Program, no more than 5% of the shares of TCF common stock outstanding on the date of initial shareholder approval may be awarded. At December 31, 2004, there were 5,173,282 shares reserved for issuance under the Program, including 325,864 shares related to outstanding stock options.

At December 31, 2004, there were 2,142,246 shares of performance-based restricted stock that will vest only if certain earnings per share goals are achieved by 2008. On January 6, 2005, 1,085,570 shares of performance-based restricted stock vested due to the achievement of an earnings per share goal in 2004.

Failure to achieve the goals will result in all or a portion of the shares being forfeited. Other restricted stock grants generally vest over periods from three to seven years. The weighted-average grant date fair value of restricted stock was \$28.14, \$22.50 and \$24.46 in 2004, 2003 and 2002, respectively. Compensation expense for restricted stock totaled \$6.9 million, \$9.7 million and \$11.6 million in 2004, 2003 and 2002, respectively.

TCF has also issued stock options under the Program that generally become exercisable over a period of one to 10 years from the date of the grant and expire after 10 years. All outstanding options have a fixed exercise price equal to the market price of TCF common stock on the date of grant. As of December 31, 2004, all outstanding stock options are vested.

The following table reflects TCF's stock option and restricted stock transactions under the Program since December 31, 2001:

	Restricted Stock		Stock Options		
	Shares	Price Range	Shares	Range	Weighted-Average Exercise Price
Outstanding at December 31, 2001	4,918,822	\$ 9.87-24.10	740,250	\$ 2.66-16.64	\$ 12.33
Granted	122,800	20.71-26.39	—	—	—
Exercised	—	—	(103,596)	2.66-16.64	9.86
Forfeited	(46,490)	11.05-26.39	(28,900)	11.78-16.09	12.95
Vested	(1,724,500)	10.44-25.17	—	—	—
Outstanding at December 31, 2002	3,270,632	9.87-26.39	607,754	3.44-16.64	12.72
Granted	255,900	18.73-25.32	—	—	—
Exercised	—	—	(125,558)	10.91-16.09	12.11
Forfeited	(214,480)	9.87-26.39	(500)	10.91	10.91
Vested	(250,898)	11.05-20.38	—	—	—
Outstanding at December 31, 2003	3,061,154	9.87-20.38	481,696	3.44-16.64	12.88
Granted	149,120	24.33-30.28	—	—	—
Exercised	—	—	(155,832)	3.44-16.64	12.81
Forfeited	(62,980)	11.05-30.13	—	—	—
Vested	(115,068)	11.05-24.10	—	—	—
Outstanding at December 31, 2004	3,032,226	9.87-30.28	325,864	3.44-16.64	12.91
Exercisable at December 31, 2004	N.A.	N.A.	325,864	3.44-16.64	12.91

N.A. Not Applicable.

The following table summarizes information about stock options outstanding at December 31, 2004:

Exercise Price Range	Stock Options Outstanding and Exercisable		
	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life in Years
\$ 3.44 to \$10.00	31,064	\$ 5.71	.8
\$10.01 to \$12.50	122,800	11.80	4.0
\$12.51 to \$15.00	116,000	14.47	4.4
\$15.01 to \$16.64	56,000	16.12	3.0
Total stock options	325,864	12.91	3.7

## Note 18. Employee Benefit Plans

**Employee Stock Purchase Plan** The TCF Employees Stock Purchase Plan generally allows participants to make contributions by salary deduction of up to 50% of their salary on a tax-deferred basis. TCF matches the contributions of all employees in TCF common stock at the rate of 50 cents per dollar, with a maximum company contribution of 3% of the employee's salary. Employee contributions vest immediately while the Company's matching contributions are subject to a graduated vesting schedule based on an employee's years of vesting service over five years. In December 2004, TCF modified this plan to allow all employees the opportunity to diversify and invest their vested account balance in various mutual funds or TCF common stock. At December 31, 2004, the fair value of the assets in the plan totaled \$267.8 million and included \$262.2 million invested in TCF common stock. The Company's matching contributions are

expensed when made. TCF's contributions to the plan were \$4 million, \$3.9 million and \$3.6 million in 2004, 2003 and 2002, respectively.

**Pension Plan** The TCF Cash Balance Pension Plan (the "Pension Plan") is a qualified defined benefit plan covering eligible employees who are at least 21 years old and have completed a year of eligibility service with TCF. Employees hired after June 30, 2004 are not eligible to participate in the Pension Plan. TCF makes a monthly allocation to the participant's account based on a percentage of the participant's compensation. The percentage is based on the sum of the participant's age and years of employment with TCF and includes interest on the account balance based on the five-year Treasury rate plus 25 basis points for 2004 and based on the ten-year Treasury rate for 2003 and 2002. Participants are fully vested after five years of qualifying service.

**Postretirement Plan** TCF provides health care benefits for eligible retired employees (the "Postretirement Plan"). Effective January 1, 2000, TCF modified the Postretirement Plan for employees not yet eligible for benefits under the Postretirement Plan by eliminating the Company subsidy. The plan provisions for full-time and retired employees then eligible for these benefits were not changed. The Postretirement Plan is not funded.

The following table sets forth the status of the Pension Plan and the Postretirement Plan at the dates indicated:

(In thousands)	Pension Plan		Postretirement Plan	
	Year Ended December 31,		Year Ended December 31,	
	2004	2003	2004	2003
Benefit obligation:				
Accrued participant balance — vested . . . . .	\$47,646	\$ 42,958	N.A.	N.A.
Accrued participant balance — unvested . . . . .	5,217	3,621	N.A.	N.A.
Subtotal . . . . .	52,863	46,579	N.A.	N.A.
Present value of future service and benefits . . . . .	2,351	4,251	N.A.	N.A.
Total projected benefit obligation . . . . .	\$55,214	\$ 50,830	N.A.	N.A.
Accumulated benefit obligation . . . . .	\$48,296	\$ 43,230	N.A.	N.A.
Change in benefit obligation:				
Benefit obligation at beginning of year . . . . .	\$50,830	\$ 42,324	\$ 12,386	\$ 11,837
Service cost — benefits earned during the year . . . . .	4,632	3,950	53	60
Interest cost on projected benefit obligation . . . . .	3,164	2,950	672	740
Plan amendments . . . . .	(451)	—	(629)	—
Actuarial loss (gain) . . . . .	258	3,907	(1,793)	891
Benefits paid . . . . .	(3,219)	(2,301)	(1,014)	(1,142)
Projected benefit obligation at end of year . . . . .	55,214	50,830	9,675	12,386
Change in fair value of plan assets:				
Fair value of plan assets at beginning of year . . . . .	53,855	49,486	—	—
Actual return on plan assets . . . . .	5,350	6,670	—	—
Benefits paid . . . . .	(3,219)	(2,301)	(1,014)	(1,142)
TCF contributions . . . . .	2,575	—	1,014	1,142
Fair value of plan assets at end of year . . . . .	58,561	53,855	—	—
Funded status of plans:				
Funded status at end of year . . . . .	3,347	3,025	(9,675)	(12,386)
Unamortized transition obligation . . . . .	—	—	1,044	1,883
Unamortized prior service cost . . . . .	(670)	(452)	—	—
Unrecognized net loss . . . . .	24,207	23,344	2,732	4,742
Prepaid (accrued) benefit cost at end of year . . . . .	\$26,884	\$ 25,917	\$ (5,899)	\$ (5,761)

N.A. Not Applicable.

On December 8, 2003, the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (the "Act") was signed into law. This Act includes a prescription drug benefit and a federal subsidy for sponsors of retiree healthcare plans with qualifying prescription drug benefits, beginning in 2006. TCF offers prescription drug benefits to retirees in the Postretirement Plan. In the second quarter of 2004, TCF re-measured its postretirement benefit obligation as of December 31, 2003 to include the effects of the federal subsidy provided under the Medicare Prescription Drug, Improvement, and Modernization Act of 2003. As a result of this remeasurement, TCF's postretirement benefit obligation decreased \$989 thousand and the postretirement benefit cost decreased \$103 thousand in 2004.

The measurement date used for determining the Pension Plan and the Postretirement Plan projected and accumulated benefit obligations above and the date used to value plan assets disclosed above was September 30, 2004 and 2003. The discount rate and rate of increase in future compensation used to measure the benefit obligation were as follows:

Assumptions used to determine benefit obligations	Pension Plan			Postretirement Plan		
	Year Ended December 31,			Year Ended December 31,		
	2004	2003	2002	2004	2003	2002
Discount rate . . . . .	6.0%	6.0%	6.5%	6.0%	6.0%	6.5%
Rate of compensation increase . . . . .	4.0	4.5	4.5	N.A.	N.A.	N.A.

N.A. Not Applicable.

Net periodic benefit cost (credit) included in compensation and employee benefits expense consists of the following:

(In thousands)	Pension Plan			Postretirement Plan		
	Year Ended December 31,			Year Ended December 31,		
	2004	2003	2002	2004	2003	2002
Service cost	\$ 4,632	\$ 3,950	\$ 3,547	\$ 53	\$ 60	\$ 48
Interest cost	3,164	2,950	2,857	672	740	685
Expected return on plan assets	(5,955)	(6,374)	(7,683)	—	—	—
Amortization of transition obligation	—	—	—	210	210	210
Amortization of prior service cost	(233)	(361)	(1,056)	—	—	—
Recognized actuarial (gain) loss	—	—	(387)	215	226	38
Net periodic benefit cost (credit)	\$ 1,608	\$ 165	\$(2,722)	\$ 1,150	\$ 1,236	\$ 981

The discount rate, the expected long-term rate of return on plan assets and the rate of increase in future compensation used to determine the net benefit cost (credit) were as follows:

Assumptions used to determine benefit cost (credit)	Pension Plan			Postretirement Plan		
	Year Ended December 31,			Year Ended December 31,		
	2004	2003	2002	2004	2003	2002
Discount rate	6.0%	6.5%	7.5%	6.0%	6.5%	7.5%
Expected long-term rate of return on plan assets	8.5	8.5	10.0	N.A.	N.A.	N.A.
Rate of compensation increase	4.5	4.5	4.5	N.A.	N.A.	N.A.

N.A. Not Applicable.

TCF's pension plan asset allocation is summarized as follows:

Asset Category	Pension Plan	
	Percentage of Plan Assets at December 31,	
	2004	2003
Equity securities, excluding TCF Financial Corporation common stock	100%	75%
TCF Financial Corporation common stock	—	2
Fixed-income securities	—	21
Cash equivalents	—	2
Total	100%	100%

Beginning in December 2004, the assets of TCF's pension plan are invested in passively managed index mutual funds that are designed to track the performance of the Standard and Poor's 500 and the Morgan Stanley Capital International U.S. Mid-Cap 450 indexes, at targeted weightings of 75% and 25% respectively. Prior to this, the assets were managed by external investment managers on a discretionary basis subject to certain restrictions and limitations.

The actuarial assumptions used in the pension plan valuation are reviewed annually. The expected long-term rate of return on plan assets is determined by reference to historical market returns and future expectations. The weighted average 10-year return of the indexes underlying the Plan's current investment strategy was 12.7%. Although past performance is no guarantee of the future results, TCF is not aware of any reasons why it should not be able to achieve the assumed future average annual returns of 8.5% on plan assets over complete market cycles. A 1% difference in the expected return on plan assets would result in a \$655 thousand change in net periodic pension expense.

TCF currently does not expect to contribute to the Pension Plan in 2005. TCF expects to contribute approximately \$1 million to the Postretirement Plan in 2005. TCF currently has no plans to pre-fund the Postretirement Plan in 2005.

The following are expected future benefit payments used to determine projected benefit obligations:

(In thousands)	Pension Plan	Postretirement Plan
2005	\$ 5,721	\$ 1,004
2006	5,431	934
2007	5,787	934
2008	6,105	926
2009	6,356	911
2010-2014	36,325	4,078

The following table presents assumed health care cost trend rates for the Postretirement Plan at December 31, 2004 and 2003:

	2004	2003
Health care cost trend rate assumed for next year . . . . .	10%	11%
Final health care cost trend rate . . . . .	5%	5%
Year that final health care trend rate is reached . . . . .	2009	2009

Assumed health care cost trend rates have an effect on the amounts reported for the Postretirement Plan. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

(In thousands)	1-Percentage-Point Increase	1-Percentage-Point Decrease
Effect on total of service and interest cost components . . . . .	\$ 26	\$ (39)
Effect on postretirement benefits obligations . . . . .	551	(338)

#### Note 19. Derivative Instruments and Hedging Activities

All derivative instruments as defined, including derivatives embedded in other financial instruments or contracts, are recognized as either assets or liabilities in the Consolidated Statements of Financial Condition at fair value. Changes in the fair value of a derivative are recorded in the Consolidated Statements of Income. TCF had no derivatives outstanding as of December 31, 2004.

Prior to the restructuring of the residential mortgage banking operation in 2004, TCF's pipeline of locked residential mortgage loan commitments, adjusted for loans not expected to close, and forward sales contracts were considered derivatives and recorded at fair value, with the changes in fair value recognized in gains on sales of loans under mortgage banking revenue in the Consolidated Statements of Income. TCF also utilized forward sales contracts to hedge its risk of changes in the fair value, due to changes in interest rates, of both its locked residential mortgage loan commitments and its residential loans held for sale. Residential mortgage loans held for sale were carried at the lower of cost or market as adjusted for the effects of fair value hedges using quoted market prices. Because the fair value of the residential loans held for sale were hedged with forward sales contracts of the same loan types, or substantially the same loan types, the hedges were highly effective at managing the risk of changing fair values of such loans. Any differences between

the changes in fair value of the hedged residential loans held for sale and in the fair value of the forward sales contracts were not material due to the nature of the hedging instruments and were recorded in gains on sales of loans. Forward mortgage loan sales commitments totaled \$149.1 million at December 31, 2003.

#### Note 20. Financial Instruments with Off-Balance-Sheet Risk

TCF is a party to financial instruments with off-balance-sheet risk, primarily to meet the financing needs of its customers. These financial instruments, which are issued or held by TCF for purposes other than trading, involve elements of credit and interest-rate risk in excess of the amount recognized in the Consolidated Statements of Financial Condition.

TCF's exposure to credit loss in the event of non-performance by the counterparty to the financial instrument for commitments to extend credit and standby letters of credit is represented by the contractual amount of the commitments. TCF uses the same credit policies in making these commitments as it does for on-balance-sheet instruments. TCF evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained is based on management's credit evaluation of the customer.

Financial instruments with off-balance sheet risk are summarized as follows:

(In thousands)	At December 31,	
	2004	2003
Commitments to extend credit:		
Consumer . . . . .	\$1,576,381	\$1,382,348
Commercial . . . . .	684,029	624,664
Leasing and equipment finance . . . . .	72,614	57,485
Other . . . . .	55,343	56,007
Total commitments to extend credit . . . . .	2,388,367	2,120,504
Loans serviced with recourse . . . . .	97,568	130,765
Standby letters of credit and guarantees on industrial revenue bonds . . . . .	75,957	40,796
Total . . . . .	\$2,561,892	\$2,292,065

**Commitments to Extend Credit** Commitments to extend credit are agreements to lend to a customer provided there is no violation of any condition in the contract. These commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since certain of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Collateral predominantly consists of residential and commercial real estate.

**Loans Serviced with Recourse** Loans serviced with recourse represent a contingent guarantee based upon failure to perform by another party. These loans consist of \$94.9 million of Veterans Administration ("VA") loans and \$2.7 million of loans sold with recourse to the Federal National Mortgage Association ("FNMA"). As is typical of a servicer of VA loans, TCF must cover any principal loss in excess of the VA's guarantee if the VA elects its "no-bid" option upon the foreclosure of a loan. TCF has established a liability of \$100 thousand relating to this VA "no-bid" exposure on VA loans serviced with partial recourse at December 31, 2004 and 2003, respectively, which was recorded in other liabilities. No significant claims have been made under the "no-bid" option during 2004 or 2003. Loans sold with recourse to FNMA represent residential real estate loans sold to FNMA prior to 1982. The contingent guarantee related to both types of recourse remains in effect for the duration of the loans and thus expires in various years through the year 2034. All loans sold with recourse are collateralized by residential real estate. Since conditions under which TCF would be required to cover any principal loss in excess of the VA's guarantee or repurchase the loan sold to FNMA may not materialize, the actual cash requirements are expected to be less than the outstanding commitments.

**Standby Letters of Credit** Standby letters of credit and guarantees on industrial revenue bonds are conditional commitments issued by TCF guaranteeing the performance of a customer to a third party. These conditional commitments expire in various years through the year 2009. Collateral held primarily consists of commercial real estate mortgages. Since the conditions under which TCF is required to fund these commitments may not materialize, the cash requirements are expected to be less than the total outstanding commitments.

## Note 21. Fair Values of Financial Instruments

TCF is required to disclose 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. Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instruments. Fair value estimates are subjective in nature, involving uncertainties and matters of significant judgment, and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The carrying amounts of cash and due from banks, investments and accrued interest payable and receivable approximate their fair values due to the short period of time until their expected realization. Securities available for sale are carried at fair value, which is based on quoted market prices. Certain financial instruments, including lease financings and discounted lease rentals, and all non-financial instruments are excluded from fair value of financial instrument disclosure requirements.

The following methods and assumptions are used by the Company in estimating fair value disclosures for its remaining financial instruments, all of which are issued or held for purposes other than trading.

**Loans** The fair value of residential loans is estimated based on quoted market prices of loans with similar characteristics. For certain variable-rate loans that reprice frequently and that have experienced no significant change in credit risk, fair values are based on carrying values. The fair values of other loans are estimated by discounting contractual cash flows adjusted for prepayment estimates, using interest rates currently being offered for loans with similar terms to borrowers with similar credit risk characteristics.

**Deposits** The fair value of checking, savings and money market deposits is deemed equal to the amount payable on demand. The fair value of certificates of deposit is estimated based on discounted cash flow analyses using interest rates offered by TCF for certificates of deposit with similar remaining maturities. 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 approximate their fair values. The fair values of TCF's long-term borrowings are estimated based on quoted market prices or discounted cash flow analyses using interest rates for borrowings of similar remaining maturities.



**Financial Instruments with Off-Balance-Sheet Risk** The fair values of TCF's commitments to extend credit and standby letters of credit are estimated using fees currently charged to enter into similar agreements. For fixed-rate loan commitments and standby letters of credit issued in conjunction with fixed-rate loan agreements, fair value also considers the difference between current levels of interest rates and the committed rates. The fair value of loans serviced with recourse approximates the carrying value recorded in other liabilities.

As discussed above, the carrying amounts of certain of the Company's financial instruments approximate their fair value. The carrying amounts and fair values of the Company's remaining financial instruments are set forth in the following table:

(In thousands)	At December 31,			
	2004		2003	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Financial instrument assets:				
Loans held for sale	\$ 154,279	\$ 155,611	\$ 335,372	\$ 340,189
Forward mortgage loan sales commitments <sup>(1)</sup>	—	—	(1,105)	(1,105)
Loans:				
Consumer	4,418,588	4,415,340	3,630,341	3,649,810
Commercial real estate	2,154,396	2,171,409	1,916,701	1,947,267
Commercial business	424,135	424,354	427,696	429,727
Equipment finance loans	334,352	332,734	309,740	312,948
Residential real estate	1,014,166	1,022,328	1,212,643	1,247,610
Allowance for loan losses <sup>(2)</sup>	(58,966)	—	(67,654)	—
Total financial instrument assets	\$ 8,440,950	\$ 8,521,776	\$ 7,763,734	\$ 7,926,446
Financial instrument liabilities:				
Checking, savings and money market deposits	\$ 6,493,545	\$ 6,493,545	\$ 5,999,626	\$ 5,999,626
Certificates of deposit	1,468,650	1,483,190	1,612,123	1,630,511
Short-term borrowings	1,056,111	1,056,111	878,412	878,412
Long-term borrowings	2,048,492	2,091,412	1,536,413	1,627,253
Total financial instrument liabilities	\$11,066,798	\$11,124,258	\$10,026,574	\$10,135,802
Financial instruments with off-balance-sheet risk: <sup>(3)</sup>				
Commitments to extend credit <sup>(4)</sup>	\$ 28,551	\$ 28,551	\$ 22,773	\$ 22,773
Standby letters of credit <sup>(1)</sup>	8	8	43	43
Loans serviced with recourse <sup>(1)</sup>	(100)	(100)	(100)	(100)
Total financial instruments with off-balance-sheet risk	\$ 28,459	\$ 28,459	\$ 22,716	\$ 22,716

<sup>(1)</sup> Carrying amounts are included in accrued expenses and other liabilities.

<sup>(2)</sup> Excludes the allowance for lease losses.

<sup>(3)</sup> Positive amounts represent assets, negative amounts represent liabilities.

<sup>(4)</sup> Carrying amounts are included in other assets.

## Note 22. Earnings Per Common Share

The computation of basic and diluted earnings per share is presented in the following table:

(Dollars in thousands, except per-share data)	Year Ended December 31,		
	2004	2003	2002
<b>Basic Earnings Per Common Share</b>			
Net income	\$ 254,993	\$ 215,878	\$ 232,931
Weighted average shares outstanding	139,656,829	144,028,040	150,480,642
Unvested restricted stock grants	(3,040,397)	(3,041,506)	(3,289,758)
Weighted average common shares outstanding for basic earnings per common share	136,616,432	140,986,534	147,190,884
Basic earnings per common share	\$ 1.87	\$ 1.53	\$ 1.58
<b>Diluted Earnings Per Common Share</b>			
Net income	\$ 254,993	\$ 215,878	\$ 232,931
Weighted average number of common shares outstanding adjusted for effect of dilutive securities:			
Weighted average common shares outstanding used in basic earnings per common share calculation	136,616,432	140,986,534	147,190,884
Net dilutive effect of:			
Stock option plans	182,577	187,346	248,444
Restricted stock plans	375,631	366,848	442,560
Weighted average common shares outstanding for diluted earnings per common share	137,174,640	141,540,728	147,881,888
Diluted earnings per common share	\$ 1.86	\$ 1.53	\$ 1.58

All shares of restricted stock are deducted from weighted average shares outstanding used for the computation of basic earnings per common share. All shares of restricted stock which vest over specified time periods are included in the calculation of diluted earnings per common share using the treasury stock method. 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.

During the third quarter of 2004, TCF announced and completed a two-for-one stock split of its common stock in the form of a 100% stock dividend. As a result of the two-for-one stock split, all prior period share and per share data have been restated.

## Note 23. Comprehensive Income

Comprehensive income is the total of net income and other comprehensive income (loss), which for TCF is comprised entirely of unrealized gains and losses on investment securities available for sale. The following table summarizes the components of comprehensive income:

(In thousands)	Year Ended December 31,		
	2004	2003	2002
Net income	\$254,993	\$215,878	\$232,931
Other comprehensive (loss) income:			
Unrealized holding gains (losses) arising during the period on securities available for sale	11,522	(30,619)	74,044
Reclassification adjustment for gains included in net income	(22,600)	(32,832)	(11,536)
Income tax (benefit) expense	(4,011)	(23,001)	22,635
Total other comprehensive (loss) income	(7,067)	(40,450)	39,873
Comprehensive income	\$247,926	\$175,428	\$272,804

## Note 24. Other Expense

Other expense consists of the following:

(In thousands)	Year Ended December 31,		
	2004	2003	2002
Deposit account losses	\$ 22,624	\$ 18,820	\$ 19,206
Postage and courier	14,002	14,358	13,579
Telecommunication	12,459	12,634	12,738
Card processing and issuance	12,446	12,213	11,095
Office supplies	9,891	9,316	9,023
ATM processing	9,171	9,545	10,071
Federal deposit insurance and OCC assessments	2,682	2,796	2,761
Deposit base intangible amortization	1,662	1,666	1,671
Mortgage servicing liquidation expense	1,460	4,352	2,394
Other	55,743	57,646	57,431
Total other expense	\$142,140	\$143,346	\$139,969

## Note 25. Business Segments

Banking, leasing and equipment finance, and mortgage banking have been identified as reportable operating segments. Banking includes the following operating units that provide financial services to customers: deposits and investment products, commercial lending, consumer lending, residential lending and treasury services. Management of TCF's banking area is organized by state. The separate state operations have been aggregated for purposes of segment disclosures. Leasing and equipment finance provides a broad range of comprehensive leasing and equipment finance products addressing the financing needs of diverse companies. Mortgage banking

activities represent the mortgage servicing business and previously included the origination and purchase of residential mortgage loans primarily for sale to third parties, generally with servicing retained. In addition, TCF operates a bank holding company ("parent company") and has corporate functions that provide data processing, bank operations and other professional services to the operating segments.

TCF evaluates performance and allocates resources based on the segments' net income. The business segments follow generally accepted accounting principles as described in the Summary of Significant Accounting Policies. TCF generally accounts for inter-segment sales and transfers at cost.

The following table sets forth certain information about the reported profit or loss and assets of each of TCF's reportable segments, including a reconciliation of TCF's consolidated totals. The results of TCF's parent company and corporate functions comprise the "other" category in the table below.

(In thousands)	Banking	Leasing and Equipment Finance	Mortgage Banking	Other	Eliminations and Reclassifications	Consolidated
<b>At or For the Year Ended December 31, 2004:</b>						
<b>Revenues from external customers:</b>						
Interest income .....	\$ 529,281	\$ 89,364	\$ 4,164	\$ —	\$ —	\$ 622,809
Non-interest income .....	426,867	50,697	12,946	(44)	—	490,466
Total .....	\$ 956,148	\$ 140,061	\$ 17,110	\$ (44)	\$ —	\$ 1,113,275
Net interest income .....	\$ 427,483	\$ 55,699	\$ 8,204	\$ (831)	\$ 1,336	\$ 491,891
Provision for credit losses .....	4,141	6,806	—	—	—	10,947
Non-interest income .....	426,867	50,697	14,282	95,682	(97,062)	490,466
Non-interest expense .....	516,629	43,718	27,371	94,942	(95,726)	586,934
Income tax expense (benefit) .....	113,644	20,000	(1,727)	(2,434)	—	129,483
Net income (loss) .....	\$ 219,936	\$ 35,872	\$ (3,158)	\$ 2,343	\$ —	\$ 254,993
Total assets .....	\$11,903,232	\$ 1,449,424	\$ 76,468	\$ 135,615	\$ (1,224,172)	\$12,340,567
<b>At or For the Year Ended December 31, 2003:</b>						
<b>Revenues from external customers:</b>						
Interest income .....	\$ 545,764	\$ 81,912	\$ 13,843	\$ —	\$ —	\$ 641,519
Non-interest income .....	355,088	51,088	12,761	342	—	419,279
Total .....	\$ 900,852	\$ 133,000	\$ 26,604	\$ 342	\$ —	\$ 1,060,798
Net interest income .....	\$ 415,163	\$ 45,358	\$ 21,357	\$ (1,074)	\$ 341	\$ 481,145
Provision for credit losses .....	4,361	8,171	—	—	—	12,532
Non-interest income .....	355,088	51,088	13,102	89,059	(89,058)	419,279
Non-interest expense .....	489,212	41,977	29,963	87,674	(88,717)	560,109
Income tax expense (benefit) .....	96,449	17,031	1,590	(3,165)	—	111,905
Net income .....	\$ 180,229	\$ 29,267	\$ 2,906	\$ 3,476	\$ —	\$ 215,878
Total assets .....	\$ 10,915,010	\$ 1,216,854	\$ 173,867	\$ 126,478	\$ (1,113,194)	\$ 11,319,015
<b>At or For the Year Ended December 31, 2002:</b>						
<b>Revenues from external customers:</b>						
Interest income .....	\$ 632,804	\$ 85,447	\$ 15,112	\$ —	\$ —	\$ 733,363
Non-interest income .....	359,895	51,806	6,980	1,081	—	419,762
Total .....	\$ 992,699	\$ 137,253	\$ 22,092	\$ 1,081	\$ —	\$ 1,153,125
Net interest income .....	\$ 437,049	\$ 41,374	\$ 20,676	\$ (1,210)	\$ 1,336	\$ 499,225
Provision for credit losses .....	12,778	9,228	—	—	—	22,006
Non-interest income .....	359,895	51,806	8,316	95,272	(95,527)	419,762
Non-interest expense .....	473,467	40,983	24,796	94,233	(94,191)	539,288
Income tax expense (benefit) .....	109,959	15,497	1,511	(2,205)	—	124,762
Net income .....	\$ 200,740	\$ 27,472	\$ 2,685	\$ 2,034	\$ —	\$ 232,931
Total assets .....	\$ 11,784,981	\$ 1,100,744	\$ 447,840	\$ 96,300	\$ (1,227,796)	\$ 12,202,069

## Note 26. Parent Company Financial Information

TCF Financial Corporation's (parent company only) condensed statements of financial condition as of December 31, 2004 and 2003, and the condensed statements of income and cash flows for the years ended December 31, 2004, 2003 and 2002 are as follows:

### Condensed Statements of Financial Condition

(In thousands)	At December 31,	
	2004	2003
Assets:		
Cash .....	\$ 370	\$ 397
Interest-bearing deposits with banks .....	2,587	2,457
Investment in TCF National Bank .....	929,648	910,186
Premises and equipment .....	266	228
Dividends receivable from TCF National Bank .....	4,591	11,400
Accounts receivable from affiliates .....	26,923	21,867
Other assets .....	21,931	20,179
	<b>\$986,316</b>	<b>\$966,714</b>
Liabilities and Stockholders' Equity:		
Short-term borrowings .....	\$ 14,000	\$ 37,000
Other liabilities .....	13,898	8,856
Total liabilities .....	<b>27,898</b>	<b>45,856</b>
Stockholders' equity .....	<b>958,418</b>	<b>920,858</b>
	<b>\$986,316</b>	<b>\$966,714</b>

### Condensed Statements of Income

(In thousands)	Year Ended December 31,		
	2004	2003	2002
Interest income .....	\$ 87	\$ 40	\$ 323
Interest expense .....	426	438	508
Net interest (expense) .....	<b>(339)</b>	<b>(398)</b>	<b>(185)</b>
Dividends from TCF National Bank .....	<b>160,955</b>	219,653	206,566
Other non-interest income:			
Affiliate service fees .....	<b>11,859</b>	8,643	14,342
Other .....	<b>69</b>	1,338	(322)
Total other non-interest income .....	<b>11,928</b>	9,981	14,020
Non-interest expense:			
Compensation and employee benefits .....	<b>10,742</b>	7,184	12,965
Occupancy and equipment .....	<b>1,137</b>	631	847
Other .....	<b>1,578</b>	2,158	1,935
Total non-interest expense .....	<b>13,457</b>	9,973	15,747
Income before income tax benefit and equity in undistributed earnings of subsidiary .....	<b>159,087</b>	219,263	204,654
Income tax benefit .....	<b>3,382</b>	907	1,852
Income before equity in undistributed earnings of subsidiary .....	<b>162,469</b>	220,170	206,506
Equity in undistributed earnings of subsidiary .....	<b>92,524</b>	(4,292)	26,425
Net income .....	<b>\$254,993</b>	<b>\$215,878</b>	<b>\$232,931</b>

## Condensed Statements of Cash Flows

(In thousands)	Year Ended December 31,		
	2004	2003	2002
Cash flows from operating activities:			
Net income	\$ 254,993	\$ 215,878	\$ 232,931
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity in undistributed earnings of subsidiary	(92,524)	4,292	(26,425)
Other, net	3,964	(1,102)	5,323
Total adjustments	(88,560)	3,190	(21,102)
Net cash provided by operating activities	166,433	219,068	211,829
Cash flows from investing activities:			
Net (increase) decrease in interest-bearing deposits with banks	(130)	(661)	861
Capital distribution from TCF National Bank	75,000	—	—
Loan to deferred compensation plans, net	—	—	9,783
Purchases of premises and equipment, net	(155)	—	(112)
Net cash provided (used) by investing activities	74,715	(661)	10,532
Cash flows from financing activities:			
Dividends paid on common stock	(104,037)	(93,029)	(86,430)
Purchases of common stock	(116,134)	(150,356)	(148,030)
Net increase (decrease) in short-term borrowings	(23,000)	23,500	11,500
Other, net	1,996	1,523	914
Net cash used by financing activities	(241,175)	(218,362)	(222,046)
Net increase (decrease) in cash	(27)	45	315
Cash at beginning of year	397	352	37
Cash at end of year	\$ 370	\$ 397	\$ 352

### Note 27. Litigation and Contingent Liabilities

From time to time, TCF is a party to legal proceedings arising out of its lending, leasing and deposit operations. TCF is and expects to become engaged in a number of foreclosure proceedings and other collection actions as part of its lending and leasing collection activities. From time to time, borrowers and other customers have also brought actions against TCF, in some cases claiming substantial amounts of damages. Financial services companies are subject to the risk of class action litigation, and TCF has had such actions brought against it from time to time. Litigation is often unpredictable and the actual results of litigation cannot be determined with certainty.

In April 2004, TCF was served with a complaint in the United States District Court, District of Minnesota, by John Matthew Saxe, individually and on behalf of other similarly situated employees. The plaintiff, a former consumer loan officer for TCF National Bank, alleges that he and other consumer lender employees were not paid overtime compensation in violation of the Federal Fair Labor Standards Act and the Minnesota Fair Labor Standards Act, and seeks as damages unpaid back wages, an additional amount equal to unpaid back wages as liquidated damages, costs and attorneys' fees. TCF has filed an answer to the complaint denying that the plaintiff or any similarly situated employee is entitled to any relief or that the plaintiff is similarly situated to other employees. Discovery in this case is pending.

# Management's Report on Internal Control Over Financial Reporting

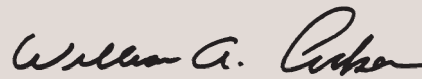
Management is responsible for establishing and maintaining adequate internal control over financial reporting for TCF Financial Corporation ("TCF Financial" or "the Company"). Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Internal control over financial reporting includes those policies and procedures that pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company; provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are only being made in accordance with authorizations of management and directors of the company; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Management completed an assessment of TCF Financial's internal control over financial reporting as of December 31, 2004. This assessment was based on criteria for evaluating internal control over financial reporting established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, TCF Financial's internal control over financial reporting was effective as of December 31, 2004.

KPMG LLP, TCF Financial's registered public accounting firm that audited the consolidated financial statements included in this annual report, has issued an unqualified attestation report on management's assessment of the Company's internal controls over financial reporting.

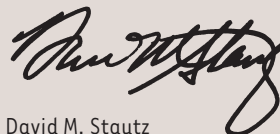
Any control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. The design of a control system inherently has limitations, and the benefits of controls must be weighed against their costs. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. Therefore, no assessment of a cost-effective system of internal controls can provide absolute assurance that all control issues and instances of fraud, if any, will be detected.



William A. Cooper  
Chairman of the Board  
and Chief Executive Officer



Neil W. Brown  
Executive Vice President  
and Chief Financial Officer



David M. Stautz  
Senior Vice President, Controller  
and Assistant Treasurer

February 17, 2005

# Reports of Independent Registered Public Accounting Firm



The Board of Directors and Stockholders

TCF Financial Corporation:

We have audited the accompanying consolidated statements of financial condition of TCF Financial Corporation and subsidiaries as of December 31, 2004 and 2003, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2004. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of TCF Financial Corporation and subsidiaries as of December 31, 2004 and 2003, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2004, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of TCF Financial Corporation's internal control over financial reporting as of December 31, 2004, based on *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 17, 2005 expressed an unqualified opinion on management's assessment of, and the effective operation of, internal control over financial reporting.

**KPMG LLP**

Minneapolis, Minnesota

February 17, 2005





The Board of Directors and Stockholders  
TCF Financial Corporation:

We have audited management's assessment, included in the accompanying Management Report, that TCF Financial Corporation maintained effective internal control over financial reporting as of December 31, 2004, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). TCF Financial Corporation's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only

in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that TCF Financial Corporation maintained effective internal control over financial reporting as of December 31, 2004, is fairly stated, in all material respects based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Also, in our opinion, TCF Financial Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2004, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated statements of financial condition of TCF Financial Corporation and subsidiaries as of December 31, 2004 and 2003, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2004, and our report dated February 17, 2005 expressed an unqualified opinion on those consolidated financial statements.

**KPMG LLP**

Minneapolis, Minnesota  
February 17, 2005

# Other Financial Data

## Selected Quarterly Financial Data (Unaudited)

(Dollars in thousands, except per-share data)	At							
	Dec. 31, 2004	Sept. 30, 2004	June 30, 2004	March 31, 2004	Dec. 31, 2003	Sept. 30, 2003	June 30, 2003	March 31, 2003
<b>Selected Financial Condition Data:</b>								
Securities available for sale . . . . .	\$ 1,619,941	\$ 1,330,708	\$ 1,588,372	\$ 1,269,293	\$ 1,533,288	\$ 1,604,282	\$ 1,980,830	\$ 2,442,724
Residential real estate loans . . . . .	1,014,166	1,047,079	1,091,678	1,152,357	1,212,643	1,283,640	1,393,183	1,568,430
Subtotal . . . . .	2,634,107	2,377,787	2,680,050	2,421,650	2,745,931	2,887,922	3,374,013	4,011,154
Loans and leases excluding residential real estate loans . . . . .	8,372,491	8,025,804	7,776,921	7,470,428	7,135,135	6,863,683	6,705,169	6,485,179
Goodwill . . . . .	152,599	152,599	152,599	152,599	145,462	145,462	145,462	145,462
Mortgage servicing rights . . . . .	46,442	51,474	51,290	50,726	52,036	49,119	41,379	52,953
Total assets . . . . .	12,340,567	11,997,949	11,942,863	11,724,319	11,319,015	11,253,906	11,807,764	12,127,272
Checking, savings and money market deposits . . . . .	6,493,545	6,323,659	6,321,761	6,328,757	5,999,626	6,115,863	6,234,447	6,068,095
Certificates of deposit . . . . .	1,468,650	1,471,164	1,439,896	1,540,371	1,612,123	1,596,740	1,745,290	1,897,243
Total deposits . . . . .	7,962,195	7,794,823	7,761,657	7,869,128	7,611,749	7,712,603	7,979,737	7,965,338
Short-term borrowings . . . . .	1,056,111	845,499	869,576	469,663	878,412	900,835	546,118	774,603
Long-term borrowings . . . . .	2,048,492	2,057,608	2,065,870	2,037,424	1,536,413	1,342,890	1,959,921	1,993,287
Stockholders' equity . . . . .	958,418	965,266	939,152	965,950	920,858	931,968	952,069	971,413

(Dollars in thousands, except per-share data)	Three Months Ended							
	Dec. 31, 2004	Sept. 30, 2004	June 30, 2004	March 31, 2004	Dec. 31, 2003	Sept. 30, 2003	June 30, 2003	March 31, 2003
<b>Selected Operations Data:</b>								
Interest income . . . . .	\$ 163,388	\$ 157,413	\$ 152,789	\$ 149,219	\$ 148,919	\$ 156,482	\$ 164,004	\$ 172,114
Interest expense . . . . .	36,899	32,923	30,370	30,726	29,827	36,605	44,240	49,702
Net interest income . . . . .	126,489	124,490	122,419	118,493	119,092	119,877	119,764	122,412
Provision for credit losses . . . . .	4,073	2,644	3,070	1,160	4,037	2,658	3,127	2,710
Net interest income after provision for credit losses . . . . .	122,416	121,846	119,349	117,333	115,055	117,219	116,637	119,702
Non-interest income:								
Fees and other revenues . . . . .	126,311	115,803	123,293	102,459	114,865	118,089	101,003	96,835
Gains on sales of securities available for sale . . . . .	6,204	3,679	—	12,717	—	—	11,695	21,137
Gains (losses) on termination of debt . . . . .	—	—	—	—	—	(37,769)	—	(6,576)
Total non-interest income . . . . .	132,515	119,482	123,293	115,176	114,865	80,320	112,698	111,396
Non-interest expense . . . . .	154,396	147,926	143,906	140,706	142,244	142,382	136,733	138,750
Income before income tax expense . . . . .	100,535	93,402	98,736	91,803	87,676	55,157	92,602	92,348
Income tax expense . . . . .	33,133	31,690	33,518	31,142	28,180	19,193	32,311	32,221
Net income . . . . .	\$ 67,402	\$ 61,712	\$ 65,218	\$ 60,661	\$ 59,496	\$ 35,964	\$ 60,291	\$ 60,127
Per common share:								
Basic earnings . . . . .	\$ .50	\$ .45	\$ .47	\$ .44	\$ .43	\$ .26	\$ .43	\$ .42
Diluted earnings . . . . .	\$ .50	\$ .45	\$ .47	\$ .44	\$ .43	\$ .26	\$ .42	\$ .42
Dividends declared . . . . .	\$ .1875	\$ .1875	\$ .1875	\$ .1875	\$ .1625	\$ .1625	\$ .1625	\$ .1625

### Financial Ratios:

Return on average assets <sup>(1)</sup> . . . . .	2.22%	2.06%	2.20%	2.11%	2.13%	1.24%	2.04%	1.99%
Return on average common equity <sup>(1)</sup> . . . . .	28.35	25.96	27.68	25.90	26.18	15.77	25.17	24.70
Net interest margin <sup>(1)</sup> . . . . .	4.56	4.56	4.53	4.52	4.68	4.57	4.45	4.45
Net charge-offs as a percentage of average loans and leases <sup>(1)</sup> . . . . .	.14	.17	.10	.02	.30	.08	.16	.09
Average total equity to average assets . . . . .	7.81	7.94	7.95	8.13	8.13	7.89	8.11	8.06

<sup>(1)</sup> Annualized.

# Senior Officers

## TCF FINANCIAL CORPORATION

*Chairman of the Board  
and Chief Executive Officer*  
WILLIAM A. COOPER

*President and Chief Operating Officer*  
LYNN A. NAGORSKE

*Vice Chairman, General Counsel  
and Secretary*  
GREGORY J. PULLES

*Executive Vice President  
and Chief Financial Officer*  
NEIL W. BROWN

*Executive Vice President  
and Chief Information Officer*  
EARL D. STRATTON

*Executive Vice Presidents*  
CRAIG R. DAHL  
RONALD J. PALMER  
MARY E. SARLES

*Senior Vice Presidents*  
JAMES S. BROUCEK  
TIMOTHY G. DOYLE  
DANIEL P. ENGEL  
JASON E. KORSTANGE  
MARK R. LUND  
NORMAN G. MORRISON  
CAROL B. SCHIRMERS  
BARBARA E. SHAW  
DAVID M. STAUTZ  
DIANE O. STOCKMAN

## TCF NATIONAL BANK CORPORATE

*Chief Executive Officer and President*  
BARRY N. WINSLOW

*Executive Vice Presidents*  
PAUL B. BRAWNER  
WALLACE A. FUDOLD  
GREGG R. GOUDY  
BRIAN J. HURD  
JAMES C. LAPLANTE

*Senior Vice Presidents*  
BEVERLY M. CRAIG  
DANIEL R. EDWARD  
SHELLEY A. FITZMAURICE  
JOSEPH T. GREEN  
KENNETH W. GRENIER  
DOUGLASS B. HIATT  
CHARLES P. HOFFMAN, JR.  
KATHERINE D. JOHNSON

SCOTT W. JOHNSON  
GLORIA J. KARSKY  
JAMES M. MATHEIS  
DAVID B. MCCULLOUGH  
ANTON J. NEGRINI  
ELIZABETH A. ROCHON  
ROGER W. STARR  
LEONARD D. STEELE  
R. ELIZABETH TOPOLUK

## TCF NATIONAL BANK MINNESOTA

*President*  
MARK L. JETER

*Executive Vice Presidents*  
JOHN E. BESSE  
SARA L. EVERS  
TIMOTHY B. MEYER  
JOHN F. SCHROEDER

*Senior Vice Presidents*  
JEFFREY R. ARNOLD  
ROBERT C. BORGSTROM  
RONALD L. BRITZ  
TIMOTHY J. DONNEGAN  
JAMES T. DOWIAK  
KURT D. EGERTSON  
SCOTT A. FEDIE  
MARK L. FOSTER  
CLAIRE M. GRAUPMANN  
KATHERINE L. LONDON  
MICHAEL J. OLSON  
DANIEL M. REYELTS  
STEVEN E. RYKKELI  
STEPHEN D. STEEN  
DANIEL G. THORBERG

## TCF NATIONAL BANK ILLINOIS/WISCONSIN/INDIANA

*President*  
TIMOTHY P. BAILEY

*Executive Vice Presidents*  
MARK B. DILLON  
JOSEPH W. DOYLE  
MICHAEL B. JOHNSTONE  
MICHAEL R. KLEMZ  
JAMES L. KOON  
MARK W. ROHDE  
DAVID J. VEURINK  
C. HUNTER WESTBROOK

*Senior Vice Presidents*  
ROBERT J. BRUEGGEMAN  
LUIGI COSENTINO  
DAVID R. CREEL  
PETER R. DAUGHERTY  
JEFFREY T. DOERING  
SUSAN T. DOYLE  
GINA L. GALANTE  
EDWARD J. GALLAGHER  
MARK W. GAULT  
THOMAS R. GOINS  
JAMES D. HUGHES  
EILEEN P. KOWALSKI  
RUSSELL P. MCMINN  
LUKE K. OOSTERHOUSE  
DOUGLAS A. ORTYN  
TODD A. PALMER  
MARY POTTER  
MICHAEL ROLDT  
WENDY D. RYEE-SMITH  
STEPHEN W. SINNER  
SUZANNE M. STUEBE  
DENNIS J. VENA  
KATHLEEN M. WACKER

## TCF NATIONAL BANK MICHIGAN

*President*  
THOMAS J. WAGNER  
ROBERT H. SCOTT\*

*Executive Vice Presidents*  
LUIS J. CAMPOS  
CHARLES L. HAYNE

*Senior Vice Presidents*  
JERRY E. COVIAK  
LARRY M. CZEKAJ  
GARY L. FINEMAN  
DENNIS J. GISTINGER  
NATALIE A. GLASS  
DONALD J. HAWKINS  
LANCE N. KRAJACIC  
JOHN J. OWENS  
TERRENCE B. PRYOR  
ERSKINE J. UNDERWOOD  
DAVID F. WIBLE

## TCF NATIONAL BANK COLORADO

*President*  
WAYNE A. MARTY

*Senior Vice Presidents*  
JAMES W. HAGEN  
MATTHEW G. LAMB

## TCF INVESTMENTS AND INSURANCE

*Chief Executive Officer*  
PETER O. TORVIK

*President*  
MARY E. SARLES

*Executive Vice President*  
STEPHEN M. MAGISTAD

*Senior Vice Presidents*  
BUFFIE A. BLESİ  
DAMON J. BRINSON  
SZABLIS M. KRUGER  
TIMOTHY J. O'KEEFE  
JAMES R. SCATTERGOOD

## TCF LEASING, INC.

*President*  
CRAIG R. DAHL

*Executive Vice Presidents*  
WILLIAM S. HENAK  
MARK D. NYQUIST

*Senior Vice Presidents*  
PETER C. DARIN  
WALTER E. DZIELSKY  
BRADLEY C. GUNSTAD  
THOMAS F. JASPER  
JAMES L. PHILLIPS  
CHARLES A. SELL, JR.  
ROBERT J. STARK  
MARK H. VALENTINE

## WINTHROP RESOURCES CORPORATION

*Chairman*  
CRAIG R. DAHL

*President*  
RONALD J. PALMER

*Senior Vice Presidents*  
GARY W. ANDERSON  
PAUL L. GENDLER  
JOHN G. MCMANIGAL  
RICHARD J. PIEPER  
DEAN J. STINCHFIELD

## TCF MORTGAGE CORPORATION

*President*  
DOUGLAS L. DINNDORF

\* Effective 2005

# Board of Directors

WILLIAM A. COOPER <sup>5</sup>

*Chairman of the Board  
and Chief Executive Officer*

WILLIAM F. BIEBER <sup>2,3,4</sup>

*Chairman,  
Acrometal Companies, Inc.*

RODNEY P. BURWELL <sup>2,3,4</sup>

*Chairman,  
Xerxes Corporation*

THOMAS A. CUSICK <sup>4</sup>

*Retired Vice Chairman*

JOHN M. EGGEMEYER III <sup>2,3,4</sup>

*President,  
Castle Creek Capital LLC*

ROBERT E. EVANS <sup>1</sup>

*Retired Vice Chairman*

LUELLA G. GOLDBERG <sup>1,2,3,4,5</sup>

*Past Chair,  
University of Minnesota Foundation,  
Former Acting President,  
Wellesley College*

GEORGE G. JOHNSON <sup>1</sup>

*CPA/Managing Director,  
George Johnson & Company*

THOMAS J. MCGOUGH <sup>2,3,4,5</sup>

*President and  
Chief Executive Officer  
McGough Companies*

LYNN A. NAGORSKE

*President and  
Chief Operating Officer*

PETER L. SCHERER <sup>1,4</sup>

*President and  
Chief Executive Officer,  
Scherer Bros. Lumber Co.*

GERALD A. SCHWALBACH <sup>1,2,3,4</sup>

*Chairman,  
Superior Storage LLC*

DOUGLAS A. SCOVANNER <sup>1,4</sup>

*Executive Vice President  
and Chief Financial Officer  
Target Corporation*

RALPH STRANGIS <sup>4,5</sup>

*Senior Partner,  
Kaplan, Strangis and Kaplan, P.A.*

<sup>1</sup> Audit Committee

<sup>2</sup> Compensation/Nominating/  
Corporate Governance Committee

<sup>3</sup> Advisory Committee –  
TCF Employees Stock Purchase Plan

<sup>4</sup> Shareholder Relations/  
De Novo Banking Committee

<sup>5</sup> Executive Committee

# Offices

## EXECUTIVE OFFICES

*TCF Financial Corporation*

200 LAKE STREET EAST  
MAIL CODE EX0-03-A  
WAYZATA, MN 55391-1693  
(612) 661-6500

## MINNESOTA

*Headquarters*

801 MARQUETTE AVENUE  
MAIL CODE 001-03-P  
MINNEAPOLIS, MN 55402  
(612) 661-6500

*Traditional Branches*

MINNEAPOLIS/ST. PAUL AREA (45)  
GREATER MINNESOTA (5)

*Supermarket Branches*

MINNEAPOLIS/ST. PAUL AREA (47)  
GREATER MINNESOTA (4)

## ILLINOIS/WISCONSIN/ INDIANA

*Headquarters*

800 BURR RIDGE PARKWAY  
BURR RIDGE, IL 60527  
(630) 986-4900

*Traditional Branches*

CHICAGOLAND (40)  
MILWAUKEE AREA (11)  
KENOSHA/RACINE AREA (7)

*Supermarket Branches*

CHICAGOLAND (157)  
MILWAUKEE AREA (8)  
KENOSHA/RACINE AREA (8)  
INDIANA (6)

## MICHIGAN

*Headquarters*

401 EAST LIBERTY STREET  
ANN ARBOR, MI 48104  
(734) 769-8300

*Traditional Branches*

METRO DETROIT AREA (44)  
GREATER MICHIGAN (10)

*Supermarket Branches*

METRO DETROIT AREA (4)  
GREATER MICHIGAN (2)

## COLORADO

*Headquarters*

6400 SOUTH FIDDLER'S GREEN CIRCLE  
SUITE 800  
ENGLEWOOD, CO 80111  
(720) 200-2400

*Traditional Branches*

METRO DENVER AREA (15)  
COLORADO SPRINGS (5)

*Supermarket Branches*

METRO DENVER AREA (10)  
COLORADO SPRINGS (2)

## TCF MORTGAGE CORPORATION

*Headquarters*

801 MARQUETTE AVENUE  
MINNEAPOLIS, MN 55402  
(612) 661-7500

## TCF LEASING, INC.

*Headquarters*

11100 WAYZATA BOULEVARD  
SUITE 801  
MINNETONKA, MN 55305  
(952) 656-5080

## WINTHROP RESOURCES CORPORATION

*Headquarters*

11100 WAYZATA BOULEVARD  
SUITE 800  
MINNETONKA, MN 55305  
(952) 936-0226

# Shareholder Information

## STOCK DATA

Year	Close	High	Low	Dividends Paid Per Share
<b>2004</b>				
Fourth Quarter	\$32.14	\$32.36	\$29.46	\$ .1875
Third Quarter	30.29	32.62	28.01	.1875
Second Quarter	29.03	29.03	24.35	.1875
First Quarter	25.54	26.37	23.92	.1875
<b>2003</b>				
Fourth Quarter	\$25.68	\$27.13	\$23.91	\$ .1625
Third Quarter	23.98	24.86	19.76	.1625
Second Quarter	19.92	21.27	18.45	.1625
First Quarter	20.02	22.89	18.25	.1625
<b>2002</b>				
Fourth Quarter	\$21.85	\$22.38	\$17.55	\$ .14375
Third Quarter	21.17	25.15	19.95	.14375
Second Quarter	24.55	27.04	23.33	.14375
First Quarter	26.31	27.30	23.44	.14375
<b>2001</b>				
Fourth Quarter	\$23.99	\$24.13	\$19.70	\$ .125
Third Quarter	23.03	25.56	19.73	.125
Second Quarter	23.16	23.28	17.45	.125
First Quarter	18.90	22.19	16.41	.125
<b>2000</b>				
Fourth Quarter	\$22.28	\$22.78	\$16.91	\$ .10625
Third Quarter	18.81	18.94	12.88	.10625
Second Quarter	12.85	14.53	11.00	.10625
First Quarter	11.91	12.44	9.00	.09375

## TRADING OF COMMON STOCK

The common stock of TCF Financial Corporation is listed on the New York Stock Exchange under the symbol TCB. At December 31, 2004, TCF had approximately 137.2 million shares of common stock outstanding.

## 2005 COMMON STOCK DIVIDEND DATES

<i>Expected Record:</i>	<i>Expected Payment:</i>
February 4	February 28
May 6	May 31
August 5	August 31
November 4	November 30

## TRANSFER AGENT AND REGISTRAR

EquiServe Trust Company, N.A.  
250 Royall Street  
Canton, MA 02021  
(800) 730-4001  
www.equiserve.com

## COMMON STOCK DIVIDEND REINVESTMENT PLAN

Approximately 60% of TCF's 9,893 registered shareholders of record participate in the Dividend Reinvestment Plan. Under the plan, common shareholders may purchase additional shares of common stock at market price without service charges or brokerage commissions through automatic reinvestment of cash dividends. Optional cash contributions may be made monthly with a minimum investment of \$25 per month and limited to \$25,000 per quarter. Information is available from:

EquiServe Trust Company, N.A.  
PO Box 43010  
Providence, RI 02940-3010  
(800) 730-4001  
www.equiserve.com

## INVESTOR/ANALYST CONTACT

Jason Korstange  
Senior Vice President  
Corporate Communications  
(952) 745-2755

## ADDITIONAL INFORMATION

TCF's report on Form 10-K is filed with the Securities and Exchange Commission and is available to shareholders without charge. Information may also be obtained from:

TCF Financial Corporation  
Corporate Communications  
200 Lake Street East  
EX0-02-C  
Wayzata, MN 55391-1693  
(952) 745-2760

## CORPORATE WEBSITE

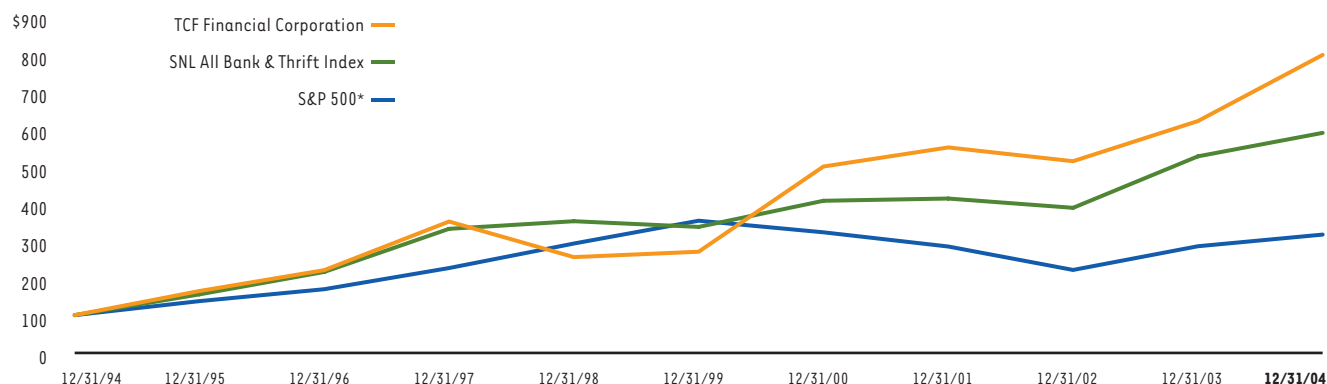
Please visit our website at [www.TCFExpress.com](http://www.TCFExpress.com) for free access to investor information, news, investor presentations, access to TCF's quarterly conference calls, TCF's annual report, quarterly reports and SEC filings.

## ANNUAL MEETING

The annual meeting of shareholders of TCF will be held on Wednesday, April 27, 2005 at 10:00 a.m. at the Sheraton Minneapolis West, 12201 Ridgedale Drive, Minnetonka, Minnesota.

## TOTAL RETURN PERFORMANCE

(In Dollars)



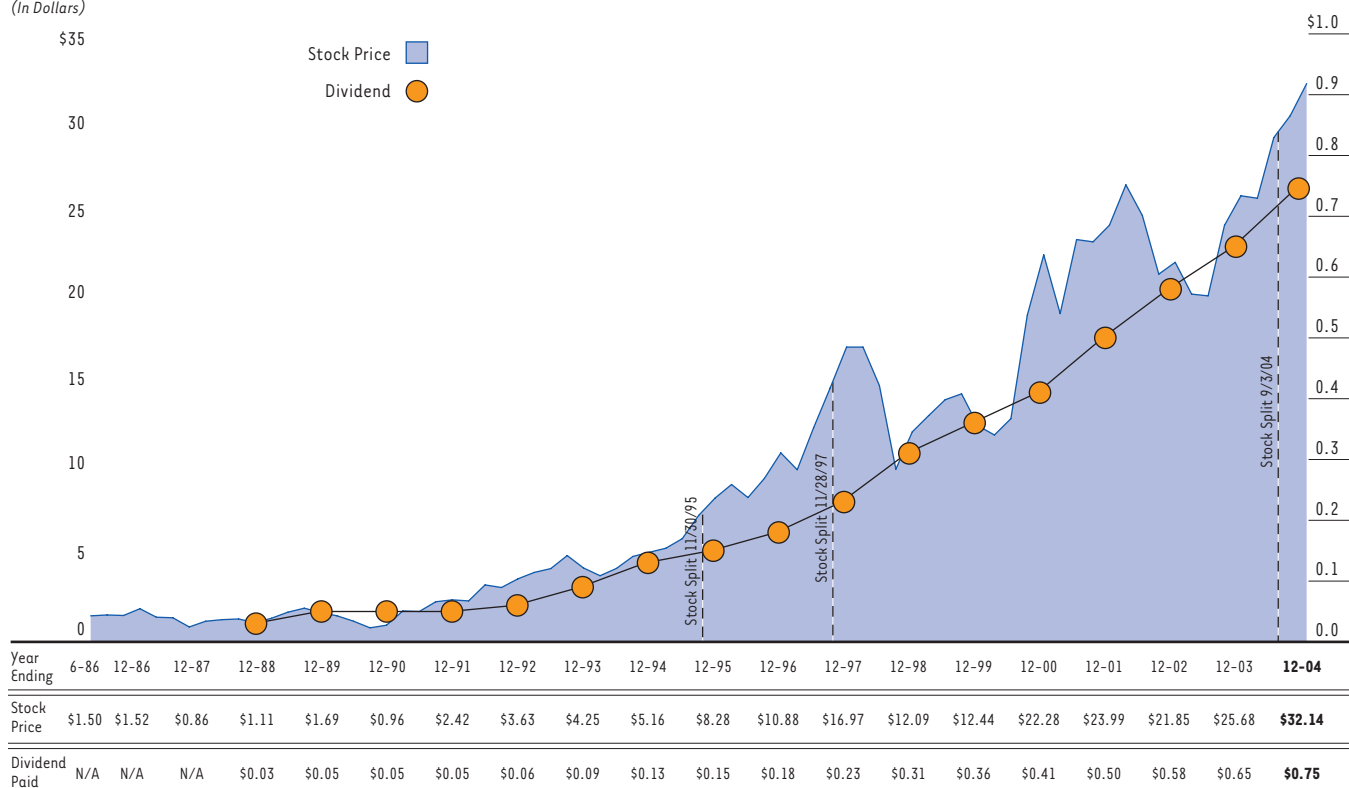
\* Source: CRSP, Center for Research in Security Prices, Graduate School of Business, The University of Chicago 2005. Used with permission. All rights reserved. crsp.com.

## CREDIT RATINGS

Last Rating Action	Last Review September 2004	Last Rating Action	Last Review August 2004	Last Rating Action	Last Review January 2003
<b>Moody's</b>					
TCF National Bank:					
Outlook	Stable				
Issuer	A2				
Long-term deposits	A2				
Short-term deposits	Prime-1				
Bank financial strength	C+				
<b>Standard &amp; Poor's</b>					
Outlook		Stable			Stable
TCF Financial Corporation:					
Long-term counterparty		BBB+			
Short-term counterparty		A-2			
TCF National Bank:					
Long-term counterparty		A-			
Short-term counterparty		A-2			
<b>FITCH</b>					
Outlook					Stable
Issuer rating					B
TCF Financial Corporation:					
Long-term senior					A-
Short-term					F1
TCF National Bank:					
Long-term deposits					A
Short-term deposits					F1

## STOCK PRICE PERFORMANCE

(In Dollars)



# Corporate Philosophy

- TCF banks a large and diverse customer base. TCF emphasizes convenience in banking; we're open 12 hours a day, seven days a week, 364 days per year. We provide customers innovative products through multiple banking channels, including traditional and supermarket branches, TCF EXPRESS TELLER® ATMs, debit cards, phone banking, and Internet banking.
- TCF operates like a partnership. We're organized geographically and by function, with profit center goals and objectives. TCF emphasizes return on average assets, return on average equity and earnings per share growth. We know which products are profitable and contribute to these goals. Local geographic managers are responsible for local business decisions, business development initiatives, customer relations, and community involvement. Managers are incented to achieve these goals.
- TCF focuses on growing its large number of low-interest cost checking accounts by offering convenient products, such as "Totally Free Checking." TCF uses the checking account as its core deposit account to build additional customer relationships.
- TCF earns a significant portion of its profits from the deposit side of the bank. We accumulate a large number of low cost accounts through convenient services and products targeted to a broad range of customers. As a result of the profits we earn from the deposit business, we can minimize credit risk on the asset side.
- TCF strives to place The Customer First. We believe providing great service to our many customers creates value for shareholders.
- TCF utilizes conservative accounting and reporting principles that accurately and honestly report our financial condition and results of operations.
- TCF encourages stock ownership by our officers, directors and employees. We have a mutuality of interest with our shareholders, and our goal is to earn above-average returns for our shareholders.
- TCF is currently growing primarily through de novo expansion rather than acquisition. We are growing by starting new businesses, opening new branches and offering new products and services.
- TCF believes interest-rate risk should be minimized. Interest-rate speculation does not generate consistent profits and is high risk.
- TCF is primarily a secured lender and emphasizes credit quality over asset growth. The costs of poor credit far outweigh the benefits of unwise asset growth.
- TCF places a high priority on the development of technology to enhance productivity, customer service and new products. Properly applied technology increases revenue, reduces costs and enhances service. We centralize paper processing and decentralize the banking process.
- TCF encourages open employee communication and promotes from within whenever possible. TCF places the highest priority on honesty, integrity and ethical behavior.
- TCF believes in community participation, both financially and through volunteerism. We feel a responsibility to help those less fortunate.
- TCF does not discriminate against anyone in employment or the extension of credit. As a result of TCF's community banking philosophy, we market to everyone in the communities we service.





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