



**TCF FINANCIAL CORPORATION**

*2002 Annual Report*

INVESTING IN THE FUTURE

ZELTNER





#### CORPORATE PROFILE

TCF Financial Corporation is a Wayzata, Minnesota-based national financial holding company with \$12.2 billion in assets. TCF has 395 banking offices in Minnesota, Illinois, Michigan, Wisconsin, Colorado and Indiana. Other TCF affiliates provide leasing and equipment finance, mortgage banking, brokerage, and investments and insurance sales.

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#### INVESTING IN THE FUTURE



The title “Investing in the Future” and the artwork in our 2002 annual report reflect TCF’s strategy of investing in our franchise. We plant the seeds of growth by investing in new banking facilities and convenient products and services. These investments may reduce our profits in the short term, but they are proven providers of long-term growth and profitability. Like an orchard, TCF is subject to changes in the environment. We use our experience to buffer elements such as a challenging business climate, unfriendly economy and changing laws and regulations. We have confidence in our proven strategies and the patience to continue investing for the future. Like apple trees in an orchard, we expect our investments to bear fruit for many, many years.

## Financial Highlights

TCF Financial Corporation and Subsidiaries – 2002 Annual Report

At or For the Year Ended December 31,

(Dollars in thousands, except per-share data)

	2002	2001	% Change
<b>OPERATING RESULTS:</b>			
Net interest income . . . . .	\$ 499,225	\$ 481,222	3.7%
Fees and other revenue <sup>(i)</sup> . . . . .	405,344	367,307	10.4
Top-line revenue . . . . .	904,569	848,529	6.6
Provision for credit losses . . . . .	22,006	20,878	5.4
Gains on sales of securities and branches . . . . .	13,498	4,179	N.M.
Non-interest expense . . . . .	538,369	501,996	7.2
Income before income tax expense . . . . .	357,692	329,834	8.4
Income tax expense . . . . .	124,761	122,512	1.8
Net income . . . . .	\$ 232,931	\$ 207,322	12.4
<b>PER COMMON SHARE INFORMATION:</b>			
Basic earnings . . . . .	\$ 3.17	\$ 2.73	16.1
Diluted earnings . . . . .	3.15	2.70	16.7
Dividends declared . . . . .	1.15	1.00	15.0
Stock price:			
High . . . . .	54.60	51.12	
Low . . . . .	35.10	32.81	
Close . . . . .	43.69	47.98	(8.9)
Book value . . . . .	13.23	11.92	11.0
Tangible book value . . . . .	11.16	9.91	12.6
Price to book value . . . . .	330%	403%	(18.1)
Price to tangible book value . . . . .	391	484	(19.2)
<b>FINANCIAL RATIOS:</b>			
Return on average assets . . . . .	2.01%	1.79%	12.3
Return on average realized common equity . . . . .	25.82	23.18	11.4
Return on average common equity . . . . .	25.38	23.06	10.1
Net interest margin . . . . .	4.71	4.51	4.4
Total equity to total assets at year end . . . . .	8.01	8.07	(.7)
Tangible equity to total assets at year end . . . . .	6.75	6.71	.6

<sup>(i)</sup> Excludes gains on sales of securities and branches.

N.M. Not meaningful.

At December 31,

(Dollars in thousands)

	2002	2001	% Change
<b>SELECTED BALANCE SHEET DATA:</b>			
Securities available for sale . . . . .	\$ 2,426,794	\$ 1,584,661	53.1%
Residential real estate loans . . . . .	1,800,344	2,733,290	(34.1)
Subtotal . . . . .	4,227,138	4,317,951	(2.1)
Other loans and leases . . . . .	6,320,784	5,510,912	14.7
Goodwill . . . . .	145,462	145,462	–
Mortgage servicing rights . . . . .	62,644	58,261	7.5
Total assets . . . . .	12,202,069	11,358,715	7.4
Deposits . . . . .	7,709,988	7,098,958	8.6
Short-term borrowings . . . . .	842,051	719,859	17.0
Long-term borrowings . . . . .	2,268,244	2,303,166	(1.5)
Stockholders' equity . . . . .	977,020	917,033	6.5
Tangible equity . . . . .	823,985	762,327	8.1
Common shares outstanding . . . . .	73,855,886	76,931,828	(4.0)

*“Our basic philosophy of banking has not changed. We must continue planting seeds for the future by finding and nurturing good management and staff, and grow by taking reasonable and measured risks in the process.”*

*William A. Cooper,  
Chairman of the Board and CEO*

DEAR SHAREHOLDERS,

TCF had another outstanding year. We earned a record \$232.9 million in 2002, our 12th consecutive year of record results. Our diluted earnings per share increased 17 percent to \$3.15. Return on average assets (ROA) was 2.01 percent, and our return on average realized common equity (ROE) was 25.82 percent. These impressive numbers rank us in the top 10 percent of the 50 largest banks in the country.

Our stock closed at \$43.69 per share at December 31, 2002, down from \$47.98 per share at year-end 2001. Our annualized total return to investors over the past ten years was almost 23 percent. We are proud that TCF now ranks second in ten-year compounded dividend growth rate among the top 50 banks in the country. Our dividend increased from \$1.00 per share in 2001 to \$1.15 in 2002. Our dividend in 2003 will be \$1.30.

TCF's 2002 financial results were highlighted by solid top-line revenue growth, good credit quality, increased POWER ASSETS® (consumer, commercial and leasing credits), increased POWER LIABILITIES® (core deposits) and moderate non-interest expense growth. At TCF, we put the customer first; we believe in convenient banking for our customers, de novo expansion, new product development, and maintaining focus on core banking activities. This is a proven strategy that has produced strong and consistently improving results for us in the past and we believe will continue to work well for us in the future.

**Top-Line Revenue** Top-line revenue is an important number for us. Top-line revenue, which consists of net interest income and fee income, was up \$56 million for 2002, an increase of seven percent. TCF is one of the

few banks that has shown consistent top-line revenue growth, which demonstrates that we are growing our core businesses, not just cutting expenses as many of our competitors are doing. Growing businesses should generate premium price-to-earnings ratios.

Growth in top-line revenue results from the increase of Power Assets and Power Liabilities. Net interest income growth is driven by a changed balance sheet. Expanding the number of fee income producing products and services while growing the overall customer base fuels fee income growth. TCF added over 89,000 new checking accounts in 2002, bringing our total to over 1.3 million accounts. We have an 81 percent debit card penetration rate, one of the highest in the country, and we are now the 11th largest VISA® debit card issuer in the United States with 1.4 million debit cards outstanding.

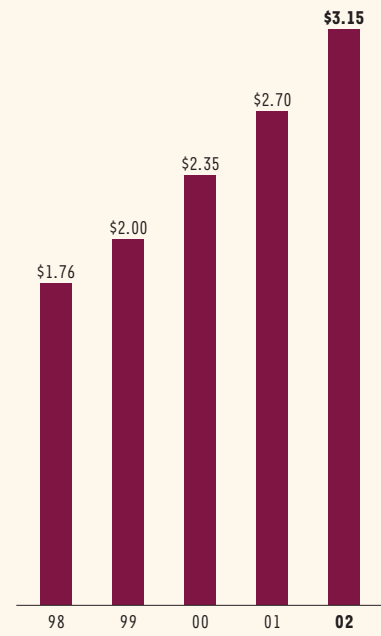
TCF's convenience strategy successfully attracts a large number of customers who represent varied economic levels. Each of these customers contributes incrementally to our profitability. We do not believe in the old 80/20 rule, which suggests that banks earn 80 percent of their profits from the wealthiest 20 percent of the customer base.

**Power Assets and Power Liabilities** Despite a challenging year of economic uncertainty, economic slowdown and interest rate reductions, TCF enjoyed substantial growth in our Power Assets, up \$809.9 million for the year, a 15 percent increase from year-end 2001. Commercial real estate lending and consumer lending produced at record levels in 2002, while commercial lending and leasing and equipment finance also had good years. We increased our checking account balances by over \$328 million for the year, an increase of 13 percent. Higher-cost certificates of deposit decreased by \$401.5 million during the year as TCF generally declined to pay rates above our institutional borrowing costs in the falling rate environment.

**Credit Quality** Our credit quality remained strong in 2002. Net charge-offs were \$20 million in 2002 or .25 percent of average loans and leases. We provided \$22 million for credit losses in 2002 and, as a result, we

**Diluted EPS Growth**

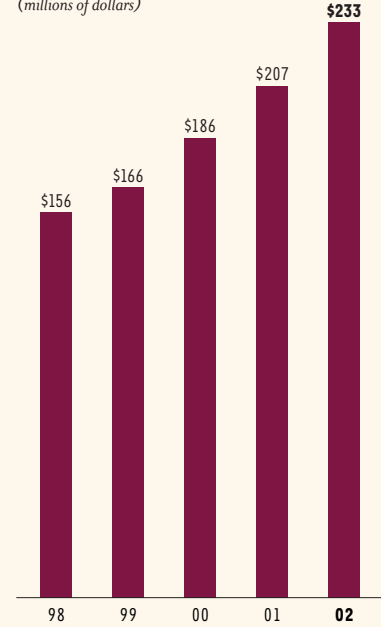
2002 Annual Growth Rate of +17%



**Net Income**

2002 Annual Growth Rate of +12%

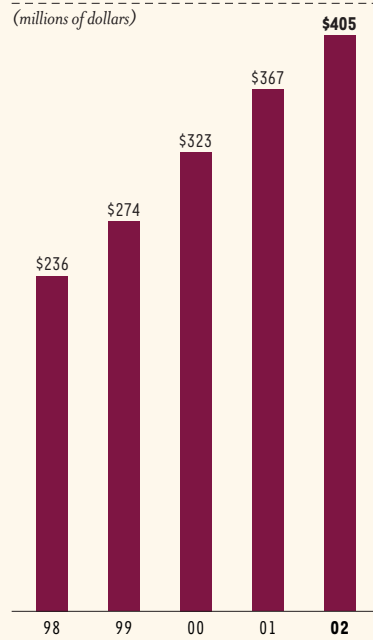
(millions of dollars)



**Fees and Other Revenue**

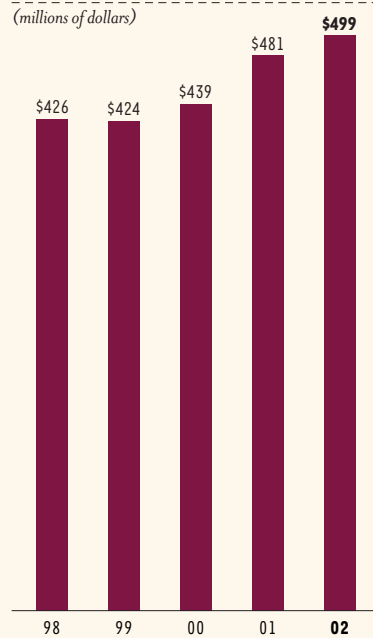
2002 Annual Growth Rate of +10%

(millions of dollars)

**Net Interest Income**

2002 Annual Growth Rate of +4%

(millions of dollars)



increased our loan and lease loss reserves by \$2 million. Delinquency and non-performing assets were at very low levels. Good credit quality is related not only to the type of loans on the balance sheet, but also the type of funding. TCF's very profitable and growing deposit function allows us to operate our loan portfolio with relatively low credit risk.

**New Branch Expansion** TCF believes in a de novo style of new branch expansion and we continue to invest in this important strategy. Our new branches are like seeds planted in an orchard. We plant them strategically, tend to them carefully and patiently as they grow, and harvest the rewards of our investment as they mature. While de novo expansion has been unusual in the banking industry, most successful retailers such as Wal-Mart®, Target®, and our supermarket partners, Cub® Foods and Jewel-Osco®, grow through de novo expansion. This strategy has provided TCF an ever-growing customer base with a low cost of funds. As of December 31, 2002, TCF had \$2.1 billion of non-interest bearing deposits.

We opened 15 new supermarket branches and 12 traditional branches in 2002. We have opened 220 branches in the last five years, bringing our overall branch network to 395. Many of these new branches are now becoming profitable. The increasing profits from our past branch expansion funds continued future new branch expansion. What we really like about the de novo model is that you can pick the places you want to go, determine the pace of expansion and control the culture.

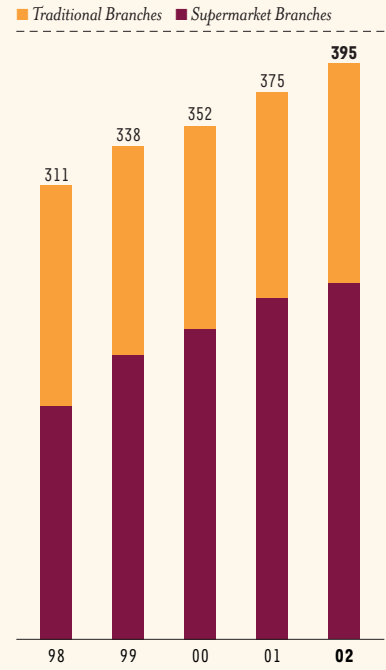
The cost of this new branch expansion flows through the income statement faster than the dilution created through acquisition, but is ultimately more profitable. We believe we can bring these new branches to profitability quickly enough that expansion is a better use of our capital than paying the premiums of acquisition. The internal rate of return on expansion is one of the "hurdle rates" we use to measure acquisitions. Although we would not rule out an acquisition in the future, we believe the de novo strategy is best for us right now. Given our current de novo expansion opportunities, we would issue new shares for an acquisition grudgingly.

We plan to open another 24 branches in 2003, and have plans for even more new branch expansion in the years ahead. As we build out the available supermarket sites, more of our expansion will be in traditional branches in 2003 and in the future.

**Innovative Products and Services** In addition to our de novo branch expansion strategy, innovative products and services continue to contribute to our success. "Totally Free Checking," "Free Small Business Checking," home equity loans, debit cards, investment sales and, of course, supermarket branch banking have been our most successful innovations. Over the last few years we have introduced TCFExpress.com® (our online banking service), TCF Express Trade (our securities brokerage service), TCF Leasing (one of our equipment leasing subsidiaries), TCF Express Coin<sup>SM</sup> Service (offering free self-service coin counting to TCF customers), system-wide open seven days-a-week branch banking, and the TCF Express Phone Card<sup>SM</sup> (free long-distance phone minutes for debit card use). TCF has successfully used innovation to increase profits and grow our customer base.

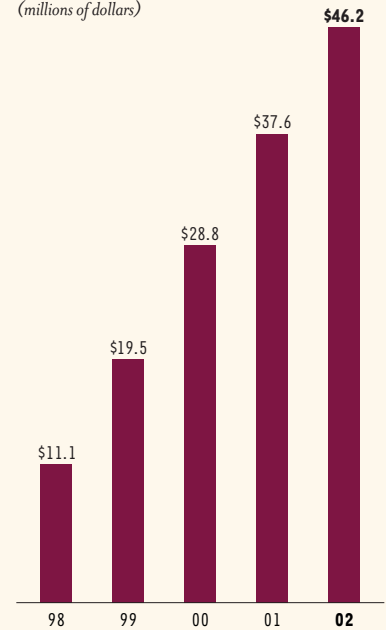
**Supermarket Banking** TCF has the fourth largest supermarket branch system in the United States, with 244 supermarket branches. In 2002, supermarket deposits totaled \$1.5 billion, an increase of 25 percent over the prior year. Our average interest rate on deposits in supermarket branches is .90 percent. We continue to attract customers through these convenient, full-service branches. Our supermarket branches added over 53,000 new checking accounts during 2002. As the supermarket branches mature, we are selling customers additional products. Our fee income in these branches totaled \$160.2 million for the year (up 17 percent from last year). We have consumer lenders in many of our supermarket branches and have proven to many doubters that you can make loans in these branches. We now have over \$369.4 million in consumer loans that were originated in supermarket branches, up 21 percent from 2001.

**Retail Distribution Growth**



**TCF Express Card Interchange Revenue**

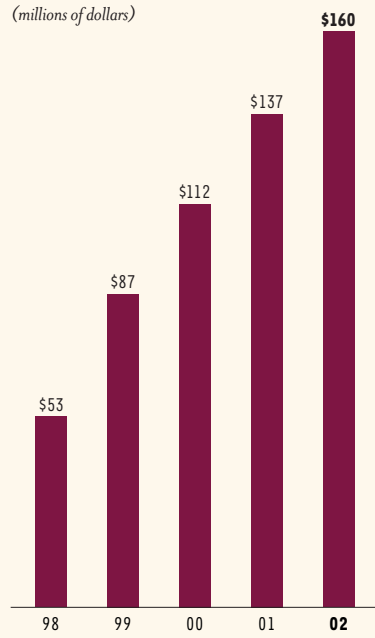
2002 Annual Growth Rate of +23%  
(millions of dollars)



**Supermarket Fee Income**

2002 Annual Growth Rate of +17%

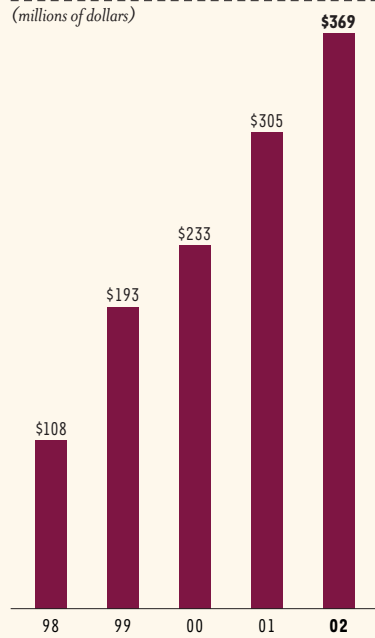
(millions of dollars)



**Supermarket Consumer Loans**

2002 Annual Growth Rate of +21%

(millions of dollars)



Many of our competitors are reducing or eliminating their supermarket branch networks. However, it is clear to us that we have a winning supermarket banking strategy and it is a major factor in making TCF the most convenient bank in our markets. We plan to open approximately six new supermarket branches in 2003 and more in the future.

TCF competes against financial institutions that are, in many cases, much larger and have far greater resources. This has both good and bad ramifications. The consolidation that we've seen in the banking industry has in many cases created huge, lethargic organizations that cannot react quickly to changing competition. On the other hand, when you walk with elephants, you sometimes get stepped on.

We are competing in an industry that in many cases is still in a consolidation cost-take-out mode, a strategy that over time has proven to decrease customer service and slow down revenue growth. However, we have recently seen some banks come to realize the value of top-line revenue growth and core earnings, and we believe they may become more competitive in the future. Several of our large competitors have announced plans for future de novo branch expansion. In order to succeed, TCF must be swifter than they are to create, design and implement innovative and customized products. We must continue to focus on giving great, convenient service. Our basic philosophy of banking has not changed. We must continue planting seeds for the future by finding and nurturing good management and staff, and grow by taking reasonable and measured risks in the process.

TCF has been very successful over the past fifteen years of extensive change in the banking industry, and in a strong U.S. economy. We are still in an economic slowdown with very low interest rates. These very low interest rates had a major impact on TCF in 2002. Low rates caused increased prepayments on loans and mortgage-backed securities and accelerated the write-off of mortgage servicing rights. Many banks are reporting "restructuring charges" resulting from increased loan charge-offs or other losses. We believe that we are more insulated from these risks than most of the industry, but we are not immune.



**Risks** We think it is appropriate to mention here what we consider to be the major risks to our continued success. First is the success of our de novo branch expansion. We are relying on the continued, long-term success of branch banking. Second, TCF, like all banks, is subject to the effects of any economic downturn. In particular, a significant decline in home values in our markets could have a negative effect on our results. A bad economy can create increased loan and lease losses. The third risk is our ability to attract and retain new customers. Our overall growth is dependent on our ability to grow our checking accounts. Deposit losses (fraudulent checks, etc.) have risen and combating them is a continuing challenge. Technological change is a risk. Additionally, rising and falling interest rates affect our results. Legal, regulatory and tax issues are always a risk (the pending Visa® and Mastercard® debit card merchant lawsuit is a good example of this legal risk).

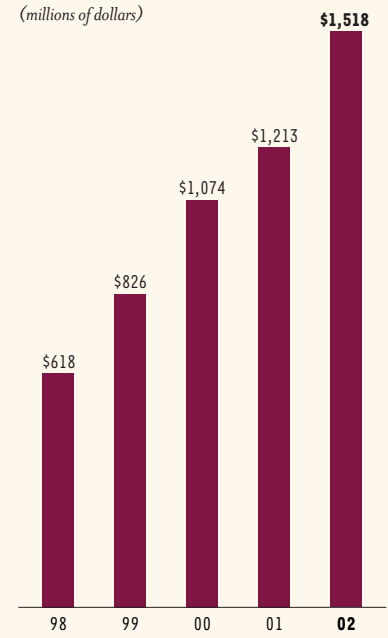
Over the long term, the success and viability of our supermarket partners are important to TCF. If our partners sell or contract their stores, we are at risk; though over time, as we build out our traditional branch system, this risk is mitigated somewhat. We continue to work closely with our partners to optimize our businesses and to be aware of and address any potential risks. New competitors, many of whom have significantly more resources than TCF, are entering the financial services business. We must remain aware of these competitors and be ready to address the challenges they present.

None of these risks are new. Our consistent results have proven that we have 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. TCF does not utilize unconsolidated subsidiaries and has no exotic derivatives, foreign loans, bank owned life insurance, etc. In our opinion, TCF's accounting is conservative. A careful reading of this Annual Report will tell you generally everything about our company. We try to keep our financial reporting simple, but as complete as possible. We have a lot to be proud of and nothing to hide.

**Supermarket Deposit Growth**

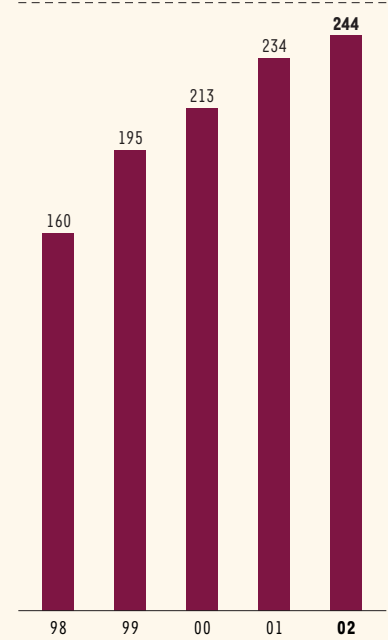
2002 Annual Growth Rate of +25%

(millions of dollars)



**Supermarket Branch Expansion**

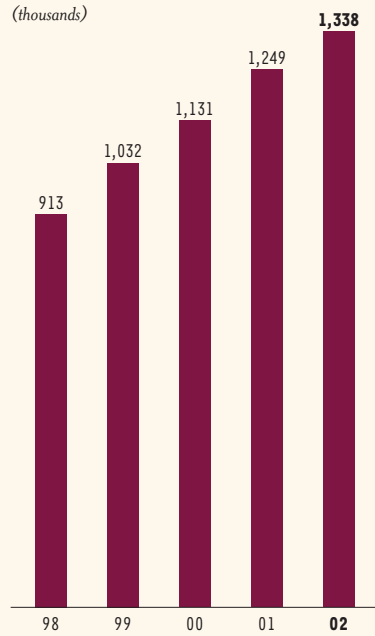
2002 Annual Growth Rate of +4%



**Checking Accounts**

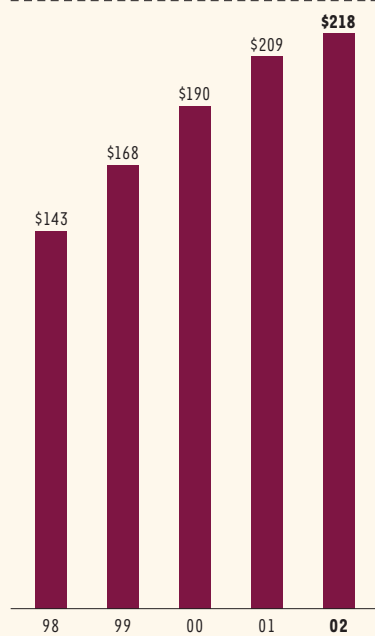
2002 Annual Growth Rate of +7%

(thousands)



**Fee Revenue Per Retail Checking Account**

2002 Annual Growth Rate of +4%



We continue to have a mutuality of interest with our shareholders. Our senior management and board of directors own approximately 6.2 million shares of TCF stock. Seventy-seven percent of our eligible employees participate in TCF's employee stock ownership plan, which at year-end held over 4.1 million shares. Our stock plans for senior management continue to be restricted stock grants based on long-term growth in earnings per share. We are true owners as we face the downside risk of our decisions as well as the upside potential. We remain very optimistic about TCF's future.

TCF repurchased 3.1 million shares (4 percent) of its stock in 2002 and a total of 21.7 million shares (23 percent) since the beginning of 1998. While the number of shares we buy remains subject to the availability of capital, we plan to continue repurchasing shares as long as TCF stock remains our most attractive investment opportunity. We consider the return from repurchasing TCF stock as another hurdle rate for acquisitions. Potential changes in the taxability of dividends may change our strategy on stock buybacks vs. dividends.

Again this year, we give special thanks to our hardworking, responsive and dedicated Board of Directors. Our Board consists largely of entrepreneurial business people who also own TCF stock. We appreciate their continued guidance and support.

We also thank our outstanding team of employees who truly do put the customer first every day. The ability, dedication and energy of our employees are extraordinary.

Thank you for your continued support and investment in TCF.

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

Lynn A. Nagorske  
 President and Chief Operating Officer

## STRATEGIES

TCF's 2002 annual report has a new look, but it tells a familiar story. The TCF story is simple – and it is focused on carefully thought out and consistently executed strategies. Simply put, TCF is in the business of banking and we know our business well. Our long-term strategies for growth are somewhat unique among our competitors and they have served and continue to serve TCF, our customers and shareholders well.

TCF's strategies begin with the premise that every customer is valuable. We are "The Leader in Convenience Banking," and we use our premier convenience services to attract a large and economically diverse customer base. Being open seven days a week, longer hours, convenient supermarket branch network, free TCF Check cards, free online banking – all of these services make banking easier and more convenient.

TCF provides convenience to our large and growing customer base through de novo expansion – we add new branches where they best support and grow our customer base. At the same time, we are constantly expanding our product lines and cross-selling our customers new products and services such as TCF Express Coin Service, Command Protection<sup>SM</sup> and TCF Express Trade. Each of our many customers contributes incrementally to our revenue and in that way, a little number times a big number of customers is a big number. We don't believe in focusing only on one "profitable" customer segment. Every customer is profitable and may become more so over time.

TCF's two powerhouse product lines are our 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). We depend on these consistent producers to increase our margins and generate fee income. One of the tenets of TCF's Power Assets strategy is to lend to customers we know, 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. Power Liabilities are proven profit drivers at TCF. Unlike many of our competitors, we focus as much on the liability side of the balance sheet as we do on the asset side. Earning one percent on each side of the balance sheet can provide synergistic earnings of greater than two percent in total.

TCF's superior earnings performance allows us to regularly buy back our own stock. In evaluating potential acquisitions, we look at the stock buyback opportunity as an acquisition alternative that can provide superior results. Investing in our own stock has been good for TCF – and a better investment than many other opportunities.

Simple, straightforward and enduring strategies have made TCF one of the top performing banks in the United States. We will continue to focus on these effective strategies in 2003.

### Planning for Growth



THE TCF STORY IS SIMPLE – AND IT IS FOCUSED ON CAREFULLY THOUGHT OUT AND CONSISTENTLY EXECUTED STRATEGIES. THESE STRATEGIES HAVE MADE TCF ONE OF THE TOP PERFORMING BANKS IN THE COUNTRY.

TCF'S INVESTMENTS IN DE NOVO EXPANSION OF OUR BRANCH NETWORK AND PRODUCT LINES COMPLEMENT EACH OTHER. OUR CONVENIENT LOCATIONS, PRODUCTS AND SERVICES MAKE TCF THE LEADER IN CONVENIENCE BANKING IN OUR MARKETS.

*Building for the Future*

DE NOVO  
EXPANSION



Key to TCF's growth is our investment in de novo expansion, both in our branch network and in our development of new products and services. Each of these components plays a fundamental and complementary role – adding new branches supports our growing customer base and providing new products and services allows us to attract new customers and deepen our customer relationships.

Since 1998, TCF has added 220 new branch locations to our rapidly growing branch network – over 50 percent of our existing branches. In 1998 we invested in our Chicago market by partnering with Jewel-Osco to put TCF supermarket branches in their grocery stores. Jewel-Osco's commanding Chicago market share enabled us to quickly establish presence and visibility in this important market. Since 1998, we have expanded our relationship with Jewel-Osco and now have branches in most of their stores in the Chicago and Milwaukee areas. We are now reaping the benefits of this investment, as these branches have become profitable and are contributing to future expansion.

Supermarket banking has played a key role in TCF's ability to provide the most convenient banking services in the markets we serve. Our customers love the convenience of one-stop shopping and banking –

and these lower-cost, high-volume branches become profitable more quickly than traditional branches. Our supermarket branches in Cub Foods and Jewel-Osco continue to play an important role in our expansion strategy, and many customers regularly use both supermarket and traditional branches.

The opportunity to add new supermarket locations with our partners has slowed and TCF now has heightened opportunity to support and complement these branches with more new traditional branches. Traditional branches require a higher initial investment, but they act as a visible anchor in our communities, providing convenient, full-service banking not only to our retail customers, but also to our growing commercial and small business customers. In 2003, TCF will focus on traditional branch expansion by adding 18 new traditional branches including eight in Colorado, six in Michigan and four in Illinois.

The other key component of TCF's de novo expansion strategy is the evolution of our convenience products and services. New products attract new customers and allow us to develop additional relationships with our existing customers. TCF's innovative culture fuels our growth in this area.



TCF has a rich history of introducing new products and services. Totally Free Checking, our most popular checking account, is now being recognized and emulated by our competitors. TCF has built a suite of services around Totally Free Checking, including the TCF Check Card, TCF Express Phone Card, Totally Free Online Banking and free coin counting. Our home equity loan products offer unequaled flexibility for customers seeking a convenient way to access the equity in their homes. TCF Express Trade provides brokerage services at a competitive cost.

TCF Small Business banking provides small business customers with a convenient, economical way to manage their deposit funds. Our commercial product line was greatly enhanced in 2002 with the addition of TCF Express Business<sup>SM</sup>, providing Internet banking services to our commercial customer base. TCF Express Leasing (a division of TCF Leasing) through the addition of a sophisticated front-end origination and documentation system enhanced their ability to quickly and conveniently originate and approve lease transactions.

De novo expansion in TCF's branch network and product lines continue to complement each other, as new products and services and convenient locations attract new customers and our branch network supports and grows these relationships by providing the most convenient banking services in our markets. TCF plans to continue our investment in this successful core strategy in 2003 and beyond.

## CONVENIENCE

Convenience is a hallmark of TCF's banking strategy and we continue to lead the financial services industry in providing convenient services and products. At TCF, we listen to our customers and then provide convenience the way *they* define it, whether at our branches, via the telephone, ATM or online.

TCF customers enjoy the flexibility of branch banking 363 days a year. TCF was a pioneer in its branches being open seven days a week with extended hours; and in 2002, this successful "more open" strategy was expanded to include being open most holidays, not only in our super-market locations, but also in our traditional branches. For customers with busy work and personal lives, our supermarket locations are the ultimate in one-stop shopping and full-service banking convenience. Customers also enjoy free self-service coin counting at TCF Express Coin Service machines in most of our branches, a service that has proven very popular with both children and adults. TCF plans to continue our aggressive branch expansion strategy in 2003 and will open 24 new branches in our markets during the year.

TCF also provides a robust suite of products and services for customers who prefer the convenience of banking electronically. Customers may access their accounts for balance information, transfers and other services by calling our Automated Phone System. Our extensive, conveniently located network of TCF EXPRESS TELLER<sup>SM</sup> ATMs provides easy access to getting cash, making deposits and obtaining account information.

Electronic banking has changed over the last few years, as the Internet has brought new meaning to the word "convenience." TCF began offering Internet banking several years ago and now many of our customers regularly log on to bank with us. TCF Totally Free Online<sup>SM</sup> Banking is free — and signing up for the service is quick and easy. In 2002, usage of this popular service increased dramatically and in 2003 it will be enhanced to provide customers with expanded history and transaction capability. TCF Express Trade online brokerage adds yet another dimension to our Internet banking services, as customers can easily and securely buy or sell investments online at a very competitive cost.

TCF has proven over time that we are “The Leader In Convenience Banking” for retail customers in the markets we serve. In 2002, this strategy was expanded as TCF began development of a new convenience product for our commercial business customers. TCF Express Business allows commercial customers to access complete balance reporting, initiate transfers, stop payments, and ACH transactions from any personal computer worldwide, 24 hours a day, 365 days a year. This important new product positions TCF to become a leader in providing commercial banking convenience services.

At TCF, we are firmly committed to being the most convenient bank in each of our markets, by continuing to provide innovative new banking solutions for our customers.

## POWER ASSETS AND POWER LIABILITIES

Power Assets and Power Liabilities, TCF’s “Power Businesses,” were the primary drivers of TCF’s impressive double-digit earnings growth in 2002. TCF defines Power Assets as higher-yielding commercial loans, commercial real estate loans, leases, and consumer home equity loans. Power Liabilities include checking, savings, and money market accounts, and certificates of deposit. Power Assets and Power Liabilities comprise less than 60 percent of TCF’s balance sheet, yet in 2002, they contributed over 83 percent of net income.

Changes in net interest income are dependent upon the movement of interest rates, level of non-performing assets and other factors. In 2002, TCF was able to increase net interest income from \$481.2 million to \$499.2 million, up 4 percent, despite very low interest rates. The primary reason for this increase was the impact on the income statement of the change in the mix of our balance sheet in both Power Assets and Power Liabilities.

TCF has offered “Totally Free Checking” since 1986 – and the checking account continues to be our most popular and profitable product. In 2002, our 395-branch system added over 89,000 checking accounts and ended 2002 with 1,338,313 checking accounts. Checking account growth is a demonstrated strength of TCF and 1.3 million accounts is a customer base generally found in much larger banks. We use the checking account as the starting point with the customer and then build the relationship by cross-selling additional products and services. In 2002, this resulted in \$2.9 billion in checking deposits, an increase of 13 percent, \$2 billion in savings deposits, an increase of 58 percent; and \$884.6 million in money market accounts. Certificates of deposit declined \$401.5 million this year, due to TCF’s disciplined pricing and availability of other lower-cost funding sources.

These low-cost liabilities have additional benefits. As the balance and percentage of Power Liabilities on the balance sheet increases, we can continue to underwrite Power Assets without taking inappropriate credit risk. In 2002, TCF once again had one of the lowest charge-off ratios of the top 50 banks in the country.

In Power Assets, both Consumer and Commercial Real Estate banking operations had an outstanding year of double-digit growth. Consumer Loans, which are 99 percent home equity loans, increased \$496.5 million, nearly 20 percent, during 2002 to end the year at \$3 billion. Many factors contributed to this increase. Tiered-pricing, which we introduced in 1999, allowed us to offer products with attractive loan rates and flexible loan-to-value options while maintaining our credit quality, which remains at a level well above the national average for banks our size.

Also, in another year of consumer refinancing, TCF generated \$2 billion in loan originations. This was accomplished in part by adding new lenders in our growing supermarket network as well as in our new traditional branches. We also continued our proven strategy of proactively

identifying customers with high loan refinancing potential and contacting them to refinance with one of TCF's loan products. This strategy has worked well for us during almost two years of low rates and increased refinancing activity. Also experiencing high refinance activities, TCF Mortgage Corporation funded \$2.9 billion in mortgage loans during 2002.

TCF's Commercial Real Estate group also performed well in 2002, increasing outstandings by \$213.3 million, or 13 percent. An increase in lenders in 2002, especially in our Chicago market, contributed to \$517 million in Commercial Real Estate loan originations. This portfolio continues to have strong credit quality and low charge-off rates and ended the year with .37 percent delinquencies.

One challenge in 2002 was the slowing economy, which prompted many companies to move cautiously on borrowings and purchases; this trend was reflected in both our Commercial Loan and Leasing and Equipment Financing portfolios. However, both portfolios gained in outstandings, with Commercial Loans up \$17.7 million, or 4 percent, and Leasing and Equipment Financing up \$82.3 million, or 9 percent. Leasing demonstrated noticeable improvement in credit quality with both delinquencies and non-performing loans and leases down from year-end 2001. TCF's Leasing and Equipment Finance operations are well positioned for future growth.

## STRUCTURE

One key to TCF's long-term success is that our strong, seasoned management team is structured to optimize strategies for geographically based marketing and centralized product line management and operations.

TCF believes that the day-to-day "business of banking" is best managed at the local level in each of our markets. Our local bank management teams are constantly in touch with their customers, competitors and communities, and we believe they are able to make the best decisions regarding local business issues, business development initiatives, customer relations, and community involvement.

In our flagship state of Minnesota, TCF is one of the top three banks in checking account market share. TCF Minnesota 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.

TCF's Lakeshore region, comprised of our Illinois, Wisconsin and Indiana operations, has our largest branch system and largest supermarket-banking network. Since 1998, Lakeshore has added 172 branches and now has 227. TCF now has 178 supermarket branches throughout the Lakeshore region. This growing

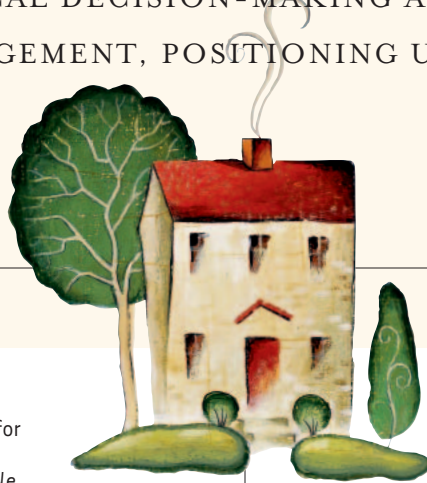
### *Cultivating Our Business*



POWER ASSETS AND POWER LIABILITIES, TCF'S  
"POWER BUSINESSES," ARE THE PRIMARY DRIVERS  
OF OUR IMPRESSIVE EARNINGS GROWTH.

TCF'S MANAGEMENT STRUCTURE PROVIDES THE BEST OF BOTH WORLDS – INFORMED, TIMELY LOCAL DECISION-MAKING AND LONG-TERM STRATEGIC PRODUCT MANAGEMENT, POSITIONING US FOR THE FUTURE.

### *Managing for Excellence*



TCF franchise still has significant opportunity for expansion in the huge Chicago market. We believe that our firmly entrenched presence in Chicago will assist us in competing with the increasing number of financial institutions attempting to enter this attractive market. With this strong network in place, TCF Lakeshore continues to develop its growing Power Assets area. That focus will continue in 2003.

The Detroit metro area in Michigan has perhaps the largest potential for TCF's future expansion. While TCF is a market leader in Ann Arbor, there are many areas of Detroit where we do not yet have a presence. To bolster our presence, TCF Michigan added five branches in Detroit in 2002 and plans to add another six in 2003. TCF has a strong, established commercial business team in Michigan and will continue developing that Power Asset area in 2003.

Colorado is our newest market and also represents a significant opportunity for future expansion both in Denver and Colorado Springs. TCF Colorado grew to 16 branches in 2002 and has purchased land to add eight more branches in 2003. We are complementing our supermarket network by focusing on adding traditional branches in strategic locations. TCF's convenience products are a great fit for this growing market and we anticipate strong results over time in Colorado.

As firmly as TCF believes that local, geographically-based management is best suited to run our banks, we also believe that 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. To that end, TCF has appointed bank presidents and other key management who were chosen for their strong expertise to be "Functional Heads," managing traditional branch development, supermarket branch development, consumer lending and commercial lending. We are very pleased with the results we have achieved in these areas since implementing this strategy in 1999.

TCF's experience has proven that there are some product lines and administrative services that are best managed centrally in Minnesota. TCF's Leasing & Equipment Finance business, which includes subsidiaries Winthrop Resources and TCF Leasing, is managed in Minnesota and has 57 sales representatives in ten states. Sales representatives cultivate leads and attract new customers throughout the United States without worry of administrative responsibilities, which are handled centrally. TCF Mortgage Corporation, also managed in Minnesota, has 101 sales representatives in five states, many of whom office in TCF branches.



In addition, when we merged our banks, it became evident that managing our money would be much more efficient and profitable done centrally. Our Treasury Services Division is now managed out of our corporate headquarters.

By organizing our management teams to most efficiently and effectively manage our local banks and our strategic product areas, TCF has the best of both worlds – 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.

## INNOVATIONS

TCF believes that innovation and continuous improvement are key to an organization's success and competitiveness and we have created a process to encourage and recognize innovation and innovators. We believe the best innovators are those who are constantly searching for new ways to use old ideas, taking a concept that was successful in one area and transplanting it in another, or taking an idea from another industry and molding it to fit TCF's strategies. TCF has created a culture and an environment that supports innovation, and our long list of innovative products and services speaks to its effectiveness. We continuously plant the seeds of innovation and harvest the rewards of our innovative products and services.

### *Planting the Seeds*



Evidence of TCF's innovative culture exists in virtually all areas of our business. The TCF Express Phone Card was the first debit card loyalty program to reward customers for card usage by giving them free long-distance phone minutes. TCF Express Coin Service machines offer free self-service coin counting to TCF customers and incent non-customers to open TCF accounts. TCF Small Business Banking, built around our unique "Free Small Business Checking" account, has matured into a full-service small business resource and our customer base has grown rapidly.

In 2002, TCF continued to expand the scope of our innovations. TCF Express Business, our Internet-based commercial banking system, was introduced to address the cash management needs of our commercial customers. In our Consumer Lending division, we launched TCF Command Protection, an industry-leading service providing waiver or deferral of debt for TCF loan customers under a number of personal or financial need scenarios. TCF Express Leasing (a division of TCF Leasing) introduced an online front-end leasing application system to facilitate the efficient processing of lease applications and streamline documentation. The result – in 2002, 97 percent of TCF Express Leasing's applications were processed using this system. Long widely recognized for innovative marketing programs, TCF last year

enlisted "Spongebob Squarepants," a popular Nickelodeon® cartoon character, as a mascot for our very successful checking and savings account promotion aimed at children, parents and "Spongebob" fans in the Chicago area.

TCF HAS CREATED A CULTURE THAT SUPPORTS INNOVATION.  
WE CONTINUOUSLY PLANT THE SEEDS OF INNOVATION AND HARVEST  
THE REWARDS OF OUR INNOVATIVE PRODUCTS AND SERVICES.

Innovation at TCF is not just an “off and on” program. TCF innovations occur continuously because the innovative spirit is a pervasive, ongoing part of our culture. We will continue to cultivate the innovative spirit at TCF in 2003.

## REWARDS AND RECOGNITION

At TCF, we work every day for our shareholders and we reward employee performance that is directly linked to tangible drivers of shareholder value. From our frontline employees to executive management, TCF employee incentives are tied to overall performance and earnings growth.

TCF’s incentive programs are designed to educate employees about the things that drive company performance and reward them for their contributions in those areas. Unlike some of our competitors, we are goal-driven and we reward for ultimate results, not just for activities that may or may not directly drive performance.

TCF has structured its incentive programs to meet three important criteria. First, the objective must be measurable. This is facilitated by our profit center reporting structure, which essentially “divides up the bank” into measurable profit center units. Second, the incentive program must be tightly managed – in this way we retain focus on individual employee and program performance as well as

the big-picture objectives. Third, we insist on accountability in our incentive programs. Once objectives are set and the process is managed, the results are measured and employees are held accountable for their results.

Long-term incentives such as stock compensation and TCF’s Employees Stock Purchase Plan take our incentive programs to another level by encouraging employees to become TCF owners. We believe owners act differently than employees – and our employee owners receive value for making decisions that create long-term value for our shareholders. In this way, TCF ensures that *everyone* is focused on what drives shareholder value.

TCF also recognizes that our long-term performance is linked to the deep-rooted commitment of our employees to provide excellent customer service. In addition to rewarding employees for tangible performance, we also recognize them for exhibiting the behaviors that create the customer service culture known as TCF, The Customer First.

In 2001, TCF implemented an employee service recognition initiative that rewards employees for doing just that. The initial concept was simple – provide employees with simple, basic customer service standards and behaviors, then immediately and consistently recognize

and reward those behaviors anytime, anywhere, as they are observed by co-workers, supervisors and customers. Recognizing and rewarding these

*Recognizing People for Long-Term Success*



AT TCF, WE WORK EVERY DAY FOR OUR SHAREHOLDERS.  
FROM OUR FRONTLINE EMPLOYEES TO EXECUTIVE  
MANAGEMENT, TCF EMPLOYEE INCENTIVES ARE TIED TO  
OVERALL PERFORMANCE AND EARNINGS GROWTH.

customer-centered behaviors result in increased employee satisfaction and retention – and both mean an increased level of service to our customers and value to our shareholders.

Throughout 2002, TCF employees across all divisions and geographies embraced this initiative and made it part of their day-to-day activities. Over 25,000 “on the spot” recognition awards were given to employees, who through their actions, confirm that at TCF, *The Customer is First*. In 2003, in addition to monthly and quarterly awards, celebrations will be held all across TCF to recognize “the best of the best” – those employees who raise the bar for the organization on what it means to deliver great customer service.

*The Customer First* has become more than a program at TCF. It’s a way of life being nurtured daily by employees who understand the importance of delivering great service to all customers, every day.

TCF will continue to promote our performance-based rewards and to enhance customer service through *The Customer First* initiative.

## COMMUNITY GIVING

At TCF, we believe we have a special obligation to our communities that goes beyond simply providing financial services. Through generous gifts of time, talent and resources, TCF and its employees support many local organizations, making a difference in the neighborhoods we serve.

TCF reflects our 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 and culture. Additionally, we provide assistance to local organizations supported by TCF employees, through active volunteerism or service on boards and committees.

There are a variety of ways local nonprofit organizations receive financial support from TCF:

- *Branch Funds* – Contributions or grants awarded to impact organizations located near TCF branches; gifts typically range between \$100 - \$1,500 and are usually supported by branch personnel.
- *Employee Matching Gifts* – Donations contributed by employees, matched dollar-for-dollar by TCF, to the nonprofit organization of their choice. TCF donated more than \$250,000 by matching the gifts made by employees to their favorite charities during 2002.
- *Employee’s Fund* – Employees contributed to this fund through payroll deduction; the TCF Foundation matched their contributions 100%. A committee, consisting of TCF employees, selected organizations to receive grants based on active employee involvement. Over \$257,000 was awarded to charities by the Employee’s Fund during 2002.
- *Foundation and Corporate Giving* – The TCF Foundation and Corporate Giving awarded larger grants, including multi-year commitments. Some of the grants awarded in 2002 were to Neighborhood Housing Services of Chicago and CommonBond Communities, providing for affordable housing; Courage Center and Goodwill/Easter Seals, in support of human services; Friends of Ascension, supporting education; and the Minneapolis Institute of Arts, sustaining arts and culture.

During 2002, TCF contributed more than \$3 million in grants to charitable organizations. In addition to the numerous grants awarded, we also enriched the community by supporting affordable housing efforts, and assisting with the capitalization of several affordable housing loan funds.

TCF is proud of its employees who are striving to make a difference to those in need and supporting numerous programs vital to the well-being of our communities.

## 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, 363 days per year. We provide customers innovative products through multiple banking channels, including traditional and supermarket branches, TCF EXPRESS TELLER® ATMs, TCF Express 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 realized 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 most 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 our 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.



*The Financials*

INVESTING IN THE FUTURE



<i>page 20</i>	Financial Review
<i>page 46</i>	Consolidated Financial Statements
<i>page 51</i>	Notes to Consolidated Financial Statements
<i>page 76</i>	Independent Auditors' Report
<i>page 77</i>	Other Financial Data
<i>page 78</i>	Corporate Information
<i>page 80</i>	Shareholder Information

This financial review presents management's discussion and analysis of the consolidated financial condition and results of operations of TCF Financial Corporation ("TCF" or the "Company") and should be read in conjunction with the consolidated financial statements and other financial data beginning on page 46.

### Corporate Profile

TCF is a national financial holding company. Its principal subsidiary, TCF National Bank, is headquartered in Minnesota and had 395 banking offices in Minnesota, Illinois, Michigan, Wisconsin, Colorado and Indiana at December 31, 2002. Other affiliates provide leasing and equipment finance, mortgage banking, brokerage and investment and insurance sales.

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 branch and automated teller machine ("ATM") networks, and telephone and Internet banking. TCF's philosophy is to generate top-line revenue growth (net interest income and fees and other revenue) 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 designed to build on its core businesses and expand into complementary products and services through emerging businesses and strategic initiatives.

TCF's core businesses are comprised of mature traditional bank branches, EXPRESS TELLER® ATMs, and commercial, consumer and mortgage lending. TCF emphasizes the "Totally Free" checking account as its anchor account, which provides opportunities to cross sell other convenience products and services and generate additional fee income. TCF's strategy is to originate high credit quality, primarily secured loans and earn profits through lower or no interest-cost deposits. Commercial loans are generally made on local properties or to local customers, and are virtually all secured. TCF's largest core lending business is its consumer home equity loan operation, which offers fixed- and variable-rate closed-end loans and lines of credit secured by residential real estate properties.

TCF's emerging businesses and products are comprised of supermarket bank branches, including supermarket consumer lending, leasing and equipment finance, VISA® debit cards, and Internet and college campus banking. TCF's most significant de novo strategy has been its supermarket branch expansion. The Company opened its

first supermarket branch in 1988, and now has 244 supermarket branches, with \$1.5 billion in deposits. TCF has the nation's 4th largest supermarket banking branch system. The success of TCF's branch expansion is dependent on the continued long-term success of branch banking as well as the continued success and viability of TCF's supermarket partners and TCF's ability to maintain leases or license agreements for its supermarket branch locations. TCF is subject to the risk, among others, that its license for a location or locations will terminate upon the sale or closure of that location or locations by its supermarket partner. TCF entered the leasing business through its 1997 acquisition of Winthrop Resources Corporation ("Winthrop"), a leasing company that leases computers and other equipment or software to companies nationwide. The Company expanded its leasing operations in September 1999 through TCF Leasing, Inc. ("TCF Leasing"), a de novo general leasing and equipment finance leasing business. TCF's leasing and equipment finance businesses finance equipment in all 50 states. The Company's VISA® debit card program has also grown significantly since its inception in 1996. According to a September 30, 2002 statistical report issued by VISA®, TCF, with approximately 1.4 million cards outstanding, was the 11th largest VISA® debit card issuer in the United States, based on the number of cards outstanding, and the 11th largest based on sales volume of \$732.1 million for the 2002 third quarter.

TCF's strategic initiatives complement the Company's core and emerging businesses. TCF's new products have been significant contributors to the growth in fees and other revenues generated by checking accounts and loan products. Currently, TCF's strategic initiatives include continued investment in new branch expansion and new loan and deposit products, including card products designed to provide additional convenience to deposit and loan customers. The Company operates a securities brokerage operation, TCF Express Trade, and plans to continue to provide new insurance and investment products during the upcoming year.

TCF does not utilize unconsolidated subsidiaries or special purpose entities to provide off-balance-sheet borrowings. The Company does not use derivatives to manage its interest rate risk position. TCF has not issued trust preferred or other quasi-equity instruments. The Company does not report "pro forma earnings." TCF does not have foreign loans and has not purchased any bank owned life insurance (BOLI). The Company adopted the fair value method of accounting for stock compensation pursuant to Statement of Financial Accounting Standards ("SFAS") No. 123 "Accounting for Stock-Based Compensation" in 2000. TCF has used stock options as a form of employee compensation only to a limited extent, and the number of stock options outstanding as a percentage of total shares outstanding is less than one-half of 1%.

## Five Year Financial Summary

Consolidated Income:	Year Ended December 31,					Compound Annual Growth Rate		
	(Dollars in thousands, except per-share data)	2002	2001	2000	1999	1998	1-Year 2002/2001	5-Year 2002/1997
		Top-line revenue <sup>(1)</sup> . . . . .	\$ 904,569	\$ 848,529	\$ 761,999	\$ 698,533	\$ 661,429	6.6%
Net interest income . . . . .	\$ 499,225	\$ 481,222	\$ 438,536	\$ 424,213	\$ 425,734	3.7	4.9	
Provision for credit losses . . . . .	22,006	20,878	14,772	16,923	23,280	5.4	4.1	
Non-interest income . . . . .	418,842	371,486	336,276	313,693	284,681	12.7	13.6	
Non-interest expense . . . . .	538,369	501,996	457,202	447,892	421,886	7.2	8.6	
Income before income tax expense . . . . .	357,692	329,834	302,838	273,091	265,249	8.4	8.2	
Income tax expense . . . . .	124,761	122,512	116,593	107,052	109,070	1.8	5.4	
Net income . . . . .	\$ 232,931	\$ 207,322	\$ 186,245	\$ 166,039	\$ 156,179	12.4	9.9	
Per common share:								
Basic earnings . . . . .	\$ 3.17	\$ 2.73	\$ 2.37	\$ 2.01	\$ 1.77	16.1	13.0	
Diluted earnings . . . . .	\$ 3.15	\$ 2.70	\$ 2.35	\$ 2.00	\$ 1.76	16.7	13.3	
Dividends declared . . . . .	\$ 1.15	\$ 1.00	\$ .825	\$ .725	\$ .6125	15.0	19.7	

Consolidated Financial Condition:	At December 31,					Compound Annual Growth Rate		
	(Dollars in thousands, except per-share data)	2002	2001	2000	1999	1998	1-Year 2002/2001	5-Year 2002/1997
		Securities available for sale . . . . .	\$ 2,426,794	\$ 1,584,661	\$ 1,403,888	\$ 1,521,661	\$ 1,677,919	53.1%
Residential real estate loans . . . . .	1,800,344	2,733,290	3,673,831	3,919,678	3,765,280	(34.1)	(13.1)	
Subtotal . . . . .	4,227,138	4,317,951	5,077,719	5,441,339	5,443,199	(2.1)	(3.5)	
Other loans and leases . . . . .	6,320,784	5,510,912	4,872,868	3,976,065	3,375,898	14.7	12.9	
Total assets . . . . .	12,202,069	11,358,715	11,197,462	10,661,716	10,164,594	7.4	4.6	
Checking, savings and money market deposits . . . . .	5,791,233	4,778,714	4,086,219	3,712,988	3,756,558	21.2	11.9	
Certificates . . . . .	1,918,755	2,320,244	2,805,605	2,871,847	2,958,588	(17.3)	(11.9)	
Borrowings . . . . .	3,110,295	3,023,025	3,184,245	3,083,888	2,461,046	2.9	12.5	
Stockholders' equity . . . . .	977,020	917,033	910,220	808,982	845,502	6.5	.5	
Tangible equity <sup>(2)</sup> . . . . .	823,985	762,327	745,798	637,252	662,619	8.1	1.7	
Per common share:								
Book value . . . . .	13.23	11.92	11.34	9.87	9.88	11.0	5.2	
Tangible equity . . . . .	11.16	9.91	9.29	7.78	7.74	12.6	6.5	

Key Ratios and Other Data:	At or For the Year Ended December 31,					
	2002	2001	2000	1999	1998	
Return on average assets . . . . .	2.01%	1.79%	1.72%	1.61%	1.62%	
Return on average realized common equity . . . . .	25.82	23.18	21.53	19.83	17.51	
Return on average common equity . . . . .	25.38	23.06	22.64	20.34	17.34	
Average total equity to average assets . . . . .	7.91	7.78	7.58	7.93	9.35	
Average tangible equity to average assets . . . . .	6.58	6.40	6.04	6.21	7.38	
Net interest margin <sup>(3)</sup> . . . . .	4.71	4.51	4.35	4.47	4.84	
Common dividend payout ratio . . . . .	36.51%	37.04%	35.11%	36.25%	34.80%	
Number of banking locations . . . . .	395	375	352	338	311	
Number of checking accounts (in thousands) . . . . .	1,338	1,249	1,131	1,032	913	

<sup>(1)</sup> Top-line revenue consists of net interest income plus fees and other revenue excluding gains on sales of branches, securities available for sale, loan servicing and subsidiaries and title insurance revenues.

<sup>(2)</sup> Tangible equity represents total stockholders' equity less goodwill and deposit based intangibles.

<sup>(3)</sup> Net interest income divided by average interest-earning assets.

## Results of Operations

**Performance Summary** TCF reported diluted earnings per common share of \$3.15 for 2002, compared with \$2.70 for 2001 and \$2.35 for 2000. Net income was \$232.9 million for 2002, up from \$207.3 million for 2001 and \$186.2 million for 2000. The 2002 results included a \$1.3 million after-tax gain on sale of a branch, or 2 cents per common share, compared with a \$2.1 million after-tax gain on sale of a branch, or 3 cents per common share in 2001 and a \$7.9 million after-tax gain on sales six of branches, or 10 cents per common share in 2000. Return on average assets was 2.01% in 2002, compared with 1.79% in 2001 and 1.72% in 2000. Return on average realized common equity was 25.82% in 2002, compared with 23.18% in 2001 and 21.53% in 2000. In 2002, new accounting rules under generally accepted accounting principles ("GAAP") eliminated the amortization of goodwill. Goodwill amortization reduced net income by \$7.6 million and \$7.5 million, or 10 cents and 9 cents per diluted common share in 2001 and 2000, respectively.

**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 \$201.1 million for 2002, up 11.4% from \$180.5 million in 2001. Banking net interest income for 2002 was \$435.9 million, compared with \$423 million for 2001. The provision for credit losses totaled \$12.8 million in 2002, up from \$7.4 million in 2001. The increase in provision for credit losses is primarily a result of increased net charge-offs and growth in the loan portfolio. Non-interest income (excluding gains on sales of branches and securities available for sale) totaled \$345.5 million, up 11.7% from \$309.3 million in 2001. This improvement was driven by increased fees, service charges and debit card and ATM revenues generated by TCF's expanding branch network and customer base. Non-interest expense (excluding the amortization of goodwill) totaled \$470.8 million, up 8.9% from \$432.3 million in 2001. The increase was primarily due to the costs associated with new branch expansion, and the addition of lenders and sales representatives in the banking operations.

Beginning in 1998, TCF significantly expanded its retail banking franchise and had 395 retail banking branches at December 31, 2002. Since January 1, 1998, TCF has opened 220 new branches, of which 191 were supermarket branches. TCF continued expanding its retail banking franchise by opening 27 new branches during 2002. TCF anticipates opening 24 new branches during 2003 consisting of 18 new traditional branches, including eight in Colorado, six in Michigan and four in Illinois, and six new supermarket branches, including four in Minnesota and two in Illinois, and plans to continue expanding in future years. In 2002, one Colorado supermarket branch was closed involuntarily when TCF's supermarket partner in Colorado sold a store and discontinued TCF's license agreement for this location. Subsequent to December 31, 2002,

TCF has been notified by its supermarket partners that seven additional supermarket branches will be closed involuntarily when TCF's supermarket partners in Michigan, Colorado and Wisconsin close stores and discontinue TCF's license agreements for these locations. At December 31, 2002, these seven branches had total deposits of \$36.3 million which will transfer to other TCF branches. TCF is subject to the risk, among others, that in addition to the seven branches mentioned above, its license for additional locations may be terminated in the future, upon the sale or closure of a location by its supermarket partners.

*Leasing And Equipment Finance*, an operating segment comprised of TCF's wholly-owned subsidiaries Winthrop and TCF Leasing, provides a broad range of comprehensive lease and equipment finance products. This operating segment reported net income of \$27.5 million for 2002, up 34.4% from \$20.4 million in 2001. Net interest income for 2002 was \$41.4 million, up 4.9% from \$39.4 million in 2001. The provision for credit losses for this operating segment totaled \$9.2 million in 2002, down from \$13.5 million in 2001, primarily as a result of decreased delinquencies and net charge-offs. Non-interest income totaled \$51.8 million in 2002, up 13.3% from \$45.7 million in 2001, primarily due to high levels of sales-type lease transactions. The volume of sales-type lease transactions and resulting revenues fluctuate from period to period based on customer-driven factors not within the control of TCF. Non-interest expense (excluding the amortization of goodwill) totaled \$41 million in 2002, up 6.8% from \$38.4 million in 2001, primarily a result of the growth experienced in TCF Leasing.

*Mortgage Banking* activities include the origination and purchase of residential mortgage loans, generally for sale to third parties with servicing retained. This operating segment reported net income of \$2.7 million for 2002, compared with \$5.9 million for 2001. Non-interest income totaled \$8.3 million, down 46.1% from \$15.4 million in 2001. TCF's mortgage banking operations funded \$2.9 billion in loans during 2002, up from \$2.6 billion in 2001, primarily as a result of a resurgence in refinancing activity driven by lower mortgage interest rates. Mortgage applications in process (mortgage pipeline) decreased \$74.7 million from December 31, 2001, to \$532 million at December 31, 2002. The lower mortgage interest rates led to sharply higher prepayments and assumed future prepayments in TCF's servicing portfolio and led to impairment and amortization expense on mortgage servicing rights of \$35.4 million for 2002, up from \$21 million during 2001. The increased amortization and impairment were partially offset by the increased loan production activity and the related increase in gains on sales of loans. Mortgage Banking's non-interest expense totaled \$24.8 million for 2002, up 18.7% from \$20.9 million for 2001. Contributing to the increase in non-interest expense during 2002 were increased expenses resulting from higher levels of production and prepayment activity and increased compensation.

## 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 and other interest-earning assets (interest income), and interest paid on deposits and borrowings (interest expense), represented 54.4% of TCF's revenue in 2002. 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, loan 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.

Net interest income was \$499.2 million for the year ended December 31, 2002, compared with \$481.2 million in 2001 and \$438.5 million in 2000. This represents an increase of 3.7% in 2002, compared with an increase of 9.7% in 2001 and an increase of 3.4% in 2000. Total average interest-earning assets decreased .7% in 2002, following increases of 5.9% in 2001 and 6.1% in 2000. The net interest margin for 2002 was 4.71%, compared with 4.51% in 2001 and 4.35% in 2000.

The following table presents 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, 2002			Year Ended December 31, 2001			Year Ended December 31, 2000		
	Average Balance	Interest <sup>(1)</sup>	Yields and Rates	Average Balance	Interest <sup>(1)</sup>	Yields and Rates	Average Balance	Interest <sup>(1)</sup>	Yields and Rates
<i>(Dollars in thousands)</i>									
<b>Assets:</b>									
Investments . . . . .	\$ 154,862	\$ 6,934	4.48%	\$ 164,362	\$ 8,966	5.46%	\$ 139,840	\$ 10,041	7.18%
Securities available for sale <sup>(2)</sup> . . . . .	1,879,893	118,272	6.29	1,706,093	112,267	6.58	1,500,225	99,185	6.61
Loans held for sale . . . . .	437,702	22,464	5.13	379,045	24,266	6.40	220,560	17,130	7.77
Loans and leases:									
Consumer . . . . .	2,712,812	207,492	7.65	2,346,349	215,438	9.18	2,139,135	218,577	10.22
Commercial real estate . . . . .	1,746,207	118,355	6.78	1,490,616	116,128	7.79	1,195,985	103,181	8.63
Commercial business . . . . .	435,488	22,699	5.21	409,685	29,893	7.30	367,072	33,483	9.12
Leasing and equipment finance . . . . .	995,672	85,447	8.58	918,915	89,131	9.70	650,616	69,960	10.75
Subtotal . . . . .	5,890,179	433,993	7.37	5,165,565	450,590	8.72	4,352,808	425,201	9.77
Residential real estate . . . . .	2,227,537	151,700	6.81	3,251,328	230,520	7.09	3,860,025	275,124	7.13
Total loans and leases <sup>(3)</sup> . . . . .	8,117,716	585,693	7.21	8,416,893	681,110	8.09	8,212,833	700,325	8.53
Total interest-earning assets . . . . .	10,590,173	733,363	6.92	10,666,393	826,609	7.75	10,073,458	826,681	8.21
Other assets <sup>(4)</sup> . . . . .	1,020,331			886,713			773,799		
Total assets . . . . .	\$11,610,504			\$11,553,106			\$10,847,257		
<b>Liabilities and Stockholders' Equity:</b>									
Non-interest bearing deposits . . . . .	\$ 1,893,916			\$ 1,580,907			\$ 1,328,932		
Interest-bearing deposits:									
Checking . . . . .	915,720	1,479	.16	790,023	3,549	.45	739,429	4,391	.59
Savings . . . . .	1,560,539	15,924	1.02	1,018,730	7,472	.73	1,036,861	11,571	1.12
Money market . . . . .	919,393	9,737	1.06	902,091	21,144	2.34	758,240	25,139	3.32
Subtotal . . . . .	3,395,652	27,140	.80	2,710,844	32,165	1.19	2,534,530	41,101	1.62
Certificates . . . . .	2,108,708	68,246	3.24	2,607,009	130,562	5.01	2,824,456	155,993	5.52
Total interest-bearing deposits . . . . .	5,504,360	95,386	1.73	5,317,853	162,727	3.06	5,358,986	197,094	3.68
Total deposits . . . . .	7,398,276	95,386	1.29	6,898,760	162,727	2.36	6,687,918	197,094	2.95
Borrowings:									
Short-term borrowings . . . . .	573,935	9,874	1.72	1,097,688	44,800	4.08	767,302	49,218	6.41
Long-term borrowings . . . . .	2,277,974	128,878	5.66	2,345,742	137,860	5.88	2,331,400	141,833	6.08
Total borrowings . . . . .	2,851,909	138,752	4.87	3,443,430	182,660	5.30	3,098,702	191,051	6.17
Total interest-bearing liabilities . . . . .	8,356,269	234,138	2.80	8,761,283	345,387	3.94	8,457,688	388,145	4.59
Total deposits and borrowings . . . . .	10,250,185	234,138	2.28	10,342,190	345,387	3.34	9,786,620	388,145	3.97
Other liabilities <sup>(4)</sup> . . . . .	442,404			311,871			238,047		
Total liabilities . . . . .	10,692,589			10,654,061			10,024,667		
Stockholders' equity <sup>(4)</sup> . . . . .	917,915			899,045			822,590		
Total liabilities and stockholders' equity . . . . .	\$11,610,504			\$11,553,106			\$10,847,257		
<b>Net interest income and margin . . . . .</b>		<b>\$ 499,225</b>	<b>4.71%</b>		<b>\$ 481,222</b>	<b>4.51%</b>		<b>\$ 438,536</b>	<b>4.35%</b>

(1) 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 \$354,000, \$156,000 and \$181,000 was recognized during the years ended December 31, 2002, 2001 and 2000, respectively.

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

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

(4) 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, 2002 Versus Same Period in 2001			Year Ended December 31, 2001 Versus Same Period in 2000		
	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
Investments . . . . .	\$ (495)	\$ (1,537)	\$ (2,032)	\$ 1,579	\$ (2,654)	\$ (1,075)
Securities available for sale . . . . .	11,099	(5,094)	6,005	13,534	(452)	13,082
Loans held for sale . . . . .	3,429	(5,231)	(1,802)	10,583	(3,447)	7,136
Loans and leases:						
Consumer . . . . .	30,889	(38,835)	(7,946)	20,168	(23,307)	(3,139)
Commercial real estate . . . . .	18,414	(16,187)	2,227	23,682	(10,735)	12,947
Commercial business . . . . .	1,791	(8,985)	(7,194)	3,594	(7,184)	(3,590)
Leasing and equipment finance . . . . .	7,094	(10,778)	(3,684)	26,546	(7,375)	19,171
Subtotal . . . . .	58,188	(74,785)	(16,597)	73,990	(48,601)	25,389
Residential real estate . . . . .	(70,036)	(8,784)	(78,820)	(43,072)	(1,532)	(44,604)
Total loans and leases . . . . .	(11,848)	(83,569)	(95,417)	30,918	(50,133)	(19,215)
Total interest income . . . . .	2,185	(95,431)	(93,246)	56,614	(56,686)	(72)
Deposits:						
Checking . . . . .	498	(2,568)	(2,070)	275	(1,117)	(842)
Savings . . . . .	4,838	3,614	8,452	(196)	(3,903)	(4,099)
Money market . . . . .	396	(11,803)	(11,407)	4,252	(8,247)	(3,995)
Subtotal . . . . .	5,732	(10,757)	(5,025)	4,331	(13,267)	(8,936)
Certificates . . . . .	(21,878)	(40,438)	(62,316)	(11,559)	(13,872)	(25,431)
Total deposits . . . . .	(16,146)	(51,195)	(67,341)	(7,228)	(27,139)	(34,367)
Borrowings:						
Short-term borrowings . . . . .	(15,787)	(19,139)	(34,926)	16,993	(21,411)	(4,418)
Long-term borrowings . . . . .	(3,914)	(5,068)	(8,982)	843	(4,816)	(3,973)
Total borrowings . . . . .	(19,701)	(24,207)	(43,908)	17,836	(26,227)	(8,391)
Total interest expense . . . . .	(35,847)	(75,402)	(111,249)	10,608	(53,366)	(42,758)
Net interest income . . . . .	\$ 38,032	\$ (20,029)	\$ 18,003	\$ 46,006	\$ (3,320)	\$ 42,686

<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.

Changes in net interest income are dependent upon the movement of interest rates, the volume and mix of interest-earning assets and interest-bearing liabilities and the level of non-performing assets. Achieving net interest margin growth is dependent on TCF's ability to generate higher-yielding assets and lower-cost retail deposits. As a result of customer demand for variable-rate products, TCF's variable-rate commercial and consumer loans (excluding loans at their floor rate) increased \$703 million since December 31, 2001 compared with a decline in TCF's fixed-rate and adjustable-rate commercial and consumer loans of \$70 million since December 31, 2001. The net impact of these changes in interest-bearing assets and liabilities has positioned TCF to be more asset sensitive (i.e. more assets than liabilities will be maturing, repricing or prepaying during the next twelve months). Although this positive gap position

will benefit TCF in a rising rate environment, if interest rates remain at current levels or fall further, net interest income may decline and the net interest margin may compress. Competition for checking, savings and money market deposits, important sources of lower cost funds for TCF, is intense. See "Consolidated Financial Condition Analysis – Market Risk – Interest-Rate Risk" on page 41 for further discussion of TCF's interest rate risk position.

In 2002, TCF's net interest income increased \$18 million, or 3.7%, and total average interest-earning assets decreased by \$76.2 million, or .7%, compared with 2001 levels. TCF's net interest income improved by \$38 million due to volume changes, partially offset by a decrease of \$20 million due to rate changes. The improvement in net interest income and net interest margin was primarily due to 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 leasing and 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. Interest income decreased by \$93.2 million in 2002, reflecting a decrease of \$95.4 million due to rate changes, partially offset by an increase of \$2.2 million due to volume changes. Interest expense decreased \$111.2 million in 2002, reflecting decreases of \$75.4 million due to lower cost of funds and \$35.8 million due to volume changes. The increase in net interest income due to volume changes reflects decreases in high-cost certificates and short-term borrowings. The decrease in net interest income due to rate changes reflects the impact of declining rates on interest-earning assets greater than the impact of declining rates on interest-bearing liabilities.

In 2001, TCF's net interest income increased \$42.7 million, or 9.7%, and total average interest-earning assets increased by \$592.9 million, or 5.9%, compared with 2000 levels. TCF's net interest income improved by \$46 million due to volume changes and decreased \$3.3 million due to rate changes. The increases in 2001, in net interest income and net interest margin were primarily due to the growth in higher yielding commercial and consumer loans and leasing and equipment finance along with the strong growth in low-cost checking, savings and money market deposits, as well as the decrease in interest rates resulting in lower interest paid on certificates and borrowings. These favorable trends were partially offset by the managed reduction in residential real estate loans. Interest income decreased by \$72,000 in 2001, reflecting a decrease of \$56.7 million due to rate changes, substantially offset by an increase of \$56.6 million due to volume changes. Interest expense decreased \$42.8 million in 2001, reflecting a decrease of \$53.4 million due to a lower cost of funds, partially offset by a \$10.6 million increase due to volume changes. The increase in net interest income due to volume changes reflects the increase in total average interest-earning assets and an increase in the balance of non-interest-bearing deposits. The decrease in net interest income due to rate changes in 2001 reflects the impact of declining rates on interest-earning assets greater than the impact of declining rates on interest-bearing liabilities.

In 2000, TCF's net interest income increased \$14.3 million, or 3.4%, and total average interest-earning assets increased by \$578.7 million, or 6.1%, compared with 1999 levels. TCF's net interest income improved by \$32.8 million due to volume changes and decreased \$18.4 million due to rate changes. The favorable impact of the growth in consumer lending volumes and rates, leasing and

equipment finance volumes, and commercial real estate volumes and rates was partially offset by decreased consumer finance automobile loans and securities available for sale balances and increased borrowings volumes. Interest income increased \$74.6 million in 2000, reflecting increases of \$55.2 million due to volume and \$19.4 million due to rate changes. Interest expense increased \$60.3 million in 2000, reflecting increases of \$37.8 million due to a higher cost of funds and \$22.4 million due to volume. The increase in net interest income due to volume changes in 2000 reflects the increase in total average interest-earning assets and an increase in the balance of non-interest-bearing deposits. The decrease in net interest income due to rate changes reflects a higher cost of funds in 2000 compared with 1999.

**Provision for Credit Losses** TCF provided \$22 million for credit losses in 2002, compared with \$20.9 million in 2001 and \$14.8 million in 2000. Net loan and lease charge-offs were \$20 million, or .25% of average loans and leases in 2002, compared with \$12.5 million, or .15% of average loans and leases in 2001 and \$3.9 million, or .05% of average loans and leases in 2000. The increase in the provision from 2001 reflects the impact of the growth in the consumer, commercial business, commercial real estate and leasing and equipment finance portfolios, coupled with increased charge-offs in these portfolios. Commercial lending net charge-offs were \$5.9 million in 2002, compared with net charge-offs of \$236,000 for 2001. Included in the commercial lending charge-offs for 2002 was \$4.3 million related to \$7.4 million of loans to a banking customer who is dependent on the transportation industry, which has been severely impacted by the economic slowdown. Leasing and equipment finance net charge-offs were \$8 million, or .80% of related average loans and leases during 2002, compared with \$9.1 million, or 1% of average loans and leases in 2001. The provision for credit losses is calculated as part of the determination of the allowance for loan and lease losses. The determination of the allowance for loan and lease losses and the related provision for credit losses is a critical accounting policy 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. The allowance for loan and lease losses totaled \$77 million at December 31, 2002, compared with \$75 million at December 31, 2001, and was 176% of non-accrual loans and leases compared with 144% at December 31, 2001. See "Consolidated Financial Condition Analysis – Allowance for Loan and Lease Losses" on page 35.

**Non-Interest Income** Non-interest income is a significant source of revenue for TCF, representing 45.6% of total revenues in 2002, 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. Excluding gains on sales of securities available for sale and branches, non-interest income increased \$38 million, or 10.4%, during 2002 to \$405.3 million.

This increase in 2002 was driven by increased fees, service charges, debit card revenue, ATM revenue and investment and insurance commissions generated by TCF's expanding branch network and customer base. The increase in fees and service charges, debit card revenue and ATM revenue primarily reflect the increase in the number of retail checking accounts, which totaled 1,338,000 accounts at December 31, 2002, up from 1,249,000 accounts at December 31, 2001. The average annual fee revenue per retail checking account was \$218 for 2002, compared with \$209 for 2001.

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

(Dollars in thousands)	Year Ended December 31,					Compound Annual Growth Rate	
	2002	2001	2000	1999	1998	1-Year 2002/2001	5-Year 2002/1997
Fees and service charges . . . . .	<b>\$226,051</b>	\$195,162	\$166,394	\$138,198	\$109,934	<b>15.8%</b>	21.9%
Debit card revenue . . . . .	<b>46,224</b>	40,525	30,614	20,746	11,639	<b>14.1</b>	64.9
ATM revenue . . . . .	<b>45,342</b>	45,768	47,333	46,398	38,917	<b>(.9)</b>	10.9
Investments and insurance commissions . . . . .	<b>15,781</b>	11,535	12,266	14,849	13,926	<b>36.8</b>	5.8
Subtotal . . . . .	<b>333,398</b>	292,990	256,607	220,191	174,416	<b>13.8</b>	21.4
Leasing and equipment finance . .	<b>51,628</b>	45,730	38,442	28,505	31,344	<b>12.9</b>	10.0
Mortgage banking . . . . .	<b>6,979</b>	12,042	10,519	12,770	16,877	<b>(42.0)</b>	(12.7)
Other . . . . .	<b>13,339</b>	16,545	17,895	12,854	13,058	<b>(19.4)</b>	3.4
Fees and other revenue . .	<b>405,344</b>	367,307	323,463	274,320	235,695	<b>10.4</b>	17.1
Gains on sales of:							
Securities available for sale . .	<b>11,536</b>	863	—	3,194	2,246		
Branches . . . . .	<b>1,962</b>	3,316	12,813	12,160	18,585		
Loan servicing . . . . .	<b>—</b>	—	—	3,076	2,414		
Subsidiaries and joint venture interest . . . . .	<b>—</b>	—	—	5,522	5,580		
Title insurance revenues <sup>(1)</sup> . . . . .	<b>—</b>	—	—	15,421	20,161		
Other non-interest income . .	<b>13,498</b>	4,179	12,813	39,373	48,986		
Total non-interest income . . . . .	<b>\$418,842</b>	\$371,486	\$336,276	\$313,693	\$284,681	<b>12.7</b>	13.6
Fees and other revenue as a:							
percentage of top-line revenue . . . . .	<b>44.81%</b>	43.29%	42.45%	39.27%	35.63%		
percentage of average assets . .	<b>3.49</b>	3.18	2.98	2.67	2.45		

<sup>(1)</sup> Title insurance business was sold in 1999.

Fees and service charges increased \$30.9 million, or 15.8%, to \$226.1 million in 2002 and \$28.8 million, or 17.3%, to \$195.2 million in 2001. This increase reflects the impact of the investment in new branch expansion and the increase in the number of retail checking accounts.

Debit card revenue includes interchange fees on the TCF Express Card which were \$46.2 million, \$37.6 million and \$28.8 million for 2002, 2001 and 2000, respectively. The significant increase in these fees since 2000 reflects an increase in the distribution of TCF Express Cards, and an increase in utilization which is

promoted by TCF's phone card program rewarding customers with long-distance minutes based on usage. Debit card revenue consists primarily of TCF Express Card interchange fees received for handling off-line customer transactions (signature based) processed through the VISA® association system. The ATM interchange fees received for handling on-line customer transactions (PIN based), which are processed through various regional ATM networks, are included in ATM revenue. TCF Express Card interchange fees are higher than ATM

interchange fees. TCF has experienced some shifting in sales volumes from off-line transactions toward on-line transactions. TCF's effort to increase the number of cards outstanding and the number of customer transactions should lessen the impact on future debit card revenue of a continued change in mix of transactions. While TCF is not party to the pending debit card class action litigation against VISA®, USA and Mastercard®, a ruling against VISA® and Mastercard® could also have an adverse impact on future debit card revenue for TCF.

The following table sets forth information about TCF's ATM network and related cards:

(Dollars in thousands)	At December 31,			Percentage Increase (Decrease)	
	2002	2001	2000	2002/2001	2001/2000
TCF Express Cards . . . . .	<b>1,381,000</b>	1,196,000	1,057,000	<b>15.5%</b>	13.2%
Other ATM Cards . . . . .	<b>144,000</b>	158,000	163,000	<b>(8.9)</b>	(3.1)
Total EXPRESS TELLER® ATM cards outstanding . .	<b>1,525,000</b>	1,354,000	1,220,000	<b>12.6</b>	11.0
Number of EXPRESS TELLER® ATM's <sup>(i)</sup> . . . . .	<b>1,143</b>	1,341	1,384	<b>(14.8)</b>	(3.1)
Percentage of customers with Express Cards who were active users . . . . .	<b>53.2%</b>	51.3%	49.3%		
Average number of transactions per month on active Express Cards for the year ended . . . . .	<b>11.8</b>	10.9	10.0	<b>8.3</b>	9.0
TCF Express Card off-line sales volume for the year ended . . . . .	<b>\$2,958,633</b>	\$2,404,299	\$1,875,836	<b>23.1</b>	28.2

<sup>(i)</sup> In 2002, the contracts covering 256 EXPRESS TELLER® ATM's expired and were not renewed.

ATM revenue was \$45.3 million, \$45.8 million and \$47.3 million for 2002, 2001, and 2000, respectively. The decline in ATM revenue in 2002 was attributable to fewer ATM machines coupled with a decline in utilization of machines by non-customers, as the number of alternative ATM machines has increased and as increased check card usage has reduced the need for cash by customers. 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.

Investments and insurance commissions consisting principally of commissions on sales of annuities and mutual funds, increased \$4.2 million to \$15.8 million in 2002, following a decrease of \$731,000 to \$11.5 million in 2001. Annuity and mutual fund sales volumes totaled \$242.7 million for the year ended December 31, 2002, compared with \$165 million during 2001. The increased sales volumes during 2002 reflect the impact of a new array of competitively priced fixed annuity products offered by insurance companies, partially offset by the volatility of the stock market which negatively impacted sales of mutual funds and variable annuities. 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 revenues increased \$5.9 million, or 12.9%, in 2002 to \$51.6 million, following an increase of \$7.3 million or 19%, in 2001 to \$45.7 million. The increase in leasing revenues for 2002 was driven by an increase of \$5.3 million in sales-type lease revenues. The increase in total leasing and equipment finance revenues for 2001 was primarily due to increases of \$3.6 million from sales-type lease transactions, \$3.1 million from operating lease transactions and \$644,000 in other revenues. The volume of sales-type lease transactions and resulting revenues fluctuate from period to period based on customer-driven factors not within the control of TCF. TCF's ability to increase its lease 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.

The following table sets forth information about mortgage banking revenues:

(Dollars in thousands)	Year Ended December 31,				
	2002	2001	2000	1999	1998
Servicing income . . . . .	\$ 20,443	\$ 16,932	\$ 12,642	\$ 12,981	\$ 17,146
Less mortgage servicing:					
Amortization . . . . .	22,874	16,564	5,326	4,737	5,267
Impairment . . . . .	12,500	4,400	—	169	1,547
Subtotal . . . . .	35,374	20,964	5,326	4,906	6,814
Net servicing income (loss) . . . . .	(14,931)	(4,032)	7,316	8,075	10,332
Gains on sales of loans . . . . .	18,110	11,795	1,347	3,194	4,536
Other income . . . . .	3,800	4,279	1,856	1,501	2,009
Total mortgage banking revenue . . . . .	\$ 6,979	\$ 12,042	\$ 10,519	\$ 12,770	\$ 16,877

Mortgage banking revenues decreased \$5.1 million, or 42%, and totaled \$7 million in 2002, following an increase of \$1.5 million, or 14.5%, to \$12 million in 2001. The decrease in mortgage banking revenues during 2002 was primarily due to increased impairment and amortization expense on mortgage servicing rights resulting from increased refinance activity and sharply higher actual and assumed prepayments in TCF's servicing portfolio. The increase in

mortgage banking revenues during 2001 was attributable to increased loan origination and sale activity, partially offset by increased amortization and impairment of mortgage servicing rights due to high levels of actual and assumed prepayments and increased volumes. At December 31, 2002, 2001 and 2000, TCF was servicing mortgage loans for others with aggregate unpaid principal balances of \$5.6 billion, \$4.7 billion and \$4 billion, respectively.

(Dollars in thousands)	At December 31,		Change	
	2002	2001	\$	%
Third party servicing portfolio . . . . .	\$5,576,066	\$4,679,355	\$ 896,711	19.2%
Weighted average note rate . . . . .	6.64%	7.13%	(49) bps	N.A.
Mortgage applications in process . . . . .	\$ 532,012	\$ 606,676	\$ (74,664)	(12.3)
Capitalized mortgage servicing rights, net . . . . .	\$ 62,644	\$ 58,261	\$ 4,383	7.5
Mortgage servicing rights as a percentage of servicing portfolio . . . . .	1.12%	1.25%	(13) bps	N.A.
Average servicing fee (basis points) . . . . .	32.9 bps	32.6 bps	.3 bps	N.A.
Mortgage servicing rights as a multiple of average servicing fee . . . . .	3.4 X	3.8 X	(.4) X	N.A.

N.A. Not applicable.

As noted above, mortgage banking revenues are impacted by the amount of amortization and impairment of mortgage servicing rights. The capitalization, amortization and impairment of mortgage servicing rights are critical accounting policies for TCF and are subject to significant estimates. These estimates are based upon loan types, note rates and prepayment assumptions for the overall portfolio. 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. TCF experienced a resurgence in refinance activity during 2002 driven by lower mortgage interest rates, which led to sharply higher prepayments in TCF's servicing portfolio and increased amortization and impairment of mortgage servicing rights. The increased amortization and impairment were partially offset by the increased mortgage loan production activity and the related increase in gains on sales of loans. See Notes I and IO of Notes to Consolidated Financial Statements for additional information concerning TCF's mortgage servicing rights.



The following table summarizes the prepayment speed assumptions used in the estimation of fair value of mortgage servicing rights as of December 31, 2002 and 2001:

(Dollars in thousands)

Interest Rate Tranche	December 31, 2002				Weighted Average Life (in Years)
	Unpaid Balance	Prepayment Speed Assumption		Weighted Average	
		High	Low		
0 to 6.00%	\$1,121,794	33.0%	11.9%	15.3%	6.5
6.01 to 6.50%	1,183,572	44.8	16.2	20.8	4.8
6.51 to 7.00%	1,944,477	57.8	20.9	26.8	3.5
7.01 to 7.50%	865,452	62.3	22.5	28.9	3.1
7.51 to 8.00%	313,128	60.1	21.7	27.9	3.0
8.01% and higher	147,643	58.0	21.0	26.9	3.0
	<b>\$5,576,066</b>	<b>48.9</b>	<b>17.7</b>	<b>22.7</b>	<b>4.3</b>

(Dollars in thousands)

Interest Rate Tranche	December 31, 2001		
	Unpaid Balance	Weighted Average Prepayment Speed Assumption	Weighted Average Life (in Years)
0 to 6.00%	\$ 129,030	6.9%	10.1
6.01 to 6.50%	445,322	11.8	7.5
6.51 to 7.00%	1,812,050	13.0	7.2
7.01 to 7.50%	1,352,877	16.2	5.8
7.51 to 8.00%	640,633	23.3	3.8
8.01% and higher	299,443	27.8	3.1
	<b>\$4,679,355</b>	<b>14.9</b>	<b>6.2</b>

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 estimate for the estimated life of the loans. The range in prepayment assumptions at December 31, 2002 reflects management's assumption of higher initial prepayments that decline over time and level off to a constant prepayment speed. The table above summarizes, by interest rate tranche, the range of prepayment speed assumptions and also includes the weighted average remaining life of the loans by tranche. In 2001, TCF used constant prepayment speed assumptions.

At December 31, 2002, the sensitivity of the fair value of mortgage servicing rights to a hypothetical immediate 10% and 25% adverse change in prepayment speed and discount rate assumptions is as follows:

(Dollars in millions)

	At December 31, 2002
Fair value of mortgage servicing rights	<b>\$62.6</b>
Weighted-average life (in years)	<b>4.3</b>
Weighted average prepayment speed assumption	<b>22.7%</b>
Weighted average discount rate	<b>8.0%</b>
Impact on fair value of 10% adverse change in prepayment speed assumptions	<b>\$(3.8)</b>
Impact on fair value of 25% adverse change in prepayment speed assumptions	<b>\$(8.4)</b>
Impact on fair value of 10% adverse change in discount rate assumptions	<b>\$(1.5)</b>
Impact on fair value of 25% adverse change in discount rate assumptions	<b>\$(3.5)</b>

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.

During 2002, TCF recognized a gain of \$2 million on the sale of a branch with \$17.1 million in deposits, compared with a gain of \$3.3 million on the sale of a branch with \$30 million in deposits during 2001. TCF recognized gains of \$12.8 million on the sales of six branches with \$95.7 million in deposits during 2000. TCF

periodically sells branches that it considers to be underperforming or have limited growth potential and branches may also be subject to involuntary closure under certain circumstances, such as the termination of a license agreement by one of the supermarket chains in which TCF operates branches.

Gains on sales of securities available for sale of \$11.5 million and \$863,000 were recognized on the sales of \$473.9 million and \$33.6 million in mortgage-backed securities in 2002 and 2001, respectively. There were no sales of securities available for sale during 2000.

**Non-Interest Expense** Non-interest expense increased \$36.4 million, or 7.2%, in 2002, and \$44.8 million, or 9.8%, in 2001, 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	
	2002	2001	2000	1999	1998	1-Year 2002/2001	5-Year 2002/1997
Compensation and employee benefits . . . . .	<b>\$295,787</b>	\$267,716	\$239,544	\$239,053	\$217,401	<b>10.5%</b>	10.4%
Occupancy and equipment . . . .	<b>83,131</b>	78,774	74,938	73,613	71,323	<b>5.5</b>	7.3
Advertising and promotions . . .	<b>21,894</b>	20,909	19,181	16,981	19,544	<b>4.7</b>	2.7
Other . . . . .	<b>137,557</b>	126,820	115,833	110,532	105,802	<b>8.5</b>	7.8
Subtotal . . . . .	<b>538,369</b>	494,219	449,496	440,179	414,070	<b>8.9</b>	8.8
Amortization of goodwill . . . . .	<b>—</b>	7,777	7,706	7,713	7,816	<b>(100.0)</b>	(100.0)
Total . . . . .	<b>\$538,369</b>	\$501,996	\$457,202	\$447,892	\$421,886	<b>7.2</b>	8.6

Compensation and employee benefits, representing 54.9% and 53.3% of total non-interest expense in 2002 and 2001, respectively, increased \$28.1 million, or 10.5%, in 2002, and \$28.2 million, or 11.8%, in 2001. The 2002 increase of 10.5% was primarily due to costs associated with new branch expansion and the addition of lenders and sales representatives. The 2001 increase of 11.8% was primarily due to costs associated with expanded retail banking and leasing activities, along with the significant increase in mortgage banking activities.

Occupancy and equipment expenses increased \$4.4 million in 2002 and \$3.8 million in 2001. The increases were primarily due to TCF's new branch expansion and retail banking and leasing activities, partially offset by branch sales.

Advertising and promotion expenses increased \$985,000 in 2002 following an increase of \$1.7 million in 2001. The increase in 2002 was primarily due to increases in retail banking media advertising. The 2001 increase was primarily due to retail banking activities and promotional expenses associated with the TCF Express Phone Card, where customers earn free long-distance minutes for use of their TCF Express Cards. TCF awarded 71 million minutes and 67 million minutes during 2002 and 2001, respectively, under this promotion.

Other non-interest expense increased \$10.7 million, or 8.5%, in 2002, primarily the result of increased expenses associated with expanded retail banking and leasing operations, Express Card interchange expense resulting from increased utilization and the higher levels of production and prepayment activity in the mortgage banking area. In 2001, other non-interest expense increased \$11 million, or 9.5%, primarily the result of increased expenses associated with higher levels of activity in mortgage banking and expanded retail banking and leasing operations. A summary of other expense is presented in Note 25 of Notes to Consolidated Financial Statements.

On January 1, 2002, TCF adopted SFAS No. 142, "Goodwill and Other Intangible Assets," which requires that goodwill and other

intangible assets with indefinite useful lives no longer be amortized, but instead tested for impairment at least annually. Further detail on goodwill amortization is provided in Note 22 of Notes to Consolidated Financial Statements.

**Income Taxes** TCF recorded income tax expense of \$124.8 million in 2002, compared with \$122.5 million in 2001 and \$116.6 million in 2000. Income tax expense represented 34.88% of income before income tax expense during 2002, compared with 37.14% and 38.5% in 2001 and 2000, respectively. The lower effective tax rate in 2002 primarily reflects the effect of the change in accounting for goodwill, lower state income taxes, a favorable resolution of uncertainties during tax examinations and the reduced effect of non-deductible expenses as a percentage of pre-tax net income.

TCF has Real Estate Investment Trusts ("REITs") and related companies, 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 REITs must meet specific provisions of the Internal Revenue Code ("IRC") to continue to qualify as a REIT. Two specific provisions applicable to REITs are an income test and an asset test. At least 75% of each REIT's gross income, excluding gross income from prohibited transactions, for each taxable year must be derived directly or indirectly from investments relating to real property or mortgages on real property. Additionally, at least 75% of each REIT's assets must be represented by real estate assets. At December 31, 2002, TCF's REITs met the applicable provisions of the IRC to qualify as REITs. State laws may also impose limitations or restrictions on operations of these companies. These laws are subject to change. If these companies fail to meet any of the required provisions of Federal and state tax laws, the resulting tax consequences would increase TCF's effective tax rate.

The determination of current and deferred income taxes is a critical accounting policy which is based on complex analyses of many factors including interpretation of Federal and state income tax laws, the differences between tax and financial reporting basis 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 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 through the Consolidated Statement of Income. Further detail on income taxes is provided in Note 14 of Notes to Consolidated Financial Statements.

### Consolidated Financial Condition Analysis

**Investments** Total investments, which include interest-bearing deposits with banks, federal funds sold, Federal Home Loan Bank ("FHLB") stock, Federal Reserve Bank stock and other investments, decreased \$2.2 million to \$153.7 million at December 31, 2002. The decrease primarily reflects a decrease of \$2.3 million in FHLB

stock. TCF is required to invest in FHLB stock in proportion to its level of mortgage assets (defined as mortgage-backed securities and residential and consumer 1-4 family and multi-family loans) and the level of borrowings from the FHLB. TCF had no non-investment grade debt securities (junk bonds) and there were no open trading account or investment option positions as of December 31, 2002 or 2001.

**Securities Available for Sale** Securities available for sale increased \$842.1 million during 2002 to \$2.4 billion at December 31, 2002. This increase reflects purchases of \$2 billion of mortgage-backed securities, partially offset by sales of \$473.9 million in which the Company recognized \$11.5 million in gains on securities available for sale, and normal payment and prepayment activity. At December 31, 2002, TCF's securities available-for-sale portfolio included \$2.4 billion and \$18.3 million of fixed-rate and adjustable-rate mortgage-backed securities, respectively. Net unrealized pre-tax gains on securities available for sale totaled \$72.3 million at December 31, 2002, compared with \$9.8 million at December 31, 2001.

**Loans Held for Sale** Loans held for sale included residential mortgage and education loans. Residential mortgage loans held for sale were \$277.4 million and \$286.6 million at December 31, 2002 and 2001, respectively. Education loans held for sale were \$199.1 million and \$165.1 million at December 31, 2002 and 2001, respectively.

**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		
	2002	2001	2000	1999	1998	1-Year 2002/2001	5-Year 2002/1997
Consumer	\$3,005,882	\$2,509,333	\$2,234,134	\$2,058,584	\$1,876,554	19.8%	8.7%
Commercial real estate	1,835,788	1,622,461	1,371,841	1,073,472	811,428	13.1	16.4
Commercial business	440,074	422,381	410,422	351,353	289,104	4.2	12.9
Leasing and equipment finance	1,039,040	956,737	856,471	492,656	398,812	8.6	23.0
Subtotal	6,320,784	5,510,912	4,872,868	3,976,065	3,375,898	14.7	12.9
Residential real estate	1,800,344	2,733,290	3,673,831	3,919,678	3,765,280	(34.1)	(13.1)
Total loans and leases	\$8,121,128	\$8,244,202	\$8,546,699	\$7,895,743	\$7,141,178	(1.5)	2.8

(Dollars in thousands)	At December 31, 2002				
	Consumer	Commercial	Leasing and Equipment Finance	Residential	Total
Minnesota	\$1,136,678	\$ 646,609	\$ 72,926	\$ 747,512	\$2,603,725
Michigan	560,344	738,427	86,496	501,707	1,886,974
Illinois	760,417	289,084	36,656	457,900	1,544,057
Wisconsin	339,727	307,684	25,087	46,076	718,574
Colorado	139,478	-	27,226	703	167,407
California	1,051	38,732	111,136	-	150,919
Ohio	9,269	21,147	38,196	13,714	82,326
Florida	14,713	9,825	47,086	769	72,393
Texas	706	1,449	65,556	2,085	69,796
Other	43,499	222,905	528,675	29,878	824,957
Total	\$3,005,882	\$2,275,862	\$1,039,040	\$1,800,344	\$8,121,128

Loans and leases decreased \$123.1 million from year-end 2001 to \$8.1 billion at December 31, 2002. Increases of \$496.5 million, or 19.8%, in consumer loans, \$213.3 million, or 13.1%, in commercial real estate loans and \$82.3 million, or 8.6%, in leasing and equipment finance were more than offset by a \$932.9 million reduction in residential real estate loans. The decline in the residential real estate loan portfolio during 2002 was due to accelerating prepayments brought on by the continued decline, throughout 2002, in interest rates and was partially offset by the increase in mortgage-backed securities. At December 31, 2002, TCF's residential real estate loan portfolio was comprised of \$1.2 billion of fixed-rate loans and \$610.3 million of adjustable-rate loans.

Consumer loans increased \$496.5 million from year-end 2001 to \$3 billion at December 31, 2002, driven by an increase of \$511.9 million in home equity loans. Approximately 69% of the home equity loan portfolio at December 31, 2002 consisted of closed-end loans, compared with 70% at December 31, 2001. In addition, 62% of this

portfolio at December 31, 2002, carries a variable interest rate, compared with 51% at December 31, 2001. As of December 31, 2002, \$1 billion of the variable rate consumer loans were at their interest rate floors. These loans will remain at their interest rate floor until interest rates rise above the floor rate. An increase in the TCF base rate of 100 basis points would result in the repricing of \$521.9 million of variable rate consumer loans currently at their floor. A 200 basis point increase in the TCF base rate would result in a total of \$833.2 million of these loans repricing at interest rates above their current floor rate.

At December 31, 2002, the weighted average loan-to-value ratio for the home equity portfolio was 72%, unchanged from December 31, 2001. Many of these loans are secured by a first lien on the home and include an advance to pay off an existing first lien mortgage loan. These loans may carry a higher level of credit risk than loans with lower loan-to-value ratios. Higher loan-to-value ratio loans are made to more creditworthy customers based on credit scoring models.

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

At December 31,

(Dollars in thousands)	2002			2001		
	Balance	Percentage of Total	Over 30-Day Delinquency as a Percentage of Balance	Balance	Percentage of Total	Over 30-Day Delinquency as a Percentage of Balance
Loan-to-Value Ratios <sup>(1)</sup>						
Over 100% <sup>(2)</sup>	\$ 53,916	1.8%	2.17%	\$ 66,578	2.7%	1.62%
Over 90% to 100%	384,988	13.0	.80	396,333	16.2	.69
Over 80% to 90%	1,028,207	34.8	.62	802,094	32.8	.64
80% or less	1,488,533	50.4	.52	1,178,783	48.3	.69
Total	\$2,955,644	100.0%	.62	\$2,443,788	100.0%	.70

<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 table summarizes TCF's commercial real estate loan portfolio by property type:

At December 31,

(Dollars in thousands)	2002			2001		
	Balance	Number of Loans	Over 30-Day Delinquency Rate as a Percentage of Balance	Balance	Number of Loans	Over 30-Day Delinquency Rate as a Percentage of Balance
Apartments	\$ 484,755	562	.07%	\$ 431,679	586	.03%
Office buildings	368,402	289	.44	364,357	283	.08
Retail services	284,701	264	.02	217,408	243	—
Warehouse/industrial buildings	185,529	173	2.61	159,090	165	—
Hotels and motels	149,023	32	—	144,424	34	—
Health care facilities	45,125	17	—	24,698	15	—
Other	318,253	392	—	280,805	448	.04
Total	\$1,835,788	1,729	.37	\$1,622,461	1,774	.03

Commercial real estate loans increased \$213.3 million from year-end 2001 to \$1.8 billion at December 31, 2002. Commercial business loans increased \$17.7 million in 2002 to \$440.1 million at December 31, 2002. TCF continues to expand its commercial business and commercial real estate lending activity to borrowers located in its primary midwestern markets. With a focus on secured lending, at December 31, 2002, approximately 98% of TCF's commercial real estate and commercial business loans were secured either by

properties or underlying business assets. At December 31, 2002 and December 31, 2001, the construction and development portfolio included hotel and motel loans of \$41.1 million and \$31.5 million, respectively, and apartment loans of \$5.1 million and \$2.5 million, respectively. At December 31, 2002, approximately 88% 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:

At December 31,

<i>(Dollars in thousands)</i>						
		2002			2001	
Marketing Segment	Balance	Percent of Total	Over 30-Day	Balance	Percent of Total	Over 30-Day
			Delinquency as a Percentage of Balance			Delinquency as a Percentage of Balance
Middle market <sup>(1)</sup>	\$ 337,668	32.5%	1.30%	\$ 181,826	19.0%	2.14%
Winthrop <sup>(2)</sup>	266,709	25.7	—	307,335	32.1	.24
Wholesale <sup>(3)</sup>	181,038	17.4	.42	204,792	21.4	.28
Small ticket <sup>(4)</sup>	131,389	12.6	.47	100,691	10.5	1.17
Leveraged leases	21,519	2.1	—	17,608	1.9	—
Subtotal	938,323	90.3	.61	812,252	84.9	.79
Truck and trailer <sup>(5)</sup>	100,717	9.7	4.72	144,485	15.1	7.59
Total	\$1,039,040	100.0%	1.00	\$ 956,737	100.0%	1.84

<sup>(1)</sup> Middle market consists primarily of lease financings on manufacturing and construction equipment, as well as specialty vehicles, to companies nationwide.

<sup>(2)</sup> Winthrop's portfolio consists primarily of technology and data processing equipment.

<sup>(3)</sup> Wholesale includes the discounting, purchase and originating of lease receivables sourced by third party lessors.

<sup>(4)</sup> Small ticket includes lease financings to small- and mid-size companies through programs with vendors, manufacturers, distributors and franchise organizations. Individual contracts generally range from \$25,000 to \$250,000.

<sup>(5)</sup> TCF discontinued originations in the truck and trailer marketing segment during 2001. TCF will continue to provide financing on trucks and trailers to customers in the middle market segment for use in their businesses which are unrelated to the over-the-road trucking industry. See the portfolio summary by equipment type below for TCF's total financing of trucks and trailers.

At December 31,

<i>(Dollars in thousands)</i>					
		2002		2001	
Equipment Type	Balance	Percent of Total	Balance	Percent of Total	
				Balance	Percent of Total
Technology and data processing	\$ 291,091	28.0%	\$ 323,439	33.8%	
Specialty vehicles	149,997	14.4	105,367	11.0	
Manufacturing	140,014	13.5	82,699	8.6	
Trucks and trailers	113,587	10.9	149,441	15.6	
Construction	87,857	8.5	65,081	6.8	
Furniture and fixtures	62,153	6.0	80,330	8.4	
Printing	31,181	3.0	23,450	2.5	
Material handling	24,749	2.4	14,537	1.5	
Aircraft	23,420	2.3	20,585	2.2	
Medical	23,378	2.2	7,978	.8	
Other	91,613	8.8	83,830	8.8	
Total	\$1,039,040	100.0%	\$ 956,737	100.0%	



Leasing and equipment finance increased \$82.3 million from year-end 2001 to \$1 billion at December 31, 2002. At December 31, 2002, \$108.7 million, or 13.9%, of TCF's lease portfolio was discounted on a non-recourse basis with other third-party financial institutions and consequently TCF retains no credit risk on such amounts. This compares with non-recourse fundings of \$143.7 million, or 20.6%, at December 31, 2001. Total loan and lease originations for TCF's leasing businesses were \$518.1 million during 2002, compared with \$492.3 million in 2001 and \$648.1 million in 2000. The backlog of approved transactions increased to \$140.8 million, at December 31, 2002, compared with \$126.1 million at December 31, 2001. Included in the investment in leveraged leases, at December 31, 2002, is \$18.7 million for a 100% equity interest in a Boeing 767-300 aircraft on lease to Delta Airlines in the United States. The aircraft is in service, the lessee is current on the lease

payments and the lease expires in 2010. This lease represents TCF's only material direct exposure to the commercial airline industry. TCF's expanded leasing activity is subject to risk of cyclical downturns and other adverse economic developments. TCF's ability to increase its lease 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. TCF Leasing has originated most of its portfolio during recent periods, and consequently the performance of this portfolio may not be reflective of future results and credit quality. During 2001, TCF discontinued originations in the truck and trailer marketing segment and in the first quarter of 2002, completed the shutdown of this segment.

Loans and leases outstanding at December 31, 2002 are shown in the following table by maturity:

At December 31, 2002 <sup>(1)</sup>						
<i>(In thousands)</i>	Consumer	Commercial Real Estate	Commercial Business	Leasing and Equipment Finance	Residential Real Estate	Total Loans and Leases
<b>Amounts due:</b>						
Within 1 year . . . . .	\$ 108,147	\$ 299,728	\$ 238,084	\$ 401,078	\$ 74,491	\$1,121,528
<b>After 1 year:</b>						
1 to 2 years . . . . .	104,595	172,004	93,577	302,434	73,721	746,331
2 to 3 years . . . . .	93,474	127,098	48,068	197,675	76,040	542,355
3 to 5 years . . . . .	186,693	316,134	38,464	209,701	154,642	905,634
5 to 10 years . . . . .	661,177	745,935	14,039	31,437	345,772	1,798,360
10 to 15 years . . . . .	1,222,122	136,816	415	-	284,556	1,643,909
Over 15 years . . . . .	634,615	41,662	6,777	-	787,160	1,470,214
Total after 1 year . . . . .	<u>2,902,676</u>	<u>1,539,649</u>	<u>201,340</u>	<u>741,247</u>	<u>1,721,891</u>	<u>7,106,803</u>
Total . . . . .	<u>\$3,010,823</u>	<u>\$1,839,377</u>	<u>\$ 439,424</u>	<u>\$1,142,325</u>	<u>\$1,796,382</u>	<u>\$8,228,331</u>
<b>Amounts due after 1 year on:</b>						
Fixed-rate loans and leases . . . . .	\$1,116,389	\$ 273,496	\$ 54,974	\$ 741,247	\$1,129,740	\$3,315,846
Variable and adjustable-rate loans <sup>(2)</sup> . . . . .	1,786,287	1,266,153	146,366	-	592,151	3,790,957
Total after 1 year . . . . .	<u>\$2,902,676</u>	<u>\$1,539,649</u>	<u>\$ 201,340</u>	<u>\$ 741,247</u>	<u>\$1,721,891</u>	<u>\$7,106,803</u>

<sup>(1)</sup> Gross of unearned discounts and deferred fees. 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 loans remain outstanding for significantly shorter periods than their contractual terms.

<sup>(2)</sup> Includes \$1 billion of consumer loans and \$196.5 million of variable-rate commercial real estate and commercial business loans at their interest rate floor.

**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 policy which involves estimates and 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 \$77 million adequate to cover losses inherent in the loan and lease portfolios as of December 31, 2002. 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 increases 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 following table sets forth information detailing the allowance for loan and lease losses and selected statistics:

(Dollars in thousands)	Year Ended December 31,				
	2002	2001	2000	1999	1998
Balance at beginning of year . . . . .	\$ 75,028	\$ 66,669	\$ 55,755	\$ 80,013	\$ 82,583
Transfers to loans held for sale . . . . .	—	—	—	(14,793)	—
Charge-offs:					
Consumer . . . . .	(6,939)	(6,605)	(7,041)	(31,509)	(30,108)
Commercial real estate . . . . .	(2,181)	(122)	(76)	(674)	(1,294)
Commercial business . . . . .	(5,952)	(429)	(143)	(52)	(42)
Leasing and equipment finance . . . . .	(9,230)	(9,794)	(2,426)	(2,008)	(979)
Residential real estate . . . . .	(59)	(1)	(15)	(155)	(291)
	<b>(24,361)</b>	(16,951)	(9,701)	(34,398)	(32,714)
Recoveries:					
Consumer . . . . .	2,965	3,487	4,576	5,831	5,222
Commercial real estate . . . . .	43	103	295	1,381	559
Commercial business . . . . .	54	193	690	329	635
Leasing and equipment finance . . . . .	1,264	649	254	398	345
Residential real estate . . . . .	9	—	28	71	103
	<b>4,335</b>	4,432	5,843	8,010	6,864
Net charge-offs . . . . .	<b>(20,026)</b>	(12,519)	(3,858)	(26,388)	(25,850)
Provision charged to operations . . . . .	<b>22,006</b>	20,878	14,772	16,923	23,280
Balance at end of year . . . . .	<b>\$ 77,008</b>	\$ 75,028	\$ 66,669	\$ 55,755	\$ 80,013
Ratio of net loan and lease charge-offs to average loans and leases outstanding . . . . .	<b>.25%</b>	.15%	.05%	.35%	.36%
Year-end allowance as a percentage of year-end total loans and leases . . . . .	<b>.95</b>	.91	.78	.71	1.12
Year-end allowance as a percentage of year-end loans and leases excluding residential real estate loans . . . . .	<b>1.20</b>	1.32	1.31	1.33	2.27
Year-end allowance as a multiple of net charge-offs . . . . .	<b>3.8X</b>	6.0X	17.3X	2.1X	3.1X

The allocation of TCF's allowance for loan and lease losses, including general and specific loss allocations, is as follows:

(Dollars in thousands)	At December 31,					Allocations as a Percentage of Total Loans and Leases Outstanding by Type At December 31,				
	2002	2001	2000	1999	1998	2002	2001	2000	1999	1998
Consumer . . . . .	\$ 8,532	\$ 8,355	\$ 9,764	\$10,701	\$32,011	.28%	.33%	.44%	.52%	1.71%
Commercial real estate . . . . .	22,176	24,459	20,753	12,708	12,525	1.21	1.51	1.51	1.18	1.54
Commercial business . . . . .	15,910	12,117	9,668	8,256	5,756	3.62	2.87	2.36	2.35	1.99
Leasing and equipment finance . . . . .	12,881	11,774	7,583	4,237	2,955	1.24	1.23	.89	.86	.74
Unallocated . . . . .	16,139	16,139	16,139	16,839	23,295	N.A.	N.A.	N.A.	N.A.	N.A.
Subtotal . . . . .	75,638	72,844	63,907	52,741	76,542	1.20	1.32	1.31	1.33	2.27
Residential real estate . . . . .	1,370	2,184	2,762	3,014	3,471	.08	.08	.08	.08	.09
Total allowance balance . . .	\$77,008	\$75,028	\$66,669	\$55,755	\$80,013	.95	.91	.78	.71	1.12

N.A. Not applicable.

The allocated allowance balances for TCF's residential and consumer loan portfolios, at December 31, 2002, reflect the Company's credit quality and related low level of net loan charge-offs for these portfolios. The increase in the allocated allowance for the commercial business portfolio reflects the growth in the portfolio and the increase in charge-offs in the commercial business portfolio. The increase in the allocated allowance for leasing and equipment finance losses reflects the continued growth in the portfolio. The allocated allowances for these portfolios do not reflect any significant changes in estimation methods or assumptions.

The increase in TCF's allowance for loan and lease losses as a percentage of total loans and leases, at December 31, 2002, reflects the impact of the continued growth in the commercial loan and leasing and equipment finance portfolios coupled with increased charge-offs in the commercial loan portfolio. Net loan and lease charge-offs

were \$20 million, or .25% of average loans and leases outstanding in 2002, compared with \$12.5 million, or .15% of average loans and leases in 2001 and \$3.9 million, or .05% of average loans and leases in 2000. Commercial real estate net charge-offs were \$2.1 million for 2002, compared with \$19,000 for 2001. Commercial real estate net charge-offs for 2002 included a \$1.6 million charge-off on a commercial real estate property transferred to other real estate owned in the second quarter of 2002. Commercial business net charge-offs were \$5.9 million during 2002, compared with net charge-offs of \$236,000 in 2001, and included a \$4.3 million charge-off related to \$7.4 million of loans to a banking customer who is dependent on the transportation industry, which has been severely impacted by the economic slowdown. Leasing and equipment finance net charge-offs were \$8 million during 2002, compared with net charge-offs of \$9.1 million for 2001.

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

(Dollars in thousands)	Year Ended December 31,			
	2002		2001	
	Net Charge-offs	% of Average Loans and Leases	Net Charge-offs	% of Average Loans and Leases
Consumer . . . . .	\$ 3,974	.15%	\$ 3,118	.13%
Commercial real estate . . . . .	2,138	.12	19	—
Commercial business . . . . .	5,898	1.35	236	.06
Leasing and equipment finance:				
Middle market . . . . .	901	.35	513	.39
Winthrop . . . . .	113	.04	2,182	.64
Wholesale . . . . .	2,998	1.57	1,621	.85
Small ticket . . . . .	875	.77	1,242	1.37
Leveraged leases . . . . .	—	—	—	—
Subtotal . . . . .	4,887	.56	5,558	.73
Truck and trailer . . . . .	3,079	2.50	3,587	2.31
Total leasing and equipment finance . . . . .	7,966	.80	9,145	1.00
Subtotal . . . . .	19,976	.34	12,518	.24
Residential real estate . . . . .	50	—	1	—
Total . . . . .	\$20,026	.25	\$12,519	.15

**Non-Performing Assets** Non-performing assets consisting of non-accrual loans and leases and other real estate owned totaled \$70.2 million at December 31, 2002, or .87%, of net loans and leases, up \$3.6 million from \$66.6 million, or .82%, at December 31, 2001. The increase in total non-performing assets reflects increases of \$4.8 million and \$2.4 million in non-performing leasing and equipment finance and commercial business assets, respectively, partially offset by decreases of \$2.9 million and \$862,000, respectively, in consumer and commercial real estate non-performing assets. Approximately 49% of non-performing assets at December 31, 2002 consisted of, or were secured by, residential real estate. Non-accrual loans and leases in the truck and trailer marketing segment of the leasing and equipment finance portfolio totaled \$7.5 million at December 31, 2002, compared with \$6.9 million at December 31, 2001. 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 for loans secured by residential real estate) unless such loans and leases are adequately secured and in the process of collection. Included in non-performing assets are loans that are considered impaired. The recorded investment in impaired loans was \$12.1 million and \$18.8 million at December 31, 2002 and December 31, 2001, respectively. The related allowance for credit losses was \$5.5 million at December 31, 2002, compared with \$5 million at December 31, 2001. All of the impaired loans were on non-accrual status. Management monitors the performance and classification of such loans and leases and the financial condition of these borrowers.

Non-performing assets are summarized in the following table:

(Dollars in thousands)	At December 31,				
	2002	2001	2000	1999	1998
<b>Non-accrual loans and leases:</b>					
Consumer . . . . .	<b>\$11,163</b>	\$16,473	\$13,027	\$12,178	\$17,745
Commercial real estate . . . . .	<b>3,213</b>	11,135	5,820	1,576	4,352
Commercial business . . . . .	<b>4,777</b>	3,550	236	2,960	2,797
Leasing and equipment finance, net . . . . .	<b>17,127</b>	11,723	7,376	1,310	290
Residential real estate . . . . .	<b>5,798</b>	6,959	4,829	5,431	8,078
Total non-accrual loans and leases, net . . . . .	<b>42,078</b>	49,840	31,288	23,455	33,262
Non-recourse discounted lease rentals . . . . .	<b>1,562</b>	2,134	3,910	619	435
Total non-accrual loans and leases, gross . . . . .	<b>43,640</b>	51,974	35,198	24,074	33,697
<b>Other real estate owned:</b>					
Residential real estate . . . . .	<b>16,479</b>	12,830	10,422	9,454	11,823
Commercial real estate . . . . .	<b>10,093</b>	1,825	447	1,458	1,779
Total other real estate owned . . . . .	<b>26,572</b>	14,655	10,869	10,912	13,602
Total non-performing assets, gross . . . . .	<b>\$70,212</b>	\$66,629	\$46,067	\$34,986	\$47,299
Total non-performing assets, net . . . . .	<b>\$68,650</b>	\$64,495	\$42,157	\$34,367	\$46,864
Gross non-performing assets as a percentage of net loans and leases . . . . .	<b>.87%</b>	.82%	.54%	.45%	.67%
Gross non-performing assets as a percentage of total assets . . . . .	<b>.58</b>	.59	.41	.33	.47

**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)	2002		2001	
	Principal Balances	Percentage of Loans and Leases	Principal Balances	Percentage of Loans and Leases
<b>Accruing loans and leases delinquent for:</b>				
30-59 days . . . . .	<b>\$24,683</b>	<b>.31%</b>	\$25,998	.32%
60-89 days . . . . .	<b>16,557</b>	<b>.20</b>	15,646	.19
90 days or more . . . . .	<b>5,084</b>	<b>.06</b>	5,129	.06
Total . . . . .	<b>\$46,324</b>	<b>.57%</b>	\$46,773	.57%

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

	2002		2001	
	Principal Balances	Percentage of Portfolio	Principal Balances	Percentage of Portfolio
<i>(Dollars in thousands)</i>				
Consumer	\$19,067	.64%	\$17,939	.72%
Commercial real estate	6,835	.37	538	.03
Commercial business	555	.13	526	.13
Leasing and equipment finance	10,159	1.00	17,393	1.84
Residential real estate	9,708	.54	10,377	.38
Total	\$46,324	.57	\$46,773	.57

TCF's over 30-day delinquency on total leasing and equipment finance decreased to 1% at December 31, 2002 from 1.84% at December 31, 2001. At December 31, 2002 there were no delinquent leases that have been funded on a non-recourse basis by third-party financial institutions, compared with \$754,000 at December 31, 2001. The decline in delinquencies in the leasing and equipment finance portfolio during 2002 was primarily in the discontinued truck and trailer marketing segment. Delinquencies in this segment of the leasing and equipment finance portfolio were \$4.4 million, or 4.7%, at December 31, 2002, compared with \$11 million, or 7.6%, at December 31, 2001.

**Potential Problem Loans and Leases** In addition to the non-performing assets, there were \$83.4 million of loans and leases at

December 31, 2002, for which management has concerns regarding the ability of the borrowers to meet existing repayment terms. These loans and leases are less than 90 days past due, were classified for regulatory purposes as substandard and reflect the distinct possibility, but not 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 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.

Potential problem loans and leases are summarized as follows:

	At December 31,		Change	
	2002	2001	\$	%
<i>(Dollars in thousands)</i>				
Consumer	\$ 4,500	\$ 567	\$ 3,933	N.M.
Commercial real estate	30,132	15,004	15,128	N.M.
Commercial business	33,408	41,217	(7,809)	(18.9)%
Leasing and equipment finance	15,314	15,083	231	1.5
Total	\$83,354	\$71,871	\$11,483	16.0

N.M. Not meaningful.

**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 payments, 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 reverse repurchase agreements and, to a lesser extent, from other sources. At December 31, 2002, TCF had over \$2.5 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 the Company's \$105 million bank line of credit and



commercial paper program. TCF 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, 2002 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 \$7.7 billion at December 31, 2002, up \$611 million from December 31, 2001. The increase in deposits is net of the impact of the previously noted branch sale with \$17.1 million of deposits during 2002. Lower interest-cost checking, savings and money market deposits totaled \$5.8 billion, up \$1 billion from December 31, 2001, and comprised 75.1% of total deposits at December 31, 2002, compared with 67.3% of total deposits at December 31, 2001. The

average balance of these deposits for 2002 was \$5.3 billion, an increase of \$997.8 million over the \$4.3 billion average balance for 2001. Higher interest-cost certificates of deposit decreased \$401.5 million from December 31, 2001 as a result of TCF's disciplined pricing and availability of other lower-cost funding sources. TCF's weighted-average rate for deposits, including non-interest-bearing deposits, was 1.02% at December 31, 2002, down from 1.49% at December 31, 2001.

**Supermarket Banking** As previously noted, TCF continued to expand its supermarket banking franchise by opening 15 new branches during 2002. TCF now has 244 supermarket branches, up from 234 such branches a year ago. Supermarket banking continues to play an important role in TCF's growth, as these branches have been consistent generators of account growth in both deposit and lending products. During the past year, the number of deposit accounts in TCF's supermarket branches increased 8.9% to over 806,000 accounts and the balances increased 25.1% to \$1.5 billion. The average rate on these deposits decreased from 1.23% at December 31, 2001 to .90% at December 31, 2002.

Additional information regarding TCF's supermarket branches is displayed in the table below:

(Dollars in thousands)	At December 31,				
	2002	2001	2000	1999	1998
Number of branches . . . . .	244	234	213	195	160
Number of deposit accounts . . . . .	806,276	740,457	646,084	551,536	406,146
Deposits:					
Checking . . . . .	\$ 694,472	\$ 591,000	\$ 475,162	\$ 354,074	\$ 272,194
Savings . . . . .	492,278	211,190	135,000	120,876	96,496
Money market . . . . .	107,848	130,758	108,557	60,169	55,070
Subtotal . . . . .	1,294,598	932,948	718,719	535,119	423,760
Certificates . . . . .	223,073	279,777	354,891	290,579	194,456
Total deposits . . . . .	\$1,517,671	\$1,212,725	\$1,073,610	\$ 825,698	\$ 618,216
Average rate on deposits . . . . .	.90%	1.23%	2.73%	2.24%	2.16%
Total fees and other revenue for the year . . . . .	\$ 160,204	\$ 136,709	\$ 112,043	\$ 86,665	\$ 53,482
Consumer loans outstanding . . . . .	\$ 369,393	\$ 305,081	\$ 233,393	\$ 192,931	\$ 108,213

**Borrowings** Borrowings totaled \$3.1 billion at December 31, 2002, up \$87.3 million from year-end 2001. The increase was primarily due to increases in consumer loans, commercial loans, leasing and equipment finance and securities available for sale in excess of the increase in deposits and a decrease in residential real estate loans which increases reliance on borrowings. 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, 2002 are \$1.1 billion of fixed-rate FHLB advances and reverse repurchase agreements which are callable at par on certain anniversary dates and, for most, quarterly thereafter until maturity.

If called, replacement funding will be provided by the counterparties at the then-prevailing market rate of interest for the remaining term-to-maturity of the advances, subject to standard terms and conditions. The weighted-average rate on borrowings decreased to 4.43% at December 31, 2002, from 4.85% at December 31, 2001. At December 31, 2002, borrowings with a maturity of one year or less totaled \$977.1 million.

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 Commercial 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, 2002, the aggregate contractual obligations (excluding bank deposits) and commercial commitments are as follows:

Contractual Obligations (Dollars in thousands)	Total	Payments Due by Period			
		Less than 1 year	1-3 Years	4-5 Years	After 5 Years
Total borrowings . . . . .	\$3,110,295	\$ 842,051	\$1,542,021	\$ 303,723	\$ 422,500
Annual rental commitments under non-cancelable operating leases . . . . .	138,856	20,236	35,585	30,068	52,967
	<u>\$3,249,151</u>	<u>\$ 862,287</u>	<u>\$1,577,606</u>	<u>\$ 333,791</u>	<u>\$ 475,467</u>

Other Commercial Commitments (Dollars in thousands)	Total	Amount of Commitment – Expiration by Period			
		Less than 1 year	1-3 Years	4-5 Years	After 5 Years
<b>Commitments to lend:</b>					
Consumer . . . . .	\$1,154,133	\$1,153,901	\$ 111	\$ 121	\$ –
Commercial . . . . .	576,568	385,069	157,527	17,836	16,136
Leasing and equipment finance . . . . .	67,006	67,006	–	–	–
Other . . . . .	32,419	32,419	–	–	–
Total commitments to lend . . . . .	<u>1,830,126</u>	<u>1,638,395</u>	<u>157,638</u>	<u>17,957</u>	<u>16,136</u>
Loans serviced with recourse . . . . .	180,285	4,120	8,852	8,350	158,963
Standby letters of credit . . . . .	20,869	13,317	2,862	4,690	–
	<u>\$2,031,280</u>	<u>\$1,655,832</u>	<u>\$ 169,352</u>	<u>\$ 30,997</u>	<u>\$ 175,099</u>

Commitments to lend are agreements to lend 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 and personal property.

Loans serviced with recourse represent a contingent guarantee based upon the failure to perform by another party. These loans consist of Veterans Administration (“VA”) loans and 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 \$100,000 relating to the VA “no-bid” exposure on VA loans serviced with partial recourse at December 31, 2002 which was recorded in other liabilities. No claims have been made under the “no-bid” option during 2002 or 2001. Loans sold with recourse to FNMA represent residential real estate loans sold to FNMA prior to 1982. TCF no longer sells loans on a recourse basis, and thus has limited the amount of loans subject to this contingent guarantee. The con-

tingent 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 2032. All loans sold with recourse are collateralized by residential real estate. Since conditions under which TCF would be required either 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 amount provided in the table above.

Standby letters of credit are conditional commitments issued by TCF guaranteeing the performance of a customer to a third party. The standby letters of credit expire in various years through the year 2007. Since the conditions under which TCF is required to fund the standby letters of credit may not materialize, the cash requirements are expected to be less than the total outstanding commitments. Collateral held on standby letters of credit primarily consists of commercial real estate mortgages.

**Stockholders’ Equity** Stockholders’ equity at December 31, 2002 was \$977 million, or 8% of total assets, up from \$917 million, or 8.1% of total assets, at December 31, 2001. The increase in stockholders’ equity was primarily due to net income of \$232.9 million for the year ended December 31, 2002, a \$39.9 million increase in

accumulated other comprehensive income and the \$9.8 million repayment of all outstanding loans to the officers' and directors' deferred compensation plans, partially offset by the repurchase of 3.1 million shares of TCF's common stock at a cost of \$14.8 million and the payment of \$86.4 million in dividends on common stock. Since January 1, 1998, the Company has repurchased 21.7 million shares of TCF's common stock at an average cost of \$31.71 per share. For the year ended December 31, 2002, average total equity to average assets was 7.91% compared to 7.78% for the year ended December 31, 2001. Dividends paid to common shareholders on a per share basis totaled \$1.15 in 2002, an increase of 15% from \$1.00 in 2001. TCF's dividend payout ratio was 36.51% in 2002 and 37.04% in 2001. The Company's primary funding sources for common dividends are dividends received from its subsidiary bank. At December 31, 2002, 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 does not have any trust preferred securities or other quasi-equity instruments.

TCF has used stock options as a form of employee compensation only to a limited extent. At December 31, 2002, the amount of stock options outstanding was .41% 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 a 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 Management Committee manages TCF's interest-rate risk based on interest rate expectations and other factors. The principal objective of TCF's asset/liability management activities is to provide maximum levels of net interest income while maintaining acceptable levels of interest rate risk and liquidity risk and facilitating the funding needs of the Company.

Although the measure is subject to a number of assumptions and is only one of a number of measurements, management believes that interest rate gap (difference between interest-earning assets and

interest-bearing liabilities repricing within a given period) 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, which include no assumptions regarding future asset or liability production and the possibility of a static interest rate environment which can result in large quarterly changes due to changes of the above items, interest rate gap calculates the net asset or liability sensitivity at a point in time. In addition to the interest rate gap analysis, management also utilizes a simulation model to measure and manage TCF's interest rate risk, relative to a base case scenario.

The amounts in the maturity/rate sensitivity table on page 42 represent management's estimates and assumptions. The amounts 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 its option to call certain of TCF's longer-term callable borrowings. Decisions by management to purchase or sell assets, or retire debt could change the maturity/repricing and spread relationships. In addition, TCF's interest-rate risk will increase during periods of rising interest rates due to slower prepayments on loans and mortgage-backed securities. TCF's one-year adjusted interest rate gap was a positive \$1.1 billion, or 9% of total assets, at December 31, 2002, compared with a positive \$241.8 million, or 2% of total assets, at December 31, 2001. 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. The increase in the one-year gap reflects the current low interest rate environment in which TCF, and the banking industry as a whole, has experienced sharp increases in actual and forecasted prepayments of mortgage-backed securities, residential real estate loans, fixed-rate consumer and commercial real estate loans. Also impacting the gap is significant customer demand for variable-rate consumer and commercial loan products, in addition to the growth in deposits. TCF has managed this change by repositioning the balance sheet for a rising short-term interest rate environment. If interest rates remain at current levels or fall further, the net interest margin may compress and net interest income may decline.

TCF's consumer and commercial loans (excluding loans at their floor rate) tied to a floating interest rate (prime or LIBOR) have increased \$703 million in 2002. This is primarily due to TCF

meeting customer demand by offering variable-rate loans. TCF has experienced growth in non-rate sensitive checking accounts and has experienced a lengthening of the maturity of certificates of deposit.

TCF's net interest income is positioned to benefit from rising short-term rates due to a positive gap position. TCF would also likely benefit from an increase in short-term interest rates as this might signify that economic conditions are improving. An increase in short-term interest rates would affect TCF's fixed-rate/variable-rate product origination mix and origination volumes and would likely slow prepayments.

While this positive gap may compress net interest income in the short-term or if the current interest rate environment continues for an extended period of time, TCF believes this positive gap to be warranted because current rates are well below historical averages and, consequently, there is a greater possibility over time of higher interest rates versus lower interest rates. However, if long-term interest rates remain stable or decrease, TCF could continue to experience an increase in prepayments of residential loans, mortgage-backed securities and mortgage servicing rights and may experience further compression of net interest margin or net interest income.

The following table summarizes TCF's interest-rate gap position at December 31, 2002:

(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	
<b>Interest-earning assets:</b>						
Loans held for sale . . . . .	\$ 346,341	\$ 120,210	\$ 9,924	\$ —	\$ —	\$ 476,475
Securities available for sale <sup>(1)</sup> . . . . .	91,387	409,120	395,087	728,409	802,791	2,426,794
Real estate loans <sup>(1)</sup> . . . . .	44,330	479,118	403,702	512,546	360,648	1,800,344
Leasing and equipment finance <sup>(1)</sup> . . . . .	41,543	177,544	189,985	455,467	174,501	1,039,040
Other loans <sup>(1)(2)</sup> . . . . .	1,872,051	493,522	368,941	1,581,347	965,883	5,281,744
Investments . . . . .	868	128,855	—	—	23,999	153,722
	<u>2,396,520</u>	<u>1,808,369</u>	<u>1,367,639</u>	<u>3,277,769</u>	<u>2,327,822</u>	<u>11,178,119</u>
<b>Interest-bearing liabilities:</b>						
Checking deposits <sup>(3)</sup> . . . . .	213,612	—	—	—	2,651,284	2,864,896
Savings deposits <sup>(3)</sup> . . . . .	950,693	123,245	129,659	366,680	471,446	2,041,723
Money market deposits <sup>(3)</sup> . . . . .	465,687	—	—	—	418,927	884,614
Certificate deposits . . . . .	151,137	642,122	642,940	407,787	74,769	1,918,755
Short-term borrowings . . . . .	842,051	—	—	—	—	842,051
Long-term borrowings <sup>(4)</sup> . . . . .	217,193	54,995	29,091	1,340,906	626,059	2,268,244
	<u>2,840,373</u>	<u>820,362</u>	<u>801,690</u>	<u>2,115,373</u>	<u>4,242,485</u>	<u>10,820,283</u>
Interest-earning assets over (under) interest-bearing liabilities . . . . .	<u>\$ (443,853)</u>	<u>\$ 988,007</u>	<u>\$ 565,949</u>	<u>\$ 1,162,396</u>	<u>\$(1,914,663)</u>	<u>\$ 357,836</u>
Cumulative gap . . . . .	<u>\$ (443,853)</u>	<u>\$ 544,154</u>	<u>\$ 1,110,103</u>	<u>\$ 2,272,499</u>	<u>\$ 357,836</u>	<u>\$ 357,836</u>
<b>Cumulative gap as a percentage of total assets:</b>						
At December 31, 2002 . . . . .	<u>(4)%</u>	<u>4 %</u>	<u>9%</u>	<u>19%</u>	<u>3%</u>	<u>3%</u>
At December 31, 2001 . . . . .	<u>(4)%</u>	<u>(1)%</u>	<u>2%</u>	<u>14%</u>	<u>3%</u>	<u>3%</u>

<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> At December 31, 2002, \$1 billion of consumer variable rate loans were at their floor rate and were treated as fixed-rate for gap reporting purposes. At December 31, 2001, \$892 million of consumer variable rate loans were at their floor rate and were treated as fixed-rate.

<sup>(3)</sup> Includes non-interest bearing deposits. At December 31, 2002, 7% of checking deposits, 59% of savings deposits, and 53% of money market deposits are included in amounts repricing within one year. 18% of savings deposits are included in the "1 to 3 Years" category. 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, 2001, 8% of checking deposits, 34% of savings deposits, and 59% of money market deposits were included in amounts repricing within one year. 29% of savings deposits were included in the "1 to 3 Years" category.

<sup>(4)</sup> Includes \$1.1 billion of callable borrowings. At December 31, 2002, the contract rates on all callable borrowings exceeded current market rates.

As previously noted, TCF also utilizes 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, 2002, net interest income is estimated to increase by 2.6%, compared with the base case scenario, over the next twelve months if interest rates were to sustain an immediate increase of 100 basis points. At December 31, 2001, net interest income was estimated to increase by .7%, compared with the base case scenario, assuming a similar change in interest rates. If interest rates were to decline by 100 basis points, net interest income is estimated to decrease by 2.8%, compared with the base case scenario, over the next twelve months. Simulations at December 31, 2001 projected a decrease in net interest income of 2%, compared with the base case scenario, assuming a similar change in interest rates.

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.

**Recent Accounting Developments** In June 2001, the Financial Accounting Standards Board ("FASB") issued SFAS No. 143, "Accounting for Asset Retirement Obligations," which addresses the recognition and measurement of obligations associated with the retirement of tangible long-lived assets. SFAS No. 143 is effective January 1, 2003, with early adoption permitted. The Company plans to adopt SFAS No. 143 effective January 1, 2003 and does not expect the adoption of the statement to have a material effect on the financial statements.

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities," which addresses financial accounting and reporting for costs associated with exit or disposal activities. Under SFAS No. 146, such costs will be recognized when the liability is incurred, rather than at the date of commitment

to an exit plan. SFAS No. 146 is effective for exit or disposal activities that are initiated after December 31, 2002, with early application permitted. Management is currently evaluating the impact of the adoption of SFAS No. 146 on its financial statements.

In October 2002, the FASB issued SFAS No. 147, "Acquisitions of Certain Financial Institutions, an amendment of FASB Statements No. 72 and 144 and FASB Interpretation No. 9," which addresses accounting for purchases of certain financial institutions. SFAS No. 147 is effective October 1, 2002, with early application permitted. TCF does not have any goodwill that was subject to Statement No. 72 and therefore the provisions of Statement No. 147 required no change in classification or treatment of recorded goodwill.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation – Transition and Disclosure – an amendment of FASB Statement No. 123," which provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, this Statement amends the disclosure requirements of SFAS No. 123 to require prominent disclosure in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. The Company has adopted the requirements of SFAS No. 123 in January 2000 and SFAS No. 148 effective December 31, 2002 with no material effect on its financial statements.

**Fourth Quarter Summary** In the fourth quarter of 2002, TCF had net income of \$59.8 million, up 10.3% from \$54.2 million in the fourth quarter of 2001. Diluted earnings per common share was 82 cents for the fourth quarter of 2002, compared to 72 cents for the fourth quarter of 2001. TCF opened 12 new branches in the fourth quarter of 2002, of which four were supermarket branches.

Net interest income was \$126.6 million and \$125.7 million for the quarter ended December 31, 2002 and 2001 respectively. The net interest margin was 4.59% and 4.74% for the fourth quarter of 2002 and 2001, respectively. TCF's net interest income improved by \$877,000, or .7% over the fourth quarter of 2001. TCF's net interest income improvement was due to an increase of \$12.3 million due to volume changes, partially offset by a decrease of \$11.4 million due to lower interest rates over the 2001 fourth quarter.

TCF provided \$4.1 million for credit losses in the fourth quarter of 2002, compared with \$7 million in the fourth quarter of 2001. Net loan and lease charge-offs were \$3.2 million, or .16% of average loans and leases outstanding, compared with \$5.6 million, or .27% of average loans and leases outstanding during the same 2001 period. The decrease in the provision and net loan and lease charge-offs from 2001 reflects the impact of decreased charge-offs in the leasing and equipment finance portfolio.

Non-interest income, excluding gains on sales of securities available for sale, increased \$10.4 million, or 10.9%, during the fourth quarter of 2002 to \$106.1 million. The increase was primarily due to increased fees and service charges, investments and insurance commissions and debit card and ATM revenue, reflecting TCF's expanding retail banking and customer base.

Non-interest expense increased \$9.5 million, or 7.3%, in the fourth quarter of 2001 to \$141 million. The increases were primarily due to costs associated with expanded retail banking and mortgage banking activities.

In the fourth quarter of 2002, the effective income tax rate was reduced to 33.93% of income before tax expense for the quarter due to the favorable resolution of uncertainties during tax examinations.

**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 web site 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 SEC filings.

### *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 recently proposed new legislation that would reform the bank deposit insurance system. This reform could merge BIF and SAIF insurance funds, 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 to the controls and procedures or other factors which would significantly impact these controls subsequent to their evaluation.

In September 2002, the Securities and Exchange Commission ("SEC") issued its final ruling covering the acceleration of periodic report filing dates. The rule applies to all companies, including TCF, that have a public float of at least \$75 million that have been subject to the SEC's reporting requirements for at least 12 calendar months and that have previously filed at least one annual report. For companies meeting the definition of accelerated filer as of the end of their first fiscal year ending on or after December 15, 2002, the annual report deadline will remain 90 days for year one and will then be reduced 15 days per year over two years to 60 days. The quarterly report on Form 10-Q will remain due 45 days after quarter end for year one and will then be reduced five days per year over two years to 35 days.



## Non-GAAP Financial Measures

In analyzing results, TCF may utilize or make reference to various non-GAAP financial measures. The use of these non-GAAP financial measures is intended to provide more meaningful information related to TCF's consolidated financial condition and results of operations and is summarized as follows:

*"Top-line revenue"* Top-line revenue consists of net interest income plus fees and other revenues. These amounts are reported separately in the consolidated statements of income. This measure is intended to represent revenues from core operations for TCF and exclude certain components of non-interest income which generally occur less frequently and are not derived from ongoing customer transactions including: gains on sales of securities available for sale, branches, loan servicing and subsidiaries and title insurance revenues. TCF believes "Top-line revenue" is a meaningful measurement of core business revenues.

*"Power Assets® and Power Liabilities®"* Power Assets and Power Liabilities are names associated with certain subtotals already present on the consolidated statements of financial condition. Power Assets represent the subtotal of all consumer, commercial real estate, commercial business, and leasing and equipment finance loans and leases. Power Liabilities is synonymous with total deposits and thus includes all checking, savings, money market, and certificate deposits. Growth in Power Assets leads to improved net interest income as the margin on such loans is greater than other investment alternatives. Growth in Power Liabilities will benefit net interest income by allowing TCF to reduce higher cost borrowings and generally is the starting point to a customer's use of other TCF products and services.

*"Return on average realized common equity"* Return on average realized common equity ("RORE") is computed by taking annualized net income from the consolidated statements of income and dividing it by average common stockholders' equity, excluding accumulated other comprehensive income (loss), for the period. The comparable GAAP financial measure is return on average common equity ("ROE") which is reported along with RORE. TCF believes the use of RORE more accurately reflects the return on the common equity of the Company, and removes the volatility that is present in the ROE computation resulting from the inclusion of net unrealized gains (losses) on securities available for sale which can fluctuate significantly from period-to-period due to changes in the fair value of such securities.

## Forward-Looking Information

This Annual Report and other reports issued by the Company, including reports filed with the Securities and Exchange Commission, 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 or guidelines, or monetary and fiscal policies of the federal government; changes in credit and other risks posed by TCF's loan, lease and investment portfolios; 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 banking business, which could adversely affect earnings; results of litigation or other significant uncertainties.

# Consolidated Statements of Financial Condition

At December 31,

(Dollars in thousands, except per-share data)

	2002	2001
<b>ASSETS</b>		
Cash and due from banks . . . . .	\$ 416,397	\$ 386,700
Investments . . . . .	153,722	155,942
Securities available for sale . . . . .	2,426,794	1,584,661
Loans held for sale . . . . .	476,475	451,609
Loans and leases:		
Consumer . . . . .	3,005,882	2,509,333
Commercial real estate . . . . .	1,835,788	1,622,461
Commercial business . . . . .	440,074	422,381
Leasing and equipment finance . . . . .	1,039,040	956,737
Subtotal . . . . .	6,320,784	5,510,912
Residential real estate . . . . .	1,800,344	2,733,290
Total loans and leases . . . . .	8,121,128	8,244,202
Allowance for loan and lease losses . . . . .	(77,008)	(75,028)
Net loans and leases . . . . .	8,044,120	8,169,174
Premises and equipment . . . . .	243,452	215,237
Goodwill . . . . .	145,462	145,462
Deposit base intangibles . . . . .	7,573	9,244
Mortgage servicing rights . . . . .	62,644	58,261
Other assets . . . . .	225,430	182,425
	<b>\$12,202,069</b>	<b>\$11,358,715</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Deposits:		
Checking . . . . .	\$ 2,864,896	\$ 2,536,865
Savings . . . . .	2,041,723	1,290,816
Money market . . . . .	884,614	951,033
Subtotal . . . . .	5,791,233	4,778,714
Certificates . . . . .	1,918,755	2,320,244
Total deposits . . . . .	7,709,988	7,098,958
Short-term borrowings . . . . .	842,051	719,859
Long-term borrowings . . . . .	2,268,244	2,303,166
Total borrowings . . . . .	3,110,295	3,023,025
Accrued expenses and other liabilities . . . . .	404,766	319,699
Total liabilities . . . . .	11,225,049	10,441,682
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; 92,638,937 and 92,719,544 shares issued . . . . .	926	927
Additional paid-in capital . . . . .	518,813	520,940
Retained earnings, subject to certain restrictions . . . . .	1,111,955	965,454
Accumulated other comprehensive income . . . . .	46,102	6,229
Treasury stock at cost, 18,783,051 and 15,787,716 shares, and other . . . . .	(700,776)	(576,517)
Total stockholders' equity . . . . .	977,020	917,033
	<b>\$12,202,069</b>	<b>\$11,358,715</b>

See accompanying notes to consolidated financial statements.

# Consolidated Statements of Income

Year Ended December 31,

(In thousands, except per-share data)

	2002	2001	2000
<b>INTEREST INCOME:</b>			
Loans and leases . . . . .	<b>\$585,693</b>	\$681,110	\$700,325
Securities available for sale . . . . .	<b>118,272</b>	112,267	99,185
Loans held for sale . . . . .	<b>22,464</b>	24,266	17,130
Investments . . . . .	<b>6,934</b>	8,966	10,041
Total interest income . . . . .	<b>733,363</b>	826,609	826,681
<b>INTEREST EXPENSE:</b>			
Deposits . . . . .	<b>95,386</b>	162,727	197,094
Borrowings . . . . .	<b>138,752</b>	182,660	191,051
Total interest expense . . . . .	<b>234,138</b>	345,387	388,145
Net interest income . . . . .	<b>499,225</b>	481,222	438,536
Provision for credit losses . . . . .	<b>22,006</b>	20,878	14,772
Net interest income after provision for credit losses . . . . .	<b>477,219</b>	460,344	423,764
<b>NON-INTEREST INCOME:</b>			
Fees and service charges . . . . .	<b>226,051</b>	195,162	166,394
Debit card revenue . . . . .	<b>46,224</b>	40,525	30,614
ATM revenue . . . . .	<b>45,342</b>	45,768	47,333
Investments and insurance commissions . . . . .	<b>15,781</b>	11,535	12,266
Subtotal . . . . .	<b>333,398</b>	292,990	256,607
Leasing and equipment finance . . . . .	<b>51,628</b>	45,730	38,442
Mortgage banking . . . . .	<b>6,979</b>	12,042	10,519
Other . . . . .	<b>13,339</b>	16,545	17,895
Fees and other revenue . . . . .	<b>405,344</b>	367,307	323,463
Gains on sales of securities available for sale . . . . .	<b>11,536</b>	863	-
Gains on sales of branches . . . . .	<b>1,962</b>	3,316	12,813
Other non-interest income . . . . .	<b>13,498</b>	4,179	12,813
Total non-interest income . . . . .	<b>418,842</b>	371,486	336,276
<b>NON-INTEREST EXPENSE:</b>			
Compensation and employee benefits . . . . .	<b>295,787</b>	267,716	239,544
Occupancy and equipment . . . . .	<b>83,131</b>	78,774	74,938
Advertising and promotions . . . . .	<b>21,894</b>	20,909	19,181
Amortization of goodwill . . . . .	<b>-</b>	7,777	7,706
Other . . . . .	<b>137,557</b>	126,820	115,833
Total non-interest expense . . . . .	<b>538,369</b>	501,996	457,202
Income before income tax expense . . . . .	<b>357,692</b>	329,834	302,838
Income tax expense . . . . .	<b>124,761</b>	122,512	116,593
Net income . . . . .	<b>\$232,931</b>	\$207,322	\$186,245
<b>EARNINGS PER COMMON SHARE:</b>			
Basic . . . . .	<b>\$ 3.17</b>	\$ 2.73	\$ 2.37
Diluted . . . . .	<b>\$ 3.15</b>	\$ 2.70	\$ 2.35
<b>DIVIDENDS DECLARED PER COMMON SHARE . . . . .</b>	<b>\$ 1.15</b>	\$ 1.00	\$ .825

See accompanying notes to consolidated financial statements.

## Consolidated Statements of Stockholders' Equity

(Dollars in thousands)

BALANCE, DECEMBER 31, 1999	
Comprehensive income:	
Net income	
Other comprehensive income	
Comprehensive income	
Dividends on common stock	
Issuance of 37,259 shares to effect purchase acquisition	
Repurchase of 3,243,800 shares	
Issuance of 1,319,896 shares	
Cancellation of shares	
Amortization of deferred compensation	
Exercise of stock options, 283,036 shares	
Issuance of stock options	
Change in shares held in trust for deferred compensation plans, at cost	
Purchase of TCF stock to fund the Employees Stock Purchase Plan, net	
Loan to deferred compensation plans	
BALANCE, DECEMBER 31, 2000	
Comprehensive income:	
Net income	
Other comprehensive income	
Comprehensive income	
Dividends on common stock	
Repurchase of 3,670,107 shares	
Issuance of 262,340 shares	
Cancellation of shares	
Amortization of deferred compensation	
Exercise of stock options, 86,677 shares	
Change in shares held in trust for deferred compensation plans, at cost	
Purchase of TCF stock to fund the Employees Stock Purchase Plan, net	
Loan to deferred compensation plans	
BALANCE, DECEMBER 31, 2001	
Comprehensive income:	
Net income	
Other comprehensive income	
Comprehensive income	
Dividends on common stock	
Repurchase of 3,108,341 shares	
Issuance of 61,440 shares	
Cancellation of shares	
Amortization of deferred compensation	
Exercise of stock options, 51,656 shares	
Change in shares held in trust for deferred compensation plans, at cost	
Repayment of loans to deferred compensation plans	
BALANCE, DECEMBER 31, 2002	

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
92,804,205	\$ 928	\$ 500,797	\$ 715,461	\$ (47,382)	\$ (360,822)	\$ 808,982
-	-	-	186,245	-	-	186,245
-	-	-	-	37,514	-	37,514
-	-	-	186,245	37,514	-	223,759
-	-	-	(66,101)	-	-	(66,101)
-	-	417	-	-	963	1,380
-	-	-	-	-	(73,824)	(73,824)
-	-	(7,716)	-	-	7,716	-
(48,546)	-	(1,262)	-	-	386	(876)
-	-	-	-	-	9,375	9,375
-	-	(81)	-	-	7,337	7,256
-	-	1	-	-	-	1
-	-	15,842	-	-	(15,842)	-
-	-	684	-	-	-	684
-	-	-	-	-	(416)	(416)
92,755,659	928	508,682	835,605	(9,868)	(425,127)	910,220
-	-	-	207,322	-	-	207,322
-	-	-	-	16,097	-	16,097
-	-	-	207,322	16,097	-	223,419
-	-	-	(77,473)	-	-	(77,473)
-	-	-	-	-	(148,043)	(148,043)
-	-	3,057	-	-	(3,057)	-
(36,115)	(1)	(1,484)	-	-	646	(839)
-	-	15	-	-	11,049	11,064
-	-	885	-	-	2,405	3,290
-	-	9,744	-	-	(9,744)	-
-	-	41	-	-	-	41
-	-	-	-	-	(4,646)	(4,646)
92,719,544	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)	-
(80,607)	(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
<b>92,638,937</b>	<b>\$ 926</b>	<b>\$ 518,813</b>	<b>\$1,111,955</b>	<b>\$ 46,102</b>	<b>\$ (700,776)</b>	<b>\$ 977,020</b>

# Consolidated Statements of Cash Flows

Year Ended December 31,

(In thousands)

	2002	2001	2000
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net income . . . . .	\$ 232,931	\$ 207,322	\$ 186,245
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization . . . . .	40,772	46,599	44,419
Mortgage servicing rights amortization and impairment . . . . .	35,374	20,964	5,326
Provision for credit losses . . . . .	22,006	20,878	14,772
Proceeds from sales of loans held for sale . . . . .	2,703,744	2,135,218	611,123
Principal collected on loans held for sale . . . . .	15,814	12,469	9,885
Originations and purchases of loans held for sale . . . .	(2,734,741)	(2,375,396)	(649,750)
Net (increase) decrease in other assets and accrued expenses and other liabilities . . . . .	43,091	91,612	(1,854)
Gains on sales of assets . . . . .	(13,900)	(4,393)	(12,813)
Other, net . . . . .	(20,141)	(9,885)	(5,250)
Total adjustments . . . . .	92,019	(61,934)	15,858
Net cash provided by operating activities . . . . .	<b>324,950</b>	145,388	202,103
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Principal collected on loans and leases . . . . .	3,434,153	3,352,341	2,162,839
Originations and purchases of loans . . . . .	(2,984,568)	(2,719,682)	(2,320,239)
Purchases of equipment for lease financing . . . . .	(470,917)	(449,231)	(579,595)
Proceeds from sales of securities available for sale . . . . .	485,406	33,645	-
Proceeds from maturities of and principal collected on securities available for sale . . . . .	718,431	398,316	176,905
Purchases of securities available for sale . . . . .	(1,973,974)	(587,324)	(314)
Net (increase) decrease in Federal Home Loan Bank stock . .	3,126	(18,927)	(4,671)
Purchases of premises and equipment . . . . .	(60,279)	(44,682)	(50,973)
Sales of deposits, net of cash paid . . . . .	(15,206)	(26,958)	(82,097)
Loans to deferred compensation plans, net . . . . .	9,783	(4,646)	(416)
Other, net . . . . .	92	(15,544)	23,047
Net cash used by investing activities . . . . .	<b>(853,953)</b>	(82,692)	(675,514)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Net increase in deposits . . . . .	628,142	237,180	402,731
Net increase (decrease) in short-term borrowings . . . . .	122,192	(178,836)	(168,287)
Proceeds from long-term borrowings . . . . .	52,462	677,334	954,252
Payments on long-term borrowings . . . . .	(11,665)	(579,529)	(619,250)
Purchases of common stock . . . . .	(148,030)	(148,043)	(73,824)
Dividends on common stock . . . . .	(86,430)	(77,473)	(66,101)
Other, net . . . . .	2,029	1,364	6,635
Net cash provided (used) by financing activities . . . . .	<b>558,700</b>	(68,003)	436,156
Net increase (decrease) in cash and due from banks . . . . .	29,697	(5,307)	(37,255)
Cash and due from banks at beginning of year . . . . .	386,700	392,007	429,262
Cash and due from banks at end of year . . . . .	<b>\$ 416,397</b>	\$ 386,700	\$ 392,007
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</b>			
Cash paid for:			
Interest on deposits and borrowings . . . . .	\$ 234,046	\$ 352,903	\$ 377,430
Income taxes . . . . .	\$ 87,899	\$ 24,128	\$ 89,852
Transfer of loans and leases to other assets . . . . .	\$ 51,713	\$ 33,447	\$ 16,580

See accompanying notes to consolidated financial statements.



## I. *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, brokerage and investment and insurance sales, and real estate investment trusts (“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 the 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.

### **CRITICAL ACCOUNTING POLICIES**

Critical accounting policies are dependent on estimates that are particularly susceptible to significant change. TCF’s critical accounting policies include the determination of the allowance for loan and lease losses, mortgage servicing rights and income taxes.

**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 financings. Consumer and residential real estate loans and lease financings 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. Residential loans, consumer loans, and smaller-balance commercial loans and lease and equipment financings 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 write-down of the mortgage servicing rights and the related valuation allowance.

**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 basis of assets and liabilities (temporary differences), estimates of amounts due or owed such as the timing of reversals of temporary differences and current financial accounting standards. Actual results could differ significantly from the estimates and interpretations used in determining the current and deferred income tax liabilities.

#### **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 non-interest 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 residential mortgage and education loans. 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. Education loans held for sale are carried at the lower of cost or market. 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. 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.

Lease financings include direct financing and sales-type leases as well as leveraged 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. The lease residual value represents the estimated fair value of the leased equipment at the termination of the lease. Lease residual values are reviewed on an ongoing basis and any downward revisions are recorded in the periods in which they become known. Interest income on direct financing and sales-type leases is recognized using methods which approximate a level yield over the term of the leases. 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. Investments in leveraged leases are the sum of all lease payments (less nonrecourse debt payments) plus estimated residual values, less unearned income. 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.

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 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, unless collection of all principal and interest is considered to be assured, 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 are carried at cost and are depreciated or amortized on a straight-line basis over their estimated useful lives.

**Other Real Estate Owned** Other real estate owned is recorded at the lower of cost or fair value minus estimated costs to sell at the date of transfer to other real estate owned. If the fair value of an asset minus the estimated costs to sell should 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.

**Investments in Affordable Housing** 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, 2002, TCF's investments in affordable housing were \$27.2 million, compared with \$2.1 million at December 31, 2001.

**Intangible Assets** On January 1, 2002, TCF adopted Statement of Financial Accounting Standards ("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. Upon adoption of SFAS No. 142, TCF performed impairment testing and concluded that goodwill was not

impaired. Deposit based intangibles are amortized over 10 years on an accelerated basis. The Company reviews the recoverability of the carrying values of these assets annually or whenever an event occurs indicating that they may be impaired. See Note 9 for additional information concerning intangible assets and goodwill.

**Stock-Based Compensation** Effective January 1, 2000, TCF adopted prospectively the recognition provisions of SFAS No. 123, "Accounting for Stock-Based Compensation," for stock-based grants beginning in 2000. 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. Accordingly, no compensation expense has been recognized for any stock option grants made prior to 2000. Compensation expense for restricted stock under SFAS No. 123 and APB Opinion No. 25 is recorded over the vesting periods. The amount of stock option grants accounted for under APB Opinion No. 25 and the related pro-forma impact on net income and earnings per share had the recognition provisions of SFAS No. 123 been applied to such grants during 2002, 2001 and 2000 is not material. See Note 17 for additional information concerning stock-based compensation.

**Derivative Financial Instruments** TCF utilizes derivative financial instruments to meet the ongoing credit needs of its customers and in order 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. TCF does not use derivatives to manage its interest rate risk position. See Notes 19 and 20 for additional information concerning these derivative financial instruments.

## 2. *Cash and Due from Banks*

At December 31, 2002, TCF was required by Federal Reserve Board ("FRB") regulations to maintain reserve balances of \$43.7 million in cash on hand or at various Federal Reserve Banks.

### 3. Investments

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

<i>(In thousands)</i>	At December 31,	
	2002	2001
Federal Home Loan Bank stock, at cost . . . . .	<b>\$128,855</b>	\$131,181
Federal Reserve Bank stock, at cost . . . . .	<b>23,999</b>	23,847
Interest-bearing deposits with banks . . . . .	<b>868</b>	914
	<b>\$153,722</b>	\$155,942

The carrying values and yields on investments at December 31, 2002, by contractual maturity, are shown below:

<i>(Dollars in thousands)</i>	Carrying Value	Yield
Due in one year or less . . . . .	<b>\$ 868</b>	1.57%
No stated maturity <sup>(1)</sup> . . . . .	<b>152,854</b>	4.49
	<b>\$153,722</b>	4.47

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

### 4. Securities Available for Sale

Securities available for sale consist of the following:

<i>(Dollars in thousands)</i>	2002				2001			
	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 . . . . .	<b>\$2,341,549</b>	<b>\$ 73,225</b>	<b>\$ (35)</b>	<b>\$2,414,739</b>	\$1,547,374	\$ 11,691	\$ (979)	\$1,558,086
Private issuer and collateralized mortgage obligations . . . . .	<b>12,178</b>	<b>4</b>	<b>(877)</b>	<b>11,305</b>	26,828	90	(993)	25,925
Other securities . . . . .	<b>750</b>	<b>—</b>	<b>—</b>	<b>750</b>	650	—	—	650
	<b>\$2,354,477</b>	<b>\$ 73,229</b>	<b>\$ (912)</b>	<b>\$2,426,794</b>	\$1,574,852	\$ 11,781	\$ (1,972)	\$1,584,661
Weighted-average yield . . . . .	<b>5.96%</b>				6.55%			

Gross gains of \$11.5 million and \$863,000 were recognized on sales of securities available for sale during 2002 and 2001, respectively. There were no sales of securities available for sale in 2000. Mortgage-backed securities aggregating \$867.7 million were pledged as collateral to secure certain deposits and borrowings at December 31, 2002. See Notes 12 and 13 for additional information regarding securities pledged as collateral to secure certain borrowings.

### 5. Loans Held for Sale

Loans held for sale consist of the following:

<i>(In thousands)</i>	At December 31,	
	2002	2001
Residential mortgage loans . . . . .	<b>\$277,395</b>	\$286,552
Education loans . . . . .	<b>199,080</b>	165,057
	<b>\$476,475</b>	\$451,609

## 6. Loans and Leases

Loans and leases consist of the following:

(Dollars in thousands)	At December 31,		Percentage Change
	2002	2001	
<b>Consumer:</b>			
Home equity . . . . .	<b>\$2,955,644</b>	\$2,443,788	20.9%
Other secured . . . . .	<b>33,411</b>	43,433	(23.1)
Unsecured . . . . .	<b>16,827</b>	22,112	(23.9)
	<b>3,005,882</b>	2,509,333	19.8
<b>Commercial:</b>			
Commercial real estate:			
Permanent . . . . .	<b>1,639,860</b>	1,444,484	13.5
Construction and development . . . . .	<b>195,928</b>	177,977	10.1
	<b>1,835,788</b>	1,622,461	13.1
Commercial business . . . . .	<b>440,074</b>	422,381	4.2
	<b>2,275,862</b>	2,044,842	11.3
<b>Leasing and equipment finance:</b>			
Equipment finance loans . . . . .	<b>289,558</b>	271,398	6.7
Lease financings:			
Direct financing leases . . . . .	<b>758,169</b>	691,899	9.6
Sales-type leases . . . . .	<b>30,346</b>	36,272	(16.3)
Lease residuals . . . . .	<b>35,375</b>	33,860	4.5
Unearned income and deferred lease costs . . . . .	<b>(95,927)</b>	(94,300)	1.7
Investment in leveraged leases . . . . .	<b>21,519</b>	17,608	22.2
	<b>749,482</b>	685,339	9.4
	<b>1,039,040</b>	956,737	8.6
Total consumer, commercial and leasing and equipment finance . . . . .	<b>6,320,784</b>	5,510,912	14.7
Residential real estate . . . . .	<b>1,800,344</b>	2,733,290	(34.1)
	<b>\$8,121,128</b>	\$8,244,202	(1.5)

At December 31, 2002 and 2001, the recorded investment in loans that were considered to be impaired was \$12.1 million and \$18.8 million, respectively. The related allowance for loan losses at those dates was \$5.5 and \$5 million, respectively. All of the impaired loans were on non-accrual status. There were no impaired loans at December 31, 2002 or 2001 which did not have a related allowance for loan losses. The average recorded investment in impaired loans during the years ended December 31, 2002, 2001 and 2000 was \$14.7 million, \$9.9 million and \$4.5 million, respectively. For the year ended December 31, 2002, 2001 and 2000, TCF recognized interest income on impaired loans of \$92,000, \$29,000 and \$40,000, all of which was recognized using the cash basis method of income recognition.

At December 31, 2002, 2001 and 2000, loans and leases on non-accrual status totaled \$43.6 million, \$52 million and \$35.2 million, respectively. Had the loans and leases performed in accordance

with their original terms for 2002, 2001 and 2000, TCF would have recorded gross interest income of \$4.3 million, \$5.4 million and \$3.9 million, respectively, for these loans and leases. Interest income of \$1.2 million, \$1.7 million and \$1.6 million has been recorded on these loans and leases for the years ended December 31, 2002, 2001 and 2000, respectively.

At December 31, 2002 and 2001, 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, 2002.

The aggregate amount of loans to non-management directors of TCF and their related interests was \$35.3 million and \$31.8 million at December 31, 2002 and 2001, respectively. During 2002, \$5.1 million of new loans were made and repayments of such loans totaled \$1.6 million. 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 \$25,000 and \$9.1 million at December 31, 2002 and 2001, respectively. Included in these amounts were loans made to the Executive Deferred Compensation Plan trustee on behalf of the executive officers. During 2002, TCF's Board of Directors decided to eliminate the loan feature from its officers' and directors' deferred compensation plans and requested and received repayment in full of all outstanding loans totaling \$9.8 million. The deferred compensation plans sold 166,665 shares of TCF common stock owned by plan participants to repay the outstanding loans to the plans. See Note 15 for additional information regarding loans to the deferred compensation plan. 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 general obligation for principal and interest on notes representing third-party participation related to leveraged leases; such notes, which totaled \$34.6 million at December 31, 2002, are recorded as an offset against the related rental receivable. As the equity owner in a leveraged lease, TCF is taxed on total lease payments received and is entitled to tax deductions based on the cost of the leased assets and tax deductions for interest paid to third-party participants. A portion of the investment in leveraged leases at December 31, 2002 included a 100% equity interest in a Boeing 767-300 aircraft on lease to Delta Airlines in the United States. This leveraged lease has renewal and purchase options by the lessee at the end of the 9.75 year lease term. The aircraft is in service, the lessee is current on the lease payments and the lease expires in 2010. This lease represents TCF's only material direct exposure to the commercial airline industry.

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

<i>(In thousands)</i>	At December 31,	
	2002	2001
Rental receivable (net of principal and interest on non-recourse debt) . . . . .	\$12,758	\$ 10,134
Estimated residual value of leased assets . . . . .	18,679	18,056
Less: Unearned income . . . . .	(9,918)	(10,582)
Investment in leveraged leases . . . . .	21,519	17,608
Less: Deferred taxes . . . . .	(9,005)	(5,568)
Net investment in leveraged leases . . . . .	\$12,514	\$ 12,040

Future minimum lease payments for direct financing and sales-type leases as of December 31, 2002 are as follows:

<i>(In thousands)</i>	Payments to	Payments to	Total
	be Received by TCF	be Received by Other Financial Institutions	
2003 . . . . .	\$234,284	\$ 67,657	\$301,941
2004 . . . . .	166,718	37,902	204,620
2005 . . . . .	121,478	9,632	131,110
2006 . . . . .	79,304	739	80,043
2007 . . . . .	46,242	—	46,242
Thereafter . . . . .	24,559	—	24,559
	\$672,585	\$115,930	\$788,515



## 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,		
	2002	2001	2000
Balance at beginning of year	\$ 75,028	\$ 66,669	\$ 55,755
Provision for credit losses	22,006	20,878	14,772
Charge-offs	(24,361)	(16,951)	(9,701)
Recoveries	4,335	4,432	5,843
Net charge-offs	(20,026)	(12,519)	(3,858)
Balance at end of year	\$ 77,008	\$ 75,028	\$ 66,669
Ratio of net loan and lease charge-offs to average loans and leases outstanding	.25%	.15%	.05%
Allowance for loan and lease losses as a percentage of total loans and leases at year end	.95	.91	.78

## 8. Premises and Equipment

Premises and equipment are summarized as follows:

(In thousands)	At December 31,	
	2002	2001
Land	\$ 62,226	\$ 48,549
Office buildings	155,954	143,681
Leasehold improvements	39,208	36,539
Furniture and equipment	213,759	196,283
	471,147	425,052
Less accumulated depreciation and amortization	227,695	209,815
	\$243,452	\$215,237

TCF leases certain premises and equipment under operating leases. Net lease expense was \$20.8 million, \$20.7 million and \$20.3 million in 2002, 2001 and 2000, respectively.

At December 31, 2002, the total annual minimum lease commitments for operating leases were as follows:

(In thousands)	
2003	\$ 20,236
2004	18,631
2005	16,954
2006	15,902
2007	14,166
Thereafter	52,967
	\$138,856

## 9. Goodwill and Other Intangible Assets

Goodwill and other intangible assets are summarized as follows:

(In thousands)	As of December 31,					
	2002			2001		
	Gross Amount	Accumulated Amortization	Net Amount	Gross Amount	Accumulated Amortization	Net Amount
Amortizable intangible assets:						
Mortgage servicing rights, net . . .	\$ 92,525	\$29,881	\$ 62,644	\$ 76,782	\$18,521	\$ 58,261
Deposit base intangibles . . . . .	21,180	13,607	7,573	21,180	11,936	9,244
Total . . . . .	<b>\$113,705</b>	<b>\$43,488</b>	<b>\$ 70,217</b>	\$ 97,962	\$30,457	\$ 67,505
Unamortizable intangible assets:						
Goodwill (included in Banking Segment) . . . . .	<b>\$145,462</b>		<b>\$145,462</b>	\$145,462		\$145,462

Amortization expense for intangible assets was \$24.5 million and \$26.3 million for the years ended December 31, 2002 and 2001, respectively. The following table shows the estimated future amortization expense for intangible assets based on existing asset balances and the interest rate environment as of December 31, 2002. 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 market conditions.

(In thousands)	Mortgage Servicing Rights	Deposit Base Intangibles	Total
Estimated Amortization Expense:			
For the year ended December 31, 2003 . . . . .	\$ 16,899	\$ 1,666	\$ 18,565
For the year ended December 31, 2004 . . . . .	13,519	1,662	15,181
For the year ended December 31, 2005 . . . . .	10,815	1,659	12,474
For the year ended December 31, 2006 . . . . .	8,652	1,630	10,282
For the year ended December 31, 2007 . . . . .	6,922	913	7,835

## 10. Mortgage Banking

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

(In thousands)	Year Ended December 31,		
	2002	2001	2000
Mortgage servicing rights at beginning of year . . . . .	\$ 63,607	\$ 41,032	\$ 23,560
Purchases and originations . . . . .	39,757	39,139	22,798
Amortization . . . . .	(22,874)	(16,564)	(5,326)
Impairment write-down . . . . .	(8,500)	—	—
Mortgage servicing rights at end of year . . . . .	<b>71,990</b>	63,607	41,032
Valuation allowance at beginning of year . . . . .	5,346	946	946
Provision for impairment . . . . .	12,500	4,400	—
Impairment write-down . . . . .	(8,500)	—	—
Valuation allowance at end of year . . . . .	<b>9,346</b>	5,346	946
Mortgage servicing rights, net . . . . .	<b>\$ 62,644</b>	\$ 58,261	\$ 40,086

Mortgage banking revenue consists of the following:

(Dollars in thousands)	Year Ended December 31,		
	2002	2001	2000
Servicing income . . . . .	\$ 20,443	\$ 16,932	\$ 12,642
Less mortgage servicing:			
Amortization . . . . .	22,874	16,564	5,326
Impairment . . . . .	12,500	4,400	—
Subtotal . . . . .	35,374	20,964	5,326
Net servicing income (loss) . . . . .	(14,931)	(4,032)	7,316
Gains on sales of loans . . . . .	18,110	11,795	1,347
Other income . . . . .	3,800	4,279	1,856
Total mortgage banking revenue . . . . .	\$ 6,979	\$ 12,042	\$ 10,519

At December 31, 2002, 2001 and 2000, TCF was servicing real estate loans for others with aggregate unpaid principal balances of approximately \$5.6 billion, \$4.7 billion and \$4 billion, respectively. During 2000, TCF purchased the bulk servicing rights on \$933 million of residential mortgage loans at a cost of \$13.8 million. No bulk servicing rights were purchased during 2002 or 2001. No bulk servicing rights were sold during 2002, 2001 or 2000. At December 31, 2002, and 2001, TCF had custodial funds of \$287.4 million and \$219.1 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 customer funds for taxes and insurance and funds due investors on mortgage loans serviced by TCF.

The estimated fair value of mortgage servicing rights included in the Consolidated Statements of Financial Condition at December 31, 2002 was approximately \$62.6 million. The estimated fair value of capitalized mortgage servicing rights 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.

## II. Deposits

Deposits are summarized as follows:

(Dollars in thousands)	At December 31,					
	2002			2001		
	Weighted-Average Rate	Amount	% of Total	Weighted-Average Rate	Amount	% of Total
Checking:						
Non-interest bearing . . . . .	—%	\$1,879,584	24.4%	—%	\$1,664,403	23.4%
Interest bearing . . . . .	.12	985,312	12.8	.20	872,462	12.3
	.04	2,864,896	37.2	.07	2,536,865	35.7
Savings:						
Non-interest bearing . . . . .	—	228,210	2.9	—	169,527	2.4
Interest bearing . . . . .	.90	1,813,513	23.5	.61	1,121,289	15.8
	.80	2,041,723	26.4	.53	1,290,816	18.2
Money market . . . . .	.74	884,614	11.5	1.20	951,033	13.4
Total checking, savings and money market . . . . .	.42	5,791,233	75.1	.42	4,778,714	67.3
Certificates . . . . .	2.85	1,918,755	24.9	3.71	2,320,244	32.7
	1.02	\$7,709,988	100.0%	1.49	\$7,098,958	100.0%

Certificates had the following remaining maturities at December 31, 2002:

(In thousands) Maturity	\$100,000 Minimum	Other	Total <sup>(1)</sup>
0-3 months . . . . .	\$ 107,008	\$ 337,239	\$ 444,247
4-6 months . . . . .	35,300	313,710	349,010
7-12 months . . . . .	76,708	566,233	642,941
13-24 months . . . . .	47,824	299,677	347,501
25-36 months . . . . .	7,547	52,743	60,290
37-48 months . . . . .	4,685	30,925	35,610
49-60 months . . . . .	7,076	29,497	36,573
Over 60 months . . . . .	252	2,331	2,583
	<u>\$ 286,400</u>	<u>\$1,632,355</u>	<u>\$1,918,755</u>

<sup>(1)</sup> Includes no brokered deposits.

## 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, 2002:

(Dollars in thousands)	2002		2001		2000	
	Amount	Rate	Amount	Rate	Amount	Rate
<b>At December 31,</b>						
Federal funds purchased . . . . .	<b>\$265,000</b>	<b>1.20%</b>	\$ 48,000	1.73%	\$ 91,000	6.49%
Securities sold under repurchase agreements . . . . .	<b>547,743</b>	<b>1.37</b>	669,734	1.83	794,320	6.61
Treasury, tax and loan note payable . . . . .	<b>15,808</b>	<b>1.12</b>	125	1.40	13,375	5.73
Line of credit . . . . .	<b>13,500</b>	<b>2.20</b>	2,000	2.41	—	—
Total . . . . .	<b><u>\$842,051</u></b>	<b>1.32</b>	<b><u>\$ 719,859</u></b>	1.82	<b><u>\$ 898,695</u></b>	6.58
<b>Year ended December 31,</b>						
<b>Average daily balance</b>						
Federal funds purchased . . . . .	<b>\$188,559</b>	<b>1.67%</b>	\$ 120,812	3.77%	\$ 10,989	6.68%
Securities sold under repurchase agreements . . . . .	<b>340,311</b>	<b>1.70</b>	908,016	4.14	664,015	6.41
Treasury, tax and loan note payable . . . . .	<b>29,348</b>	<b>1.50</b>	62,111	3.61	68,631	6.14
Commercial paper . . . . .	—	—	—	—	4,843	6.18
Line of credit . . . . .	<b>15,717</b>	<b>3.23</b>	6,749	5.57	18,824	7.58
Total . . . . .	<b><u>\$573,935</u></b>	<b>1.72</b>	<b><u>\$1,097,688</u></b>	4.08	<b><u>\$ 767,302</u></b>	6.41
<b>Maximum month-end balance</b>						
Federal funds purchased . . . . .	<b>\$271,000</b>	<b>N.A.</b>	\$ 304,000	N.A.	\$ 91,000	N.A.
Securities sold under repurchase agreements . . . . .	<b>766,511</b>	<b>N.A.</b>	1,047,301	N.A.	1,070,790	N.A.
Treasury, tax and loan note payable . . . . .	<b>200,000</b>	<b>N.A.</b>	262,680	N.A.	250,000	N.A.
Commercial paper . . . . .	—	—	—	—	19,039	N.A.
Line of credit . . . . .	<b>42,500</b>	<b>N.A.</b>	30,500	N.A.	79,000	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, 2002, all of the securities sold under repurchase agreements provided for the repurchase of identical securities. At December 31, 2002, \$547.7 million of securities sold under repurchase agreements with an interest rate of 1.37% maturing in 2003 were collateralized by mortgage-backed securities having a fair value of \$559 million.

TCF Financial Corporation has a \$105 million bank line of credit maturing in April 2003 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, including serving as a back-up line of credit to support the redemption of TCF's commercial paper.

TCF Financial Corporation has a \$50 million commercial paper program which is unsecured and contains certain covenants common to such programs with which TCF is in compliance. Any usage under the commercial paper program requires an equal amount of back-up support by the bank line of credit. Commercial paper generally matures within 90 days, although it may have a term of up to 270 days.

### 13. Long-term Borrowings

Long-term borrowings consist of the following:

		At December 31,			
<i>(Dollars in thousands)</i>		2002		2001	
	Year of Maturity	Amount	Weighted-Average Rate	Amount	Weighted-Average Rate
Securities sold under repurchase agreements . . . . .	2005	\$ 200,000	6.26%	\$ 200,000	6.26%
Federal Home Loan Bank advances . . . . .	2003	135,000	5.76	135,000	5.76
	2004	853,000	5.72	853,000	5.72
	2005	246,000	6.02	246,000	6.02
	2006	303,000	4.30	303,000	5.26
	2009	122,500	5.25	122,500	5.25
	2010	100,000	6.02	100,000	6.02
	2011	200,000	4.85	200,000	4.85
		<u>1,959,500</u>	<u>5.44</u>	<u>1,959,500</u>	<u>5.58</u>
Discounted lease rentals . . . . .	2002	—	—	75,600	8.01
	2003	62,461	7.30	46,458	8.00
	2004	36,101	7.08	18,462	8.33
	2005	9,459	6.88	2,684	8.50
	2006	723	6.94	450	7.68
	2007	—	—	12	8.53
		<u>108,744</u>	<u>7.19</u>	<u>143,666</u>	<u>8.06</u>
		<u>\$2,268,244</u>	<u>5.59</u>	<u>\$2,303,166</u>	<u>5.79</u>

At December 31, 2002, \$200 million of securities sold under repurchase agreements with an interest rate of 6.26% maturing in 2005 were collateralized by mortgage-backed securities having a fair value of \$214.6 million. These borrowings are callable quarterly by the counterparty.

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

FHLB advances are collateralized by residential real estate loans, consumer loans and FHLB stock with an aggregate carrying value of \$2.5 billion at December 31, 2002 and are generally fixed-rate advances. Included in FHLB advances at December 31, 2002 are \$928.5 million of fixed-rate advances which are callable at par on certain dates. If called, the FHLB will provide replacement funding at the then-prevailing market interest rates. The probability that these advances will be called depends primarily on the level of related interest rates during the call period. At December 31, 2002, the contract rate exceeded the market rate on all of the fixed-rate callable advances. The stated maturity dates and the next call dates for the callable FHLB advances outstanding at December 31, 2002 were as follows (dollars in thousands):

Year	Stated Maturity	Weighted-Average Rate	Next Call Date	Weighted-Average Rate
2003	\$ —	—%	\$ 611,500	5.69%
2004	153,000	5.51	317,000	4.93
2005	150,000	6.10	—	—
2006	203,000	5.63	—	—
2009	122,500	5.25	—	—
2010	100,000	6.02	—	—
2011	200,000	4.85	—	—
	<b>\$ 928,500</b>	<b>5.43</b>	<b>\$ 928,500</b>	<b>5.43</b>

#### I4. Income Taxes

Income tax expense consists of the following:

(In thousands)	Current	Deferred	Total
<b>Year ended December 31, 2002:</b>			
<b>Federal</b>	<b>\$ 31,829</b>	<b>\$ 86,288</b>	<b>\$118,117</b>
<b>State</b>	<b>1,810</b>	<b>4,834</b>	<b>6,644</b>
	<b>\$ 33,639</b>	<b>\$ 91,122</b>	<b>\$124,761</b>
<b>Year ended December 31, 2001:</b>			
Federal	\$ 112,288	\$ 3,707	\$ 115,995
State	6,188	329	6,517
	<b>\$ 118,476</b>	<b>\$ 4,036</b>	<b>\$ 122,512</b>
<b>Year ended December 31, 2000:</b>			
Federal	\$ 88,746	\$ 18,862	\$ 107,608
State	6,457	2,528	8,985
	<b>\$ 95,203</b>	<b>\$ 21,390</b>	<b>\$ 116,593</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,		
	2002	2001	2000
Computed income tax expense	<b>\$125,192</b>	\$ 115,442	\$ 105,993
Increase in income tax expense resulting from:			
Amortization of goodwill	—	2,553	2,544
State income tax, net of federal income tax benefit	<b>4,319</b>	4,236	5,840
Deductible stock dividends	<b>(2,171)</b>	(2,109)	(1,969)
Tax credits from investments in affordable housing	<b>(489)</b>	(331)	(326)
Other, net	<b>(2,090)</b>	2,721	4,511
	<b>\$124,761</b>	\$ 122,512	\$ 116,593



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

	At December 31,	
<i>(In thousands)</i>	<b>2002</b>	2001
Deferred tax assets:		
Allowance for loan and lease losses . . . . .	<b>\$ 28,811</b>	\$ 21,829
Pension and other compensation plans . . . . .	<b>23,734</b>	17,034
Total deferred tax assets . . . . .	<b>52,545</b>	38,863
Deferred tax liabilities:		
Lease financing . . . . .	<b>91,770</b>	53,158
Subsidiary tax year-end . . . . .	<b>59,857</b>	—
Securities available for sale . . . . .	<b>26,215</b>	3,580
Loan fees and discounts . . . . .	<b>15,326</b>	14,596
Mortgage servicing rights . . . . .	<b>12,970</b>	8,912
Other, net . . . . .	<b>1,946</b>	399
Total deferred tax liabilities . . . . .	<b>208,084</b>	80,645
Net deferred tax liabilities . . . . .	<b>\$(155,539)</b>	\$ (41,782)

## 15. *Stockholders' Equity*

**Restricted Retained Earnings** Retained earnings at December 31, 2002 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. Payments or distributions of these appropriated earnings could invoke a tax liability for TCF based on the amount of earnings removed and current tax rates.

**Shareholder Rights Plan** 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 \$100. 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 one cent per right at any time before they become exercisable. The rights will expire on June 9, 2009, if not previously redeemed or exercised.

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

	At December 31,	
<i>(In thousands)</i>	<b>2002</b>	2001
Treasury stock, at cost . . . . .	<b>\$(608,007)</b>	\$(463,394)
Shares held in trust for deferred compensation plans, at cost . . . . .	<b>(70,408)</b>	(71,652)
Unamortized deferred compensation . . . . .	<b>(22,361)</b>	(31,688)
Loans to deferred compensation plans . . . . .	<b>—</b>	(9,783)
	<b>\$(700,776)</b>	\$(576,517)

TCF purchased 3,108,431, 3,670,107 and 3,243,800 shares of its common stock during the years ended December 31, 2002, 2001 and 2000, respectively. At December 31, 2002, TCF had 3.6 million shares remaining in its stock repurchase program authorized by the Board of Directors.

During the 2002 second quarter, TCF's Board of Directors decided to eliminate the loan feature from its officers' and directors' deferred compensation plans and requested and received repayment in full of all outstanding loans totaling \$9.8 million. The deferred compensation plans sold 166,665 shares of TCF common stock owned by plan participants to repay the outstanding loans to the plans.

#### 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, 2002 the assets in the plans totaled \$174.3 million and included \$168.1 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.

## 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 tables set forth TCF's and TCF National Bank's regulatory tier I leverage, tier I risk-based and total risk-based capital levels, and applicable percentages of adjusted assets, together with the excess over minimum capital requirements:

	Actual		Minimum Capital Requirement		Excess	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
<i>(Dollars in thousands)</i>						
<b>As of December 31, 2002:</b>						
Tier I leverage capital						
TCF Financial Corporation . . . .	\$773,594	6.42%	\$361,435	3.00%	\$412,159	3.42%
TCF National Bank . . . . .	750,935	6.24	361,017	3.00	389,918	3.24
Tier I risk-based capital						
TCF Financial Corporation . . . .	773,594	9.96	310,828	4.00	462,766	5.96
TCF National Bank . . . . .	750,935	9.68	310,247	4.00	440,688	5.68
Total risk-based capital						
TCF Financial Corporation . . . .	850,694	10.95	621,657	8.00	229,037	2.95
TCF National Bank . . . . .	828,035	10.68	620,493	8.00	207,542	2.68
<b>As of December 31, 2001:</b>						
Tier I leverage capital						
TCF Financial Corporation . . . .	\$ 758,728	6.62%	\$ 343,996	3.00%	\$ 414,732	3.62%
TCF National Bank . . . . .	711,586	6.26	341,147	3.00	370,439	3.26
Tier I risk-based capital						
TCF Financial Corporation . . . .	758,728	10.24	296,260	4.00	462,468	6.24
TCF National Bank . . . . .	711,586	9.72	292,781	4.00	418,805	5.72
Total risk-based capital						
TCF Financial Corporation . . . .	833,821	11.26	592,520	8.00	241,301	3.26
TCF National Bank . . . . .	786,305	10.74	585,562	8.00	200,743	2.74

At December 31, 2002, 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.

## 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, 2002, there were 2,791,116 shares reserved for issuance under the Program, including 303,877 shares related to outstanding stock options.

At December 31, 2002, there were 1,145,000 shares of performance-based restricted stock that will vest only if certain earnings per share goals are achieved by 2008. 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 eight years. The weighted-average grant date fair value of restricted stock was \$48.93, \$39.53 and \$24.60 per share in 2002, 2001 and 2000, respectively. Compensation expense for restricted stock is recorded over the vesting periods, and totaled \$11.6 million, \$11.1 million and \$9.4 million in 2002, 2001 and 2000, 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 stock options have a fixed exercise price equal to the market price of TCF common stock on the date of grant. The weighted-average grant date fair value of stock options granted in 2000 was \$6.59.

The following table reflects TCF's restricted stock and stock option transactions under the Program since December 31, 1999:

	Restricted Stock		Stock Options		
	Shares	Grant Date Fair Value Range	Shares	Exercise Price Range	Weighted-Average
Outstanding at December 31, 1999	1,121,135	\$ 8.11-34.00	763,100	\$ 2.63-33.28	\$ 22.27
Granted	1,300,080	22.10-43.70	1,000	21.81	21.81
Exercised	-	-	(283,585)	2.63-28.88	20.25
Forfeited	(20,940)	20.88-34.00	(13,000)	23.56-32.19	28.32
Vested	(125,175)	8.11-28.59	-	-	-
Outstanding at December 31, 2000	2,275,100	16.56-43.70	467,515	3.46-33.28	23.32
Granted	262,340	27.98-48.20	-	-	-
Exercised	-	-	(86,832)	3.46-32.19	17.47
Forfeited	(18,850)	27.98-48.20	(10,558)	23.56-32.19	24.73
Vested	(59,179)	16.56-40.75	-	-	-
Outstanding at December 31, 2001	2,459,411	20.88-48.20	370,125	5.33-33.28	24.65
Granted	61,400	41.42-52.78	-	-	-
Exercised	-	-	(51,798)	5.33-33.28	19.72
Forfeited	(23,245)	22.10-52.78	(14,450)	23.56-32.19	25.91
Vested	(862,250)	20.88-50.33	-	-	-
<b>Outstanding at December 31, 2002</b>	<b>1,635,316</b>	<b>22.10-52.78</b>	<b>303,877</b>	<b>6.88-33.28</b>	<b>25.43</b>
<b>Exercisable at December 31, 2002</b>	<b>N.A.</b>	<b>N.A.</b>	<b>183,935</b>	<b>6.88-33.28</b>	<b>24.36</b>

N.A. Not applicable.

The following table summarizes information about stock options outstanding at December 31, 2002:

Exercise Price Range	Options Outstanding			Options Exercisable	
	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life in Years	Shares	Weighted-Average Exercise Price
\$6.88 to \$20.00	23,298	\$ 9.91	2.4	23,298	\$ 9.91
\$20.01 to \$25.00	147,029	23.59	6.0	91,787	23.61
\$25.01 to \$30.00	64,250	28.94	6.4	42,050	28.94
\$30.01 to \$33.28	69,300	31.31	5.2	26,800	32.26
Total options	303,877	25.43	5.6	183,935	24.36

## I8. Employee Benefit Plans

**Pension Plan** The TCF Cash Balance Pension Plan (the "Pension Plan") is a qualified defined benefit plan covering all "regular stated salary" employees and certain part-time employees who are at least 21 years old and have completed a year of eligibility service with TCF. 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. 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 by eliminating the Company subsidy for employees not yet eligible for benefits under the Postretirement Plan. The plan provisions for full-time and retired employees then eligible for these benefits were not changed. The Postretirement Plan is an unfunded plan.

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,	
	2002	2001	2002	2001
<b>Benefit obligation:</b>				
Accrued participant balances – vested . . . . .	\$ 33,695	\$ 28,068	N.A.	N.A.
Accrued participant balances – unvested . . . . .	4,123	3,461	N.A.	N.A.
Subtotal . . . . .	37,818	31,529	N.A.	N.A.
Present value of future service and benefits . . . . .	4,506	4,524	N.A.	N.A.
Total benefit obligation . . . . .	\$ 42,324	\$ 36,053	N.A.	N.A.
<b>Change in benefit obligation:</b>				
Benefit obligation at beginning of year . . . . .	\$ 36,053	\$ 32,544	\$ 9,578	\$ 7,609
Service cost – benefits earned during the year . . . . .	3,547	2,969	48	49
Interest cost on benefit obligation . . . . .	2,857	2,480	685	547
Actuarial (gain) loss . . . . .	1,736	323	3,012	2,182
Benefits paid . . . . .	(1,869)	(2,263)	(1,486)	(809)
Benefit obligation at end of year . . . . .	42,324	36,053	11,837	9,578
<b>Change in fair value of plan assets:</b>				
Fair value of plan assets at beginning of year . . . . .	59,604	87,064	–	–
Actual return on plan assets . . . . .	(8,249)	(25,197)	–	–
Benefits paid . . . . .	(1,869)	(2,263)	(1,486)	(809)
Employer contributions . . . . .	–	–	1,486	809
Fair value of plan assets at end of year . . . . .	49,486	59,604	–	–
<b>Funded status of plans:</b>				
Funded status at end of year . . . . .	7,162	23,551	(11,837)	(9,578)
Unrecognized transition obligation . . . . .	–	–	2,093	2,304
Unrecognized prior service cost . . . . .	(813)	(1,869)	–	–
Unrecognized net loss . . . . .	19,733	1,678	4,362	1,388
Prepaid (accrued) benefit expense at end of year . . . . .	\$ 26,082	\$ 23,360	\$ (5,382)	\$ (5,886)

N.A. Not applicable.

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

	Pension Plan			Postretirement Plan		
	Year Ended December 31,			Year Ended December 31,		
(In thousands)	2002	2001	2000	2002	2001	2000
Service cost . . . . .	\$ 3,547	\$ 2,969	\$ 3,248	\$ 48	\$ 49	\$ 56
Interest cost . . . . .	2,857	2,480	2,431	685	547	523
Expected return on plan assets . . . . .	(7,683)	(7,156)	(6,207)	—	—	—
Amortization of transition obligation	—	—	—	210	209	209
Amortization of prior service cost . . .	(1,056)	(1,057)	(1,057)	—	—	—
Recognized actuarial gain . . . . .	(387)	(1,810)	(915)	38	(3)	(22)
Net periodic benefit cost (credit) . .	\$ (2,722)	\$ (4,574)	\$ (2,500)	\$ 981	\$ 802	\$ 766

The discount rate and rate of increase in future compensation used to measure the benefit obligation and the expected long-term rate of return on plan assets were as follows:

	Pension Plan			Postretirement Plan		
	Year Ended December 31,			Year Ended December 31,		
	2002	2001	2000	2002	2001	2000
Discount rate . . . . .	6.50%	7.50%	7.50%	6.50%	7.50%	7.50%
Rate of increase in future compensation . .	4.50	4.50	5.00	N.A.	N.A.	N.A.
Expected long-term rate of return on plan assets . . . . .	8.50	10.00	10.00	N.A.	N.A.	N.A.

N.A. Not applicable.

The Pension Plan's assets consist primarily of listed stocks and bonds. At December 31, 2002 and 2001, the Pension Plan's assets included 28,400 and 246,000 shares of TCF common stock with a market value of \$1.2 million and \$11.8 million, respectively.

For active participants of the Postretirement Plan, a 12% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2003. This rate is assumed to decrease gradually to 5% by 2009 and remain at that level thereafter.

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 . . . . .	\$ 16	\$ 15
Effect on postretirement benefits obligations . . . . .	556	503

**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 at the rate of 50 cents per dollar, with a maximum employer 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. Employee contributions and matching contributions are

invested in TCF stock. Employees age 50 and over may invest all or a portion of their account balance in various mutual funds. The Company's matching contributions are expensed when made. At December 31, 2002, the assets in the plan totaled \$183.4 million and included \$179.3 million invested in TCF common stock. Additionally, as of December 31, 2002, \$69.7 million of plan assets were eligible for diversification under plan provisions. TCF's contributions to the plan were \$3.6 million, \$3 million and \$2.7 million in 2002, 2001 and 2000, respectively.

## 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. A derivative may be designated as a hedge of an exposure to changes in fair value of an asset, liability or firm commitment or as a hedge of cash flows of forecasted transactions. The accounting for derivatives that are used as hedges is dependent on the type of hedge and requires that a hedge be highly effective in offsetting changes in the hedged risk.

TCF's pipeline of locked residential mortgage loan commitments are considered derivatives and are 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 economically hedges its risk of changes in the fair value of locked residential mortgage loan commitments due to changes in interest rates through the use of forward sales contracts. Forward sales contracts require TCF to deliver qualifying residential mortgage loans or pools of loans at a specified future date at a specified price or yield. Such forward sales contracts hedging the pipeline of locked residential mortgage loan commitments are derivatives and are recorded at fair value, with changes in fair value recognized in gains on sales of loans. TCF also utilizes forward sales contracts to hedge its risk of changes in the fair value of its residential loans held for sale. The forward sales contracts hedging the residential loans held for sale are recorded at fair value, with changes in fair value recognized in gains on sales of loans as is the offsetting change in the fair value of hedged loans. Because the fair value of the residential loans held for sale are hedged with forward sales contracts of the same loan types, or substantially the same loan types, the hedges are 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 (defined as ineffectiveness under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities") are not expected to be material due to the nature of the hedging instruments and are required to be recorded in the Consolidated Statements of Income.

During 2002 and 2001, the ineffectiveness of the fair value hedges was recorded in gains on sales of loans and was not material. Forward mortgage loan sales commitments totaled \$511 million and \$490.9 million at December 31, 2002 and 2001, respectively.

## 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.

**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. At December 31, 2002, the unused portion of these commitments totaled \$1.8 billion and consisted of consumer commitments of \$1.2 billion, commercial commitments of \$576.6 million, leasing and equipment financing commitments of \$67 million and other commitments of \$38.4 million. At December 31, 2001, the unused portion of these commitments totaled \$1.6 billion and consisted of consumer commitments of \$955.7 million, commercial commitments of \$496.4 million, leasing and equipment financing commitments of \$71.6 million and other commitments of \$30.6 million. 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 and personal property.

**Standby Letters of Credit** Standby letters of credit are conditional commitments issued by TCF guaranteeing the performance of a customer to a third party. The standby letters of credit expire in various years through the year 2007 and totaled \$20.9 million and \$12.7 million at December 31, 2002 and 2001, respectively. Collateral held primarily consists of commercial real estate mortgages. Since the conditions under which TCF is required to fund standby letters of credit may not materialize, the cash requirements are expected to be less than the total outstanding commitments.

**Loans Serviced with Recourse** Loans serviced with recourse consist of Veterans Administration ("VA") loans and 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. The liability relating to this VA "no-bid" exposure on VA loans serviced with partial recourse was \$100,000 at December 31, 2002 and 2001 and was recorded in other liabilities. No claims have been made under the "no-bid" option during 2002 or 2001. Loans sold with recourse to FNMA represent residential real estate loans sold to FNMA prior to 1982. TCF no longer sells loans on a recourse basis. 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 2032. All loans sold with recourse are collateralized by residential real estate.

## 2I. *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. 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 is estimated based on discounted cash flow analyses using interest rates offered by TCF for certificates with similar remaining maturities. The intangible value of long-term relationships with depositors is not taken into account in the fair values disclosed in the table below.

**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,			
	2002		2001	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
<b>Financial instrument assets:</b>				
Loans held for sale . . . . .	\$ 476,475	\$ 480,409	\$ 451,609	\$ 454,536
Forward mortgage loan sales commitments <sup>(1)</sup> . . . . .	(7,454)	(7,454)	7,352	7,352
<b>Loans:</b>				
Consumer . . . . .	3,005,882	3,068,900	2,509,333	2,548,617
Commercial real estate . . . . .	1,835,788	1,883,183	1,622,461	1,644,263
Commercial business . . . . .	440,074	438,106	422,381	417,896
Equipment finance loans . . . . .	289,558	299,035	271,398	275,148
Residential real estate . . . . .	1,800,344	1,868,132	2,733,290	2,795,894
Allowance for loan losses <sup>(2)</sup> . . . . .	(68,143)	—	(66,876)	—
	<b>\$ 7,772,524</b>	<b>\$ 8,030,311</b>	<b>\$ 7,950,948</b>	<b>\$ 8,143,706</b>
<b>Financial instrument liabilities:</b>				
Checking, savings and money market deposits . . . . .	\$ 5,791,233	\$ 5,791,233	\$ 4,778,714	\$ 4,778,714
Certificates . . . . .	1,918,755	1,948,947	2,320,244	2,357,872
Short-term borrowings . . . . .	842,051	842,051	719,859	719,859
Long-term borrowings . . . . .	2,268,244	2,443,653	2,303,166	2,410,329
	<b>\$10,820,283</b>	<b>\$11,025,884</b>	<b>\$10,121,983</b>	<b>\$10,266,774</b>
<b>Financial instruments with off-balance-sheet risk:<sup>(3)</sup></b>				
Commitments to extend credit <sup>(4)</sup> . . . . .	\$ 24,569	\$ 24,569	\$ 13,767	\$ 13,767
Standby letters of credit <sup>(1)</sup> . . . . .	(5,382)	(5,382)	(2,409)	(2,409)
Loans serviced with recourse <sup>(1)</sup> . . . . .	(100)	(100)	(100)	(100)
	<b>\$ 19,087</b>	<b>\$ 19,087</b>	<b>\$ 11,258</b>	<b>\$ 11,258</b>

<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.

## 22. Net Income and Goodwill Amortization

On January 1, 2002, TCF adopted SFAS No. 142, "Goodwill and Other Intangible Assets," which requires that goodwill and other intangible assets with indefinite useful lives no longer be amortized, but instead be tested for impairment at least annually. The following table reconciles prior period net income and earnings per share to an adjusted basis, which excludes goodwill amortization, for comparison purposes:

(In thousands, except per-share data)	Year Ended December 31,		
	2002	2001	2000
<b>Net Income</b>			
Reported net income . . . . .	\$ 232,931	\$ 207,322	\$ 186,245
Add back: Amortization of goodwill, net of applicable income taxes . . . . .	—	7,600	7,543
Adjusted net income . . . . .	\$ 232,931	\$ 214,922	\$ 193,788
<b>Basic Earnings Per Common Share</b>			
Reported earnings per common share . . . . .	\$ 3.17	\$ 2.73	\$ 2.37
Amortization of goodwill, net of applicable income taxes . . . . .	—	.10	.09
Adjusted earnings per common share . . . . .	\$ 3.17	\$ 2.83	\$ 2.46
<b>Diluted Earnings Per Common Share</b>			
Reported earnings per common share . . . . .	\$ 3.15	\$ 2.70	\$ 2.35
Amortization of goodwill, net of applicable income taxes . . . . .	—	.10	.09
Adjusted earnings per common share . . . . .	\$ 3.15	\$ 2.80	\$ 2.44

## 23. 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,		
	2002	2001	2000
<b>Basic Earnings Per Common Share</b>			
Net income . . . . .	\$ 232,931	\$ 207,322	\$ 186,245
Weighted average shares outstanding . . . . .	75,240,321	78,233,471	80,881,499
Unvested restricted stock grants <sup>(1)</sup> . . . . .	(1,644,879)	(2,408,454)	(2,232,734)
Weighted average common shares outstanding for basic earnings per common share . . . . .	73,595,442	75,825,017	78,648,765
Basic earnings per common share . . . . .	\$ 3.17	\$ 2.73	\$ 2.37
<b>Diluted Earnings Per Common Share</b>			
Net income . . . . .	\$ 232,931	\$ 207,322	\$ 186,245
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 . . . . .	73,595,442	75,825,017	78,648,765
Net dilutive effect of:			
Stock option plans . . . . .	124,222	149,711	113,338
Restricted stock plans <sup>(1)</sup> . . . . .	221,280	868,209	626,572
	73,940,944	76,842,937	79,388,675
Diluted earnings per common share . . . . .	\$ 3.15	\$ 2.70	\$ 2.35

<sup>(1)</sup> At December 31, 2002, December 31, 2001 and December 31, 2000, there were 1,145,000, 1,145,000 and 1,135,000 shares, respectively, of performance-based restricted stock granted to certain executive officers which will vest only if certain earnings per share goals are achieved by 2008. Failure to achieve the goals will result in all or a portion of the shares being forfeited. In accordance with SFAS No. 128, "Earnings per Share," these shares have been deducted from weighted average shares outstanding used for the computation of basic and diluted earnings per common share, as all necessary conditions for inclusion have not been satisfied. The remaining unvested restricted stock grants vest over specified time periods, and are included in the computation of diluted earnings per common share in accordance with the treasury stock method prescribed in SFAS No. 128.

## 24. 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 securities available for sale. The following table summarizes the components of comprehensive income:

<i>(In thousands)</i>	Year Ended December 31,		
	2002	2001	2000
Net income . . . . .	<b>\$232,931</b>	\$207,322	\$186,245
Other comprehensive income before tax:			
Unrealized holding gains arising during the period on securities available for sale . . . . .	<b>74,044</b>	26,295	59,726
Reclassification adjustment for gains included in net income . . . . .	<b>(11,536)</b>	(863)	–
Income tax expense . . . . .	<b>22,635</b>	9,335	22,212
Total other comprehensive income, net of tax . . . . .	<b>39,873</b>	16,097	37,514
Comprehensive income . . . . .	<b>\$272,804</b>	\$223,419	\$223,759

## 25. Other Expense

Other expense consists of the following:

<i>(In thousands)</i>	Year Ended December 31,		
	2002	2001	2000
Deposit account losses . . . . .	<b>\$ 19,750</b>	\$ 19,415	\$ 19,479
Postage and courier . . . . .	<b>13,579</b>	13,150	11,442
Telecommunication . . . . .	<b>12,738</b>	11,541	13,345
TCF Express Card interchange . . . . .	<b>10,047</b>	6,901	4,882
Office supplies . . . . .	<b>9,848</b>	9,881	9,216
ATM interchange . . . . .	<b>9,374</b>	9,723	11,735
Federal deposit insurance and OCC assessments . . . . .	<b>2,761</b>	2,757	2,837
Mortgage servicing liquidation expense . . . . .	<b>2,394</b>	1,440	313
Deposit base intangible amortization . . . . .	<b>1,671</b>	1,939	2,295
Other . . . . .	<b>55,395</b>	50,073	40,289
	<b>\$137,557</b>	\$126,820	\$115,833

## 26. 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 business segment 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 include 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 business segments' net income. The business segments follow generally accepted accounting principles as described in the Summary of Significant Accounting Policies. TCF generally accounts for intersegment 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.

<i>(In thousands)</i>	Banking	Leasing and Equipment Finance	Mortgage Banking	Other	Eliminations and Reclassifications	Consolidated
<b>At or For the Year Ended</b>						
<b>December 31, 2002<sup>(1)</sup>:</b>						
<b>Revenues from external customers:</b>						
Interest income . . . . .	\$ 632,803	\$ 85,447	\$ 15,112	\$ 1	\$ —	\$ 733,363
Non-interest income . . . . .	358,976	51,628	6,979	1,259	—	418,842
<b>Total . . . . .</b>	<b>\$ 991,779</b>	<b>\$ 137,075</b>	<b>\$ 22,091</b>	<b>\$ 1,260</b>	<b>\$ —</b>	<b>\$ 1,152,205</b>
Net interest income . . . . .	\$ 435,883	\$ 41,374	\$ 20,676	\$ (45)	\$ 1,337	\$ 499,225
Provision for credit losses . . . . .	12,778	9,228	—	—	—	22,006
Non-interest income . . . . .	358,976	51,806	8,316	95,272	(95,528)	418,842
Other non-interest expense . . . . .	470,820	40,983	24,796	95,961	(94,191)	538,369
Income tax expense . . . . .	110,157	15,497	1,511	(2,404)	—	124,761
<b>Net income . . . . .</b>	<b>\$ 201,104</b>	<b>\$ 27,472</b>	<b>\$ 2,685</b>	<b>\$ 1,670</b>	<b>\$ —</b>	<b>\$ 232,931</b>
<b>Total assets . . . . .</b>	<b>\$11,806,072</b>	<b>\$ 1,100,744</b>	<b>\$ 447,840</b>	<b>\$ 3,090</b>	<b>\$(1,155,677)</b>	<b>\$12,202,069</b>
<b>At or For the Year Ended</b>						
<b>December 31, 2001<sup>(1)</sup>:</b>						
<b>Revenues from external customers:</b>						
Interest income . . . . .	\$ 722,722	\$ 89,131	\$ 14,334	\$ 422	\$ —	\$ 826,609
Non-interest income . . . . .	313,501	45,730	12,042	213	—	371,486
<b>Total . . . . .</b>	<b>\$ 1,036,223</b>	<b>\$ 134,861</b>	<b>\$ 26,376</b>	<b>\$ 635</b>	<b>\$ —</b>	<b>\$ 1,198,095</b>
Net interest income . . . . .	\$ 423,043	\$ 39,429	\$ 14,919	\$ 433	\$ 3,398	\$ 481,222
Provision for credit losses . . . . .	7,359	13,519	—	—	—	20,878
Non-interest income . . . . .	313,501	45,730	15,439	96,829	(100,013)	371,486
Amortization of goodwill . . . . .	7,350	427	—	—	—	7,777
Other non-interest expense . . . . .	432,298	38,369	20,893	99,274	(96,615)	494,219
Income tax expense . . . . .	109,063	12,410	3,577	(2,538)	—	122,512
<b>Net income . . . . .</b>	<b>\$ 180,474</b>	<b>\$ 20,434</b>	<b>\$ 5,888</b>	<b>\$ 526</b>	<b>\$ —</b>	<b>\$ 207,322</b>
<b>Total assets . . . . .</b>	<b>\$ 10,982,411</b>	<b>\$ 988,387</b>	<b>\$ 374,263</b>	<b>\$ 102,132</b>	<b>\$ (1,088,478)</b>	<b>\$ 11,358,715</b>
<b>At or For the Year Ended</b>						
<b>December 31, 2000<sup>(1)</sup>:</b>						
<b>Revenues from external customers:</b>						
Interest income . . . . .	\$ 751,103	\$ 69,960	\$ 5,192	\$ 426	\$ —	\$ 826,681
Non-interest income . . . . .	287,219	38,451	10,519	87	—	336,276
<b>Total . . . . .</b>	<b>\$ 1,038,322</b>	<b>\$ 108,411</b>	<b>\$ 15,711</b>	<b>\$ 513</b>	<b>\$ —</b>	<b>\$ 1,162,957</b>
Net interest income . . . . .	\$ 397,887	\$ 30,405	\$ 5,609	\$ (556)	\$ 5,191	\$ 438,536
Provision for credit losses . . . . .	9,594	5,178	—	—	—	14,772
Non-interest income . . . . .	287,219	38,451	15,711	90,640	(95,745)	336,276
Amortization of goodwill . . . . .	7,310	396	—	—	—	7,706
Other non-interest expense . . . . .	401,217	25,813	19,432	93,588	(90,554)	449,496
Income tax expense . . . . .	102,722	14,420	717	(1,266)	—	116,593
<b>Net income (loss) . . . . .</b>	<b>\$ 164,263</b>	<b>\$ 23,049</b>	<b>\$ 1,171</b>	<b>\$ (2,238)</b>	<b>\$ —</b>	<b>\$ 186,245</b>
<b>Total assets . . . . .</b>	<b>\$ 10,800,942</b>	<b>\$ 876,540</b>	<b>\$ 130,477</b>	<b>\$ 112,309</b>	<b>\$ (722,806)</b>	<b>\$ 11,197,462</b>

<sup>(1)</sup> Results for 2001 reflect changes in methodologies of certain allocations. Leasing and equipment finance results for 2001 included an increase of \$1.5 million, after-tax, in intercompany expense compared with 2000. The mortgage banking results for 2001 included a reduction of \$1.2 million after-tax, in intercompany expense compared with 2000. The net offsets to these changes in intercompany expenses were included in banking results. There were no significant methodology changes for allocations in 2002 from 2001.

## 27. Parent Company Financial Information

TCF Financial Corporation's (parent company only) condensed statements of financial condition as of December 31, 2002 and 2001, and the condensed statements of income and cash flows for the years ended December 31, 2002, 2001 and 2000 are as follows:

### Condensed Statements of Financial Condition

(In thousands)	At December 31,	
	2002	2001
<b>Assets:</b>		
Cash	\$ 352	\$ 37
Interest-bearing deposits with banks	1,796	2,657
Investment in bank subsidiaries	954,361	880,200
Premises and equipment	366	388
Dividends receivable from bank subsidiaries	10,308	16,100
Other assets	34,829	32,221
	<b>\$1,002,012</b>	<b>\$ 931,603</b>
<b>Liabilities and Stockholders' Equity:</b>		
Short-term borrowings	\$ 13,500	\$ 2,000
Other liabilities	11,492	12,570
Total liabilities	24,992	14,570
Stockholders' equity	977,020	917,033
	<b>\$1,002,012</b>	<b>\$ 931,603</b>

### Condensed Statements of Income

(In thousands)	Year Ended December 31,		
	2002	2001	2000
Interest income	\$ 323	\$ 833	\$ 1,192
Interest expense	508	376	1,726
Net interest income (expense)	(185)	457	(534)
Cash dividends received from consolidated bank subsidiaries	206,566	206,970	212,327
<b>Other non-interest income:</b>			
Affiliate service fees	13,755	14,292	90,553
Other	(322)	95	87
Total other non-interest income	13,433	14,387	90,640
<b>Non-interest expense:</b>			
Compensation and employee benefits	12,965	13,785	54,506
Occupancy and equipment	847	784	16,133
Other	1,348	1,690	22,970
Total non-interest expense	15,160	16,259	93,609
Income before income tax benefit and equity in undistributed earnings of subsidiaries	204,654	205,555	208,824
Income tax benefit	1,852	496	1,435
Income before equity in undistributed earnings of subsidiaries	206,506	206,051	210,259
Equity in undistributed earnings of subsidiaries	26,425	1,271	(24,014)
Net income	\$ 232,931	\$ 207,322	\$ 186,245

## Condensed Statements of Cash Flows

	Year Ended December 31,		
(In thousands)	2002	2001	2000
Cash flows from operating activities:			
Net income . . . . .	\$ 232,931	\$ 207,322	\$ 186,245
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity in undistributed earnings of subsidiaries . . . . .	(26,425)	(1,271)	24,014
Other, net . . . . .	5,323	5,381	13,381
Total adjustments . . . . .	(21,102)	4,110	37,395
Net cash provided by operating activities . . . . .	211,829	211,432	223,640
Cash flows from investing activities:			
Net (increase) decrease in interest-bearing deposits with banks . . . . .	861	21,339	(21,357)
Investments in subsidiaries, net . . . . .	—	(6,000)	—
Loan to deferred compensation plans, net . . . . .	9,783	(4,646)	(416)
Purchases of premises and equipment, net . . . . .	(112)	(273)	(4,300)
Other, net . . . . .	—	—	525
Net cash provided (used) by investing activities . . . . .	10,532	10,420	(25,548)
Cash flows from financing activities:			
Dividends paid on common stock . . . . .	(86,430)	(77,473)	(66,101)
Purchases of common stock . . . . .	(148,030)	(148,043)	(73,824)
Net increase (decrease) in short-term borrowings . . . . .	11,500	2,000	(64,357)
Other, net . . . . .	914	1,510	5,708
Net cash used by financing activities . . . . .	(222,046)	(222,006)	(198,574)
Net increase (decrease) in cash . . . . .	315	(154)	(482)
Cash at beginning of year . . . . .	37	191	673
Cash at end of year . . . . .	\$ 352	\$ 37	\$ 191

Effective January 1, 2001, certain company-wide functions previously included in the parent company transferred, with related assets and liabilities, to TCF National Bank.

### 28. *Litigation and Contingent Liabilities*

From time to time, TCF is a party to legal proceedings arising out of its lending, leasing, deposit operations or other activities. TCF engages in foreclosure proceedings and other collection actions as part of its loan 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. Some financial

services companies have been subjected to significant exposure in connection with litigation, including class action litigation and punitive damage claims, and it is possible that the Company could be subjected to such a claim in an amount which could be material. Based upon a review with its legal counsel, management believes that the ultimate disposition of pending litigation will not have a material effect on TCF's financial condition.

## Independent Auditors' Report



The Board of Directors and Stockholders of  
TCF Financial Corporation:

We have audited the accompanying consolidated statements of financial condition of TCF Financial Corporation and subsidiaries as of December 31, 2002 and 2001, 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, 2002. 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 auditing standards generally accepted in the United States of America. 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, 2002 and 2001, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2002, in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 1 to the consolidated financial statements, the Company adopted the provisions of the Financial Accounting Standards Board's Statement of Financial Accounting Standards No. 123, *Accounting for Stock-Based Compensation*, as of January 1, 2000 and Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets*, as of January 1, 2002.

**KPMG LLP**

Minneapolis, Minnesota  
January 15, 2003



## Selected Quarterly Financial Data (Unaudited)

<i>(Dollars in thousands, except per-share data)</i>	At Dec. 31, 2002	At Sept. 30, 2002	At June 30, 2002	At March 31, 2002	At Dec. 31, 2001	At Sept. 30, 2001	At June 30, 2001	At March 31, 2001
<b>Selected Financial Condition Data:</b>								
Securities available for sale . . . . .	\$ 2,426,794	\$ 2,252,786	\$ 1,965,664	\$ 1,556,798	\$ 1,584,661	\$ 1,794,136	\$ 1,843,871	\$ 1,928,338
Residential real estate loans . . . . .	1,800,344	1,975,481	2,249,365	2,458,431	2,733,290	3,122,970	3,251,813	3,450,311
Subtotal . . . . .	4,227,138	4,228,267	4,215,029	4,015,229	4,317,951	4,917,106	5,095,684	5,378,649
Other loans and leases . . . . .	6,320,784	6,106,818	5,879,607	5,693,330	5,510,912	5,334,359	5,181,260	5,010,256
Total assets . . . . .	12,202,069	11,970,331	11,527,351	11,170,583	11,358,715	11,723,353	11,628,663	11,845,124
Deposits . . . . .	7,709,988	7,660,497	7,556,626	7,293,972	7,098,958	7,057,945	6,916,145	7,030,818
Borrowings . . . . .	3,110,295	2,955,295	2,702,133	2,610,712	3,023,025	3,459,286	3,571,501	3,675,428
Stockholders' equity . . . . .	977,020	950,290	920,088	921,847	917,033	898,486	890,369	895,066
Three Months Ended								
	Dec. 31, 2002	Sept. 30, 2002	June 30, 2002	March 31, 2002	Dec. 31, 2001	Sept. 30, 2001	June 30, 2001	March 31, 2001
<b>Selected Operations Data:</b>								
Interest income . . . . .	\$ 182,352	\$ 182,406	\$ 184,234	\$ 184,371	\$ 195,777	\$ 205,545	\$ 212,726	\$ 212,561
Interest expense . . . . .	55,729	58,637	59,925	59,847	70,031	83,138	93,448	98,770
Net interest income . . . . .	126,623	123,769	124,309	124,524	125,746	122,407	119,278	113,791
Provision for credit losses . . . . .	4,067	4,071	4,714	9,154	6,955	6,076	5,422	2,425
Net interest income after provision for credit losses . . . . .	122,556	119,698	119,595	115,370	118,791	116,331	113,856	111,366
Non-interest income:								
Fees and other revenue . . . . .	106,057	102,575	101,788	94,924	95,621	95,295	95,650	80,741
Gains on sales of securities available for sale . . . . .	2,830	2,662	—	6,044	863	—	—	—
Gains on sales of branches . . . . .	—	—	—	1,962	—	—	—	3,316
Total . . . . .	108,887	105,237	101,788	102,930	96,484	95,295	95,650	84,057
Non-interest expense:								
Amortization of goodwill . . . . .	—	—	—	—	1,944	1,944	1,945	1,944
Other non-interest expense . . . . .	140,963	134,223	131,886	131,297	129,484	124,715	124,008	116,012
Total . . . . .	140,963	134,223	131,886	131,297	131,428	126,659	125,953	117,956
Income before income tax expense . . . . .	90,480	90,712	89,497	87,003	83,847	84,967	83,553	77,467
Income tax expense . . . . .	30,704	31,845	31,526	30,686	29,652	32,077	31,539	29,244
Net income . . . . .	\$ 59,776	\$ 58,867	\$ 57,971	\$ 56,317	\$ 54,195	\$ 52,890	\$ 52,014	\$ 48,223
Per common share:								
Basic earnings . . . . .	\$ .83	\$ .81	\$ .78	\$ .75	\$ .73	\$ .70	\$ .68	\$ .62
Diluted earnings . . . . .	\$ .82	\$ .80	\$ .78	\$ .75	\$ .72	\$ .69	\$ .67	\$ .62
Dividends declared . . . . .	\$ .2875	\$ .2875	\$ .2875	\$ .2875	\$ .25	\$ .25	\$ .25	\$ .25
Financial Ratios: <sup>(1)</sup>								
Return on average assets . . . . .	1.97%	2.03%	2.04%	2.01%	1.88%	1.81%	1.78%	1.71%
Return on average realized common equity . . . . .	26.22	26.19	25.75	24.86	24.44	23.68	23.22	21.47
Return on average common equity	25.17	25.53	25.36	24.68	23.92	23.48	23.37	21.54
Average total equity to average assets . . . . .	7.82	7.96	8.03	8.15	7.85	7.72	7.61	7.93
Average tangible equity to average assets . . . . .	6.56	6.64	6.68	6.77	6.50	6.36	6.23	6.48
Net interest margin . . . . .	4.59	4.68	4.76	4.83	4.74	4.55	4.40	4.35

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

## Senior Officers

### **TCF FINANCIAL CORPORATION**

---

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Chief Executive Officer*

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Operating Officer*

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*Vice Chairman, General Counsel  
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Financial Officer and Treasurer*

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MARK R. LUND

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SCOTT W. JOHNSON

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JAMES C. LAPLANTE

JAMES M. MATHEIS

DAVID B. McCULLOUGH

ANTON J. NEGRINI

PATRICIA L. QUAAI

ROGER W. STARR

LEONARD D. STEELE

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RUSSELL P. McMINN

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DAVID J. VEURINK

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TIMOTHY J. O'KEEFE

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FRANK A. MCCARTHY

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PATRICIA A. ROYGRAFT

TAMARA J. SALVO

CAROL B. SCHIRMERS

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*Senior Vice Presidents*

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WALTER E. DZIENSKY

BRADLEY C. GUNSTAD

THOMAS F. JASPER

CHARLES A. SELL, JR.

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*President*

RONALD J. PALMER

*Senior Vice Presidents*

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PAUL L. GENDLER

JOHN G. McMANIGAL

DEBORAH L. MOGENSEN

RICHARD J. PIEPER

DEAN J. STINGFIELD

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*Chairman of the Board and  
Chief Executive Officer*

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*Chairman,  
Acrometal Management  
Corporation*

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 & Co.*

THOMAS J. MCGOUGH<sup>2:3:4:5</sup>  
*President,  
McGough Construction  
Company, Inc.*

RICHARD F. McNAMARA<sup>2:3:4</sup>  
*Chief Executive Officer,  
Activar, Inc.*

LYNN A. NAGORSKE  
*President and  
Chief Operating Officer*

GERALD A. SCHWALBACH<sup>1:2:3:4</sup>  
*Chairman,  
Superior Storage LLC*

RALPH STRANGIS<sup>4:5</sup>  
*Senior Partner,  
Kaplan, Strangis and Kaplan, P.A.*

1 Audit Committee

2 Compensation/Nominating/  
Corporate Governance  
Committee

3 Advisory Committee – TCF  
Employees Stock Purchase Plan

4 Shareholder Relations/  
De Novo Expansion Committee

5 Executive Committee

## Offices

### EXECUTIVE OFFICES

---

*TCF Financial Corporation*  
200 LAKE STREET EAST  
WAYZATA, MN 55391-1693  
(612) 661-6500

### MINNESOTA

---

*Headquarters*  
801 MARQUETTE AVENUE  
MINNEAPOLIS, MN 55402  
(612) 661-6500

*Traditional Branches*  
MINNEAPOLIS/ST. PAUL AREA (44)  
GREATER MINNESOTA (6)

*Supermarket Branches*  
MINNEAPOLIS/ST. PAUL AREA (40)  
GREATER MINNESOTA (4)

### ILLINOIS/WISCONSIN/ INDIANA

---

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

*Traditional Branches*  
CHICAGOLAND (31)  
MILWAUKEE AREA (11)  
KENOSHA/RACINE AREA (7)

*Supermarket Branches*  
CHICAGOLAND (156)  
MILWAUKEE AREA (14)  
KENOSHA/RACINE AREA (3)  
INDIANA (5)

### MICHIGAN

---

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

*Traditional Branches*  
METRO DETROIT AREA (37)  
GREATER MICHIGAN (10)

*Supermarket Branches*  
METRO DETROIT AREA (10)  
GREATER MICHIGAN (1)

### COLORADO

---

*Headquarters*  
9200 EAST PANORAMA CIRCLE  
SUITE 100  
ENGLEWOOD, CO 80112  
(303) 858-8519

*Traditional Branches*  
METRO DENVER AREA (3)  
COLORADO SPRINGS (2)

*Supermarket Branches*  
METRO DENVER AREA (7)  
COLORADO SPRINGS (4)

### TCF MORTGAGE CORPORATION

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

### TCF LEASING, INC.

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

### WINTHROP RESOURCES CORPORATION

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*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>2002</b>				
<b>Fourth Quarter</b>	<b>\$43.69</b>	<b>\$44.75</b>	<b>\$35.10</b>	<b>\$.2875</b>
<b>Third Quarter</b>	<b>42.33</b>	<b>50.30</b>	<b>39.90</b>	<b>.2875</b>
<b>Second Quarter</b>	<b>49.10</b>	<b>54.07</b>	<b>46.65</b>	<b>.2875</b>
<b>First Quarter</b>	<b>52.61</b>	<b>54.60</b>	<b>46.87</b>	<b>.2875</b>
<b>2001</b>				
Fourth Quarter	\$ 47.98	\$ 48.25	\$ 39.40	\$.25
Third Quarter	46.06	51.12	39.45	.25
Second Quarter	46.31	46.55	34.90	.25
First Quarter	37.79	44.38	32.81	.25
<b>2000</b>				
Fourth Quarter	\$ 44.56	\$ 45.56	\$ 33.81	\$.2125
Third Quarter	37.63	37.88	25.75	.2125
Second Quarter	25.69	29.06	22.00	.2125
First Quarter	23.81	24.88	18.00	.1875
<b>1999</b>				
Fourth Quarter	\$ 24.88	\$ 30.56	\$ 23.75	\$.1875
Third Quarter	28.56	29.38	26.63	.1875
Second Quarter	27.88	30.69	25.13	.1875
First Quarter	26.06	27.25	21.69	.1625
<b>1998</b>				
Fourth Quarter	\$ 24.19	\$ 25.63	\$ 15.81	\$.1625
Third Quarter	19.88	32.44	19.88	.1625
Second Quarter	29.50	37.25	28.38	.1625
First Quarter	33.94	35.13	29.25	.125

### 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, 2002, TCF had approximately 73.9 million shares of common stock outstanding.

### 2003 COMMON STOCK DIVIDEND DATES

<i>Expected Record:</i>	<i>Expected Payment:</i>
February 7	February 28
May 2	May 30
August 1	August 29
November 7	November 28

### TRANSFER AGENT AND REGISTRAR

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

### COMMON STOCK DIVIDEND REINVESTMENT PLAN

Approximately 58% of TCF's 11,042 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 CONTACTS

Jason Korstange Senior Vice President Corporate Communications (952) 745-2755	Patricia Quaal Senior Vice President Investor Relations (952) 745-2758
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### 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  
EXO-02-C  
Wayzata, MN 55391-1693  
(952) 745-2760

### CORPORATE WEBSITE

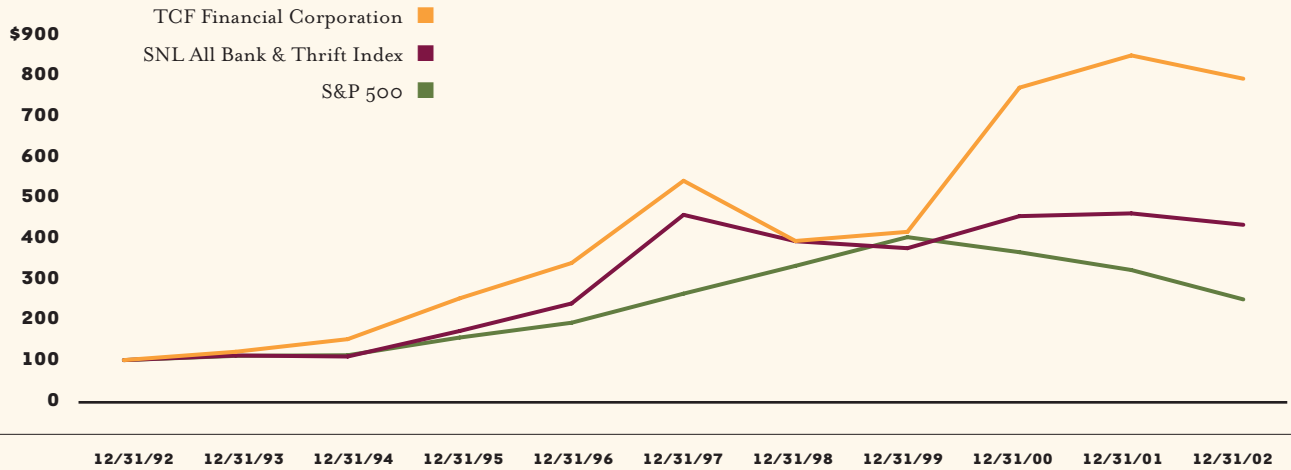
Please visit our website at [www.tcfexpress.com](http://www.tcfexpress.com) for free access to investor information, news, investor presentations, access to TCF's quarterly conference calls, TCF's annual report, quarterly reports and SEC filings.

### ANNUAL MEETING

The annual meeting of shareholders of TCF will be held on Wednesday, April 23, 2003 at 10:00 a.m. at the Sheraton Minneapolis West, 12201 Ridgedale Drive, Minnetonka, Minnesota.

### Total Return to Shareholders

(In Dollars)



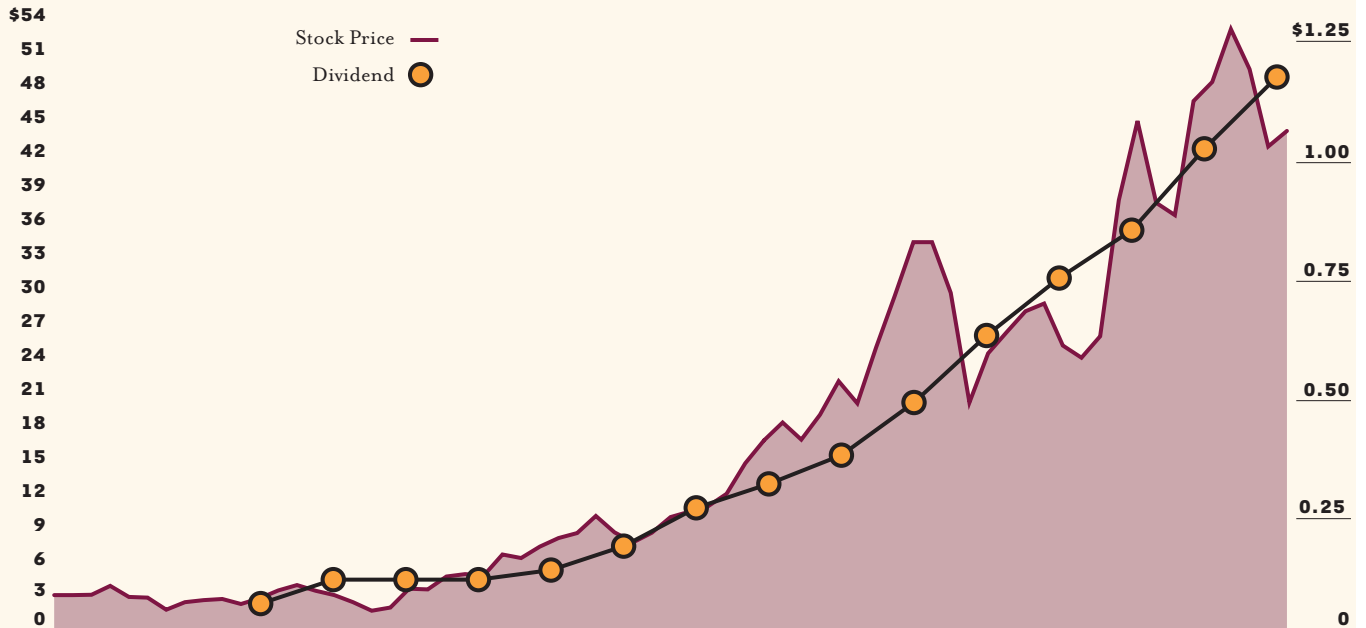
Assumes \$100 invested December 31, 1992 with dividends reinvested.

### Credit Ratings

Last Rating Action	Last Review	Last Rating Action	Last Review	Last Rating Action	Last Review
<b>Moody's</b>	October 2001	<b>Standard &amp; Poor's</b>	June 2002	<b>FITCH</b>	January 2003
TCF National Bank:		Outlook	Positive	Outlook	Stable
Outlook	Stable	TCF Financial Corporation:		Issuer rating	B
Issuer	A2	Long-term counterparty	BBB	TCF Financial Corporation:	
Long-term deposits	A2	Short-term counterparty	A-2	Long-term senior	A-
Short-term deposits	Prime-1	TCF National Bank:		Short-term	F1
Bank financial strength	C+	Long-term counterparty	BBB+	TCF National Bank:	
		Short-term counterparty	A-2	Long-term deposits	A
				Short-term deposits	F1

### Stock Price Performance

(In Dollars)



Year Ending	6-86	12-86	12-87	12-88	12-89	12-90	12-91	12-92	12-93	12-94	12-95	12-96	12-97	12-98	12-99	12-00	12-01	12-02
Stock Price	\$3.00	\$3.03	\$1.72	\$2.22	\$3.38	\$1.91	\$4.84	\$7.25	\$8.50	\$10.31	\$16.56	\$21.75	\$33.94	\$24.19	\$24.88	\$44.56	\$47.98	\$43.69
Dividend Paid	N/A	N/A	N/A	\$0.05	\$0.10	\$0.10	\$0.10	\$0.13	\$0.19	\$0.25	\$0.31	\$0.38	\$0.50	\$0.65	\$0.75	\$0.85	\$1.00	\$1.15



TCF Financial Corporation  
200 Lake Street East  
Wayzata, MN 55391-1693

[www.tcfexpress.com](http://www.tcfexpress.com)



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