Earnings Presentation
Fourth Quarter 2011

January 25, 2011

Presenters:

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FBC LISTED NYSE

Flagstar Bancorp

Legal Disclaimer

This presentation includes forward-looking statements (as such term is defined in the Private Securities Litigation Reform Act of 1995) and includes comments with respect to our objectives and strategies, and the results of our operations and our business. Forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts. They often include words such as “expects,” “assumes,” “anticipates,” “intends,” “plans,” “believes,” “seeks,” “estimates” or words of similar meaning, or future or conditional words such as “assuming,” “will,” “would,” “possible,” “proposed,” “projected,” “positioned,” “vision,” “opportunity,” “should,” “could,” “indicative,” “target” or “may.”

Forward-looking statements provide our expectations or predictions of future conditions, events or results. They are not guarantees of future performance. By their nature, these forward-looking statements involve numerous assumptions, uncertainties and opportunities, both general and specific. These statements speak only as of the date they are made. We do not undertake to update forward-looking statements to reflect the impact of circumstances or events that arise after the date the forward-looking statements were made. There a number of factors, many of which are beyond our control that could cause actual conditions, events or results to differ significantly from those described in the forward looking statements. Some of these are:

- Volatile interest rates that impact, amongst other things, (i) the mortgage banking business, (ii) our ability to originate loans and sell assets at a profit, (iii) prepayment speeds and (iv) our cost of funds, could adversely affect earnings, growth opportunities and our ability to pay dividends to shareholders.
- Our ability to maintain capital levels.
- Competitive factors for loans could negatively impact gain on loan sale margins.
- Competition from banking and non-banking companies for deposits and loans can affect our growth opportunities, earnings, gain on sale margins, market share and ability to transform business model.
- Changes in the regulation of financial services companies and government-sponsored housing enterprises, and in particular, declines in the liquidity of the mortgage loan secondary market, could adversely affect business.
- Our ability to resolve representation and warranty claims from the government-sponsored housing enterprises or private insurers.
- Our ability to achieve resolution in any pending or threatened litigation including the timing and ability to reach a settlement.
- Changes in regulatory capital requirements or an inability to achieve desired capital ratios could adversely affect our growth and earnings opportunities and our ability to originate certain types of loans, as well as our ability to sell certain types of assets for fair market value or to transform business model.
- General business and economic conditions, including unemployment rates, further movements in interest rates, the slope of the yield curve, any increase in fraud and other criminal activity and the further decline of asset values in certain geographic markets, may significantly affect the company’s business activities, loan losses, reserves, earnings and business prospects.
- Factors concerning the implementation of proposed enhancements and transformation of business model could result in slower implementation times than we anticipate and negate any competitive advantage that we may enjoy.

Readers should carefully review Flagstar’s financial statements and notes thereto, as well as the risk factors described in Flagstar’s Annual Report on Form 10-K for the year ended December 31, 2010, Form 10-Q for the period ended September 30, 2011, and other documents Flagstar files from time to time with the Securities and Exchange Commission. The information contained in this presentation does not constitute a solicitation to buy Flagstar securities.

Fourth Quarter 2011 Highlights

- Net loss to common stockholders of $(78.2) million
  - $98.3 million in pre-tax, pre-credit-cost income
  - Credit related costs of $173.2, compared to $111.7 in prior quarter
  - Gain on loan sale income increased to $106.9 million, or 102 bps
  - Net loan fees and charges increased by 55.6% from prior quarter to $28.6 million
  - Net servicing revenue increased by 71.3% from prior quarter to $29.0 million
  - Bank net interest margin improved by 13 basis points from prior quarter to 2.43%
- Maintained strong capital and liquidity levels
  - Tier 1 capital ratio of 8.95%
  - Cash and cash equivalents of $731.1 million, in addition to $244 million in unencumbered marketable securities and over $550 million in unused capacity at FHLB
- Continued emphasis on credit risk management, primarily associated with loans originated prior to 2009
  - Fortified balance sheet, adding $71.0 million in total reserves
  - Converted to nationally recognized residential mortgage loan servicing system and made significant investments and enhancements in loss mitigation and default servicing
- Completed previously announced divestitures of Indiana and Georgia bank franchises, resulting in net gain of $21.4 million
- Grew interest earning assets, improved retail deposit mix and reduced overall cost of funds

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Summary Financial Results

($ in millions, except per share data)	Q4 2011	Q3 2011	Q4 2010
Net Interest Income	$75.9	$65.6	$66.1
Provision	$63.5	$36.7	$225.4
Gain on Loan Sale	$106.9	$103.9	$76.9
Net Servicing Revenue [1]	$29.0	$16.9	$28.1
Net Loss Applicable to Common Shareholders	**($78.2)**	**($14.2)**	**($192.1)**
Diluted Earnings / (Loss) per Share	($0.14)	($0.03)	($0.64)
Total Assets	$13,637.5	$13,734.0	$13,643.5
Total Stockholders' Equity	$1,079.7	$1,159.3	$1,259.7
Book Value per Common Share	**$1.48**	**$1.63**	**$1.83**
NPLs / Gross Loans HFI	6.94%	6.52%	5.05%
NPAs / Total Assets (Bank)	**4.43%**	**4.09%**	**4.35%**
ALLL / NPLs	**65.11%**	**63.39%**	**86.05%**
ALLL / Gross Loans HFI	4.52%	4.13%	4.35%
NPAs / Tier 1 Capital + Allowance for Loan Losses [2]	39.34%	35.88%	31.52%
Tier 1 Capital Ratio	**8.95%**	**9.31%**	**9.61%**
Total Risk Based Capital Ratio	16.64%	17.64%	18.55%
Total Equity / Total Assets	7.92%	8.44%	9.23%

[1] Net servicing revenue includes net loan administration income and net gain (loss) on trading securities.

[2]: See Non-GAAP reconciliation on pages 39 - 41.

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Pre-tax, Pre-credit-cost Income

-- Pre-tax, pre-credit-cost income continues to be strong…

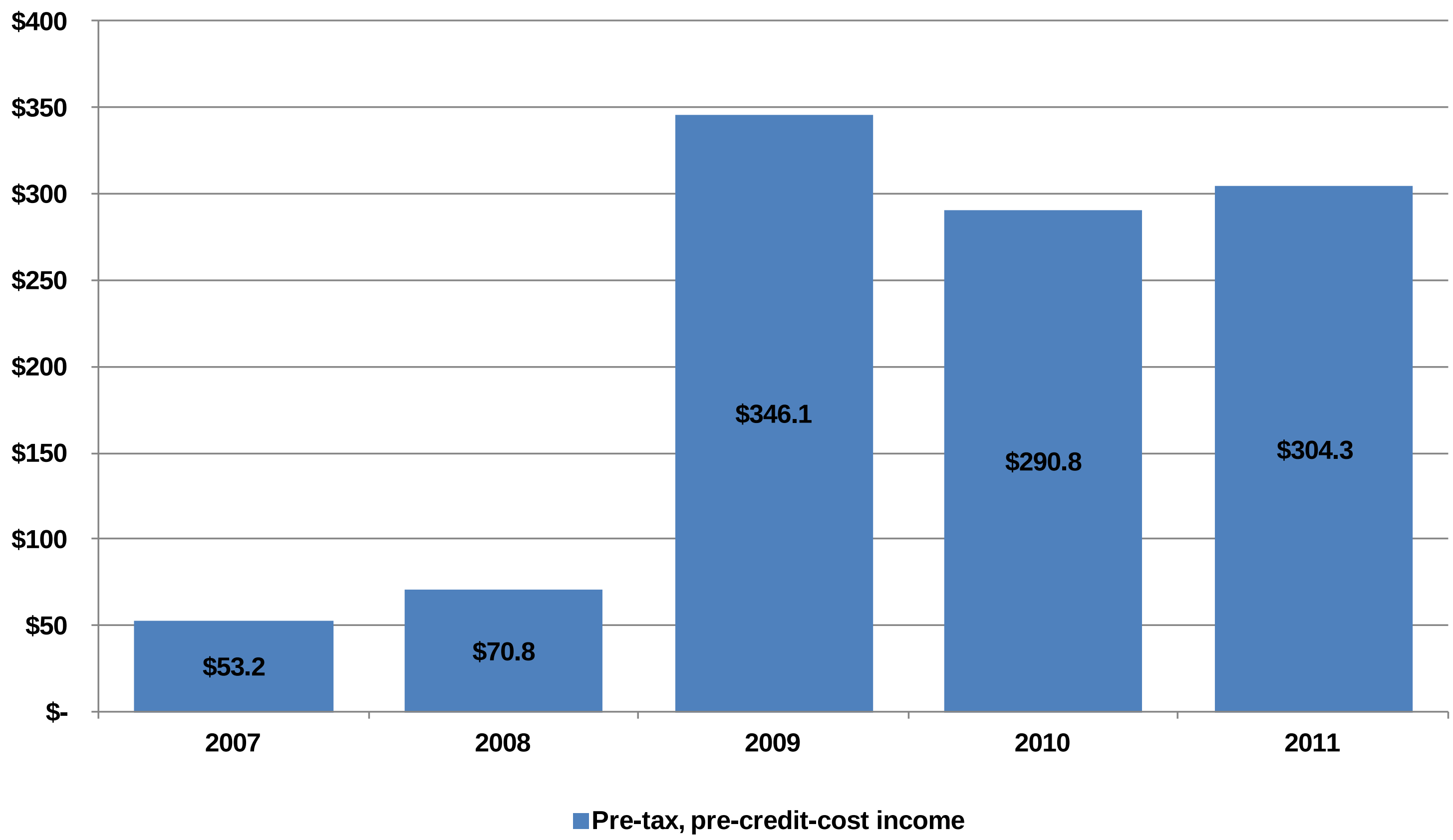
$ in millions	**Q4 2011**	**Q3 2011**	**Q2 2011**	**Q1 2011**	**Q4 2010**
Loss before tax provision and dividends	($74.9)	($9.2)	($69.9)	($26.7)	($185.3)
Add back:					
Provision for loan losses	63.5	36.7	48.4	28.3	225.4
Asset resolution	32.4	34.5	23.3	38.1	41.8
Other than temporary impairment on investments AFS	7.1	1.3	15.6	0.0	1.3
Representation and warranty reserve	69.3	39.0	21.4	20.4	10.3
Write down of residual interests	0.8	0.2	2.3	2.4	(3.8)
Total credit related costs:	173.2	111.7	110.9	89.2	275.0
Pre-tax, pre credit-cost income	**$98.3**	**$102.5**	**$41.0**	**$62.5**	**$89.7**

Note: See Non-GAAP reconciliation on pages 39 - 41.

Totals may not foot due to rounding

Growth in Pre-tax, Pre-credit-cost Income

-- Pre-tax pre-credit-cost income increased to $304.3 million for 2011…



Note: See Non-GAAP reconciliation on pages 39 - 41.

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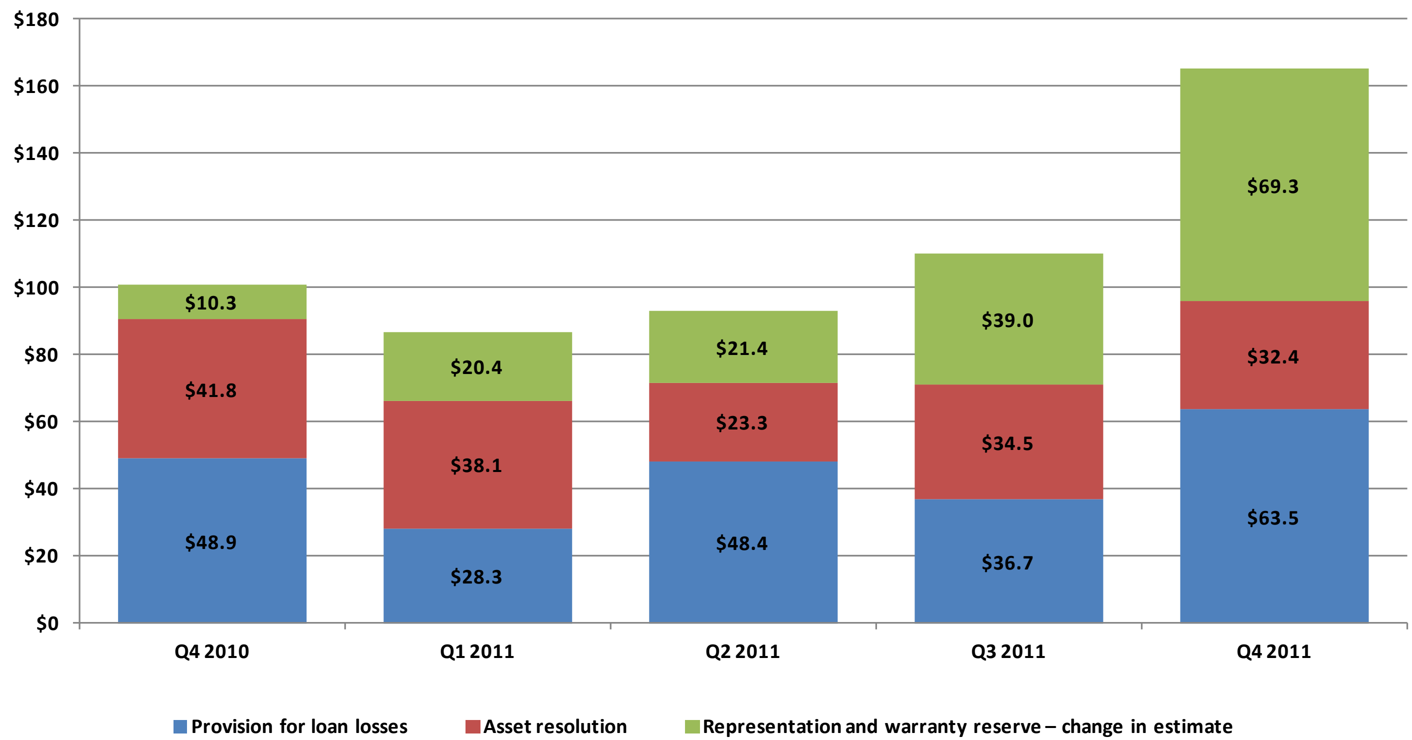
Primary Credit Related Costs

-- Credit related costs increased from the third quarter, driven primarily by a $36 million increase in allowance for loan losses and a $35 million increase in representation and warranty reserve…

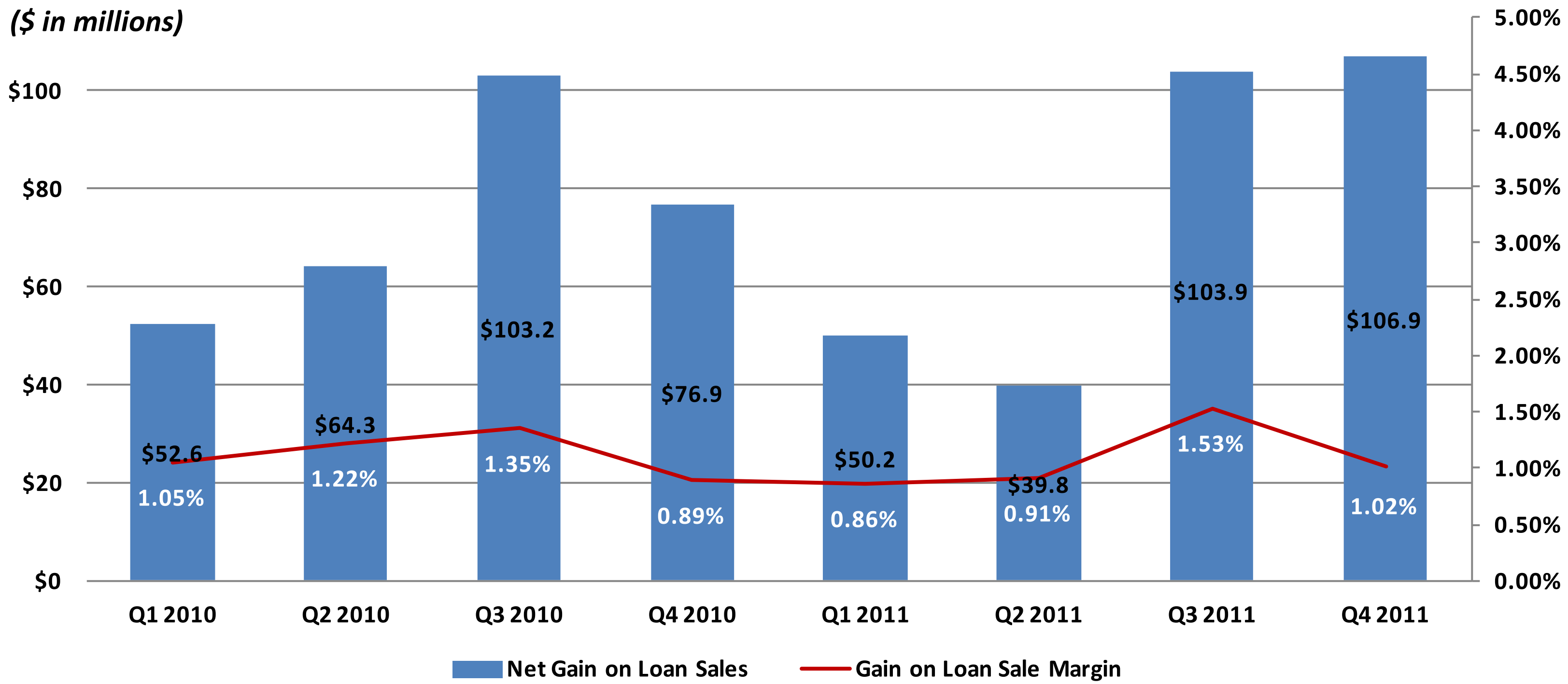
($ in millions)



Note: Provision for Q4 2010 excludes $176.5 million related to a loss on the sale of $474 million of non-performing loans and the concurrent transfer of $104.2 million of such loans to the available-for-sale category.

Gain on Loan Sales

-- Fourth quarter gain on loan sale income remained strong, with a slight increase from third quarter…



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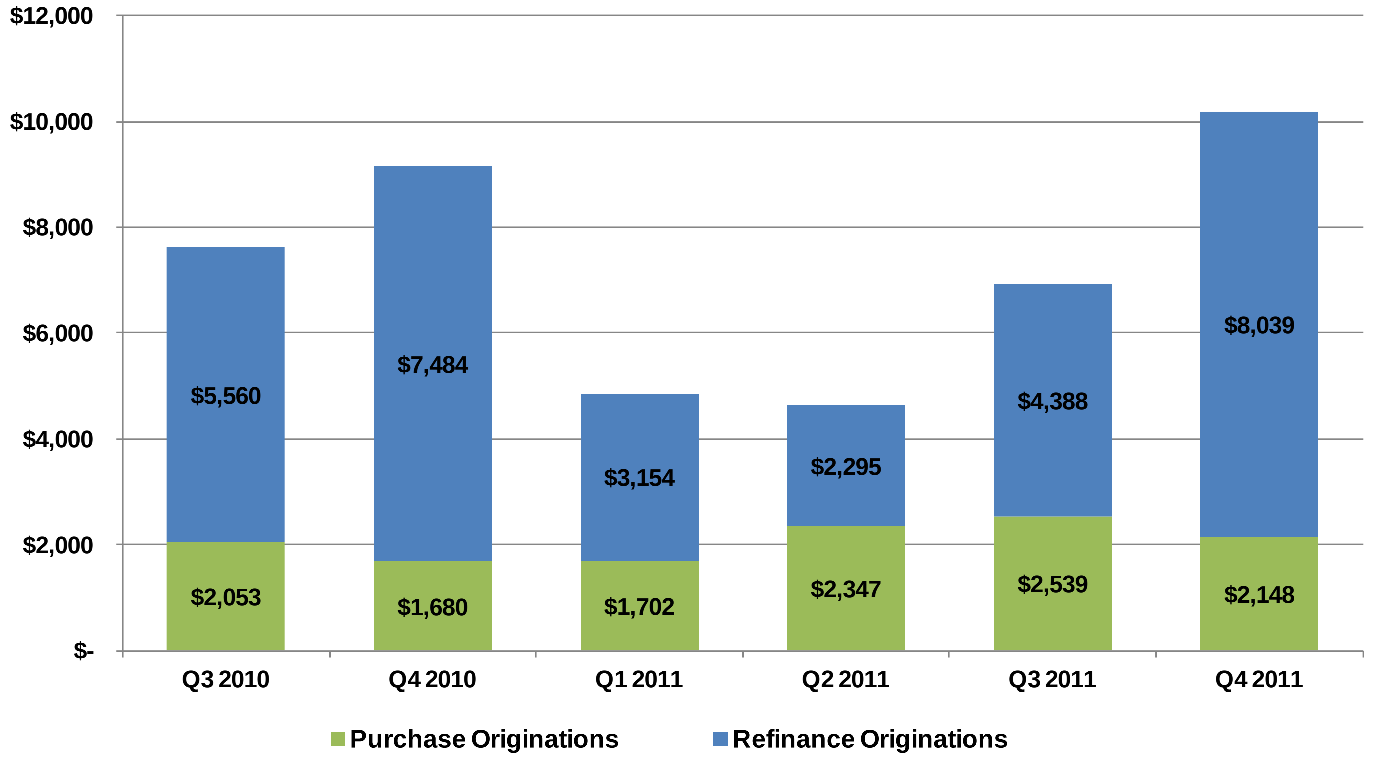
Residential Mortgage Originations

-- Fourth quarter residential first mortgage originations increased by $3.3 billion from the third quarter…

($ in millions)



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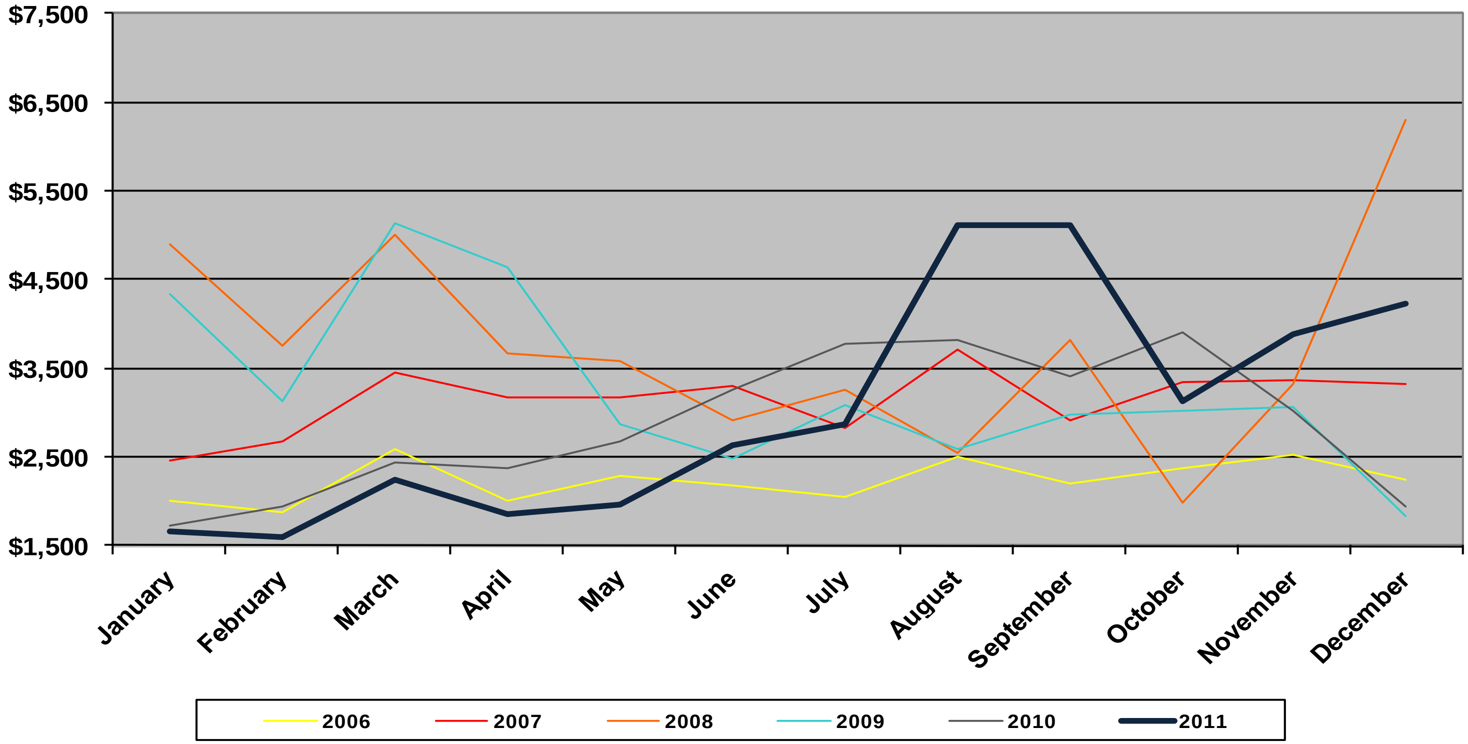
Historical Monthly Lock Volume

-- Residential mortgage rate locks continued to be strong, reflecting the interest rate environment and increased refinancing activity…

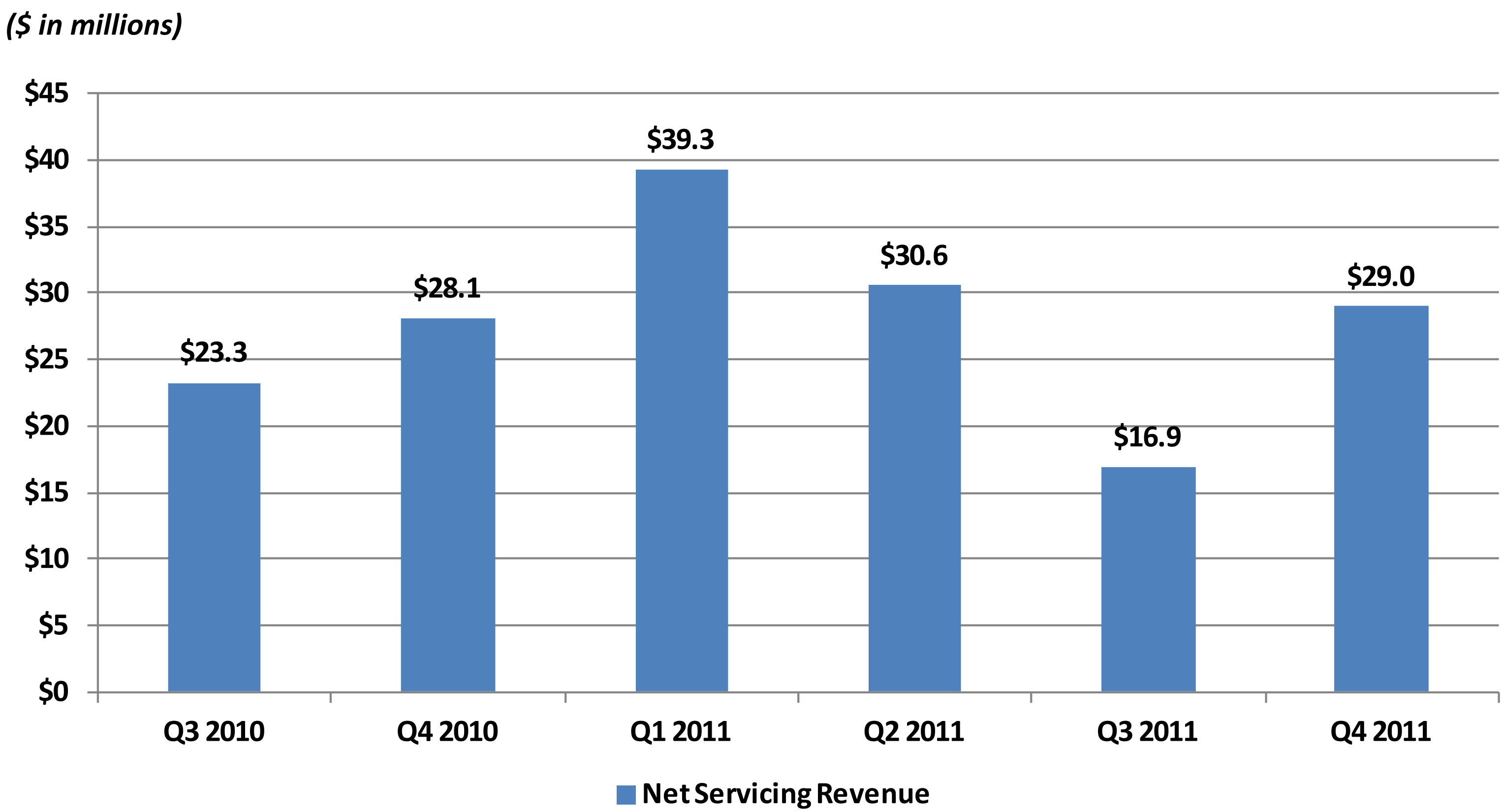
($ in millions)



Note: Residential mortgage volume.

Net Servicing Revenue

-- Mortgage servicing rights portfolio, net of hedges, continues to generate substantial revenues…



Note: Net servicing revenue includes net loan administration income and net gain (loss) on trading securities.

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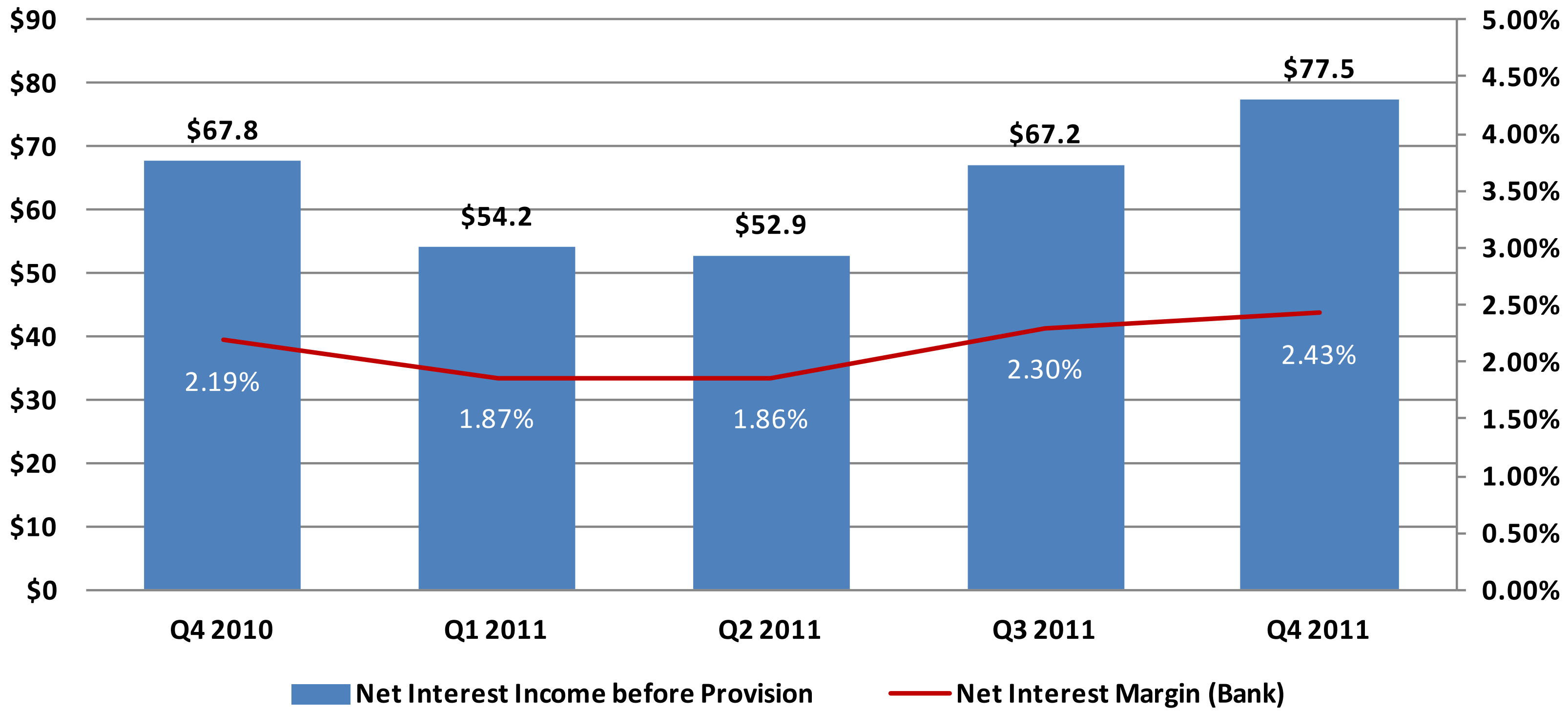
Bank Net Interest Income and Margin

-- Bank net interest income and margin continues to improve, driven by growth in average interest earning assets and an improvement in funding costs on deposits and FHLB advances…

($ in millions)



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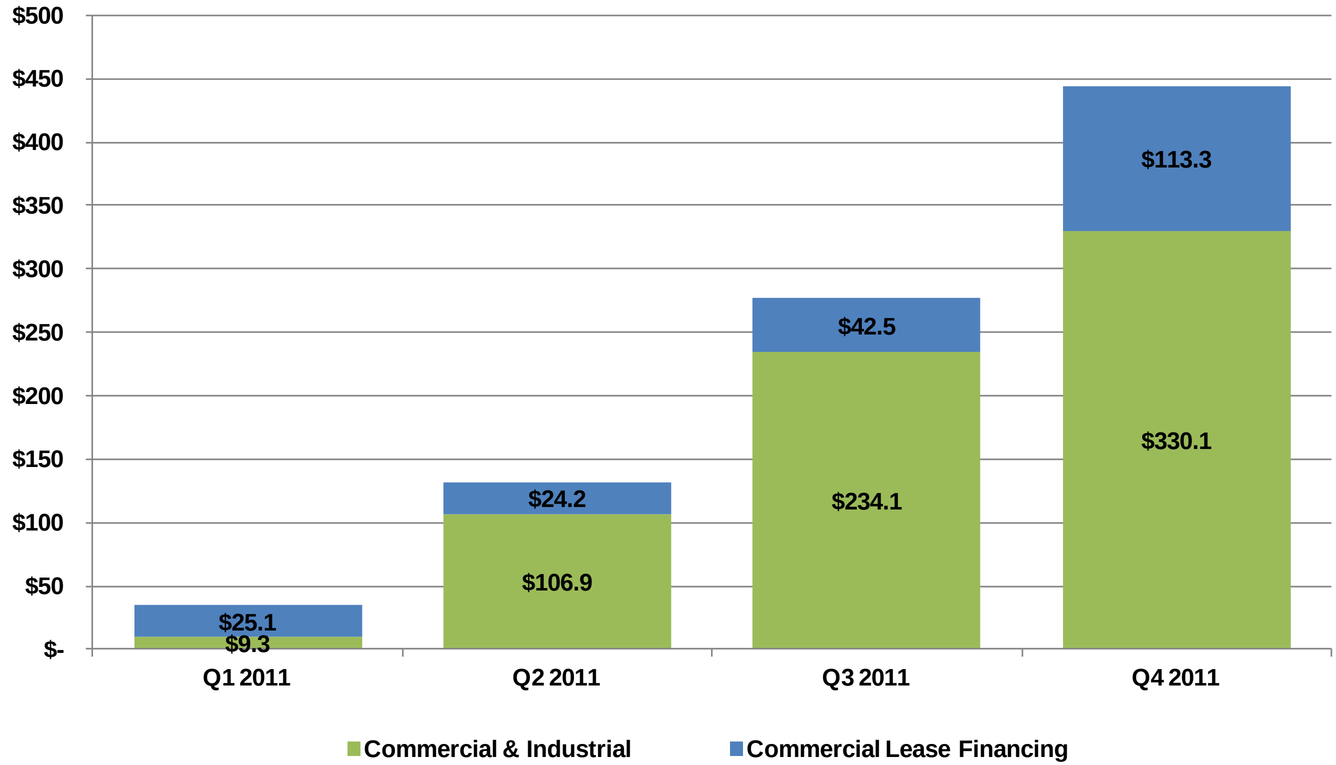
Commercial Loan Balances

-- Commercial & industrial and commercial lease financing loan balances grew in each quarter during 2011…

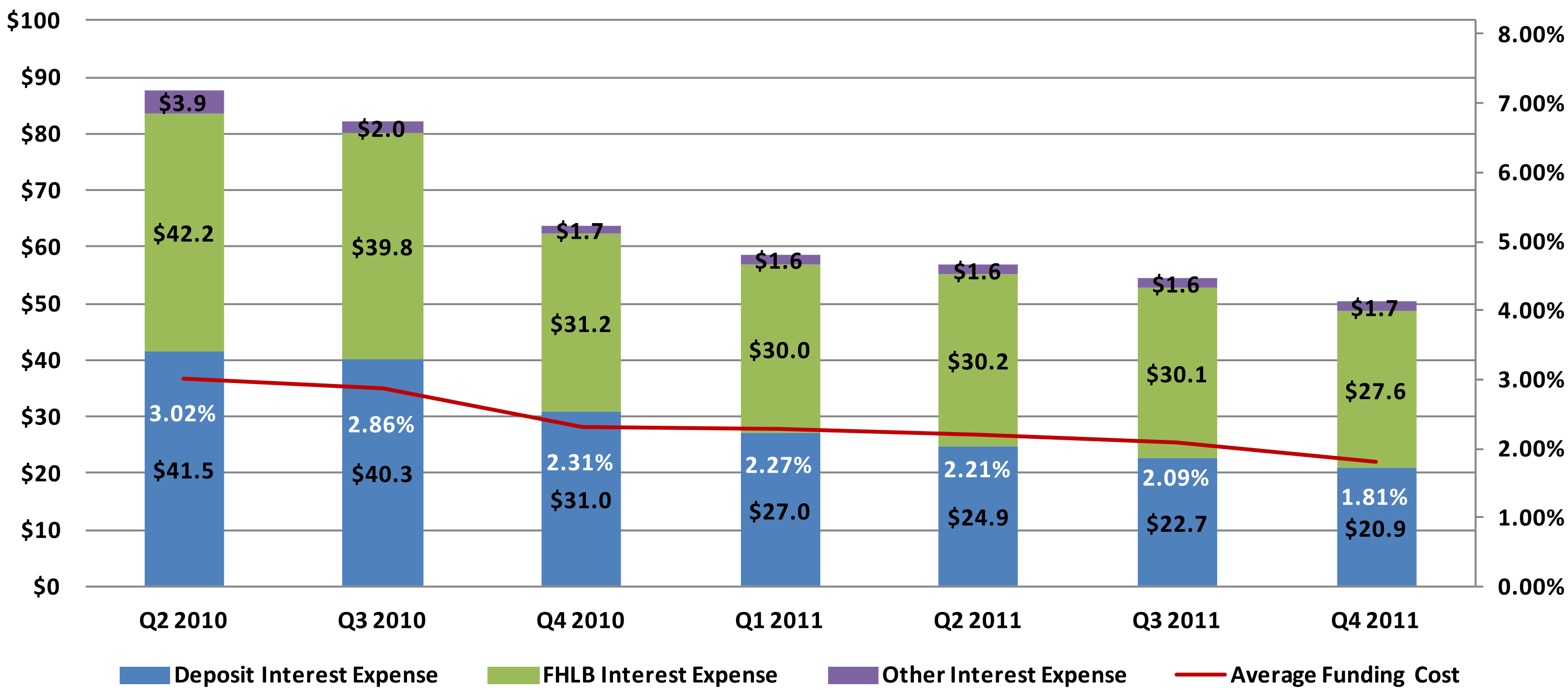
($ in millions)



Cost of Funds

-- Average cost of funds improved 28 basis points from the third quarter, driven by a lower cost and better mix of deposits and from a full quarter's impact from the refinance of $1 billion in FHLB advances at the end of the third quarter 2011…

($ in millions)



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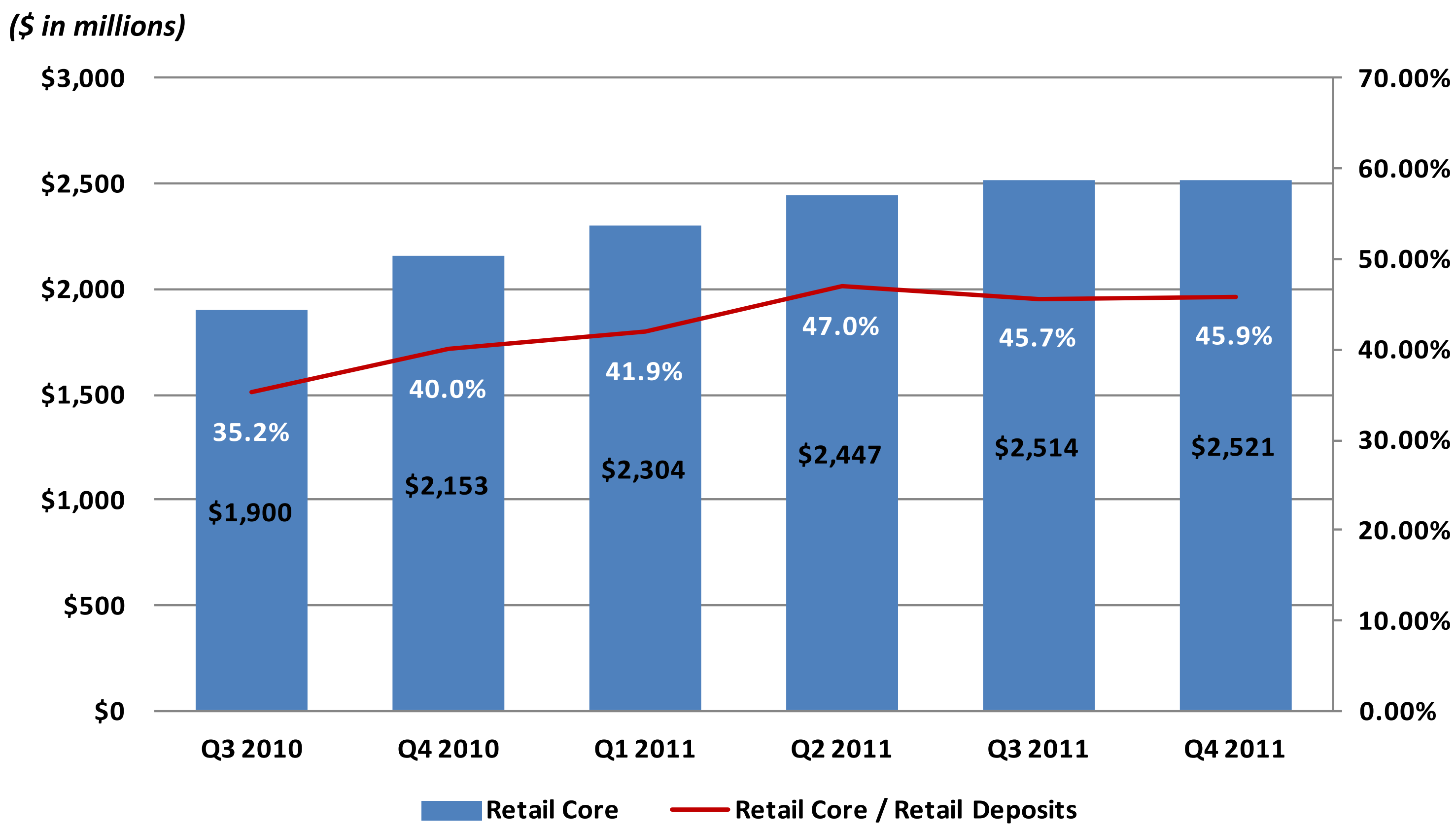
Core Deposits

-- Retail core deposits increased in total, and as a percentage of retail deposits, from the third quarter…



Note: Core deposits include checking accounts, savings accounts, and money market accounts (excludes custodial accounts).

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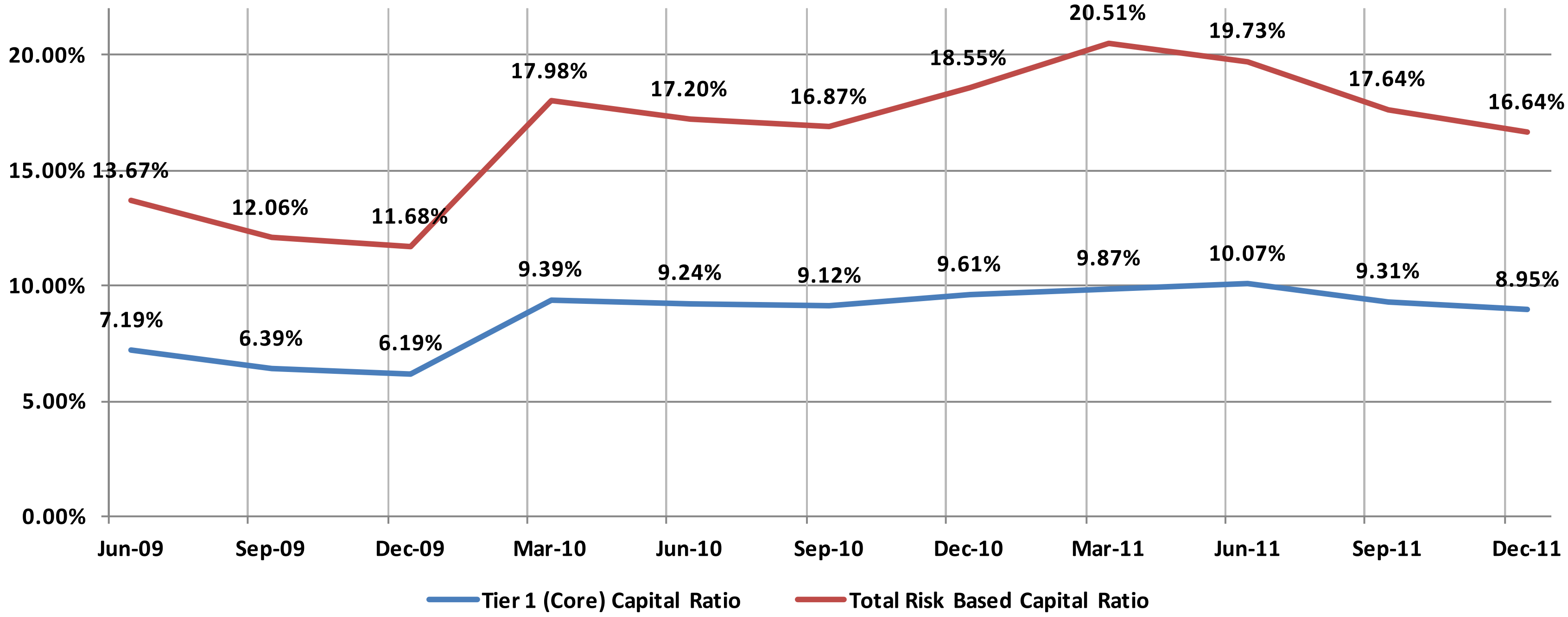
Regulatory Capital Ratios

-- Regulatory capital ratios remains strong…



Asset Quality

$ in millions	Q4 2011	Q3 2011	Q2 2011
Consumer (1)	$83.7	$91.3	$91.2
Commercial (1)	$7.5	$13.7	$1.4
Total 30 Day Delinquent Loans	$91.1	$105.0	$92.6
Consumer (1)	$41.6	$46.0	$46.1
Commercial (1)	$12.4	$10.5	$0.2
Total 60 Day Delinquent Loans	$54.0	$56.5	$46.3
Consumer (1)	$387.4	$352.4	$298.8
Commercial (1)	$101.0	$92.5	$104.6
Total90+ Day Delinquent Loans	$488.4	$444.9	$403.4
Non-performing Assets (2)	$607.7	$561.6	$518.8
To Total Assets (Bank only)	4.43%	4.09%	4.10%
Provision for Loan Losses	$63.6	$36.7	$48.4
Charge-offs, Net of Recoveries	$27.5	$28.7	$45.4
Allowance for Loan Losses	$318.0	$282.0	$274.0
To Loans Held for Investment	4.52%	4.13%	4.59%
To Non-performing Loans	65.11%	63.39%	67.93%
Real Estate Owned	$114.7	$113.4	$110.1

(1) Consumer loans include: residential first mortgage, second mortgage, construction, warehouse lending, HELOC, and other consumer loans. Commercial loans include: commercial real estate, commercial and industrial, and commercial lease financing loans.

(2) Includes non-performing loans available-for-sale.

Totals may not foot due to rounding

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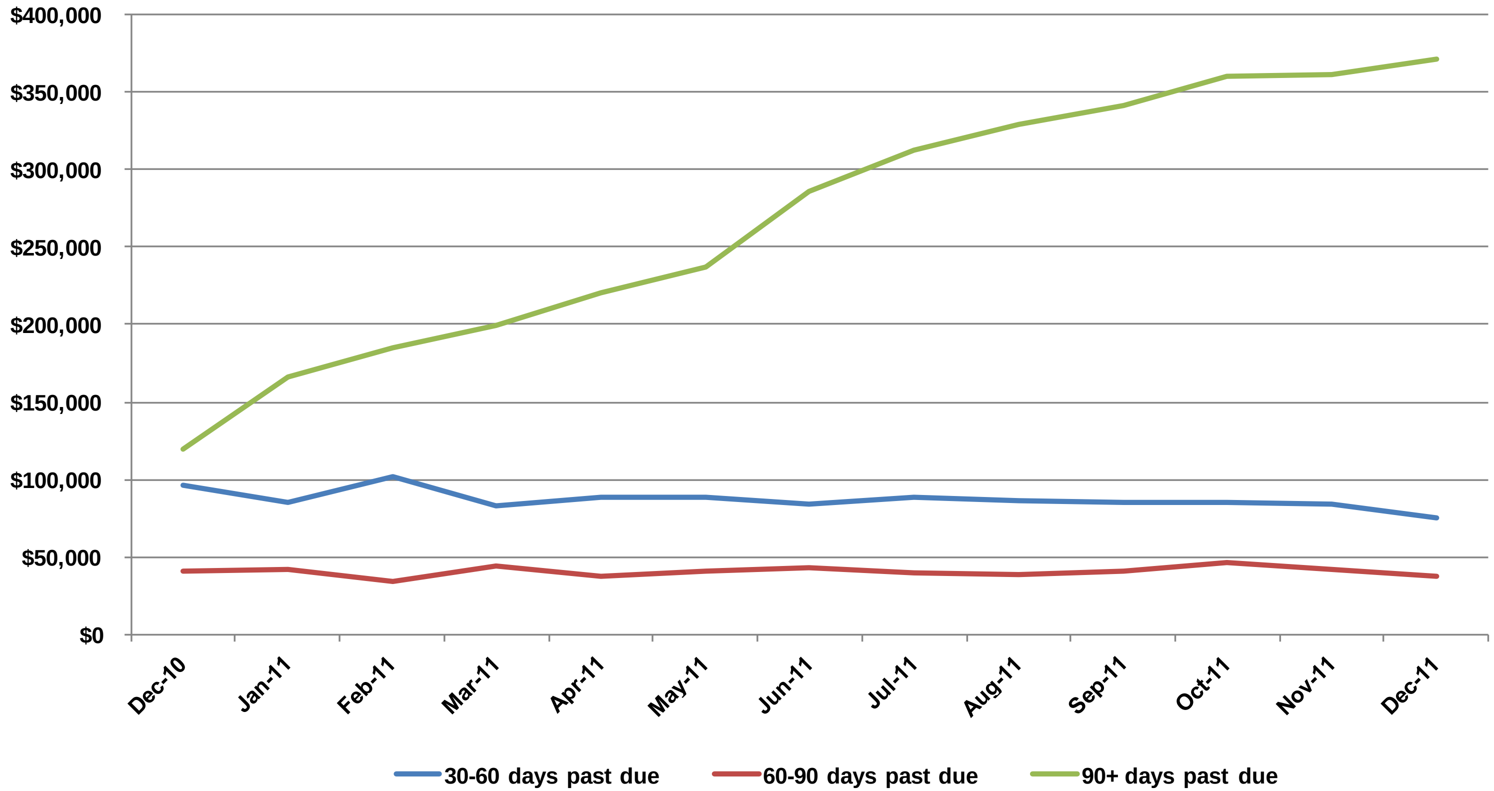
HFI Residential First Mortgage Delinquencies

-- The pace of increase on the 90+ day residential first mortgages continues to flatten, while the 30 day and 60 day residential delinquent first mortgages declined during the quarter…

($ in thousands)

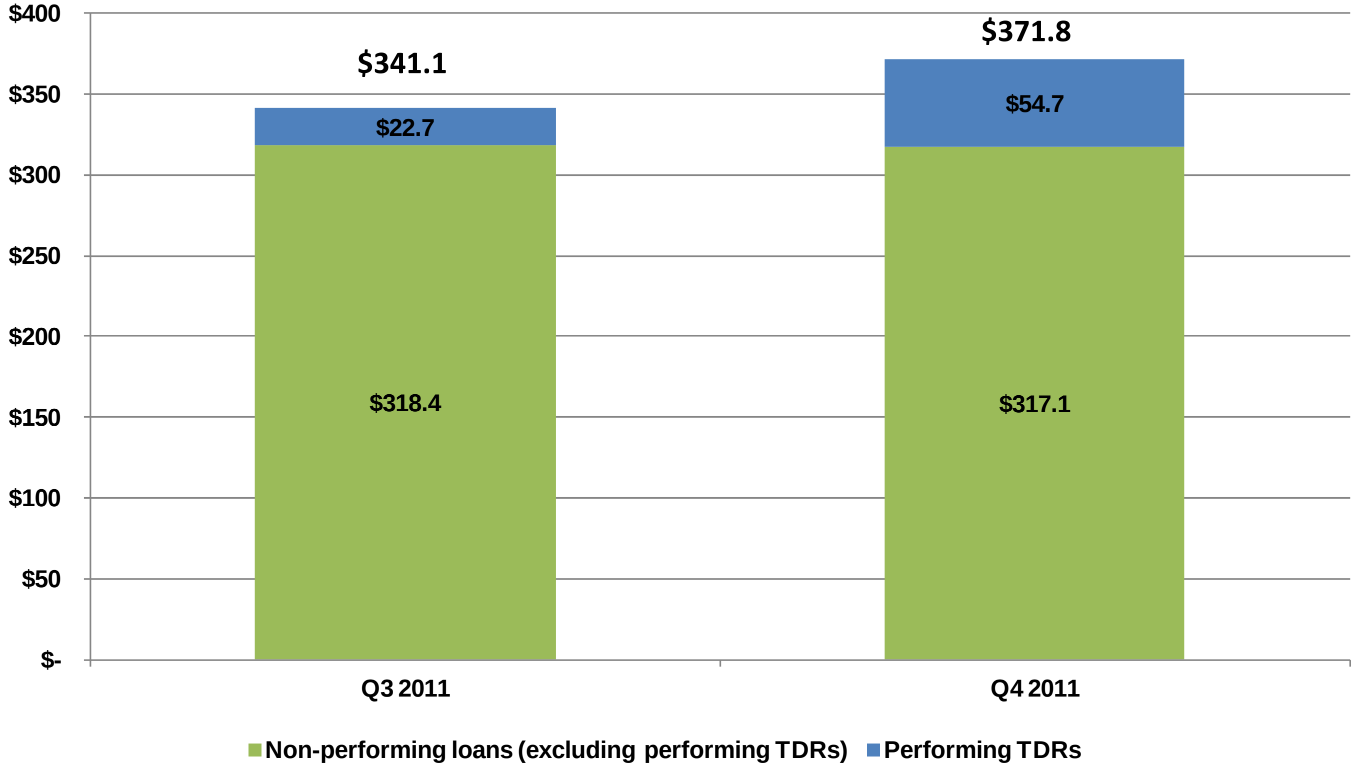


Note: Calculated using OTS method.

Residential First Mortgage Non-Performing Loans

-- Residential performing troubled debt restructurings (TDRs) increased by $32.0 million from the third quarter, consistent with enhanced loan modification activity…

($ in millions)

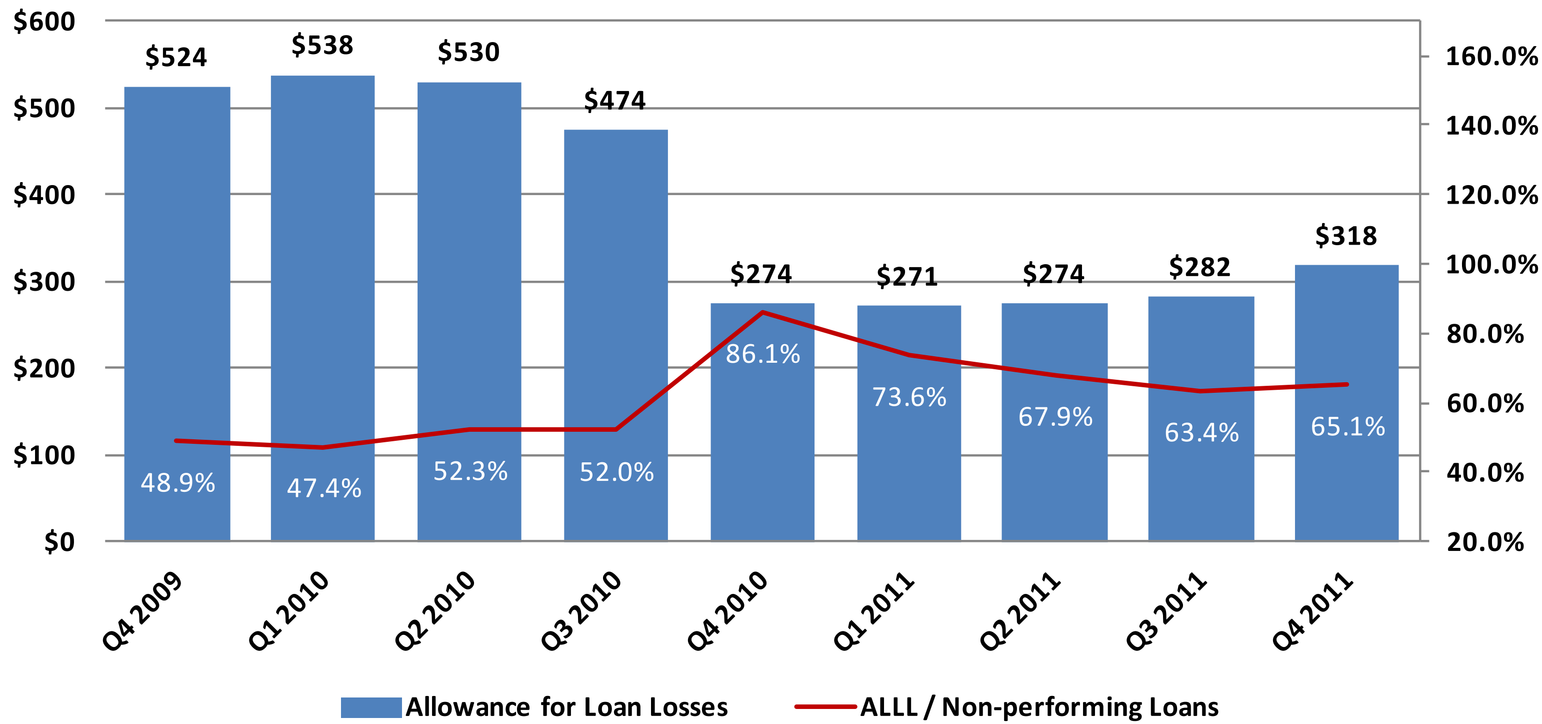


Note: Balances above reflect only residential first mortgages in the HFI portfolio.

Allowance for Loan Losses

-- Allowance for loan losses increased in dollars, and as a percentage of non-performing loans from the third quarter…

($ in millions)



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Representation and Warranty Reserve

Repurchase demands declined in 4Q11, but remain at elevated levels

($ in millions)	4Q10	1Q11	2Q11	3Q11	4Q11
2005 & Prior	$18	$12	$21	$12	$13
2006	14	24	30	31	32
2007	43	83	84	99	86
2008	20	53	40	45	45
2009-2011	18	34	19	22	14
Total	$113	$206	$194	$209	$190

4Q 11 provision was elevated; reserve increased

($ in millions)	4Q10	1Q11	2Q11	3Q11	4Q11
Beg Balance	$78	$79	$79	$79	$85
Additions	22	23	23	41	73
Charge-offs	(21)	(23)	(23)	(35)	(38)
End Balance	$79	$79	$79	$85	$120

Pending demands also declined slightly in 4Q11; primarily FNMA loans

($ in millions)	4Q10	1Q11	2Q11	3Q11	4Q11
Period –end Balance	$219	$304	$326	$352	$343
% Non-Agency (approx)	5%	3%	2%	2%	2%

Key reserve variables

UPB Metric (2005-2011 Vintages) [1]	Amount
Sold UPB	$175 (B)
Remaining UPB [2]	$75 (B)
Loan File Review as % of UPB	5%
Repurchase Demand Rate	16%
Actual Repurchase Rate (Win/Loss)	42%
Loss Severity Rate	44%
Ending Reserve Balance	$120 (M)

(1) Includes estimates
(2) Includes servicing sold with recourse

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Appendix

Full Income Statement

($ in millions, except per share data)	Q4 2011	Q3 2011	Q4 2010
Net Interest Income	$75.9	$65.6	$66.1
Provision for Loan Losses	63.5	36.7	225.4
Net Interest Income after Provision	12.3	28.9	(159.2)
Non-interest Income	118.6	112.6	136.5
Non-interest Expense	205.8	150.7	162.5
Net Earnings (before tax provision)	(74.9)	(9.2)	(185.3)
Provision for Income Taxes	0.3	0.3	2.1
Net Earnings (before preferred dividends)	(75.1)	(9.5)	(187.4)
Preferred Dividends	(3.0)	(4.7)	(4.7)
Net Earnings	**($78.2)**	**($14.2)**	**($192.1)**
Weighted average common shares outstanding	$555.6	$554.8	$361.0
Diluted Loss per Share	($0.14)	($0.03)	($0.64)

Totals may not foot due to rounding

Select Balance Sheet Items

($ in millions)	Q4 2011	Q3 2011	Q4 2010
Total assets	**$13,637.5**	**$13,734.0**	**$13,643.5**
Cash and interest earning deposits	$731.1	$902.8	$953.5
First mortgage and construction loans	3,749.8	3,828.1	3,792.7
Second mortgage loans	138.9	146.5	174.8
Commercial real estate loans	1,243.0	1,268.9	1,250.3
Warehouse loans	1,173.9	995.7	720.8
Consumer lending (including HELOC and other)	289.6	305.9	358.0
Commercial and Industrial	330.1	234.1	8.9
Commercial lease financing	113.3	42.5	-
Investment loan portfolio	$7,038.6	$6,821.7	$6,305.5
Loans held for sale	$1,800.9	$2,080.9	$2,585.2
Loans repurchased with government guarantees	1,899.3	1,746.0	1,674.8
Securities classified as trading	313.4	312.8	160.8
Securities classified as available for sale	481.4	521.3	475.2
Mortgage servicing rights	510.5	437.3	580.3

Totals may not foot due to rounding

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Deposit Mix

($ in millions)	As of Dec 31, 2011		As of Sep 30, 2011		As of Dec 31, 2010	
	Balance	Rate	Balance	Rate	Balance	Rate
Retail Deposits:						
Demand deposits	$ 567	0.17%	$ 640	0.19%	$ 590	0.26%
Savings deposits	1,462	0.87%	1,318	0.74%	1,012	0.90%
Money market deposits	492	0.59%	557	0.62%	552	0.81%
Certificates of deposit	2,972	1.39%	2,990	1.59%	3,231	2.01%
Total retail deposits	5,493	1.05%	5,504	1.13%	5,385	1.48%
Core retail deposits / retail deposits	45.89%		45.67%		40.00%	
Government Banking Deposits:						
Demand deposits	103	0.44%	97	0.45%	79	0.37%
Savings deposits	206	0.60%	502	0.65%	338	0.65%
Certificates of deposit	403	0.66%	362	0.66%	247	0.94%
Total government banking deposits	711	0.61%	961	0.63%	664	0.72%
Company controlled deposits	1,101	0.00%	1,043	0.00%	1,066	0.00%
Wholesale deposits	385	3.45%	619	3.04%	883	3.04%
Total deposits	$ 7,690	0.98%	$ 8,128	1.07%	$ 7,998	1.40%
Number of banking branches	113		162		162	

Note: Represents the ending balance and rate for period noted. Retail core deposits include retail demand, savings and money market.

Totals may not foot due to rounding

First Mortgage Portfolio – by State

As of Dec 31, 2011

$ in thousands

State	AFS					HFI						
	ARM	Fixed	Balloon	Total	% of Total	ARM	Fixed	Balloon	First HELOC	Power Option ARM	Total	% of Total
CA	$ 17,257	$ 521,662	$ -	$ 538,919	**33.2%**	$ 612,403	$ 493,710	$ 59,560	$ 571	$ 39,595	$1,205,838	**32.5%**
FL	4,500	96,555	-	101,054	**6.2%**	292,476	147,502	17,629	1,712	16,521	475,840	**12.8%**
MI	4,206	94,004	-	98,211	**6.0%**	258,569	56,041	21,378	751	3,828	340,567	**9.2%**
WA	3,610	56,254	-	59,864	**3.7%**	107,037	53,801	9,839	296	7,376	178,348	**4.8%**
AZ	1,228	31,594	-	32,823	**2.0%**	84,167	55,577	7,255	-	5,179	152,179	**4.1%**
TX	4,135	81,902	-	86,036	**5.3%**	61,129	51,786	4,071	-	2,435	119,421	**3.2%**
CO	4,327	31,230	-	35,556	**2.2%**	70,470	19,140	11,632	328	3,116	104,686	**2.8%**
MD	1,815	40,908	-	42,724	**2.6%**	55,824	28,471	13,964	-	1,154	99,413	**2.7%**
VA	1,245	33,608	-	34,853	**2.1%**	50,279	22,970	8,711	-	2,652	84,612	**2.3%**
NY	2,187	40,734	-	42,921	**2.6%**	35,621	37,845	4,996	-	736	79,199	**2.1%**
IL	6,763	46,078	-	52,840	**3.3%**	42,995	28,260	3,253	-	-	74,509	**2.0%**
GA	961	29,831	-	30,792	**1.9%**	41,231	23,799	7,726	-	366	73,123	**2.0%**
NV	-	10,723	-	10,723	**0.7%**	45,605	22,142	2,461	-	1,192	71,400	**1.9%**
NJ	3,842	37,346	-	41,188	**2.5%**	35,775	25,807	5,533	491	2,417	70,022	**1.9%**
OH	822	16,376	-	17,198	**1.1%**	40,085	10,825	1,110	76	67	52,164	**1.4%**
Other	15,116	384,510	364	399,990	**24.6%**	289,466	188,951	41,006	1,281	10,089	530,794	**14.3%**
Total :	**$ 72,014**	**$1,553,315**	**$ 364**	**$1,625,694**	**100%**	**$2,123,132**	**$1,266,628**	**$ 220,123**	**$ 5,506**	**$ 96,724**	**$3,712,113**	**100%**

Note: Reflects unpaid principal balance of underlying loans before accounting adjustments for discounts and other items. Also excludes loans eligible for repurchase from Ginnie Mae pools.

Totals may not foot due to rounding

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First Mortgage Portfolio – by Vintage

As of Dec 31, 2011

$ in thousands

Year	AFS					HFI						
	ARM	Fixed	Balloon	Total	% of Total	ARM	Fixed	Balloon	First HELOC	Power Option ARM	Total	% of Total
Older	$ 2,365	$ 1,425	$ -	$ 3,790	0.2%	$ 55,286	$ 25,442	$ 4,578	$ -	$ 335	$ 85,642	2.3%
2003	12,268	1,027	-	13,295	0.8%	178,827	23,691	13,960	-	2,368	218,846	5.9%
2004	3,167	528	-	3,694	0.2%	611,499	34,832	24,392	3,432	228	674,384	18.2%
2005	824	863	-	1,687	0.1%	617,454	68,694	36,822	1,352	6,338	730,659	19.7%
2006	965	1,419	89	2,473	0.2%	125,152	147,574	26,240	328	14,526	313,819	8.5%
2007	1,108	4,393	275	5,776	0.4%	325,757	709,798	109,568	395	69,295	1,214,813	32.7%
2008	873	10,382	-	11,255	0.7%	24,234	90,287	4,321	-	219	119,061	3.2%
2009	-	6,112	-	6,112	0.4%	11,094	55,264	241	-	-	66,599	1.8%
2010	5,547	404	-	5,951	0.4%	8,762	16,613	-	-	3,129	28,504	0.8%
2011	44,899	1,526,761	-	1,571,660	96.7%	165,067	94,434	-	-	286	259,787	7.0%
Total :	$ 72,014	$1,553,315	$ 364	$1,625,694	100%	$2,123,132	$1,266,628	$ 220,123	$ 5,506	$ 96,724	$3,712,113	100%

Note: Reflects unpaid principal balance of underlying loans before accounting adjustments for discounts and other items. Also excludes loans eligible for repurchase from Ginnie Mae pools.

Totals may not foot due to rounding

First Mortgage Portfolio – by Original FICO

As of Dec 31, 2011

$ in thousands

FICO	AFS					HFI						
	ARM	Fixed	Balloon	Total	% of Total	ARM	Fixed	Balloon	First HELOC	Power Option ARM	Total	% of Total
No Score	$ -	$ 4,852	$ -	$ 4,852	**0.3%**	$ 19,480	$ 26,127	$ 379	$ -	$ -	$ 45,985	**1.2%**
< 580	59	7,370	-	7,428	**0.5%**	20,284	28,933	2,863	-	-	52,080	**1.4%**
580 - 619	259	10,649	-	10,908	**0.7%**	28,187	46,597	2,877	-	-	77,661	**2.1%**
620 - 659	5,468	148,914	-	154,382	**9.5%**	121,120	99,182	12,226	142	4,583	237,253	**6.4%**
660 - 699	9,529	222,538	-	232,067	**14.3%**	521,438	299,915	77,940	479	26,061	925,832	**24.9%**
> 699	56,699	1,158,992	364	1,216,056	**74.8%**	1,412,624	765,875	123,839	4,885	66,080	2,373,302	**63.9%**
Total :	**$ 72,014**	**$1,553,315**	**$ 364**	**$1,625,694**	**100%**	**$2,123,132**	**$1,266,628**	**$ 220,123**	**$ 5,506**	**$ 96,724**	**$3,712,113**	**100%**

Note: Reflects unpaid principal balance of underlying loans before accounting adjustments for discounts and other items. Also excludes loans eligible for repurchase from Ginnie Mae pools.

Totals may not foot due to rounding

First Mortgage Portfolio – by LTV

As of Dec 31, 2011

$ in thousands

LTV	AFS					HFI						
	ARM	Fixed	Balloon	Total	% of Total	ARM	Fixed	Balloon	First HELOC	Power Option ARM	Total	% of Total
< 70%	$ 34,268	$ 399,527	$ 89	$ 433,884	26.7%	$ 853,344	$ 447,992	$ 50,411	$2,709	$ 26,883	$1,381,339	37.2%
70% - 79.99%	8,850	250,876	-	259,726	16.0%	933,145	477,871	86,148	1,924	19,980	1,519,068	40.9%
80% - 90%	7,183	234,291	-	241,474	14.9%	272,080	175,787	59,678	874	28,388	536,807	14.5%
> 90%	21,714	668,621	275	690,610	42.5%	64,563	164,978	23,886	-	21,472	274,899	7.4%
Total :	**$ 72,014**	**$1,553,315**	**$ 364**	**$1,625,694**	**100%**	**$2,123,132**	**$1,266,628**	**$220,123**	**$5,506**	**$ 96,724**	**$3,712,113**	**100%**

Note: Reflects unpaid principal balance of underlying loans before accounting adjustments for discounts and other items. Also excludes loans eligible for repurchase from Ginnie Mae pools. LTV equals current principal balance divided by appraised value at origination.

Totals may not foot due to rounding

Flagstar Bancorp

HFI First Mortgage Portfolio – by Original FICO and LTV

As of Dec 31, 2011

$ in thousands

FICO	LTV < 70% Non-performing	< 70% Portfolio Balance	< 70% % of Balance	70% - 79.99% Non-performing	70% - 79.99% Portfolio Balance	70% - 79.99% % of Balance	80% - 90% Non-performing	80% - 90% Portfolio Balance	80% - 90% % of Balance	> 90% Non-performing	> 90% Portfolio Balance	> 90% % of Balance
No Score	$415	$10,419	4.0%	$654	$7,384	8.9%	$630	$10,715	5.9%	$7,450	$17,468	42.7%
< 580	2,297	10,608	21.7%	2,023	9,192	22.0%	5,114	16,034	31.9%	11,102	16,245	68.3%
580 - 619	2,010	14,400	14.0%	1,348	13,081	10.3%	6,383	23,365	27.3%	16,725	26,814	62.4%
620 - 659	4,938	105,616	4.7%	8,798	58,432	15.1%	5,040	31,992	15.8%	19,146	41,212	46.5%
660 - 699	17,727	331,706	5.3%	33,288	382,464	8.7%	27,503	146,197	18.8%	24,598	65,466	37.6%
> 699	37,331	908,590	4.1%	57,239	1,048,515	5.5%	46,366	308,504	15.0%	31,796	107,693	29.5%

Note: Non-performing loans include 90+ days delinquent and matured. LTV equals current principal balance divided by appraised value at origination. Excludes participations and first mortgage repurchases.

Commercial RE Portfolio

As of Dec 31, 2011

$ in thousands										
Property Type	Balance	Percentage of Loans	30 Days	60 Days	90+ Days	Total ($) OTS Delinquent	90+ Days (%) Delinquent	Specific Reserve	General Reserve	Total Reserves
Land - Non Residential Development	$29,855.9	2.40%	-	-	11,942.6	11,942.6	40.00%	2,529.2	1,001.8	3,531.0
Land - Residential Development	$6,274.3	0.50%	-	-	6,274.3	6,274.3	100.00%	600.5	210.5	811.0
1-4 Family	$6,541.5	0.53%	-	-	4,829.7	4,829.7	73.83%	2,175.8	219.5	2,395.3
Commercial Auto Dealer	$4,901.7	0.39%	-	-	-	-	-	-	164.5	164.5
Condo	$10,878.1	0.88%	-	-	-	-	-	315.6	365.0	680.6
Hospital / Nursing	$13,769.2	1.11%	-	-	-	-	-	-	462.0	462.0
Industrial Warehouse	$137,832.3	11.09%	-	5.9	11,075.3	11,081.2	8.04%	4,589.5	4,624.9	9,214.4
Mini Storage	$12,674.0	1.02%	-	-	1,856.3	1,856.3	14.65%	150.5	425.3	575.7
Multi Family Apartment	$139,622.9	11.23%	-	-	8,448.2	8,448.2	6.05%	108.8	4,685.0	4,793.8
Office	$342,640.9	27.57%	1,885.0	1,156.8	23,429.5	26,471.4	6.84%	11,052.7	11,497.2	22,549.9
Retail	$102,953.8	8.28%	51.1	121.6	4,886.5	5,059.1	4.75%	2,118.8	3,454.6	5,573.4
Senior Living	$64,639.0	5.20%	-	11,038.5	-	11,038.5	-	-	2,168.9	2,168.9
Shopping Center	$293,685.5	23.63%	3,975.3	-	22,151.4	26,126.7	7.54%	24,935.6	9,854.5	34,790.2
Special Purpose	$59,945.1	4.82%	636.4	-	3,165.0	3,801.4	5.28%	2,322.5	2,011.4	4,334.0
Other	$19,139.4	1.54%	905.3	-	1,276.3	2,181.6	6.67%	2,245.3	642.2	2,887.5
Negative Escrow	$3,303.4	0.27%	-	-	-	-	-	-	-	-
CIP, Premium, FAS 91, Rec's	-$5,687.6	-0.46%	-	-	-	-	-	-	-	-
Totals	**$1,242,969.5**	**100.00%**	**$7,453.0**	**12,322.9**	**99,335.1**	**119,111.0**	**7.99%**	**53,144.8**	**41,787.5**	**94,932.3**

Note: 90+ days delinquent includes performing non-accruals.

Totals may not foot due to rounding

Commercial RE Portfolio – by State

As of Dec 31, 2011

$ in thousands

State	Land - Non Residential Development	Land - Residential Development	1-4 Family	Commercial Auto Dealer	Condo	Hospital / Nursing	Industrial Warehouse	Mini Storage	Multi Family Apartment	Office	Retail	Senior Living	Shopping Center	Special Purpose	Other	Total
MI	$8,776	$3,721	$5,922	$0	$10,878	$13,769	$74,693	$12,674	$38,812	$123,755	$49,547	$60,290	$110,064	$33,092	$8,404	**$554,398**
NY	-	-	-	-	-	-	5,095	-	75,098	60,606	-	-	2,987	-	9,870	**153,655**
CA	-	135	-	-	-	-	42,744	-	-	40,795	24,916	-	12,807	12,006	-	**133,404**
GA	-	-	-	-	-	-	7,869	-	3,060	15,202	4,373	-	88,615	5,925	866	**125,909**
IN	15,323	309	-	1,178	-	-	-	-	-	15,097	-	-	18,804	-	-	**50,710**
MA	-	-	-	3,723	-	-	-	-	-	28,466	11,996	-	-	1,480	-	**45,665**
VA	-	-	-	-	-	-	-	-	-	-	1,291	-	41,923	-	-	**43,214**
CT	-	-	-	-	-	-	-	-	-	39,465	-	-	-	-	-	**39,465**
FL	5,758	-	-	-	-	-	2,651	-	-	486	1,891	-	304	3,123	-	**14,212**
MD	-	-	-	-	-	-	-	-	9,951	-	-	-	2,895	-	-	**12,846**
PA	-	-	-	-	-	-	-	-	10,000	-	-	-	-	-	-	**10,000**
TN	-	-	-	-	-	-	1,285	-	-	-	-	-	7,332	660	-	**9,278**
NC	-	-	-	-	-	-	-	-	-	6,239	830	-	551	-	-	**7,621**
IL	-	-	-	-	-	-	-	-	-	4,224	-	-	-	1,489	-	**5,713**
RI	-	-	-	-	-	-	927	-	1,577	580	1,491	-	-	1,064	-	**5,639**
Other	-	2,109	620	-	-	-	2,567	-	1,126	7,726	6,619	4,349	7,405	1,106	-	**33,626**
Total	**$29,856**	**$6,274**	**$6,542**	**$4,902**	**$10,878**	**$13,769**	**$137,832**	**$12,674**	**$139,623**	**$342,641**	**$102,954**	**$64,639**	**$293,686**	**$59,945**	**$19,139**	**$1,245,354**

Note: Reflects unpaid principal balance of underlying loans before accounting adjustments for discounts and other items. Also excludes commercial letters of credit.

Totals may not foot due to rounding

Flagstar Bancorp

Commercial RE Portfolio – by Vintage

As of Dec 31, 2011

$ in thousands

Vintage	Land - Non Residential Development	Land - Residential Development	1-4 Family	Commercial Auto Dealer	Condo	Hospital / Nursing	Industrial Warehouse	Mini Storage	Multi Family Apartment	Office	Retail	Senior Living	Shopping Center	Special Purpose	Other	Total
Older	$0	$0	$3,450	$0	$0	$0	$30,536	$4,882	$1,527	$6,202	$1,854	$9,322	$12,075	$1,568	$3,106	**$74,522**
2003	-	-	-	-	-	11,191	11,228	3,071	4,672	7,048	6,712	-	5,397	2,334	562	**52,215**
2004	-	3,153	577	-	-	2,440	6,985	506	4,586	57,682	6,766	4,987	5,549	3,489	881	**97,601**
2005	406	90	-	-	8,390	138	4,946	125	4,386	21,255	9,536	14,826	17,904	5,151	2,635	**89,787**
2006	17,061	309	204	1,178	-	-	18,897	2,621	5,518	36,248	14,532	24,466	68,791	11,799	137	**201,762**
2007	9,043	762	1,140	-	-	-	36,347	118	12,762	57,333	8,023	11,039	83,435	17,952	1,244	**239,200**
2008	-	-	845	-	-	-	21,068	-	4,669	19,171	28,626	-	67,289	11,549	59	**153,276**
2009	-	-	315	-	568	-	1,547	-	739	342	-	-	14,676	911	66	**19,163**
2010	-	1,960	-	-	1,920	-	466	-	5,662	1,091	6,582	-	8,380	-	580	**26,640**
2011	3,346	-	11	3,723	-	-	5,813	1,351	95,101	136,269	20,323	-	10,189	5,192	9,870	**291,188**
Total	**$29,856**	**$6,274**	**$6,542**	**$4,902**	**$10,878**	**$13,769**	**$137,832**	**$12,674**	**$139,623**	**$342,641**	**$102,954**	**$64,639**	**$293,686**	**$59,945**	**$19,139**	**$1,245,354**

Note: Reflects unpaid principal balance of underlying loans before accounting adjustments for discounts and other items. Also excludes commercial letters of credit.

Totals may not foot due to rounding

Non-Agency Investment Securities AFS Portfolio

As of Dec 31, 2011

$ in thousands

Investment Name	CUSIP	Current Principal	OTTI Impairment	Mark-to-Market	Net Book Value	Initial M	Initial SP	Initial F	Current M	Current SP	Current F
CWALT 2006-45T1 2A5	02149JAU0	$26,693	($6,601)	($1,939)	$18,153	Aaa	AAA	AAA	Caa3	CCC	C
CWHL 2007-3 A1	12543RAA7	28,312	(3,364)	(1,800)	23,148	NR	AAA	AAA	NR	CCC	C
CWHL 2006-18 1A1	12543WAA6	22,844	(1,701)	(1,343)	19,799	NR	AAA	AAA	NR	CC	C
CWHL 2005-23-A1	126694GU6	28,880	(1,813)	(1,435)	25,633	NR	AAA	AAA	NR	CCC	B
CWHL 2006-1 A2	126694XC7	23,861	(2,979)	(2,666)	18,216	NR	AAA	AAA	NR	CC	C
CWHL 2007-J1 1A1	12669MAA6	48,854	(7,902)	(3,435)	37,517	NR	AAA	AAA	NR	D	D
CWALT TR 2006-J8	23245LAD2	27,881	(10,006)	(1,573)	16,302	NR	AAA	AAA	NR	D	D
CWALT 2007-1T1 1A1	23246KAA9	32,431	(10,476)	(2,394)	19,561	Aaa	AAA	AAA	Ca	D	D
GSR 2006-9F 2A1	3622X7AD8	22,790	(1,474)	(536)	20,780	Aaa	NR	AAA	Caa1	NR	C
GSR 2006-7F 2A1	36298NAD6	24,022	(3,591)	(874)	19,557	Aaa	NR	AAA	Caa1	NR	C
JPMMT 2006-S4 A7	46629SAG7	48,042	(6,681)	(5,099)	36,262	Aaa	AAA	AAA	Caa2	CCC	C
	Subtotal	$334,610	($56,587)	($23,094)	$254,928						
GMS Trust 2006-1	33848FAA1	$126,044	($2,793)	($12,923)	$110,328	Aaa	AAA	NR	B3	AAA	NR
	Subtotal	$126,044	($2,793)	($12,923)	$110,328						
	Total	$460,653	($59,380)	($36,017)	$365,256						

Note: excludes agency investment securities, which are sold in normal course.

Totals may not foot due to rounding

Real Estate Owned Portfolio

As of Dec 31, 2011

$ in thousands	Commercial	%	Receivership	%	Construction	%	Manufactured Homes	%	Single Family Homes	%	Total	%
Current Month	$ 221	1.1%	$ 408	1.7%	$ -	0.0%	$ -	0.0%	$ 8,062	13.7%	$ 8,691	7.6%
30 days	569	2.8%	5,768	24.4%	-	0.0%	-	0.0%	7,543	12.8%	13,880	12.1%
60 days	402	2.0%	1,491	6.3%	-	0.0%	-	0.0%	2,156	3.7%	4,049	3.5%
90 days	-	0.0%	-	0.0%	-	0.0%	45	20.9%	10,271	17.5%	10,316	9.0%
91 - 180 days	1,579	7.8%	2,252	9.5%	-	0.0%	38	17.7%	10,817	18.4%	14,687	12.8%
181 - 365 days	7,957	39.2%	9,622	40.8%	471	91.6%	26	11.9%	10,889	18.5%	28,965	25.2%
1 - 2 years	6,369	31.4%	4,049	17.2%	-	0.0%	33	15.3%	7,926	13.5%	18,377	16.0%
2 - 3 years	111	0.5%	-	0.0%	43	8.4%	21	9.8%	871	1.5%	1,047	0.9%
3 - 4 years	3,079	15.2%	-	0.0%	-	0.0%	53	24.3%	306	0.5%	3,438	3.0%
4 - 5 years	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Reconciling Items	-	0.0%	-	0.0%	-	0.0%	-	0.0%	(37)	-0.1%	(37)	0.0%
Loans to Facilitate	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	11,303	9.9%
Total:	**$20,287**	**100.0%**	**$23,591**	**100.0%**	**$514**	**100.0%**	**$216**	**100.0%**	**$58,804**	**100.0%**	**$114,715**	**100.0%**

Totals may not foot due to rounding

Flagstar Bancorp

Asset Quality by Loan Type – HFI

As of Dec 31, 2011

$ in thousands								
Loan Type	**Balance**	**Non-performing Loans**	**% of Balance**	**% of Overall NPLs**	**Q4 11 Charge Offs, Net of Recoveries**	**Collectively Evaluated Reserves (1)**	**Individually Evaluated Reserves (2)**	**Total Reserves**
Residential first mortgage	$3,749,063	$371,756	9.92%	76.12%	$18,545	$62,286	$112,938	$175,224
Second mortgage	138,912	6,235	4.49%	1.28%	2,705	11,929	4,738	16,667
Construction	758	758	100.00%	0.16%	-	129	78	207
Warehouse	1,173,897	28	0.00%	0.01%	562	1,250	-	1,250
HELOC	221,986	7,973	3.59%	1.63%	3,458	13,070	1,775	14,845
Consumer	67,614	611	0.90%	0.13%	231	2,432	2	2,434
Commercial RE	1,242,969	99,335	7.99%	20.34%	1,683	41,787	53,145	94,932
Commercial NRE	443,388	1,670	0.60%	0.34%	-	5,016	1,588	6,604
Deposit Overdraft	-	-	-	-	364	5,837	-	5,837
Total:	**$7,038,587**	**$488,367**	**6.94%**	**100.00%**	**$27,548**	**$143,736**	**$174,264**	**$318,000**

(1) Represents loans collectively evaluated for impairment in accordance with ASC 450-20, Loss Contingencies (formerly FAS 5), and pursuant to amendments by ASU 2010-20 regarding allowance for unimpaired loans

(2) Represents loans individually evaluated for impairment in accordance with ASC 310-10, Receivables (formerly FAS 114), and pursuant to amendments by ASU 2010-20 regarding allowance for impaired loans.

Note: Non-performing loans include 90+ days delinquent and matured, and performing non-accruals.

Totals may not foot due to rounding

Non Performing Loans HFI – by State

As of Dec 31, 2011

$ in thousands

State	Mortgage	Percent of Mortgage	Second Mortgage	HELOC	Commercial Real Estate	Commercial	Construction	Consumer	Warehouse	Total	Percent of Total
CA	$120,468	32.6%	$2,336	$1,316	$7,572	-	-	-	-	$131,692	27.1%
MI	18,479	5.0%	652	2,534	52,416	195	304	362	-	74,943	15.4%
FL	67,422	18.2%	606	888	5,283	-	384	3	-	74,587	15.3%
GA	9,754	2.6%	134	188	15,242	-	-	33	-	25,351	5.2%
AZ	18,394	5.0%	329	321	-	-	-	-	-	19,044	3.9%
NY	11,580	3.1%	-	512	-	1,474	-	-	-	13,566	2.8%
NV	12,634	3.4%	71	116	-	-	-	-	-	12,821	2.6%
MD	11,644	3.1%	104	149	-	-	-	-	-	11,897	2.4%
WA	8,368	2.3%	245	369	-	-	-	-	-	8,983	1.8%
IN	2,910	0.8%	-	141	5,807	-	70	17	-	8,946	1.8%
NJ	8,722	2.4%	48	162	-	-	-	-	-	8,932	1.8%
TX	8,163	2.2%	51	-	-	-	-	1	-	8,216	1.7%
OH	6,335	1.7%	18	65	1,411	-	-	19	28	7,877	1.6%
MO	3,805	1.0%	-	14	3,676	-	-	-	-	7,494	1.5%
VA	6,415	1.7%	148	181	-	-	-	175	-	6,919	1.4%
Other	54,825	14.8%	1,492	1,018	7,927	-	-	-	-	65,263	13.4%
Total	$369,920	100.0%	$6,235	$7,973	$99,335	$1,670	$758	$610	$28	$486,530	100.0%

Note: Non-performing loans include 90+ days delinquent and matured, and performing non-accruals. Excludes participations and first mortgage repurchases.

Totals may not foot due to rounding

Flagstar Bancorp

Non Performing Loans HFI – by Vintage

As of Dec 31, 2011

$ in thousands

Vintage	Mortgage	Percent of Mortgage	Second Mortgage	HELOC	Commercial Real Estate	Commercial	Construction	Consumer	Warehouse	Total	Percent of Total
Older	$4,981	1.3%	$85	$808	$8,331	$71	$70	$14	-	$14,361	3.0%
2003	11,551	3.1%	59	791	2,654	-	-	0	-	15,056	3.1%
2004	31,089	8.4%	-	1,109	11,243	-	-	1	-	43,442	8.9%
2005	44,897	12.1%	-	955	6,962	-	-	201	-	53,016	10.9%
2006	38,424	10.4%	576	1,222	22,469	-	-	58	-	62,749	12.9%
2007	162,502	43.9%	5,165	2,913	33,897	1,474	384	97	-	206,432	42.4%
2008	46,895	12.7%	350	176	4,247	26	304	206	-	52,203	10.7%
2009	15,744	4.3%	-	-	4,798	-	-	1	28	20,572	4.2%
2010	4,667	1.3%	-	-	2,150	-	-	16	-	6,834	1.4%
2011	9,170	2.5%	-	-	2,583	98	-	15	-	11,866	2.4%
Total	$369,920	100.0%	$6,235	$7,973	$99,335	$1,670	$758	$610	$28	$486,530	100%

Note: Non-performing loans include 90+ days delinquent and matured, and performing non-accruals. Excludes participations and first mortgage repurchases.

Totals may not foot due to rounding

Non-GAAP Reconciliation

Non-GAAP Reconciliation
(Dollars in millions)

$ in millions

Three Months Ended	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010
Loss before tax provision and dividends	($74.9)	($9.2)	($69.9)	($26.7)	($185.3)
Add back:					
Provision for loan losses	63.5	36.7	48.4	28.3	225.4
Asset resolution	32.4	34.5	23.3	38.1	41.8
Other than temporary impairment on investments AFS	7.1	1.3	15.6	0.0	1.3
Representation and warranty reserve	69.3	39.0	21.4	20.4	10.3
Write down of residual interests	0.8	0.2	2.3	2.4	(3.8)
Total credit related costs:	173.2	111.7	110.9	89.2	275.0
Pre-tax, pre credit-cost income	**$98.3**	**$102.5**	**$41.0**	**$62.5**	**$89.7**

$ in millions

For the Years Ended	2007	2008	2009	2010	2011
Loss before tax provision and dividends	($58.8)	($423.4)	($441.7)	($372.7)	($180.7)
Add back:					
Provision for loan losses	88.3	344.0	504.4	426.4	176.9
Asset resolution	10.5	46.2	104.1	161.3	128.3
Other than temporary impairment on investments AFS	2.8	62.4	20.7	5.0	24.0
Representation and warranty reserve	3.7	17.0	75.6	61.5	150.1
Write down of residual interests	6.8	24.6	82.9	9.3	5.7
Total credit related costs:	112.1	494.2	787.7	663.5	485.0
Pre-tax, pre credit-cost income	**$53.2**	**$70.8**	**$346.1**	**$290.8**	**$304.3**

Totals may not foot due to rounding

Non-GAAP Reconciliation

Non-GAAP Reconciliation
(Dollars in millions)

$ in millions	12/31/2011	9/30/2011	12/31/2010
Non performing assets	$ 603.1	$ 558.3	$ 498.0
Tier One Capital	$ 1,215.2	$ 1,273.9	$ 1,306.1
Allowance for Loan Losses	$ 318.0	$ 282.0	$ 274.0
Tier One Capital + Allowance for Loan Losses	**$ 1,533.2**	**$ 1,555.9**	**$ 1,580.1**
Nonperforming assets / Tier One Capital + Allowance for Loan Losses	39.34%	35.88%	31.52%

Totals may not foot due to rounding

Flagstar Bancorp

Non-GAAP Reconciliation

Use of Non-GAAP Financial measures

Pre-tax pre-credit-cost income. Pre-tax pre-credit-cost income, as defined by our management, represents net income before taxes, and excludes credit related expenses (defined by management as provision for loan losses, asset resolution expense, other than temporary impairment, representation and warranty reserve provision, write down of residual and transferors' interest and reserve increases for our reinsurance subsidiary). While these items represent an integral part of our banking operations, in each case, the excluded items are items that management believes are particularly impacted or increased due to economic stress or significant changes in the credit cycle and are therefore likely to make it more difficult to understand our underlying performance trends and our ability to generate revenue from our mortgage and banking operations. Net interest income, noninterest income and noninterest expense are all calculated in accordance with GAAP and are presented in the Consolidated Statements of Operations. Net income is adjusted only for the specific items listed above in the calculation of pre-tax pre-credit-cost income, and these adjustments represent the excluded items in their entirety for each period presented to better facilitate period to period comparisons.

Viewed together with our GAAP results, management believes pre-tax pre-credit cost income provides investors and stakeholders with a functional measurement to evaluate and better understand trends in our period to period ability to generate revenues and capital to offset credit related expenses, in each case exclusive of the effects of and past and current economic stress and the credit cycle. As recent results for the banking industry demonstrate, provisions for loan losses, increased in representation and warranty reserve, asset impairments and mark-downs and expenses related to the resolution and disposition of assets can vary significantly from period to period, making a measure that helps isolate the impact of those credit related expenses on profitability integral to helping investors understand the business model. The "Quality of Earning Assets" sections of this report isolate the different credit quality challenges and issues and the impact of the associated credit related expenses on our income statement.

Like all non-GAAP measurements, pre-tax pre-credit-cost income usefulness is inherently limited. Because our calculation of pre-tax pre-credit-cost income may differ from the calculation of similar measures used by other bank and thrift holding companies, pre-tax pre-credit-cost income should be used to determine and evaluate period to period trends in our performance, rather than in comparison to other similar non-GAAP measurements utilized by other companies. In addition, investors should keep in mind that income tax expense (benefit), the provision for loan losses, and the other items excluded from revenues and expenses in the pre-tax pre-credit cost income calculation are recurring and integral expenses to our operations, and that these expenses will still accrue under GAAP, thereby reducing GAAP earnings and, ultimately, shareholders' equity.

Non-performing assets / Tier 1 + Allowance for Loan Losses. The ratio of non-performing assets to Tier 1 and allowance for loan losses divides the total level of non-performing assets held for investment by Tier 1 capital, as defined by bank regulations, plus allowance for loan losses. The Company believes these measurements are meaningful measures of capital adequacy used by investors, regulators, management and others to evaluate the adequacy of capital in comparison to other companies in the industry.

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