

# Flagstar Bank

## 1st Quarter 2014 Earnings Presentation

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April 23, 2014

# Cautionary Statement

# 1st Quarter 2014 Earnings Presentation

This presentation contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, as amended. Forward-looking statements, by their nature, involve estimates, projections, goals, forecasts, assumptions, risks and uncertainties that could cause actual results or outcomes to differ materially from those expressed in a forward-looking statement. Examples of forward-looking statements include statements regarding our expectations, beliefs, plans, goals, objectives and future financial or other performance. Words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates" and variations of such words and similar expressions are intended to identify such forward-looking statements. Any forward-looking statement speaks only as of the date on which it is made. Except to fulfill our obligations under the U.S. securities laws, we undertake no obligation to update any such statement to reflect events or circumstances after the date on which it is made.

There are a number of important factors that could cause future results to differ materially from historical performance and these forward-looking statements. Factors that might cause such a difference include:

1. General business and economic conditions, including unemployment rates, movements in interest rates, the slope of the yield curve, any increase in mortgage fraud and other related activity and the further decline of asset values in certain geographic markets, that affect us or our counterparties;
2. Volatile interest rates, and our ability to effectively hedge against them, which could affect, among other things, (i) the mortgage business, (ii) our ability to originate loans and sell assets at a profit, (iii) prepayment speeds, (iv) our cost of funds and (v) investments in MSRs;
3. The adequacy of our allowance for loan losses and our representation and warranty reserves;
4. Changes in accounting standards generally applicable to us and our application of such standards, including in the calculation of the fair value of our assets and liabilities;
5. Our ability to borrow funds, maintain or increase deposits or raise capital on commercially reasonable terms or at all and our ability to achieve or maintain desired capital ratios;
6. Changes in material factors affecting our loan portfolio, particularly our residential mortgage loans, and the market areas where our business is geographically concentrated or further loan portfolio or geographic concentration;
7. Changes in, or expansion of, the regulation of financial services companies and government-sponsored housing enterprises, including new legislation, regulations, rulemaking and interpretive guidance, enforcement actions, the imposition of fines and other penalties by our regulators, the impact of existing laws and regulations, new or changed roles or guidelines of government-sponsored entities, changes in regulatory capital ratios, and increases in deposit insurance premiums and special assessments of the Federal Deposit Insurance Corporation;
8. Our ability to comply with the terms and conditions of the Supervisory Agreement with the Board of Governors of the Federal Reserve and the Bank's ability to comply with the Consent Order with the Office of Comptroller of the Currency, and our ability to address matters raised by our regulators, including Matters Requiring Attention and Matters Requiring Immediate Attention, if any;
9. The Bank's ability to make capital distributions and our ability to pay dividends on our capital stock or interest on our trust preferred securities;
10. Our ability to attract and retain senior management and other qualified personnel to execute our business strategy, including our entry into new lines of business, our introduction of new products and services and management of risks relating thereto, and our competing in the mortgage loan originations and servicing and commercial and retail banking lines of business;
11. Our ability to satisfy our servicing and sub-servicing obligations and manage repurchases and indemnity demands by mortgage loan purchasers, guarantors and insurers;
12. The outcome and cost of defending current and future legal or regulatory litigation, proceedings or investigations;
13. Our ability to create and maintain an effective risk management framework and effectively manage risk, including, among other things, market, interest rate, credit and liquidity risk, including risks relating to the cyclicity and seasonality of our mortgage banking business, litigation and regulatory risk, operational risk, counterparty risk and reputational risk;
14. The control by, and influence of, our majority stockholder;
15. A failure of, interruption in or cybersecurity attack on our network or computer systems, which could impact our ability to properly collect, process and maintain personal data and system integrity with respect to funds settlement;
16. Our ability to meet our forecasted earnings such that we are able to realize the benefits of reversing our deferred tax allowance, or the need to increase the valuation allowance in future periods;
17. Our compliance with the terms and conditions of the agreement with the U.S. Department of Justice and the impact of compliance with that agreement and our ability to accurately estimate the financial impact of that agreement, including the fair value and timing of the future payments; and
18. The downgrade of the long-term credit rating of the U.S. by one or more ratings agencies could materially affect global and domestic financial markets and economic conditions.

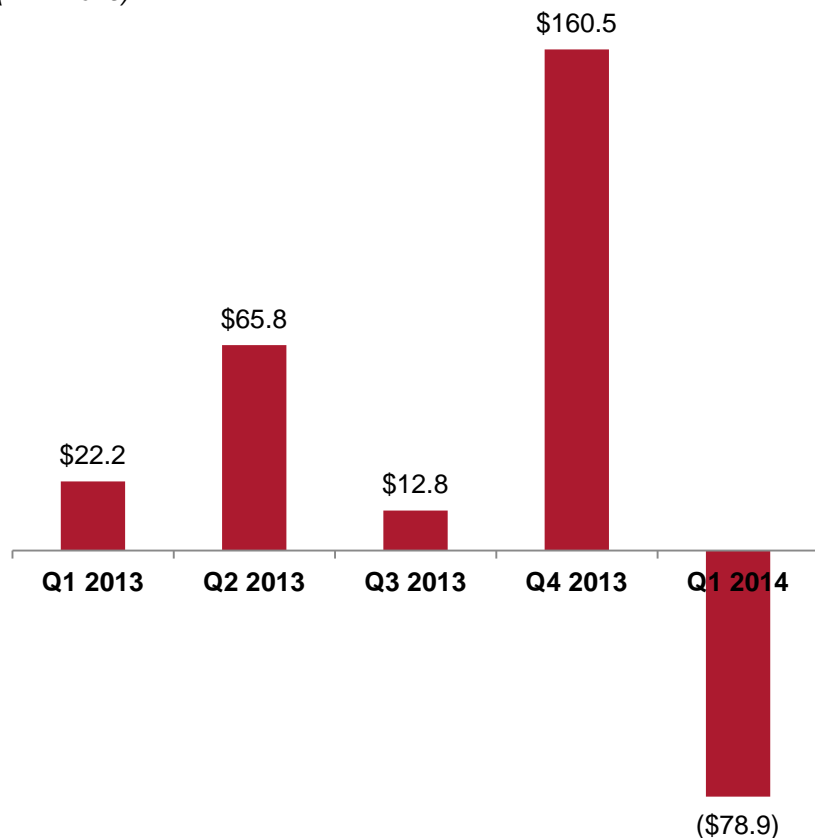
All of the above factors are difficult to predict, contain uncertainties that may materially affect actual results, and may be beyond our control. New factors emerge from time to time, and it is not possible for our management to predict all such factors or to assess the effect of each such factor on our business.

Although we believe that these forward-looking statements are based on reasonable estimates and assumptions, they are not guaranties of future performance and are subject to known and unknown risks, uncertainties, contingencies and other factors. Accordingly, we cannot give you any assurance that our expectations will in fact occur or that actual results will not differ materially from those expressed or implied by such forward-looking statements. In light of the significant uncertainties inherent in forward-looking statements, the inclusion of such information should not be regarded as a representation by us or any other person that the results or conditions described in such statements or our objectives and plans will be achieved.



## Net Income to Common Stockholders

(in millions)



- Net loss applicable to common stockholders of \$78.9 million, as compared to income of \$160.5 million in prior quarter
- Fourth quarter 2013 results were impacted by several significant one-time items:
  - \$410.4 million tax benefit primarily due to the reversal of the deferred tax asset valuation allowance
  - \$177.6 million loss on extinguishment of debt from prepayment of \$2.9 billion in long-term FHLB
  - \$61.0 million in expense related to DOJ settlement
  - \$24.9 million benefit from releases of reserves related to settlement agreements with Fannie Mae and Freddie Mac
- Gain on loan sale margin increased in the face of a difficult mortgage environment
  - Gain on sale margin (based on fallout-adjusted rate locks) increased to 93 bps, from 85 bps in prior quarter ("PQ")
  - Net gain on loan sales slightly increased to \$45.3 million, from \$44.8 million in PQ
  - Fallout adjusted mortgage rate lock commitments decreased to \$4.9 billion from \$5.3 billion in PQ
  - Mortgage originations decreased to \$4.9 billion, from \$6.4 billion in PQ
- Continued improvement in credit-related costs and asset quality
  - Sold \$35.1 million UPB of residential first mortgage non-performing and TDR loans
  - Charge-offs, net of recoveries decreased to \$12.3 million, from \$14.1 million in PQ
  - Non-performing assets decreased to \$141.8 million, from \$182.3 million in PQ
  - Ratio of allowance for loan losses to non-performing loans held-for-investment at 286.9 percent increased from 145.9 percent at December 31, 2013
  - Allowance for loan losses increased to \$307.0 million from \$207.0 million at December 31, 2013

## Summary of Financial Results

## 1st Quarter 2014 Earnings Presentation

	Q1 2014	Q4 2013	Q1 2013
Net Interest Income	\$58.2	\$41.2	\$55.7
Provision	\$112.3	\$14.1	\$20.4
Gain on Loan Sale	\$45.3	\$44.8	\$137.5
Net Servicing Revenue	\$19.6	\$28.9	\$20.4
<b>Net (Loss) Income Applicable to Common Shareholders</b>	<b>(\$78.9)</b>	<b>\$160.5</b>	<b>\$22.2</b>
Diluted (Loss) Earnings per Share	(\$1.51)	\$2.77	\$0.33
Total Assets	\$9,611.4	\$9,407.3	\$13,094.2
Total Stockholders' Equity	\$1,351.3	\$1,425.9	\$1,184.0
Return on Average Assets	(3.39)%	5.70%	0.65%
Return on Average Equity	(21.85)%	50.39%	7.55%
<b>Book Value per Common Share</b>	<b>\$19.29</b>	<b>\$20.66</b>	<b>\$16.46</b>
NPLs / Gross Loans HFI	2.76%	3.59%	7.79%
<b>NPAs / Total Assets (Bank)</b>	<b>1.49%</b>	<b>1.95%</b>	<b>3.70%</b>
<b>ALLL / NPLs <sup>(1)</sup></b>	<b>286.9%</b>	<b>145.9%</b>	<b>78.5%</b>
ALLL / Gross Loans HFI <sup>(1)</sup>	8.11%	5.42%	6.11%
<b>NPAs / Tier 1 Capital + Allowance for Loan Losses <sup>(1) (2)</sup></b>	<b>9.8%</b>	<b>12.4%</b>	<b>30.1%</b>
<b>Tier 1 Leverage to Adjusted Assets Ratio</b>	<b>12.44%</b>	<b>13.97%</b>	<b>10.14%</b>
<b>Tier 1 Leverage (estimated under Basel III) <sup>(2)</sup></b>	<b>10.94%</b>	<b>N/A</b>	<b>N/A</b>
Total Risk Based Capital Ratio	24.93%	28.11%	22.53%
Total Equity / Total Assets	14.06%	15.16%	9.04%
MSR to Tier 1 Capital <sup>(2)</sup>	28.1%	22.6%	55.1%

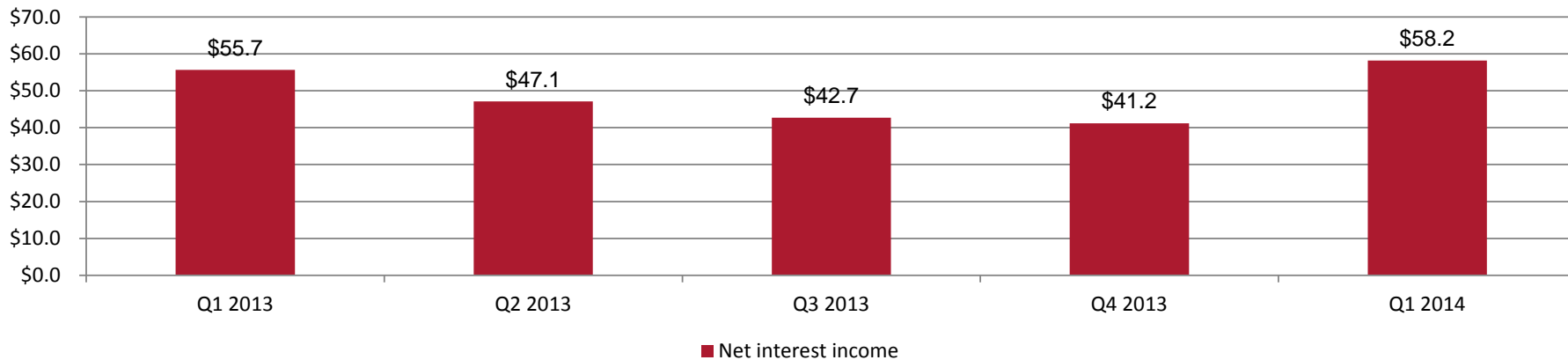
(1) Excludes loans carried under the fair value option.

(2) See Non-GAAP reconciliation.

# Net Interest Income and Margin Trends

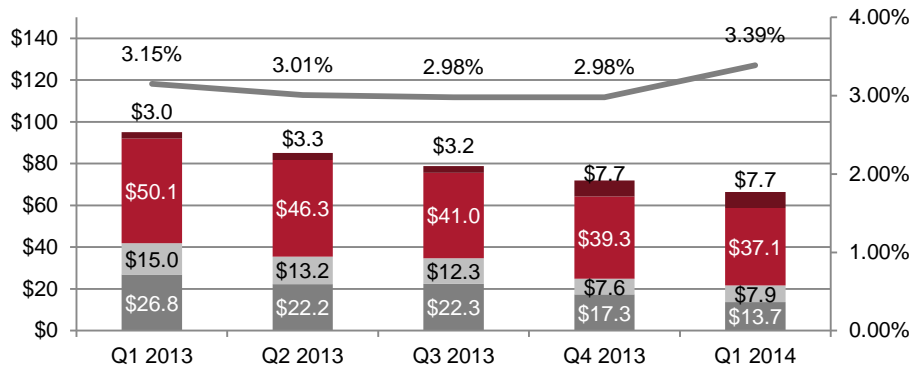
# 1st Quarter 2014 Earnings Presentation

(in millions) **Net Interest Income and Margin**

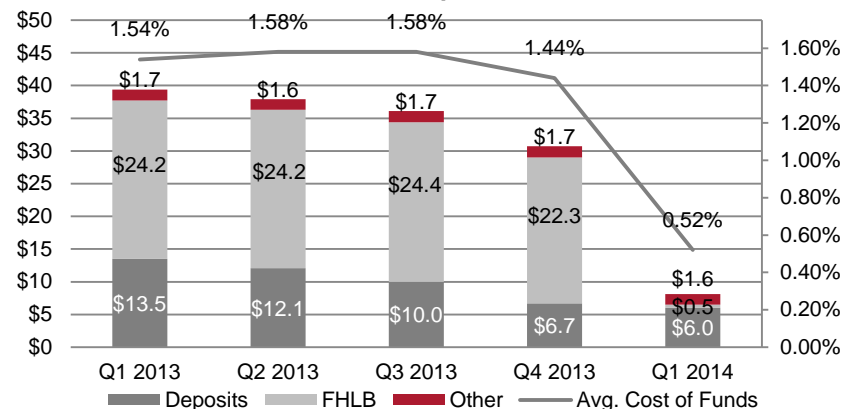


	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014
Net Interest margin (Bank)	1.89%	1.72%	1.68%	1.80%	3.05%

(in millions) **Interest Income**



(in millions) **Interest Expense**

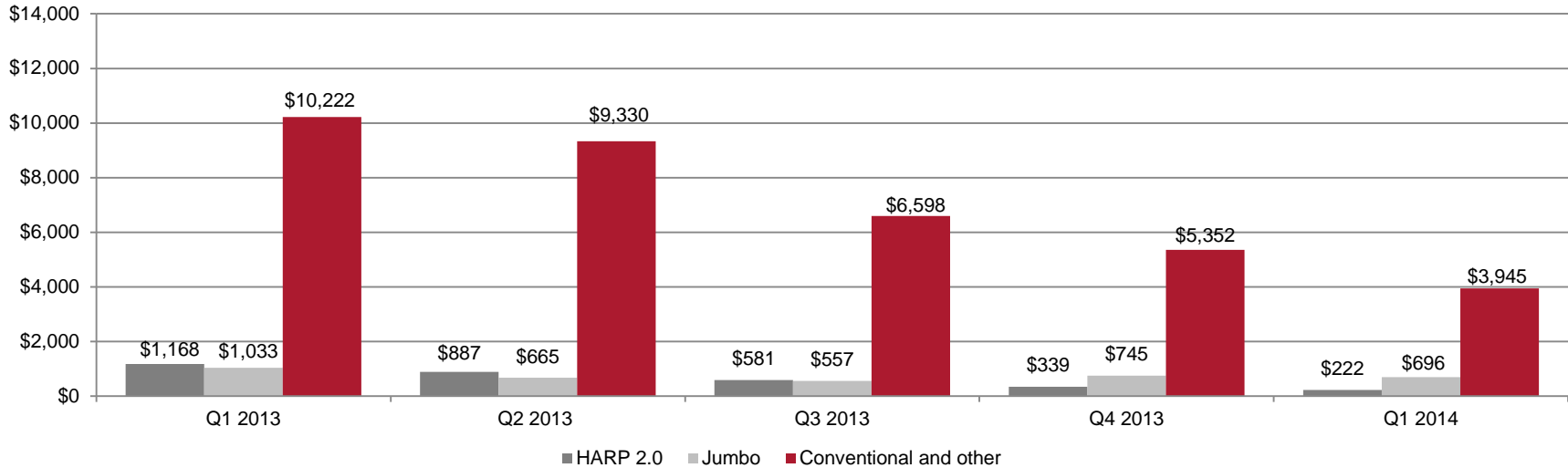


- HFS
- Repurchased w/ Gov't Guarantees
- HFI Interest Income
- Other Interest Income
- Avg. Yield on Interest Earning Assets



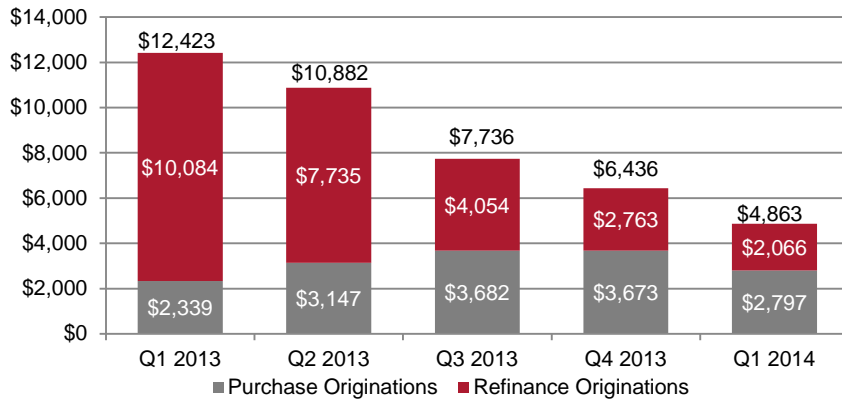
(in millions)

### Residential First Mortgage Origination Breakout



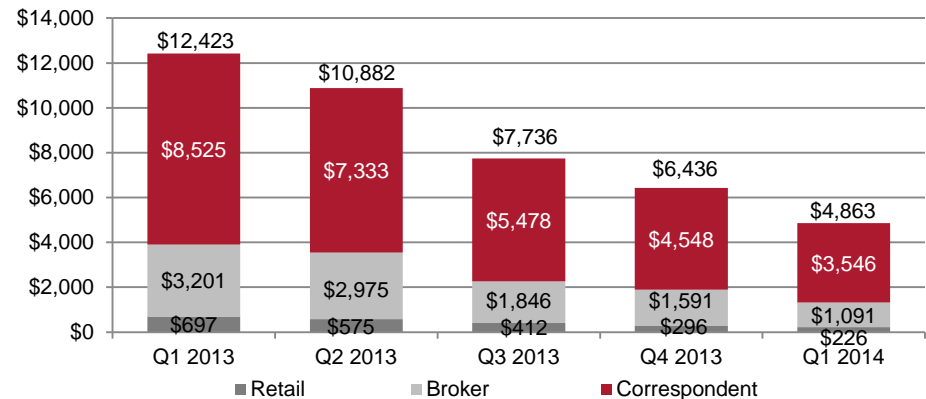
(in millions)

### By Product



(in millions)

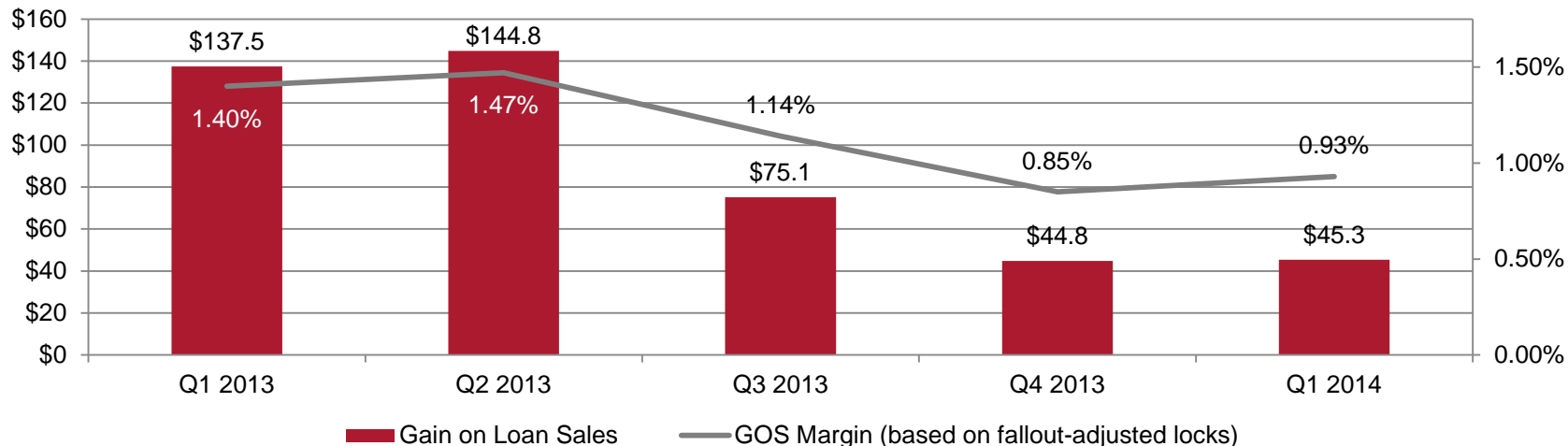
### By Channel



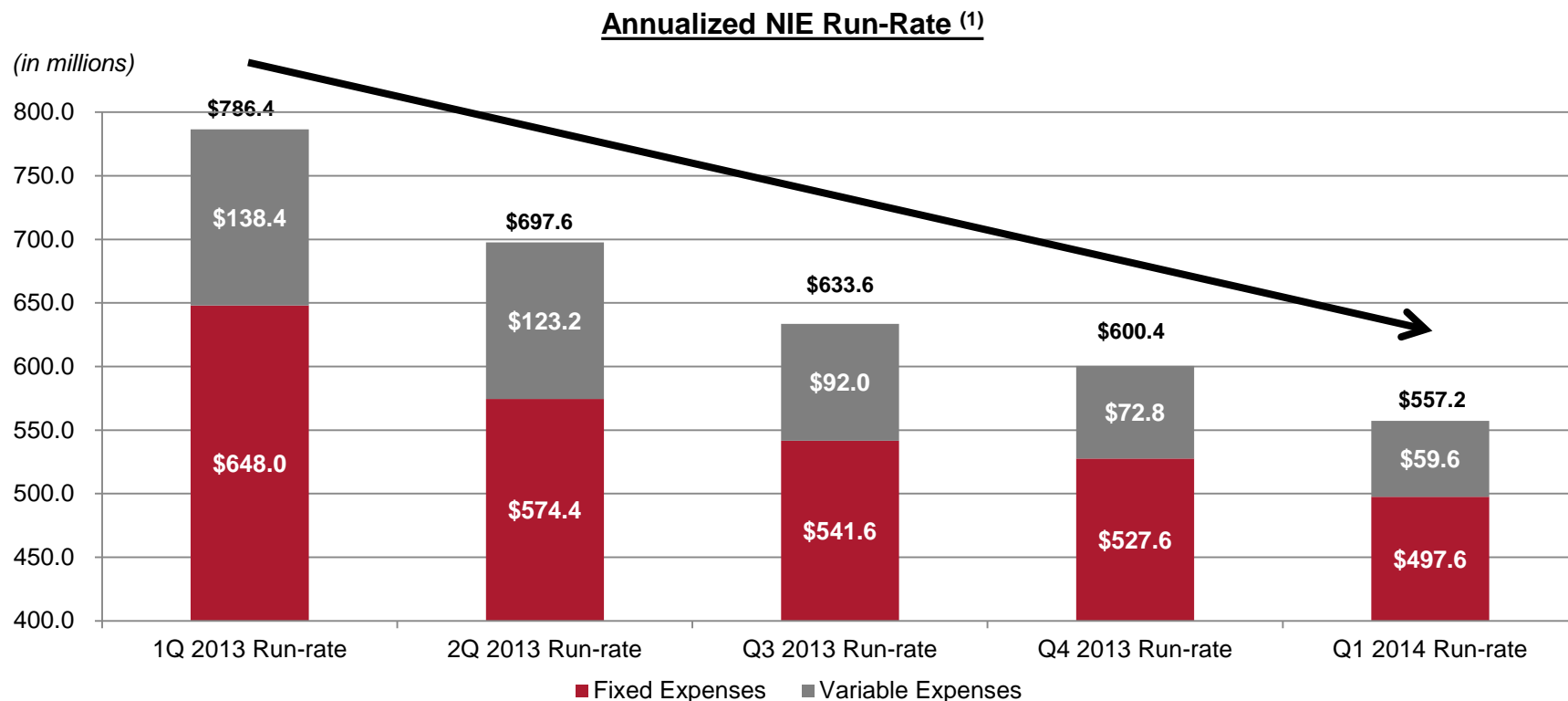
## Gain on Loan Sales and Margin

## 1st Quarter 2014 Earnings Presentation

(in millions)



	<u>Q1 2013</u>	<u>Q2 2013</u>	<u>Q3 2013</u>	<u>Q4 2013</u>	<u>Q1 2014</u>
Fallout Adjusted Mortgage Locks (billions)	\$9.8	\$9.8	\$6.6	\$5.3	\$4.9
Net Margin (fallout adjusted)	1.40%	1.47%	1.14%	0.85%	0.93%
Loans sales and securitizations (billions)	\$12.8	\$11.1	\$8.3	\$6.8	\$4.5
Net Margin (loan sales)	1.07%	1.30%	0.90%	0.66%	1.01%
Gross Mortgage Locks (billions)	\$12.1	\$12.4	\$8.3	\$6.5	\$6.0
Mortgage Originations (billions)	\$12.4	\$10.9	\$7.7	\$6.4	\$4.9



(1) See Non-GAAP reconciliation. Q4 2013 non-interest expense run-rate excludes non-recurring significant items - \$177.6 million loss on extinguishment of debt from FHLB prepayment adjustment and \$61.0 million in incremental expense related to Department of Justice estimated liability.

Note:

- Fixed expenses include compensation and benefits, occupancy and equipment, FDIC premiums, asset resolution, legal and professional expense, and other non-interest expense.
- Variable expenses include commissions and loan processing expense.

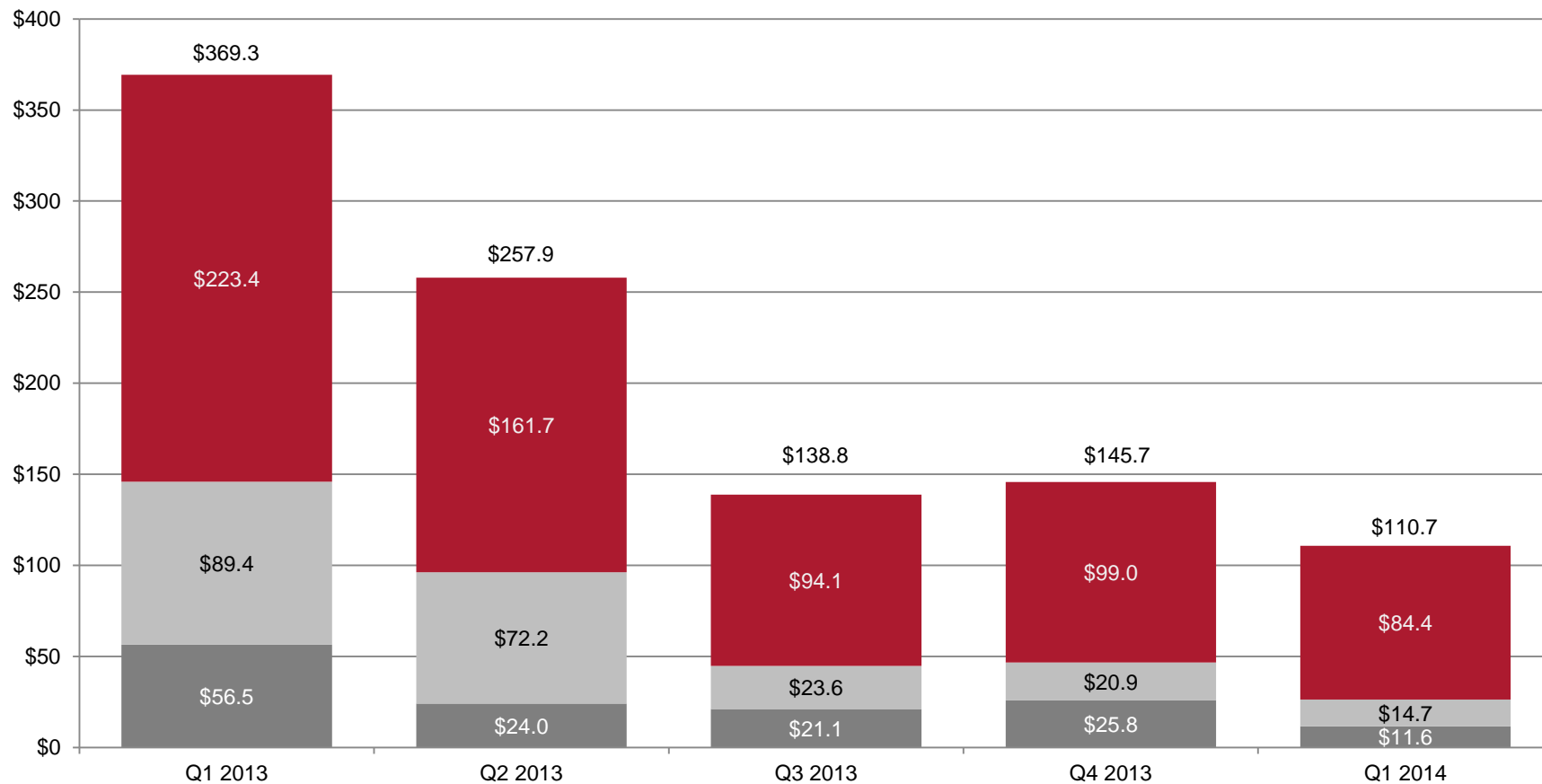




# Non-Performing Loans

# 1st Quarter 2014 Earnings Presentation

(in millions)



■ Non-performing TDRs ■ Non-performing TDRs at inception but performing for less than six months ■ Non-performing loans held-for-investment

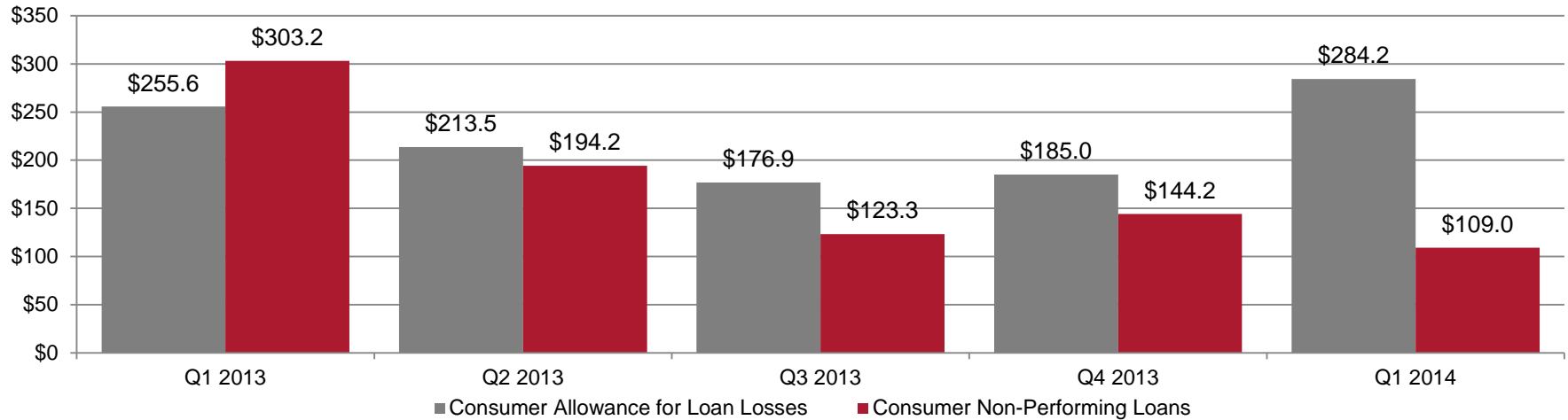


# Strong Allowance Coverage

# 1st Quarter 2014 Earnings Presentation

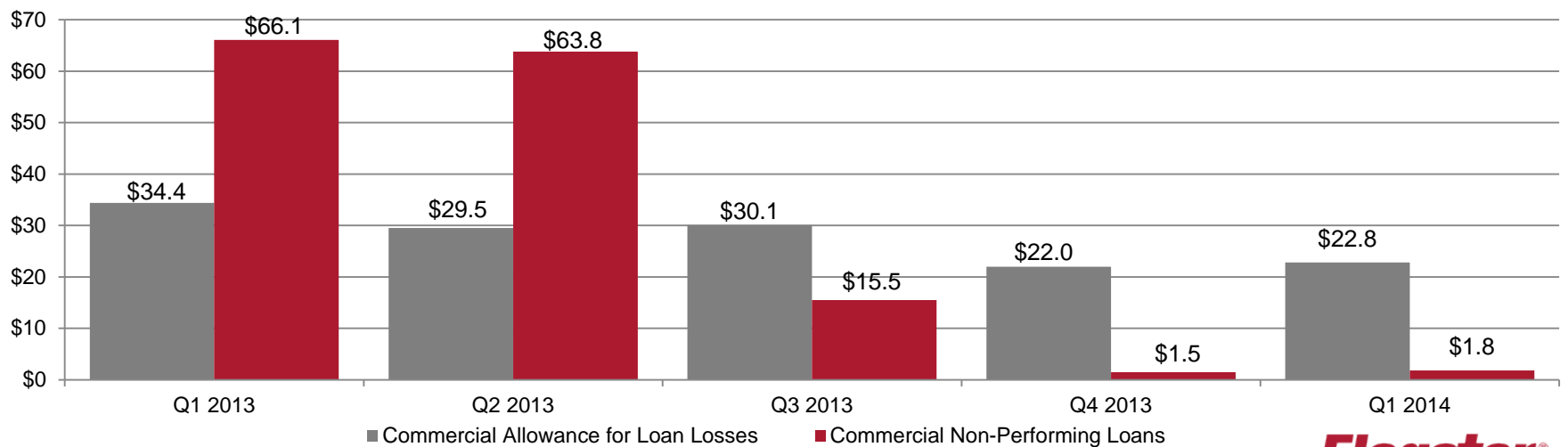
(in millions)

## Consumer Allowance Coverage



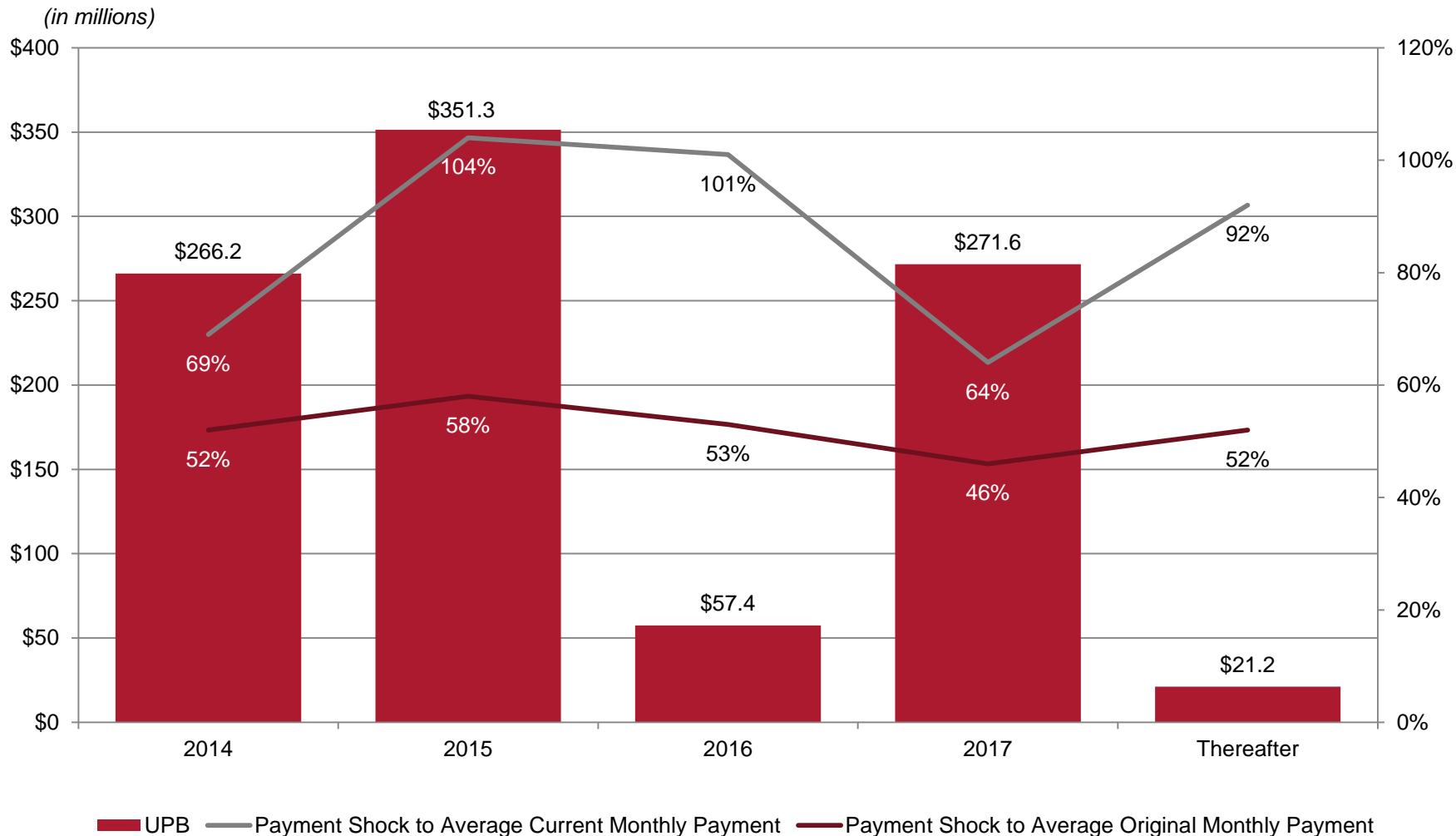
(in millions)

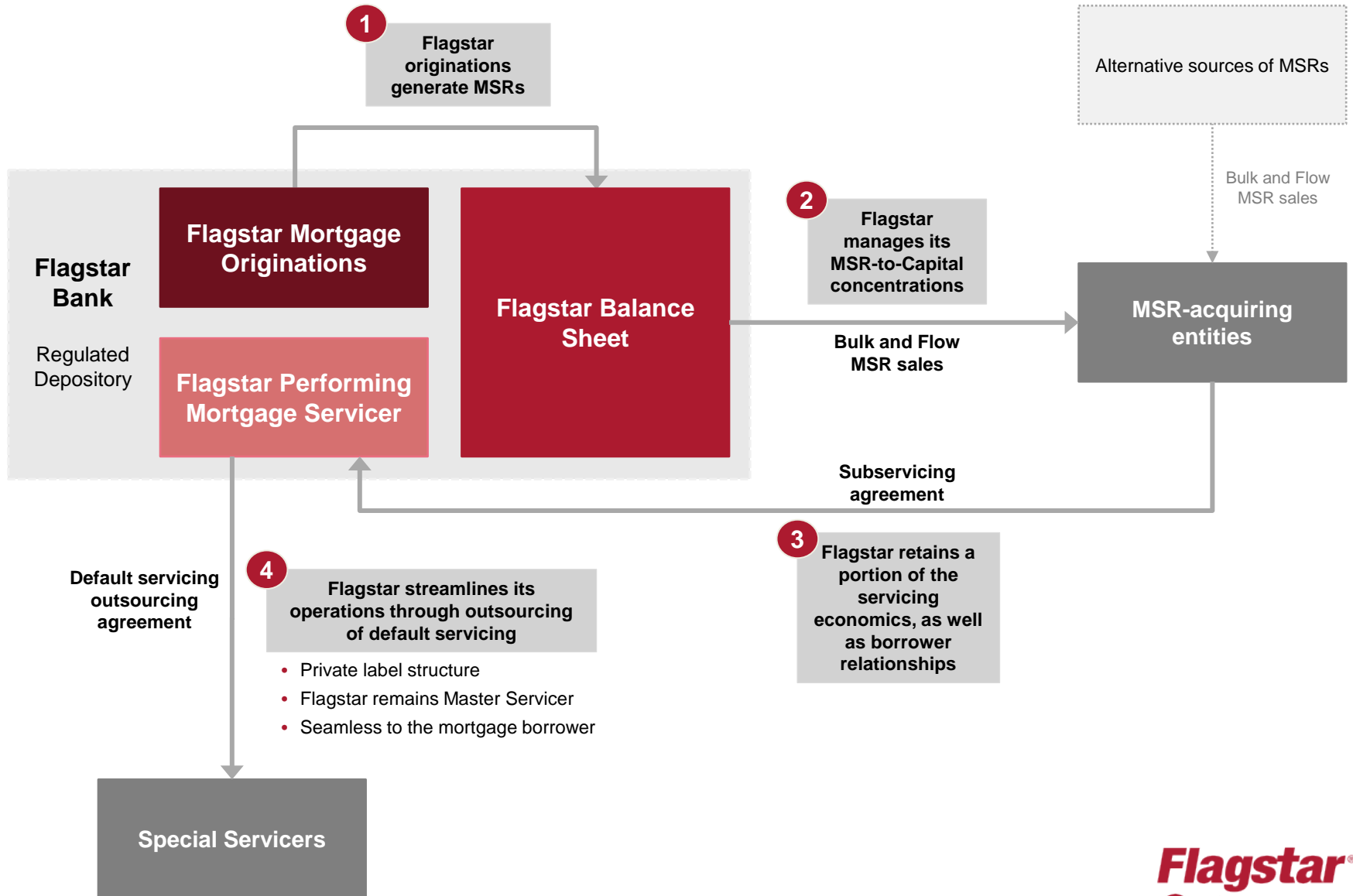
## Commercial Allowance Coverage



# Current Interest Only Loans – Payment Shock vs. Current and Original Monthly Payments

1st Quarter 2014 Earnings Presentation

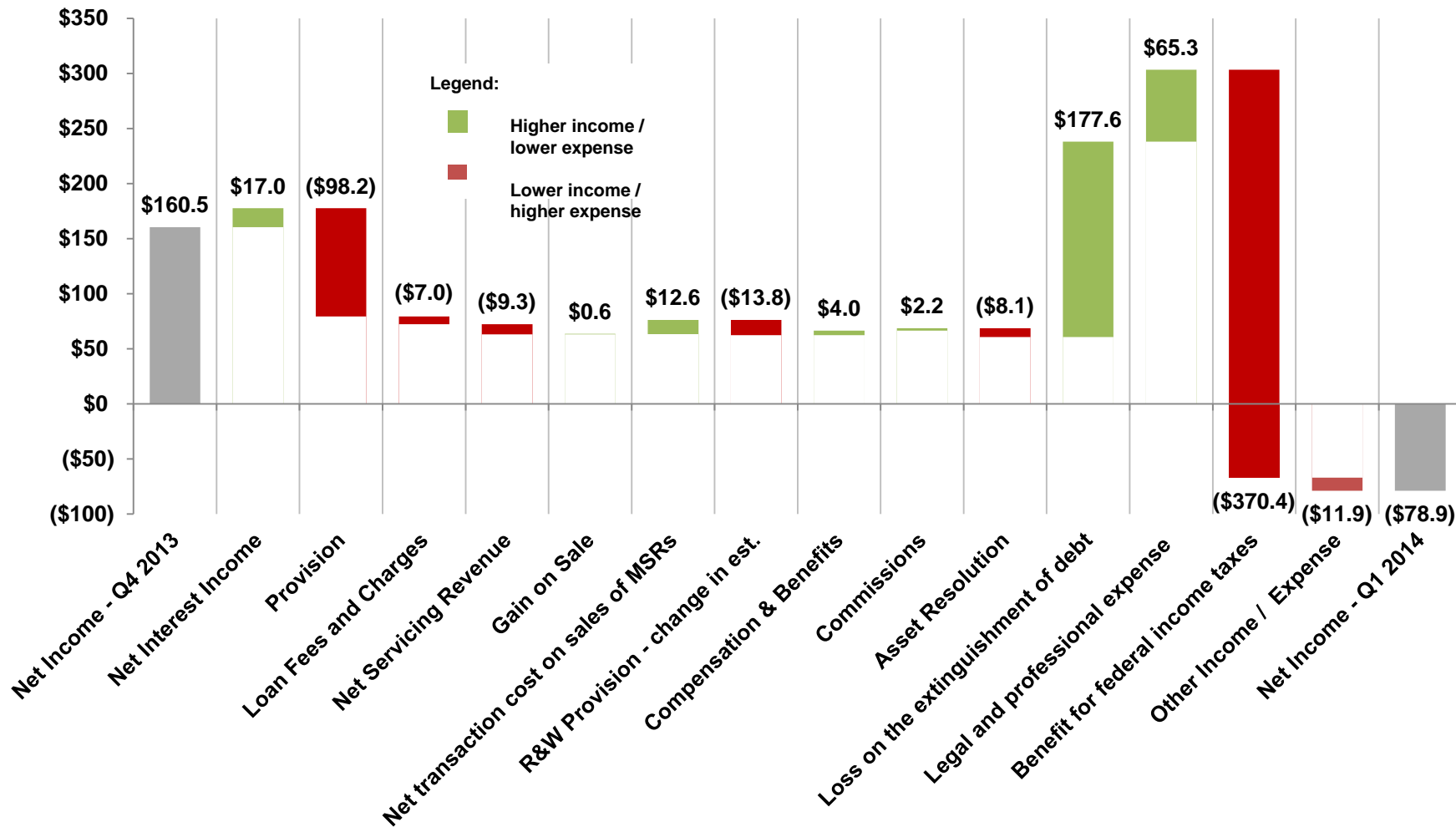




# Net Income Bridge – Q4 2013 to Q1 2014

# 1st Quarter 2014 Earnings Presentation

(\$ in millions)



(in millions, except per share data)

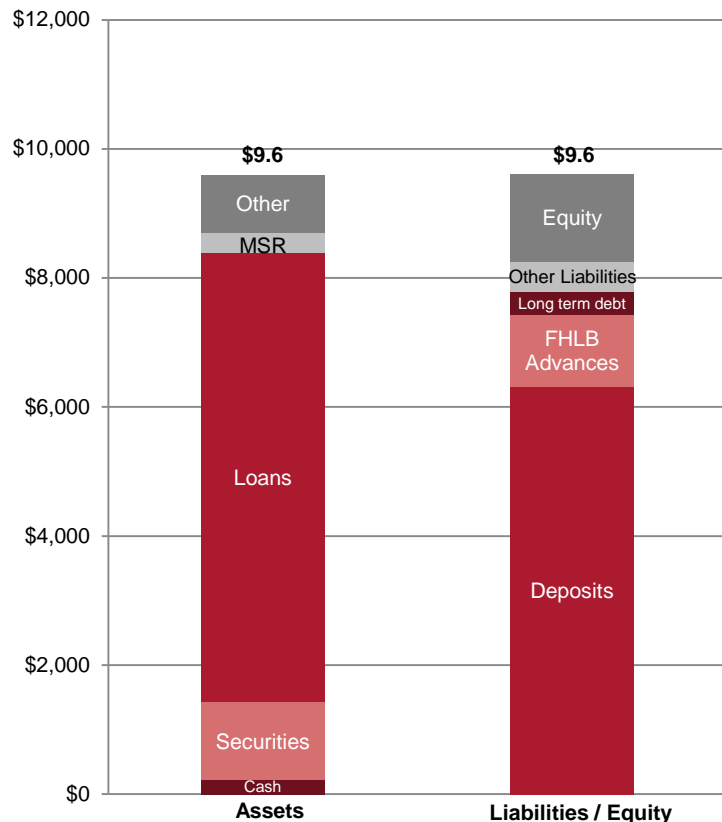
	Q1 2014	Q4 2013	Q1 2013
Net interest income	\$58.2	\$41.2	\$55.7
Provision for loan losses	112.3	14.1	20.4
Net interest (loss) income after provision for loan losses	(54.1)	27.1	35.3
Non-interest income	75.0	113.1	184.9
Non-Interest expense	139.3	388.7	196.6
(Loss) income before federal income taxes	(118.4)	(248.5)	23.6
Benefit for federal income taxes	(40.0)	(410.4)	-
Net (loss) income	(78.4)	161.9	23.6
Preferred stock dividend/accretion	(0.5)	(1.4)	(1.4)
Net (loss) income applicable to common stockholders	<b>(\$78.9)</b>	<b>\$160.5</b>	<b>\$22.2</b>
Diluted (loss) earnings per share	(\$1.51)	\$2.79	\$0.33

Totals may not foot due to rounding



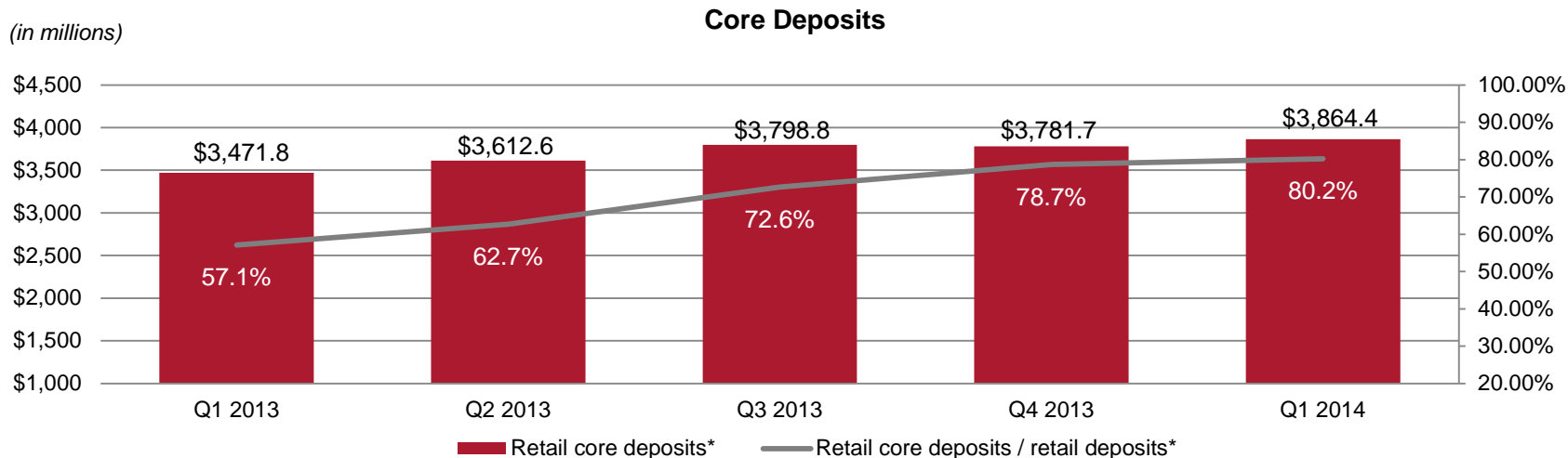
## Balance Sheet as of March 31, 2014

(in billions)

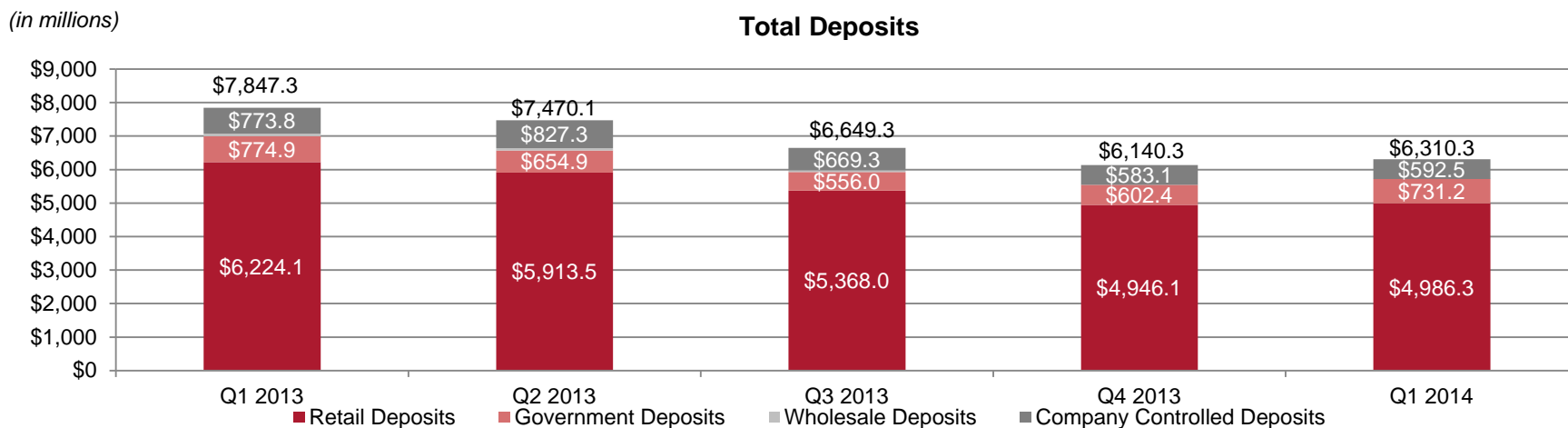


(in millions)

	March 31, 2014	December 31, 2013	March 31, 2013
<b>Total Assets</b>	<b>\$9,611.4</b>	<b>\$9,407.3</b>	<b>\$13,094.2</b>
Cash and Interest Earning Deposits	\$219.2	\$280.5	\$2,230.7
Residential first mortgage loans	\$2,348.7	\$2,508.9	\$2,991.4
Second mortgage loans	164.6	169.5	112.4
Commercial real estate loans	513.0	408.9	562.9
Warehouse loans	408.9	423.5	750.8
Consumer lending (including HELOC and other)	308.3	327.3	212.3
Other commercial loans	276.4	217.5	113.5
Investment loan portfolio	\$4,019.9	\$4,055.8	\$4,743.3
Loans held for sale	\$1,673.8	\$1,480.4	\$2,677.3
Loans repurchased with government guarantees	1,266.7	1,273.7	1,604.9
<b>Total Loans</b>	<b>\$6,960.4</b>	<b>\$6,809.9</b>	<b>\$9,025.5</b>
Investment securities available - for- sale	\$1,207.4	\$1,045.5	\$169.8
Mortgage servicing rights	\$320.2	\$284.7	\$727.2



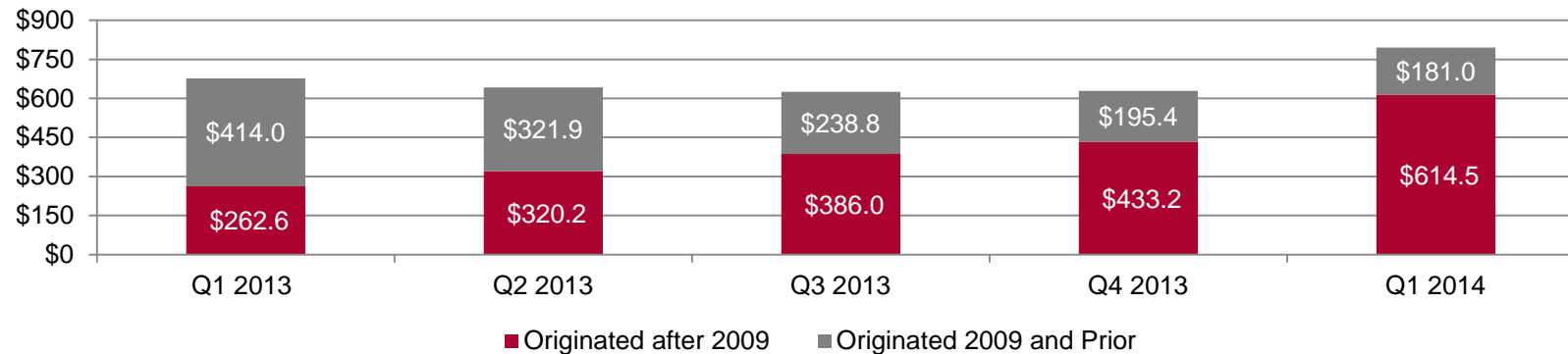
\*Excludes commercial deposits.





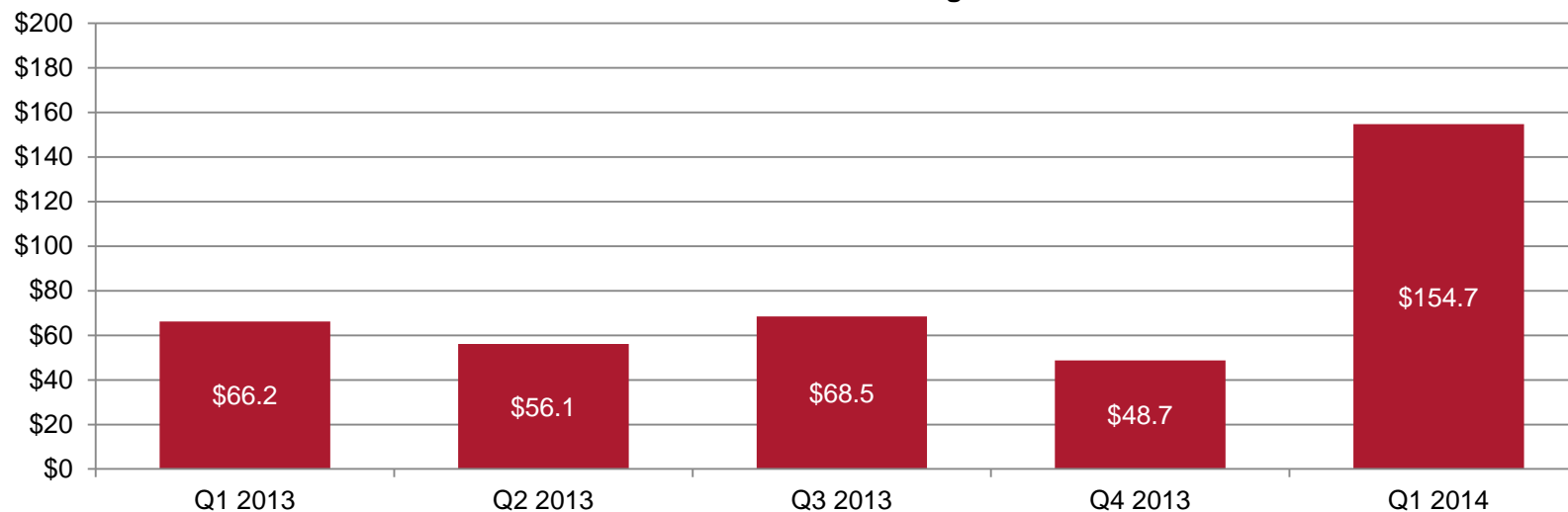
(in millions)

### Commercial Loan Balances



(in millions)

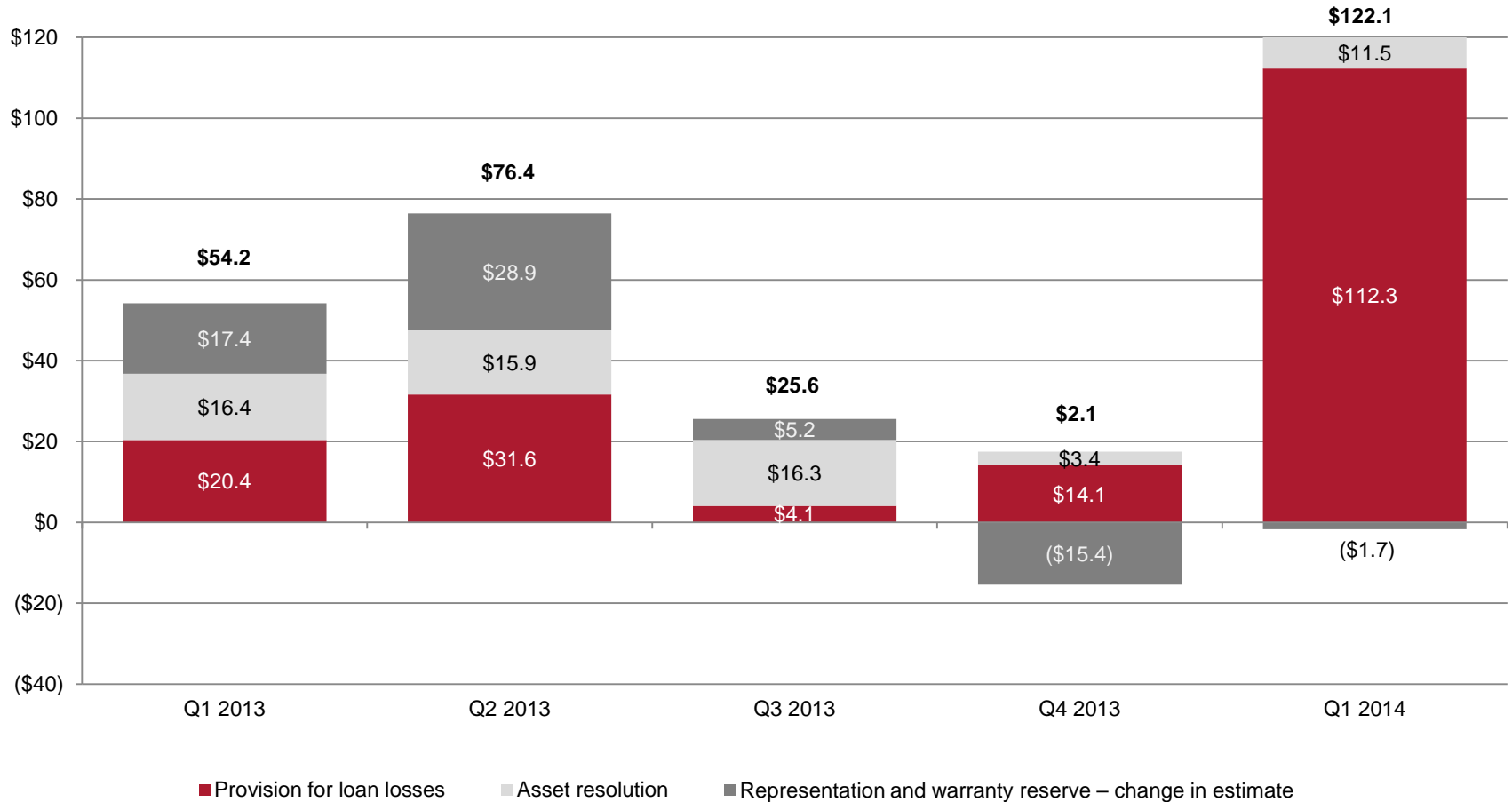
### Commercial Loan Originations



Note: Reflects unpaid principal balance, net of write downs, does not include premiums or discounts.



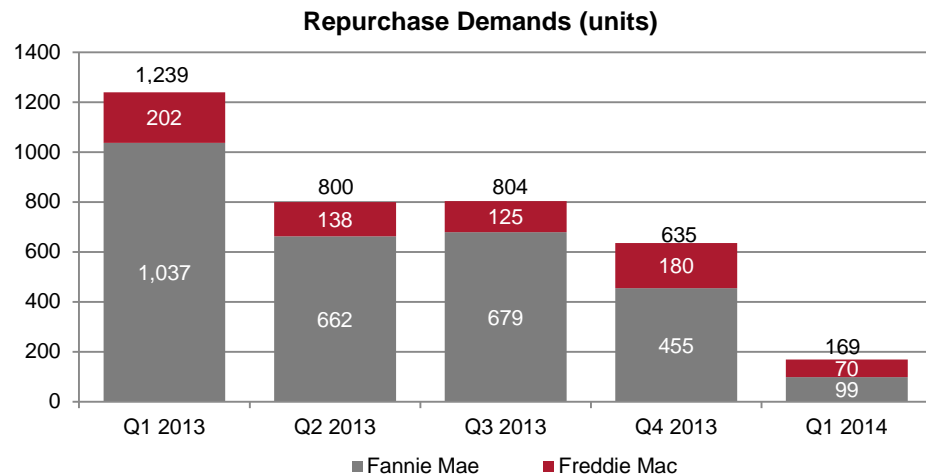
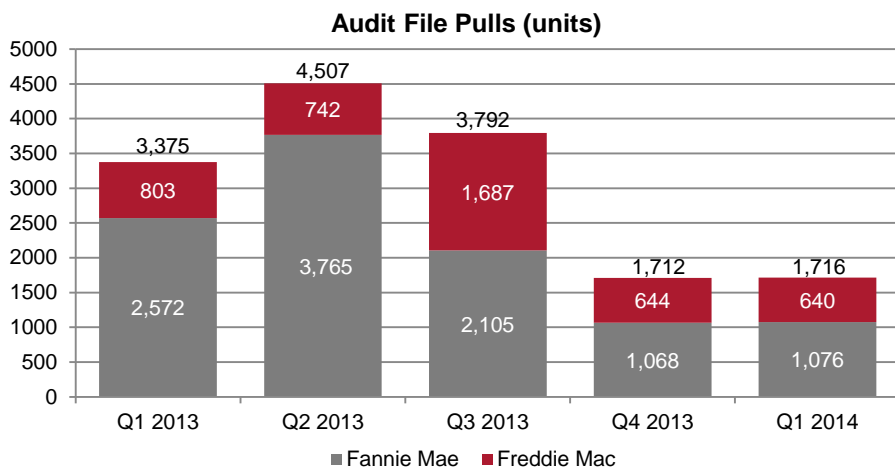
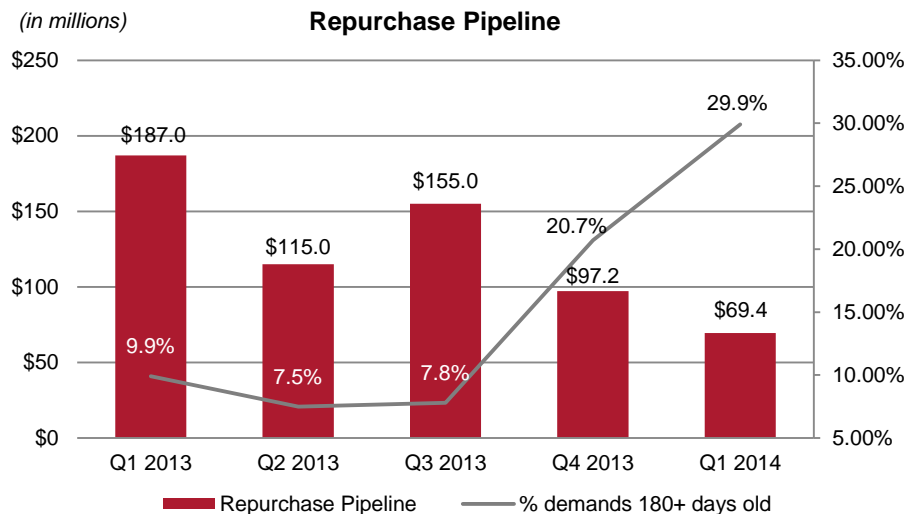
(in millions)

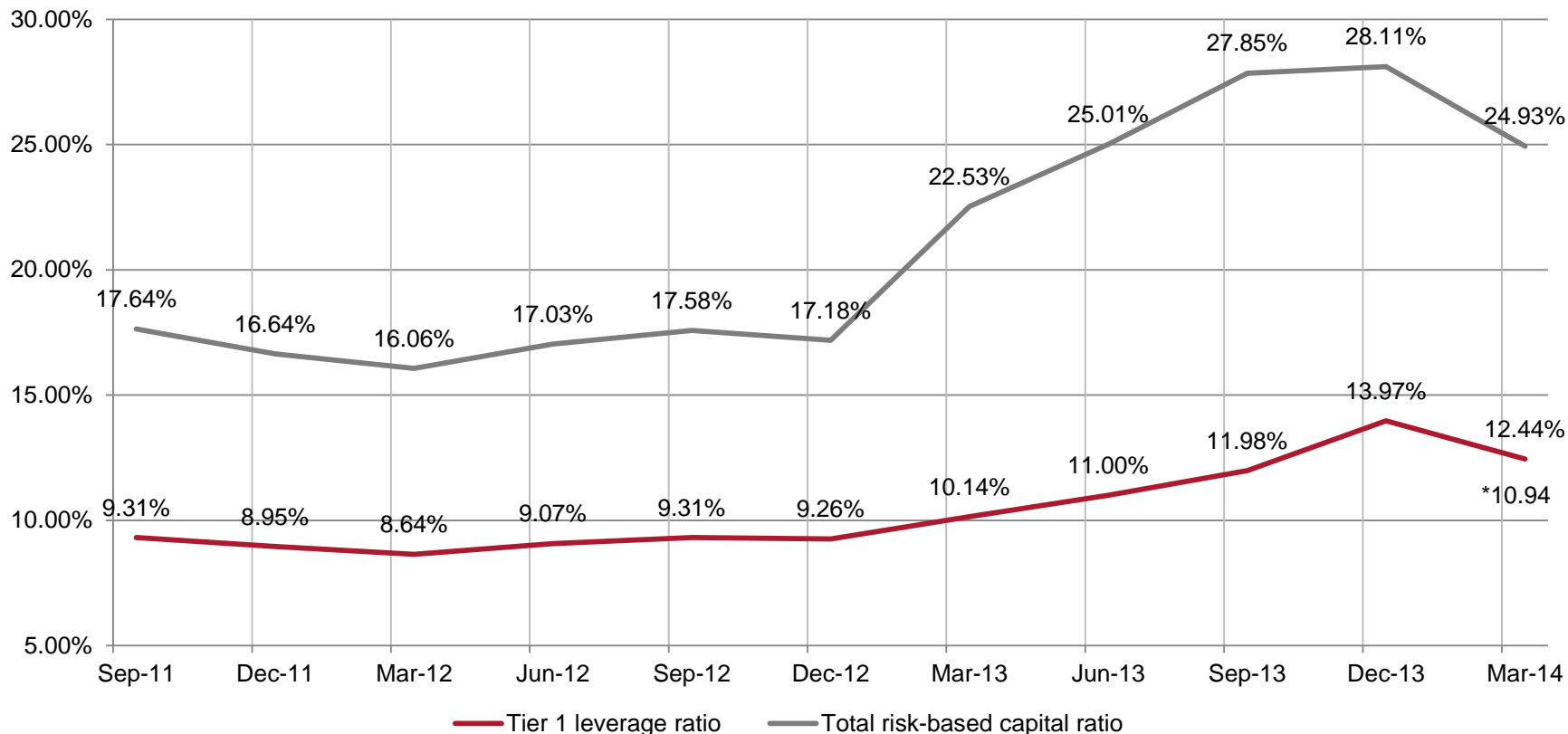


# Representation and Warranty Reserve Details

# 1st Quarter 2014 Earnings Presentation

(in millions)	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014
Beginning balance	\$193.0	\$185.0	\$185.0	\$174.0	\$54.0
Additions	\$23.2	\$34.0	\$8.9	(\$12.4)	(\$0.4)
Net charge-offs	(\$31.2)	(\$34.0)	(\$19.9)	(\$107.6)	(\$5.6)
<b>Ending Balance</b>	<b>\$185.0</b>	<b>\$185.0</b>	<b>\$174.0</b>	<b>\$54.0</b>	<b>\$48.0</b>





\*Estimated Basel III Tier 1 leverage ratio (see Non-GAAP reconciliation)

# Appendix

(in millions)			
	Q1 2014	Q4 2013	Q1 2013
Consumer <sup>(1)</sup>	\$49.3	\$41.0	\$58.4
Commercial <sup>(1)</sup>	2.1	-	1.5
Total 30 - 59 Days Past Due	<u>\$51.4</u>	<u>\$41.0</u>	<u>\$59.8</u>
Consumer <sup>(1)</sup>	\$15.5	\$20.7	\$20.5
Commercial <sup>(1)</sup>	-	-	6.4
Total 60 - 89 Days Past Due	<u>\$15.5</u>	<u>\$20.7</u>	<u>\$26.9</u>
Consumer <sup>(1)</sup>	\$109.0	\$144.2	\$303.2
Commercial <sup>(1)</sup>	1.8	1.5	66.1
Total Greater than 90 days Past Due	<u>\$110.7</u>	<u>\$145.7</u>	<u>\$369.3</u>
Non-performing Assets	\$141.8	\$182.3	\$483.7
<i>To Total Assets (Bank only)</i>	1.49%	1.95%	3.70%
Provision for Loan Losses	\$112.3	\$14.1	\$20.4
Charge-offs, Net of Recoveries	\$12.3	\$14.1	\$35.4
Allowance for Loan Losses	\$307.0	\$207.0	\$290.0
<i>To Loans Held for Investment <sup>(2)</sup></i>	8.11%	5.42%	6.11%
<i>To Non-performing Loans</i>	286.9%	145.9%	78.5%
Real Estate Owned	\$31.1	\$36.6	\$114.4

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

(2) Excludes loans carried under fair value option.

Totals may not foot due to rounding



# First Mortgage Portfolio – by State

# 1st Quarter 2014 Earnings Presentation

\$ in thousands

State	HFS					HFI				
	ARM	Fixed	Balloon	Total	% of Total	ARM	Fixed	Balloon	Total	% of Total
CA	\$ 204,582	\$ 394,844	\$ -	599,426	37.0%	\$ 436,991	\$ 200,976	\$ 12,516	\$ 650,483	27.6%
FL	28,017	118,260	-	146,276	9.0%	213,243	106,581	9,891	329,715	14.0%
MI	8,833	54,210	157	63,200	3.9%	198,135	47,636	10,463	256,234	10.9%
WA	13,769	38,517	-	52,286	3.2%	69,793	35,581	5,000	110,374	4.7%
AZ	5,568	36,017	-	41,584	2.6%	67,458	28,582	1,671	97,711	4.1%
MD	13,520	25,008	-	38,527	2.4%	42,378	24,526	2,599	69,503	3.0%
CO	7,275	32,938	197	40,410	2.5%	45,757	18,942	3,076	67,775	2.9%
NY	6,124	49,997	-	56,121	3.5%	27,632	32,006	3,565	63,203	2.7%
VA	7,008	20,781	-	27,789	1.7%	37,645	15,442	4,093	57,180	2.4%
TX	20,200	103,670	-	123,869	7.6%	28,361	25,828	2,044	56,233	2.4%
IL	17,947	26,789	308	45,043	2.8%	32,875	17,030	1,402	51,307	2.2%
GA	3,746	27,539	-	31,285	1.9%	26,057	18,962	1,237	46,256	2.0%
NJ	9,753	22,878	149	32,780	2.0%	25,572	19,783	2,889	48,244	2.0%
NV	1,768	10,079	-	11,846	0.7%	32,117	9,750	1,440	43,307	1.8%
OH	2,547	13,747	-	16,294	1.0%	27,441	8,230	534	36,205	1.5%
OTHER	44,043	250,695	339	295,077	18.2%	222,014	132,621	16,552	371,187	15.8%
<b>Total :</b>	<b>\$ 394,699</b>	<b>\$ 1,225,966</b>	<b>\$ 1,150</b>	<b>\$ 1,621,815</b>	<b>100%</b>	<b>\$ 1,533,469</b>	<b>\$ 742,476</b>	<b>\$ 78,972</b>	<b>\$ 2,354,917</b>	<b>100%</b>

Note: Reflects unpaid principal balance, net of write downs, of underlying loans before accounting adjustments for discounts and other items.

# First Mortgage Portfolio – by Vintage

# 1st Quarter 2014 Earnings Presentation

\$ in thousands

Year	HFS					HFI				
	ARM	Fixed	Balloon	Total	% of Total	ARM	Fixed	Balloon	Total	% of Total
<b>Older</b>	\$ -	\$ -	\$ 197	\$ 197	<b>0.0%</b>	\$ 37,697	\$ 18,951	\$ 2,346	\$ 58,994	<b>2.5%</b>
<b>2003</b>	-	-	465	465	<b>0.0%</b>	124,571	14,584	3,918	143,073	<b>6.1%</b>
<b>2004</b>	317	304	-	621	<b>0.1%</b>	417,342	24,822	7,891	450,055	<b>19.1%</b>
<b>2005</b>	250	1,667	-	1,917	<b>0.1%</b>	447,784	34,654	13,760	496,198	<b>21.1%</b>
<b>2006</b>	-	534	-	534	<b>0.0%</b>	94,508	95,281	11,270	201,059	<b>8.5%</b>
<b>2007</b>	150	4,801	488	5,439	<b>0.3%</b>	236,620	378,772	37,821	653,213	<b>27.7%</b>
<b>2008</b>	-	9,341	-	9,341	<b>0.6%</b>	10,084	83,370	1,905	95,359	<b>4.0%</b>
<b>2009</b>	-	13,885	-	13,885	<b>0.9%</b>	7,192	34,486	-	41,678	<b>1.8%</b>
<b>2010</b>	-	2,940	-	2,940	<b>0.2%</b>	9,233	11,790	-	21,023	<b>0.9%</b>
<b>2011</b>	-	3,170	-	3,170	<b>0.2%</b>	15,503	12,204	61	27,768	<b>1.2%</b>
<b>2012</b>	-	4,743	-	4,743	<b>0.3%</b>	12,195	14,590	-	26,785	<b>1.1%</b>
<b>2013</b>	116,891	789	-	117,680	<b>7.3%</b>	35,559	12,574	-	48,133	<b>2.0%</b>
<b>2014</b>	277,091	1,183,792	-	1,460,883	<b>90.1%</b>	85,181	6,398	-	91,579	<b>3.9%</b>
<b>Total :</b>	<b>\$ 394,699</b>	<b>\$ 1,225,966</b>	<b>\$ 1,150</b>	<b>\$ 1,621,815</b>	<b>100%</b>	<b>\$ 1,533,469</b>	<b>\$ 742,476</b>	<b>\$ 78,972</b>	<b>\$ 2,354,917</b>	<b>100%</b>

Note: Reflects unpaid principal balance, net of write downs, of underlying loans before accounting adjustments for discounts and other items.



\$ in thousands

FICO	HFS					HFI				
	ARM	Fixed	Balloon	Total	% of Total	ARM	Fixed	Balloon	Total	% of Total
< 580	\$ -	\$ 4,652	\$ -	\$ 4,652	0.3%	16,295	26,177	936	\$ 43,408	1.8%
580 - 619	-	7,652	-	7,652	0.5%	19,489	43,374	1,571	64,434	2.7%
620 - 659	9,487	150,889	505	160,881	9.9%	91,932	81,475	5,541	178,948	7.6%
660 - 699	20,552	246,665	149	267,366	16.5%	377,870	179,967	26,983	584,820	24.8%
> 699	364,660	816,108	496	1,181,264	72.8%	1,027,883	411,483	43,941	1,483,307	63.0%
<b>Total :</b>	<b>\$ 394,699</b>	<b>\$ 1,225,966</b>	<b>\$ 1,150</b>	<b>\$ 1,621,815</b>	<b>100%</b>	<b>\$ 1,533,469</b>	<b>\$ 742,476</b>	<b>\$ 78,972</b>	<b>\$ 2,354,917</b>	<b>100%</b>

Note: Reflects unpaid principal balance, net of write downs, of underlying loans before accounting adjustments for discounts and other items.

\$ in thousands

Original LTV	HFS					HFI				
	ARM	Fixed	Balloon	Total	% of Total	ARM	Fixed	Balloon	Total	% of Total
<=70.00%	\$ 166,519	\$ 262,708	\$ -	\$ 429,227	26.5%	\$ 425,653	\$ 198,880	\$ 18,960	\$ 643,493	27.3%
>70.00% - 79.99%	179,495	379,630	614	559,739	34.5%	930,291	364,372	45,656	1,340,319	56.9%
>80.00% - 89.99%	18,989	136,641	339	155,969	9.6%	94,792	67,363	9,041	171,196	7.3%
>90.00% - 99.99%	28,812	416,203	197	445,212	27.5%	81,384	103,808	5,087	190,279	8.1%
100.00% -109.99%	884	18,344	-	19,228	1.2%	976	5,260	-	6,236	0.3%
110.00% -124.99%	-	7,315	-	7,315	0.5%	373	2,045	109	2,527	0.1%
>125.00%	-	5,125	-	5,125	0.3%	-	748	119	867	0.0%
<b>Total:</b>	<b>\$ 394,699</b>	<b>\$ 1,225,966</b>	<b>\$ 1,150</b>	<b>\$ 1,621,815</b>	<b>100%</b>	<b>\$ 1,533,469</b>	<b>\$ 742,476</b>	<b>\$ 78,972</b>	<b>\$ 2,354,917</b>	<b>100%</b>

Note: Reflects unpaid principal balance, net of write downs, of underlying loans before accounting adjustments for discounts and other items.

\$ in thousands

HPI Adjusted LTV	HFS					HFI				
	ARM	Fixed	Balloon	Total	% of Total	ARM	Fixed	Balloon	Total	% of Total
<=70.00%	\$ 169,477	\$ 260,998	\$ -	\$ 430,475	26.5%	\$ 583,521	\$ 187,755	\$ 15,417	\$ 786,693	33.4%
70.00% - 79.99%	174,179	359,622	505	534,306	32.9%	352,083	119,619	12,016	483,718	20.5%
80.00% - 89.99%	18,015	140,597	339	158,951	9.8%	227,465	140,517	14,876	382,858	16.3%
90.00% - 99.99%	26,803	345,603	157	372,563	23.0%	174,238	127,891	12,885	315,014	13.4%
100.00% -109.99%	3,622	68,809	149	72,580	4.5%	110,320	83,429	13,477	207,226	8.8%
110.00% -124.99%	229	19,739	-	19,968	1.2%	61,228	55,269	7,342	123,839	5.3%
>=125.00%	2,374	30,598	-	32,972	2.0%	24,614	27,996	2,959	55,569	2.4%
<b>Total :</b>	<b>\$ 394,699</b>	<b>\$ 1,225,966</b>	<b>\$ 1,150</b>	<b>\$ 1,621,815</b>	<b>100%</b>	<b>\$ 1,533,469</b>	<b>\$ 742,476</b>	<b>\$ 78,972</b>	<b>\$ 2,354,917</b>	<b>100%</b>

Note: Reflects unpaid principal balance, net of write downs, of underlying loans before accounting adjustments for discounts and other items. The housing price index (HPI adjusted) LTV is updated from the original LTV based on Metropolitan Statistical Area-level Office of Federal Housing Enterprise Oversight (OFHEO) data.

## Asset Quality by Loan Type - HFI

## 1st Quarter 2014 Earnings Presentation

\$ in thousands

Loan Type	Balance	Non-performing Loans	% of Balance	% of Overall NPLs	Q1 '14 Charge Offs, Net of Recoveries	Collectively Evaluated Reserves	Individually Evaluated Reserves	Total Reserves
Residential first mortgage	\$2,348,691	\$101,346	4.3%	91.5%	(\$9,747)	\$175,082	\$81,209	\$256,291
Second mortgage	164,627	2,805	1.7%	2.5%	(984)	8,830	4,625	13,455
Warehouse	408,874	-	-	-	-	1,465	-	1,465
HELOC	273,454	4,668	1.7%	4.2%	(2,640)	11,331	262	11,593
Consumer	34,875	164	0.5%	0.1%	(141)	1,438	-	1,438
Commercial RE	512,994	1,766	0.3%	1.6%	1,115	18,029	102	18,131
Commercial and Industrial	266,176	-	-	-	29	4,477	-	4,477
Commercial lease financing	10,180	-	-	-	47	150	-	150
<b>Total:</b>	<b>\$4,019,871</b>	<b>\$110,749</b>	<b>2.7%</b>	<b>100.0%</b>	<b>(\$12,321)</b>	<b>\$256,291</b>	<b>\$86,198</b>	<b>\$307,000</b>

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

## Non-performing Loans HFI – by State

## 1st Quarter 2014 Earnings Presentation

**\$ in thousands**

State	Mortgage	Percent of Mortgage	Second Mortgage	HELOC	Commercial Real Estate	Consumer	Total	Percent of Total
<b>FL</b>	\$26,954	<b>26.7%</b>	\$63	\$621	\$0	\$0	\$27,638	<b>25.1%</b>
<b>CA</b>	14,021	<b>13.8%</b>	333	1,137	-	-	15,491	<b>14.0%</b>
<b>NY</b>	8,957	<b>8.8%</b>	148	209	-	-	9,314	<b>8.4%</b>
<b>MI</b>	4,875	<b>4.8%</b>	865	1,051	1,766	128	8,685	<b>7.8%</b>
<b>NJ</b>	5,973	<b>5.9%</b>	89	37	-	-	6,099	<b>5.5%</b>
<b>MD</b>	4,041	<b>4.0%</b>	93	-	-	-	4,134	<b>3.7%</b>
<b>TX</b>	3,600	<b>3.6%</b>	17	293	-	-	3,910	<b>3.5%</b>
<b>WA</b>	3,673	<b>3.6%</b>	-	-	-	-	3,673	<b>3.3%</b>
<b>IL</b>	2,478	<b>2.4%</b>	7	92	-	-	2,577	<b>2.3%</b>
<b>AZ</b>	2,240	<b>2.2%</b>	-	183	-	-	2,423	<b>2.2%</b>
<b>GA</b>	2,365	<b>2.3%</b>	5	12	-	-	2,382	<b>2.2%</b>
<b>HI</b>	1,982	<b>2.0%</b>	83	9	-	-	2,074	<b>1.9%</b>
<b>NV</b>	1,807	<b>1.8%</b>	41	7	-	-	1,855	<b>1.7%</b>
<b>OH</b>	1,362	<b>1.3%</b>	-	451	-	-	1,813	<b>1.6%</b>
<b>SC</b>	1,473	<b>1.5%</b>	217	-	-	-	1,690	<b>1.5%</b>
<b>other</b>	15,545	<b>15.3%</b>	844	566	-	36	16,991	<b>15.3%</b>
<b>Total</b>	<b>\$101,346</b>	<b>100.0%</b>	<b>\$2,805</b>	<b>\$4,668</b>	<b>\$1,766</b>	<b>\$164</b>	<b>\$110,749</b>	<b>100.0%</b>

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

## Non-performing Loans HFI – by Vintage

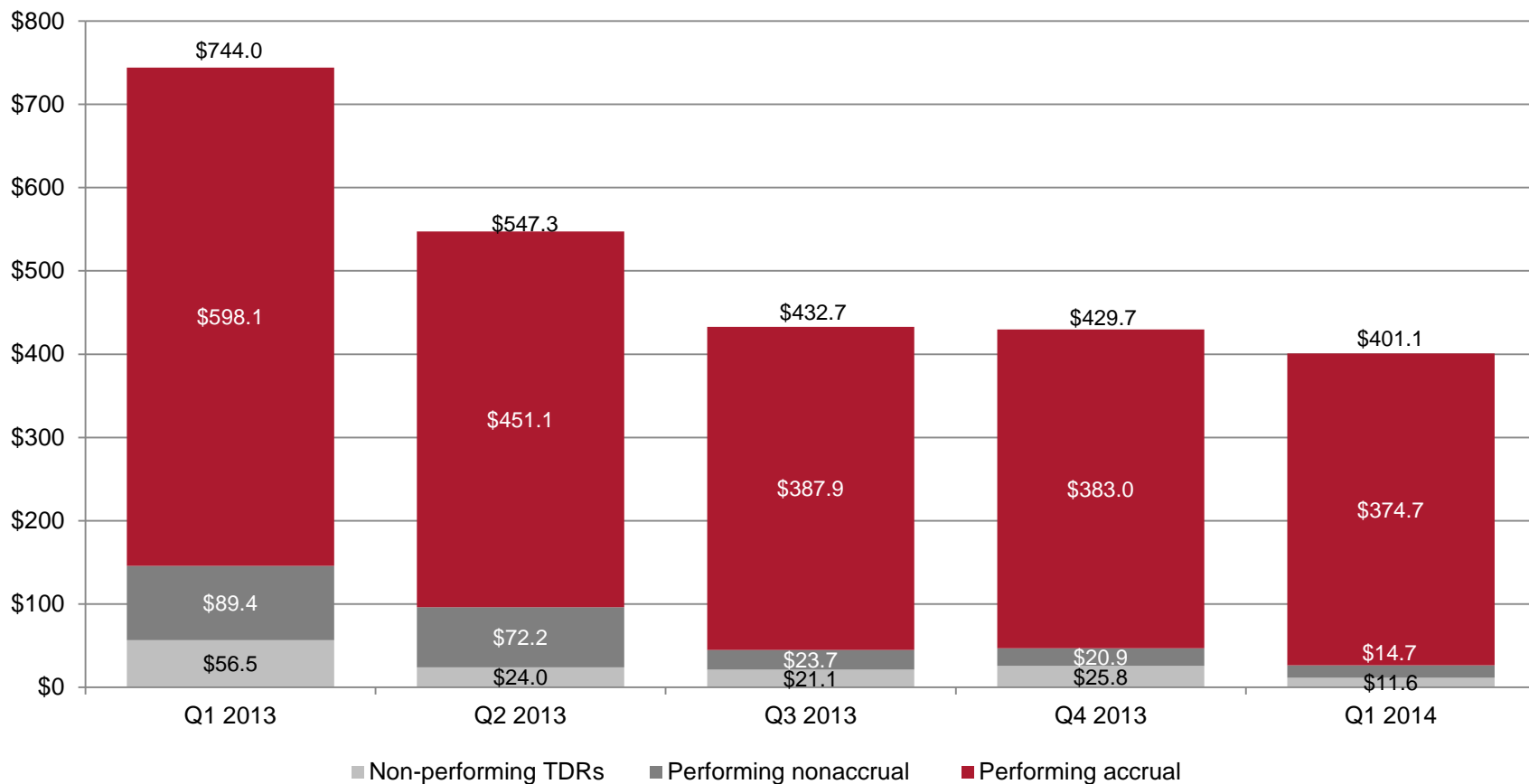
## 1st Quarter 2014 Earnings Presentation

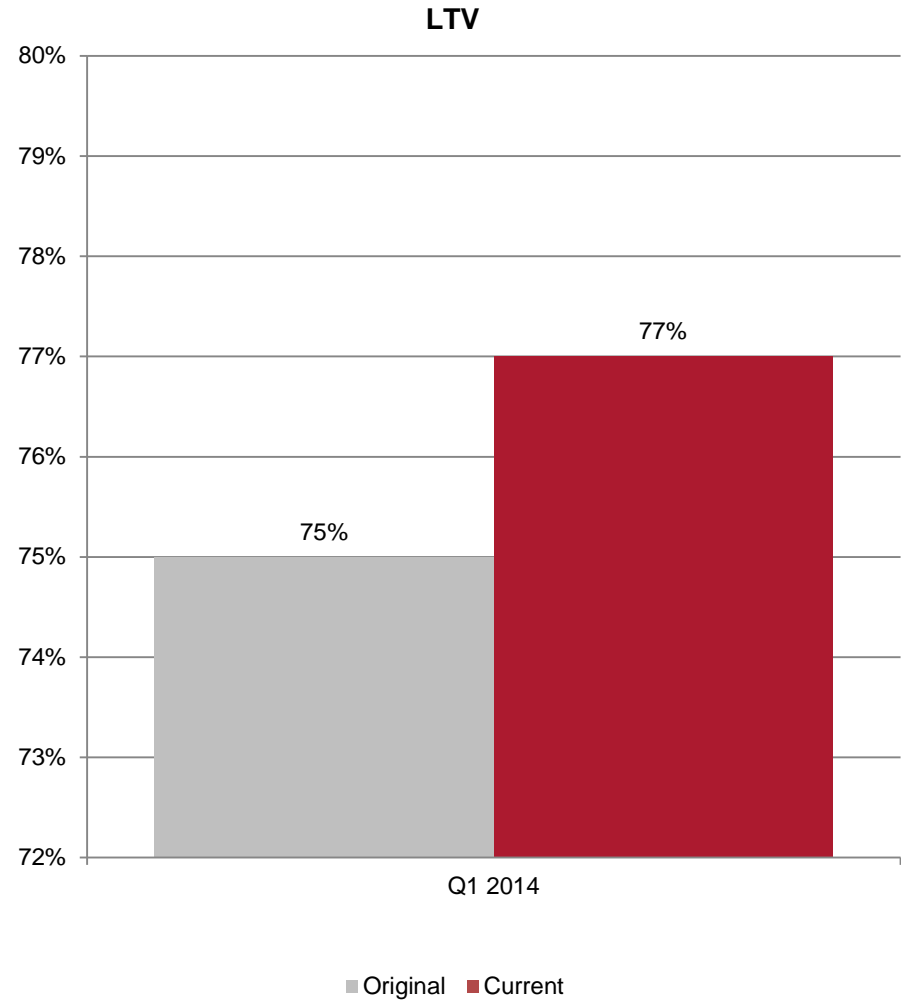
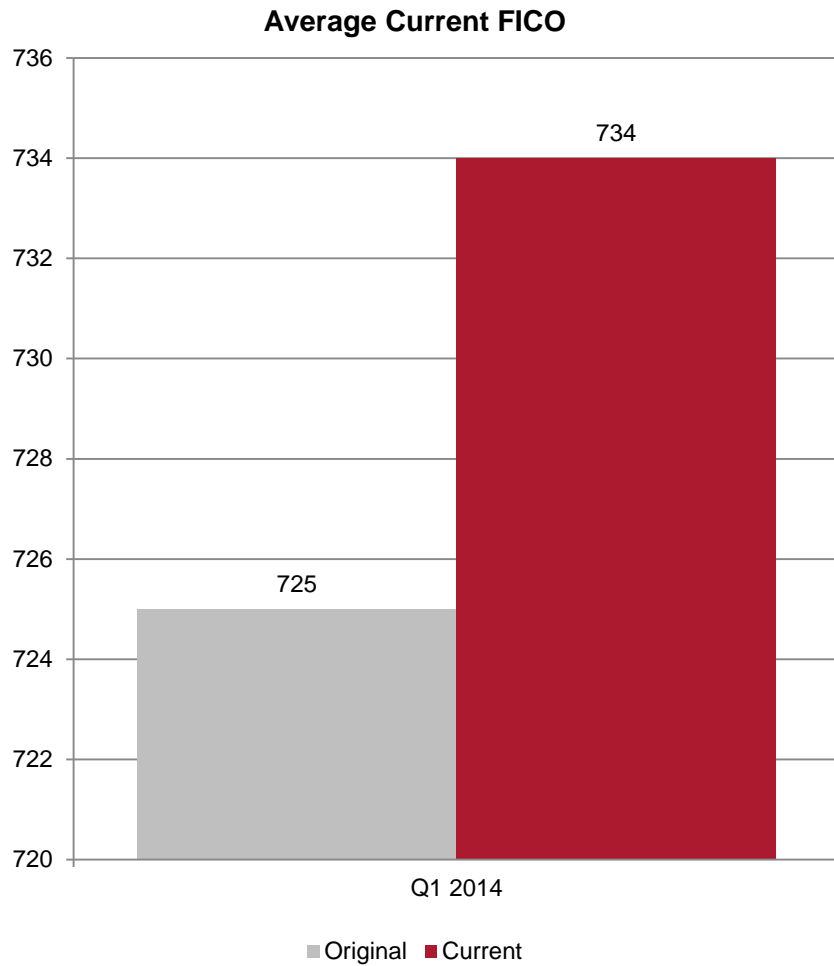
**\$ in thousands**

Vintage	First Mortgage	Percent of Mortgage	Second Mortgage	HELOC	Commercial Real Estate	Other Consumer	Total	Percent of Total
<b>Older</b>	\$7,343	<b>7.2%</b>	\$489	\$668	\$266	\$4	\$8,770	<b>7.9%</b>
<b>2004</b>	9,634	<b>9.5%</b>	128	410	-	1	10,173	<b>9.2%</b>
<b>2005</b>	9,921	<b>9.8%</b>	474	1,427	-	-	11,822	<b>10.7%</b>
<b>2006</b>	9,167	<b>9.0%</b>	253	1,406	1,500	2	12,328	<b>11.1%</b>
<b>2007</b>	36,310	<b>35.8%</b>	1,206	714	-	22	38,250	<b>34.5%</b>
<b>2008</b>	20,378	<b>20.1%</b>	-	43	-	-	20,422	<b>18.4%</b>
<b>2009</b>	3,422	<b>3.4%</b>	41	-	-	1	3,464	<b>3.1%</b>
<b>2010</b>	2,037	<b>2.0%</b>	137	-	-	30	2,204	<b>2.0%</b>
<b>2011</b>	2,205	<b>2.2%</b>	76	-	-	30	2,311	<b>2.1%</b>
<b>2012</b>	159	<b>0.2%</b>	-	-	-	13	172	<b>0.2%</b>
<b>2013</b>	771	<b>0.8%</b>	-	-	-	61	833	<b>0.8%</b>
<b>Total</b>	<b>\$101,346</b>	<b>100.0%</b>	<b>\$2,805</b>	<b>\$4,668</b>	<b>\$1,766</b>	<b>\$164</b>	<b>\$110,749</b>	<b>100%</b>

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

(in millions)

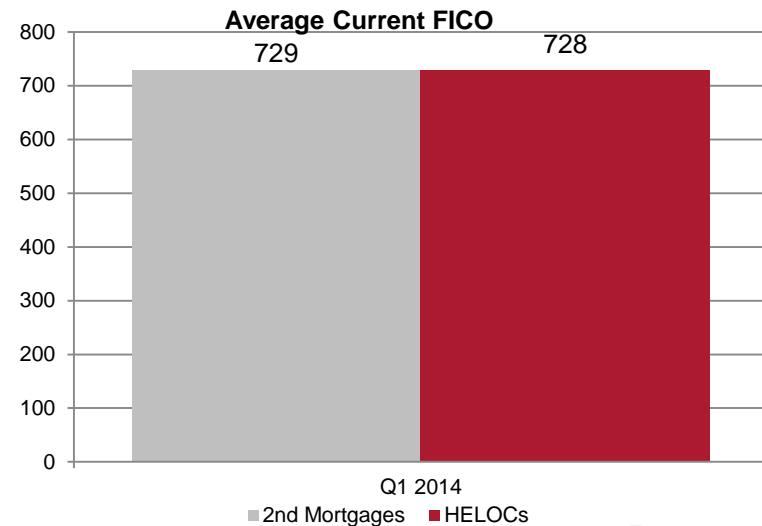
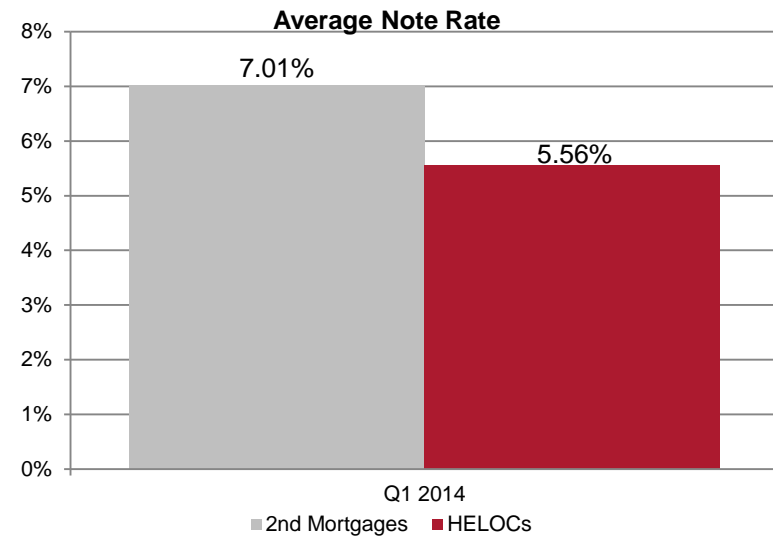






# 2<sup>nd</sup> Mortgage and HELOC Portfolio Originated in 2009 and Prior

## 1st Quarter 2014 Earnings Presentation



# Deposit Mix

## 1st Quarter 2014 Earnings Presentation

(millions)	March 31, 2014		December 31, 2013		March 31, 2013	
	Balance	Rate	Balance	Rate	Balance	Rate
<b>Branch Retail Deposits:</b>						
Demand deposits	\$ 700	0.08%	\$ 670	0.09%	\$ 632	0.13%
Savings deposits	2,918	0.52%	2,850	0.46%	2,497	0.78%
Money market deposits	246	0.15%	262	0.15%	342	0.26%
Certificates of deposit	<u>956</u>	0.73%	<u>1,023</u>	0.72%	<u>2,609</u>	0.89%
Total branch deposits	\$ 4,820	0.48%	\$ 4,805	0.45%	\$ 6,081	0.73%
<b>Commercial Retail Deposits:</b>						
Demand deposits	\$ 111	0.01%	\$ 94	0.01%	\$ 96	0.15%
Savings deposits	26	0.49%	20	0.40%	16	0.76%
Money market deposits	25	0.54%	25	0.54%	28	0.70%
Commercial Certificates of deposit	<u>3</u>	0.53%	<u>3</u>	0.41%	<u>4</u>	0.87%
Total commercial deposits	\$ 166	0.18%	\$ 141	0.17%	\$ 143	0.34%
Total Retail deposits	\$ 4,986		\$ 4,946		\$ 6,224	
<b>Government Banking Deposits:</b>						
Demand deposits	\$ 143	0.38%	\$ 104	0.26%	\$ 103	0.37%
Savings deposits	251	0.52%	183	0.27%	213	0.29%
Certificates of deposit	<u>337</u>	0.39%	<u>315</u>	0.38%	<u>459</u>	0.53%
Total government banking deposits	\$ 731	0.43%	\$ 602	0.33%	\$ 775	0.44%
Company controlled deposits	\$ 593	0.00%	\$ 583	0.00%	\$ 774	0.00%
Wholesale deposits	<u>-</u>	-	<u>9</u>	3.43%	<u>74</u>	4.80%
Total deposits	<u>\$ 6,310</u>	0.43%	<u>\$ 6,140</u>	0.39%	<u>\$ 7,847</u>	0.66%
Number of banking branches	106		111		111	

(1) Approximately \$250.2 million of retail CDs represent government deposit relationships that have been exchanged for retail CDs as part of our participation in the CDARs program at March 31, 2014.

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

\$ in millions

	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013
<b>Efficiency ratio (adjusted)</b>					
Net interest income (a)	\$58.2	\$41.2	\$42.7	\$47.1	\$55.7
Noninterest income (b)	75.0	113.1	134.3	220.0	184.9
Less provisions:					
Representation and warranty reserve - change in estimate	(1.7)	9.5	5.2	28.9	17.4
Significant one-time items:					
Net impairment loss recognized through earnings	-	-	-	8.8	-
Representation and warranty reserve – change in estimate (one time)	-	(24.9)	-	-	-
Other noninterest income	21.1	-	-	(36.9)	-
Adjusted income (c)	\$152.5	\$138.9	\$182.2	\$267.9	\$258.0
Noninterest expense (d)	139.3	388.7	158.4	174.4	196.6
Significant one-time items:					
Loss on extinguishment of debt	-	(177.6)	-	-	-
Legal and professional expense	-	(61.0)	-	10.0	-
Adjusted noninterest expense (e)	\$139.3	\$150.1	\$158.4	\$184.4	\$196.6
Efficiency ratio (d/(a+b))	104.6%	251.8%	89.5%	65.3%	81.7%
<b>Efficiency ratio (adjusted) (e/c)</b>	<b>91.3%</b>	<b>108.1%</b>	<b>87.0%</b>	<b>68.8%</b>	<b>76.2%</b>

Totals may not foot due to rounding



**\$ in millions**

	March 31, 2014	December 31, 2013	March 31, 2013
Non-performing assets	\$141.8	\$182.3	\$483.7
Tier 1 Capital	1,139.8	1,257.6	1,318.8
Allowance for Loan Losses	307.0	207.0	290.0
<b>Tier 1 Capital + Allowance for Loan Losses</b>	<b>\$1,446.8</b>	<b>\$1,464.6</b>	<b>1,608.8</b>
<b>Non-performing assets/ Tier 1 Capital + Allowance for Loan Losses</b>	<b>9.8%</b>	<b>12.4%</b>	<b>30.1%</b>

**\$ in millions**

	March 31, 2014	December 31, 2013	March 31, 2013
Mortgage Servicing Rights	\$320.2	\$284.7	\$727.2
Tier 1 Capital	1,139.8	1,257.6	1,318.8
<b>MSR to Tier 1 ratio</b>	<b>28.1%</b>	<b>22.6%</b>	<b>55.1%</b>

\$ in millions

March 31, 2014

Flagstar Bank (the Bank)	Common Equity Tier 1 (to Risk Weighted Assets)	Tier 1 Leverage (to Adjusted Tangible Assets) (1)
<b>Regulatory capital – Basel I to Basel III (fully phased-in) (2)</b>		
Basel I capital	\$1,139.8	\$1,139.8
Increased deductions related to deferred tax assets, mortgage servicing assets, and other capital components	(190.4)	(190.4)
Basel III (fully phased-in) capital (2)	\$ 949.4	\$ 949.4
<b>Risk-weighted assets – Basel I to Basel III (fully phased-in) (2)</b>		
Basel I assets	\$4,826.0	\$ 9,160.9
Net change in assets	28.7	(486.5)
Basel III (fully phased-in) assets (2)	\$4,854.7	\$8,674.4
<b>Capital ratios</b>		
Basel I (3)	23.62%	12.44%
Basel III (fully phased-in) (2)	19.56%	10.94%

- (1) The definition of total assets used in the calculation of the Tier 1 Leverage ratio changed from ending total assets under Basel I to quarterly average total assets under Basel III.
- (2) Basel III information is considered estimated and not final at this time as the Basel III rules continue to be subject to interpretation by U.S. Banking Regulators. The new capital requirements begin January 1, 2015 and will be fully phased-in on January 1, 2019.
- (3) The Bank is currently subject to the requirements of Basel I.



## Non – GAAP Reconciliation (cont'd)

## 1st Quarter 2014 Earnings Presentation

\$ in millions

	Q1 2013 Run Rate	Q2 2013 Run Rate	Q3 2013 Run Rate	Q4 2013 Run Rate	Q1 2014 Run Rate
<b>Fixed expenses</b>					
Compensation and benefits	\$77.3	\$70.9	\$61.5	\$69.6	\$65.6
Occupancy and equipment	19.4	22.2	18.6	19.8	20.4
Asset resolution	16.4	15.9	16.3	3.4	11.5
Other noninterest expense (1)	48.9	34.6	39.0	39.1	26.9
Total fixed expenses	<u>\$162.0</u>	<u>\$143.6</u>	<u>\$135.4</u>	<u>\$131.9</u>	<u>\$124.4</u>
<b>Variable expenses</b>					
Commissions	\$17.5	\$15.4	\$12.1	\$9.4	\$7.2
Loan processing expenses	17.1	15.4	10.9	8.8	7.7
Total variable expenses	<u>\$34.6</u>	<u>\$30.8</u>	<u>\$23.0</u>	<u>\$18.2</u>	<u>\$14.9</u>
<b>Non-recurring Items (excluded)</b>					
Loss on extinguishment of debt	-	-	-	\$177.6	-
Incremental expenses (2)	-	-	-	61.0	-
Total non-recurring items	-	-	-	<u>\$238.6</u>	-
Total noninterest expense	<u>\$196.6</u>	<u>\$174.4</u>	<u>\$158.4</u>	<u>\$388.7</u>	<u>\$139.3</u>
<b>Annualized fixed expenses</b>	<u>\$648.0</u>	<u>\$574.4</u>	<u>\$541.6</u>	<u>\$527.6</u>	<u>\$497.6</u>
<b>Annualized variable expenses</b>	<u>\$138.4</u>	<u>\$123.2</u>	<u>\$92.0</u>	<u>\$72.8</u>	<u>\$59.6</u>

(1) Other noninterest expense includes Federal insurance premiums, legal and professional expense and other noninterest expense.

(2) Included in legal and professional expense on our consolidated financial statements.



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