Flagstar Bancorp, Inc.

Earnings Presentation
4th Quarter 2014

JANUARY 22, 2015

Flagstar Bancorp

Cautionary statement

This report 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, but are not limited to the following items:

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 changes in 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 overall mortgage business, (ii) our ability to originate or acquire loans and to sell assets at a profit, (iii) prepayment speeds, (iv) our cost of funds and (v) investments in mortgage servicing rights;
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 the Consent Order of the Consumer Financial Protection Bureau and our ability to address any further matters raised by these regulators, and other regulators or government bodies;
9. Our ability to comply 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;
10. 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;
11. 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, mortgage servicing and commercial and retail banking lines of business;
12. Our ability to satisfy our mortgage servicing and subservicing obligations and manage repurchases and indemnity demands by mortgage loan purchasers, guarantors and insurers;
13. The outcome and cost of defending current and future legal or regulatory litigation, proceedings or investigations;
14. 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 cyclicality and seasonality of our mortgage banking business, litigation and regulatory risk, operational risk, counterparty risk and reputational risk;
15. The control by, and influence of, our majority stockholder;
16. 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, ensure ongoing mortgage and banking operations, or maintain system integrity with respect to funds settlement; and
17. Our ability to meet our forecasted earnings such that we would need to establish a valuation allowance against our deferred tax asset.

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 guarantees 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 the forward-looking statements included herein, 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.

Executive Overview

Sandro DiNello, CEO

4th quarter key highlights

Strong core franchises	• Largest bank headquartered in Michigan, with $9.8 billion in assets, $7.1 billion of deposits and 107 branches • Mortgage origination (9th largest) and servicing (top 20) franchises have national scale
Increased profitability	• Net income up $3 million from 3Q14 adjusted net income of $8 million • No unusual adjustments affecting reported results
Noninterest income growth	• Noninterest income up $3 million to $98 million, up 3 percent from 3Q14 adjusted results - Increased net gain on loan sales led by a 4bps higher GOS margin of 0.87% - Improved recoveries on representation and warranty losses
Expense discipline	• Noninterest expense declined $2 million to $139 million, down 1 percent from third quarter 2014 adjusted results - Reduced expenses were led by decreased legal and professional fees, asset resolution expenses and other noninterest expenses
Lower credit related costs	• Provision for loan losses of $5.0 million vs. $8.1 million in the prior quarter • Representation and warranty benefit of $6.1 million vs. an adjusted charge of $2.2 million in the prior quarter • Asset resolution expense of $13.4 million vs. $13.7 million in the prior quarter
Strong balance sheet and liquidity	• Tier 1 leverage increased 9 bps to 12.6% • Total assets increased 2.2%, of which, 17% are invested in liquid assets

Financial Overview

Jim Ciroli, CFO

Quarterly adjusted income comparison[1]

4th Quarter 2014

$mm	Q4 2014	Q3 2014	Variance
Net interest income	$61.3	$64.4	($3.1)
Provision for loan losses	5.0	8.1	3.1
Net interest income after provision for loan losses	56.3	56.3	-
Net gain on loans sales	53.5	52.2	1.4
Loan fees and charges	16.8	18.7	(1.9)
Loan administration income	5.5	5.6	(0.1)
Other noninterest income	22.7	8.8	13.9
Adjusting items[1]	-	10.4	(10.4)
Noninterest income	98.4	95.6	2.9
Gain sale / total revenue	*35%*	*34%*	*0%*
Compensation and benefits	59.0	53.5	(5.5)
Commissions	9.3	10.3	1.0
Other noninterest expenses	71.0	115.5	44.6
Adjusting items[1]	-	(38.6)	(38.6)
Noninterest expense	139.3	140.8	1.5
Adjusted efficiency ratio	*91%*	*87%*	*4%*
Adjusted operating income before taxes	**15.5**	**11.1**	**4.4**
Income tax expense	4.4	3.3	(1.1)
Adjusted net (loss) income	**$11.1**	**$7.7**	**$3.4**

Observations

Lower net interest income

- 11 bps decrease in NIM, primarily due to lower yield on loans with government guarantees
- 1% decline in average earning assets; resulting from third quarter jumbo loan sales partially offset by increased commercial lending

Lower credit related costs

- Total credit costs of $12.3 million vs. $23.9 million in the prior quarter on an adjusted basis
  - Improvement in R&W provision due to lower loss experience & claim recoveries

Revenue growth

- Noninterest income increased $3 million, excluding $10.4 million of indemnity charges in Q3
  - Net gain on loan sales up slightly on 4bps improvement in margin

Expense discipline

- Noninterest expense decreased $2 million
  - Asset resolution, legal and professional and other noninterest expense down
  - Partially offset by higher compensation expense

1 Please see adjustments in the non-GAAP reconciliations included in the appendix.

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Key operating statistics

4th Quarter 2014

$mm (except per share data)

	Q4 2014	Q3 2014	Variance
Profitability			
Net interest margin	2.80%	2.91%	-11 bps
Mortgage rate lock commitments, fallout adjusted	$6,156	$6,304	($148)
Gain on loan sale margin(1)	0.87%	0.83%	4 bps
Asset Quality			
Charge-off to average loans held for investments(2)	91 bps	136 bps	-45 bps
Nonperforming assets / total assets(2)	1.41%	1.39%	2 bps
Allowance for loan losses / Nonperforming loans(2)	255.7%	295.4%	NM
Allowance for loan losses / Loans held for investment(2)	7.01%	7.60%	-59 bps
Capital			
Tier 1 leverage	12.6%	12.5%	9 bps
Total risk based capital	24.1%	24.4%	-23 bps
Mortgage servicing rights to Tier 1 capital(3)	21.8%	24.9%	-310 bps
Book value per common share	$19.64	$19.28	$0.36

1 Expressed as a percent of fallout adjusted locks.
2 Excludes loans that are fair valued.
3 See non-GAAP reconciliation in the appendix.

Observations

Increased profitability

- Positive operating leverage led by:
  - 3% operating revenue growth
  - 1% decline in noninterest expense

Lower credit costs

- Lower net charge-off equal to 91 bps
- Stable NPAs at 1.41% of assets
- Stable delinquencies at $164 million

Strong balance sheet and liquidity

- All ratios exceed regulatory minimums
  - Tier 1 leverage increase 9bps to 12.6%
- $0.36 increase in book value per common share
- Exposure to MSRs continues to be managed

Balance sheet highlights

4th Quarter 2014

$mm	12/31/2014	9/30/2014	Variance
Total Assets	**$9,840**	**$9,625**	**$215**
Cash and cash equivalents	$136	$107	$29
Investments securities available-for-sale	1,672	1,378	294
Liquid assets	**$1,808**	**$1,485**	**$323**
Residential first mortgages	$2,193	$2,225	($31)
Consumer loans[1]	436	447	(11)
Commercial loans[2]	1,049	918	131
Warehouse loans	769	595	174
Loans, held for investment	**$4,448**	**$4,185**	**$262**
Loans held for sale	1,244	1,469	(225)
Loans repurchased with government guarantees	1,128	1,192	(63)
Total loans	**$6,820**	**$6,846**	**($26)**
Mortgage servicing rights	$258	$285	($28)
Gross HFI loans / deposit ratio	62.9%	57.8%	510 bps
Wholesale funding ratio[3]	12.6%	8.8%	380 bps
MSR to tier 1 capital ratio[4]	21.8%	24.9%	-310 bps

1 Includes second mortgage, HELOC and other consumer loans.
2 Commercial loans include commercial real estate, commercial and industrial and commercial lease financing loans.
3 Wholesale funding ratio is the percent of total assets that is funded by brokered deposits, FHLB advances and other debt.
4 See non-GAAP reconciliation in the appendix.

Observations

Balance sheet positioned for growth

- Total assets up 2% to $9.8B
- Strong liquidity position maintained

Strengthening balance sheet

- Deposits are a significant portion of our funding
  - Total deposits up to 83% of liabilities
  - Core deposits up to 52% of liabilities
- Common equity / assets of 11%

Liquidity remains enviable

- Loans held for sale equal to 18% of deposits
- Cash + agency securities equal to 17% of total assets
- Borrowing capacity with FHLB at 22% of total assets

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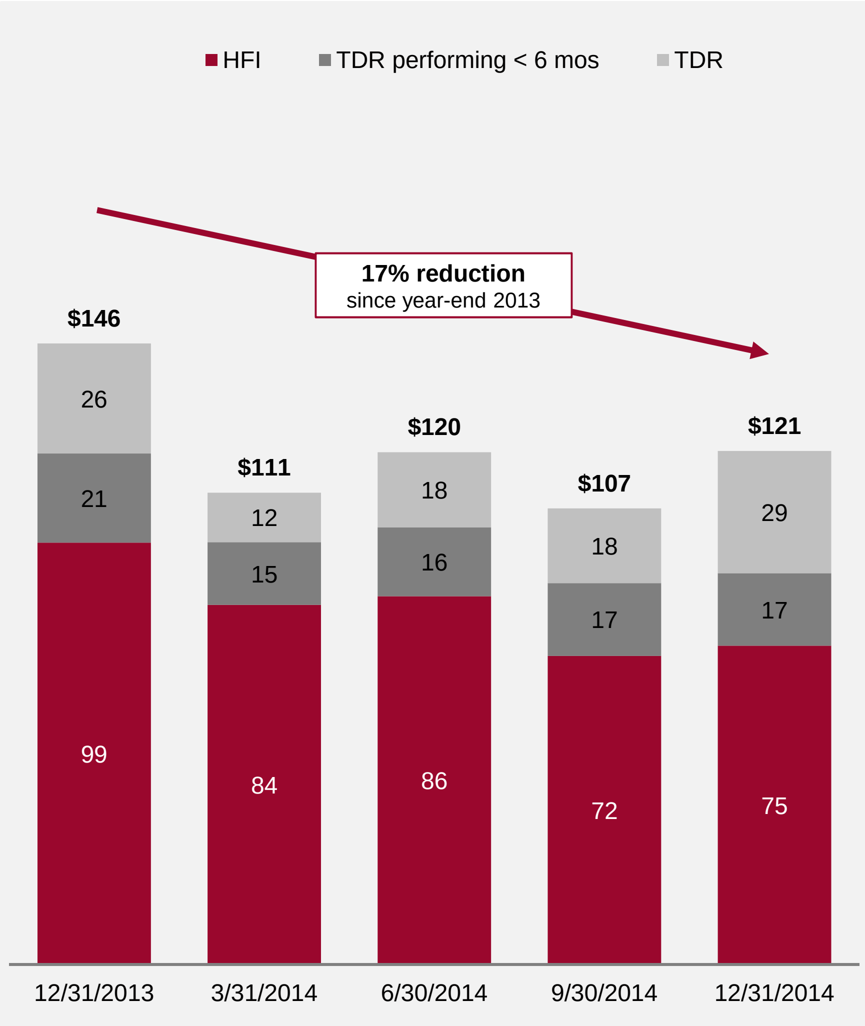
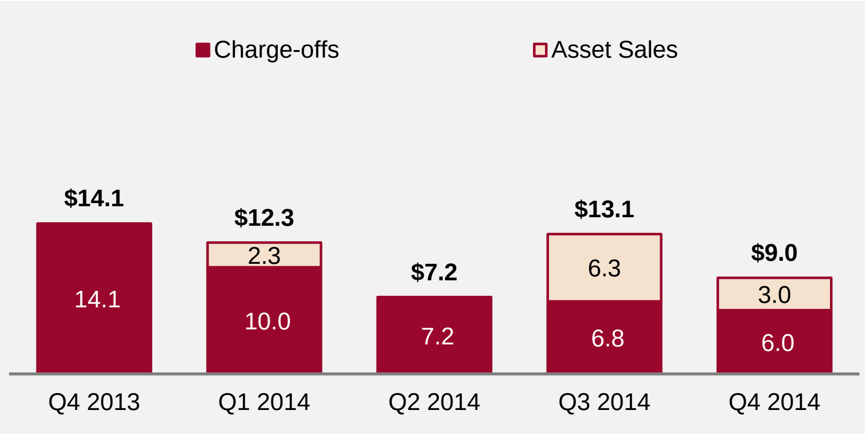
Asset Quality

4th Quarter 2014

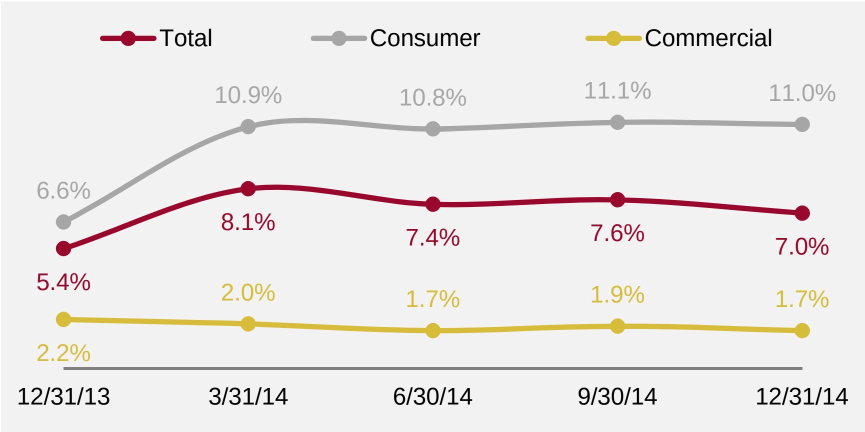
Nonperforming loans ($mm)



Net charge-offs / avg. loans



Allowance coverage¹ (% of loans HFI)



¹ Excludes loans carried under the fair value option.

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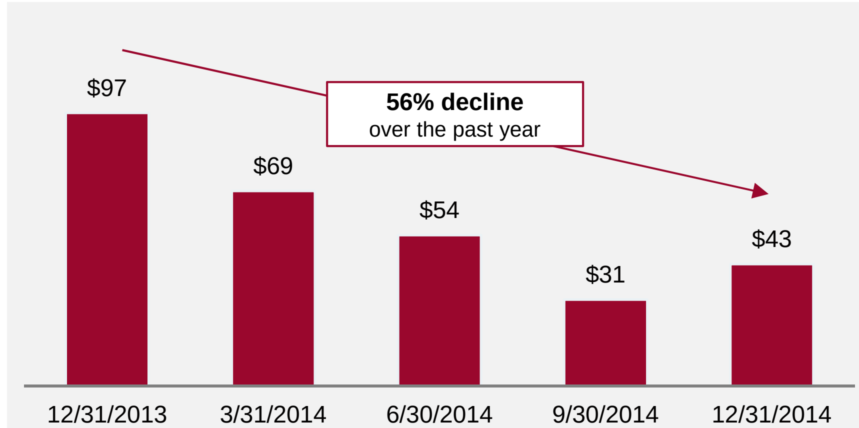
Representation & Warranty reserve details

4th Quarter 2014

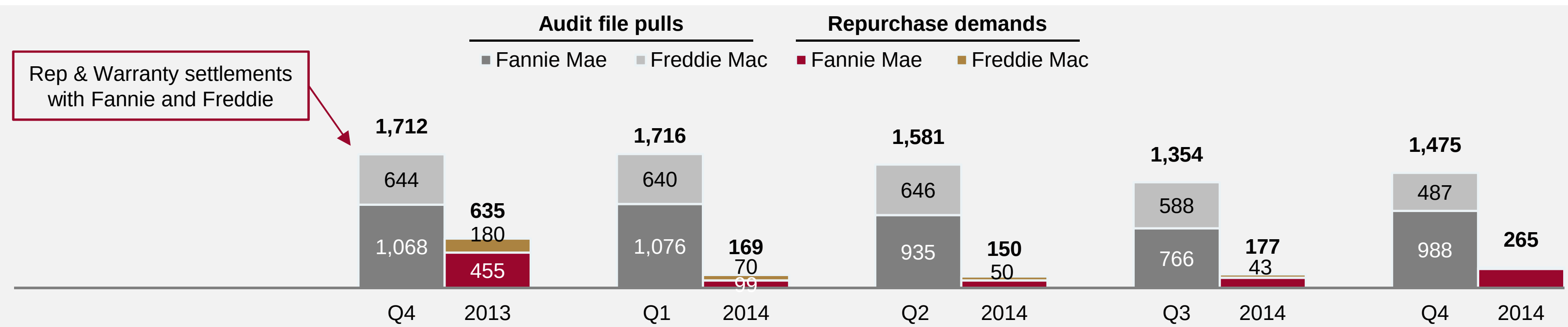
Repurchase reserve ($mm)

(in millions)	12/31/13	3/31/14	6/30/14	9/30/14	12/31/14
Beginning balance	$174.0	$54.0	$48.0	$50.0	$57.0
Additions	(12.4)	(0.4)	7.0	14.5	(4.2)
Net charge-offs	(107.6)	(5.6)	(5.0)	(7.5)	0.2
Ending Balance	**$54.0**	**$48.0**	**$50.0**	**$57.0**	**$53.0**

Repurchase pipeline ($mm)



Repurchase activity with Fannie and Freddie



Repurchase demands / file pulls	37%	10%	10%	13%	18%

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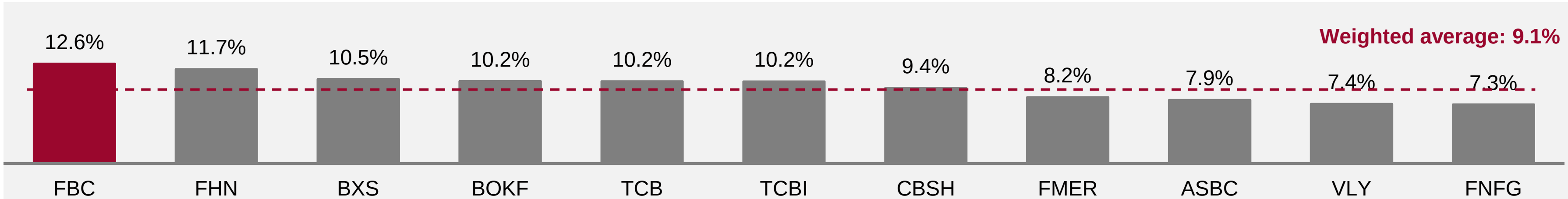
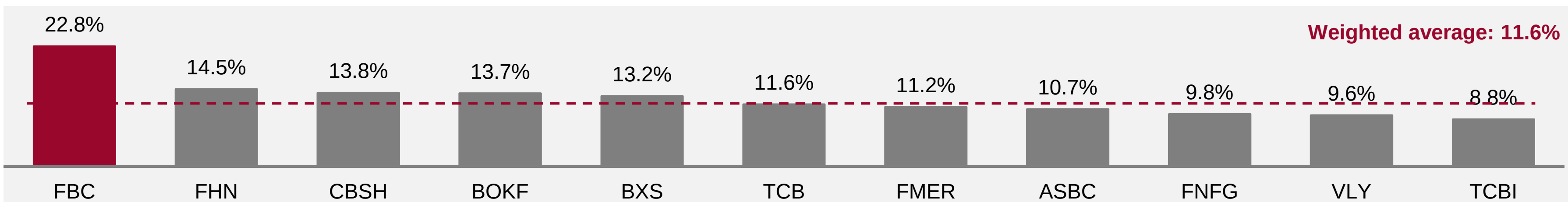
Capital ratios

Tier 1 leverage

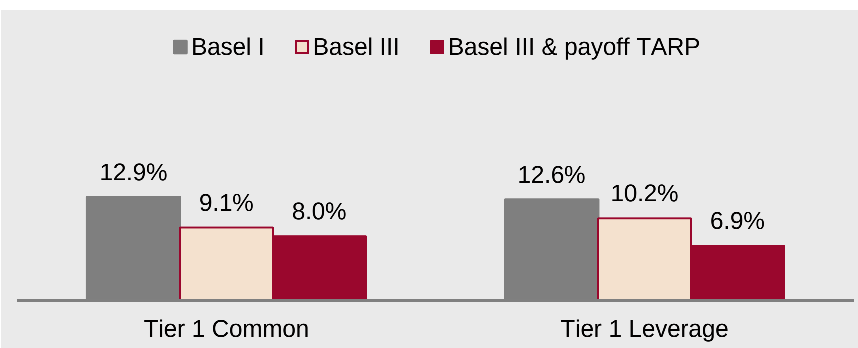


Tier 1 capital



Source: SNL Financial; comparable data as of September 30, 2014.

Pro-forma capital ratios (12/31/14)[1]



1. Please see non-GAAP table in the appendix. To calculate the TARP payoff we assumed $56.3 million of deferred TARP dividends to be excluded from Tier 1 common equity and an additional $266.7 million of TARP payoff to be excluded from Tier 1 capital.

Basel III implementation overview

- 3 year phase-in period, starting January 1, 2015 – January 1, 2018
- DTA and MSR assets are limited to 10% individually and 15% on a combined basis of common equity Tier 1 capital
- DTA and MSR assets are weighted at 250% of the amount included in risk weighted assets
- Average quarterly assets, rather than end of period assets, are measured for the Tier 1 leverage ratio

Business Segment Overview

Lee Smith, COO

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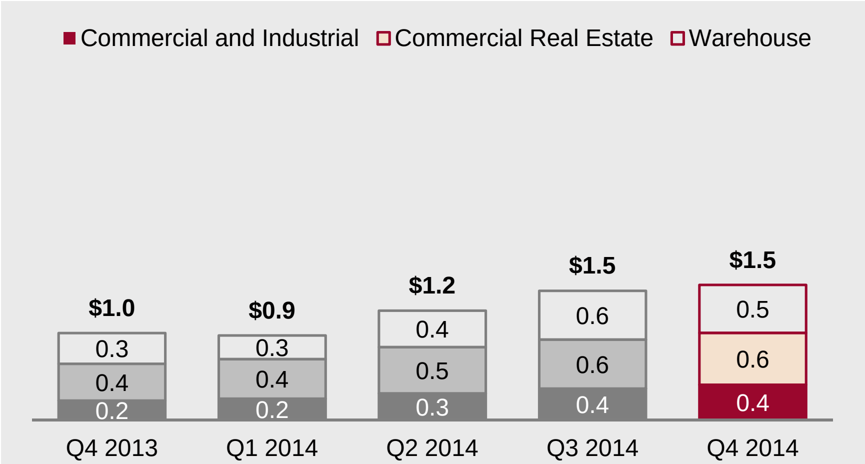
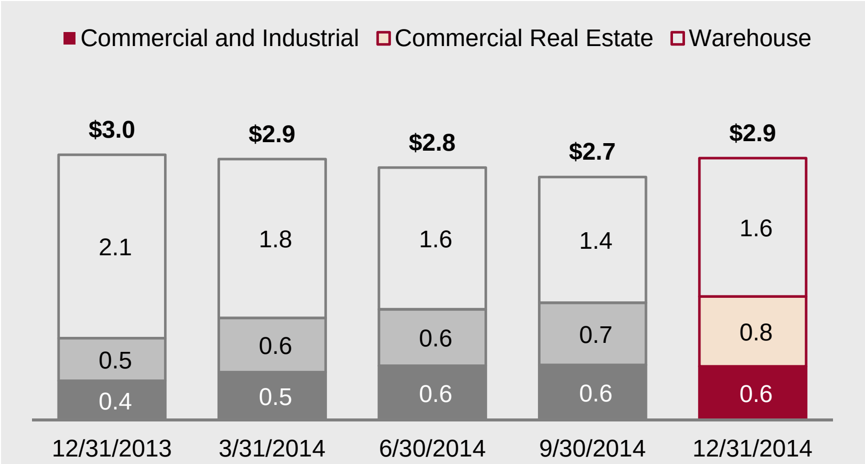
Community Banking

4th Quarter 2014

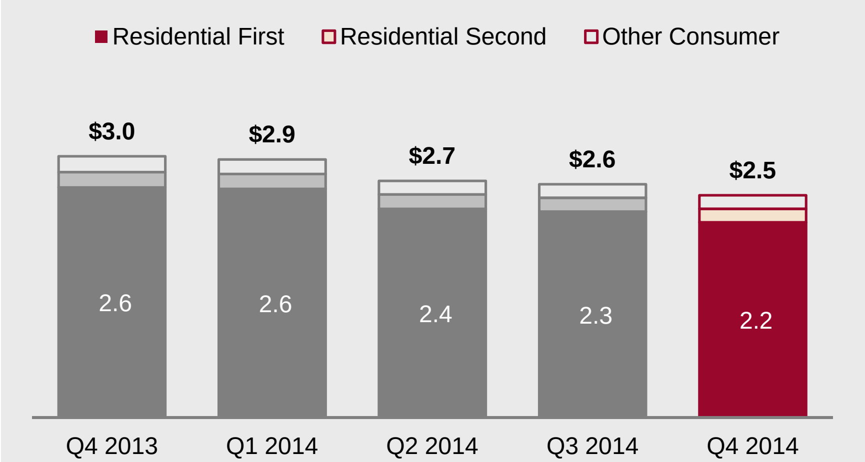
Average commercial loans ($bn)



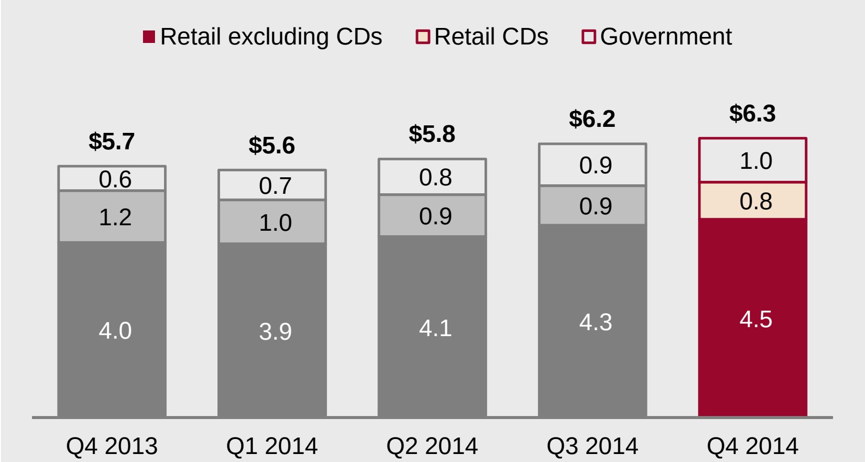
Commercial loan total commitments ($bn)



Average consumer loans ($bn)

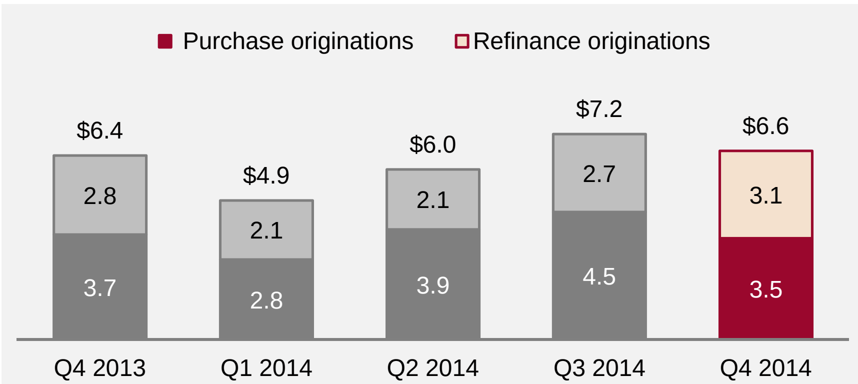


Average deposits ($bn)



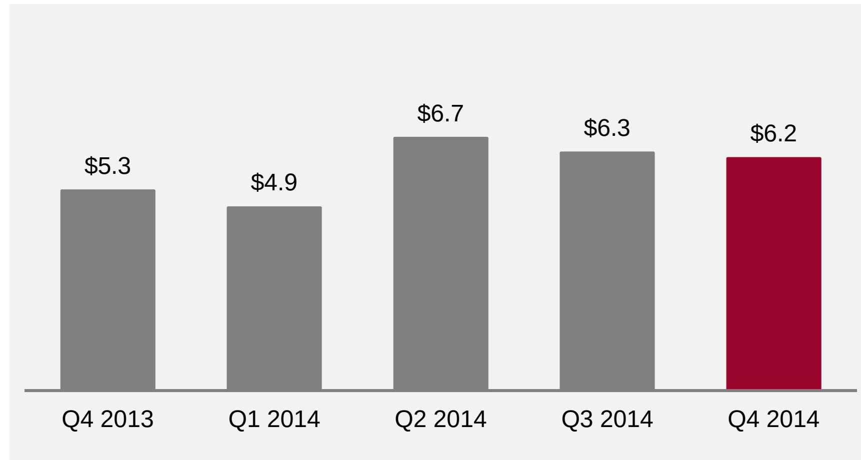
Mortgage originations

Originations by purpose ($bn)

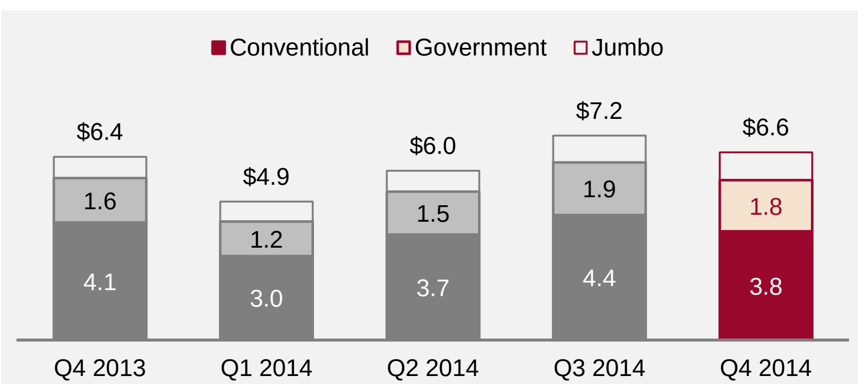


	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014
Conforming (%)	64%	60%	62%	61%	62%

Fallout adjusted locks by channel ($bn)

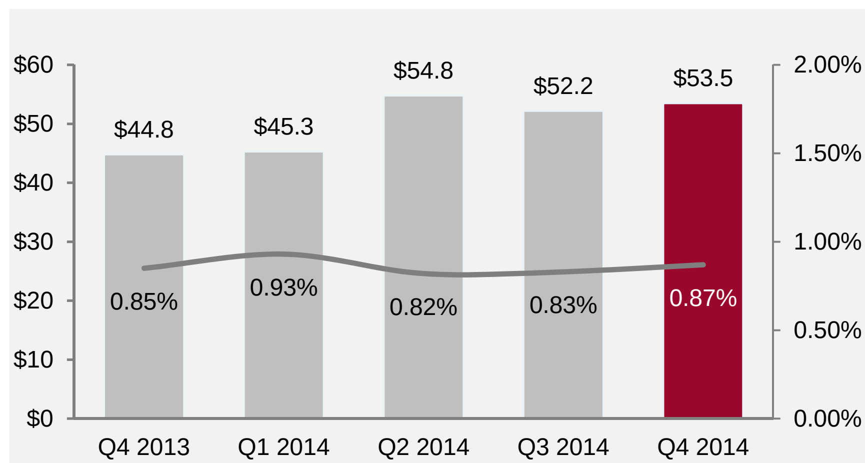


Originations by mortgage type ($bn)



	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014
FHA (%)	14%	16%	16%	15%	14%

Gain on loan sale[1] – revenue and margin



1. Based on fallout adjusted locks.

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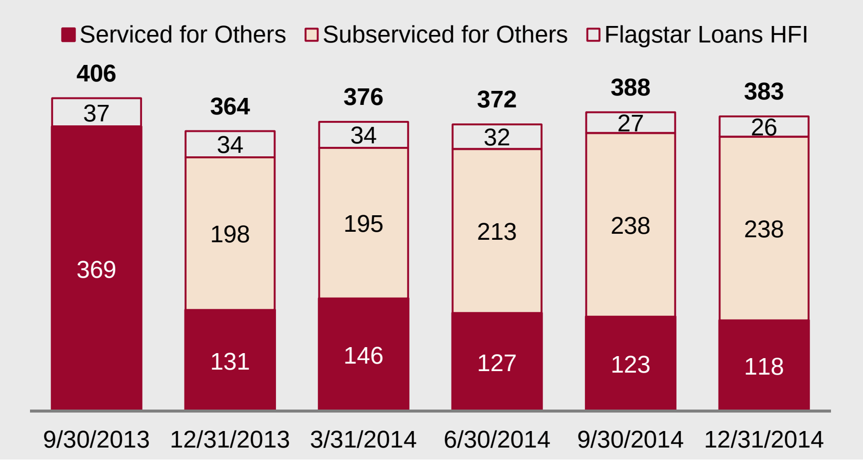
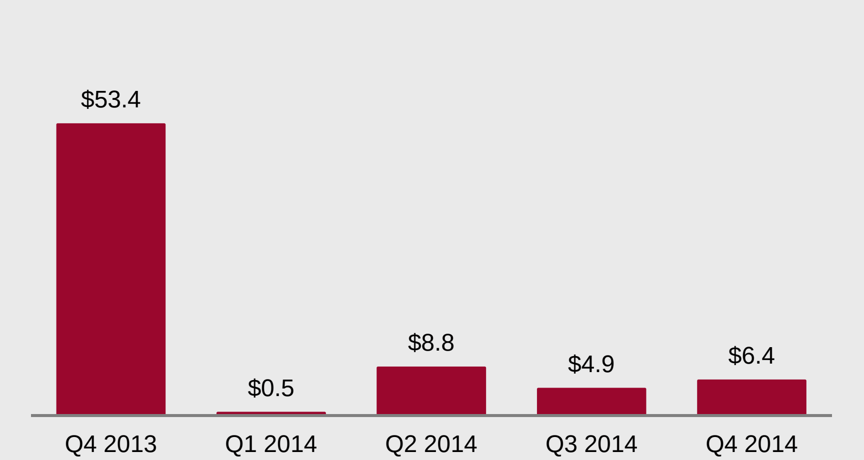
Mortgage servicing

Loans serviced ('000)

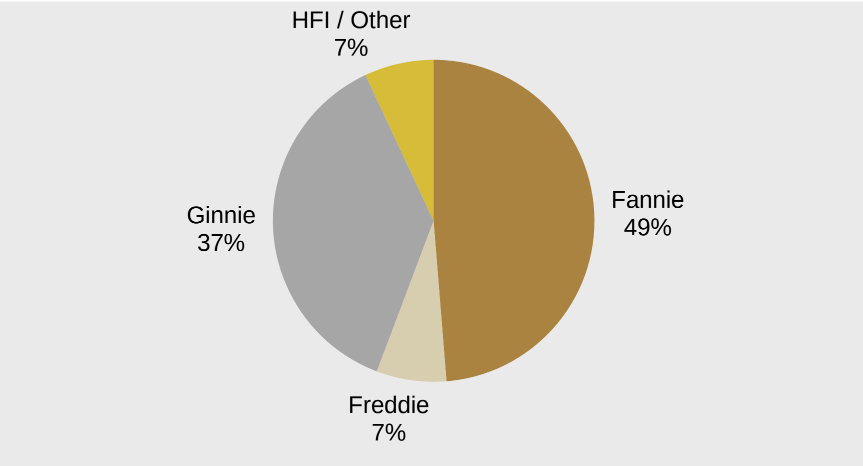


$ UPB of MSRs sold[1] ($bn)

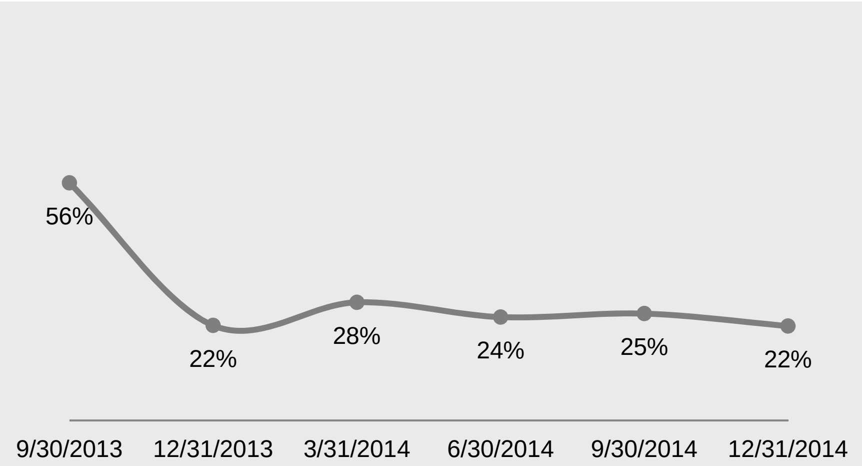


[1] Includes bulk and flow sales.

Breakdown of loans serviced



MSR / regulatory capital



Interest-only loan portfolio

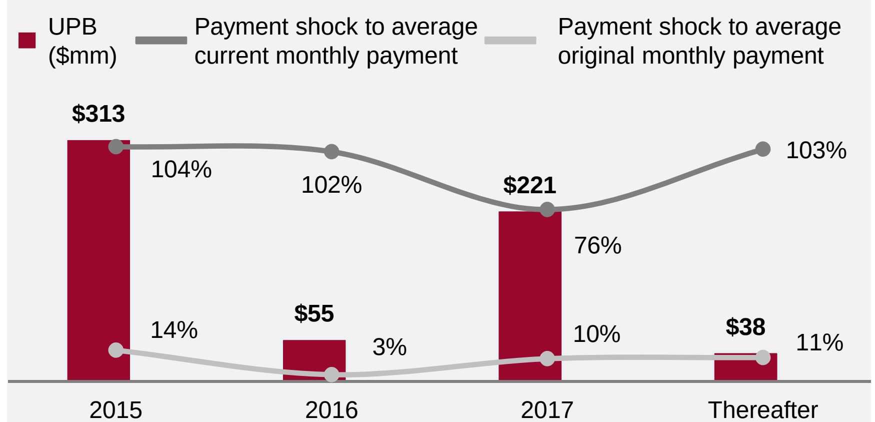
Overview

4th Quarter 2014

Key highlights

- Flagstar retains a $628mm IO portfolio that will reset from 2015-17
- The portfolio is well seasoned and naturally running off, with >68% sub-90% LTV
- I/O reserve was ~$94mm in Q4 2014 (~10% of outstanding loans)
- Flagstar is aggressively managing this portfolio with proactive calling campaigns and refinancing/modification opportunities
  - 100% right party contact for resets that occurred during Q4 2014
  - 95.4% right party contact for resets that will occur during Q1 2015
- 47% of portfolio is in CA/FL where it benefits from significant house price appreciation

I/O reset by year



FICO & LTV (as of December 31, 2014)

		Current LTVs											
		$						%					
		<70	70-79	80-89	90-99	100+	Total	<70	70-79	80-89	90-99	100+	Total
Current FICOs	740+	$96	$67	$66	$60	$37	$326	15%	11%	11%	10%	6%	52%
	700-739	$31	$22	$32	$22	$16	$123	5%	4%	5%	4%	3%	20%
	660-699	$19	$16	$16	$20	$11	$82	3%	2%	3%	3%	2%	13%
	620-659	$9	$9	$13	$9	$6	$47	1%	2%	2%	1%	1%	7%
	<620	$13	$10	$10	$7	$9	$50	2%	2%	2%	1%	1%	8%
	Total	**$168**	**$125**	**$137**	**$119**	**$79**	**$628**	**27%**	**20%**	**22%**	**19%**	**13%**	**100%**

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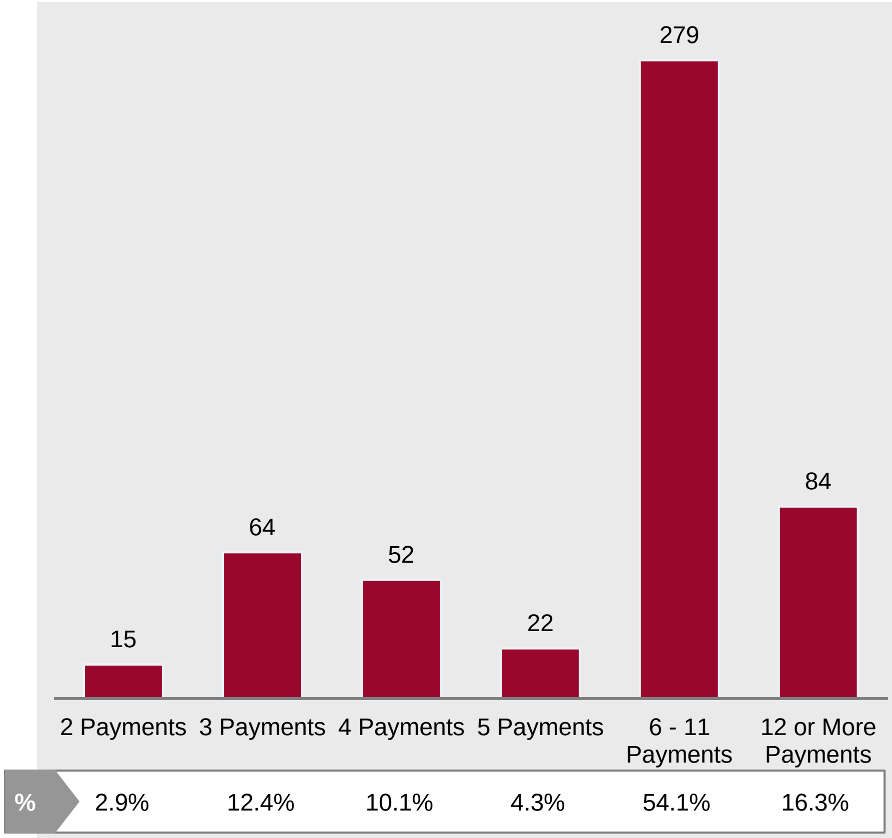
Interest-only loan portfolio (cont'd)

Aging of cash flow resets

4th Quarter 2014

Cash flow resets by payments made after reset



Note: January 1, 2013 through December 31, 2014

Resets through December 31, 2014

	Quantity	UPB ($mm)	%
Paid in full	295	$104	25.6%
Cash flow resets	516	151	37.2%
Loan Sales	133	47	11.6%
Modifications	94	32	7.9%
Charge-off / foreclosure	92	24	5.8%
Default servicing	41	15	3.7%
Total resolutions	**1,171**	**$372**	**91.8%**
In-process	113	33	8.2%
Total resets through 12/31/14	**1,284**	**$406**	**100.0%**

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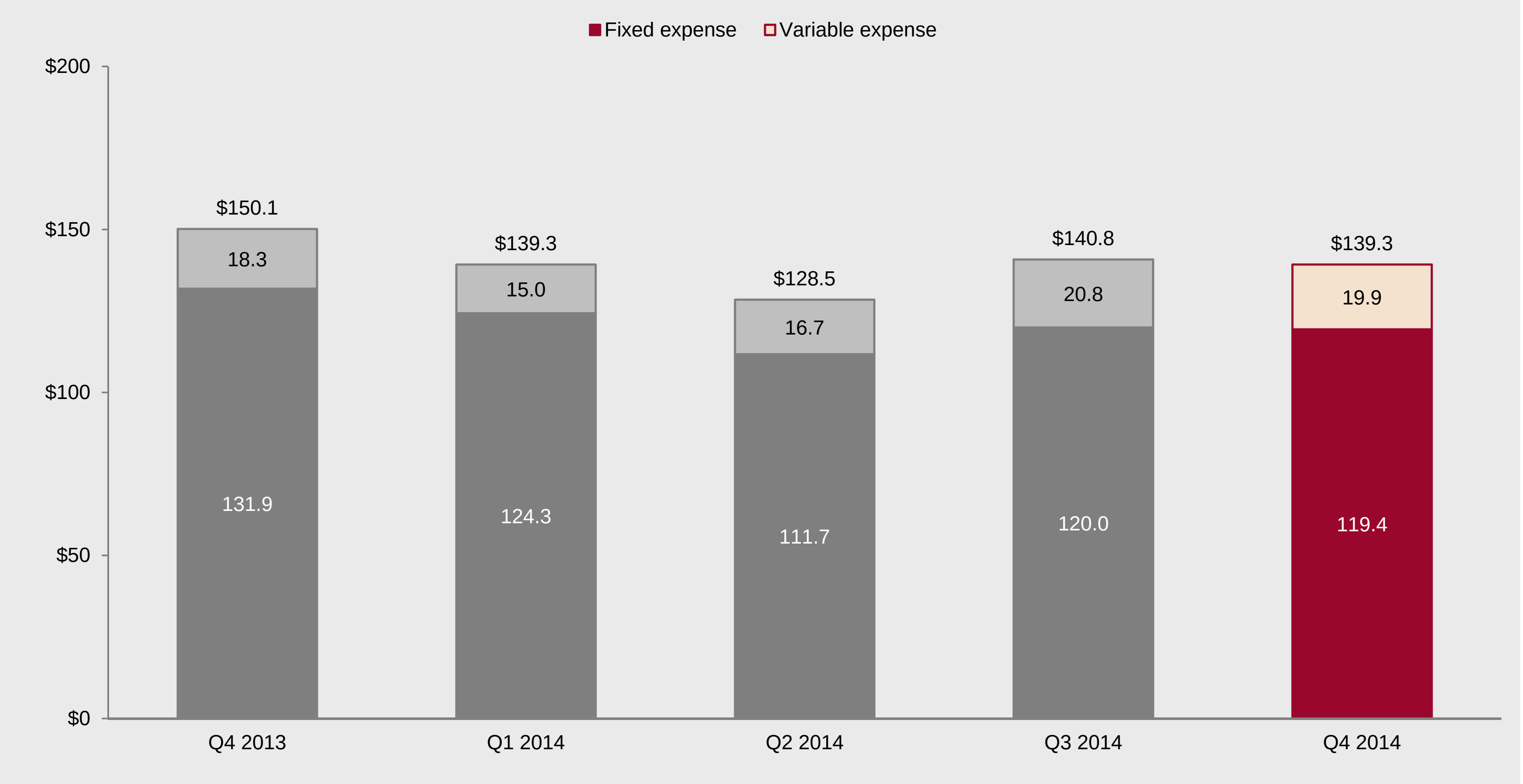
Adjusted noninterest expenses(1)

Quarterly noninterest expenses[1] ($mm)



Note: Fixed expenses include compensation and benefits, occupancy and equipment, FDIC premiums, asset resolution, legal and professional expense, and other noninterest expense; Variable expenses include commissions and loan processing expense

[1] See non-GAAP reconciliations in the appendix for excluded items. Quarters with adjusted totals include Q4 2013 and Q3 2014.

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Closing Remarks / Q&A

Sandro DiNello, CEO

Guidance[1][2]

2015 1st quarter outlook	
Net interest income and margin	• Net interest income expected to increase slightly • Modest earning asset growth comes from loans held for sale, jumbo mortgages and continued commercial build-out • Net interest margin is expected to be relatively stable to slightly down
Mortgage originations	• Given the current levels of interest rates and rate volatility, fallout adjusted mortgage locks are expected to be at least 5% above Q4 levels
Gain on loan sales	• Gain on loan sale margin expected to improve modestly as lower rate environment allows for better pricing and FHA refinance activity should be in more profitable channels
Net servicing revenue	• Net loan administration income expected to be flat to up • Net return on the mortgage servicing asset will continue to be challenged by volatility in interest rates and transaction costs on sales
MSR to Tier 1 capital ratio	• Given an oversupply of assets in the marketplace and uncertainties as to forward prepayment speeds, MSRs/Tier 1 may rise from 12/31/14 levels; we will react to market conditions as appropriate
Credit related costs	• Provision for loan losses are expected to be flat to slightly above Q4 levels • Asset resolution expenses are expected to decline • No significant change in representation and warranty reserve levels are anticipated
Noninterest expenses	• Noninterest expenses are expected to be between \$133 - \$138 million

(1) See cautionary statements on slide 1.
(2) All assumptions and estimates are subject to change and may impact 2015 1st quarter outlook.

Appendix

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Flagstar at a glance

Corporate

Ticker:	NYSE: FBC
Headquarters:	Troy, MI
Assets:	$9.8bn
Market cap[1]:	$926mm

Community Banking

- Largest bank headquartered in Michigan, ranked #7 by deposit market share[1]
- $9.8bn of assets
- $7.1bn of deposits
- 107 branches
- 51% growth in CRE and C&I loan commitments over the past 12 months

Mortgage Origination

- 9th largest originator nationally[2]
- Originated nearly $25bn of residential mortgage loans during the last 12 months

Mortgage Servicing

- 18th largest combined servicer of mortgage loans nationwide[2]
- Currently servicing approximately 383,000 loans
  - 96% are performing loans
- Scalable mortgage platform with capacity to service up to 1mm loans

[1] Source: FDIC Deposit Market Share Report, as of June 30, 2014; Market data as of January 21, 2015.
[2] Source: Inside Mortgage Finance, latest available statistics

Substantial progress rebuilding Flagstar

2013 → **2014**

Risk mitigation

- **5/2/13** Settlement with MBIA for $110mm
- **6/21/13** Settlement with Assured Guaranty for $105mm
- **11/6/13** Settlement with Fannie Mae R&W liability of $121mm for pre-2009 mortgages
- **12/30/13** Settlement with Freddie Mac R&W liability of $11mm for pre-2009 mortgages
- **FY 2013** Completed the sales of $508mm UPB of NPLs and TDRs
- **Q1 2014** Bolstered LLR by $100mm to raise resi I/O loss estimation from 12 to 18 months
- **9/29/14** Settlement with CFPB related to loss mitigation and default servicing practices
- **FY 2014** Completed the sales of $72mm UPB of NPLs and TDRs

Management

- **3/4/13** Mike Flynn becomes General Counsel
- **5/17/13** Sandro DiNello becomes CEO, Lee Smith becomes COO
- **6/23/14** Stephen Figliuolo becomes CRO
- **8/4/2014** James Ciroli becomes CFO
- **12/2/2014** Andy Fornarola becomes Director of Community Banking

Achievements

- **7/17/13** Announced outsourcing of default servicing and intent to service only performing
- **8/28/13** Announced marketing partnership with Detroit Red Wings
- **12/18/13** Announced sale of $40.7bn of MSRs to Two Harbors, retaining subservicing
- **Q4 2013** Repaid $2.9bn of high cost FHLB advances
- **1/22/14** Announced reversal of $356mm DTA valuation allowance

Consolidated financial highlights

4th Quarter 2014

$mm

	2009	2010	2011	2012	2013	2014
Balance Sheet						
Gross loans HFS	$1,970	$2,585	$1,801	$3,940	$1,480	$1,244
Gross loans HFI	$7,714	$6,305	$7,039	$5,438	$4,056	$4,448
Government guaranteed loans	$826	$1,675	$1,899	$1,841	$1,274	$1,128
MSR	$652	$580	$510	$711	$285	$258
Total assets	$14,013	$13,644	$13,637	$14,082	$9,407	$9,840
Deposits	$8,778	$7,998	$7,690	$8,294	$6,140	$7,069
FHLB borrowings	$3,900	$3,725	$3,953	$3,180	$988	$514
Trust preferred	$299	$247	$247	$247	$247	$247
Preferred equity	$244	$249	$255	$260	$266	$267
Common equity	$353	$1,010	$825	$899	$1,160	$1,106
% common equity of total assets	**2.5%**	**7.4%**	**6.0%**	**6.4%**	**12.3%**	**11.2%**
Income Statement						
Net interest income	$219	$211	$245	$297	$187	$246
Gain on loan sales	$501	$297	$301	$991	$402	$206
Other noninterest income	$22	$157	$85	$30	$250	$155
Noninterest expense	($680)	($611)	($635)	($990)	($918)	($579)
Pre-provision net revenue	$63	$54	($4)	$329	($79)	$28
Provision for loan losses	($504)	($426)	($177)	($276)	($70)	($132)
Income before taxes	($442)	($373)	($181)	$53	($149)	($103)
PPNR / average assets	**0.4%**	**0.4%**	**-0.0%**	**2.4%**	**-0.7%**	**0.3%**
Credit						
ALLL	$318	$274	$318	$305	$207	$297
ALLL as a % of Loans HFI	6.8%	4.3%	4.4%	5.6%	5.4%	7.0%
ALLL to non-performing NPLs	48.9%	86.1%	65.1%	76.3%	145.9%	255.7%
Operations						
Number of banking centers	165	162	111	111	111	107
Number of loan origination centers	32	27	27	31	39	26
# of employees & loan officers	3,411	3,279	3,136	3,662	3,253	2,739
# of loan officers and account executives	336	278	297	334	359	209

Consolidated financial highlights

4th Quarter 2014

$mm

	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014
Balance Sheet					
Gross loans HFS	$1,480	$1,674	$1,343	$1,469	$1,244
Gross loans HFI	$4,056	$4,020	$4,053	$4,185	$4,448
Government guaranteed loans	$1,274	$1,267	$1,218	$1,192	$1,128
MSR	$285	$320	$289	$285	$258
Total assets	$9,407	$9,611	$9,933	$9,625	$9,840
Deposits	$6,140	$6,310	$6,644	$7,234	$7,069
FHLB borrowings	$988	$1,125	$1,032	$150	$514
Trust preferred	$247	$247	$247	$247	$247
Preferred equity	$266	$267	$267	$267	$267
Common equity	$1,160	$1,085	$1,119	$1,085	$1,106
% common equity of total assets	**12.3%**	**11.3%**	**11.3%**	**11.3%**	**11.2%**
Income Statement					
Net interest income	$41	$58	$62	$61	$64
Gain on loan sales	$45	$45	$55	$52	$54
Other noninterest income	$54	$75	$48	$33	$60
Noninterest expense	($389)	($139)	($121)	($179)	($139)
Pre-provision net revenue	($249)	$39	$44	($33)	$38
Provision for loan losses	($14)	($112)	($6)	($8)	($5)
Income before taxes	($263)	($73)	$37	($41)	$33
PPNR / average assets	**-9.4%**	**1.7%**	**1.8%**	**-1.3%**	**1.6%**
Credit					
ALLL	$207	$307	$306	$301	$297
ALLL as a % of Loans HFI	5.4%	8.1%	7.4%	7.6%	7.0%
ALLL to non-performing NPLs	145.9%	286.9%	263.1%	295.4%	255.7%
Operations					
Number of banking centers	111	106	106	106	107
Number of loan origination centers	39	33	32	32	26
# of employees & loan officers	3,253	2,483	2,481	2,492	2,739
# of loan officers and account executives	359	315	260	233	209

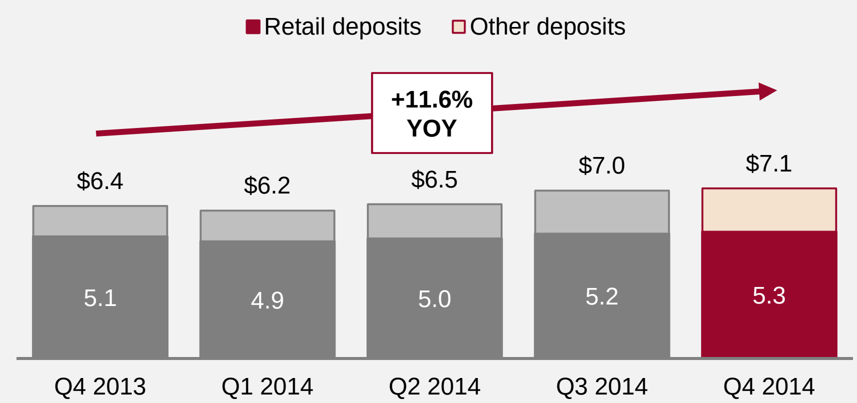
Flagstar Bancorp

Deposits

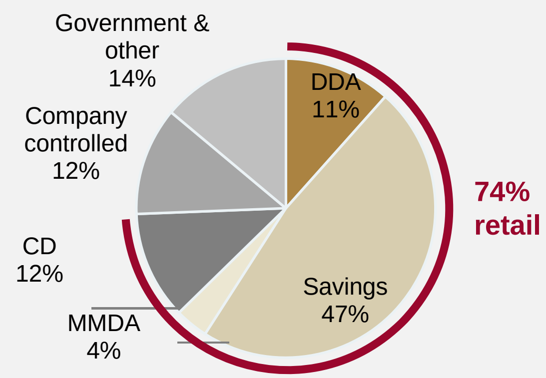
Portfolio and strategy overview

- **Flagstar gathers deposits from consumers, small businesses and select governmental entities**
  - Traditionally, CDs and savings accounts represented the bulk of our branch-based retail depository relationships
  - Today, we are focused on gathering core DDA deposits from small business and consumers and represents $0.5bn of the overall deposit growth
  - We additionally maintain depository relationships in connection with our mortgage origination and servicing businesses, and with predominately MI governmental entities
  - MRQ cost of deposits of 0.58%

Total average deposits ($bn)



Q4 2014 total average deposits

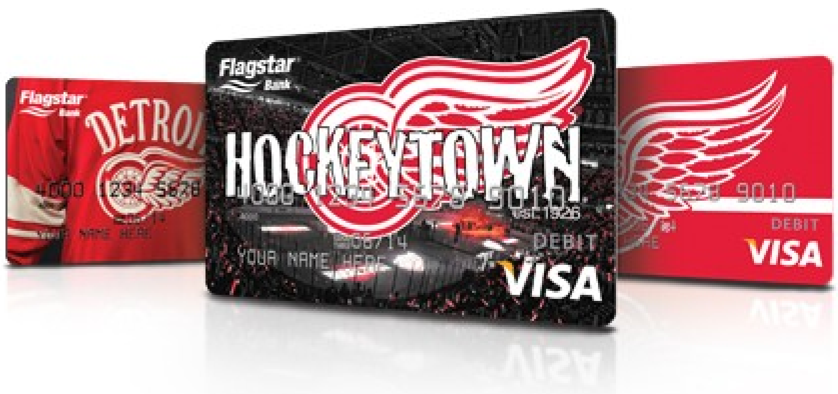


Total : $7.1bn

0.58% MRQ cost of total deposits

Focus on driving consumer deposit growth

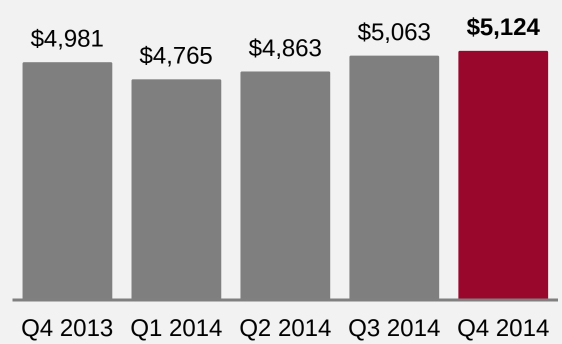
Affinity Relationships



Key retail accomplishments

- 3% growth in total personal checking accounts YTD
- 11% increase in average balance per account over the past year
- Mobile deposit capability launched in Feb. 2014 with over 77,000 items totaling $25mm

Average consumer deposits ($mm)



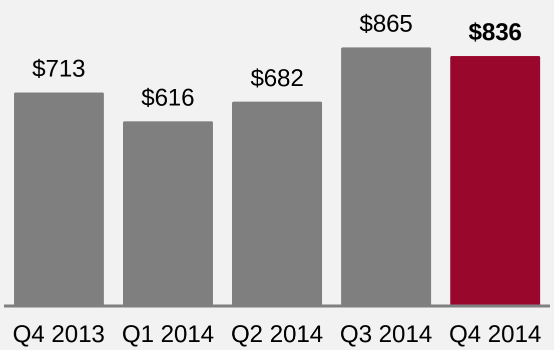
Deposit channel overviews:

Commercial, Company Controlled, Government

Average commercial ($mm)

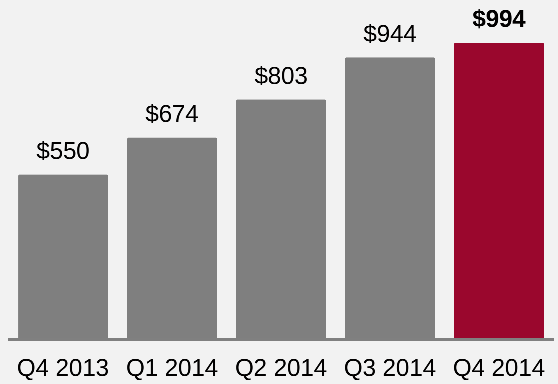
- Over the past year, treasury management services has driven:
  - 32% growth in commercial deposits
  - 102% growth in fee income
- MRQ rate: 0.19%

Average company controlled ($mm)



- Arise due to servicing of loans for others and represent the portion of the investor custodial accounts on deposit with the Bank
- Approximately $450mm of additional deposits are available at 12/31/2014 to return to our balance sheet once certain conditions are met
- MRQ rate: 0.00% (highly efficient funding)

Average government ($mm)



- We call on local governmental agencies, and other public units, as an additional source for deposit funding
- MRQ rate: 0.43%

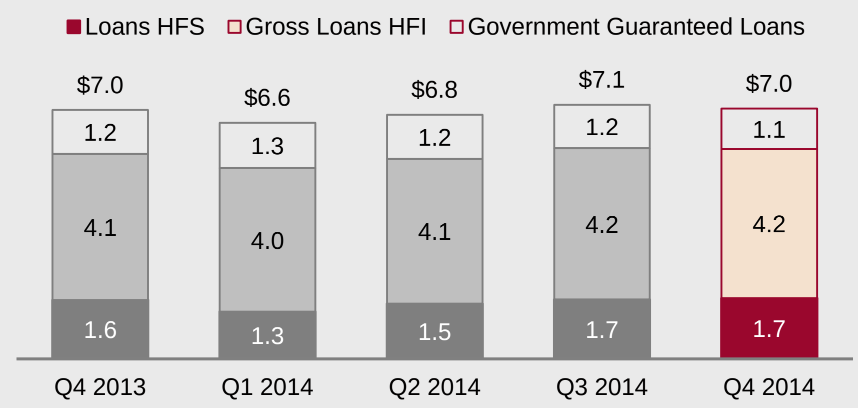
Flagstar Bancorp

Lending

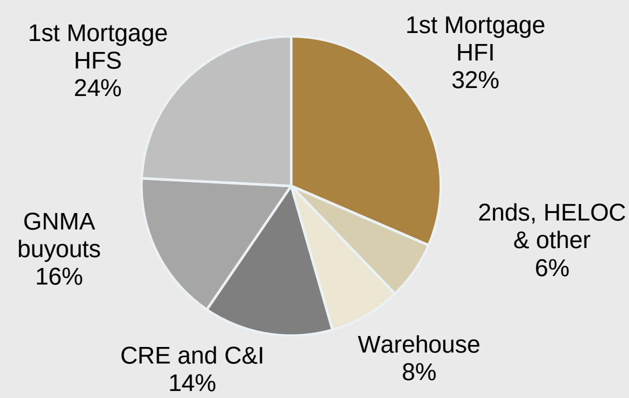
Portfolio and strategy overview

- **Flagstar's largest category of earning assets consists of loans held-for-investment, currently $4.4bn, gross**
  - Loans to consumers consist of residential first mortgage loans, HELOC and other
  - C&I / CRE lending is an important growth strategy, offering risk diversification and asset sensitivity
  - Warehouse loans are extended to other mortgage lenders, offering attractive risk-adjusted returns
- **Flagstar maintains a balance of mortgage loans held for sale, currently $1.2bn**
  - Essentially all of our mortgage loans produced are sold into the secondary market on a whole loan basis or by securitizing the loans into MBS
  - Flagstar has the option to direct a portion of the mortgage loans it originates to its own balance sheet
- **Flagstar also has a portfolio of FHA-insured or guaranteed delinquent loans securitized in Ginnie Mae pools, which it repurchases from time to time**

Total average loans ($bn)



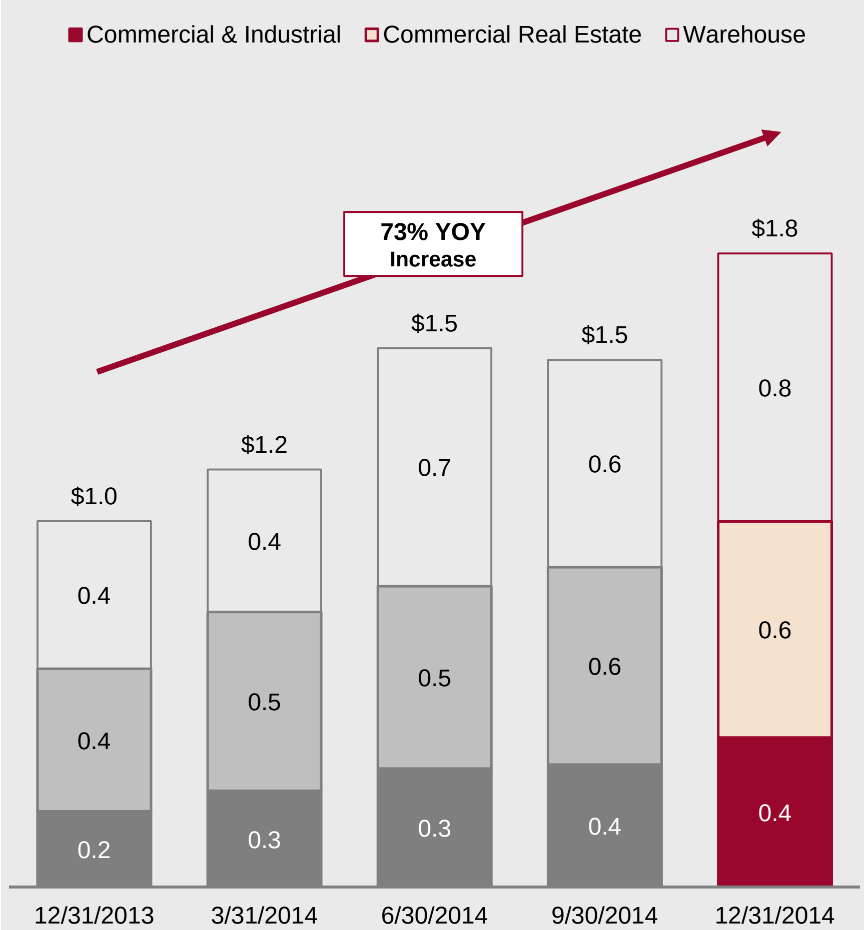
Q4 2014 average gross loans



Lending: Commercial

Building an in-footprint C&I and CRE platform

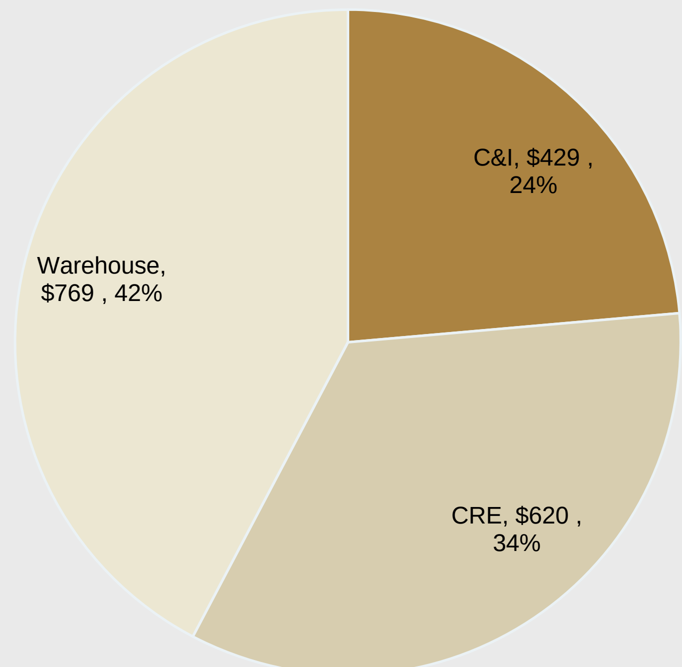
Commercial loan balances ($bn)



Unfunded commitment out. ($bn)	$1.9	$1.7	$1.3	$1.2	$1.1

Note: Commercial & Industrial loans include commercial lease financings

12/31/14 commercial loan portfolio (%)



Gross outstandings : $1.818mm
Total commitments: $2,950mm
Yield: 3.62%

Note: Commercial & Industrial loans include commercial lease financings

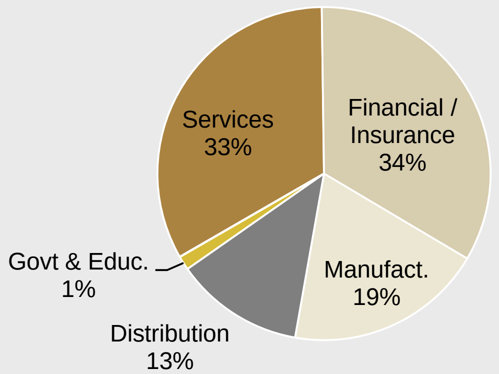
Flagstar Bancorp

Lending: Commercial

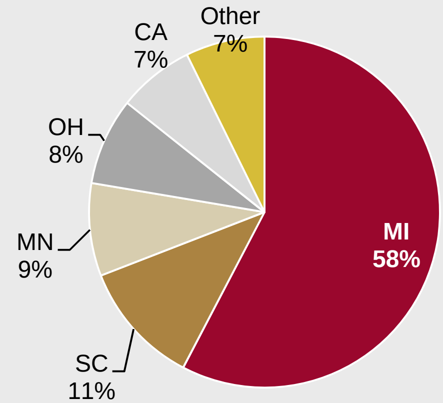
Predominately in-footprint and well diversified

C&I ($429mm, 41% of total commercial loans)

Borrower type:

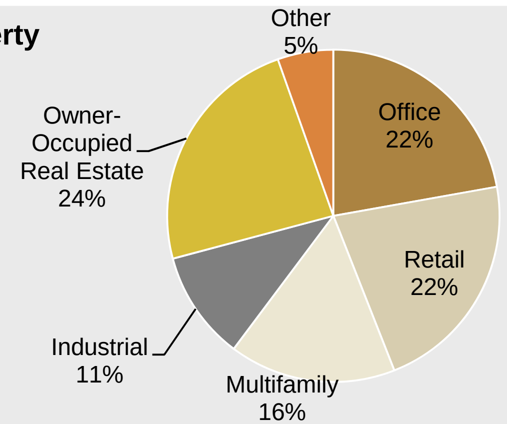


Borrower location:

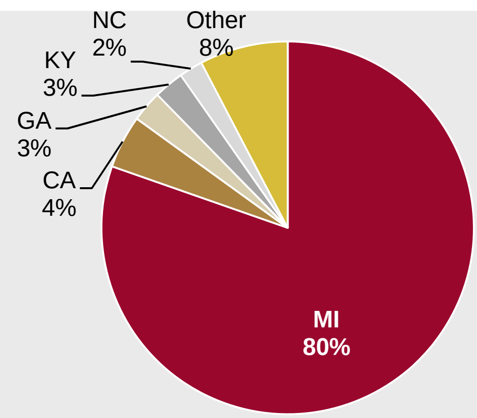


CRE ($620mm, 59% of total commercial loans)

Property type:



Property location:

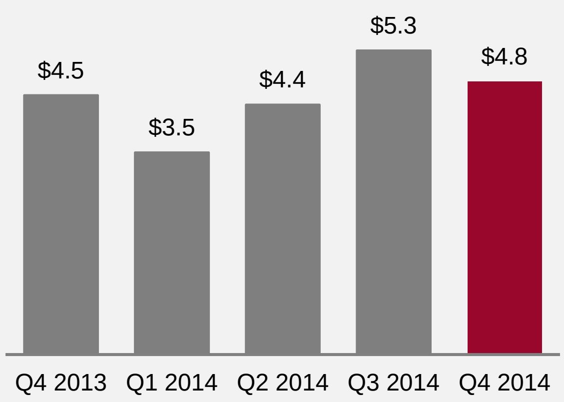


Flagstar Bancorp

Mortgages are originated primarily through the correspondent channel

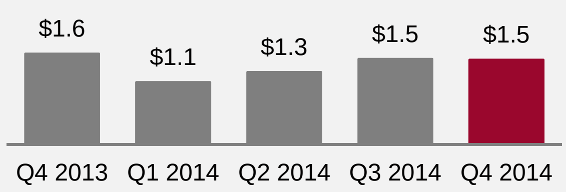
Residential mortgage originations by channel ($bn)

Correspondent



- ~800 correspondent partners in 50 states in Q4 2014
- Top 10 relationships account for 18% of overall correspondent volume
- Warehouse lines to over 250 correspondent relationships

Broker



- ~600 brokerage relationships in 50 states in Q4 2014
- Top 10 relationships account for 20% of overall brokerage volume

Retail

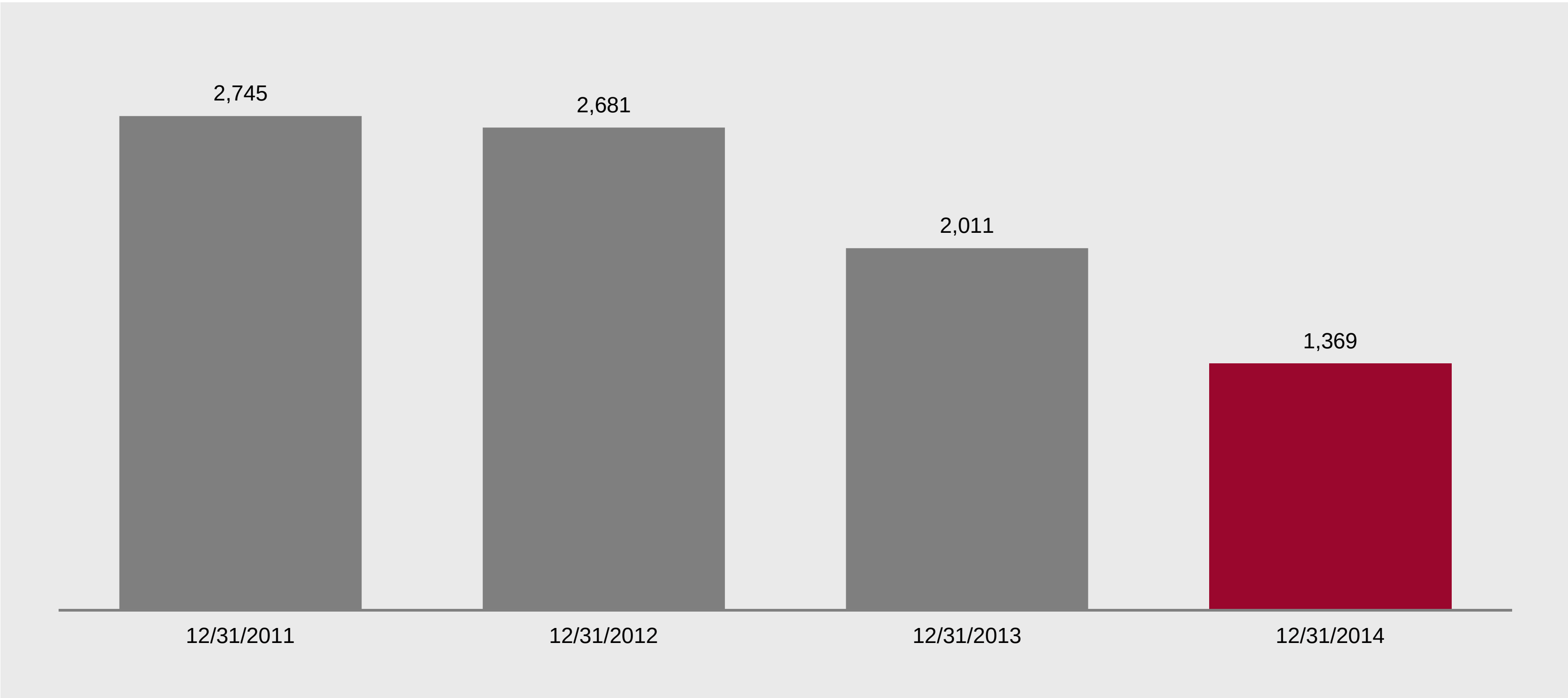
- 26 standalone home centers in 15 states account for 64% of overall retail volume
- Consumer direct is 36% of retail volume

Flagstar Bancorp

Third-party originator oversight

- **Flagstar has been actively managing its Third-party Originator (“TPO”) relationships to optimize risk and profitability**
  - Has maintained consistent market share while halving TPO relationships

Number of third party originators



Flagstar Bancorp

Net return on mortgage servicing asset

$ return – MSR asset

% Return	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014
Net hedged profit (loss)	2.7%	0.0%	0.8%	-0.7%	0.6%
Carry on asset	12.6%	22.6%	22.1%	21.9%	21.5%
Run-off	-6.0%	-6.6%	-9.5%	-11.8%	-14.7%
Gross MSR yield	**9.3%**	**16.0%**	**13.4%**	**9.3%**	**7.4%**
Transaction Costs	-4.5%	4.8%	-3.8%	-1.2%	-2.8%
Gain (Loss) / FV adjustment	2.8%	1.0%	-2.7%	-1.9%	-2.3%
Model Changes	0.6%	0.0%	0.0%	-4.5%	0.0%
Net MSR yield	**8.3%**	**21.8%**	**6.9%**	**1.8%**	**2.3%**

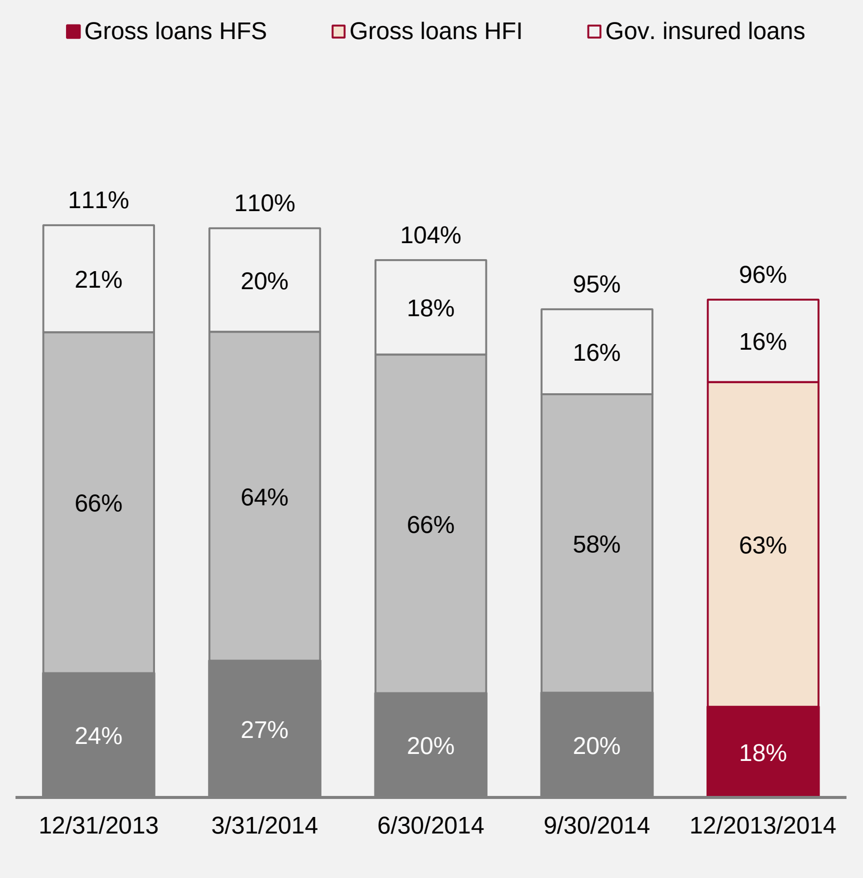
$ return – MSR asset

% Return	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014
Net hedged profit (loss)	$5.3	($0.0)	$0.6	($0.5)	$0.4
Carry on asset	25.2	16.7	16.1	16.3	15.2
Run-off	(11.9)	(4.9)	(6.9)	(8.8)	(10.4)
Gross MSR yield	**$18.7**	**$11.8**	**$9.7**	**$6.9**	**$5.2**
Transaction Costs	(9.0)	3.6	(2.7)	(0.9)	(1.9)
Gain/Loss on sale	5.7	0.8	(2.0)	(1.4)	(1.6)
Model Changes	1.3	-	-	(3.3)	-
Net MSR yield	**$16.7**	**$16.1**	**$5.0**	**$1.3**	**$1.6**
Average MSR Balance	**$794**	**$300**	**$291**	**$295**	**$280**

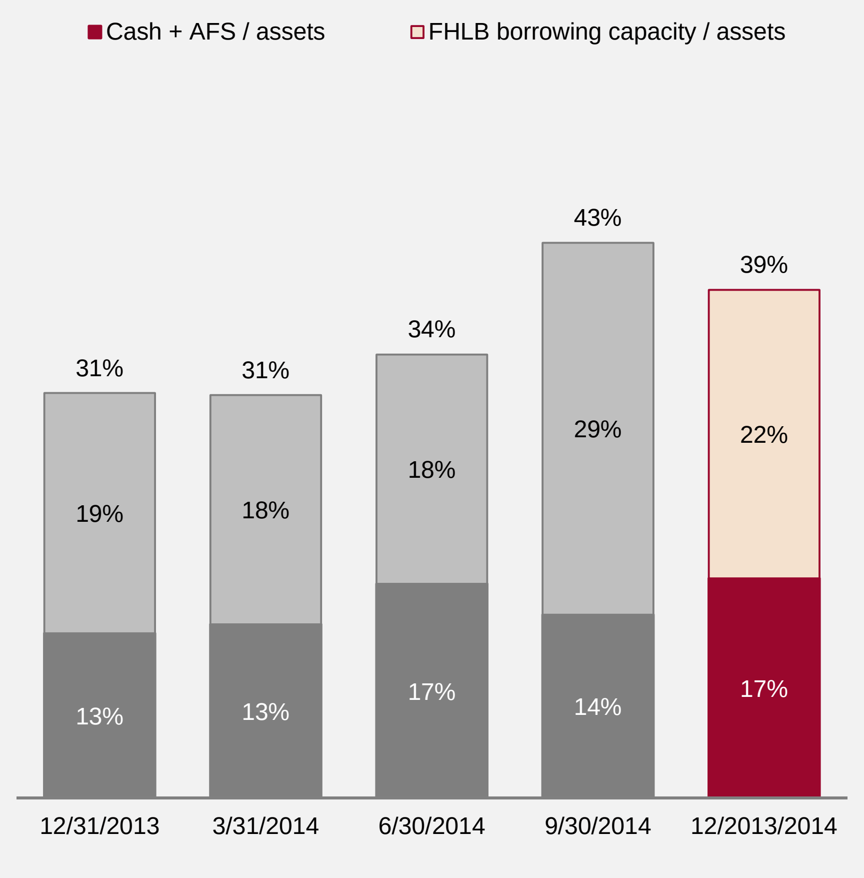
Flagstar® Bancorp

Enviable liquidity position

Gross loans/deposits



Available liquidity/total assets



Available liquidity and funding

Quarter end balances and ratios($mm)

Available liquidity	12/31/13	3/31/14	6/30/14	9/30/14	12/31/14
Interest earning deposits	$225	$162	$135	$62	$89
Agency securities	1,028	1,195	1,596	1,375	1,670
Total liquid assets	**$1,253**	**$1,357**	**$1,731**	**$1,437**	**$1,759**
Less: securities haircut	(51.4)	(59.8)	(79.8)	(68.7)	(83.5)
Less: pledged collateral	-	(4)	(2)	(1)	(0)
FHLB borrowing capacity	**$1,752**	**$1,708**	**$1,766**	**$2,775**	**$2,200**
Total available liquidity	**$2,953**	**$3,002**	**$3,415**	**$4,142**	**$3,875**
(Cash + agency securities) as a % of total assets	12.8%	13.5%	16.6%	14.2%	17.0%
FHLB Capacity as a % of total assets	18.6%	17.8%	17.8%	28.8%	22.4%
Available liquidity as a % of total assets	**31.4%**	**31.2%**	**34.4%**	**43.0%**	**39.4%**

Funding	12/31/13	3/31/14	6/30/14	9/30/14	12/31/14
Brokered deposits	$349	$318	$357	$354	$392
FHLB advances	988	1,125	1,032	150	514
Other debt	353	349	345	340	331
Total wholesale funding	**$1,690**	**$1,792**	**$1,734**	**$844**	**$1,237**
Wholesale funding as a % of total assets	**18.0%**	**18.6%**	**17.5%**	**8.8%**	**12.6%**

Composition of liabilities

4th Quarter 2014

Quarter end liabilities ($mm)

($ in mm)	12/31/2013		3/31/2014		6/30/2014		9/30/2014		12/31/2014	
	Balance	Mix	Balance	Mix	Balance	Mix	Balance	Mix	Balance	Mix
Retail deposits										
Demand	$670	8.4%	$700	8.5%	$707	8.3%	$685	8.3%	$726	8.6%
Savings	2,850	35.7%	2,918	35.3%	3,105	36.3%	3,311	40.0%	3,427	40.5%
Money market	262	3.3%	246	3.0%	231	2.7%	220	2.7%	209	2.5%
Certificates of deposit	1,023	12.8%	956	11.6%	926	10.8%	854	10.3%	807	9.5%
Total retail	**$4,805**	**60.2%**	**$4,820**	**58.4%**	**$4,969**	**58.1%**	**$5,070**	**61.3%**	**$5,169**	**61.0%**
Commercial deposits										
Demand	$94	1.2%	$111	1.3%	$106	1.2%	$121	1.5%	$133	1.6%
Savings	20	0.3%	26	0.3%	33	0.4%	27	0.3%	27	0.3%
Money market	25	0.3%	25	0.3%	35	0.4%	37	0.4%	43	0.5%
Certificates of deposit	3	0.0%	3	0.0%	1	0.0%	1	0.0%	5	0.1%
Total commercial	**$142**	**1.8%**	**$165**	**2.0%**	**$175**	**2.0%**	**$186**	**2.2%**	**$208**	**2.5%**
Government deposits										
Demand	$104	1.3%	$143	1.7%	$175	2.0%	$292	3.5%	$246	2.9%
Savings	183	2.3%	251	3.0%	300	3.5%	410	5.0%	317	3.7%
Certificates of deposit	315	3.9%	337	4.1%	340	4.0%	376	4.5%	355	4.2%
Total government	**$602**	**7.5%**	**$731**	**8.9%**	**$815**	**9.5%**	**$1,078**	**13.0%**	**$918**	**10.8%**
Company controlled deposits	$583	7.3%	$593	7.2%	$685	8.0%	$900	10.9%	$773	9.1%
Wholesale deposits	$9	0.1%		0.0%	$0	0.0%	$0	0.0%	$0	0.0%
Total deposits	**$6,140**	**76.9%**	**$6,310**	**76.4%**	**$6,644**	**77.7%**	**$7,234**	**87.4%**	**$7,069**	**83.5%**
FHLB Advances	988	12.4%	1,125	13.6%	1,032	12.1%	150	1.8%	514	6.1%
Other debt	353	4.4%	349	4.2%	345	4.0%	340	4.1%	331	3.9%
Other liabilities	500	6.3%	476	5.8%	527	6.2%	550	6.6%	553	6.5%
Total liabilities	**$7,981**	**100.0%**	**$8,260**	**100.0%**	**$8,547**	**100.0%**	**$8,274**	**100.0%**	**$8,467**	**100.0%**

First Mortgage Portfolio – by State

4th Quarter 2014

$ in thousands

State	HFS					HFI				
	ARM	Fixed	Balloon	Total	% of Total	ARM	Fixed	Balloon	Total	% of Total
CA	$ 113,455	$ 323,555	$ —	$ 437,010	36.6%	$ 442,707	$ 166,781	$ 10,346	$ 619,833	28.1%
FL	15,294	96,749	—	112,043	9.4%	202,131	95,938	4,799	302,868	13.7%
MI	7,236	61,488	—	68,724	5.7%	197,844	62,701	4,405	264,950	12.0%
WA	13,491	31,072	—	44,563	3.7%	63,253	33,413	2,115	98,780	4.5%
AZ	4,954	29,305	—	34,260	2.9%	62,117	25,157	1,525	88,799	4.0%
CO	7,242	21,334	—	28,576	2.4%	38,512	16,376	1,474	56,363	2.6%
MD	3,507	16,466	—	19,974	1.7%	39,430	23,281	1,166	63,877	2.9%
NY	2,573	39,570	—	42,143	3.5%	26,068	27,841	3,540	57,449	2.6%
VA	4,437	17,178	—	21,615	1.8%	35,505	16,678	2,368	54,551	2.5%
TX	10,789	70,311	—	81,100	6.8%	29,961	23,136	587	53,684	2.4%
NJ	2,724	22,270	—	24,994	2.1%	24,967	17,940	1,347	44,254	2.0%
NV	1,543	5,043	—	6,586	0.6%	29,719	8,625	1,316	39,659	1.8%
IL	6,077	22,464	—	28,541	2.4%	28,476	16,765	566	45,806	2.1%
GA	1,063	16,210	—	17,273	1.4%	25,716	18,617	209	44,542	2.0%
OH	210	9,214	—	9,424	0.8%	25,334	7,073	526	32,933	1.5%
Other	30,280	187,796	339	218,415	18.3%	202,415	124,285	7,664	334,365	15.2%
Total :	$ 224,876	$ 970,025	$ 339	$ 1,195,240	100.0%	$ 1,474,154	$ 684,608	$ 43,953	$ 2,202,715	100.0%

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

Flagstar Bancorp

First Mortgage Portfolio – by Vintage

4th Quarter 2014

$ in thousands

Year	HFS ARM	HFS Fixed	HFS Balloon	HFS Total	HFS % of Total
Older	$ 158	$ 476	$ —	$ 633	0.1%
2003	—	—	—	—	0.0%
2004	438	54	—	492	0.0%
2005	812	726	—	1,538	0.1%
2006	—	1,913	—	1,913	0.2%
2007	234	7,679	339	8,252	0.7%
2008	—	6,545	—	6,545	0.5%
2009	—	6,165	—	6,165	0.5%
2010	—	2,659	—	2,659	0.2%
2011	—	1,672	—	1,672	0.1%
2012	—	219	—	219	0.0%
2013	9,128	1,541	—	10,670	0.9%
2014	214,106	940,376	—	1,154,482	96.6%
Total :	$ 224,876	$ 970,025	$ 339	$ 1,195,240	100.0%

Year	HFI ARM	HFI Fixed	HFI Balloon	HFI Total	HFI % of Total
Older	$ 33,649	$ 17,743	$ 1,318	$ 52,710	2.4%
2003	110,901	15,247	1,464	127,612	5.8%
2004	353,584	28,547	3,862	385,993	17.5%
2005	415,652	35,015	7,011	457,678	20.8%
2006	87,645	82,444	7,381	177,471	8.1%
2007	216,628	324,698	21,311	562,637	25.5%
2008	9,502	73,145	1,546	84,193	3.8%
2009	6,184	29,533	—	35,717	1.6%
2010	6,692	10,219	—	16,911	0.8%
2011	13,332	11,004	60	24,396	1.1%
2012	7,947	13,479	—	21,425	1.0%
2013	30,147	15,595	—	45,742	2.1%
2014	182,290	27,940	—	210,229	9.5%
Total :	$ 1,474,154	$ 684,608	$ 43,953	$ 2,202,715	100.0%

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

Flagstar Bancorp

First Mortgage Portfolio – by Original FICO

4th Quarter 2014

$ in thousands

FICO	HFS ARM	HFS Fixed	HFS Balloon	HFS Total	HFS % of Total	HFI ARM	HFI Fixed	HFI Balloon	HFI Total	HFI % of Total
< 580	$ 124	$ 3,416	$ —	$ 3,539	0.3%	$ 14,847	$ 19,136	$ 327	$ 34,310	1.6%
580 - 619	275	11,531	—	11,806	1.0%	16,955	36,025	1,359	54,340	2.5%
620 - 659	4,400	127,669	—	132,068	11.0%	83,047	70,686	2,661	156,395	7.1%
660 - 699	17,000	207,224	—	224,224	18.8%	341,717	168,654	15,276	525,647	23.9%
> 699	203,078	620,186	339	823,602	68.9%	1,017,588	390,107	24,329	1,432,024	65.0%
Total :	$ 224,876	$ 970,025	$ 339	$ 1,195,240	100.0%	$ 1,474,154	$ 684,608	$ 43,953	$ 2,202,715	100.0%

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

First Mortgage Portfolio – by Original LTV

4th Quarter 2014

$ in thousands

Original LTV	HFS					HFI				
	ARM	Fixed	Balloon	Total	% of Total	ARM	Fixed	Balloon	Total	% of Total
<=70.00%	$ 99,972	$ 226,235	$ —	$ 326,207	27.3%	$ 422,567	$ 185,731	$ 10,754	$ 619,052	28.1%
>70.00% - 79.99%	84,778	251,090	—	335,868	28.1%	885,726	336,748	24,598	1,247,073	56.6%
>80.00% - 89.99%	17,155	115,834	339	133,327	11.2%	91,044	63,742	6,352	161,137	7.3%
>90.00% - 99.99%	22,374	356,694	—	379,069	31.7%	73,683	90,933	2,249	166,865	7.6%
100.00% -109.99%	598	14,568	—	15,166	1.3%	767	4,673	—	5,439	0.2%
110.00% -124.99%	—	3,257	—	3,257	0.3%	367	2,266	—	2,633	0.1%
>125.00%	—	2,346	—	2,346	0.2%	—	516	—	516	0.0%
Total:	$ 224,876	$ 970,025	$ 339	$ 1,195,240	100.0%	$ 1,474,154	$ 684,608	$ 43,953	$ 2,202,715	100.0%

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

Flagstar Bancorp

First Mortgage Portfolio – by HPI Adjusted LTV

4th Quarter 2014

$ in thousands

HPI Adjusted LTV	HFS					HFI				
	ARM	Fixed	Balloon	Total	% of Total	ARM	Fixed	Balloon	Total	% of Total
<=70.00%	$ 106,415	$ 233,219	$ —	$ 339,633	28.4%	$ 705,585	$ 233,929	$ 10,723	$ 950,237	43.1%
70.00% - 79.99%	78,440	246,194	—	324,633	27.2%	331,088	120,728	6,061	457,877	20.8%
80.00% - 89.99%	16,902	121,729	339	138,969	11.6%	205,044	138,154	8,939	352,138	16.0%
90.00% - 99.99%	22,004	293,921	—	315,924	26.4%	137,648	100,067	11,267	248,982	11.3%
100.00% -109.99%	1,116	64,998	—	66,114	5.5%	59,904	49,822	2,303	112,028	5.1%
110.00% -124.99%	—	5,801	—	5,801	0.5%	27,194	29,079	3,904	60,176	2.7%
>=125.00%	—	4,164	—	4,164	0.3%	7,690	12,829	756	21,275	1.0%
Total :	$ 224,876	$ 970,025	$ 339	$ 1,195,240	100.0%	$ 1,474,154	$ 684,608	$ 43,953	$ 2,202,715	100.0%

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.

Flagstar Bancorp

Interest-only loan portfolio

Concentrated in states with high home price appreciation

Geographic mix by amortization date and payment shock by year

	2015		2016		2017		Thereafter		Total		
State	Number of Loans	UPB	Number of Loans	UPB	Number of Loans	UPB	Number of Loans	UPB	Number of Loans	UPB	Percent
CA	217	$85.2	34	$13.7	164	$94.3	9	$3.9	424	$197.0	31.4%
FL	264	62.2	48	12.3	49	21.2	8	1.8	369	97.6	15.5%
MI	86	17.4	10	2.5	17	5.5	457	26.2	570	51.5	8.2%
WA	61	16.3	16	4.3	36	16.8	5	1.3	118	38.7	6.2%
AZ	79	19.5	14	3.4	30	14.9	2	0.5	125	38.2	6.1%
CO	32	7.0	7	1.7	13	6.5	1	0.2	53	15.3	2.4%
MD	34	11.6	10	3.3	20	10.0	2	0.6	66	25.5	4.1%
NY	18	6.3	4	1.4	6	2.3	2	0.6	30	10.6	1.7%
VA	36	11.9	3	1.0	11	6.0	—	—	50	18.8	3.0%
TX	8	1.3	—	—	4	2.6	1	0.8	13	4.7	0.7%
NJ	17	4.4	3	0.9	4	1.8	1	0.2	25	7.3	1.2%
NV	36	9.0	—	—	9	3.1	—	—	45	12.0	1.9%
Other	244	61.2	49	11.0	85	36.4	9	2.1	387	110.7	17.6%
Total	**1,134**	**$313.2**	**198**	**$55.3**	**448**	**$221.2**	**497**	**$38.2**	**2,275**	**$628.0**	**100.0%**

Home price appreciation by state

House Price Appreciation by State		
State	1 year	National Rank
CA	8.12%	3
FL	7.85%	5
All	4.55%	N/A

Source: FHFA Q3 2014 HPI Index

Note: Reflects unpaid principal balance, net of write downs, of underlying loans before accounting adjustments for discounts and other items; Population is fixed as of 12/31/2011; Excludes any resolutions

Flagstar Bancorp

Non-performing Loans HFI – by State

4th Quarter 2014

$ in thousands

State	Mortgage	Percent of Mortgage	Second Mortgage	HELOC	Consumer	Total	Percent of Total
CA	$ 22,200	19.3%	$ 338	$ 528	$ —	$ 23,066	19.1%
FL	20,854	18.1%	275	384	—	21,512	17.9%
NY	10,752	9.3%	86	210	—	11,048	9.2%
NJ	6,499	5.6%	—	213	—	6,713	5.6%
MI	6,269	5.4%	552	679	117	7,617	6.3%
WA	4,516	3.9%	25	—	—	4,542	3.8%
MD	4,125	3.6%	88	55	—	4,267	3.5%
TX	3,958	3.4%	41	—	1	4,000	3.3%
IL	3,663	3.2%	20	—	—	3,683	3.1%
VA	3,294	2.9%	34	—	—	3,329	2.8%
CO	2,248	2.0%	18	145	—	2,411	2.0%
HI	2,018	1.8%	—	186	—	2,204	1.8%
NV	2,004	1.7%	—	79	—	2,083	1.7%
OH	1,983	1.7%	22	20	—	2,024	1.7%
MA	1,851	1.6%	89	146	—	2,086	1.7%
Other	18,859	16.4%	467	578	3	19,906	16.5%
Total	$ 115,093	100.0%	$ 2,054	$ 3,222	$ 121	$ 120,491	100.0%

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

4th Quarter 2014

$ in thousands

Vintage	First Mortgage	Percent of Mortgage	Second Mortgage	HELOC	Other Consumer	Total	Percent of Total
Older	$ 8,704	7.6%	$ 213	$ 39	$ 3	$ 8,959	7.4%
2004	18,958	16.5%	203	684	2	19,848	16.5%
2005	12,017	10.4%	362	1,106	12	13,497	11.2%
2006	9,800	8.5%	39	833	5	10,678	8.9%
2007	36,931	32.1%	1,016	520	4	38,472	31.9%
2008	19,556	17.0%	—	—	1	19,557	16.2%
2009	3,435	3.0%	40	—	—	3,475	2.9%
2010	1,866	1.6%	106	—	31	2,003	1.7%
2011	1,667	1.4%	75	—	0	1,742	1.4%
2012	—	0.0%	—	—	6	46	0.0%
2013	713	0.6%	—	—	7	720	0.06%
2014	1,444	1.3%	—	—	50	1,494	1.2%
Total	$ 115,093	100.0%	$ 2,054	$ 3,222	$ 121	$ 120,491	100.0%

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

Supplemental capital ratios

$mm

	12/31/2014	9/30/2014	12/31/2013
Mortgage servicing rights	$257.8	$285.4	$284.7
Tier 1 Capital	$1,183.6	$1,146.2	$1,280.5
MSR to Tier 1 ratio	**21.8%**	**24.9%**	**22.2%**

$mm

Flagstar Bancorp (the Company)	Common Equity Tier 1 (to Risk Weighted Assets)	Tier 1 Leverage (to Adjusted Tangible Assets)(1)
as of December 31, 2014		
Basel I regulatory capital	$670	$1,184
Increased deductions related to deferred tax assets, mortgage servicing assets, and other capital components	($205)	($209)
Basel III regulatory capital (fully phased-in)(2)	**$464**	**$975**
Basel risk weighted I assets	$5,190	$9,403
Net change in assets	($98)	$109
Basel III risk weighted assets (fully phased-in)(2)	**$5,092**	**$9,512**
Basel I capital ratios(3)	12.90%	12.59%
Basel III capital ratios (fully phased-in)(2)	**9.12%**	**10.25%**

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.
3) The Bank is currently subject to the requirements of Basel I.

Adjusted efficiency ratio and earnings per share

NON-GAAP RECONCILIATION

4th Quarter 2014

$mm

	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013
Net interest income (a)	$61.3	$64.4	$62.4	$58.2	$41.2
Noninterest income (b)	98.4	85.2	102.5	75.0	113.1
Less provisions:					
Representation and warranty reserve - change in estimate	(6.1)	2.2	5.2	(1.7)	9.5
Adjusting items :					
Loan fees and charges	-	-	(10.0)	-	-
Net impairment loss recognized through earnings	-	-			-
Representation and warranty reserve – change in estimate (one time)[1]	-	10.4			(24.9)
Other noninterest income	-	-		21.1	-
Adjusted noninterest income	$98.4	$95.6	$92.5	$96.0	$88.2
Adjusted income (c)	**$153.7**	**$162.1**	**$160.1**	**$152.6**	**$138.9**
Noninterest expense (d)	$139.3	$179.4	$121.4	$139.3	$388.7
Adjusting items :					
Loss on extinguishment of debt	-	-	-	-	(177.6)
Legal and professional expense[2]		(1.1)	(2.9)	-	-
Other noninterest expense[3]	-	(37.5)	10.0	-	(61.0)
Adjusted noninterest expense (e)	**$139.3**	**$140.8**	**$128.5**	**$139.3**	**$150.1**
Efficiency ratio (d/(a+b))	**87.2%**	**120.0%**	**73.6%**	**104.6%**	**251.8%**
Efficiency ratio (adjusted) (e/c)	**90.6%**	**86.8%**	**80.2%**	**91.3%**	**108.1%**
Net (loss) income applicable to common stockholders	$11.1	($27.6)	$25.5	($78.9)	$160.5
Adjustment to remove adjusting items	-	49.0	(17.1)	21.1	213.7
Tax impact of adjusting items	-	(13.6)	6.0	(7.4)	(54.5)
Adjusting tax item	-	-	-	-	(355.8)
Adjusted net (loss) income applicable to common stockholders	**$11.1**	**$7.7**	**$14.4**	**($65.2)**	**($36.1)**
Diluted (loss) income per share	$0.07	($0.61)	$0.33	($1.51)	$2.77
Adjustment to remove adjusting items	-	0.86	(0.31)	0.38	3.77
Tax impact of adjusting items	-	(0.24)	0.11	(0.13)	(0.96)
Adjusting tax item	-	-	-	-	(6.28)
Diluted adjusted (loss) income per share	**$0.07**	**$0.01**	**$0.13**	**($1.26)**	**($0.70)**
Weighted average shares outstanding					
Basic	56,310,858	56,249,300	56,230,458	56,194,184	56,126,895
Diluted	56,792,751	56,249,300	56,822,102	56,194,184	56,694,096

1) Significant item for charge for government loan indemnification for the third quarter 2014 located in representation and warranty reserve-change in estimate.
2) Significant item for charge for CFPB CID - related costs for the third and second quarter of 2014 located in legal and professional expense.
3) Significant item for charge for CFPB settlement for the third quarter 2014 located in other noninterest expense.

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Adjusted noninterest expense

$mm

	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013
Fixed expenses					
Compensation and benefits	$59.0	$53.5	$55.2	$65.6	$69.6
Occupancy and equipment	20.1	20.5	19.4	20.4	19.8
Asset resolution	13.4	13.7	17.9	11.5	3.4
Other noninterest expense[(1)]	26.9	32.3	19.2	26.8	39.1
Total fixed expenses	**$119.4**	**$120.0**	**$111.7**	**$124.3**	**$131.9**
Variable expenses					
Commissions	$9.3	$10.3	$8.5	$7.2	$9.4
Loan processing expenses	10.6	10.5	8.2	7.7	8.8
Total variable expenses	**$19.9**	**$20.8**	**$16.7**	**$15.0**	**$18.3**
Non-recurring items (excluded)					
Loss on extinguishment of debt	$0.0	$0.0	$0.0	$0.0	$177.6
Incremental expenses[(2)]	-	38.6	(7.1)	-	61.0
Total non-recurring items	**$0.0**	**$38.6**	**($7.1)**	**$0.0**	**$238.6**
Total noninterest expense	**$139.3**	**$179.4**	**$121.4**	**$139.3**	**$388.7**

1 Other noninterest expense includes Federal insurance premiums, legal and professional expense and other noninterest expense
2 Included in other noninterest expense on our consolidated financial statements

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