Flagstar Bancorp, Inc. (NYSE: FBC)

Earnings Presentation
4th Quarter 2015

January 26, 2016

Flagstar Bancorp

Cautionary statement

This presentation contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, as amended. Forward-looking statements are based on management's current expectations and assumptions regarding the Company's business and performance, the economy and other future conditions, and forecasts of future events, circumstances and results. However, they are not guarantees of future performance and are subject to known and unknown risks, uncertainties, contingencies and other factors. Generally, forward-looking statements are not based on historical facts but instead represent our management's beliefs regarding future events. Such statements may be identified by words such as believe, expect, anticipate, intend, plan, believe, estimate, may increase, may fluctuate, and similar expressions or future or conditional verbs such as will, should, would and could. Such statements are based on management's current expectations and are subject to risks, uncertainties and changes in circumstances. Actual results and capital and other financial conditions may differ materially from those included in these statements due to a variety of factors, including without limitation those found in periodic Flagstar reports filed with the U.S. Securities and Exchange Commission, which are available on the Company's website (flagstar.com) and on the Securities and Exchange Commission's website (sec.gov).

Any forward-looking statements made by or on behalf of us speak only as to the date they are made, and we do not undertake to update forward-looking statements to reflect the impact of circumstances or events that arise after the date the forward-looking statements were made, except as required under United States securities laws.

Executive Overview

Sandro DiNello, CEO

Progress on strategic initiatives

4th Quarter 2015

Focus on growth and diversification of earnings

Expand mortgage originations	• Accelerate growth in distributed and direct-to-consumer retail origination channels • Optimize fulfillment resources and secondary marketing execution to improve profitability
Grow community banking	• Refresh the Flagstar brand to build awareness and grow core deposit and lending relationships • Align lending platforms and develop complementary product offerings • Grow earning assets with high quality assets
Enhance efficiency	• Position bank to generate positive operating leverage • Drive productivity and revenue improvements to achieve long-term goal of mid-60’s efficiency ratio
Sustain risk management	• Maintain strong risk management and compliance culture • Exit regulatory orders
Optimize capital structure	• Redeem TARP (anticipated no later than 2nd half 2016) • Execute MSR reduction plan to meet Basel III phase-in target

Financial Overview

Jim Ciroli, CFO

4th quarter key highlights

Strong profitability	• Net income of $33 million, $0.44 per diluted share, in 4Q15 - Down $14 million, $0.25 per diluted share vs. 3Q15 on lower mortgage revenues - Up $22 million, or $0.37 per diluted share vs. 4Q14 on higher net interest income, lower expenses and provision benefit - Returns on assets and equity up significantly vs. the same period last year
Higher net interest income	• Net interest income increased $3 million to $76 million, up 4% from 3Q15 and up 25% from 4Q14 - Average earning assets increased 5% led by growth in loans held for sale, CRE and residential mortgage loans - Net interest margin decreased 6bps to 2.69%
Expense discipline	• Noninterest expense decreased $2 million to $129 million, down 2% from 3Q15 - Commissions and loan processing expense declined on lower mortgage closings - Federal insurance premiums declined reflecting improved risk profile - Asset resolution expense remained low but increased slightly reflecting a prior quarter reimbursement benefit
Improved asset quality	• Net charge-offs and consumer delinquencies fell on solid credit performance - Adjusted charge-offs were $7mm or 51 bps - $1 million provision benefit - Allowance to loans held-for-investment remained strong at 3.0%
Robust capital	• Tier 1 leverage remains solid at 11.5% • On-balance sheet liquidity equal to 18.8% of total assets(1)

1) Liquid assets include interest earning deposits and investment securities; a 5% haircut is applied to investment securities to estimate liquidation costs.

Quarterly income comparison

$mm

		4Q15	3Q15	$ Variance	% Variance
Net interest income	A	$76	$73	$3	4%
(Benefit) provision for loan losses ("PLL")	B	(1)	(1)	-	0%
Net interest income after PLL		77	74	3	4%
Net gain on loan sales	C1	46	68	(22)	(32%)
Loan fees and charges	C2	14	17	(3)	(18%)
Loan administration income		7	8	(1)	(13%)
Net return on the mortgage servicing asset	C3	9	12	(3)	(25%)
Representation and warranty benefit		6	6	-	0%
Other noninterest income		15	17	(2)	(12%)
Total noninterest income		97	128	(31)	(24%)
Gain sale / total revenue		27%	34%	-7%	
Compensation and benefits		59	58	1	2%
Commissions and loan processing expense		20	24	(4)	(17%)
Other noninterest expenses		50	49	1	2%
Total noninterest expense	D	129	131	(2)	(2%)
Income before income taxes		**45**	**71**	**(26)**	**(37%)**
Provision for income taxes		12	24	(12)	50%
Net income		**$33**	**$47**	**($14)**	**(30%)**
Diluted earnings per share		**$0.44**	**$0.69**	**($0.25)**	(36%)
Profitability					
Net interest margin		2.69%	2.75%	-6 bps	
Mortgage rate lock commitments, fallout adjusted		$5,027	$6,495	($1,468)	(23%)
Mortgage closings		$5,824	$7,876	($2,052)	(26%)
Gain on loan sale margin(1)		0.92%	1.05%	-13 bps	
Efficiency ratio		75.2%	65.0%	N/M	

1) Expressed as a percent of fallout-adjusted locks.
N/M – not meaningful

Observations

A Net interest income

- Net interest income increased 4%
  - Earning asset growth of 5%
  - Net interest margin decreased 5 bps to 2.69%

B (Benefit) provision for loan losses

- Benefit driven by continued strong credit metrics
- NPAs decreased 3 bps to 0.61% compared to 0.64% of total assets, no commercial loan delinquencies

C Noninterest income

- Noninterest income decreased 24%
  - Net gain on loan sales decrease 32% on lower volumes and decreased gain on sale margin
  - Loan fees and charges decreased 18% on lower mortgage closings
  - Net MSR return decreased due to a $3 million collection benefit 3Q15

D Noninterest expense

- Noninterest expenses were down 2%
  - Lower variable expenses related to decreased mortgage closings
  - Lower federal insurance premiums reflecting improved risk profile

Flagstar Bancorp

Balance sheet highlights

4th Quarter 2015

$mm

	Average Balance Sheet			Ending Balance Sheet		
		Incr (Decr)[1]			Incr (Decr)[1]	
	$	$	%	$	$	%
Loans held-for-sale	$2,484	*$284*	*13%*	$2,576	$168	7%
Consumer loans[2]	3,423	56	2%	3,650	347	11%
Commercial loans[2]	2,219	*174*	*9%*	2,702	491	22%
Total loans held-for-investment	5,642	230	4%	6,352	*838*	*15%*
Other earning assets[3]	3,114	33	1%	3,201	304	10%
Interest-earning assets	**$11,240**	*547*	*5%*	*$12,129*	**1,310**	**12%**
Other assets	1,585	(27)	(2%)	1,586	(114)	(7%)
Total assets	$12,825	$520	4%	$13,715	$1,196	10%
Deposits	$8,132	(128)	(2%)	$7,935	(202)	(2%)
FHLB advances	2,445	650	36%	3,541	1,517	75%
Other liabilities	701	(39)	(5%)	711	(144)	(17%)
Total liabilities	$11,278	483	4%	$12,187	1,171	11%
Preferred Equity	267	-	0%	267	-	0%
Common Equity	1,280	37	3%	1,261	25	2%
Total liabilities and equity	$12,825	$520	4%	$13,715	*$1,196*	*10%*
Common equity-to-asset ratio	10.0%			*9.2%*		
Book value per common share[4]				$22.33	$0.42	

Observations

Balance sheet growth

- Average balance sheet grew $0.5 billion or 4%
- Total average loans increased 6%
  - Commercial loans rose 9% with commercial real estate loans up 17%
  - Loans held for sale increased 13%

Strong balance sheet[5]

- Deposits are a significant portion of our funding
  - Total deposits equaled 72% of liabilities
  - Retail deposits equaled 51% of liabilities
- Common equity / assets of 9.2%

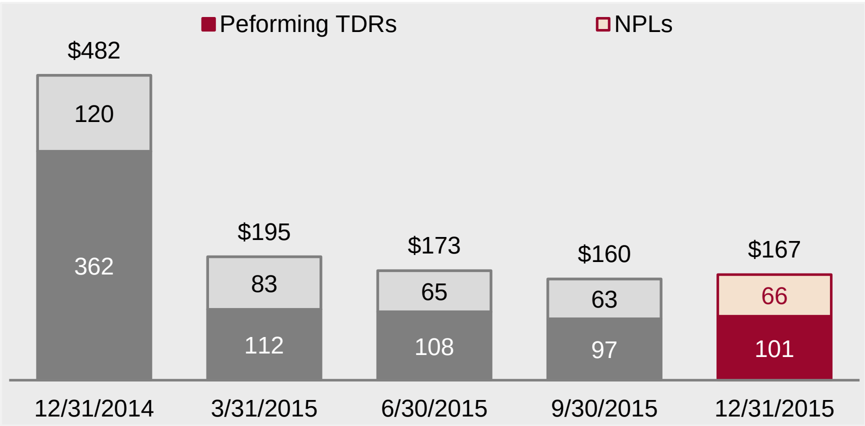
Book value per share

- Price to book ratio of 86% based on closing price as of January 25, 2016

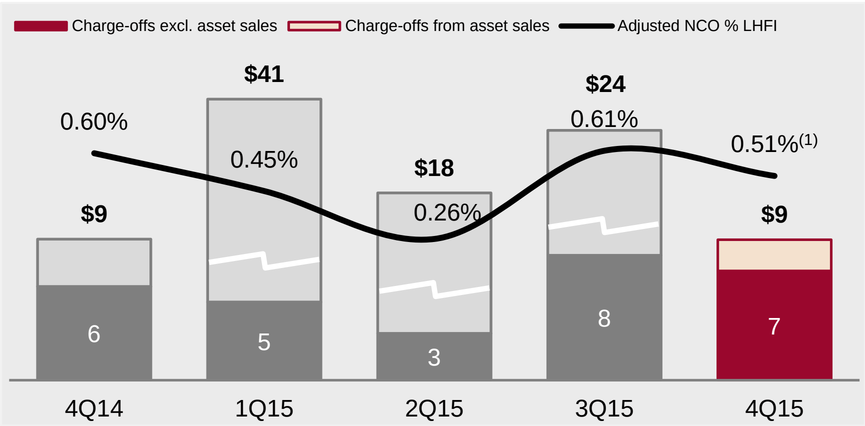
1) Measured vs. the prior quarter.
2) Consumer loans include second mortgage, HELOC and other loans; commercial loans include commercial real estate, commercial & industrial.
3) Other earning assets include interest earning deposits, investment securities and loans with government guarantees.
4) Book value per share has not been reduced for $86 million of unpaid dividends on our perpetual preferred stock, which has been deferred. If these dividends were paid, book value per share would be reduced by $1.53 per share.
5) Funding ratios are calculated on average balances; equity ratio is calculated on ending period balances.

Asset quality

Performing TDRs and NPLs ($mm)

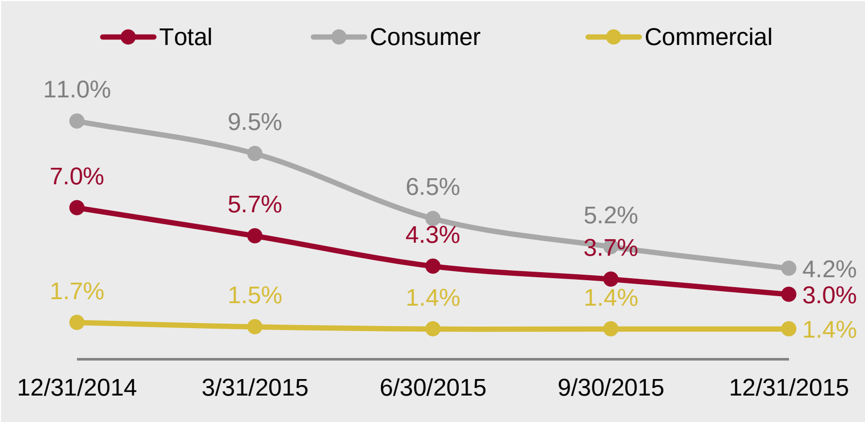


Net charge-offs ($mm)



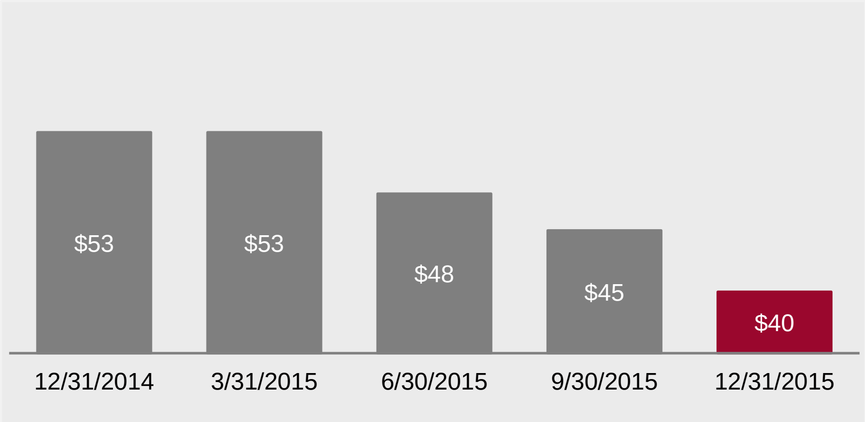
1) 0.29% excluding loan sales and $3mm of loans with government guarantees.

Allowance coverage¹ (% of loans HFI)



1) Excludes loans carried under the fair value option.

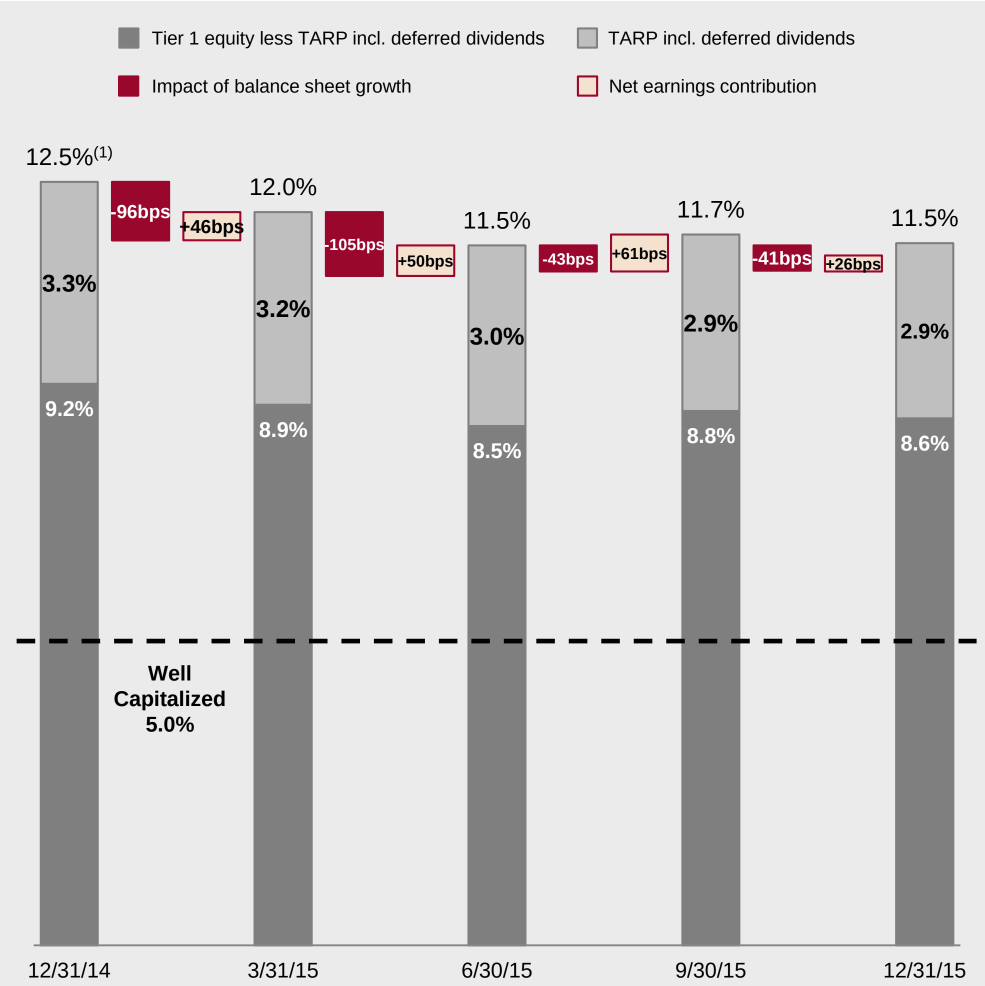
Representation & warranty reserve ($mm)



Flagstar Bancorp

Robust capital

Tier 1 leverage - 12/31/14 to 12/31/15 (Flagstar Bancorp)



1) Pro-forma under Basel III partial phase-in requirements. Please see non-GAAP tables in the appendix.

Observations 4Q15

	Tier 1 Leverage	CET-1 to RWA	Tier 1 to RWA	Total RBC to RWA
12/31/15	11.5%	14.1%	19.0%	20.3%
9/30/15	11.7%	14.9%	20.3%	21.6%

- Decrease in regulatory ratios led by earnings asset growth partially offset by earnings retention and utilization of NOL-related deferred tax assets
- Utilization of NOL-related DTA has released regulatory capital to support balance sheet growth (YTD 2015)
  - Benefit of 0.4% to Tier 1 Leverage ratio
  - Helped support earning asset growth of $2.0bn (24%)

Repayment of TARP (targeted 2nd half of 2016)

- Flagstar has used excess capital to support balance sheet growth
- Flagstar grows regulatory capital at a greater pace as it utilizes its NOL-related DTAs and scales back its concentration of MSRs
- The balance sheet has trapped capital of:
  - $228mm of NOL-related DTAs (183bps of Tier 1 leverage)
  - $95mm of MSRs (76bps of Tier 1 leverage)
- Robust capital generation will support future growth

Flagstar Bancorp

Business Segment Overview

Lee Smith, COO

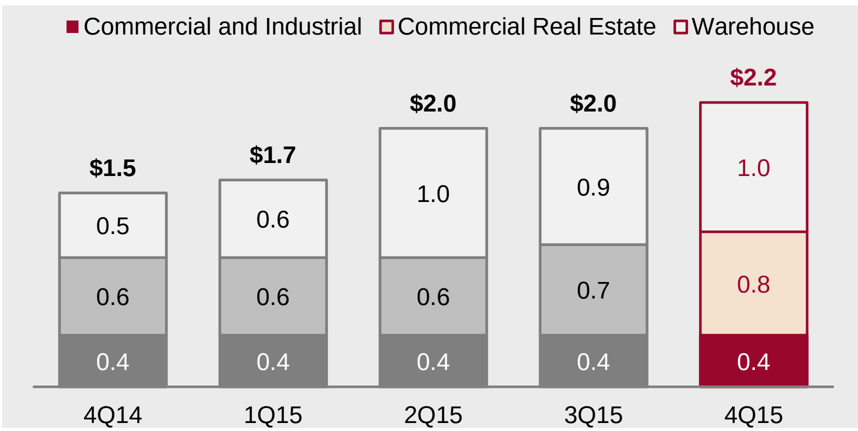
Flagstar Bancorp

Community banking

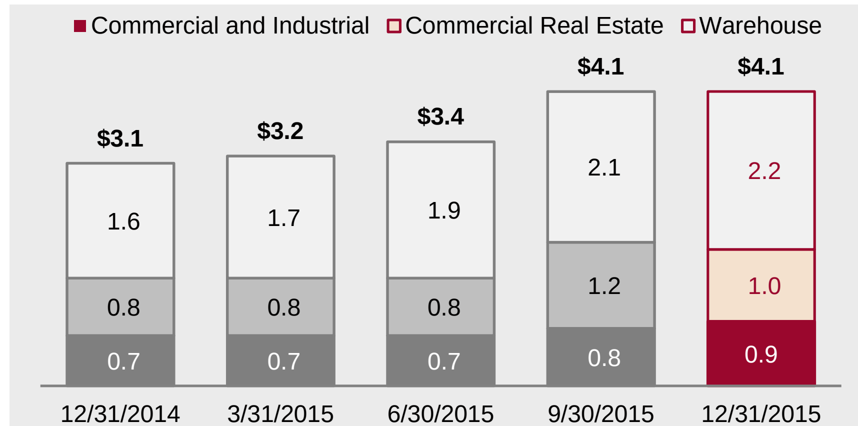
4th Quarter 2015

Flagstar is investing in its community banking franchise to diversify and grow its earnings stream

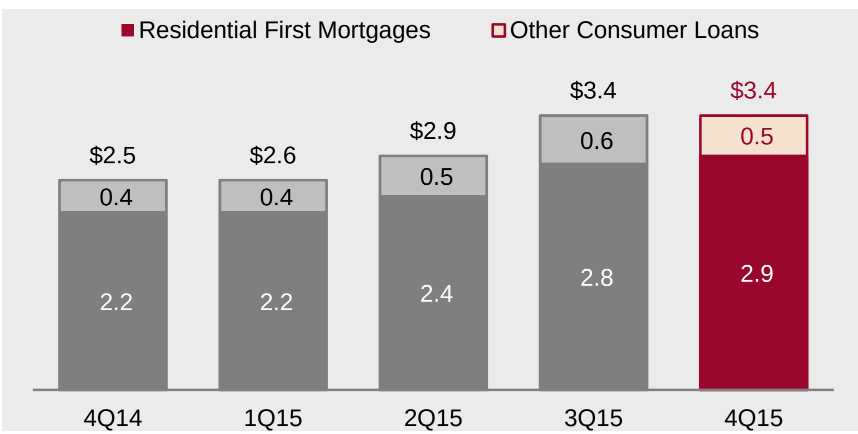
Average commercial loans ($bn)



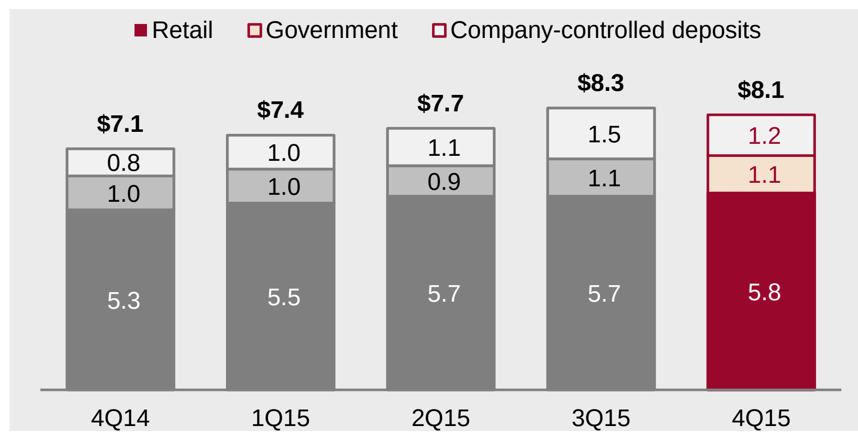
Commercial loan total commitments ($bn)



Average consumer loans ($bn)



Average deposit funding[1] ($bn)



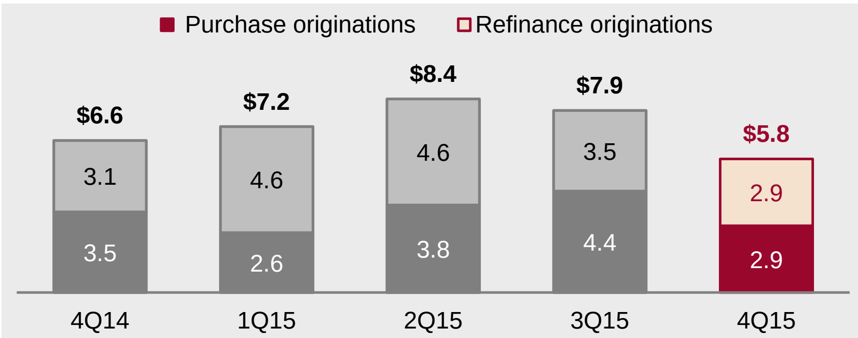
1) Includes company controlled deposits which are included as part of mortgage servicing.

Flagstar Bancorp

Mortgage originations

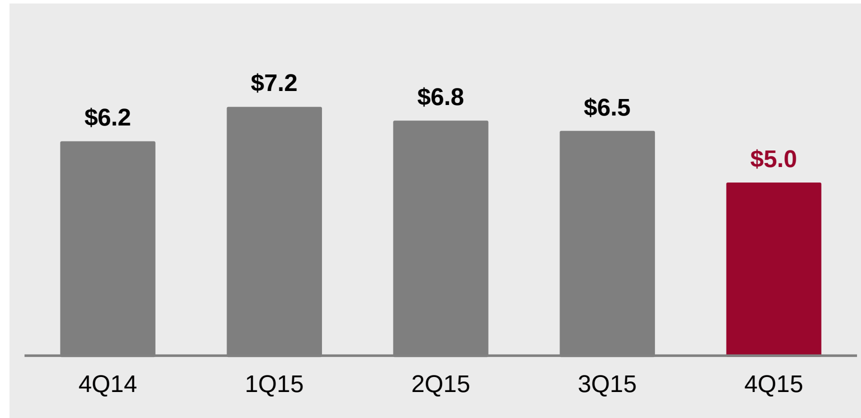
Flagstar is focused on accelerating retail production growth to augment its third party channels

Closings by purpose ($bn)

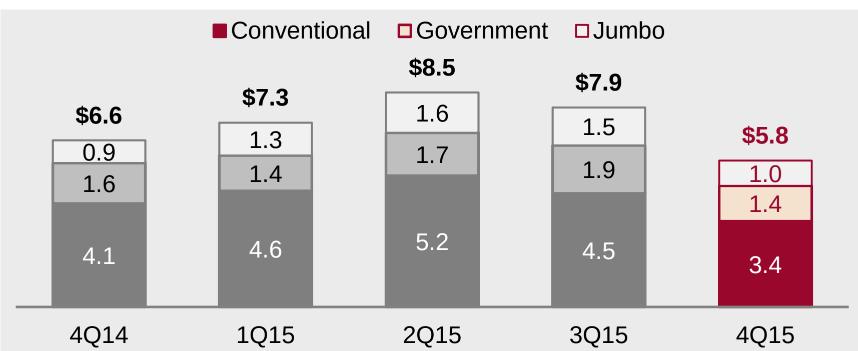


Conforming (%)	62%	64%	61%	57%	**58%**

Fallout-adjusted locks ($bn)

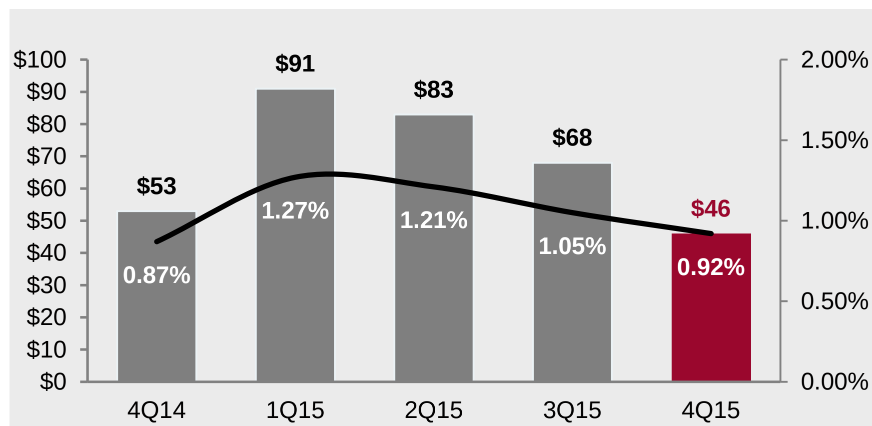


Closings by mortgage type ($bn)



FHA (%)	13%	11%	14%	16%	**16%**

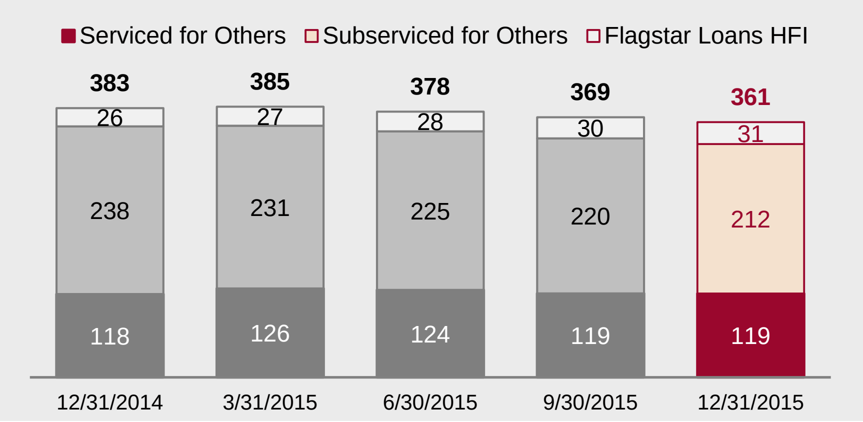
Gain on loan sale[1] – revenue and margin



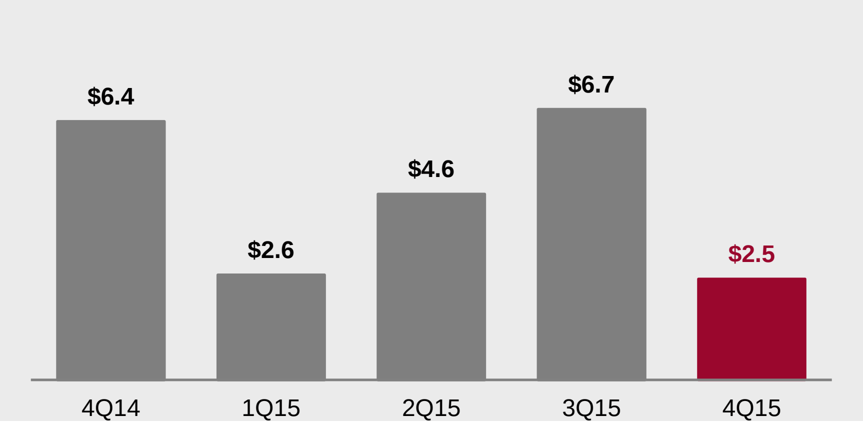
1) Based on fallout adjusted locks.

Mortgage servicing

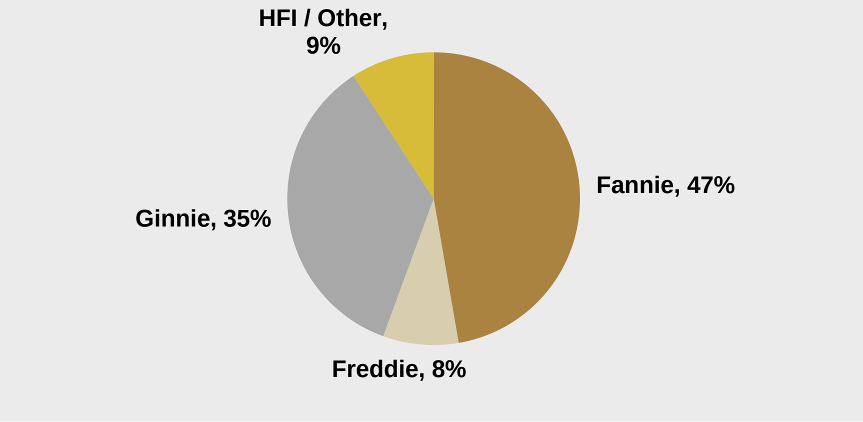
Loans serviced ('000)



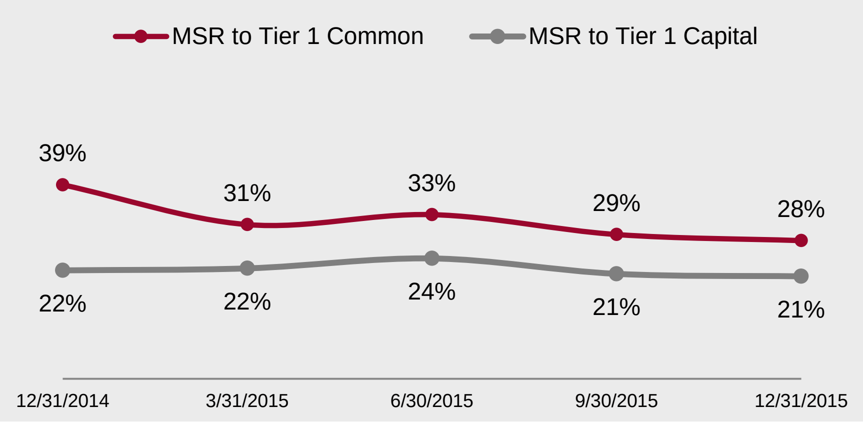
$ UPB of MSRs sold ($bn)



Breakdown of loans serviced (as of 12/31/2015)



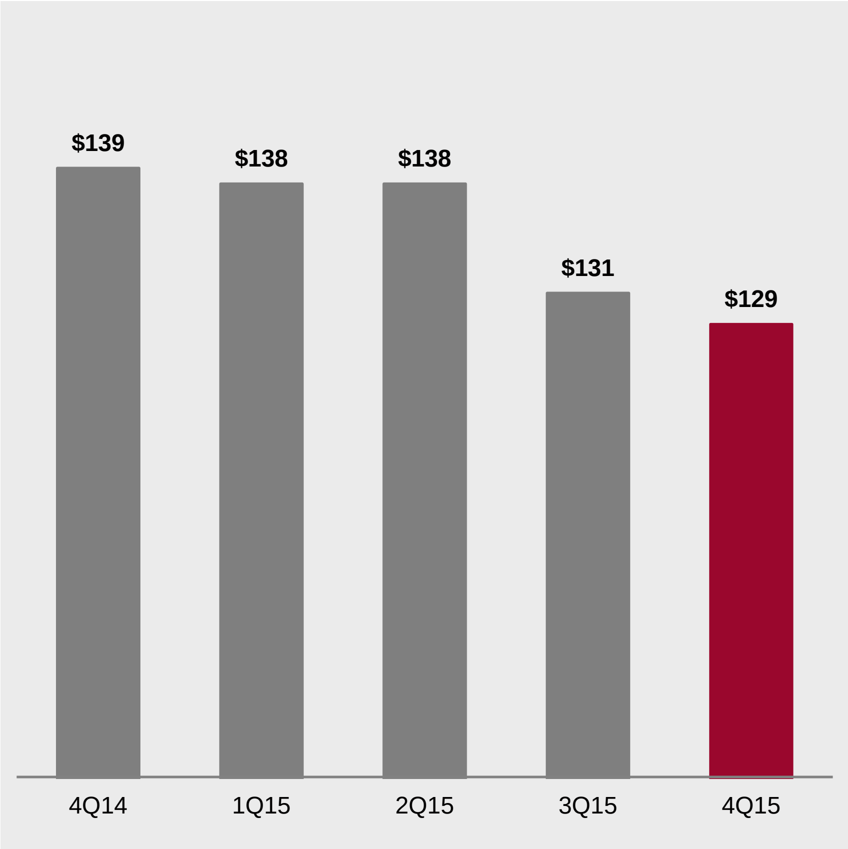
MSR / regulatory capital



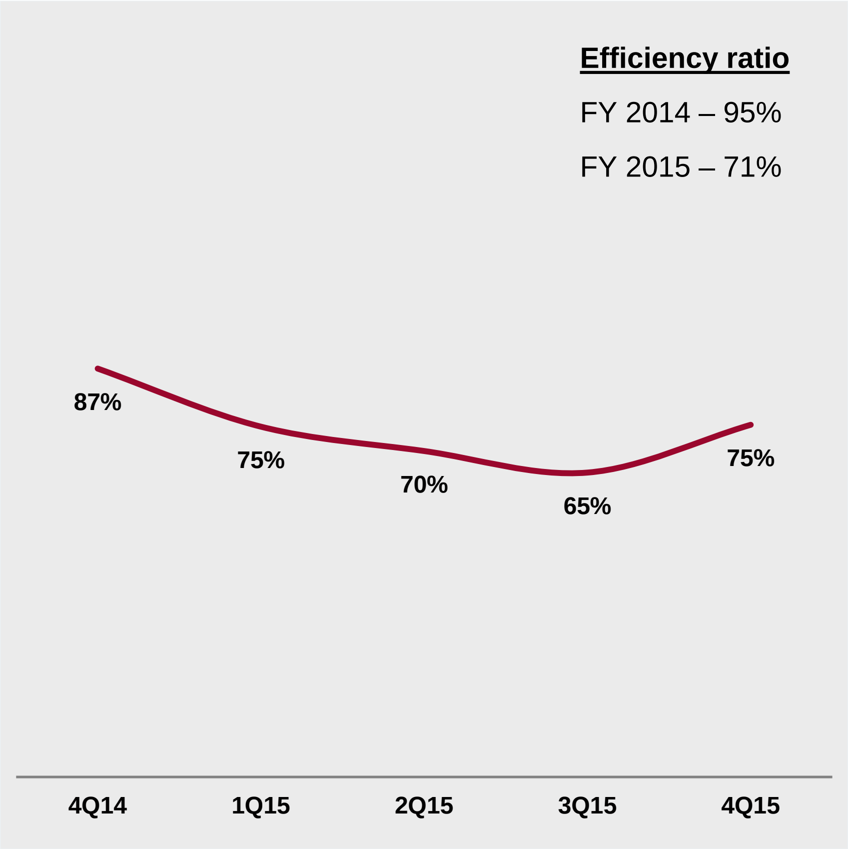
Noninterest expenses and efficiency ratio

- Flagstar's variable cost model and expense discipline is contributing to positive operating leverage

Quarterly noninterest expenses ($mm)



Efficiency ratio



Closing Remarks / Q&A

Sandro DiNello, CEO

Guidance[1][2]

2016 1st quarter outlook	
Net interest income and margin	• Net interest income up on modest rise in earning assets • Partially offset by slightly lower net interest margin
Mortgage originations	• Fallout-adjusted locks up approximately 15 percent on higher market share in broker channel
Gain on loan sales	• Gain on loan sale margin relatively stable
Net servicing revenue	• Net return on the mortgage servicing asset drops moderately from sales and reversion to targeted long term return • MSR to Tier 1 ratio will be stable • Net loan administration income relatively stable
Other noninterest income	• Other noninterest income should approximate 2015 quarterly average
Provision for loan losses	• Provision for loan losses to match Q415 net charge-offs (excluding loan sales and loans with government guarantees)
Noninterest expenses	• Noninterest expenses to rise modestly to $130 - $135 million due to investment in growth initiatives & seasonality
Income tax expense	• Effective tax rate to approximate full year 2015 tax rate of 34%

1) See cautionary statements on slide 2.
2) All assumptions and estimates are subject to change and may impact 2016 1st quarter outlook.

Appendix

Solid core franchise

Community bank

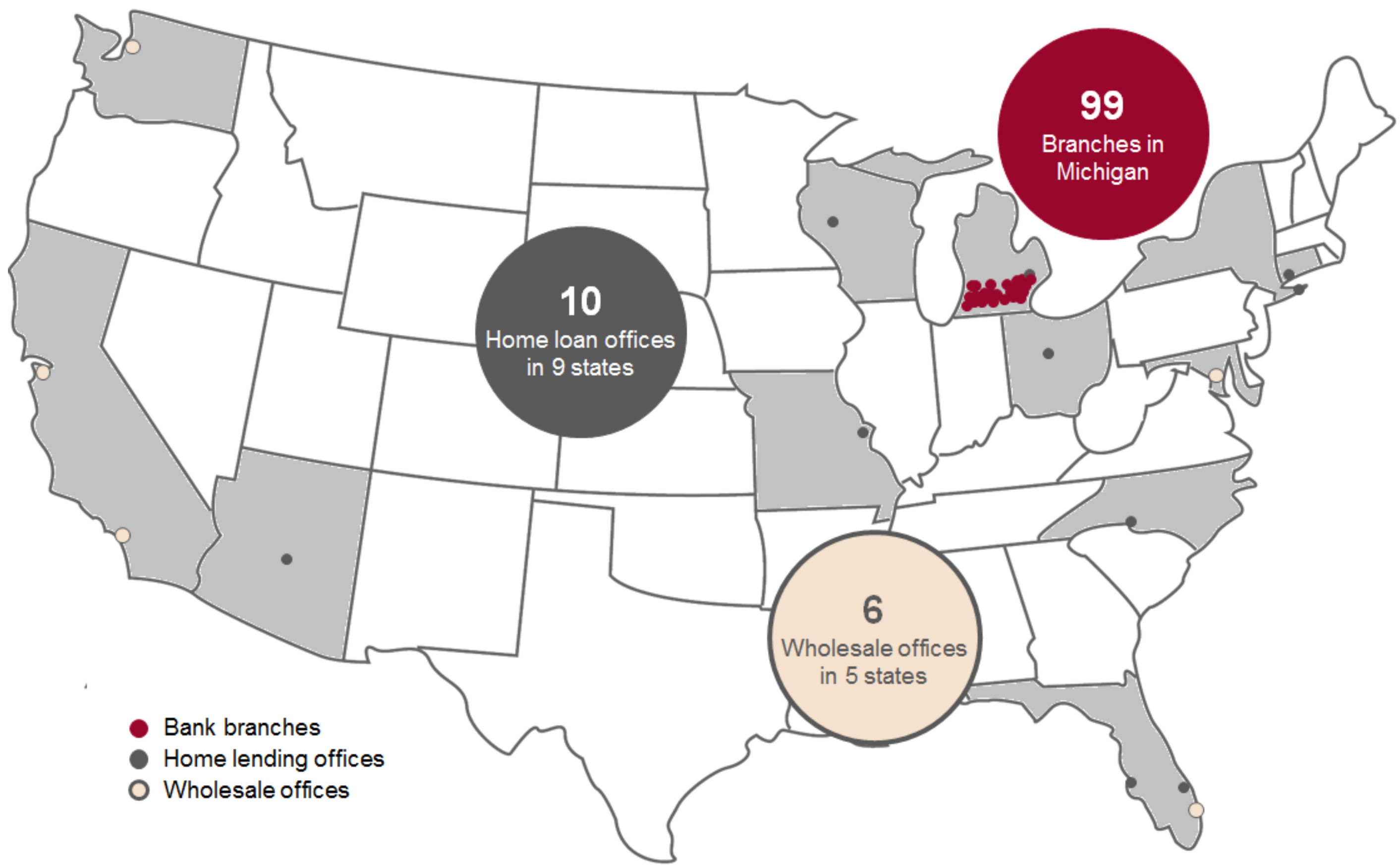
- Largest Michigan based bank
- #7 in deposit market share
- $12.5bn of assets
- $7.9bn of deposits
- 99 branches
- 104k households & 13k businesses

Mortgage originator

- 10th largest originator nationally
- Originated more than $29bn of residential mortgage loans during the last 12 months
- Approximately 1,200 TPO relationships

Mortgage servicer

- 9th largest sub-servicer of mortgage loans nationwide
- Currently servicing more than 360k loans
- Scalable mortgage platform to service up to 1mm loans



Flagstar is at a turning point

2013 – 2015

Addressed post-crisis issues

- ✓ Assembled strong executive team
- ✓ Improved asset quality
  - – Sold lower performing loans to de-risk balance sheet
    - – $1.6bn of lower performing assets
    - – $90bn (UPB) of MSRs
  - – Reinvested proceeds into higher quality assets
- ✓ Increased capital & liquidity
- ✓ Resolved legal & regulatory issues

2015-16

Build foundation for growth

- ✓ Restored profitability
  - – Grew earning assets
  - – Increased NIM & GOS margin
  - – Optimized cost structure
- ❑ Optimize capital structure
  - – Redeem TARP (anticipated no later than 2nd half 2016)
  - – Establish MSR reduction plan
- ❑ Continue strong risk management
  - – Exit Consent Order (continue to make meaningful progress)

2016+

Grow & diversify earnings

- ❑ Grow community banking
  - – Add high-quality assets
  - – Boost NIM & fee income
- ❑ Diversify mortgage originations
  - – Accelerate retail & DTC distribution ahead of purchase mortgage market
  - – Optimize fulfillment / secondary marketing
- ❑ Expand mortgage servicing
  - – Grow sub-servicing portfolio
  - – Cross sell to customers

Assembled strong executive team

- Flagstar has rebuilt its management team with significant banking experience

Board of Directors

Internal Audit

Dave Colajezzi

Sandro DiNello
President & CEO

CEO since 5/13

Over 35 years of banking experience with Flagstar and its predecessors with a strong emphasis on community banking including the management of retail operations and product strategy.

Chief Operating Officer

Lee Smith

COO since 5/13.

Formerly a partner of MatlinPatterson Global Advisors and a Senior Director at Zolfo Cooper with extensive experience in financial management and operations. He is a Chartered Accountant in England and Wales.

Chief Financial Officer

Jim Ciroli

CFO since 8/14.

Nearly 30 years of banking and financial services experience with First Niagara, Huntington and KeyCorp.

Mortgage Banking

Len Israel

President of Mortgage Banking since 6/15.

Nearly 30 years of mortgage industry experience with Mission Hills Mortgage, IndyMac and CitiMortgage.

Community Banking

Sandro DiNello

Currently serving as Director.

Drew Ottaway

Managing Director of Lending since 11/15

Has over 25 years of commercial lending experience in southeast Michigan with Comerica and NBD.

Chief Risk Officer

Steve Figliuolo

CRO since 6/14.

35 years of financial services experience with Citizens Republic, Fleet Boston Financial, First Union and Chase Manhattan.

Chief Legal Officer

Patrick McGuirk

General Counsel since 6/15.

20 years of legal experience with the FDIC and Sidley Austin LLP.

Restored profitability

$mm (except per share data)

	Three Months Ended					Fiscal Year Ended	
	12/31/15	9/30/15	6/30/15	3/31/15	12/31/14	12/31/15	12/31/14
Net interest income (A)	$76	$73	$73	$65	$61	$287	$247
(Benefit) provision for loan losses ("PLL") (B)	(1)	(1)	(13)	(4)	5	(19)	132
Net interest income (loss) after PLL	77	74	86	69	56	306	115
Net gain on loans sales	46	68	83	91	53	288	206
Loan fees and charges	14	17	19	17	17	67	73
Loan administration income	7	8	7	4	5	26	24
Other noninterest income	30	35	17	7	23	89	58
Total noninterest income (C1)	97	128	126	119	98	470	361
Compensation and benefits	59	58	59	61	59	237	233
Commissions and loan processing	20	24	25	22	20	91	72
Other noninterest expense	50	49	54	55	60	208	274
Total noninterest expense (D1)	129	131	138	138	139	536	579
Income (loss) before income taxes	**45**	**71**	**74**	**50**	**15**	**240**	**(103)**
Provision (benefit) for income taxes	12	24	28	18	4	82	(34)
Net income (loss) to common	**$33**	**$47**	**$46**	**$32**	**$11**	**$158**	**($69)**
Dilluted income (loss) per share	$0.44	$0.69	$0.68	$0.43	$0.07	$2.24	($1.72)
Profitability							
Net interest margin	2.69%	2.75%	2.79%	2.75%	2.80%	2.74%	2.91%
Mortgage rate lock commitments, fallout adjusted	$5,027	$6,495	$6,804	$7,185	$6,156	$25,512	$24,007
Mortgage closings	$5,824	$7,876	$8,448	$7,254	$6,603	$29,402	$24,608
Gain on loan sale margin (C2)	0.92%	1.05%	1.21%	1.27%	0.87%	1.13%	0.86%
Efficiency ratio (D2)	75.2%	65.0%	69.6%	74.8%	87.2%	70.9%	95.4%

Observations

A Increased net interest income

- Net interest income bolstered by higher interest-earning assets, led by expansion of commercial banking platform and residential mortgage production

B Lower credit costs

- Rotation into higher quality assets resulted in lower provision for loan losses
- Sale of TDRs, I/Os and lower performing loans during 1Q15 - 3Q15 resulted in reserve releases

C Higher noninterest income

- Led by increased net gain on loan sales and improved returns on MSR asset
- Net gain on loan sales improved by higher GOS margins

D Improved operating leverage

- Efficiently managed noninterest expense after implementing cost optimization efforts
- Lower efficiency ratio led by higher revenues with stable expense base

Flagstar Bancorp

Consolidated financial highlights

4th Quarter 2015

Quarterly results – $mm

	4Q14	1Q15	2Q15	3Q15	4Q15
Balance Sheet					
Gross loans HFS	$1,244	$2,097	$2,038	$2,408	$2,576
Gross loans HFI	4,448	4,631	5,335	5,514	6,352
Government guaranteed loans	1,128	704	592	509	485
MSR	258	279	317	294	296
Total assets	$9,840	$11,571	$12,139	$12,519	$13,715
Deposits	$7,069	$7,549	$7,648	$8,137	$7,935
FHLB borrowings	514	1,625	2,198	2,024	3,541
Trust preferred	247	247	247	247	247
Preferred equity	267	267	267	267	267
Common equity	$1,106	$1,153	$1,184	$1,237	$1,262
% common equity of total assets	**11.2%**	**10.0%**	**9.8%**	**9.9%**	**9.2%**
Income Statement					
Net interest income	$61	$65	$73	$73	$76
Gain on loan sales	53	91	83	68	46
Other noninterest income	45	28	43	61	50
Noninterest expense	(139)	(138)	(138)	(131)	(129)
Pre-provision net revenue (expense)	$20	$46	$61	$71	$43
Provision for loan losses	5	(4)	(13)	(1)	(1)
Income (loss) before taxes	$15	$50	$74	$71	$45
PPNR / average assets	**0.8%**	**1.7%**	**2.1%**	**2.3%**	**1.3%**
Credit					
ALLL	$297	$297	$222	$197	$187
ALLL as a % of loans HFI (excl FV)	7.0%	7.0%	4.3%	3.7%	3.0%
NPAs to total assets	1.40%	0.90%	0.70%	0.60%	0.60%
Operations					
Number of banking centers	107	107	100	99	99
Number of loan origination centers	16	16	13	14	10
# of employees	2,739	2,680	2,713	2,677	2,713

Flagstar Bancorp

Consolidated financial highlights

4th Quarter 2015

Annual results – $mm

	2011	2012	2013	2014	2015
Balance Sheet					
Gross loans HFS	$1,801	$3,940	$1,480	$1,244	$2,576
Gross loans HFI	$7,039	$5,438	$4,056	$4,448	$6,352
Government guaranteed loans	$1,899	$1,841	$1,308	$1,128	$485
MSR	$511	$711	$285	$258	$296
Total assets	$13,637	$14,082	$9,407	$9,840	$13,715
Deposits	$7,690	$8,294	$6,140	$7,069	$7,935
FHLB borrowings	$3,953	$3,180	$988	$514	$3,541
Trust preferred	$247	$247	$247	$247	$247
Preferred equity	$255	$260	$266	$267	$267
Common equity	$825	$899	$1,160	$1,106	$1,262
% common equity of total assets	**6.0%**	**6.4%**	**12.3%**	**11.2%**	**9.2%**
Income Statement					
Net interest income	$245	$297	$186	$247	$287
Gain on loan sales	$301	$991	$402	$206	$288
Other noninterest income	$85	$30	$251	$155	$181
Noninterest expense	($635)	($989)	($918)	($579)	($536)
Pre-provision net revenue (expense)	($4)	$329	($79)	$29	$220
Provision for loan losses	$177	$276	$70	$132	($19)
Income (loss) before taxes	($181)	$53	($149)	($103)	$239
PPNR / average assets	**(0.0%)**	**2.4%**	**0.7%**	**0.3%**	**1.8%**
Credit					
ALLL	$318	$305	$207	$297	$187
ALLL as a % of loans HFI (excl FV)	4.50%	5.60%	5.40%	7.00%	3.00%
NPAs to total assets	4.40%	3.70%	2.00%	1.40%	0.60%
Operations					
Number of banking centers	111	111	111	107	99
Number of loan origination centers	27	31	39	16	10
# of employees	3,136	3,662	3,253	2,739	2,713

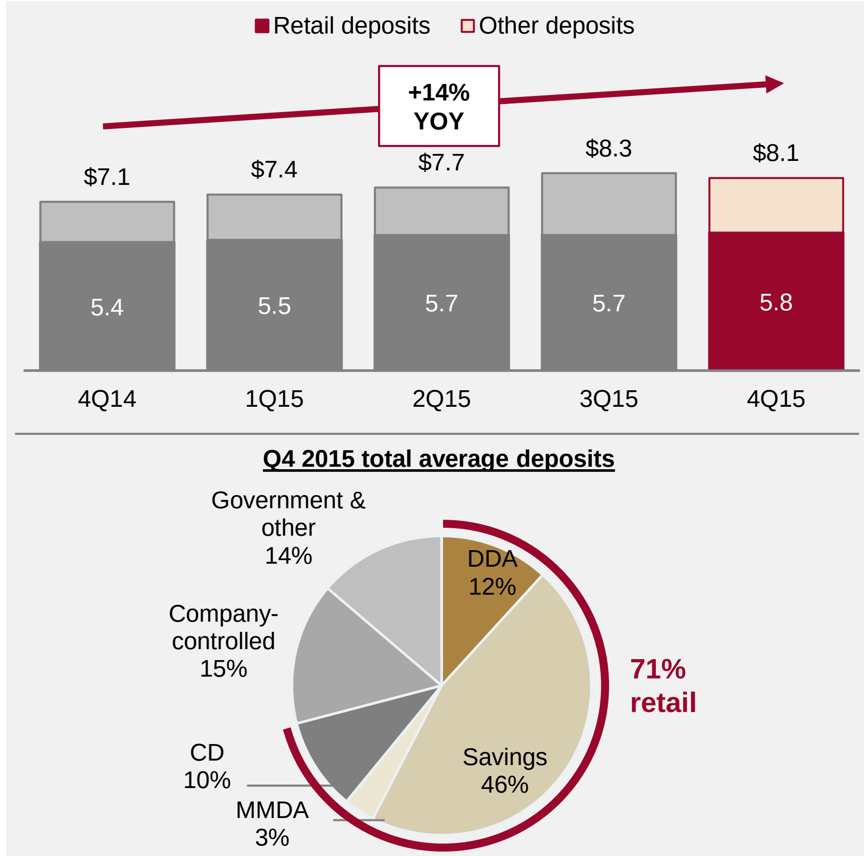
Flagstar Bancorp

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, which represents nearly $20mm of the quarterly deposit growth
  - We additionally maintain depository relationships in connection with our mortgage origination and servicing businesses, and with Michigan governmental entities
  - Cost of interest-bearing deposits equal to 0.71%

Total average deposits ($bn)

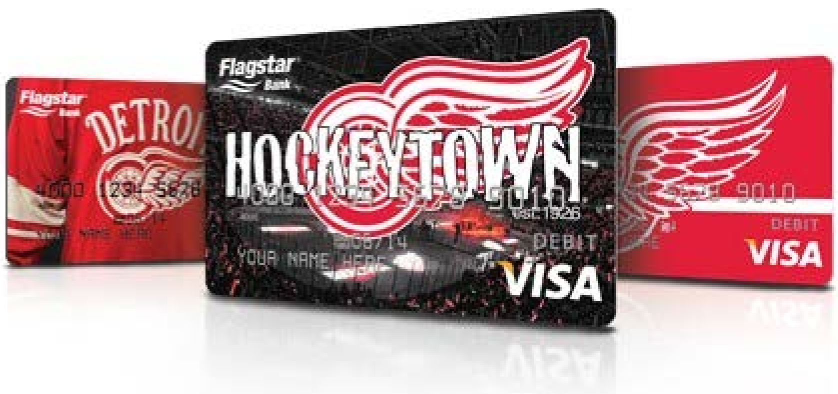


Total : $8.1bn
0.71% cost of interest-bearing deposits

Flagstar Bancorp

Focus on driving branch deposit growth

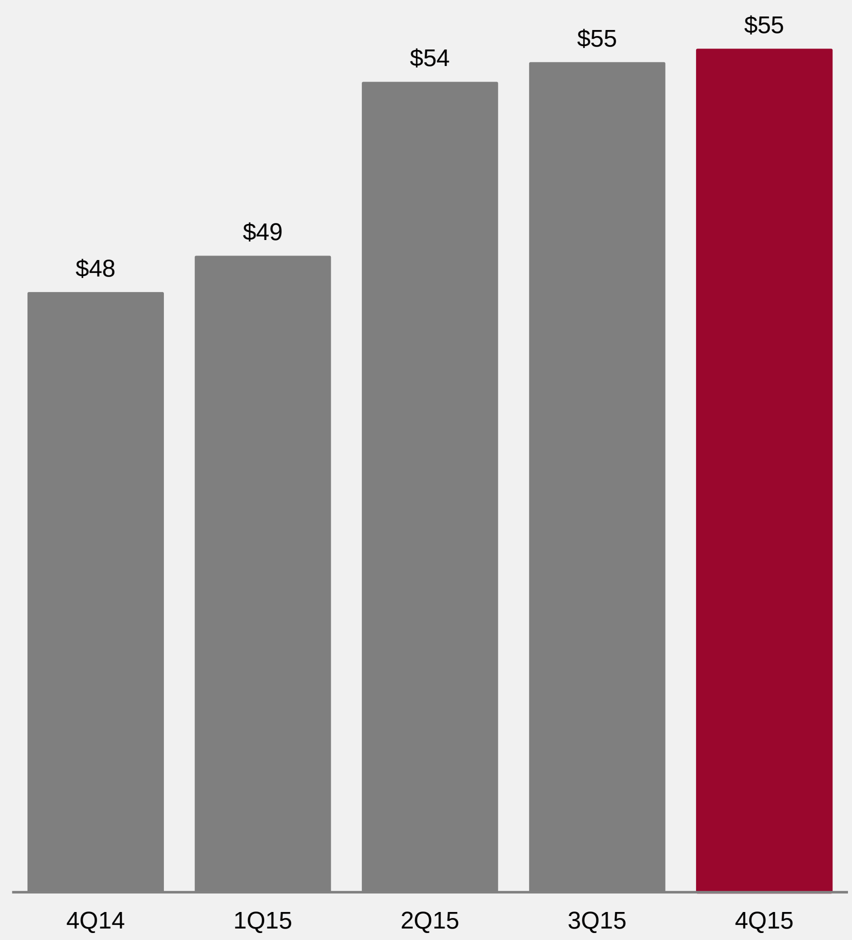
Affinity Relationships



Key consumer accomplishments

- 4Q15 represented the 16th consecutive quarter with net growth in personal checking accounts
- 2015 deposit fee income increased 17% led by a 39% increase in client debit card fees
- Total branch deposits grew 7% during 2015 led by a 6% increase in retail demand deposits

Average deposits / branch ($mm)(1)

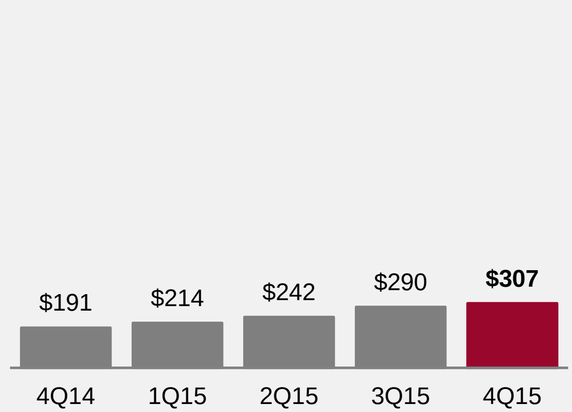


1) Excludes commercial, government and company controlled deposits.

Flagstar Bancorp

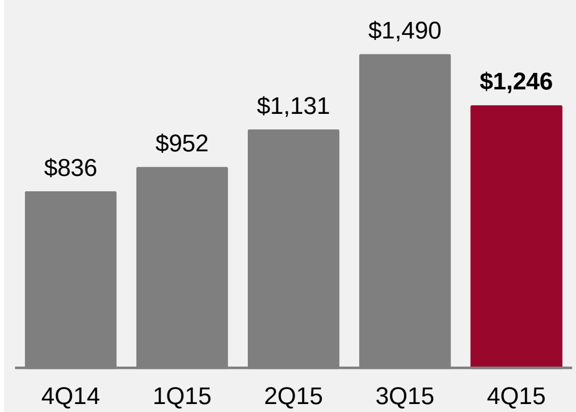
Deposit channel overviews:
Commercial, Company-controlled, government

Average commercial ($mm)



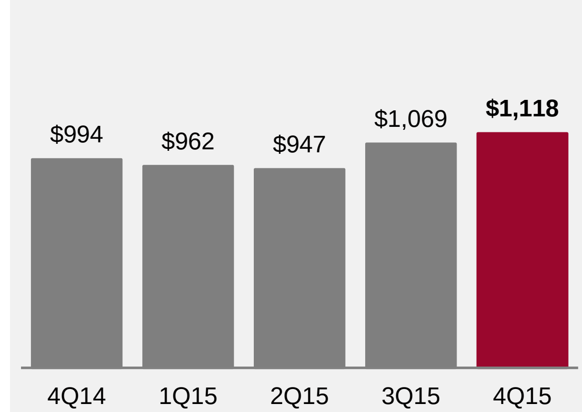
- Over the past year, treasury management services has driven:
  - 61% growth in commercial deposits
  - 21% year-over-year growth in service fee income
- Cost of deposit: 0.56%

Average company-controlled ($mm)



- Arise due to servicing and subservicing of loans for others and represent the portion of the investor custodial accounts on deposit with the Bank
- The seasonal decline in average balances during 4Q15 for tax payments were partially offset by growth in government deposits

Average government ($mm)



- We call on local governmental agencies and other public units as an additional source for deposit funding
- Cost of deposit 0.46%

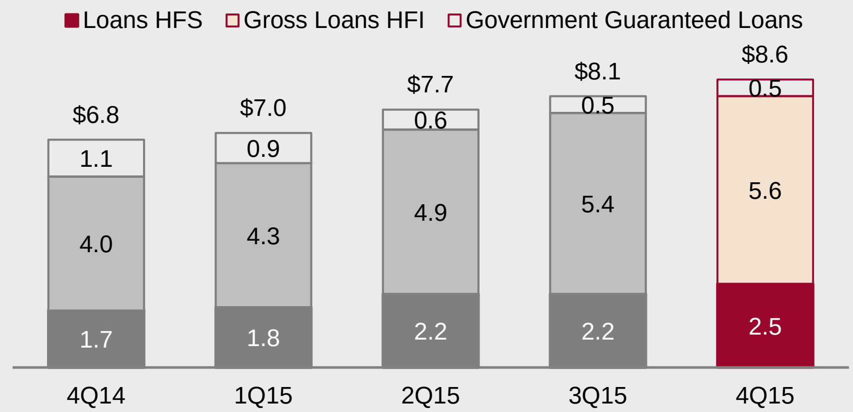
Flagstar Bancorp

Lending

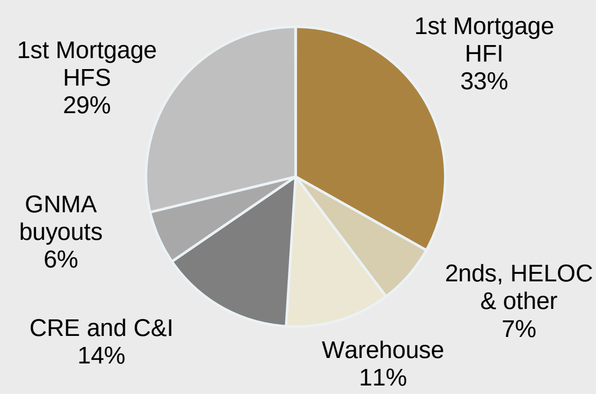
Portfolio and strategy overview

- **Flagstar's largest category of earning assets consists of loans held-for-investment, gross, of $6.4bn at 12/31/15**
  - 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 of $2.6bn at 12/31/15**
  - Essentially all of our mortgage loans originated 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

Total average loans ($bn)



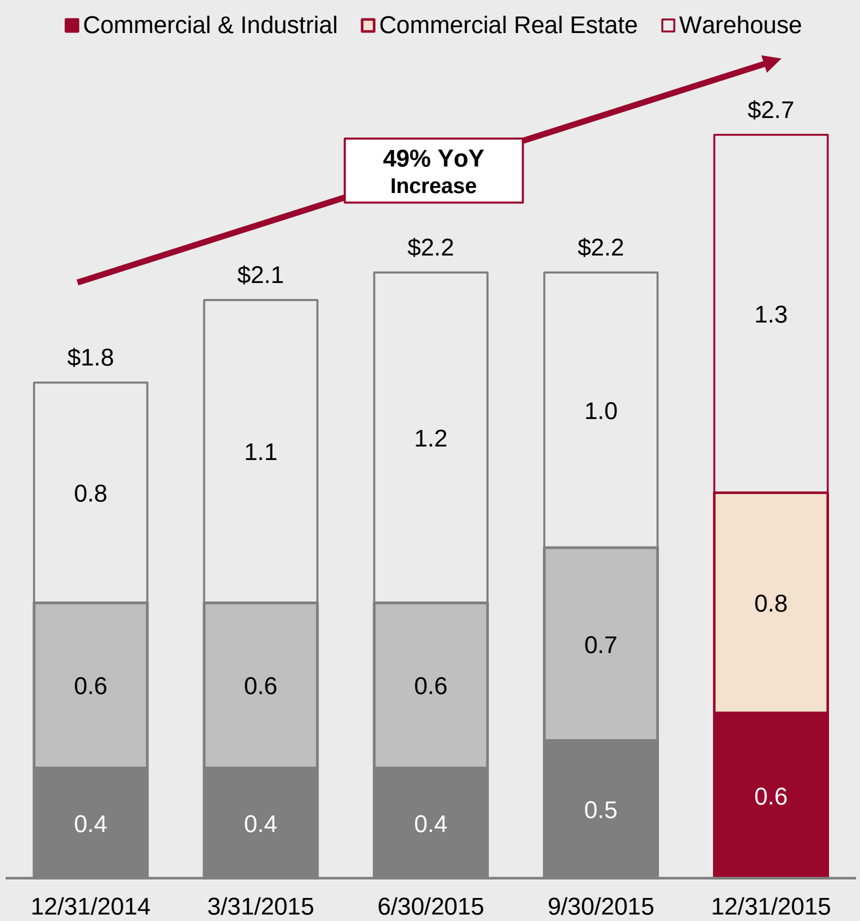
Q4 2015 average gross loans



Lending: Commercial

4th Quarter 2015

Commercial loan balances ($bn)

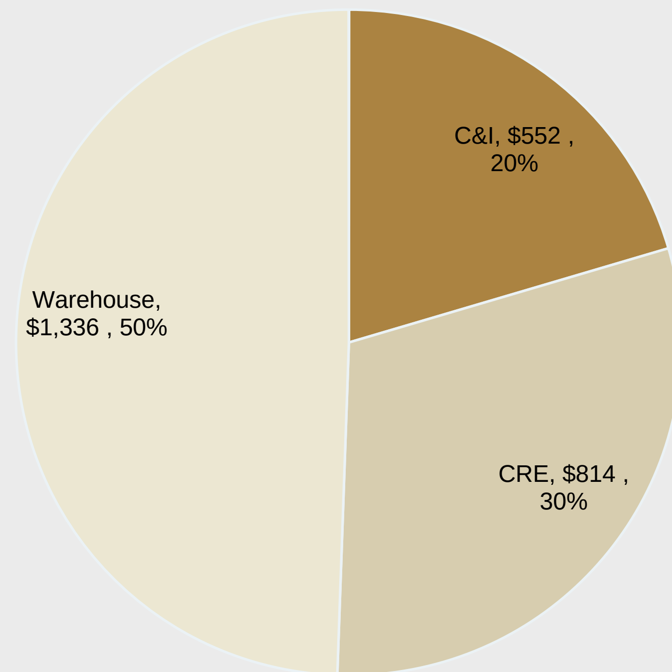


Unfunded commitment out. ($bn)	$1.3	$1.2	$1.3	$1.8	$1.4

Note: Commercial & Industrial loans include commercial lease financings

12/31/15 commercial loan portfolio (%)

($mm)



Gross outstandings : $2,702mm
Total unfunded commitments: $1,396mm
Q4 average yield: 3.77%

Flagstar Bancorp

Lending: Commercial

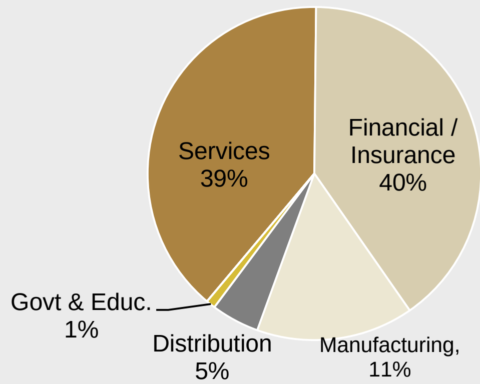
COMMUNITY BANKING

C&I and CRE predominately in-footprint and well diversified

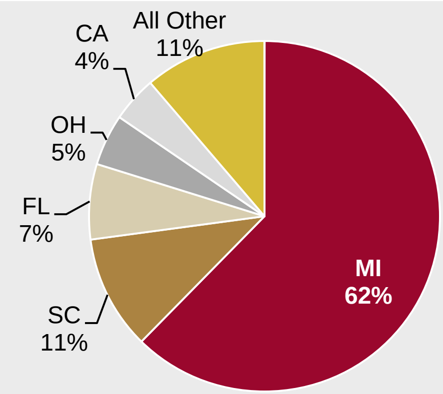
4th Quarter 2015

C&I as of 12/31/15 - $552 mm

Borrower type:

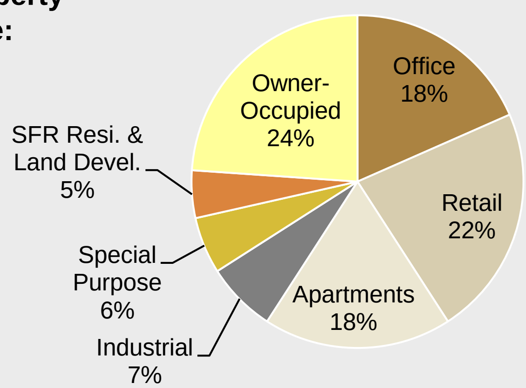


Borrower location:

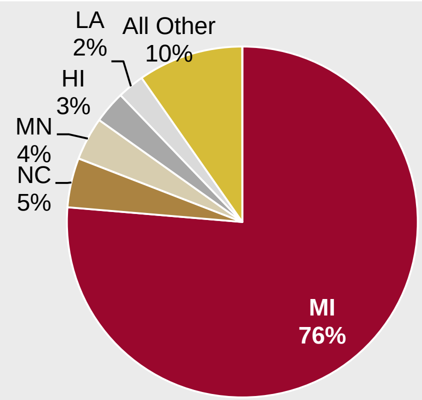


CRE as of 12/31/15 - $814 mm

Property type:



Property location:

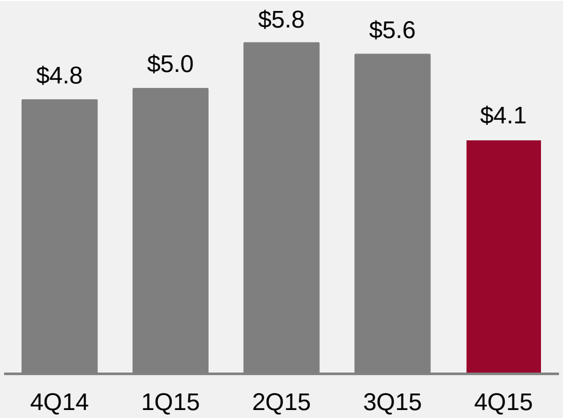


Flagstar Bancorp

Mortgages are originated primarily through the correspondent channel

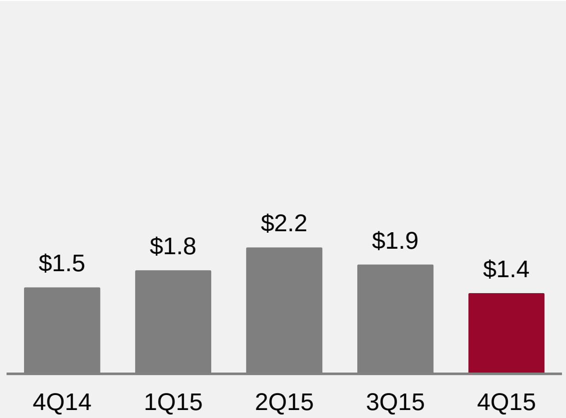
Residential mortgage originations by channel ($bn)

Correspondent



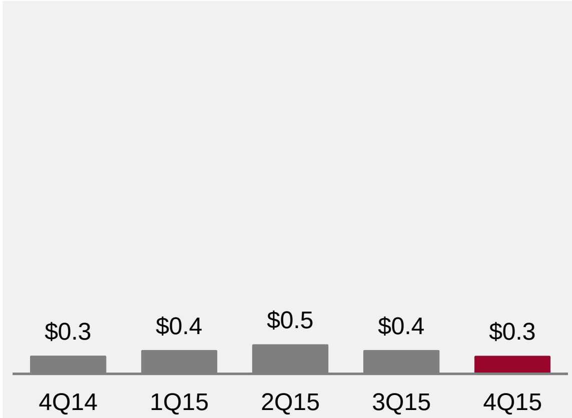
- Nearly 700 correspondent partners in 50 states in Q4 2015
- Top 10 relationships account for 16% of overall correspondent volume
- Warehouse lines to over 250 correspondent relationships

Broker



- More than 500 brokerage relationships in 50 states in Q4 2015
- Top 10 relationships account for 21% of overall brokerage volume

Retail



- 10 standalone home loan centers in 9 states in Q4 2015
- Consumer direct is 36% of retail volume

Flagstar Bancorp

MSR portfolio
as of 12/31/15

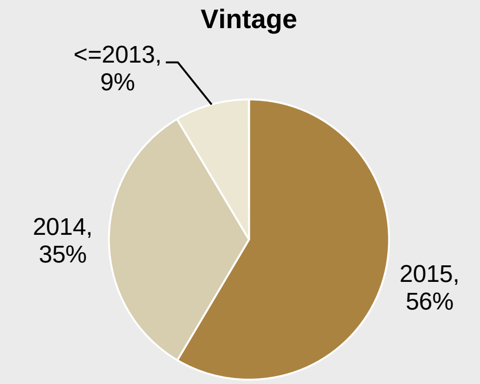
MSR portfolio statistics

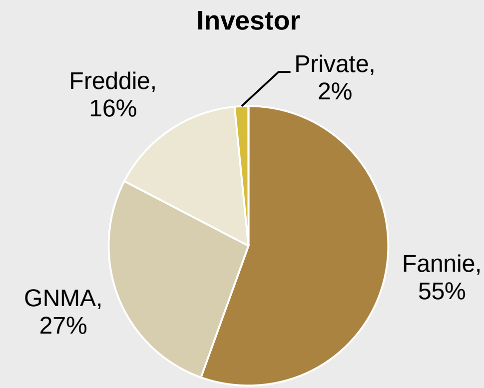
Measure ($mm)	12/31/2015	9/30/2015	Difference
Unpaid principal balance	$26,145	$26,308	($163)
Fair value of MSR	$296	$294	$2
Capitalized rate	1.13%	1.12%	0.01%
Multiple	4.134	3.990	0.144
Note rate	4.118%	4.108%	0.010%
Service fee	0.274%	0.280%	-0.006%
Average Measure ($000)			
UPB per loan	$220	$222	($1)
FICO	731	727	4
Loan to value	76.17%	78.18%	-2.01%

$ return – MSR asset

$ Return	4Q14	1Q15	2Q15	3Q15	4Q15
Net hedged profit (loss)	$0	($4)	$4	$1	$1
Carry on asset	15	18	22	19	16
Run-off	(10)	(15)	(12)	(8)	(8)
Gross return on the mortgage servicing asset	**$5**	**($1)**	**$14**	**$12**	**$9**
Sale transaction & P/L	(4)	(2)	(5)	3	-
Model Changes	-	-	-	(3)	-
Net return on the mortgage servicing asset	**$2**	**($2)**	**$9**	**$12**	**$9**
Average mortgage servicing rights	**$280**	**$265**	**$271**	**$317**	**$304**

MSR portfolio characteristics (% UPB)

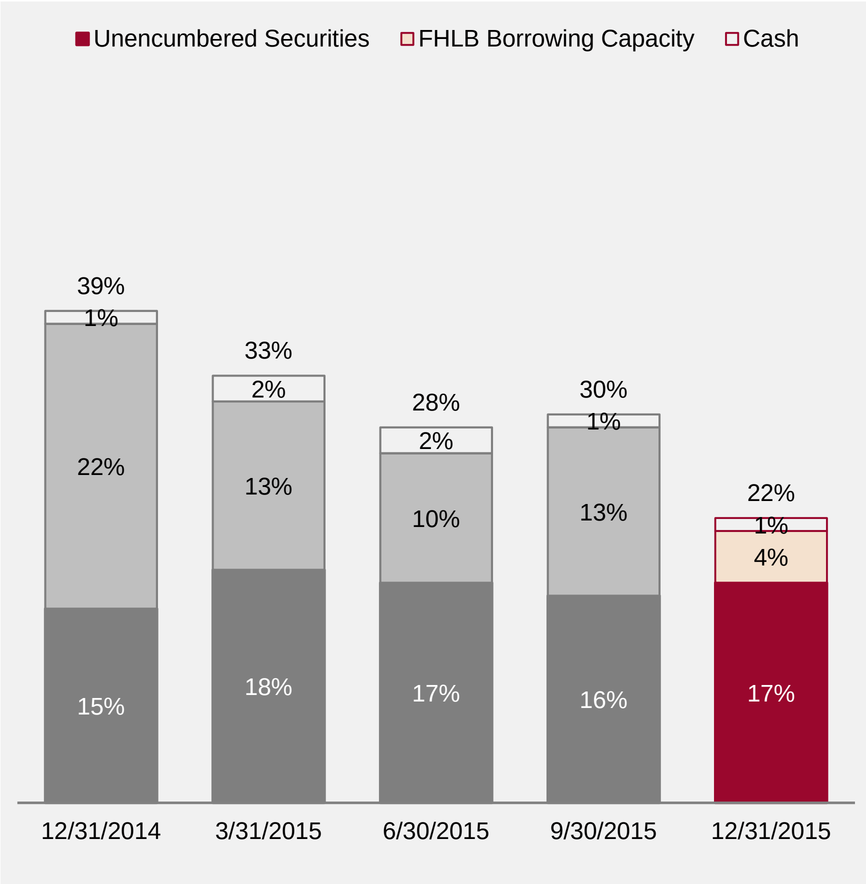




Flagstar Bancorp

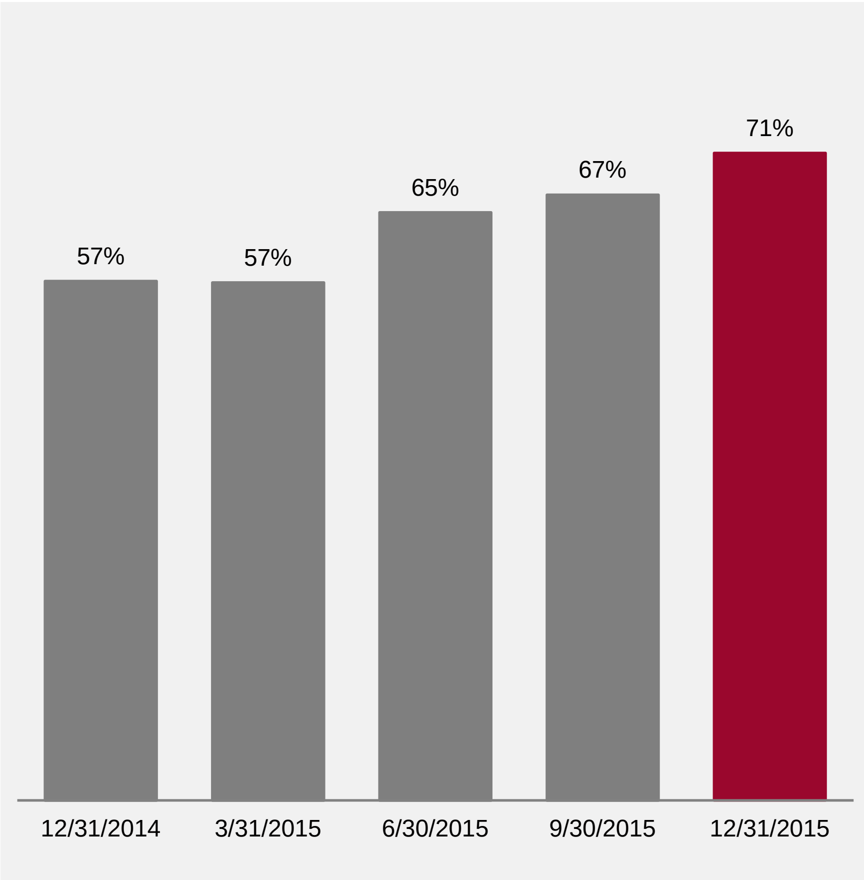
Liquidity

Available liquidity/total assets[1]



1) Includes investment securities held-to-maturity and available-for-sale in all periods presented.

Gross loans HFI/deposits



Flagstar Bancorp

Available liquidity and funding

Liquidity balances and ratios ($mm)

Available liquidity	12/31/2014	3/31/2015	6/30/2015	9/30/2015	12/31/2015
Interest-earning deposits	$87	$198	$193	$130	$154
Investment securites[1]	1,672	2,295	2,272	2,258	2,561
Less: securities haircut	(84)	(115)	(114)	(112)	(127)
Less: pledged collateral	(0)	-	-	(13)	(14)
Liquid assets	**$1,676**	**$2,379**	**$2,352**	**$2,263**	**$2,574**
FHLB borrowing capacity	$2,200	$1,476	$1,186	$1,569	$538
Total available liquidity	**$3,876**	**$3,855**	**$3,538**	**$3,832**	**$3,111**
Liquid assets as a % of total assets	17.0%	20.6%	19.4%	18.1%	18.8%
FHLB Capacity as a % of total assets	22.4%	12.8%	9.8%	12.5%	3.9%
Available liquidity as a % of total assets	**39.4%**	**33.3%**	**29.1%**	**30.6%**	**22.7%**

Funding	12/31/2014	3/31/2015	6/30/2015	9/30/2015	12/31/2015
Brokered deposits	$392	$361	$328	$317	$304
FHLB advances	514	1,625	2,198	2,024	3,541
Other debt	331	317	283	279	247
Total wholesale funding	**$1,237**	**$2,303**	**$2,809**	**$2,620**	**$4,093**
Wholesale funding as a % of total assets	**12.6%**	**19.9%**	**23.1%**	**20.9%**	**29.8%**

1) Includes investment securities held-to-maturity and available-for-sale in all periods presented.

Composition of liabilities

Quarter end liabilities ($mm)

($ in mm)	12/31/2014		3/31/2015		6/30/2015		9/30/2015		12/31/2015	
	Balance	Mix	Balance	Mix	Balance	Mix	Balance	Mix	Balance	Mix
Retail deposits										
Demand	$726	8.6%	$751	7.4%	$757	7.1%	$746	6.8%	$797	6.5%
Savings	3,428	40.5%	3,643	35.9%	3,749	35.1%	3,671	33.3%	3,717	30.5%
Money market	209	2.5%	196	1.9%	185	1.7%	176	1.6%	163	1.3%
Certificates of deposit	807	9.5%	769	7.6%	765	7.2%	799	7.3%	811	6.7%
Total retail	**$5,170**	**61.1%**	**$5,359**	**52.8%**	**$5,456**	**51.0%**	**$5,392**	**49.0%**	**$5,488**	**45.0%**
Commercial deposits										
Demand	$133	1.6%	$139	1.4%	$161	1.5%	$149	1.4%	$194	1.6%
Savings	27	0.3%	35	0.3%	39	0.4%	32	0.3%	34	0.3%
Money market	43	0.5%	56	0.6%	96	0.9%	75	0.7%	104	0.9%
Certificates of deposit	5	0.1%	6	0.1%	2	0.0%	14	0.1%	14	0.1%
Total commercial	**$208**	**2.5%**	**$236**	**2.3%**	**$298**	**2.8%**	**$270**	**2.5%**	**$346**	**2.8%**
Government deposits										
Demand	$246	2.9%	$346	3.4%	$254	2.4%	$367	3.3%	$302	2.5%
Savings	317	3.7%	356	3.5%	403	3.8%	468	4.2%	363	3.0%
Certificates of deposit	355	4.2%	240	2.4%	312	2.9%	372	3.4%	397	3.3%
Total government	**$918**	**10.8%**	**$942**	**9.3%**	**$969**	**9.1%**	**$1,207**	**11.0%**	**$1,062**	**8.7%**
Company controlled deposits	$773	9.1%	$1,012	10.0%	$925	8.7%	$1,267	11.5%	$1,039	8.5%
Total deposits	**$7,069**	**83.5%**	**$7,549**	**74.4%**	**$7,648**	**71.6%**	**$8,136**	**73.9%**	**$7,935**	**65.1%**
FHLB Advances	514	6.1%	1,625	16.0%	2,198	20.6%	2,024	18.4%	3,541	29.1%
Other debt	331	3.9%	317	3.1%	283	2.6%	279	2.5%	247	2.0%
Other liabilities	553	6.5%	660	6.5%	559	5.2%	575	5.2%	463	3.8%
Total liabilities	**$8,467**	**100.0%**	**$10,151**	**100.0%**	**$10,688**	**100.0%**	**$11,014**	**100.0%**	**$12,186**	**100.0%**

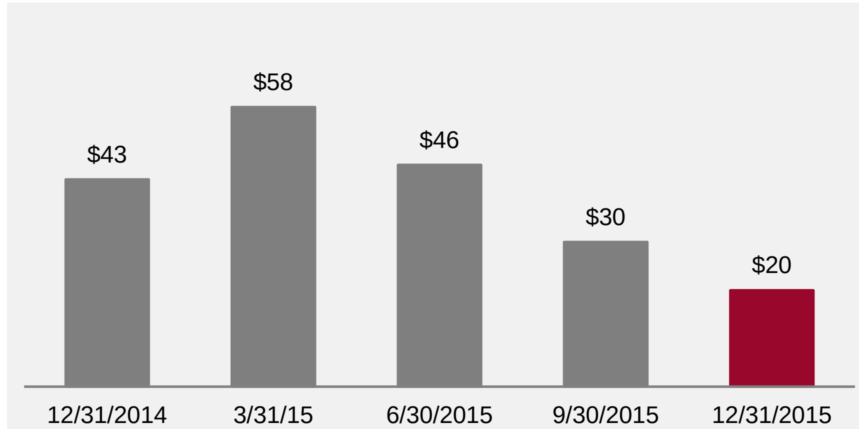
Representation & Warranty reserve details

4th Quarter 2015

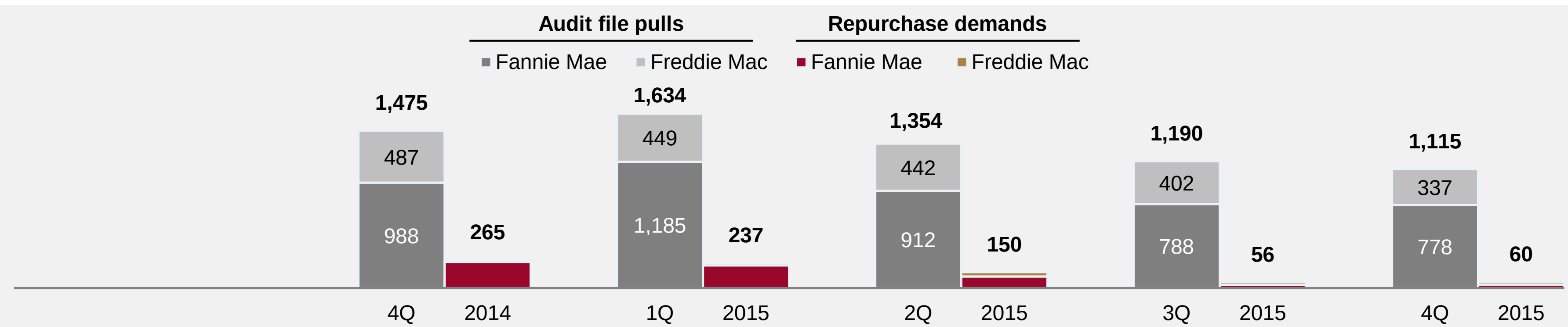
Repurchase reserve ($mm)

(in millions)	12/31/14	3/31/15	6/30/15	9/30/15	12/31/15
Beginning balance	$57	$53	$53	$48	$45
Additions	(4)	0	(3)	(4)	(5)
Net charge-offs	0	(0)	(2)	1	(0)
Ending Balance	**$53**	**$53**	**$48**	**$45**	**$40**

Repurchase pipeline ($mm)



Repurchase activity with Fannie and Freddie



Repurchase demands / file pulls	18%	15%	11%	5%	5%

Flagstar Bancorp

Supplemental capital ratios

4th Quarter 2015

$mm – Basel I to Basel III (transitional) as of 12/31/14

Flagstar Bancorp	Common Equity Tier 1 (to Risk Weighted Assets)	Tier 1 Leverage (to Adjusted Tangible Assets)	Tier 1 Capital (to Risk Weighted Assets)	Total Risk-Based Capital (to Risk Weighted Assets)
Regulatory capital as of 12/31/14				
Basel I capital	N/A	$1,184	$1,184	$1,252
Net change in capital	N/A	$37	$37	$37
Basel III capital(1)	**$876**	**$1,221**	**$1,221**	**$1,289**
Risk-weighted assets as 12/31/14				
Basel I assets	N/A	$9,403	$5,190	$5,190
Net change in assets	N/A	$351	$42	$42
Basel III assets(1)	**$5,232**	**$9,755**	**$5,232**	**$5,232**
Capital ratios				
Basel I	N/A	12.6%	22.8%	24.1%
Basel III(1)	**16.7%**	**12.5%**	**23.3%**	**24.6%**

1) On January 1, 2015, the Basel III rules became effective, subject to transition provisions primarily related to regulatory deductions and adjustments impacting, risk weighted assets, adjusted tangible assets, common equity Tier 1 capital and Tier 1 capital. We reported under Basel I (which included the Market Risk Final Rules) at December 31, 2014.