

Flagstar Bancorp, Inc. (NYSE: FBC)

Flagstar Bancorp Investor Presentation
1st Quarter 2016



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 Summary

Why invest in Flagstar?

- **Unique business model of a relationship-driven bank leveraging a national mortgage business**
- **Disciplined management team with extensive banking experience**
- **Substantial and attractive growth opportunities**
- **Highly profitable operations with significant operating leverage**
- **Positioned to thrive in any market**

**Unique business model of a relationship-driven bank
leveraging a national mortgage business**

Flagstar at a glance

Corporate Overview

- Traded on the NYSE (FBC)
- Headquartered in Troy, MI
- Market capitalization \$1.3bn
- Member of the Russell 2000 Index

Community banking

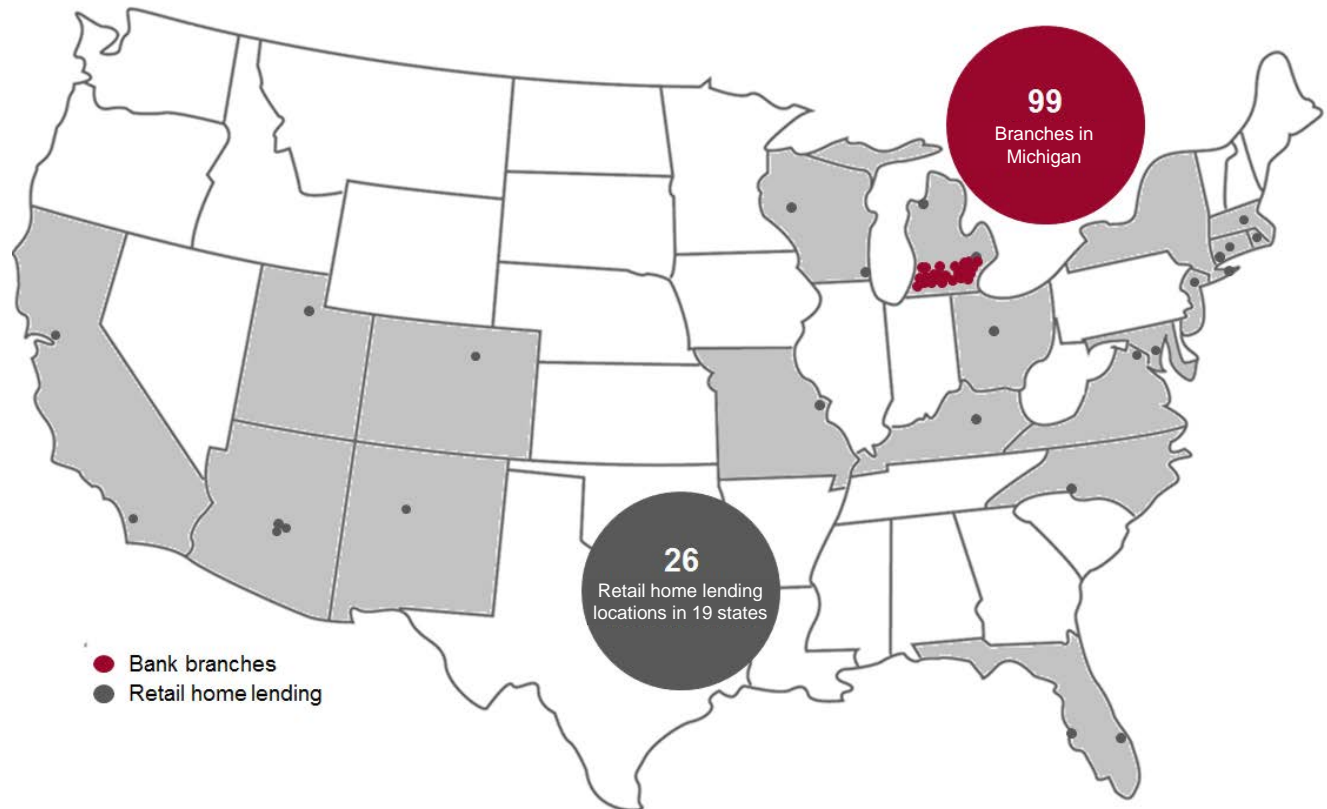
- Leading Michigan-based bank
- \$13.7bn of assets
- \$8.5bn of deposits
- 99 branches
- 104k household & 13k business relationships

Mortgage origination

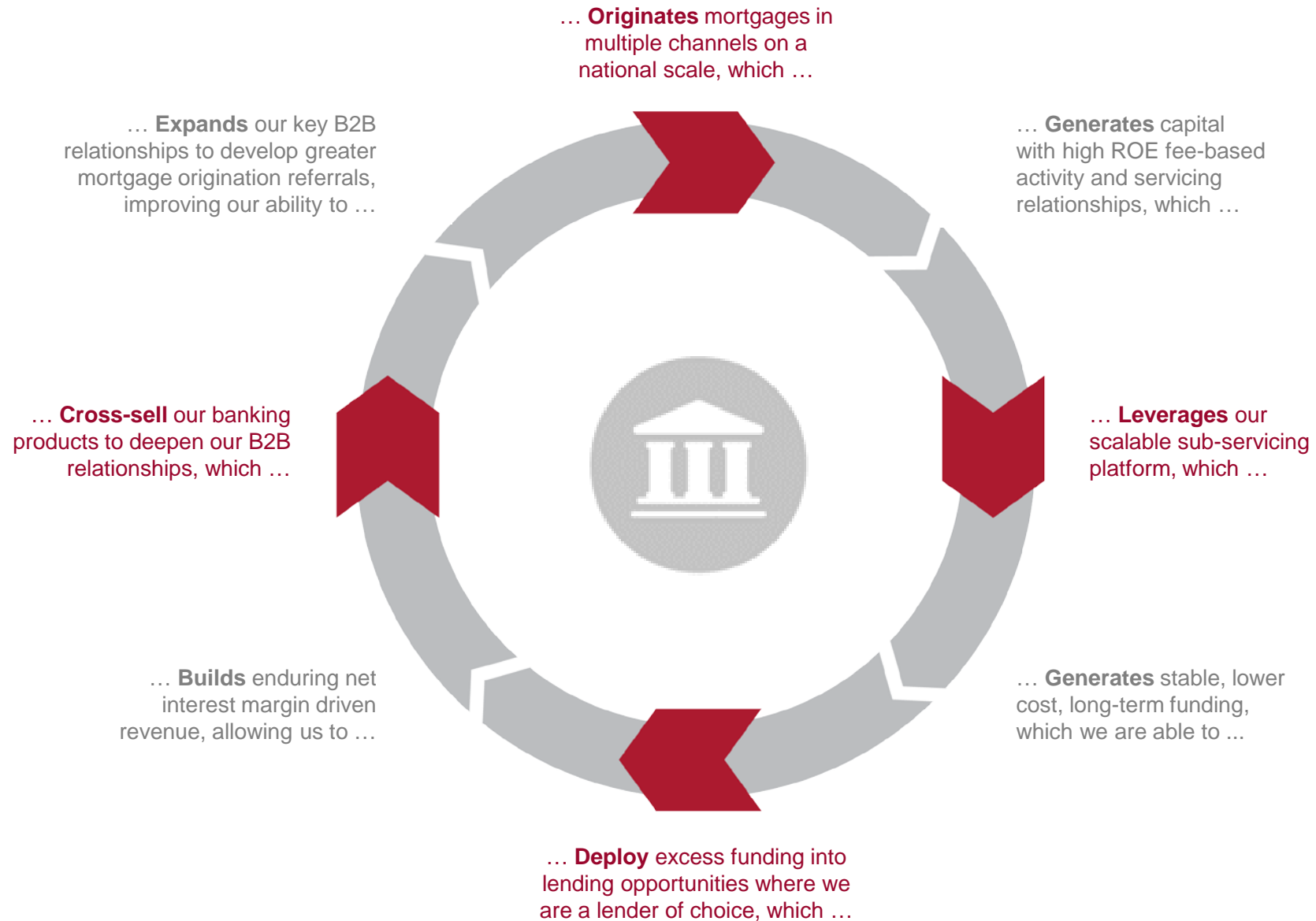
- 12th largest originator nationally
- Originated \$28.5bn of residential mortgage loans during the last 12 months
- Approximately 1,200 TPO relationships
- 26 retail lending locations in 19 states with 191 loan officers and account executives

Mortgage servicing

- 7th largest sub-servicer of mortgage loans nationwide
- Currently servicing approximately 340k loans
- Scalable platform with capacity to service 1mm loans
- Low cost deposits from escrow balances

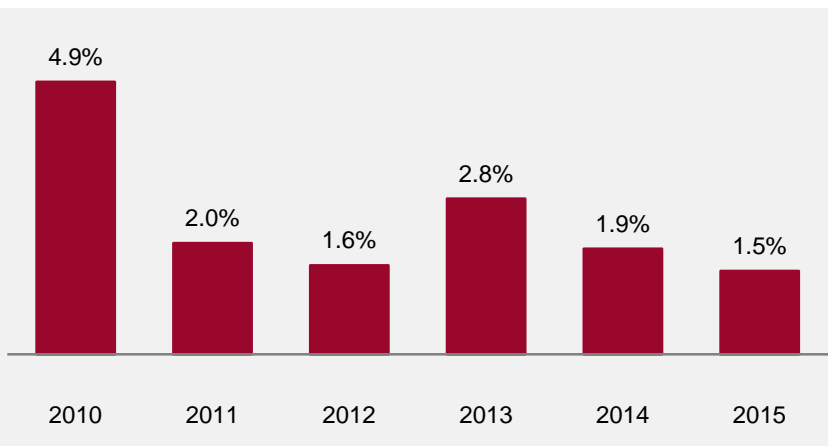


Flagstar's one-of-a-kind business model



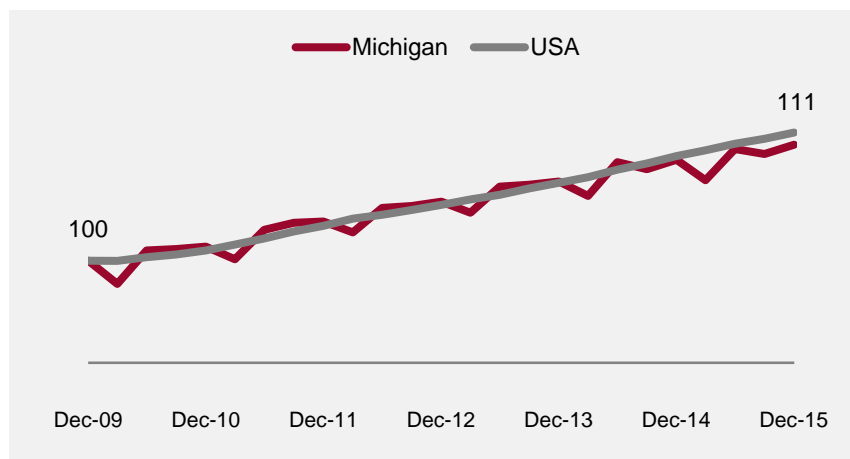
Strong relationship-based community bank (largest Michigan-based bank)

Michigan real gross domestic product growth (%)



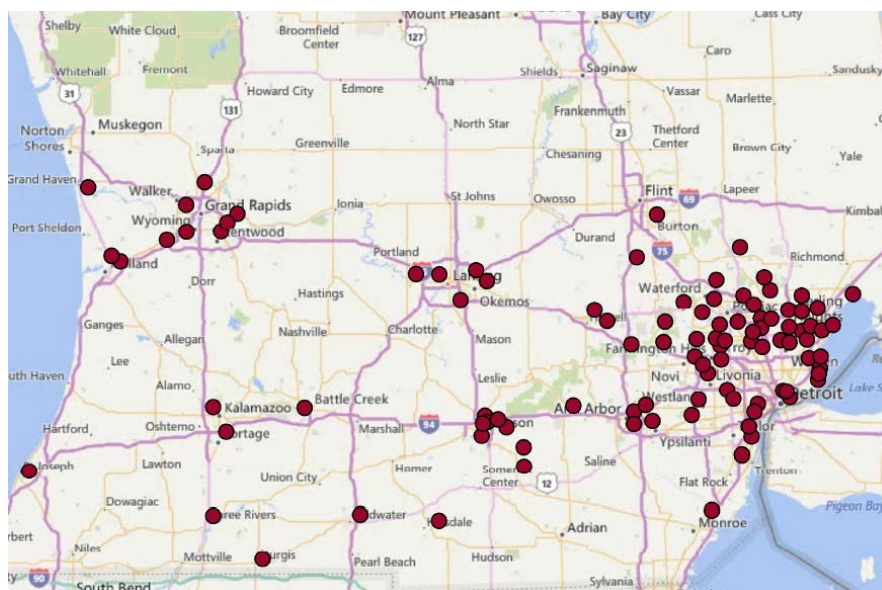
Source: Bloomberg; 2015 growth is estimated based upon YTD results reported through 9/30/2015.

Michigan employment growth



Source: Bloomberg; SNL Financial

Flagstar's branch network



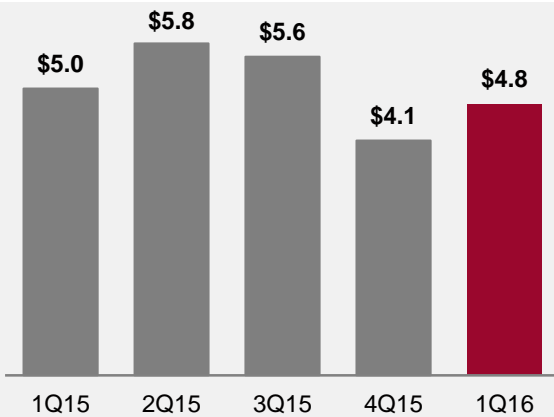
Flagstar's branch network (as of June 30, 2015)

MSA	\$ Dep	% of FBC	% Mkt Share
Detroit-Warren-Dearborn	\$5,071	64.7%	4.4%
Jackson	443	5.7%	28.1%
Grand Rapids	385	4.9%	2.0%
Ann Arbor	288	3.7%	3.8%
Key Flagstar MSAs	\$6,187	78.9%	4.3%
Other Michigan MSAs	726	9.3%	1.7%
Company Controlled Deposits	925	11.8%	0.5%
Total Michigan	\$7,837	100.0%	4.2%

Originates mortgages on a national scale (12th largest originator)

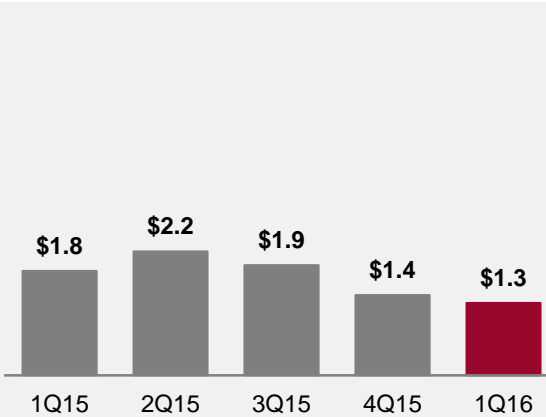
Residential mortgage originations by channel (\$bn)

Correspondent



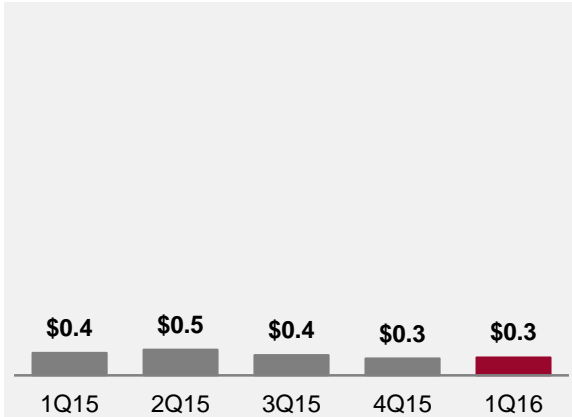
- 3.6% market share with #5 national ranking⁽¹⁾
- Nearly 700 correspondent partners in 50 states in Q1 2016
- Top 10 relationships account for 17% of overall correspondent volume
- Warehouse lines with more than 250 correspondent relationships

Broker



- 4.2% market share with #4 national ranking⁽¹⁾
- More than 500 brokerage relationships in 50 states in Q1 2016
- Top 10 relationships account for 22% of overall brokerage volume

Retail

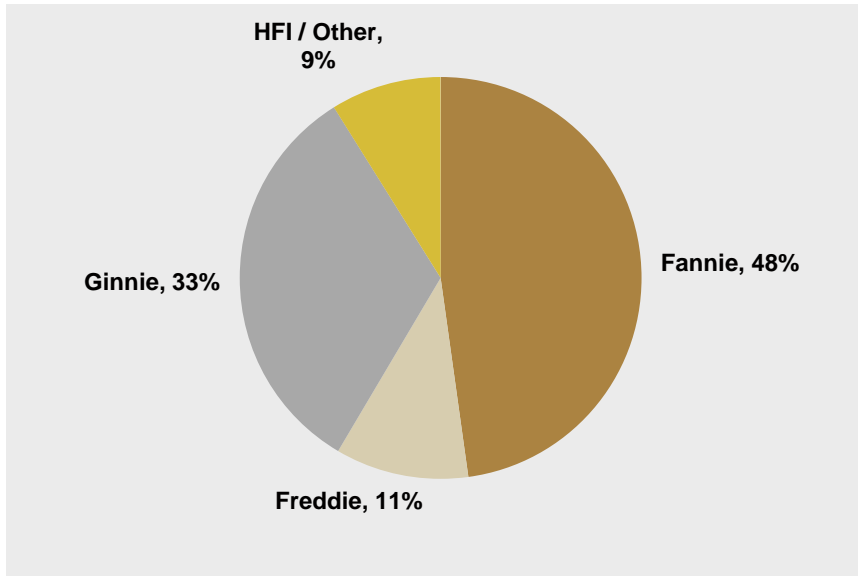


- Loan officer additions have expanded our retail footprint to 26 locations in 19 states
- Direct-to-consumer is 36% of retail volume

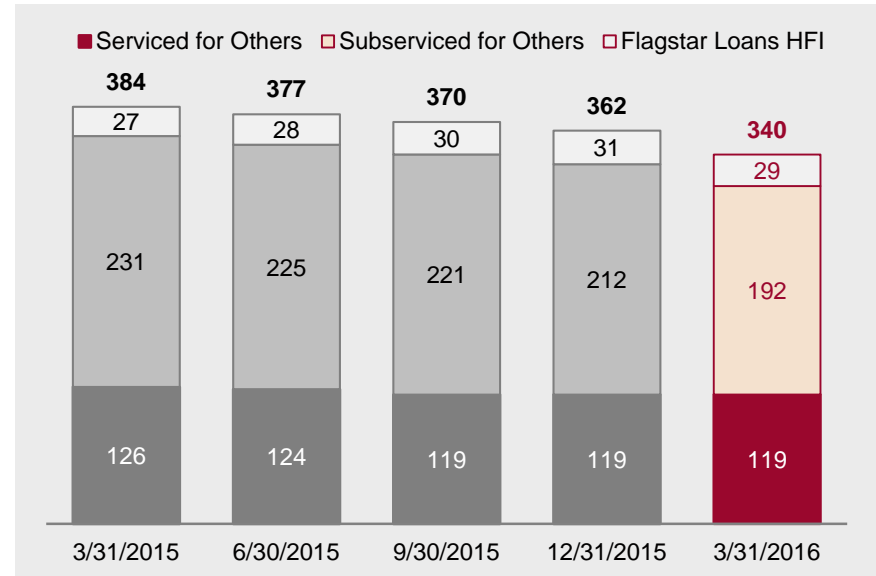
1) Data source: Inside Mortgage Finance, January 28, 2016.

Flagstar has a scalable sub-servicing platform (7th largest sub-servicer)

Breakdown of loans serviced (as of 3/31/16)



Loans serviced ('000)



Initiatives and accomplishments

- Our goals for servicing and subservicing over the longer-term include:
 - Growing our fee income generating subservicing business which has the capacity to service up to 1 million loans
 - Leveraging our sub-servicing platform to cross-sell banking products
- Recently named by Fannie Mae a 2015 Servicer Total Achievement and Rewards (“STAR”) performer

Long-term targets

Revenues

Banking

- Lender of choice in key markets (Michigan, national housing finance)
- Long-term target of 50% of revenue
- Growth trajectory 10-15%
 - Every additional \$1bn of earning assets increases pre-tax profits ~\$20mm – \$25mm
 - Rotate lower spread assets to higher spread assets while minimizing capital costs

Mortgage

- Nationally recognized leader
- Long-term target of 50% of revenue
- Growth trajectory 5-10%
 - Expand retail originations (distributed, DTC)
 - Every 100k in new loans sub-serviced generates \$5-7mm of incremental pre-tax profits

Financial Performance

Return on assets

- Long-term target of 1.2 – 1.6%
 - Add incremental revenue with a low incremental cost
 - Improved risk management will deliver long-run savings
 - ROA of 1.32% for 2015 is amongst the top quartile of banks \$10bn - \$50bn of assets

Return on equity

- Long-term target of 13 - 18%
 - Optimize capital structure with TARP redemption
 - Add / grow high ROE businesses

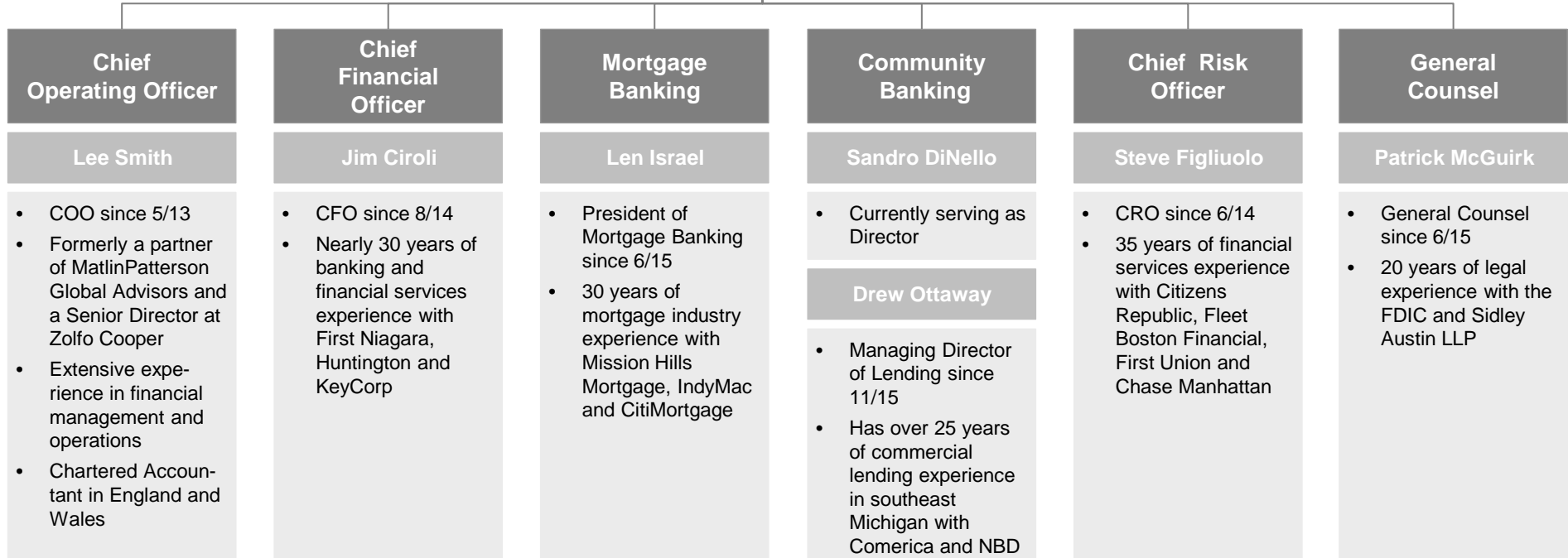
Disciplined management team with extensive banking experience

Flagstar has a strong executive team

Board of Directors

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



Flagstar has deep commercial lending experience

Sandro DiNello
President & CEO

Drew Ottaway
Managing Director of Lending

Commercial Real Estate

Comprised of lending officers who average experience of 21 years in banking (3+ with Flagstar).

Prior banking experience includes Fifth Third, Wells Fargo and Bank of America.

Supported by a team of credit officers with more than 15 years average banking experience.

Commercial & Industrial

Comprised of lending officers who average experience of 25 years in banking (2+ with Flagstar).

Prior banking experience includes Fifth Third, PNC, Bank of America and JPM Chase.

Supported by a team of credit officers with more than 20 years average banking experience.

Warehouse Lending

Comprised of lending officers who average experience of 26 years in banking (13 with Flagstar).

Prior banking experience includes Citizens Bank, Bank of America and Texas Capital.

Supported by a team of credit officers with nearly 15 years average banking experience.

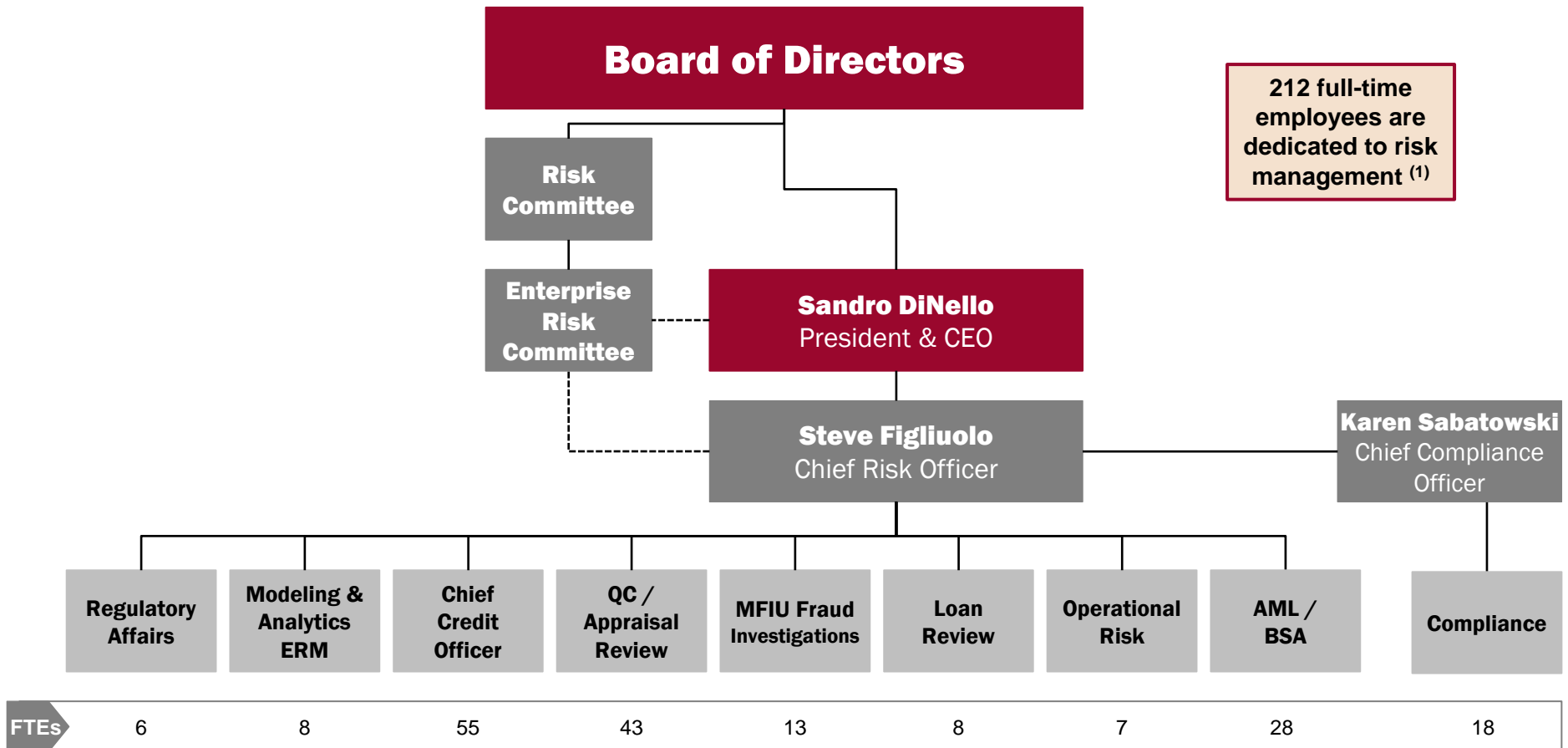
Homebuilder Finance

Newly recruited team of lending officers who have extensive experience of more than 20 years in banking.

Prior banking experience includes Texas Capital and Royal Bank of Canada.

New team supported by existing infrastructure. Currently recruiting dedicated support.

Flagstar has built best-in-class risk management



- Modeling
- Analytics
- ERM reporting

- Mortgage
- Warehouse
- Commercial
- Consumer
- TPO's
- Counterparty

- Model risk management
- Risk assessment/deficiency mgmt
- R&W reserve
- Market risk
- Stress testing

1) Includes 22 FTEs in internal audit and 4 FTEs in Sarbanes-Oxley compliance

Substantial and attractive growth opportunities

Strong growth opportunities

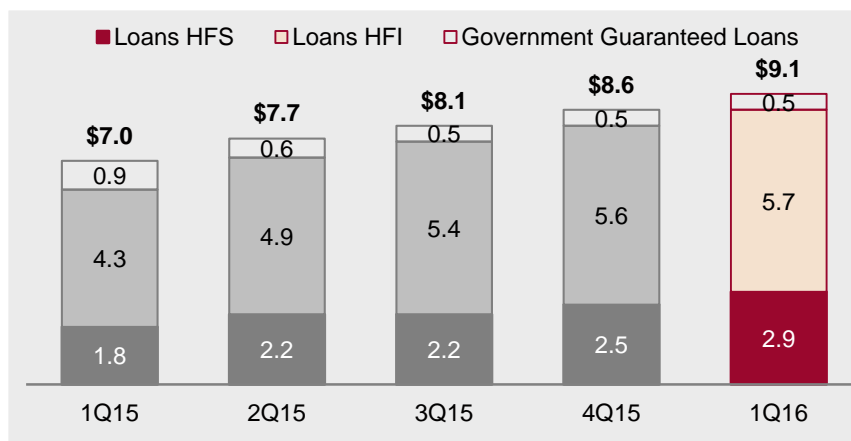
	Grow community banking	Expand mortgage business
Build	<ul style="list-style-type: none"> • Team lift outs • Grow housing-related relationships <ul style="list-style-type: none"> - Expand warehouse lending (400bps spreads) - Grow builder finance lending (350bps spreads) - Build MSR lending (500bps spreads; LTVs<60%) • Cultivate middle-market commercial relationships in foot-print 	<ul style="list-style-type: none"> • Recruit experienced talent to increase share of origination market <ul style="list-style-type: none"> - Distributed retail - TPO account executives • Grow servicing operations <ul style="list-style-type: none"> - Acquire new sub-servicing relationships - Cross-sell additional revenue capabilities
Buy	<ul style="list-style-type: none"> • Buyers of size in Michigan are engaged on other projects for the foreseeable future • Michigan is a highly fragmented banking market • Focused on our share in metro markets • Acquiring deposit oriented franchises that lag in profitability because of lack of asset generation 	<ul style="list-style-type: none"> • No strategic buyers of size • Highly fragmented industry with aging individual ownership • Regulatory and interest rate environment is accelerating exits • Will consider accretive transactions that add incrementally to annual origination volume

Lending

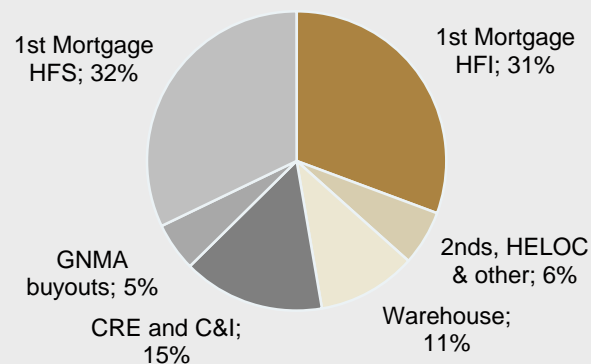
Portfolio and strategy overview

- **Flagstar's largest category of earning assets consists of loans held-for-investment which averaged \$5.7bn during 1Q16**
 - Loans to consumers consist of residential first and second mortgage loans, HELOC and other
 - C&I / CRE lending is an important growth strategy, offering risk diversification and asset sensitivity
 - Warehouse lending to both originators that sell to Flagstar and those who sell to other investors
- **Flagstar maintains a balance of mortgage loans held for sale which averaged \$2.9bn during 1Q16**
 - Essentially all of our mortgage loans originated are sold into the secondary market
 - Flagstar has the option to direct a portion of the mortgage loans it originates to its own balance sheet

Total average loans (\$bn)



Q1 2016 average loans

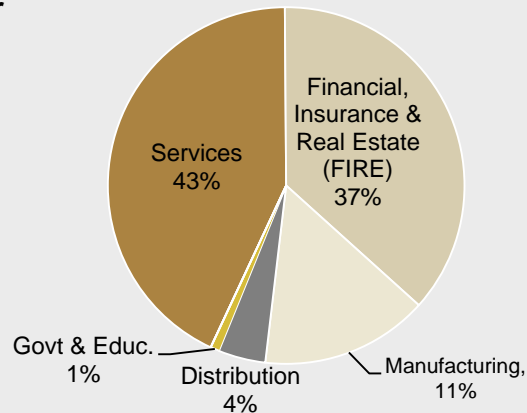


Commercial lending

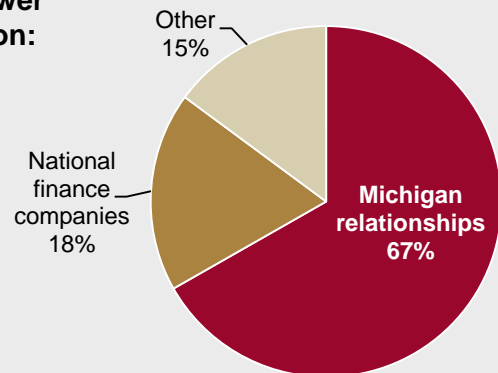
C&I predominately in-footprint and well diversified

C&I as of 3/31/16 - \$571 mm

Borrower type:



Borrower location:



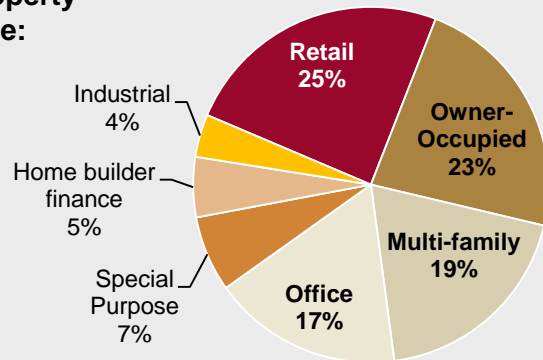
- Built a relationship-based C&I portfolio by recruiting seasoned bankers from larger competitors
- Our portfolio is comprised of well diversified industries
 - Primarily services, FIRE and manufacturing
 - SNC participation where we can increase the depth of our relationship with the borrower
- Primarily Michigan based relationships or relationships with national finance companies
- Recently launched complementary products in **MSR lending and equipment finance**

Commercial real estate lending

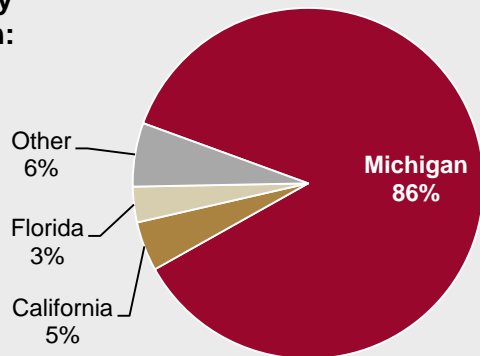
CRE predominately in-footprint and well diversified

CRE as of 3/31/16 - \$851mm

Property type:



Property location:



- Flagstar has built a relationship-based CRE portfolio by recruiting seasoned bankers from larger competitors
 - Focused on experienced top-tier developers with significant deposit and non-credit opportunities
- Our portfolio is comprised of well diversified property types
 - Owner-occupied (23%)
 - Other major property types include retail, multi-family and office
- Primarily Michigan based relationships
- We launched a national **home builder finance** platform to grow our portfolio in a measured way and raise our profile in purchase mortgage financing

Deposit growth opportunities

Core Deposits

Retail

- Average balance of \$5.5bn during 1Q16 of which 81% are customer demand & savings accounts
- Cost of deposits: 0.67% during 1Q16
- Average deposits equal to \$56mm per branch
- Flagstar is refreshing its brand to build awareness to grow its core deposit base

Commercial

- Average balance of \$0.3bn during 1Q16
- Over the past year, Flagstar has invested in its treasury management services, boosting year-over-year growth of:
 - Commercial deposits (+21%)
 - Fee income (+18%)

Other Deposits

Government

- Average balance of \$1.1bn during 1Q16
- Cost of deposits: 0.47% during 1Q16
- Michigan deposits are not collateralized
- We have strong relationships across the state
- Collection of property taxes partially offset seasonal declines in company-controlled deposits

Company controlled

- Average balance of \$1.2bn during 1Q16 on 340k loans serviced and sub-serviced
- Low cost of deposits
- Deposit balances increase along with the number of loans serviced & sub-serviced

Highly profitable operations with significant operating leverage

1st quarter key highlights

Strong profitability

- Net income of \$39 million, or \$0.54 per diluted share, in 1Q16
 - Up \$6 million, or \$0.10 per diluted share vs. 4Q15 on higher net interest income, prov. benefit and net gain on loan sales
 - Up \$7 million, or \$0.11 per diluted share vs. 1Q15 on higher net interest income and provision benefit
 - Returns on assets and equity up vs. 4Q15

Higher net interest income

- Net interest income increased \$3 million to \$79 million, up 4% from 4Q15 and up 22% from 1Q15
 - Average earning assets increased 6% led by growth in loans held-for-sale and commercial loans
 - Net interest margin decreased 3bps to 2.66%

Increased noninterest income

- Noninterest income increased \$8 million to \$105 million, up 8% from 4Q15
 - Adjusted net gain on loan sales⁽¹⁾ increased 43% on higher fallout-adjusted lock volumes (+37%) and margin (+4bps)
 - Partially offset by a drop in the net return on the mortgage servicing asset and a reduced representation and warranty benefit

Improved asset quality

- Net charge-offs and consumer delinquencies fell on solid credit performance
 - Adjusted net charge-offs⁽²⁾ were \$6mm or 40 bps
 - \$13 million provision benefit
 - Allowance to loans held-for-investment remained strong at 2.9%

Robust capital

- Tier 1 leverage remains solid at 11.0%
- On-balance sheet liquidity equal to 20.6% of total assets⁽³⁾

1) Net gain on loan sales has been adjusted to exclude the \$9mm gain on HFI loans sold during the quarter.

2) Excludes \$6mm of net charge-offs associated with the sale of lower performing loans.

3) Liquid assets include interest earning deposits, investment securities exclude pledged securities less a 7% haircut applied to investment securities to estimate liquidation costs.

Quarterly income comparison

	\$mm			
	1Q16	4Q15	\$ Variance	% Variance
Net interest income	A \$79	\$76	\$3	4%
(Benefit) provision for loan losses ("PLL")	B (13)	(1)	(12)	N/M
Net interest income after PLL	92	77	15	19%
Net gain on loan sales	C1 75	46	29	63%
Loan fees and charges	15	14	1	7%
Loan administration income	6	7	(1)	(14%)
Net return on the mortgage servicing asset	C2 (6)	9	(15)	N/M
Representation and warranty benefit	C3 2	6	(4)	(67%)
Other noninterest income	13	15	(2)	(13%)
Total noninterest income	105	97	8	8%
Gain sale / total revenue	41%	27%	14%	
Compensation and benefits	68	59	9	15%
Commissions and loan processing expense	22	20	2	10%
Other noninterest expenses	47	50	(3)	(6%)
Total noninterest expense	D 137	129	8	6%
Income before income taxes	60	45	15	33%
Provision for income taxes	21	12	9	(75%)
Net income	\$39	\$33	\$6	18%
Diluted earnings per share	\$0.54	\$0.44	\$0.10	23%

Profitability

Net interest margin	2.66%	2.69%	-3 bps	
Mortgage rate lock commitments, fallout adjusted	\$6,863	\$5,027	\$1,836	37%
Mortgage closings	\$6,352	\$5,824	\$528	9%
Gain on loan sale margin, adjusted ⁽¹⁾	0.96%	0.92%	4 bps	
Efficiency ratio	74.5%	75.2%	N/M	

1) Expressed as a percent of fallout-adjusted locks and has been adjusted to exclude the \$9mm gain on HFI loans sold during the quarter.
N/M – not meaningful

Observations

A Net interest income

- Net interest income increased 4%
 - Earning asset growth of 6%
 - Net interest margin decreased 3 bps to 2.66%

B (Benefit) provision for loan losses

- \$13 million provision benefit from mortgage loan sales and continued strong credit metrics
- NPLs fell \$13 million to \$53 million or 0.95% of loans held-for-investment

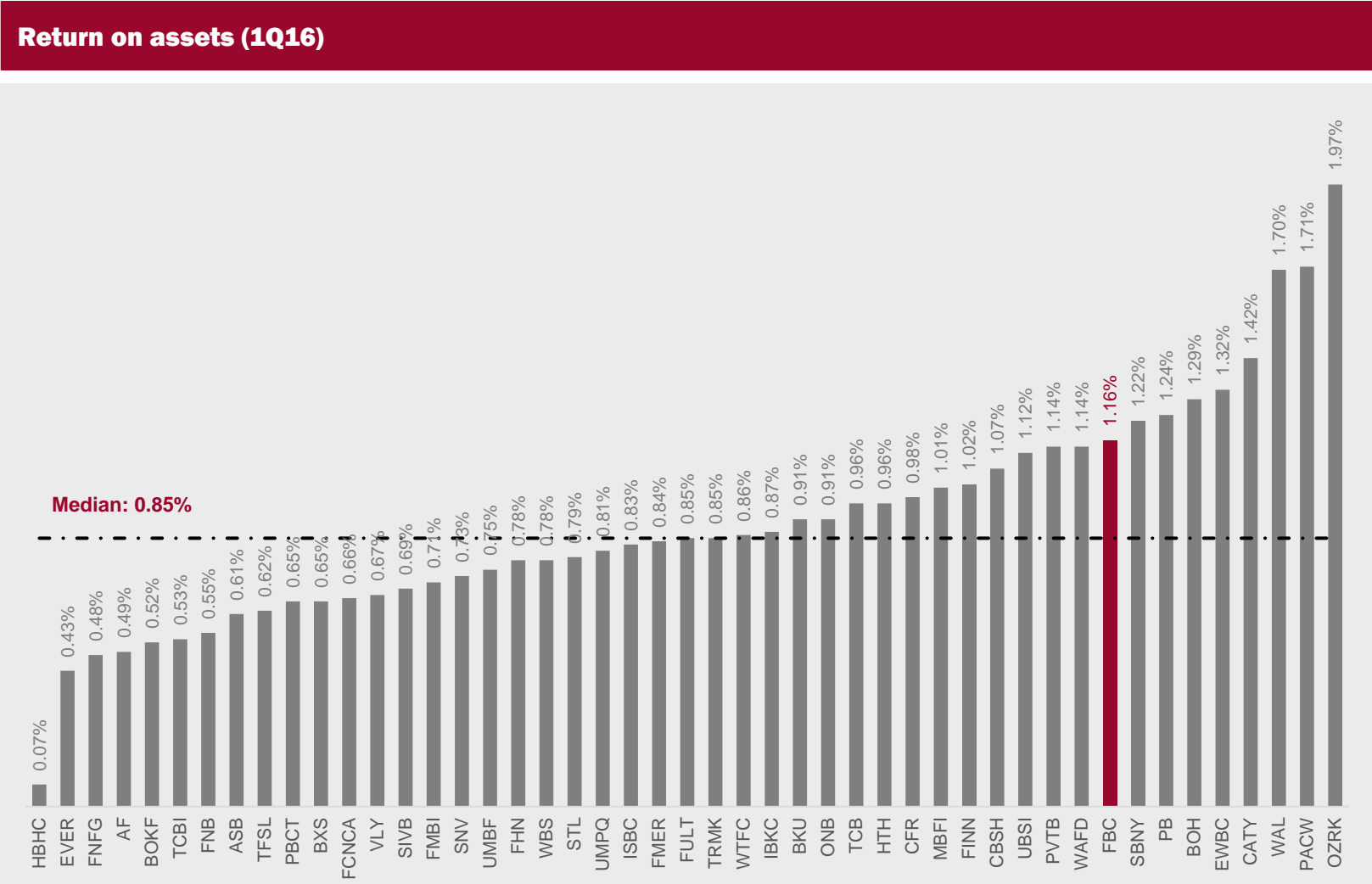
C Noninterest income

- Noninterest income increased 8%
 - Adjusted net gain on loan sales rose 43% on higher volumes (+37%) and margin (+4bps)
 - Net MSR return decreased on higher prepayments and a smaller benefit from performance incentives on prior period MSR sales
 - Representation & warranty benefit declined as the reserve remained unchanged

D Noninterest expense

- Noninterest expenses were up 6%
 - Comp. & benefits rose on higher seasonal payroll taxes, anticipated growth initiatives and a full quarter's expense related to the ExLTIP plan
 - Commissions increased primarily due to higher mortgage closings
 - Other noninterest expense decreased on lower warrant and FDIC assessment expenses

Top quartile ROA performance vs. peers⁽¹⁾



Source: SNL Financial

1) Data as March 31, 2016 (or December, 2015 if not available) for all major exchange U.S. banks with assets between \$10bn and \$50bn (excludes Puerto Rican banks).

Average balance sheet highlights

1Q16 (\$mm)

	Average Balance Sheet		
	\$	Incr (Decr) ⁽¹⁾	
		\$	%
Loans held-for-sale	\$2,909	\$425	17%
Consumer loans ⁽²⁾	3,314	(109)	(3%)
Commercial loans ⁽²⁾	2,354	135	6%
Total loans held-for-investment	5,668	26	0%
Other earning assets ⁽³⁾	3,294	180	6%
Interest-earning assets	\$11,871	631	6%
Other assets	1,672	87	5%
Total assets	<u>\$13,543</u>	<u>\$718</u>	6%
Deposits	\$8,050	(81)	(1%)
Short-term debt	1,662	436	36%
Long-term debt	1,560	341	28%
Other liabilities	2,270	349	18%
Total liabilities	\$11,982	704	6%
Preferred Equity	267	-	0%
Common Equity	1,294	14	1%
Total liabilities and equity	<u>\$13,543</u>	<u>\$718</u>	6%
Book value per common share (3/31/16) ⁽⁴⁾	\$22.82	\$0.49	2%

1) Measured vs. the prior quarter.

2) Consumer loans include first and second mortgages, HELOC and other loans; commercial loans include commercial real estate, commercial & industrial and warehouse loans.

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 \$94 million of deferred dividends on our perpetual preferred stock. If these dividends were paid, book value per share would be reduced by \$1.66 per share.

5) Common equity ratio is calculated on ending period balances.

Observations

Balance sheet growth

- Average earning assets increased \$0.6 billion or 6% led by a:
 - 17% rise in loans held-for-sale from higher originations
 - 6% increase in commercial loans
 - Partially offset by a 3% decline in consumer loans from HFI loan sales

Strong balance sheet⁽⁵⁾

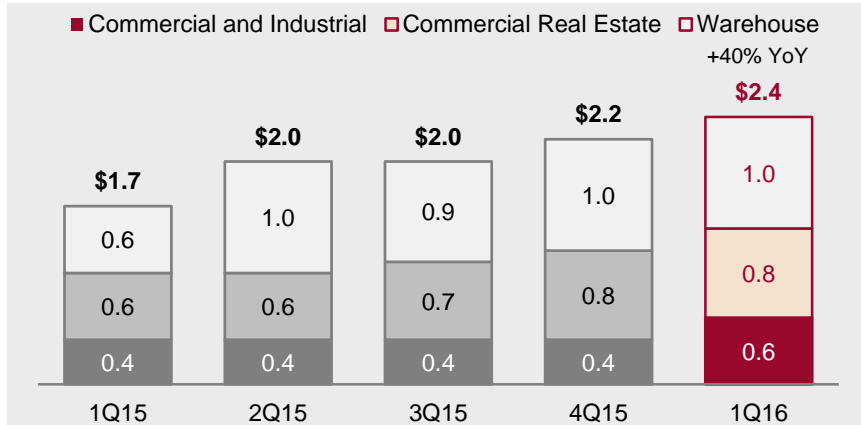
- Average retail deposits were flat with a slight decline in the cost of funds
- Average long-term FHLB borrowings increased to support asset growth in late 4Q15
- Common equity / assets of 9.4%

Book value per share

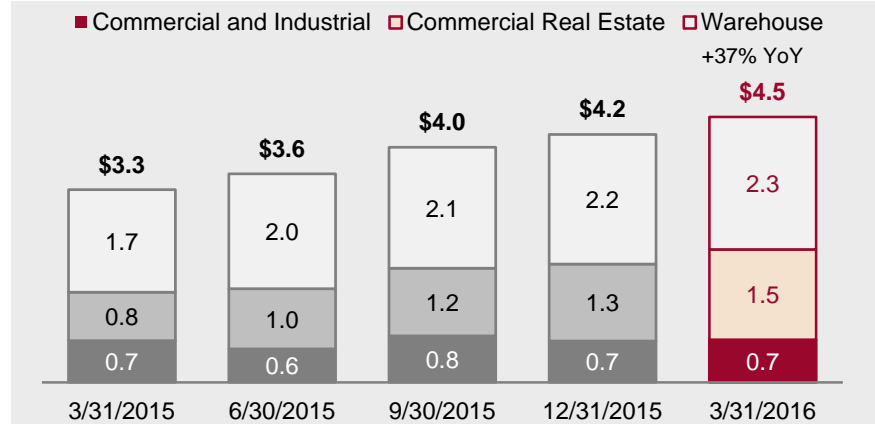
- Price to book ratio of 101% based on closing price as of April 25, 2016

Community banking

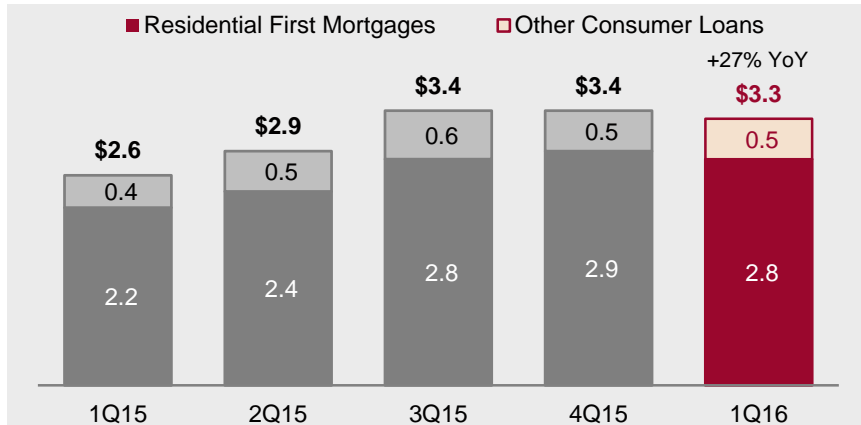
Average commercial loans (\$bn)



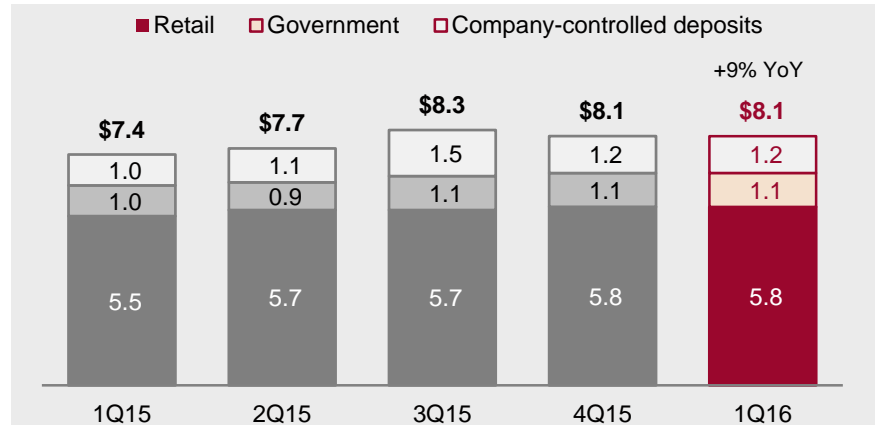
Commercial loan total commitments (\$bn)



Average consumer loans (\$bn)



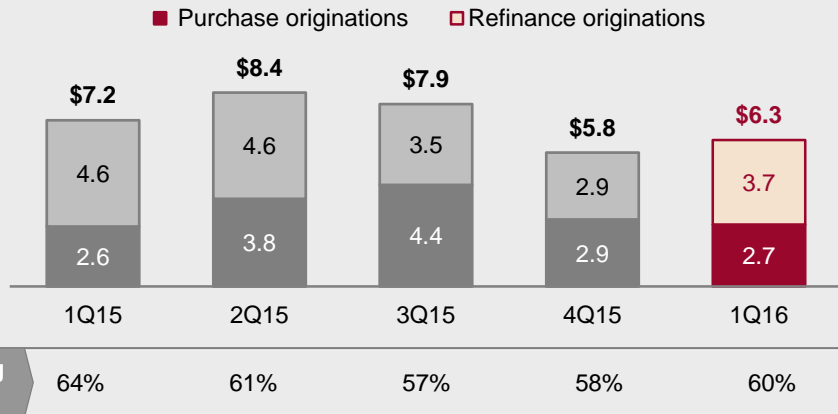
Average deposit funding⁽¹⁾ (\$bn)



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

Mortgage originations

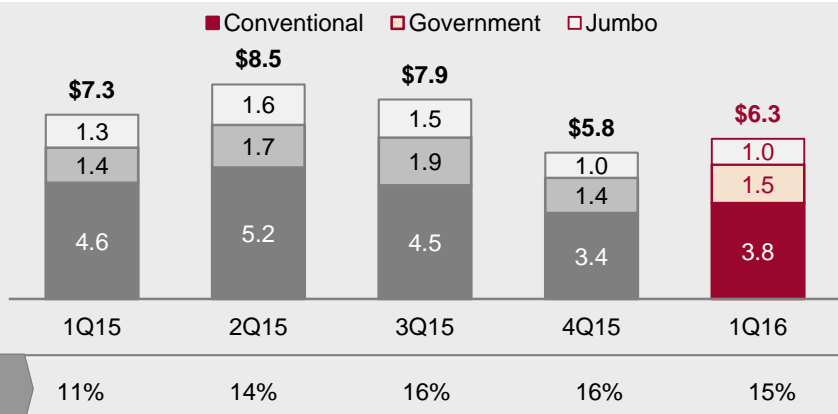
Closings by purpose (\$bn)



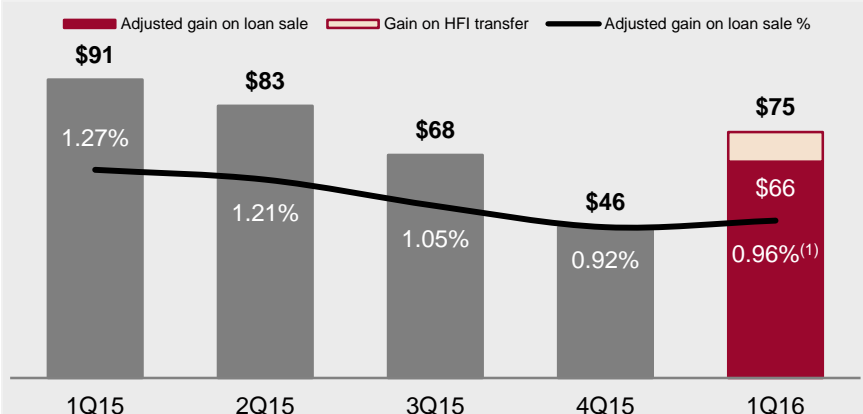
Fallout-adjusted locks (\$bn)



Closings by mortgage type (\$bn)



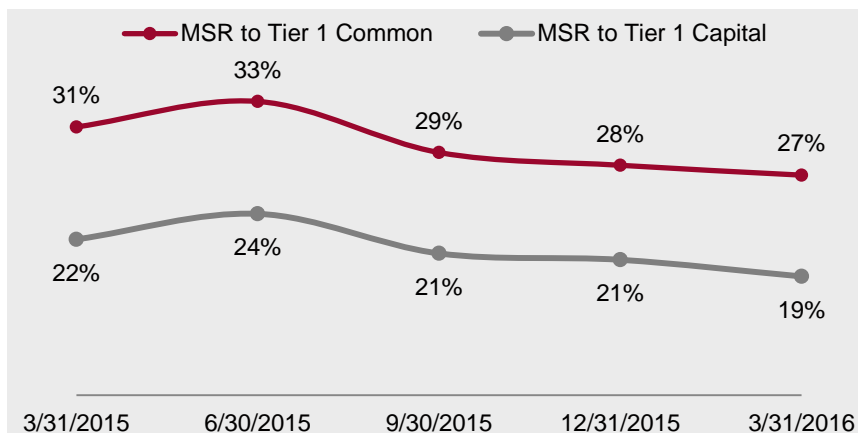
Net gain on loan sales – revenue and margin



1) Net margin on fallout-adjusted locks has been adjusted to exclude gain on HFI loans sold during the quarter.

Mortgage servicing

MSR / regulatory capital



\$ return – MSR asset

\$ Return	1Q15	2Q15	3Q15	4Q15	1Q16
Net hedged profit (loss)	(\$4)	\$4	\$1	\$1	\$1
Carry on asset	18	22	19	16	6
Run-off	(15)	(12)	(8)	(8)	(11)
Gross return on the mortgage servicing asset	(\$1)	\$14	\$12	\$9	(\$4)
Sale transaction & P/L	(2)	(5)	3	-	(2)
Model Changes	-	-	(3)	-	-
Net return on the mortgage servicing asset	(\$2)	\$9	\$12	\$9	(\$6)
Average mortgage servicing rights	\$265	\$271	\$317	\$304	\$285

\$ UPB of MSRs sold⁽¹⁾ (\$bn)



1) Includes bulk sales only; flow transactions are excluded.

MSR portfolio statistics

Measure (\$mm)	3/31/16	12/31/15	Difference
Unpaid principal balance	\$26,613	\$26,145	\$468
Fair value of MSR	\$281	\$296	(\$15)
Capitalized rate	1.06%	1.13%	-0.08%
Multiple	3.766	4.134	(0.368)
Note rate	4.092%	4.118%	-0.026%
Service fee	0.282%	0.277%	0.005%
Average Measure (\$000)			
UPB per loan	\$224	\$220	\$4
FICO	731	731	-
Loan to value	75%	76%	-1.04%

Guidance⁽¹⁾

The guidance provided in the chart below was made as of the date given, April 26, 2016, and is not being updated hereby. We have not updated, and do not undertake to update, such guidance to reflect the impact of circumstances or events that have arisen since that date or may arise hereafter, except as required under United States securities law.

2016 2nd quarter outlook⁽²⁾

Net interest income	<ul style="list-style-type: none">• Average earning assets and net interest margin remain relatively stable
Mortgage originations	<ul style="list-style-type: none">• Fallout-adjusted locks up 15-20 percent on seasonal increase in mortgage market
Gain on loan sales	<ul style="list-style-type: none">• Gain on loan sale margin up moderately from adjusted Q1 number on higher retail originations
Net servicing revenue	<ul style="list-style-type: none">• Net return on the mortgage servicing asset continues to be impacted by prepayments• Mortgage servicing asset declines slightly
Provision for loan losses	<ul style="list-style-type: none">• Provision for loan losses to match 1Q16 net charge-offs (excluding loan sales and loans with government guarantees)
Noninterest expenses	<ul style="list-style-type: none">• Noninterest expenses to rise to \$140 - \$145 million due to seasonally higher mortgage originations and investment in growth businesses

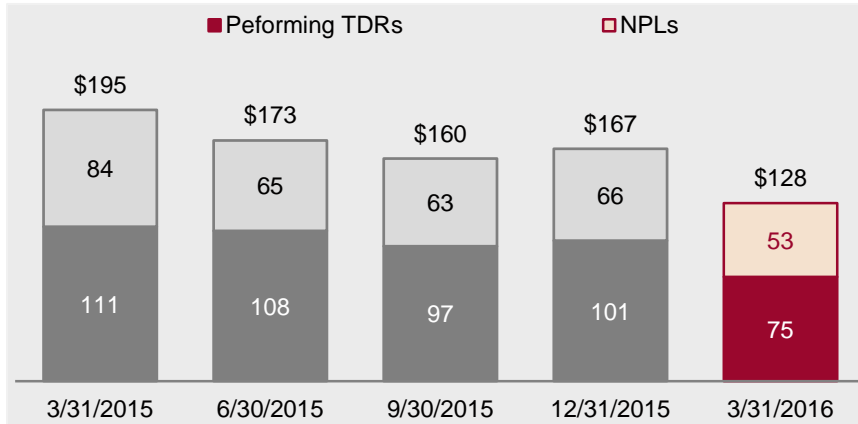
1) See cautionary statements on slide 2.

2) Estimates do not contemplate TARP repayment.

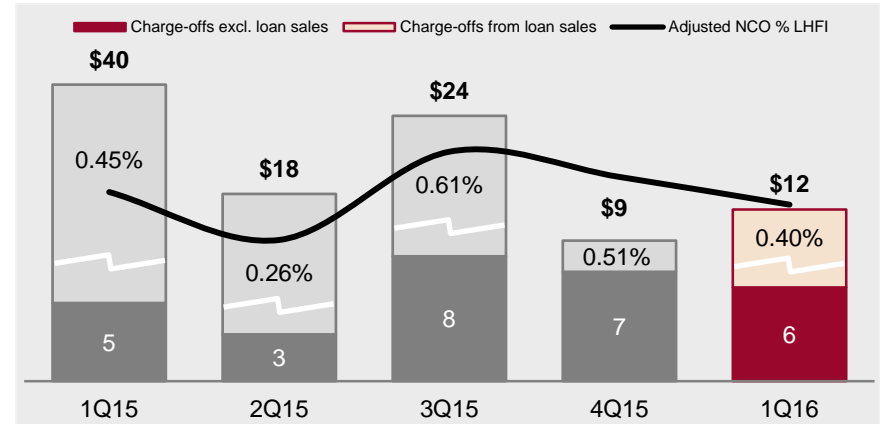
Positioned to thrive in any market

Low credit risk

Performing TDRs and NPLs (\$mm)

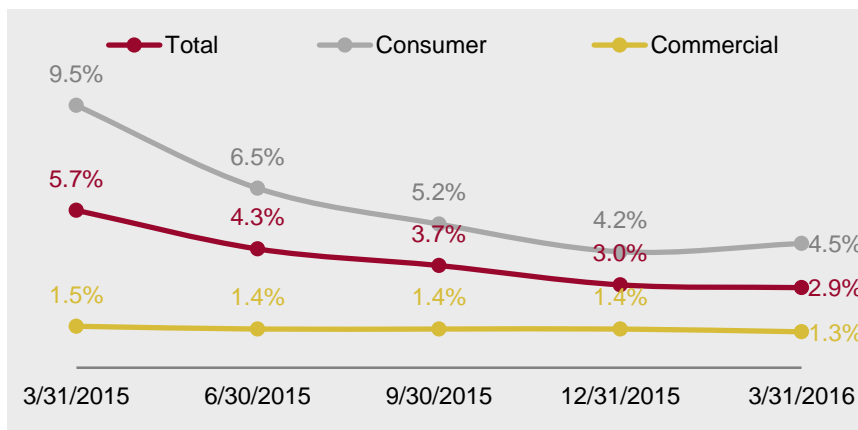


Net charge-offs⁽¹⁾ (\$mm)



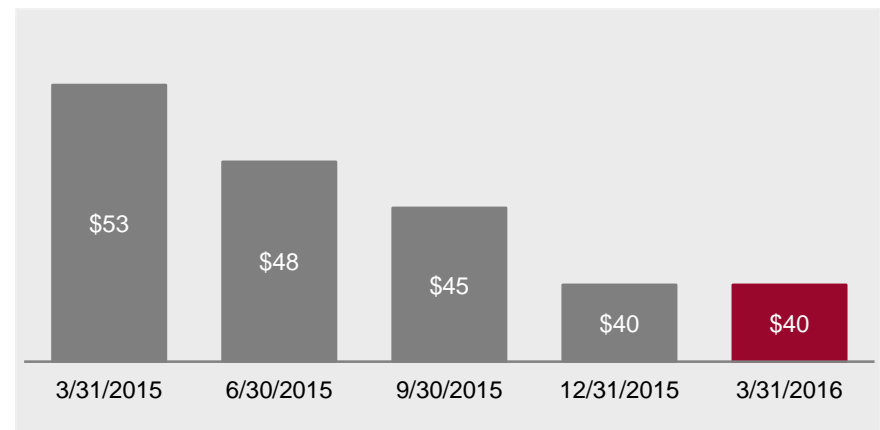
1) Excludes charge-offs of \$36M, \$15M, \$16M, \$2M and \$6M related to loan sales during 1Q15 – 1Q16, respectively.

Allowance coverage¹ (% of loans HFI)



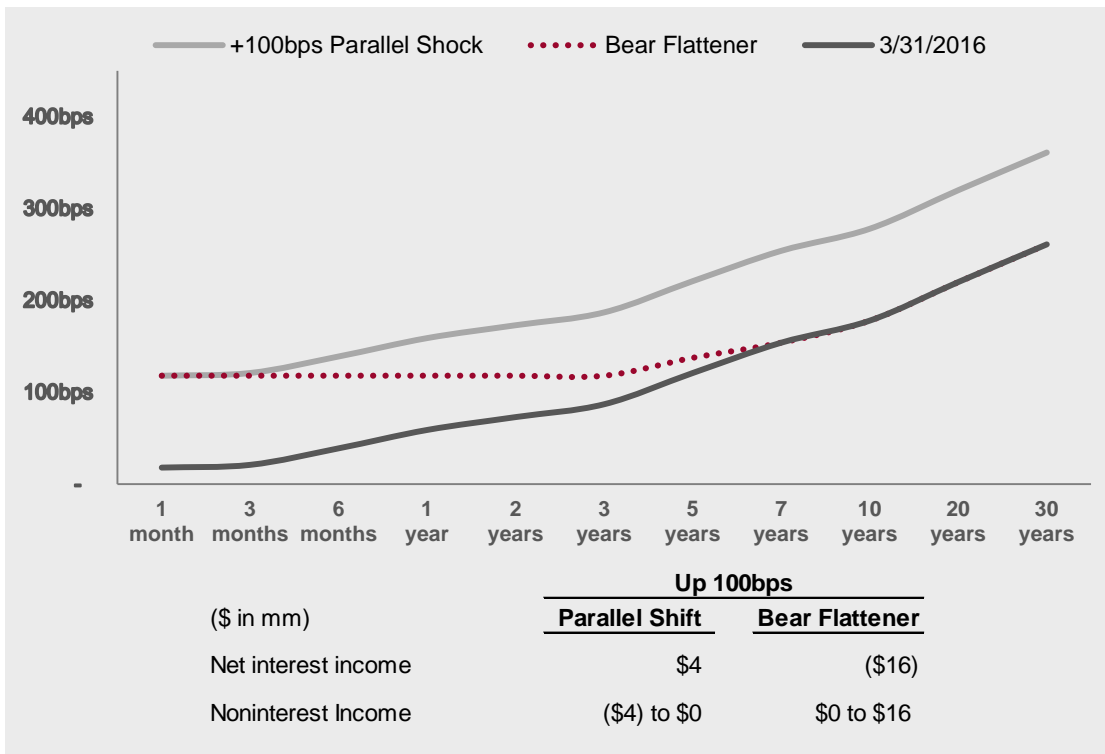
1) Excludes loans carried under the fair value option.

Representation & warranty reserve (\$mm)



Low interest rate risk

Net interest margin – 12 month horizon instantaneous shocks (\$mm)



Economic value of equity

Change in Rates (bps)	Economic Value of Equity (\$bn)	Change		Policy Limit (%)
		(\$bn)	(%)	
+400	\$1.83	(\$0.25)	(12.1%)	(30.0%)
+300	\$1.90	(\$0.17)	(8.2%)	(22.5%)
+200	\$2.00	(\$0.08)	(4.1%)	(15.0%)
+100	\$2.06	(\$0.02)	(1.0%)	(7.5%)
Market Implied	\$2.07	\$0.00	0.0%	0.0%

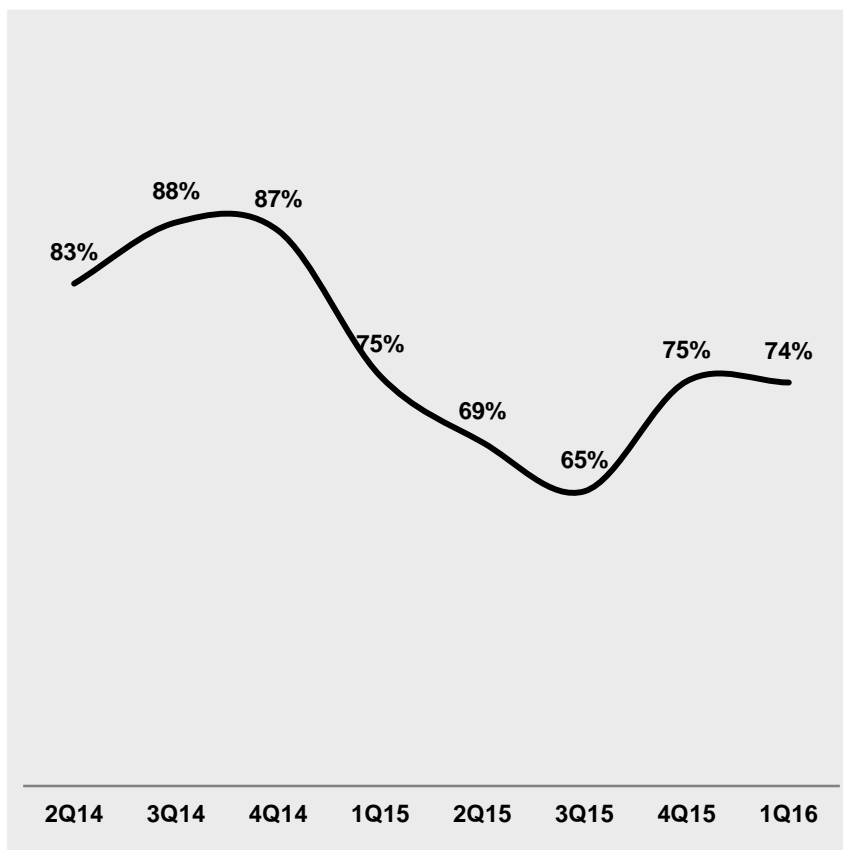
Interest rate risk management

- The shorter term measure of the “Earnings at Risk” interest rate risk position is asset sensitive due to the immediate repricing of the variable rate assets including the mortgage banking pipeline, warehouse loans and commercial loans while liabilities reprice more slowly.
- The longer term measure of the “Economic Value of Equity” interest rate position is liability sensitive as the average duration of the liabilities is shorter than the average duration of the assets.
- Flagstar also performs a Net Income Simulation that includes the effect of changes in interest rates on the mortgage business. Net income is projected to increase significantly in a decreasing rate environment due to increased mortgage originations.

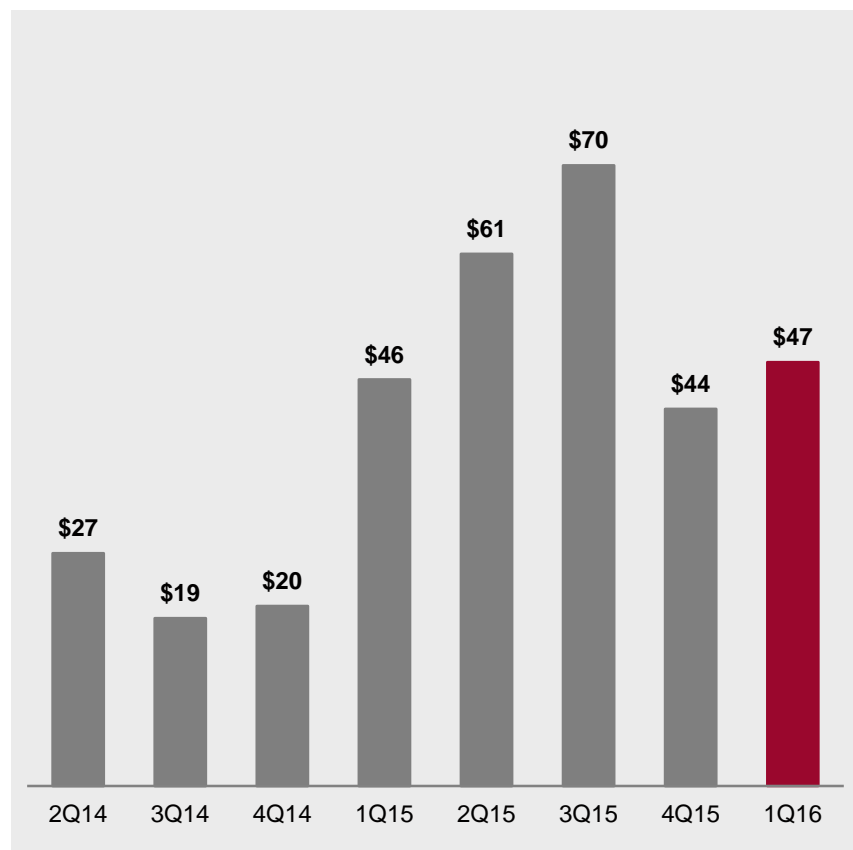
Proven operating leverage

- Flagstar's demonstrated ability to generate operating leverage has helped achieve more stable and increased earnings

Efficiency ratio, adjusted⁽¹⁾



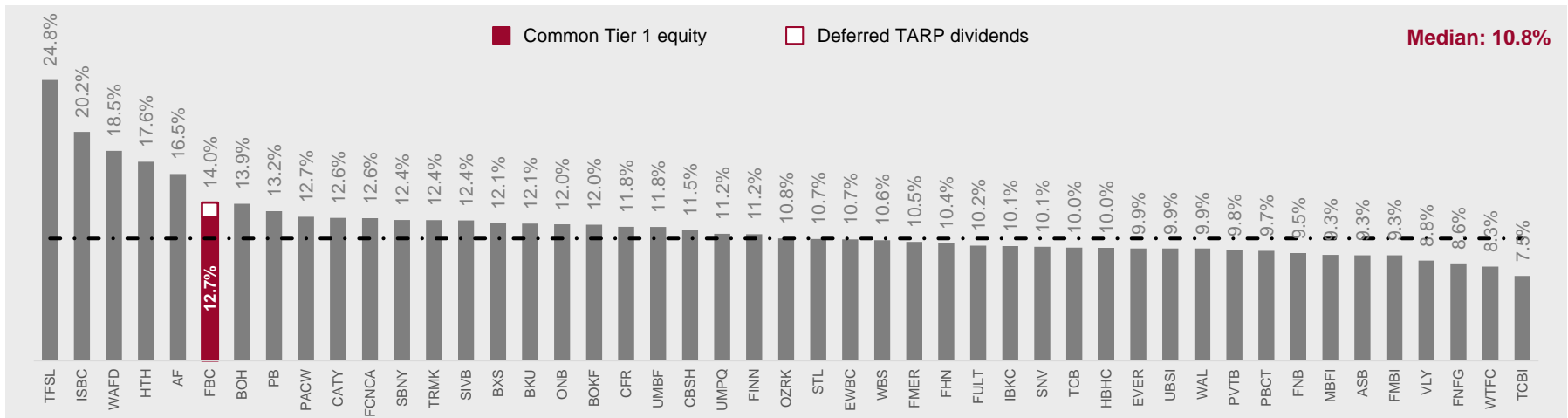
Pre-provision net revenues ("PPNR"), adjusted⁽¹⁾



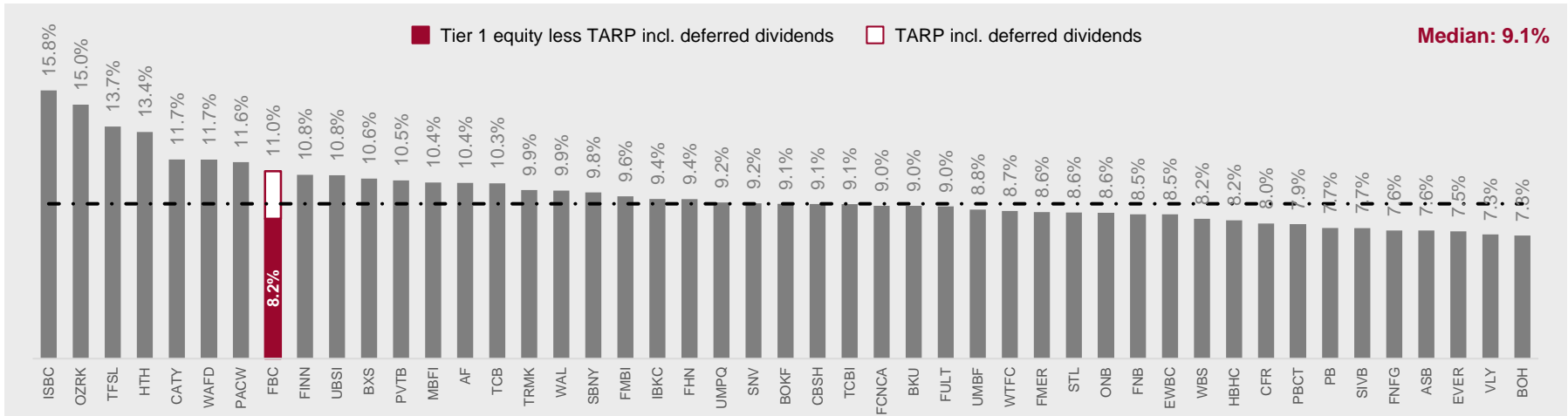
1) See non-GAAP reconciliations in the appendix for the calculation of the efficiency ratio, adjusted and PPNR, adjusted.

Strong capital position relative to peers⁽¹⁾ notwithstanding low risk content of businesses

Tier 1 common⁽²⁾



Tier 1 leverage⁽³⁾

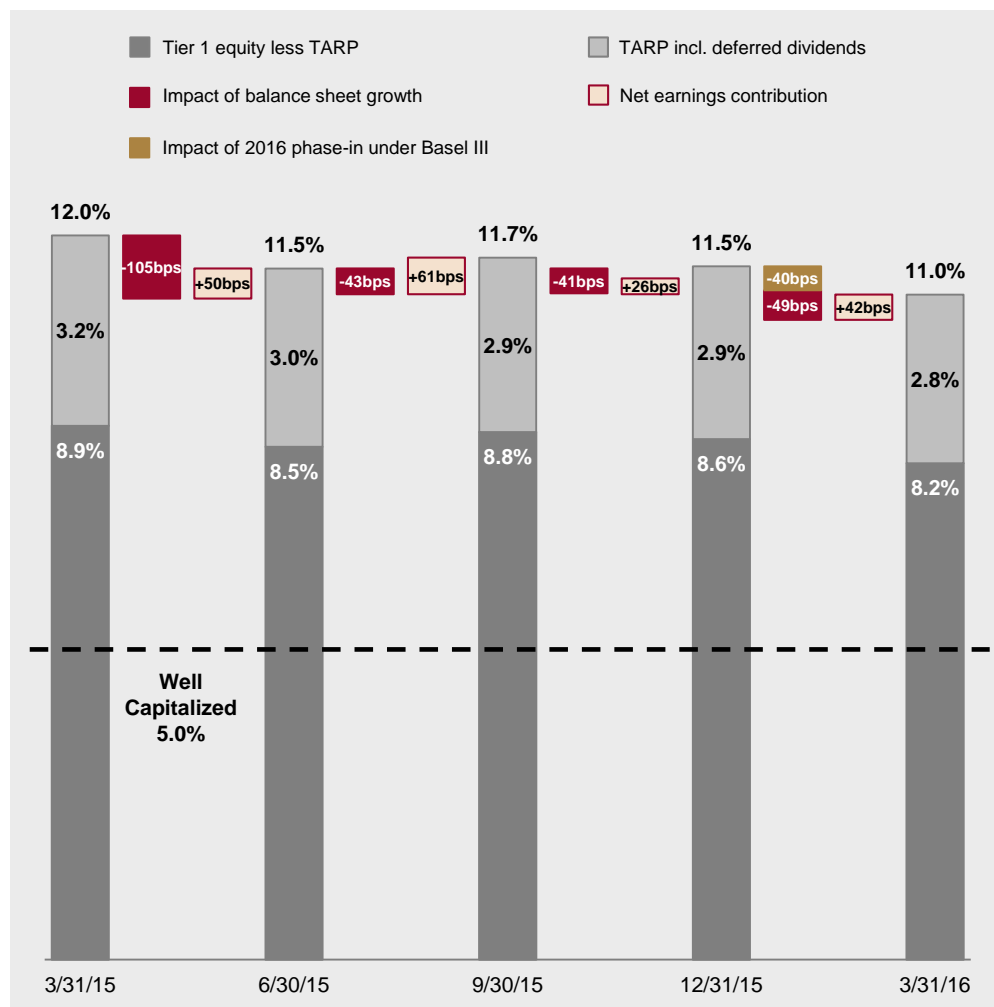


Source: SNL Financial

- 1) Data as March 31, 2016 (or December, 2015 if not available) for all major exchange U.S. banks with assets between \$10bn and \$50bn (excludes Puerto Rican banks).
- 2) Expressed as a % of risk weighted assets
- 3) Expressed as a % of adjusted tangible assets

Flagstar has a robust rate of internally generated regulatory capital

Flagstar Bancorp Tier 1 leverage



Observations 1Q16

	Tier 1 Leverage	CET-1 to RWA	Tier 1 to RWA	Total RBC to RWA
3/31/16	11.0%	14.0%	19.7%	21.0%
12/31/15	11.5%	14.1%	19.0%	20.3%

- Decrease in Tier 1 leverage ratio led by the impact of 2016 phase-in under Basel III
- Utilization of NOL-related DTA has released regulatory capital to support balance sheet growth
 - Benefitted Tier 1 Leverage ratio 12bps during 1Q16

Higher rate capital generation (near-term)

- 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 reduces its MSRs
- The balance sheet has trapped capital of:
 - \$212mm of NOL-related DTAs (161bps of Tier 1 leverage)
 - \$133mm of MSRs (101bps of Tier 1 leverage)
- Robust capital generation will support future growth

Conclusion

Why invest in Flagstar?

- **Unique business model of a relationship-driven bank leveraging a national mortgage business**
- **Disciplined management team with extensive banking experience**
- **Substantial and attractive growth opportunities**
- **Highly profitable operations with significant operating leverage**
- **Positioned to thrive in any market**

Appendix

Non-GAAP reconciliations

(\$mm)								
Pre-provision net revenues, adjusted	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	4Q15	1Q16
Net income	\$26	(\$28)	\$11	\$32	\$46	\$47	\$33	\$39
Provision for income taxes	12	(10)	4	18	28	24	12	21
Income before income taxes	38	(38)	15	50	74	71	45	60
(Benefit) provision for loan losses	6	8	5	(4)	(13)	(1)	(1)	(13)
Pre-provision net revenues	\$44	(\$30)	\$20	\$46	\$61	\$70	\$44	\$47
Loan fees and charges ⁽¹⁾	(10)							
Representation and warranty provision ⁽²⁾		10						
Adjustments to noninterest income	(10)	10	-	-	-	-	-	-
Legal and professional expense ⁽³⁾	3	1						
Other noninterest expense ⁽⁴⁾	(10)	38						
Adjustments to noninterest expense	(7)	39	-	-	-	-	-	-
Pre-provision net revenues, adjusted	\$27	\$19	\$20	\$46	\$61	\$70	\$44	\$47
Efficiency ratio, adjusted	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	4Q15	1Q16
Net interest income (a)	\$63	\$64	\$61	\$65	\$73	\$73	\$76	\$79
Noninterest income	\$103	\$85	\$98	\$119	\$126	\$128	\$97	\$105
Loan fees and charges ⁽¹⁾	(10)	-	-	-	-	-	-	-
Representation and warranty provision ⁽²⁾	-	10	-	-	-	-	-	-
Adjustments to noninterest income (b)	\$93	\$95	\$98	\$119	\$126	\$128	\$97	\$105
Noninterest expense	\$121	\$179	\$139	\$138	\$138	\$131	\$129	\$137
Legal and professional expense ⁽³⁾	(3)	(1)	-	-	-	-	-	-
Other noninterest expense ⁽⁴⁾	10	(38)	-	-	-	-	-	-
Adjustments to noninterest expense (c)	\$129	\$140	\$139	\$138	\$138	\$131	\$129	\$137
Adjusted efficiency ratio (c) / (a + b)	83%	88%	87%	75%	69%	65%	75%	74%

Adjustments:

- (1) Reverse benefit for contract renegotiation.
- (2) Add back reserve for increase related to indemnifications claims on government insured loans.
- (3) Adjust for legal expenses related to the litigation settlements.
- (4) Adjust for CFPB litigation settlement expense.

