

Flagstar Bancorp, Inc. (NYSE: FBC)

**FBR Investor Meetings
November 3 & 4, 2015**



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 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. 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. The Company's actual results or outcomes may vary materially from those expressed or implied in a forward-looking statement. Accordingly, we cannot and do not provide you with 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.

Factors that could cause future results to differ materially from historical performance and these forward-looking statements 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 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 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, 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 cyclical 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, the fund that is our majority stockholder, and any changes that may occur with respect to that fund or its ownership interest in us;
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. Factors that may require us to establish a valuation allowance against our deferred tax asset or that impact our ability to maximize the tax benefit of our net operating losses.

Factors that may cause future results to differ materially from historical performance and from forward-looking statements, including but not limited to the factors listed above, may be difficult to predict, may contain uncertainties that materially affect actual results, and may be beyond our control. Also, new factors emerge from time to time, and it is not possible for our management to predict the occurrence of all such factors or to assess the effect of each such factor, or the combined effect of several of the factors at one time, on our business. 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.

Progress on strategic initiatives

Focus on growth and diversification of earnings

Expand mortgage originations

- Optimize fulfillment and secondary marketing to improve profitability
- Accelerate retail & DTC distribution to boost purchase mortgage originations

Grow community banking

- Replace lower performing loans with higher quality assets
- Refresh the Flagstar brand to build awareness and grow loans and deposits

Enhance efficiency

- Drive productivity and revenue improvements to maintain mid-60's efficiency ratio
- Position bank to generate positive operating leverage

Sustain risk management

- Continue to strengthen risk management practices
- Exit regulatory orders (continue to make meaningful progress)

Optimize capital structure

- Redeem TARP (anticipated no later than 2nd half 2016)
- Execute MSR reduction plan to meet Basel III phase-in target

Solid core franchise

Corporate Overview

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

Community bank

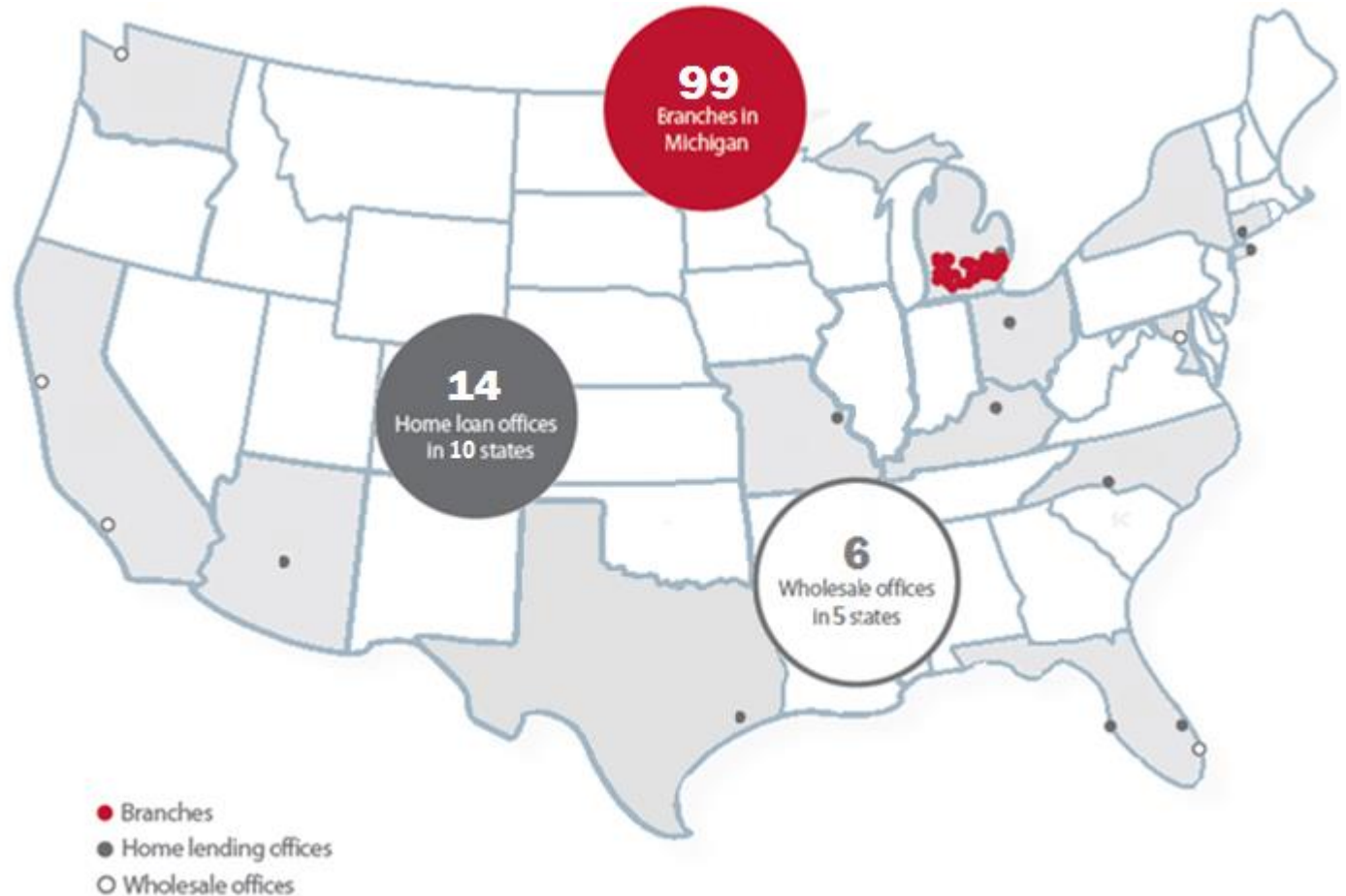
- Largest Michigan based bank
- #7 in deposit market share
- \$12.5bn of assets
- \$8.1bn of deposits
- 99 branches
- 104k households & 13k businesses

Mortgage originator

- 10th largest originator nationally
- Originated more than \$30bn of residential mortgage loans during the last 12 months
- Approximately 1,250 TPOs

Mortgage servicer

- 7th largest sub-servicer of mortgage loans nationwide
- Currently servicing ~370k loans
- Scalable mortgage platform up to service up to 1mm loans

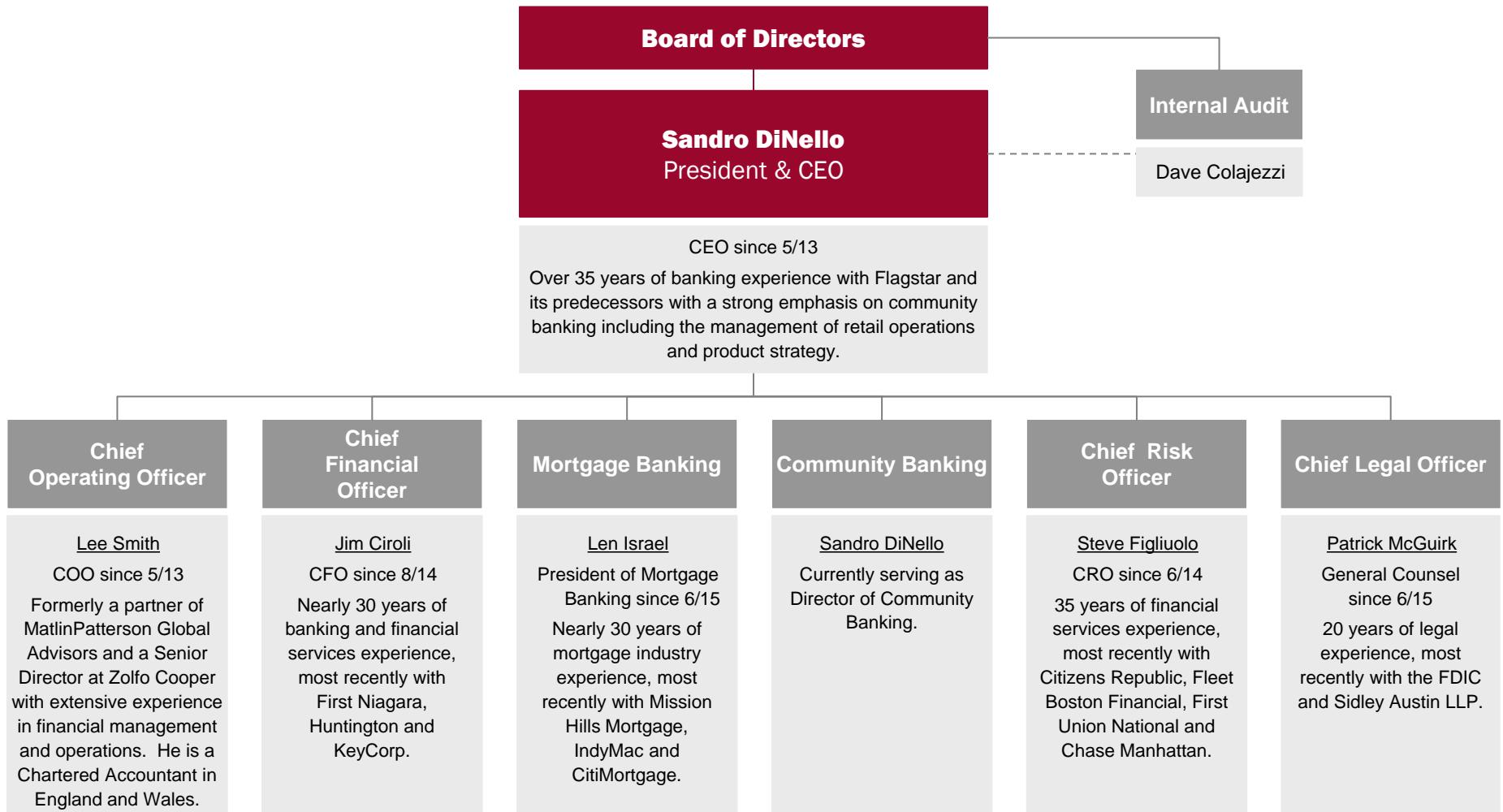


Flagstar is at a turning point

2013 – 2015	2015-16	2016+
<p><u>Addressed post-crisis issues</u></p> <ul style="list-style-type: none"> ✓ Assembled strong executive team ✓ Improved asset quality <ul style="list-style-type: none"> – Sold lower performing loans to de-risk balance sheet <ul style="list-style-type: none"> – \$1.6bn of lower performing assets – \$88bn (UPB) of MSR's – Reinvested proceeds into higher quality assets ✓ Increased capital & liquidity ✓ Resolved legal & regulatory issues 	<p><u>Build foundation for growth</u></p> <ul style="list-style-type: none"> ✓ Restored profitability <ul style="list-style-type: none"> – Grew earning assets – Increased NIM & GOS margin – Optimized cost structure ☐ Optimize capital structure <ul style="list-style-type: none"> – Redeem TARP (anticipated no later than 2nd half 2016) – Establish MSR reduction plan ☐ Continue strong risk management <ul style="list-style-type: none"> – Exit Consent Order (continue to make meaningful progress) 	<p><u>Grow & diversify earnings</u></p> <ul style="list-style-type: none"> ☐ Grow community banking <ul style="list-style-type: none"> – Add high-quality assets – Boost NIM & fee income ☐ Diversify mortgage originations <ul style="list-style-type: none"> – Accelerate retail & DTC distribution ahead of purchase mortgage market – Optimize fulfillment / secondary marketing ☐ Expand mortgage servicing <ul style="list-style-type: none"> – Grow sub-servicing portfolio – Cross sell to customers

Assembled strong executive team

- Flagstar has rebuilt its management team with significant banking experience



3rd quarter key performance highlights

Strong profitability

- Net income of \$47 million, or \$0.69 per diluted share in 3Q15, up \$1 million, or \$0.01 per diluted share vs. 2Q15
- Positive operating leverage, resulting from a 1% increase in revenue and a 5% drop in expenses
- Average interest earning assets increased 3%; residential first mortgages increased 16%

Higher noninterest income

- Noninterest income increased \$2 million to \$128 million, up 2% from 2Q15
 - MSR return rose \$3 million to \$12 million
 - Other noninterest income increased \$10 million to \$9 million, led by favorable fair value adjustments
 - Net gain on loan sales decreased \$15 million to \$68 million on lower gain on sale margin and lock volumes

Expense discipline

- Noninterest expense decreased \$7 million to \$131 million, down 5% from 2Q15
 - Asset resolution expense declined \$5 million primarily benefitting from stronger balance sheet
 - Other noninterest expense fell \$2 million on lower advertising costs and regulatory-related expense
 - Legal and professional expense rose \$2 million due to higher non-agency loan sales expense and consulting fees

Improved asset quality

- Sold \$233 million of interest-only (closed October 2015) and lower performing loans
 - Adjusted charge-offs were 61 bps
 - \$9 million net allowance release, relating to transfer of interest-only and sale of lower performing loans
 - Allowance to loans held-for-investment remained strong at 3.7%

Robust capital

- Tier 1 leverage remains solid at 11.7%
- On-balance sheet liquidity equal to 18.1% 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.

Restored profitability

\$mm (except per share data)

	Three Months Ended					Nine Months Ended		
	9/30/15	6/30/15	3/31/15	12/31/14	9/30/14	9/30/15	9/30/14	
Net interest income	A1	\$73	\$73	\$65	\$61	\$64	\$211	\$185
(Benefit) provision for loan losses ("PLL")	B	(1)	(13)	(4)	5	8	(18)	127
Net interest income after PLL		74	86	69	56	56	229	58
Net gain on loans sales		68	83	91	53	52	242	152
Loan fees and charges		17	19	17	17	19	53	56
Loan administration income		8	7	4	5	6	19	19
Other noninterest income		35	17	7	23	8	59	36
Total noninterest income	C1	128	126	119	98	85	373	263
Compensation and benefits		58	59	61	59	54	178	174
Commissions and loan processing		24	25	22	20	20	71	52
Other noninterest expense		49	54	55	60	105	158	213
Total noninterest expense	D1	131	138	138	139	179	407	439
Income (loss) before income taxes		71	74	50	15	(38)	195	(118)
Provision (benefit) for income taxes		24	28	18	4	(10)	70	(38)
Net income (loss) to common		\$47	\$46	\$32	\$11	(\$28)	\$125	(\$81)
Diluted income (loss) per share		\$0.69	\$0.68	\$0.43	\$0.07	(\$0.61)	\$1.82	(\$1.79)

Profitability

Net interest margin		2.75%	2.79%	2.75%	2.80%	2.91%	2.76%	2.95%
Average earning assets	A2	\$10,693	\$10,367	\$9,422	\$8,725	\$8,815	\$10,165	\$8,345
Mortgage rate lock commitments, fallout adjusted		\$6,495	\$6,804	\$7,185	\$6,156	\$6,304	\$20,484	\$17,851
Mortgage closings		\$7,876	\$8,448	\$7,254	\$6,603	\$7,187	\$23,578	\$18,004
Gain on loan sale margin	C2	1.05%	1.21%	1.27%	0.87%	0.83%	1.18%	0.85%
Efficiency ratio	D2	65.0%	69.6%	74.8%	87.2%	120.0%	69.6%	98.3%

Observations

A Increased net interest income

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

B Lower credit costs

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

C Higher noninterest income

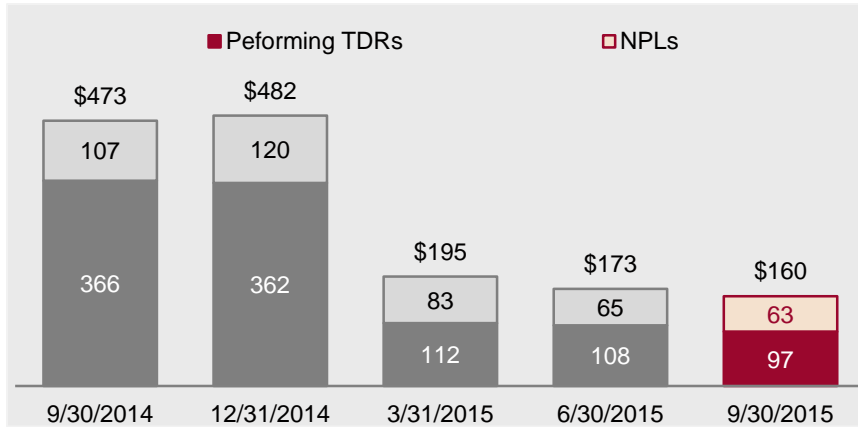
- Led by increased net gain on loan sales and improved returns on MSR asset
- Net gain on loan sales improved by higher margins

D Improved operating leverage

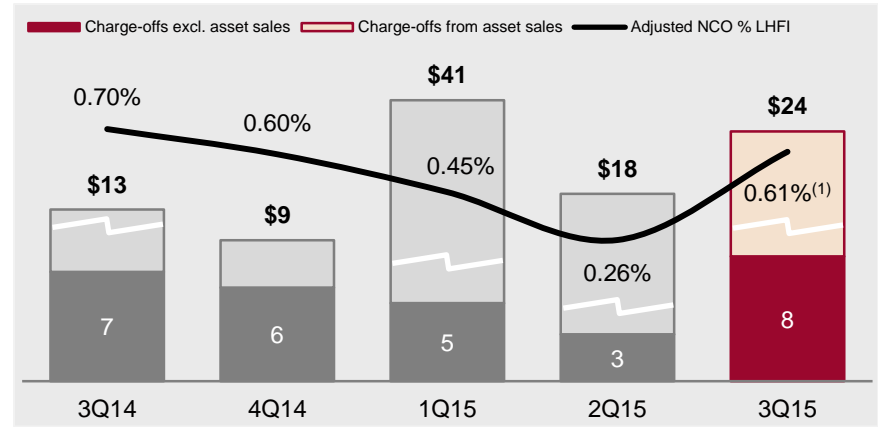
- Efficiently managed noninterest expense after implementing cost optimization efforts
- Lower efficiency ratio led by higher revenues with stable expense base

Asset quality

Performing TDRs and NPLs (\$mm)

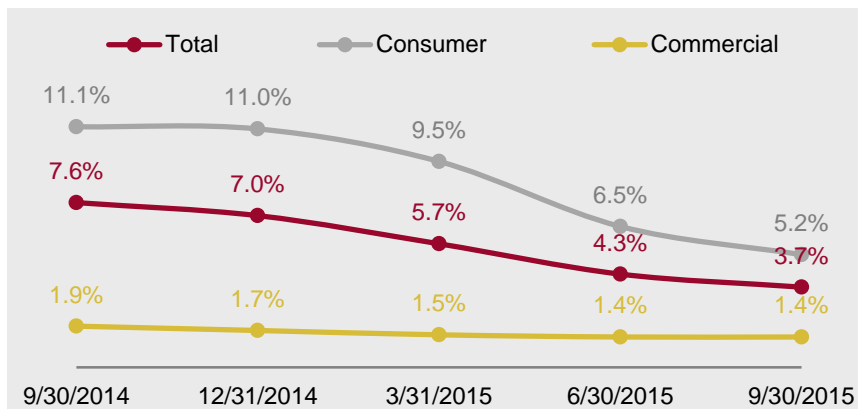


Net charge-offs (\$mm)



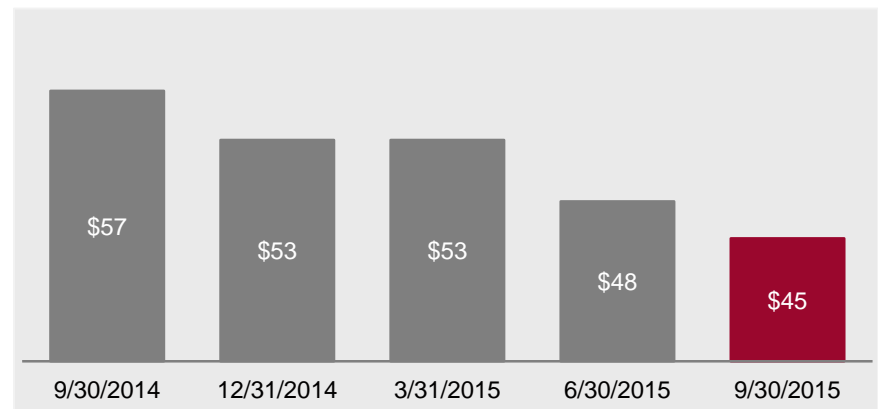
1) 0.30% excluding charge-offs of \$3mm for commercial loans and \$1mm for consumer loans related to an operational change

Allowance coverage¹ (% of loans HFI)



1) Excludes loans carried under the fair value option.

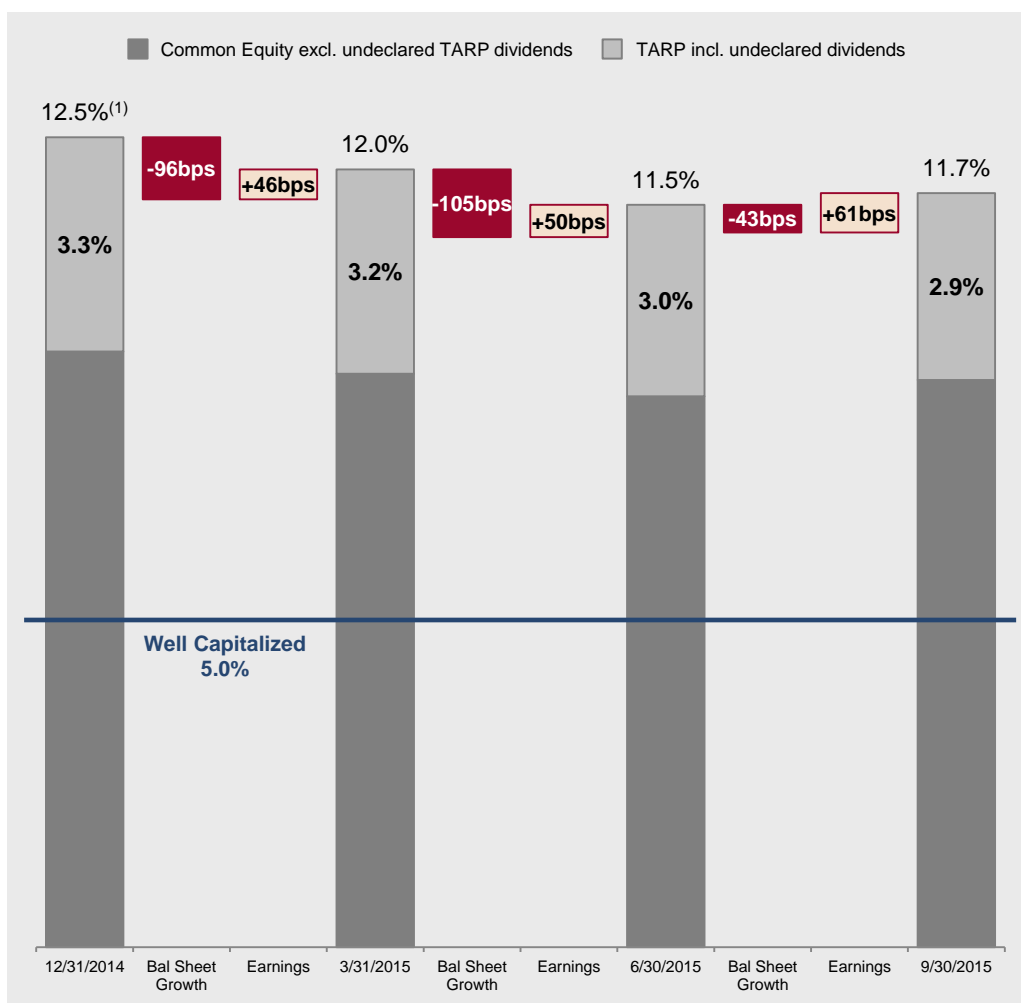
Representation & warranty reserve (\$mm)



Robust capital

- Flagstar continues to maintain strong capital ratios with the partial phase-in of Basel III regulations

Tier 1 leverage - 12/31/14 to 9/30/15



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

Observations 3Q15

	Tier 1 Leverage	CET-1 to RWA	Tier 1 to RWA	Total RBC to RWA
9/30/15	11.7%	14.9%	20.3%	11.7%
6/30/15	11.5%	14.6%	20.0%	11.5%

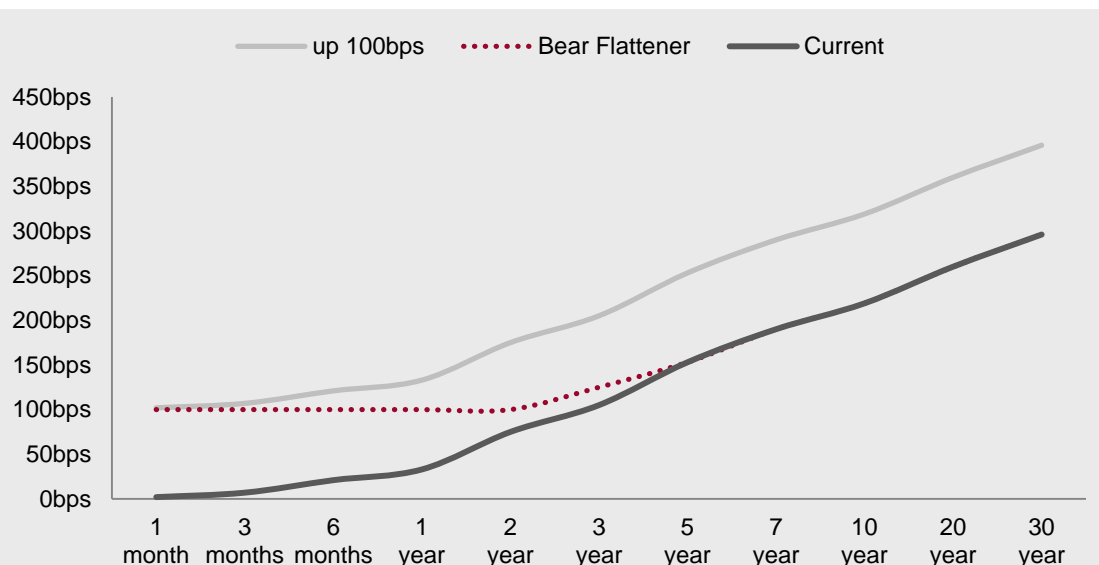
- Increase in regulatory ratios resulted from earnings retention and a lower deduction for NOL-related deferred assets, partially offset by earning asset growth
- Utilization of NOL-related DTA has released regulatory capital to support balance sheet growth (9 mos. YTD)
 - Benefit of 0.4% to Tier 1 Leverage ratio
 - Supported earning asset growth of \$2.2bn (26%)

Observations 3Q15

- 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
- From Tier 1 capital we currently deduct:
 - \$228mm of NOL-related DTAs (1.9% of Tier 1 leverage)
 - \$79mm of MSRs (0.7% of Tier 1 leverage)
- Excess capital would be available to repay TARP

Interest rate risk profile and impact of “bear flattener”

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



(\$ in mm)	Up 100bps	
	Parallel Shift	Bear Flattener
Net interest income	\$8	(\$25)
Noninterest Income	(\$8) to \$0	\$0 to \$25

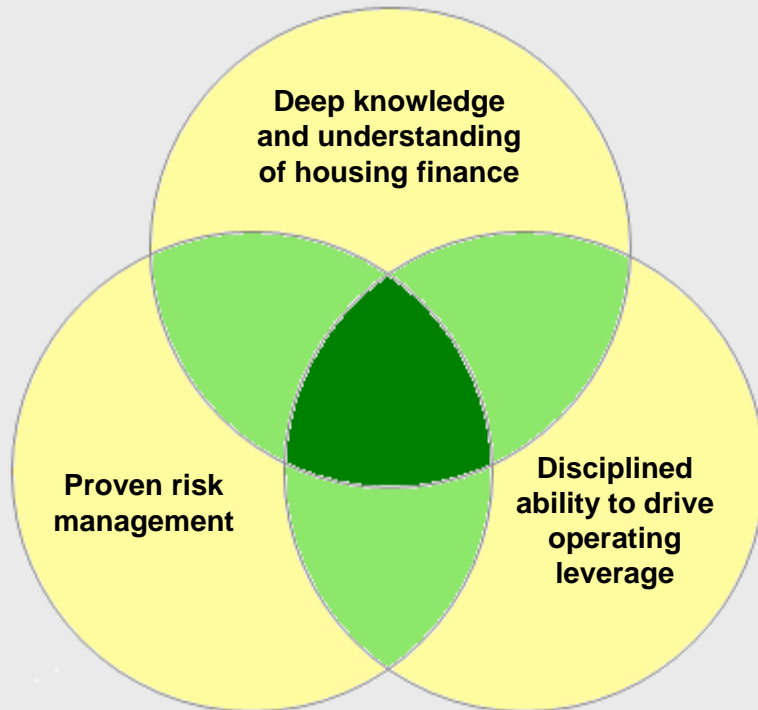
Interest rate risk management

- We have managed the balance sheet to a neutral position
- The asset sensitivity of our community bank and our mortgage servicing business is offset by the liability sensitivity of our mortgage operations
- Flagstar matched funded its investment in fixed rate 1st residential mortgages with longer term FHLB borrowings

Why invest in Flagstar?

- Flagstar is the leading “bank with a great mortgage platform”

Michigan’s largest bank with a national mortgage platform



Reasons to Invest

- Flagstar is a growth company
 - We have excess capital after we repay TARP to grow our operations
 - Mortgage originations and servicing are not capital intensive
 - Current capital levels support significant upside growth
- Flagstar is a leader in the housing finance business
 - Residential mortgage and home equity loans
 - Mortgage loan servicing
 - Warehouse lending
- Flagstar is committed to best-in-class risk management
 - Investment has already been made
 - Demonstrated ability to thrive in response to regulatory and risk challenges presented
- Flagstar is a proven operator
 - Courage to take bold and decisive action
 - Achieved operating leverage when mortgage originations declined

Questions & answers

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Appendix

A.	Financial performance	A-1
B.	Community banking	B-1
C.	Mortgage origination	C-1
D.	Mortgage servicing	D-1
E.	Capital and liquidity	E-1
F.	Asset quality	F-1
G.	Non-GAAP reconciliation	G-1

Consolidated financial highlights

Quarterly results – \$mm

	3Q14	4Q14	1Q15	2Q15	3Q15
Balance Sheet					
Gross loans HFS	\$1,469	\$1,244	\$2,097	\$2,038	\$2,408
Gross loans HFI	\$4,185	\$4,448	\$4,631	\$5,335	\$5,514
Government guaranteed loans	\$1,192	\$1,128	\$704	\$592	\$509
MSR	\$285	\$258	\$279	\$317	\$294
Total assets	\$9,625	\$9,840	\$11,571	\$12,139	\$12,519
Deposits	\$7,234	\$7,069	\$7,549	\$7,648	\$8,136
FHLB borrowings	\$150	\$514	\$1,625	\$2,198	\$2,024
Trust preferred	\$247	\$247	\$247	\$247	\$247
Preferred equity	\$267	\$267	\$267	\$267	\$267
Common equity	\$1,085	\$1,106	\$1,153	\$1,184	\$1,237
% common equity of total assets	11.3%	11.2%	10.0%	9.8%	9.9%
Income Statement					
Net interest income	\$64	\$61	\$65	\$73	\$73
Gain on loan sales	\$52	\$53	\$91	\$83	\$68
Other noninterest income	\$33	\$45	\$28	\$43	\$61
Noninterest expense	(\$179)	(\$139)	(\$138)	(\$138)	(\$131)
Pre-provision net revenue (expense)	(\$30)	\$20	\$46	\$61	\$71
Provision for loan losses	(\$8)	(\$5)	\$4	\$13	\$1
Income (loss) before taxes	(\$38)	\$15	\$50	\$74	\$71
PPNR / average assets	-1.2%	0.8%	1.7%	2.1%	2.3%
Credit					
ALLL	\$301	\$297	\$253	\$222	\$197
ALLL as a % of loans HFI (excl FV)	7.6%	7.0%	5.7%	4.3%	3.7%
NPAs to total assets	1.40%	1.40%	0.90%	0.70%	0.60%
Operations					
Number of banking centers	106	107	107	100	99
Number of loan origination centers	32	16	16	13	14
# of employees	2,725	2,739	2,680	2,713	2,677

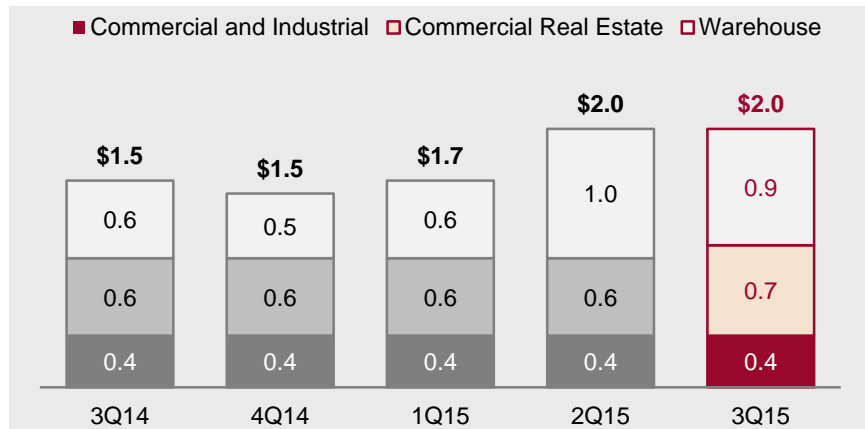
Consolidated financial highlights

Annual results – \$mm					
	2010	2011	2012	2013	2014
Balance Sheet					
Gross loans HFS	\$2,585	\$1,801	\$3,940	\$1,480	\$1,244
Gross loans HFI	\$6,305	\$7,039	\$5,438	\$4,056	\$4,448
Government guaranteed loans	\$1,675	\$1,899	\$1,841	\$1,308	\$1,128
MSR	\$580	\$511	\$711	\$285	\$258
Total assets	\$13,644	\$13,637	\$14,082	\$9,407	\$9,840
Deposits	\$7,998	\$7,690	\$8,294	\$6,140	\$7,069
FHLB borrowings	\$3,725	\$3,953	\$3,180	\$988	\$514
Trust preferred	\$247	\$247	\$247	\$247	\$247
Preferred equity	\$249	\$255	\$260	\$266	\$267
Common equity	\$1,011	\$825	\$899	\$1,160	\$1,106
% common equity of total assets	7.4%	6.0%	6.4%	12.3%	11.2%
Income Statement					
Net interest income	\$211	\$245	\$297	\$186	\$247
Gain on loan sales	\$297	\$301	\$991	\$402	\$206
Other noninterest income	\$157	\$85	\$30	\$251	\$155
Noninterest expense	(\$612)	(\$635)	(\$989)	(\$918)	(\$579)
Pre-provision net revenue (expense)	\$53	(\$4)	\$329	(\$79)	\$29
Provision for loan losses	(\$426)	(\$177)	(\$276)	(\$70)	(\$132)
Income (loss) before taxes	(\$373)	(\$181)	\$53	(\$149)	(\$103)
PPNR / average assets	0.4%	0.0%	2.4%	-0.7%	0.3%
Credit					
ALLL	(\$274)	(\$318)	(\$305)	(\$207)	(\$297)
ALLL as a % of loans HFI (excl FV)	4.40%	4.50%	5.60%	5.40%	7.00%
NPAs to total assets	4.40%	4.40%	3.70%	2.00%	1.40%
Operations					
Number of banking centers	162	111	111	111	107
Number of loan origination centers	27	27	31	39	16
# of employees	3,279	3,136	3,662	3,253	2,739

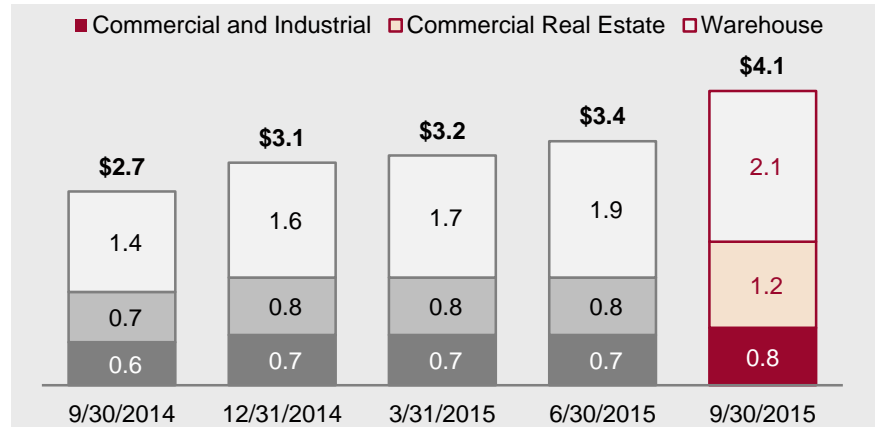
Community banking

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

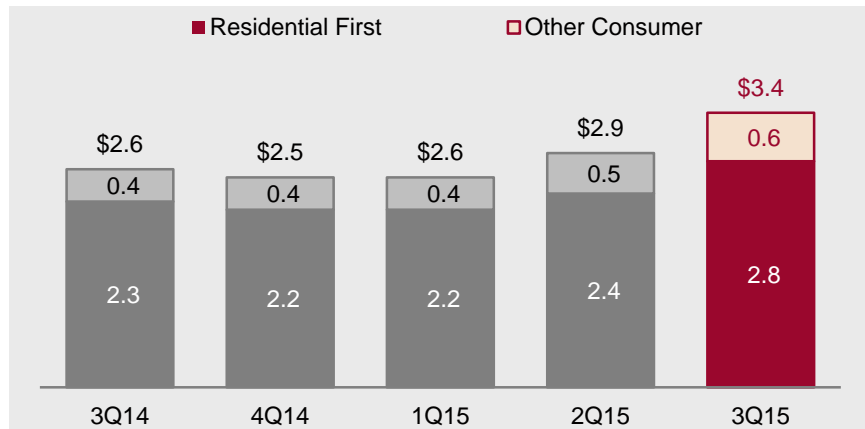
Average commercial loans (\$bn)



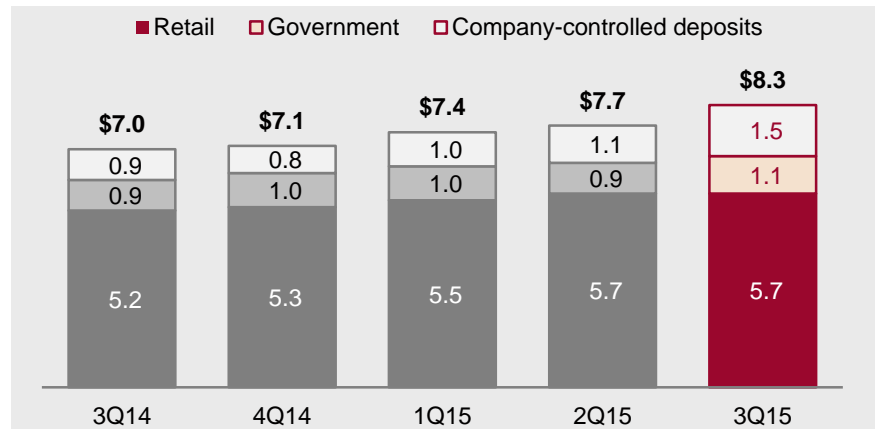
Commercial loan total commitments (\$bn)



Average consumer loans (\$bn)



Average deposit funding⁽¹⁾ (\$bn)

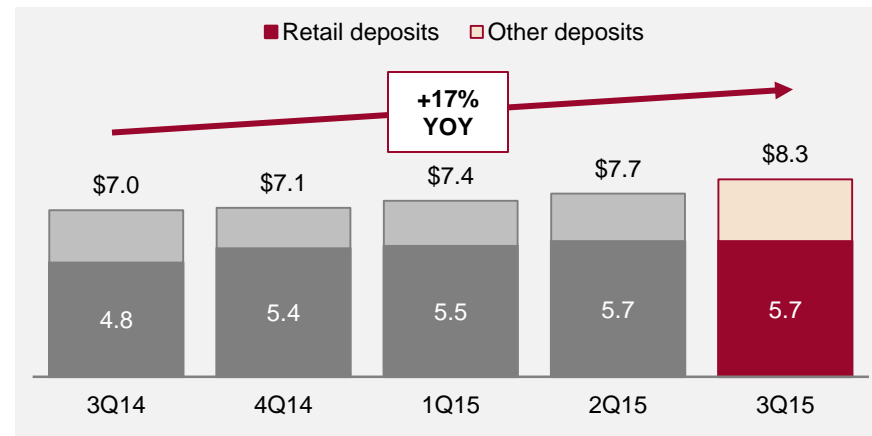


1) Includes company controlled deposits which are included as part of mortgage servicing.

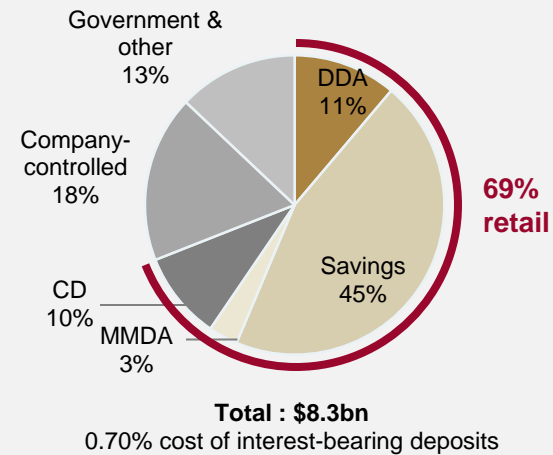
Portfolio and strategy overview

- **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 0.70%

Total average deposits (\$bn)

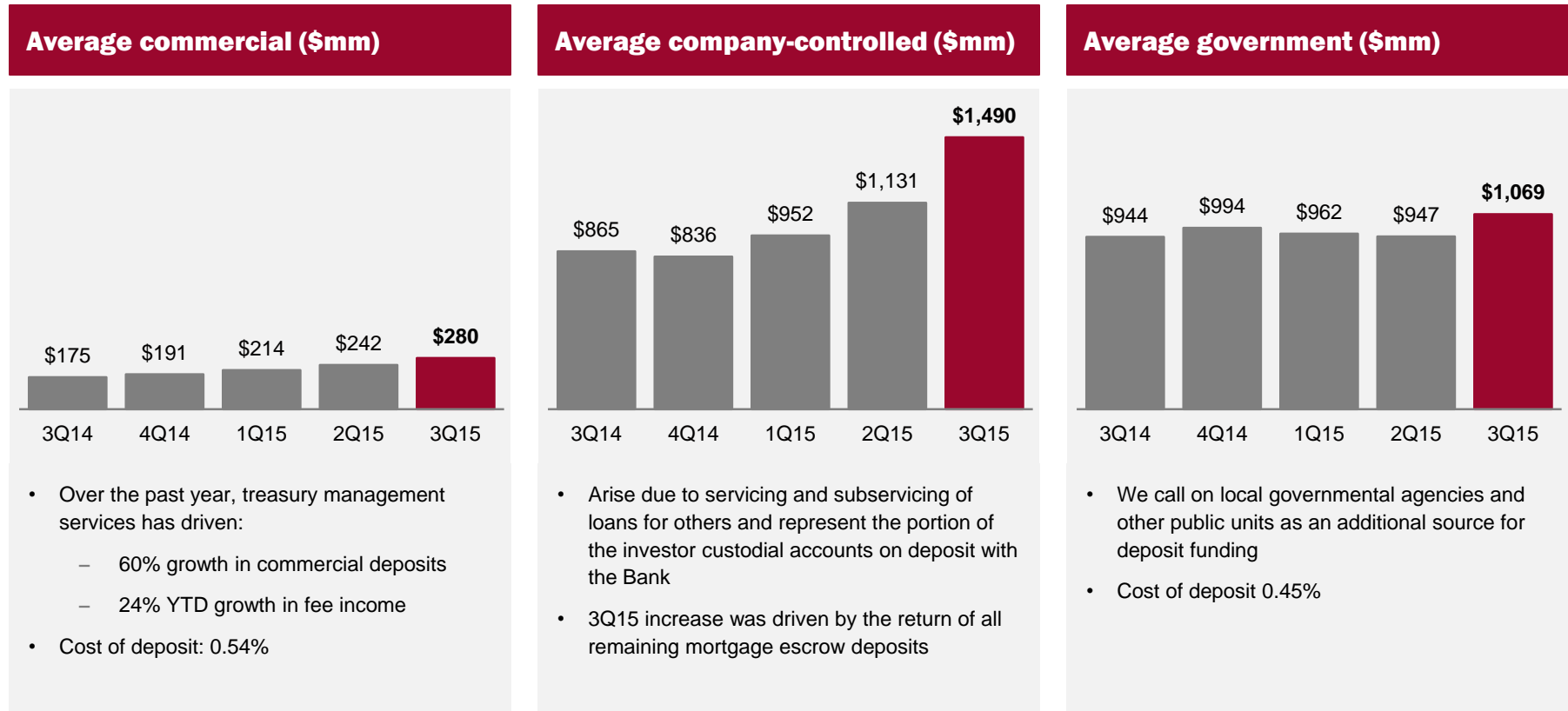


Q3 2015 total average deposits



Deposit channel overviews:

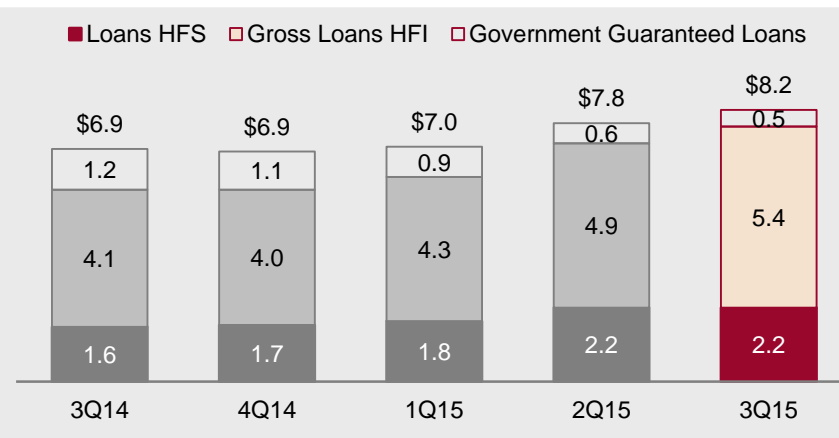
Commercial, Company-controlled, government



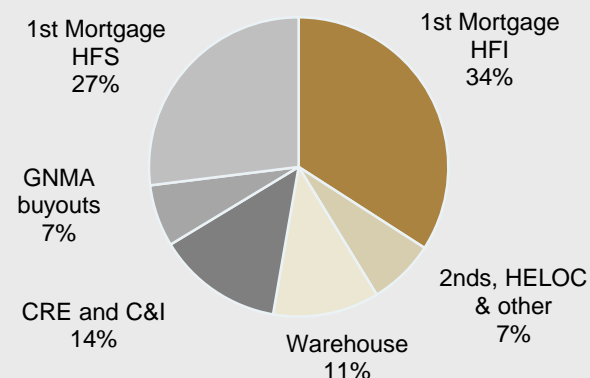
Portfolio and strategy overview

- **Flagstar’s largest category of earning assets consists of loans held-for-investment, currently \$5.4bn, 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 of \$2.4bn at 9/30/15**
 - 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)



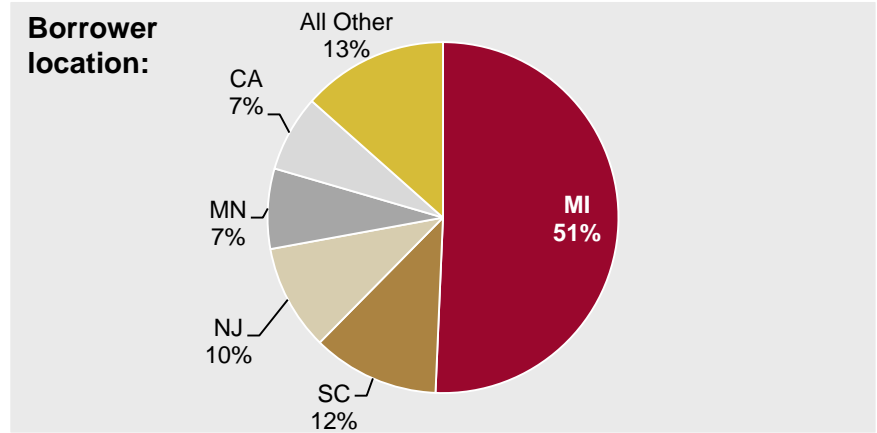
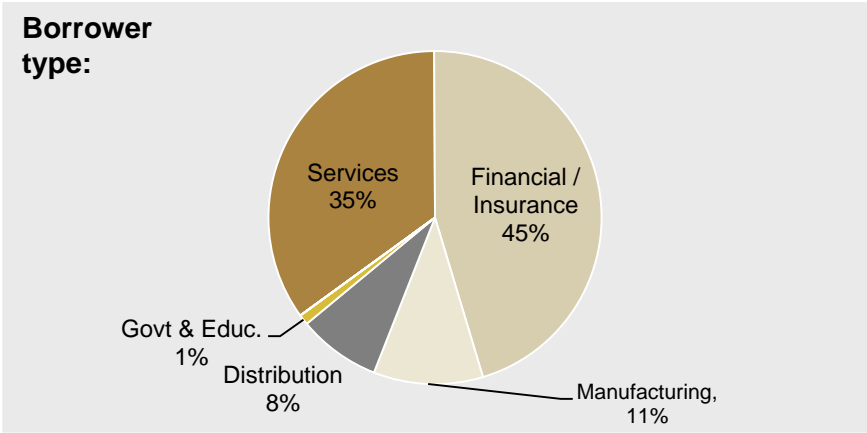
Q3 2015 average gross loans



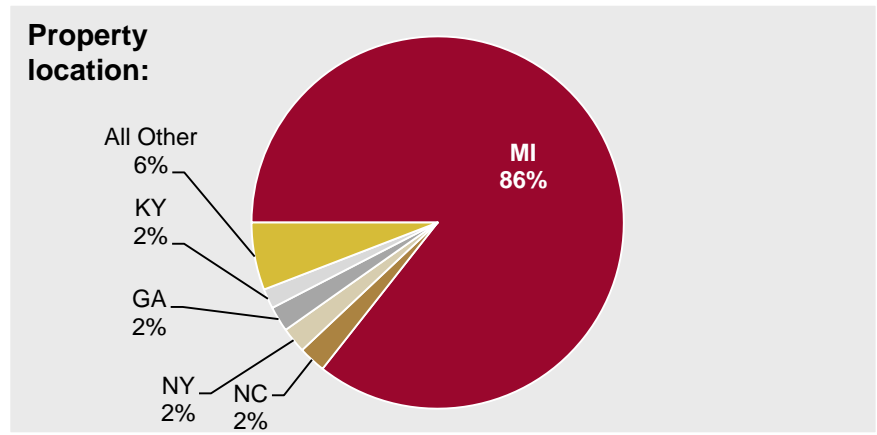
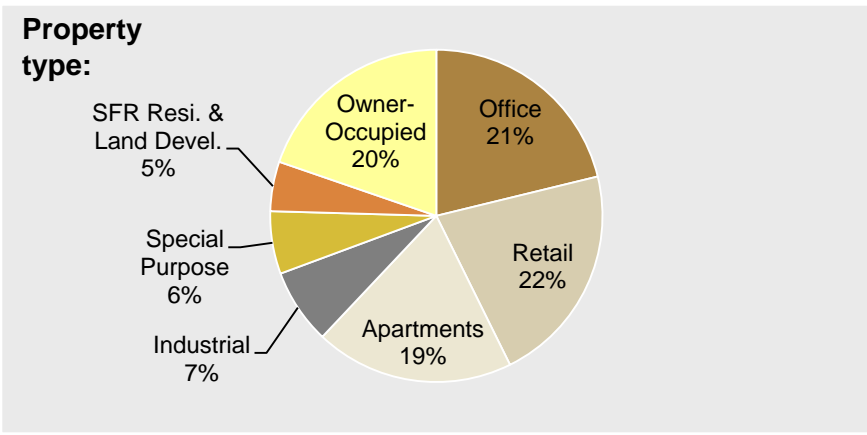
Lending: Commercial

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

C&I as of 9/30/15 - \$493mm

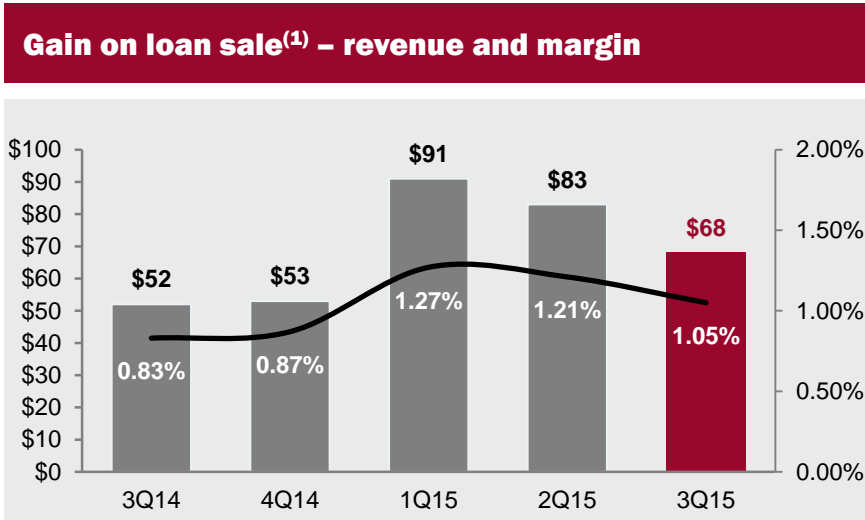
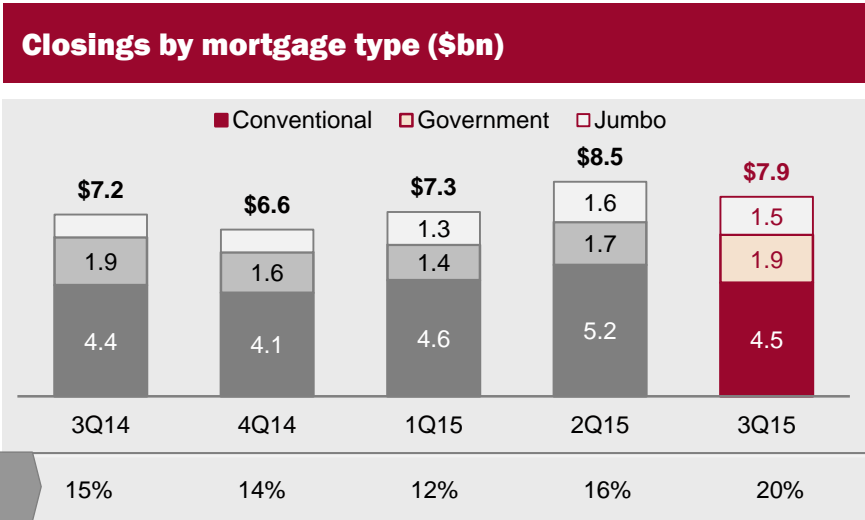
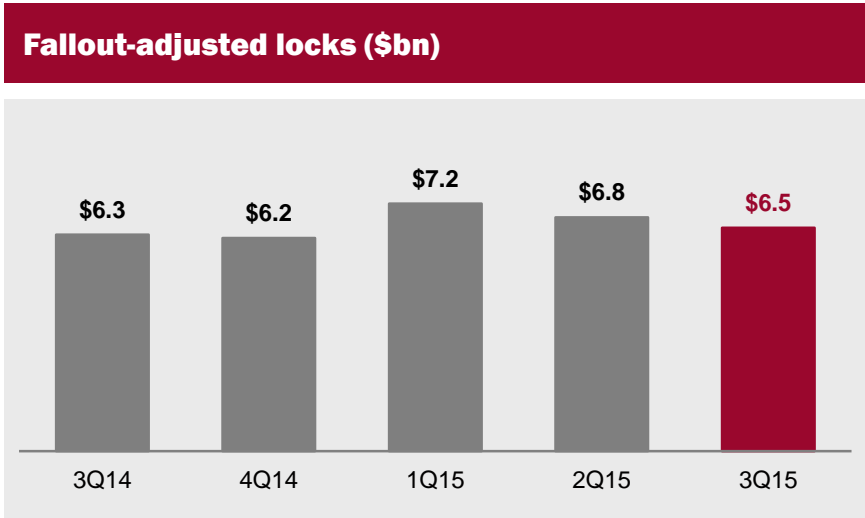
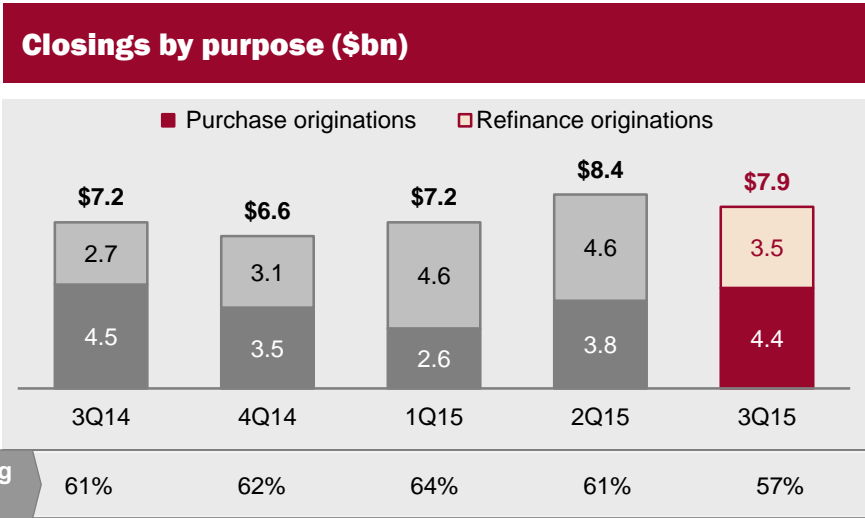


CRE as of 9/30/15 - \$707mm



Mortgage originations

- Flagstar has enhanced its mortgage originations business to improve customer service and profitability



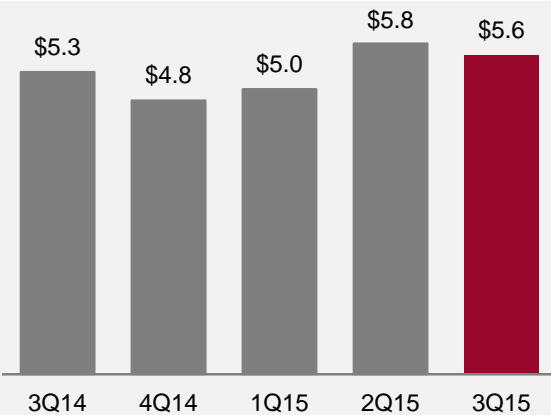
1) Based on fallout adjusted locks.



Mortgages are originated primarily through the correspondent channel

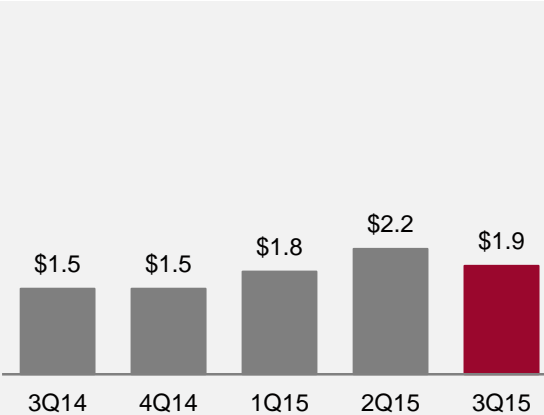
Residential mortgage originations by channel (\$bn)

Correspondent



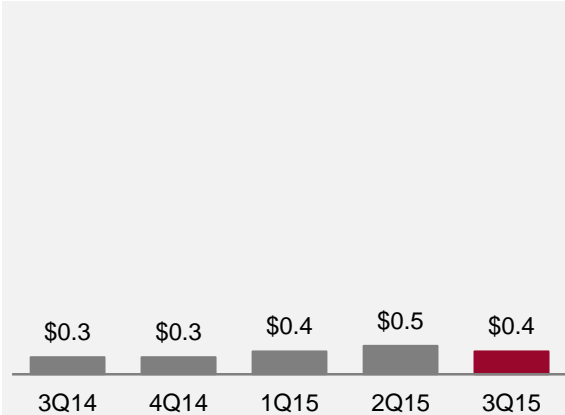
- Nearly 700 correspondent partners in 50 states in Q3 2015
- Top 10 relationships account for 14% of overall correspondent volume
- Warehouse lines to over 250 correspondent relationships

Broker



- Nearly 600 brokerage relationships in 50 states in Q3 2015
- Top 10 relationships account for 20% of overall brokerage volume

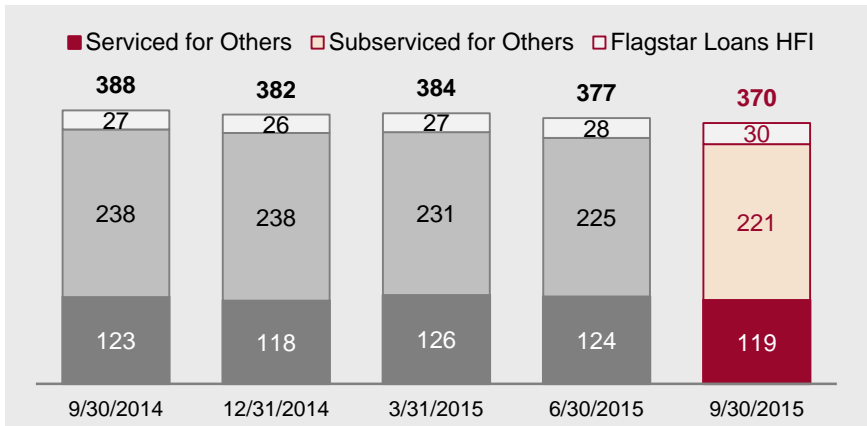
Retail



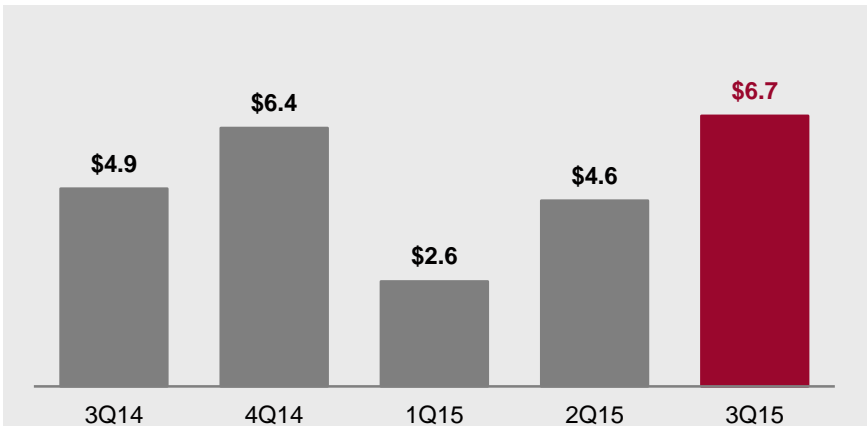
- 14 standalone home loan centers in 10 states in Q3 2015
- Consumer direct is 32% of retail volume

Mortgage servicing

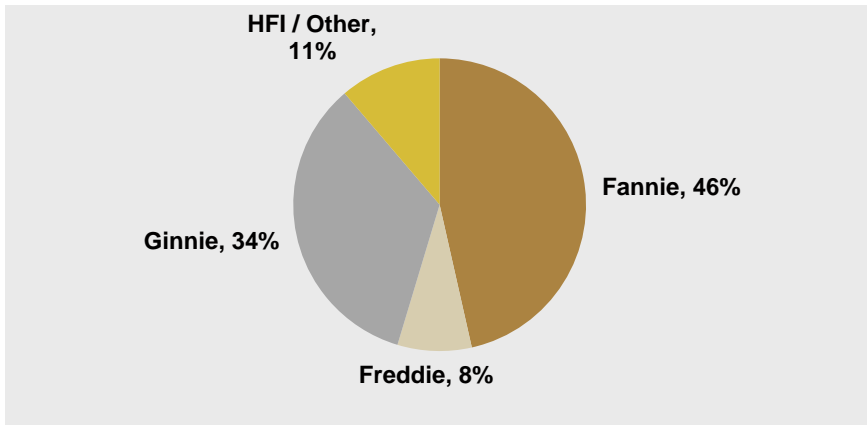
Loans serviced ('000)



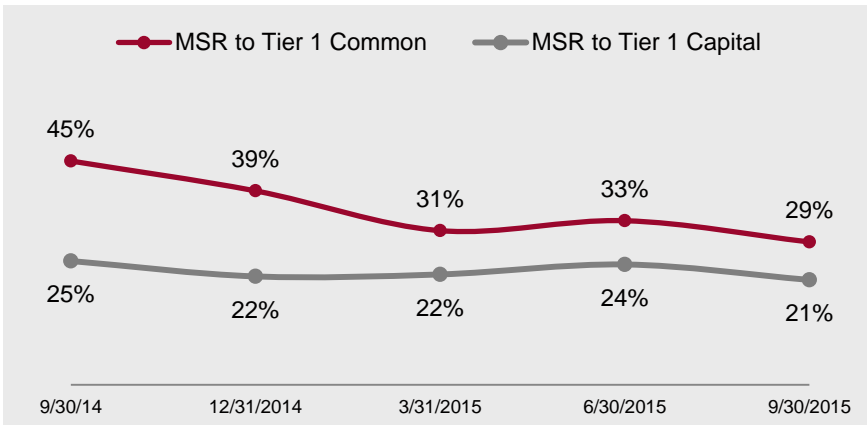
\$ UPB of MSR sold (\$bn)



Breakdown of loans serviced (as of 9/30/2015)



MSR / regulatory capital



MSR portfolio

as of 9/30/15

MORTGAGE SERVICING

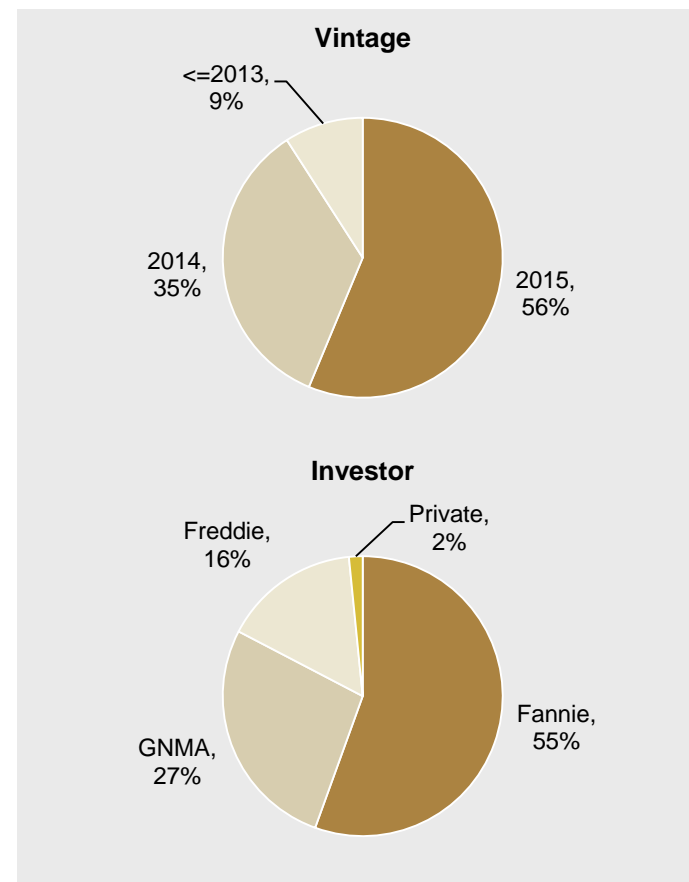
MSR portfolio statistics

Measure (\$mm)	9/30/2015	6/30/2015	Δ
Unpaid principal balance	\$26,308	\$27,681	(\$1,373)
Fair value of MSR	\$294	\$317	(\$23)
Capitalized rate	1.12%	1.15%	-0.03%
Multiple	3.990	4.209	(0.219)
Note rate	4.108%	4.064%	0.044%
Service fee	0.280%	0.272%	0.008%
Average Measure (\$000)			
UPB per loan	\$222	\$223	(\$1)
FICO	727	734	(7)
Loan to value	78.18%	76.71%	1.47%

\$ return – MSR asset

\$ Return	3Q14	4Q14	1Q15	2Q15	3Q15
Net hedged profit (loss)	(\$1)	\$0	(\$4)	\$4	\$1
Carry on asset	16	15	18	22	19
Run-off	(9)	(10)	(15)	(12)	(8)
Gross return on the mortgage servicing asset	\$6	\$5	(\$1)	\$14	\$12
Sale transaction & P/L	(2)	(4)	(2)	(5)	3
Model Changes	(3)	-	-	-	(3)
Net return on the mortgage servicing asset	\$1	\$2	(\$2)	\$9	\$12
Average mortgage servicing rights	\$295	\$280	\$265	\$271	\$317

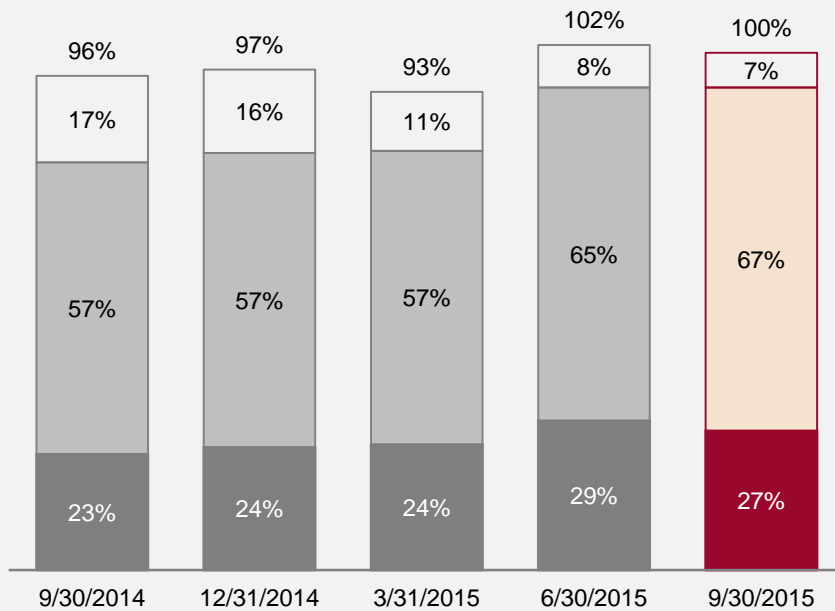
MSR portfolio characteristics (% UPB)



Liquidity

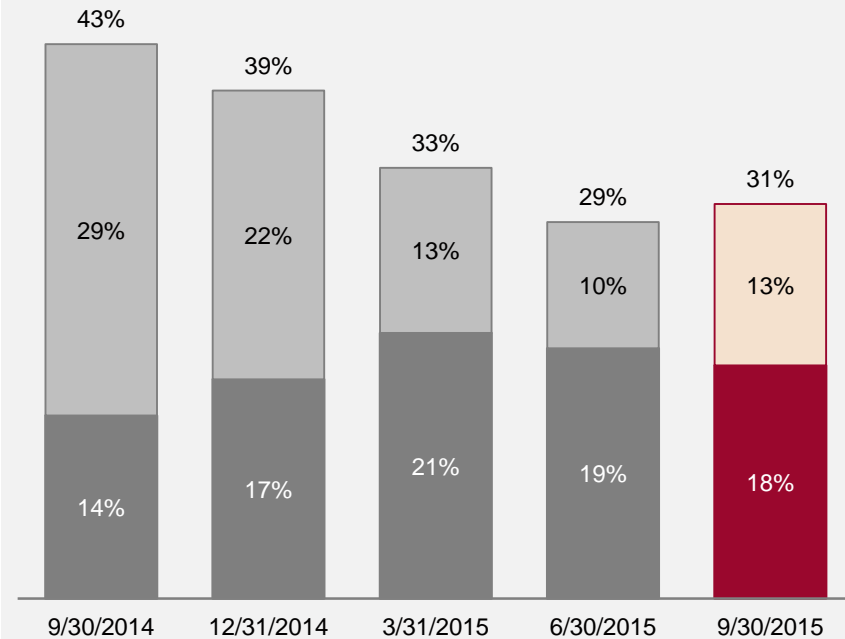
Gross loans/deposits

■ Gross loans HFS □ Gross loans HFI □ Gov. insured loans



Available liquidity/total assets⁽¹⁾

■ Cash + investment securities □ FHLB borrowing capacity / assets



1) Reclassification of certain Investment securities to held-to-maturity as of 9/30/15 have been included in available liquidity.

Available liquidity and funding

Liquidity balances and ratios (\$mm)					
Available liquidity	9/30/2014	12/31/2014	3/31/2015	6/30/2015	9/30/2015
Interest-earning deposits	\$63	\$89	\$198	\$194	\$130
Investment securities available-for-sale	1,378	1,672	2,295	2,272	1,150
Investment securities held-to-maturity ⁽¹⁾	-	-	-	-	1,108
Less: securities haircut	(69)	(84)	(115)	(114)	(112)
Less: pledged collateral	(1)	-	-	-	(13)
Liquid assets	\$1,371	\$1,677	\$2,378	\$2,352	\$2,263
FHLB borrowing capacity	\$2,775	\$2,200	\$1,476	\$1,186	\$1,569
Total available liquidity	\$4,146	\$3,877	\$3,854	\$3,538	\$3,832
Liquid assets as a % of total assets	14.2%	17.0%	20.6%	19.4%	18.1%
FHLB Capacity as a % of total assets	28.8%	22.4%	12.8%	9.8%	12.5%
Available liquidity as a % of total assets	43.1%	39.4%	33.3%	29.1%	30.6%

Funding	9/30/2014	12/31/2014	3/31/2015	6/30/2015	9/30/2015
Brokered deposits	\$354	\$392	\$361	\$328	\$317
FHLB advances	150	514	1,625	2,198	2,024
Other debt	340	331	317	283	279
Total wholesale funding	\$844	\$1,237	\$2,303	\$2,809	\$2,620
Wholesale funding as a % of total assets	8.8%	12.6%	19.9%	23.1%	20.9%

1) Reclassification of certain Investment securities to held-to-maturity as of 9/30/15 have been included in available liquidity.

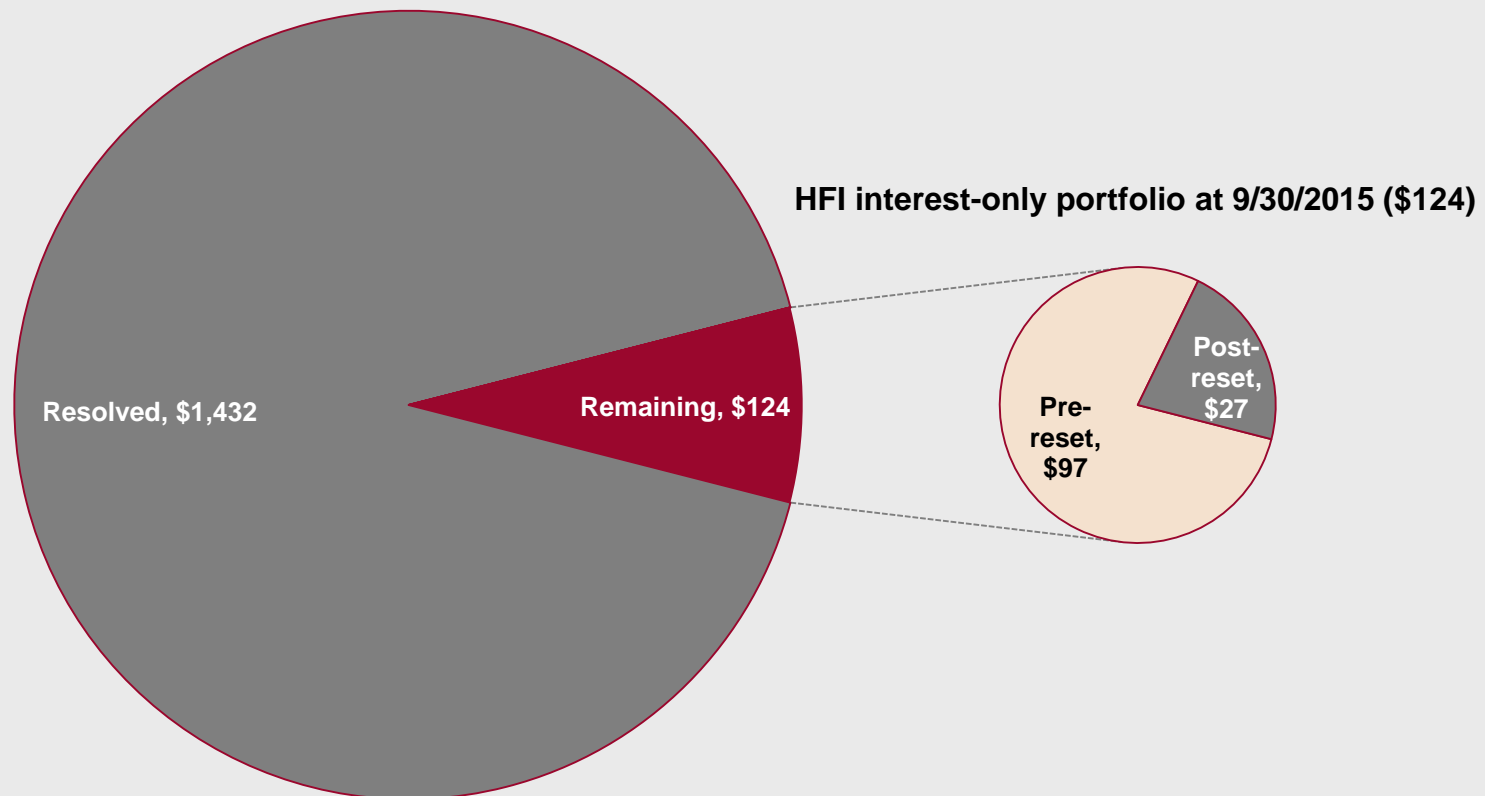
Interest-only loan portfolio

Overview

- Flagstar has materially eliminated risk associated with held-for-investment interest-only loans

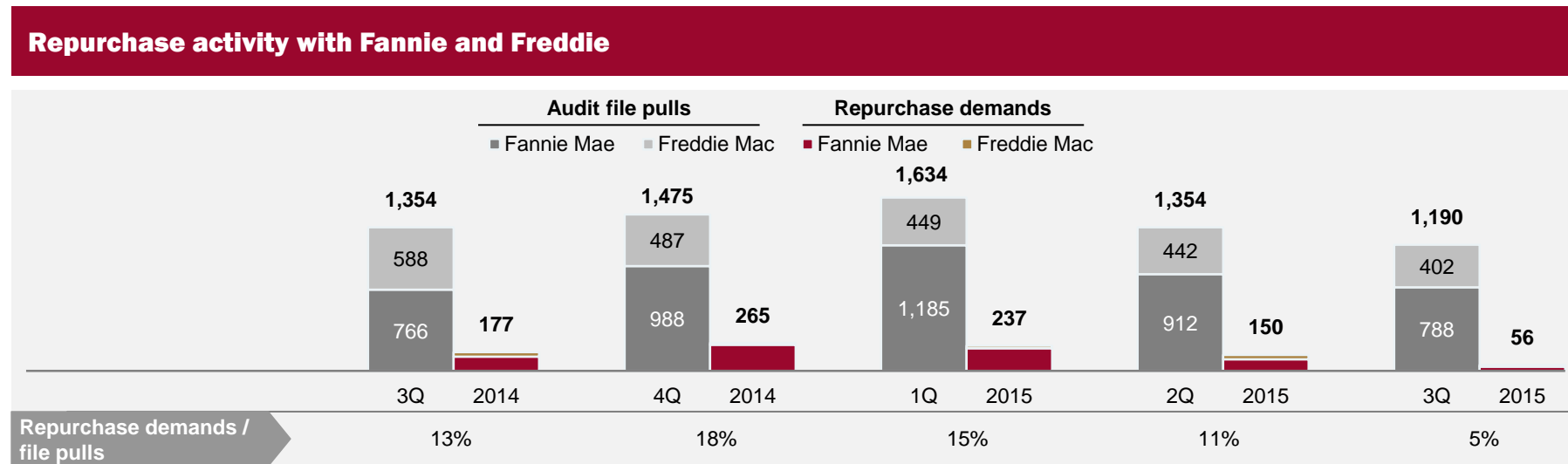
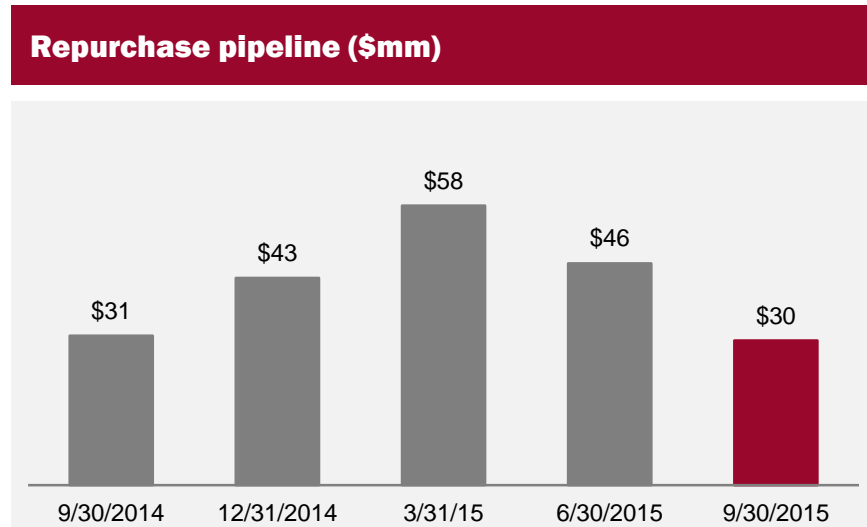
HFI interest-only reset exposure (UPB \$mm)

HFI interest-only portfolio at 12/31/2011 (\$1,556)



Representation & Warranty reserve details

Repurchase reserve (\$mm)					
(in millions)	9/30/14	12/31/14	3/31/15	6/30/15	9/30/15
Beginning balance	\$50	\$57	\$53	\$53	\$48
Additions	15	(4)	0	(3)	(4)
Net charge-offs	(8)	0	(0)	(2)	1
Ending Balance	\$57	\$53	\$53	\$48	\$45



Supplemental capital ratios

\$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.

Efficiency ratio and earnings per share

\$mm					
	3Q14	4Q14	1Q15	2Q15	3Q15
Net interest income (a)	\$64	\$61	\$65	\$73	\$73
Noninterest income (b)	85	98	119	126	128
Adjusting items:					
Loan fees and charges (1)	-	-	-	-	-
Representation and warranty reserve – change in estimate (2)	10	-	-	-	-
Other noninterest income (3)	-	-	-	-	-
Adjusted noninterest income	\$95	\$98	\$119	\$126	\$128
Adjusted income	\$159	\$159	\$184	\$199	\$201
Noninterest expense (c)	\$179	\$139	\$138	\$138	\$131
Adjusting items:					
Legal and professional expense (4)	(1)	-	-	-	-
Other noninterest expense (5)	(38)	-	-	-	-
Adjusted noninterest expense	\$140	\$139	\$138	\$138	\$131
Efficiency ratio (c/(a+b))	120.1%	87.4%	75.0%	69.3%	65.2%
Net (loss) income applicable to common stockholders	(\$28)	\$11	\$32	\$46	\$47
Adjustment to remove adjusting items	49	-	-	-	-
Tax impact of adjusting items	(17)	-	-	-	-
Adjusting tax item	-	-	-	-	-
Adjusted net (loss) income applicable to common stockholders	\$4	\$11	\$32	\$46	\$47
Diluted (loss) income per share	(\$0.61)	\$0.07	\$0.43	\$0.68	\$0.69
Adjustment to remove adjusting items	0.87	-	-	-	-
Tax impact of adjusting items	(0.30)	-	-	-	-
Adjusting tax item	-	-	-	-	-
Diluted adjusted (loss) income per share	(\$0.04)	\$0.07	\$0.43	\$0.68	\$0.69
Weighted average shares outstanding					
Basic	56,249,300	56,310,858	56,385,454	56,436,026	56,436,026
Diluted	56,249,300	56,792,751	56,775,039	57,165,072	57,207,503

- 1) Reverse benefit for contract renegotiation.
- 2) Add back reserve increase related to indemnifications claims on government insured loans.
- 3) Negative fair value adjustment on repurchased performing loans and a benefit for contract renegotiation.
- 4) Adjust for legal expenses related to the litigation settlements during the respective periods.
- 5) Adjust for CFPB litigation settlement expense.