Flagstar Bancorp, Inc. (NYSE: FBC)

Zelman 2015 Housing Summit

September 10, 2015

Flagstar Bancorp

Cautionary statement

This report contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, as amended. Forward-looking statements 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 the changes in asset values in certain geographic markets, that affect us or our counterparties;
2. Volatile interest rates, and our ability to effectively hedge against them, which could affect, among other things, (i) the overall mortgage business, (ii) our ability to originate or acquire loans and to sell assets at a profit, (iii) prepayment speeds, (iv) our cost of funds and (v) investments in mortgage servicing rights;
3. The adequacy of our allowance for loan losses and our representation and warranty reserves;
4. Changes in accounting standards generally applicable to us and our application of such standards, including in the calculation of the fair value of our assets and liabilities;
5. Our ability to borrow funds, maintain or increase deposits or raise capital on commercially reasonable terms or at all and our ability to achieve or maintain desired capital ratios;
6. Changes in material factors affecting our loan portfolio, particularly our residential mortgage loans, and the market areas where our business is geographically concentrated or further loan portfolio or geographic concentration;
7. Changes in, or expansion of, the regulation of financial services companies and government-sponsored housing enterprises, including new legislation, regulations, rulemaking and interpretive guidance, enforcement actions, the imposition of fines and other penalties by our regulators, the impact of existing laws and regulations, new, changed or reduced roles or guidelines of government-sponsored entities, changes in regulatory capital ratios, and increases in deposit insurance premiums and special assessments of the Federal Deposit Insurance Corporation;
8. Our ability to comply with the terms and conditions of the Supervisory Agreement with the Board of Governors of the Federal Reserve and the Bank’s ability to comply with the Consent Order of the Office of Comptroller of the Currency and the Consent Order of the Consumer Financial Protection Bureau and our ability to address any further matters raised by these regulators, and other regulators or government bodies;
9. Our ability to comply with the terms and conditions of the agreement with the U.S. Department of Justice and the impact of compliance with that agreement and our ability to accurately estimate the financial impact of that agreement, including the fair value and timing of the future payments;
10. The Bank’s ability to make capital distributions and our ability to pay dividends on our capital stock or interest on our trust preferred securities;
11. Our ability to attract and retain senior management and other qualified personnel to execute our business strategy, including our entry into new lines of business, our introduction of new products and services and management of risks relating thereto, and our competing in the mortgage loan originations, mortgage servicing and commercial and retail banking lines of business;
12. Our ability to satisfy our mortgage servicing and subservicing obligations and manage repurchases and indemnity demands by mortgage loan purchasers, guarantors and insurers;
13. The outcome and cost of defending current and future legal or regulatory litigation, proceedings or investigations;
14. Our ability to create and maintain an effective risk management framework and effectively manage risk, including, among other things, market, interest rate, credit and liquidity risk, including risks relating to the cyclicality and seasonality of our mortgage banking business, litigation and regulatory risk, operational risk, counterparty risk and reputational risk;
15. The control by, and influence of, our majority stockholder;
16. A failure of, interruption in or cybersecurity attack on our network or computer systems, which could impact our ability to properly collect, process and maintain personal data, ensure ongoing mortgage and banking operations, or maintain system integrity with respect to funds settlement; and
17. Our ability to meet our forecasted earnings such that we would need to establish a valuation allowance against our deferred tax asset.

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.

2nd quarter key highlights

Solid core franchise	• Largest bank headquartered in Michigan, with $12.1 billion in assets, $7.6 billion of deposits and 100 branches • Mortgage origination (10th largest) and servicing (6th largest sub-servicer) franchises have national scale
Strong profitability	• Net income of $46 million, or $0.68 per diluted share in 2Q15, up $15 million, or $0.25 per diluted share vs. 1Q15 • Positive operating leverage, led by 9% increase in revenue versus a 1% increase in expenses • Average interest earning assets increased 10%; warehouse lending increased 56%
Greater noninterest income	• Noninterest income increased $9 million to $127 million, up more than 7% from 1Q15 - MSR return of $9 million, representing a yield of 14%, compared to a loss of $(2) million in 1Q15 - Net gain on loan sales decreased 10% to $82 million on lower lock volumes and gain on sale margin - Representation and warranty benefit of $6 million due to lower net charge-offs and positive claims experience
Expense discipline	• Noninterest expense increased $2 million to $139 million, up just over 1% from 1Q15 - Higher commissions and loan processing expense related to increased business activity - Higher warrant expense resulting from improved stock performance - Offset by improved compensation & benefits, asset resolution and legal & professional expenses
Improved asset quality	• Sold $456 million of interest-only and lower performing loans - Adjusted charge-offs improved to 26 bps - $10.3 million after-tax net allowance release relating to interest-only and lower performing loan sales - Allowance to loans held for investment remained strong at 4.31%
Robust capital and liquidity	• Tier 1 leverage remains solid at 11.47% • On-balance sheet liquidity equal to 29.1% 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.

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Solid core franchise

Community bank

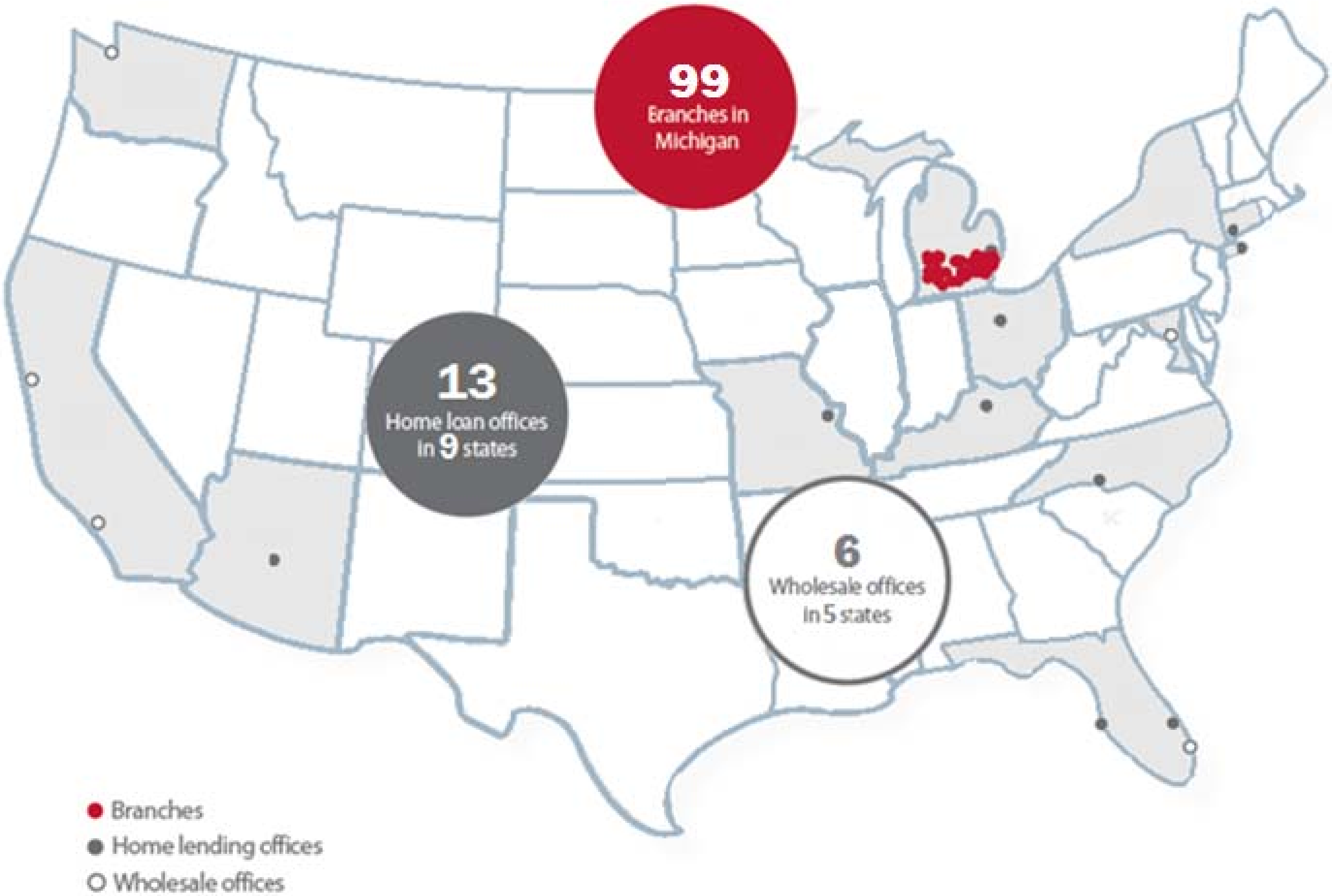
- Largest Michigan based bank
- #7 in deposit market share
- $12.1bn of assets
- $7.6bn of deposits
- 99 branches

Mortgage originator

- 10th largest originator nationally
- Originated more than $29bn of residential mortgage loans during the last 12 months

Mortgage servicer

- 6th largest sub-servicer of mortgage loans nationwide
- Currently servicing nearly 400k loans
- Scalable mortgage platform to service up to 1mm loans



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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
    - $1.4B of lower performing assets
    - $81B (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
  - Lift Consent Order (continue to make meaningful progress)

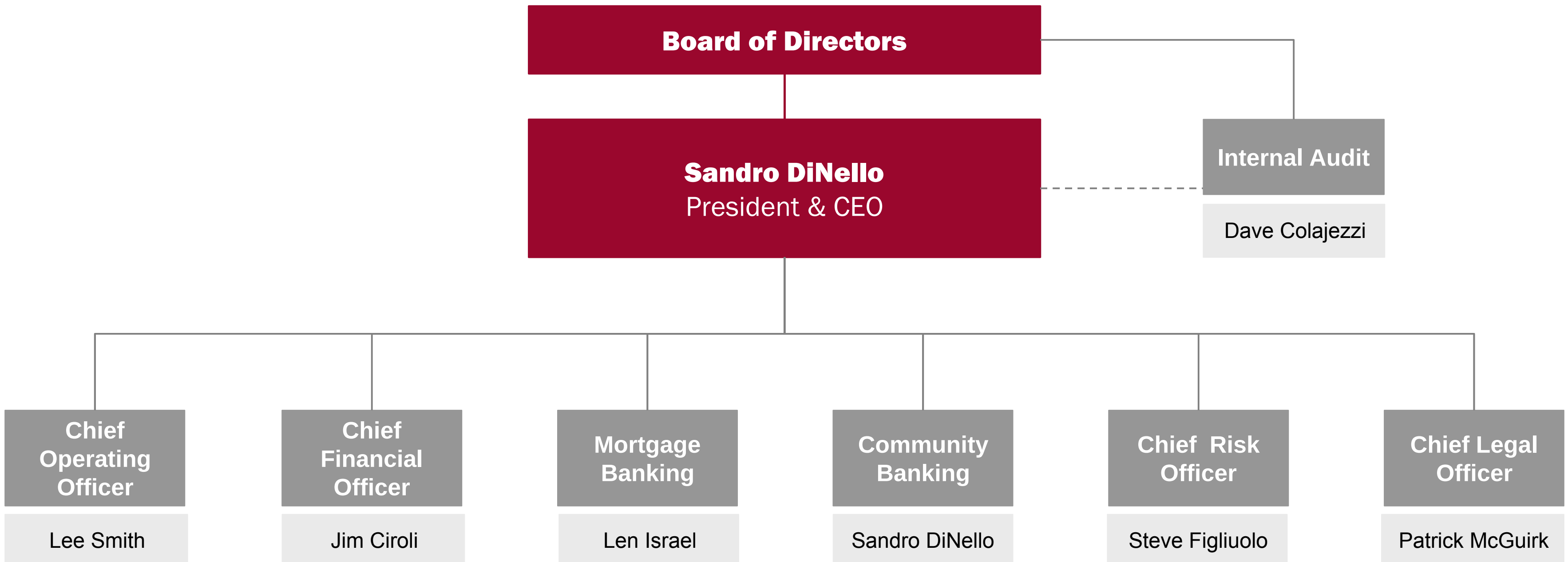
2017+

Grow & diversify earnings

- ❑ Grow community banking
  - Add high-quality assets
  - Boost NIM & fee income
- ❑ Diversify mortgage originations
  - Add 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

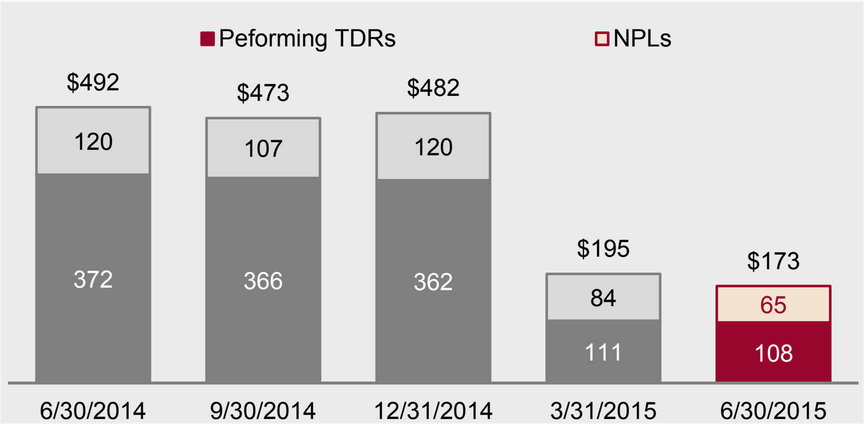


Improved asset quality

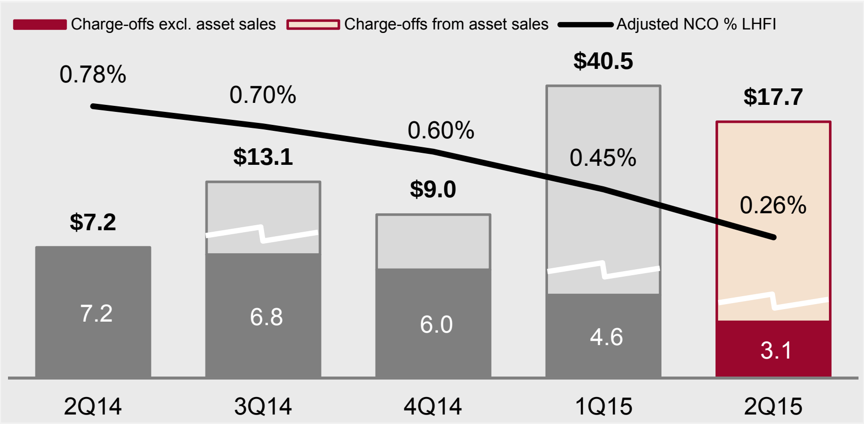
Flagstar has significantly de-risked its balance sheet

- Sale of ~$800mm of interest-only and lower performing loans in 1H15 significantly improved asset quality
- Reinvested proceeds into higher quality assets including warehouse loans, residential mortgages

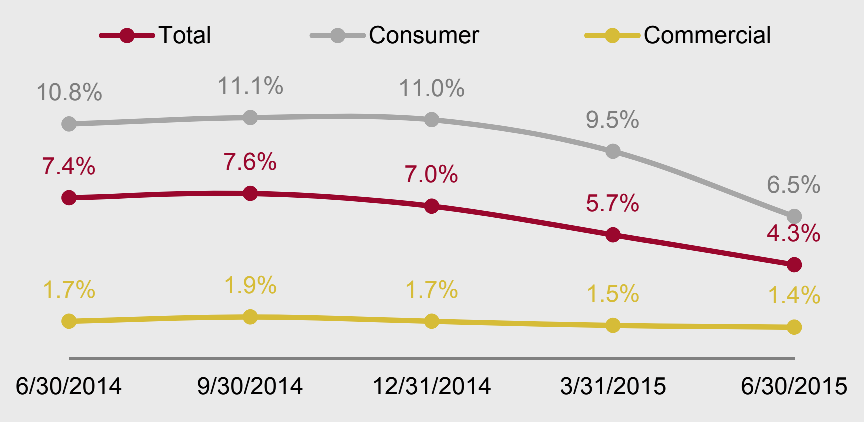
Performing TDRs and NPLs ($mm)



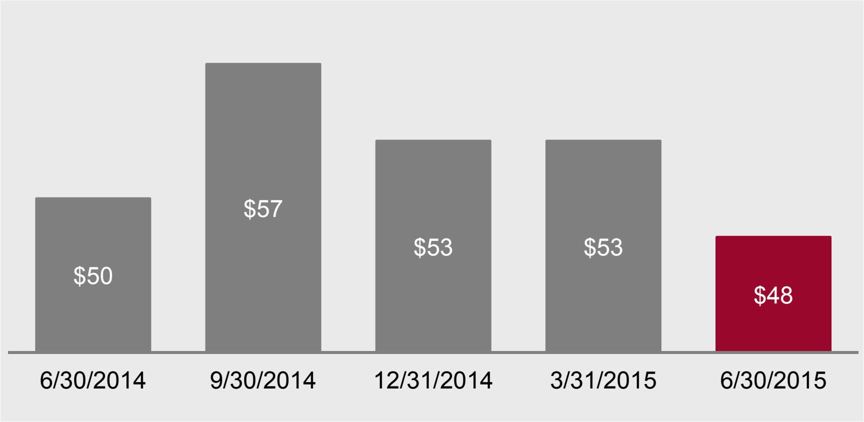
Net charge-offs ($mm)



Allowance coverage[1] (% of loans HFI)



Representation & warranty reserve ($mm)



1) Excludes loans carried under the fair value option.

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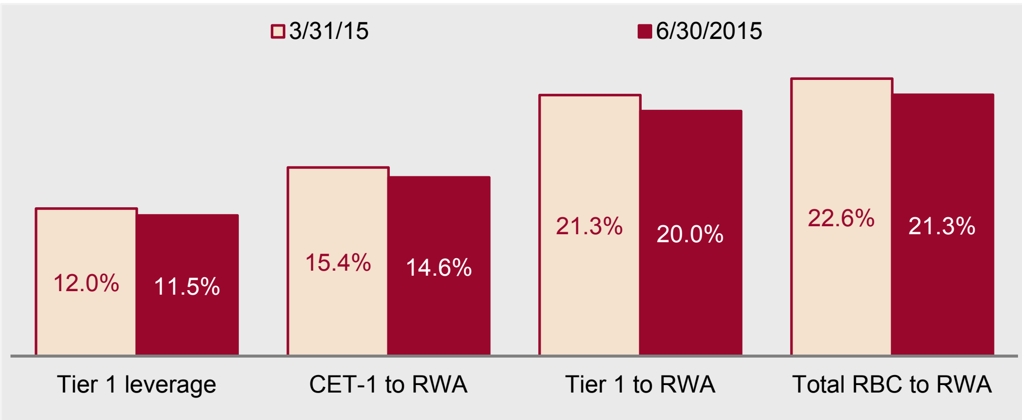
Increased capital & liquidity

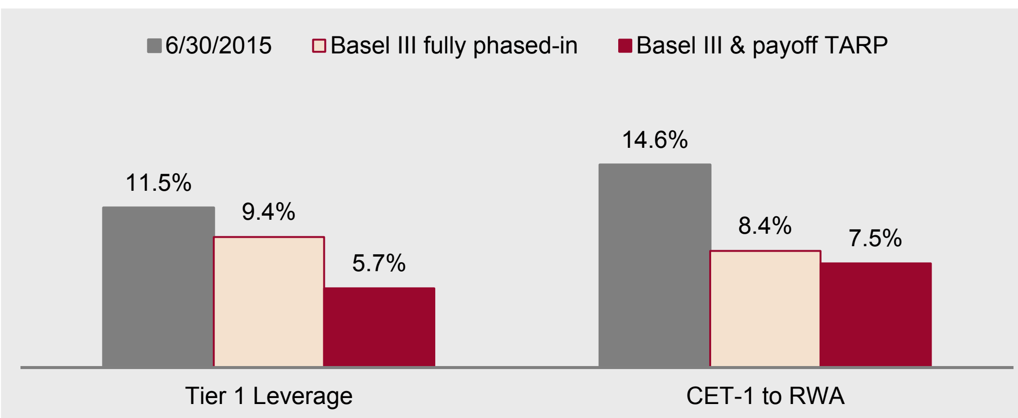
Flagstar continues to maintain strong capital ratios with the partial phase-in of Basel III regulations

Basel III phase-in as of 6/30/15 vs 3/31/15[1]



1) Please see non-GAAP tables in the appendix.

Pro-forma capital ratios as of 6/30/15[1]



Changes in regulatory ratios – Q2 2015

- Decrease in regulatory ratios resulted primarily from the deployment of capital to fund balance sheet growth
- 2Q15 earnings retention added between 40 - 70 basis points to capital ratios
- 2Q15 earnings retention reduced capital ratios between 100 - 200 basis points

Basel III implementation overview

- 3 year phase-in period, starting January 1, 2015 – January 1, 2018
- DTA and MSR assets are limited to 10% individually and 15% on a combined basis of common equity Tier 1 capital (CET-1)
- DTA and MSR assets are weighted at 250% of the amount included in risk weighted assets (RWA)
- Average quarterly assets, rather than end of period assets, are measured for the Tier 1 leverage ratio
- If FBC sold excess MSRs, Tier 1 leverage and CET-1 ratios would be 12.1% and 16.2%, respectively

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Restored profitability

$mm (except per share data)

	Three Months Ended					Six Months Ended	
	6/30/15	3/31/15	12/31/14	9/30/14	6/30/14	6/30/15	6/30/14
Net interest income (A)	$73	$65	$61	$64	$63	$138	$121
(Benefit) provision for loan losses ("PLL") (B)	(13)	(4)	5	8	6	(17)	119
Net interest income (loss) after PLL	86	69	56	56	57	155	2
Net gain on loans sales	83	91	54	52	55	174	100
Loan fees and charges	19	17	17	19	25	36	38
Loan administration income	7	4	5	6	6	11	10
Other noninterest income	17	7	22	9	17	24	29
Total noninterest income (C1)	125	119	98	86	103	244	177
Compensation and benefits	59	61	59	54	55	120	120
Commissions	11	10	9	10	9	21	16
Other noninterest expense	68	67	71	116	58	135	123
Total noninterest expense (D1)	138	138	139	180	122	276	259
Income (loss) before income taxes	**73**	**50**	**15**	**(38)**	**38**	**123**	**(80)**
Provision (benefit) for income taxes	28	18	4	(10)	12	46	(28)
Net income (loss) to common	**$46**	**$32**	**$11**	**($28)**	**$26**	**$78**	**($32)**
Dilluted income (loss) per share	$0.68	$0.43	$0.07	($0.61)	$0.33	$1.11	($1.17)
Profitability							
Net interest margin	2.79%	2.75%	2.80%	2.91%	2.98%	2.77%	2.97%
Mortgage rate lock commitments, fallout adjusted	$6,804	$7,185	$6,156	$6,304	$6,693	$13,989	$11,547
Mortgage closings	$8,448	$7,254	$6,603	$7,186	$5,951	$15,702	$10,818
Gain on loan sale margin (C2)	1.21%	1.27%	0.87%	0.83%	0.82%	1.27%	0.87%
Efficiency ratio (D2)	69.6%	74.8%	87.2%	119.9%	73.6%	72.1%	87.4%

Observations

A Increased net interest income

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

B Lower credit costs

- Sale of TDR's, I/O's and other lower performing loans during 1Q15 and 2Q15 resulted in reserve releases
- Rotation into higher quality assets resulted in lower provision for loan losses

C Higher noninterest income

- Led by increased net gain on loan sales and stabilized 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

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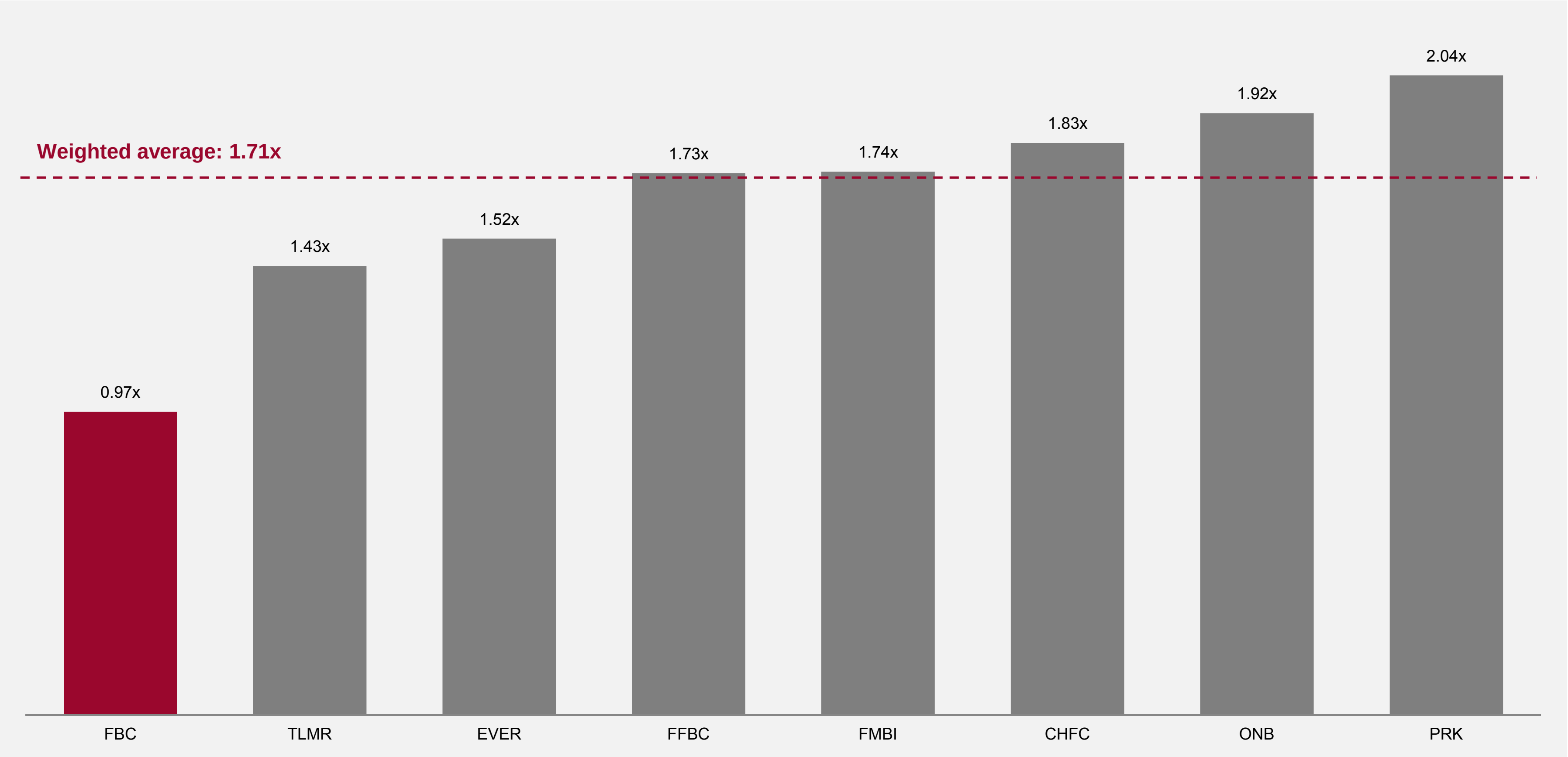
Relative valuation of common equity

Flagstar's ratio of market value to tangible book value is less than peers

Market value of common equity / tangible book value



Source: SNL Financial; tangible book value of common equity as of June 30, 2015 and market value of common equity as of August 31, 2015.

Questions & answers

FBC

LISTED

NYSE

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Appendix

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Quarterly income comparison

$mm

		2Q15	1Q15	$ Variance	% Variance
Net interest income	A	$72.5	$64.9	$7.6	12%
(Benefit) provision for loan losses ("PLL")	B	(13.3)	(3.5)	(9.8)	N/M
Net interest income after PLL		85.8	68.4	17.4	25%
Net gain on loan sales	C1	82.2	91.3	(9.1)	(10%)
Loan fees and charges		18.5	17.0	1.5	9%
Loan administration income	C2	6.8	4.3	2.5	58%
Net return on the mortgage servicing asset	C3	9.3	(2.4)	11.7	N/M
Representation and warranty benefit		5.9	1.5	4.4	N/M
Other noninterest income		4.3	6.6	(2.3)	(34%)
Total noninterest income		127.0	118.3	8.7	7%
Gain sale / total revenue		*39%*	*49%*	*-10%*	
Compensation and benefits		59.1	60.8	(1.7)	(3%)
Commissions and loan processing expense		25.3	22.1	3.2	15%
Other noninterest expenses		54.5	54.1	0.4	1%
Total noninterest expense	D	138.9	137.0	1.9	1%
Income before income taxes		**73.9**	**49.7**	**24.2**	**49%**
Provision for income taxes		27.5	18.2	9.3	(51%)
Net income		**$46.4**	**$31.5**	**$14.9**	**47%**
Diluted earnings per share		**$0.68**	**$0.43**	**$0.25**	58%
Profitability					
Net interest margin		2.79%	2.75%	4 bps	
Mortgage rate lock commitments, fallout adjusted		$6,804	$7,185	($382)	(5%)
Mortgage closings		$8,448	$7,254	$1,194	16%
Gain on loan sale margin[1]		1.21%	1.27%	-6 bps	
Efficiency ratio		69.6%	74.8%	520 bps	

1) Expressed as a percent of fallout adjusted locks.

Observations

A Net interest income

- Net interest income increased 12%
  - Interest-earning asset growth of 10%
  - Net interest margin increased 4 bps to 2.79%

B (Benefit) provision for loan losses

- $16.4 million net allowance release relating to interest-only and lower performing loan sales
- $15.1 million decrease in consumer loan delinquencies to 0.50% compared to 1.21% in 1Q15; no commercial loan delinquencies

C Noninterest income

- Noninterest income increased more than 7%
  - Net gain on loan sales decreased 10% on lower lock volumes and gain on sale margin
  - Loan administration income improved from slower prepayment rates
  - Net return on the MSR improved from lower market volatility

D Noninterest expense

- Efficiency ratio improved through careful management of noninterest expense
  - Higher commissions and loan processing related to increased mortgage closings
  - Offset by lower compensation, asset resolution and legal & professional expenses

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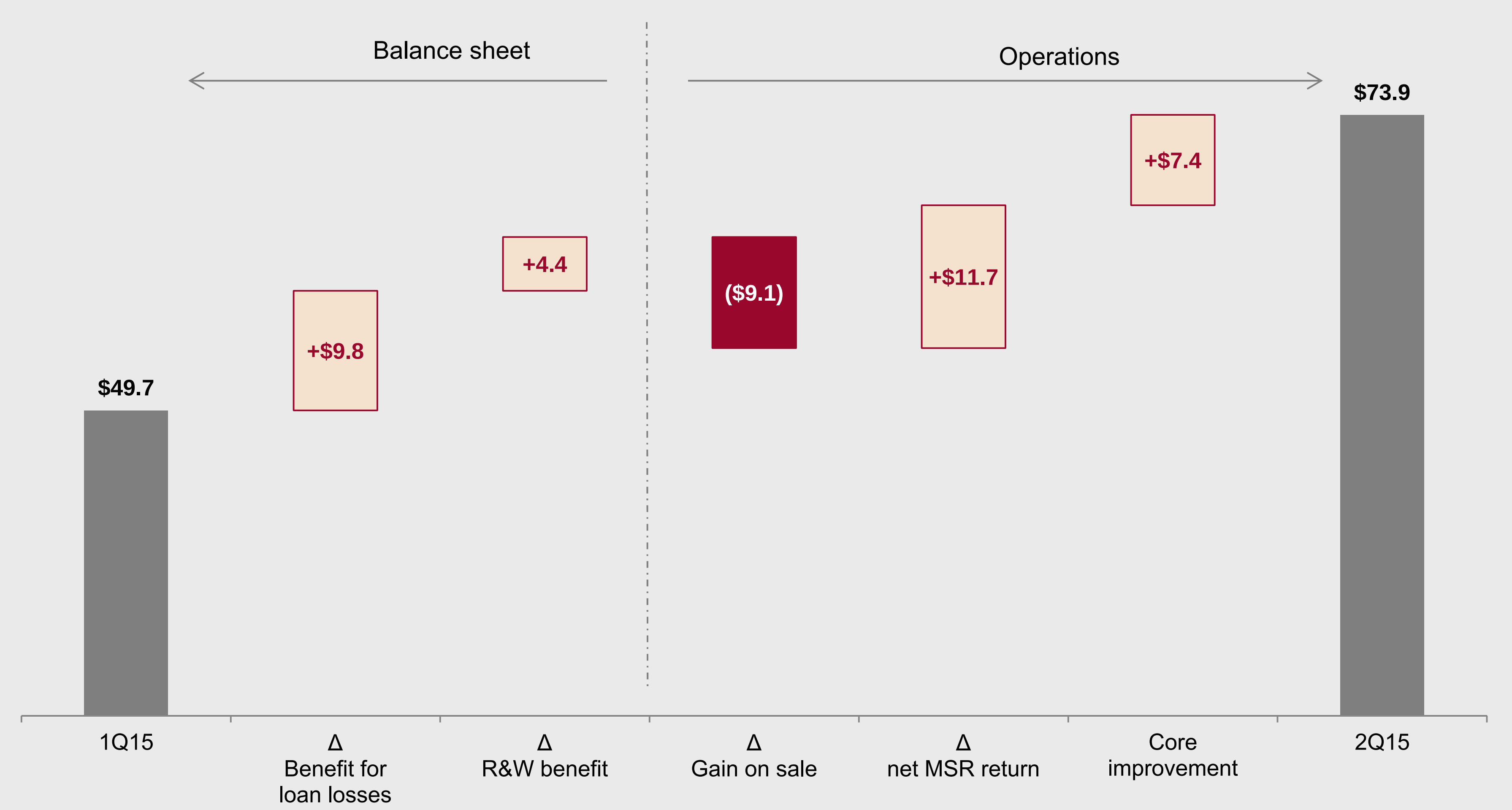
Pre-tax earnings bridge (2Q15 vs 1Q15)

($mm)



Average balance sheet highlights

$mm

	2Q15	1Q15	$ Variance	% Variance
Total Assets	**$11,811**	**$10,856**	**$955**	**9%**
Cash and cash equivalents	$200	$290	($90)	(31%)
Investment securities	$2,350	$2,113	237	11%
Liquid assets	**$2,549**	**$2,403**	**$147**	**6%**
Residential first mortgages	$2,408	$2,186	$221	10%
Consumer loans(1)	$505	$429	77	18%
Commercial loans(1)	$1,054	$1,057	(3)	(0%)
Warehouse loans	$970	$621	349	56%
Loans, held for investment	**$4,938**	**$4,294**	**$644**	**15%**
Loans held for sale	2,218	1,842	376	20%
Loans with government guarantees	630	865	(234)	(27%)
Total loans	**$7,786**	**$7,000**	**$786**	**11%**
Mortgage servicing rights	$271	$265	$5	2%
Book value per common share	$20.98	$20.43	$0.55	3%

Observations

Balance sheet growth

- The average balance sheet grew $955 million or nearly 9%
- Total average loan growth of 11%
  - Led by growth in loans HFI of 15% with warehouse lending growth of 56%
  - Retention of first residential mortgages grew balances 10%

Strong balance sheet[2]

- Deposits are a significant portion of our funding
  - Total deposits equal 75% of liabilities
  - Core deposits equal 47% of liabilities
- Common equity / assets of 10%

Book value per share

- Price to book ratio of 88% based on closing price as of July 27, 2015[3]

1) Consumer loans include second mortgage, HELOC and other consumer loans; commercial loans include commercial real estate and commercial & industrial loans.
2) Ratios are calculated on the average balance sheet for the quarter.
3) Book value has not been reduced for $71 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 $1.26 per share.

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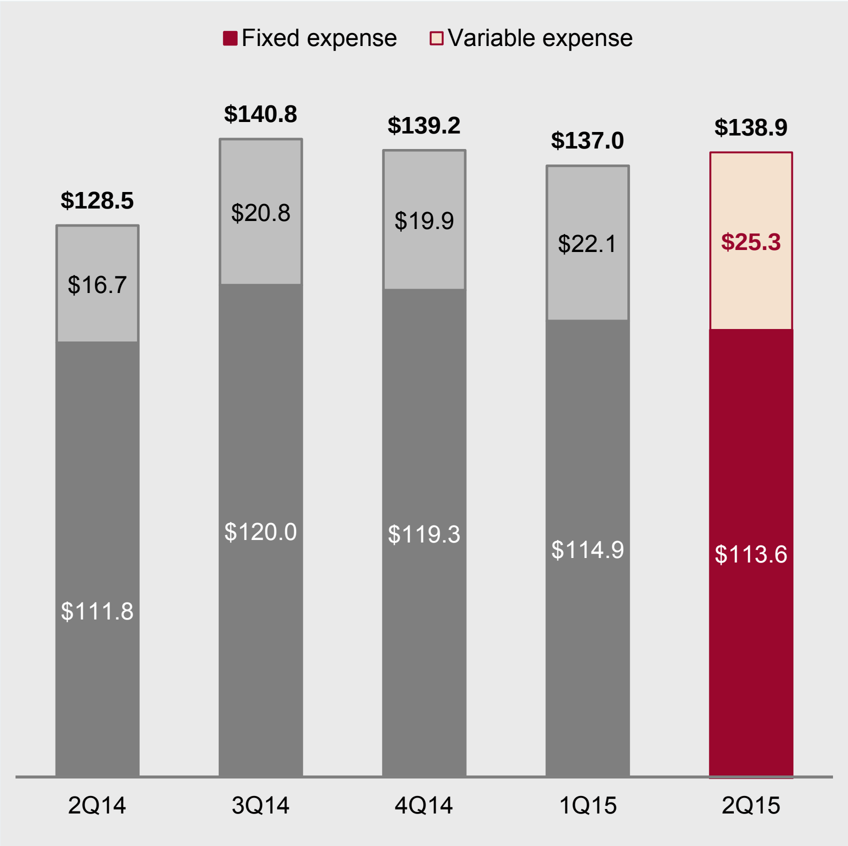
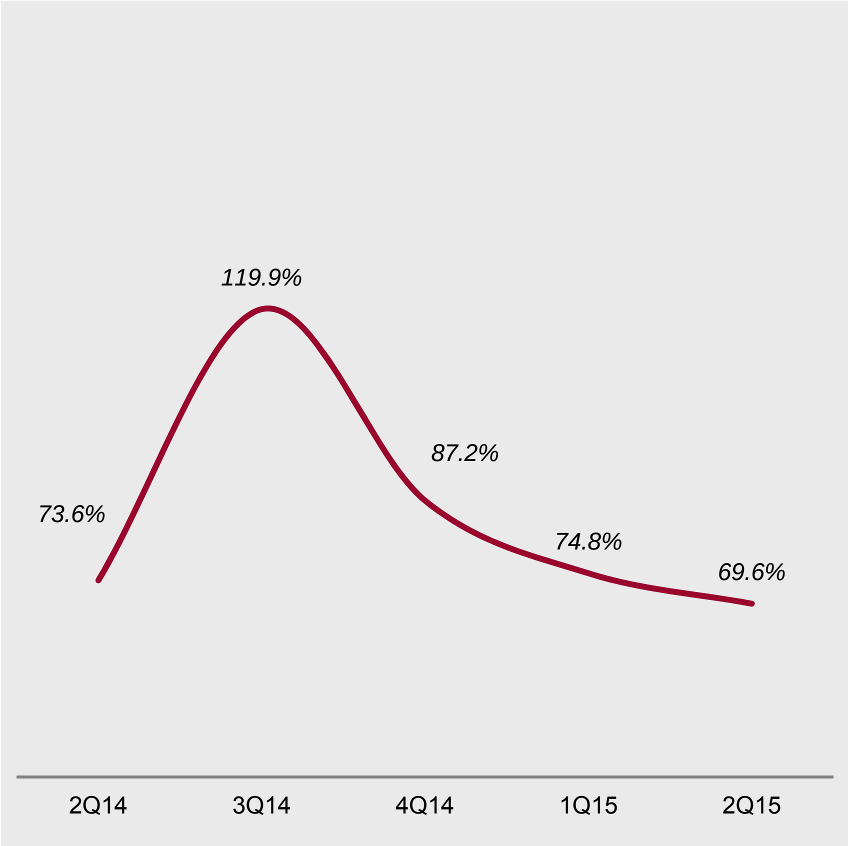
Adjusted noninterest expenses(1)

Flagstar's expense discipline is substantially contributing to positive operating leverage

Quarterly noninterest expenses(1) ($mm)



Efficiency ratio



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

1) See non-GAAP reconciliations in the appendix for excluded items. Quarters with adjusted totals include Q2 2014 and Q3 2014.

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Consolidated financial highlights

Quarterly results – $mm

	2Q14	3Q14	4Q14	1Q15	2Q15
Balance Sheet					
Gross loans HFS	$1,343	$1,469	$1,244	$2,097	$2,038
Gross loans HFI	$4,359	$4,185	$4,448	$4,631	$5,335
Government guaranteed loans	$1,218	$1,192	$1,128	$704	$592
MSR	$289	$285	$258	$279	$317
Total assets	$9,933	$9,625	$9,840	$11,571	$12,139
Deposits	$6,644	$7,234	$7,069	$7,549	$7,648
FHLB borrowings	$1,032	$150	$514	$1,625	$2,198
Trust preferred	$247	$247	$247	$247	$247
Preferred equity	$267	$267	$267	$267	$267
Common equity	$1,119	$1,085	$1,106	$1,153	$1,184
% common equity of total assets	**11.3%**	**11.3%**	**11.2%**	**10.0%**	**9.8%**
Income Statement					
Net interest income	$62	$64	$61	$65	$73
Gain on loan sales	$55	$52	$54	$91	$82
Other noninterest income	$48	$33	$45	$27	$45
Noninterest expense	($121)	($179)	($139)	($137)	($139)
Pre-provision net revenue (expense)	$44	($30)	$20	$46	$61
Provision for loan losses	($6)	($8)	($5)	$4	$13
Income (loss) before taxes	$37	($38)	$16	$50	$74
PPNR / average assets	**1.8%**	**-1.2%**	**0.8%**	**1.7%**	**2.0%**
Credit					
ALLL	$306	$301	$297	$253	$222
ALLL as a % of loans HFI (excl FV)	7.4%	7.6%	7.0%	5.7%	4.3%
NPAs to total assets	1.54%	1.40%	1.42%	0.87%	0.69%
Operations					
Number of banking centers	106	106	107	107	100
Number of loan origination centers	32	32	16	16	13
# of employees	2,741	2,725	2,739	2,680	2,713

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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	$510	$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	$1,010	$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	$187	$246
Gain on loan sales	$297	$301	$991	$402	$206
Other noninterest income	$157	$85	$30	$250	$155
Noninterest expense	($611)	($635)	($990)	($918)	($579)
Pre-provision net revenue (expense)	$54	($4)	$329	($79)	$28
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)	4.35%	4.52%	5.61%	5.42%	7.01%
NPAs to total assets	4.35%	4.43%	3.70%	1.95%	1.42%
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

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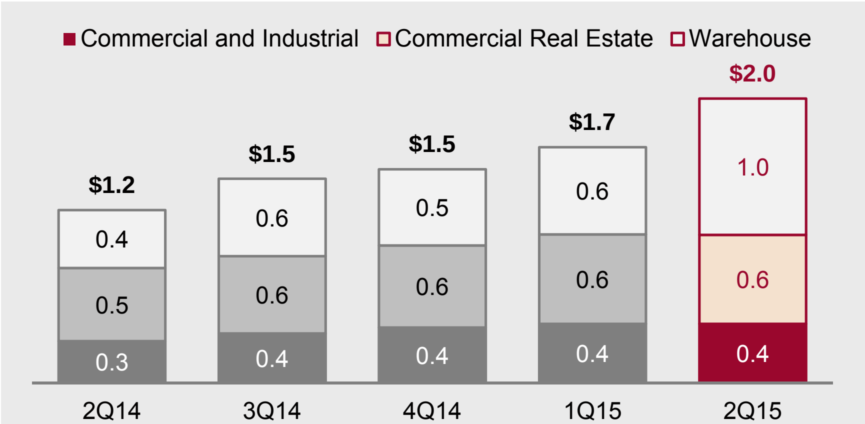
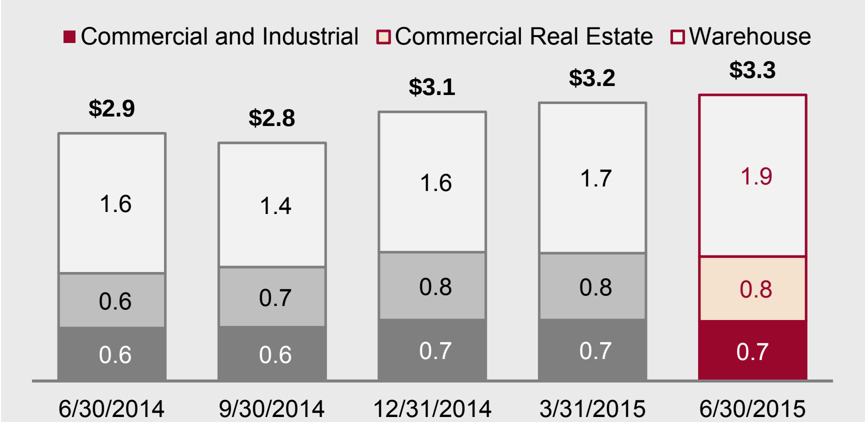
Community banking

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

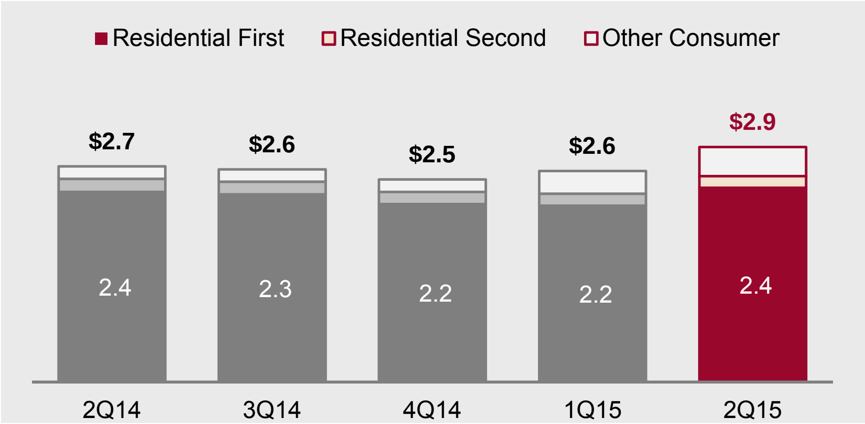
Average commercial loans ($bn)



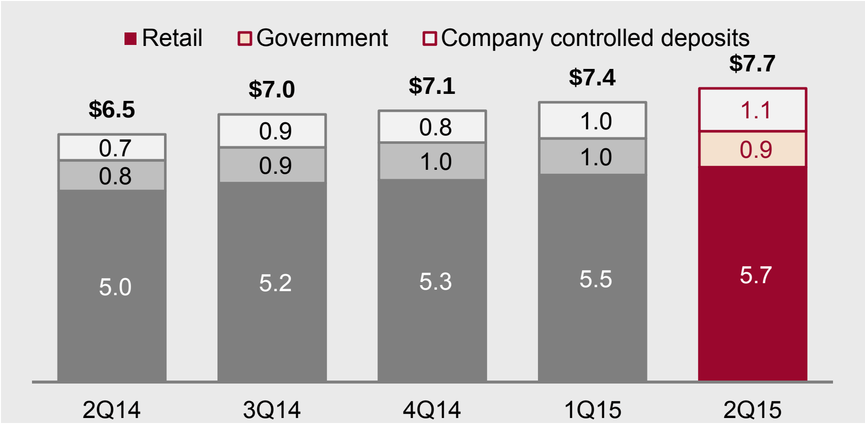
Commercial loan total commitments ($bn)



Average consumer loans ($bn)



Average deposit funding[1] ($bn)



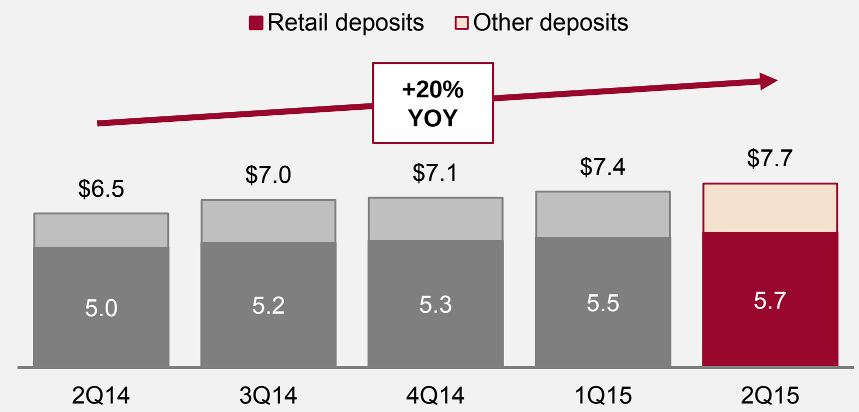
1) Includes company controlled deposits which are included as part of mortgage servicing.

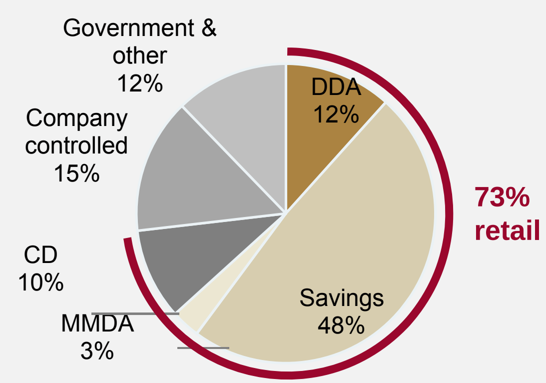
Deposits

Portfolio and strategy overview

- **Flagstar gathers deposits from consumers, small businesses and select governmental entities**
  - Traditionally, CDs and savings accounts represented the bulk of our branch-based retail depository relationships
  - Today, we are focused on gathering core DDA deposits from small business and consumers and represents nearly $50mm of the quarterly deposit growth
  - We additionally maintain depository relationships in connection with our mortgage origination and servicing businesses, and with predominately MI governmental entities
  - Cost of total deposits equal to 0.58%

Total average deposits ($bn)



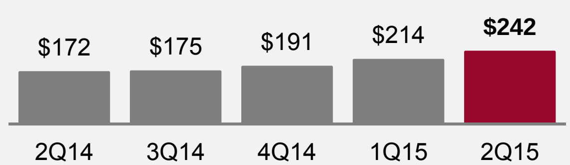


Total : $7.7bn
0.58% cost of total deposits

Deposit channel overviews:

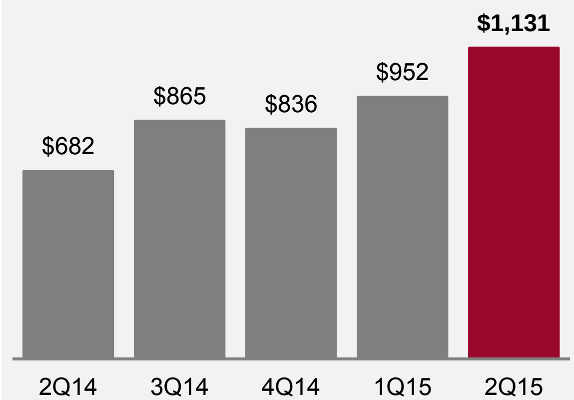
Commercial, Company Controlled, Government

Average commercial ($mm)



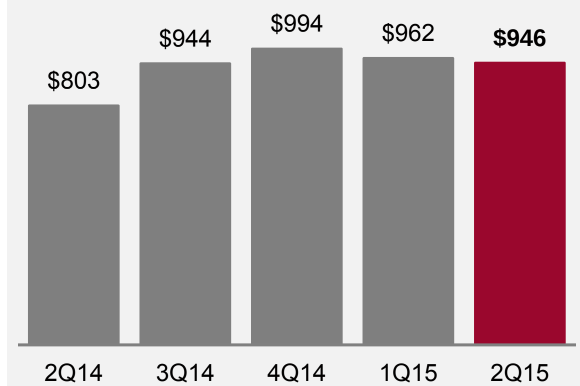
- Over the past year, treasury management services has driven:
  - 40% growth in commercial deposits
  - 29% growth in fee income
- Cost of deposit: 0.25%

Average company controlled ($mm)



- Arise due to servicing of loans for others and represent the portion of the investor custodial accounts on deposit with the Bank
- Approximately $443mm of additional deposits are available at 6/30/2015 to return to our balance sheet once certain conditions are met

Average government ($mm)



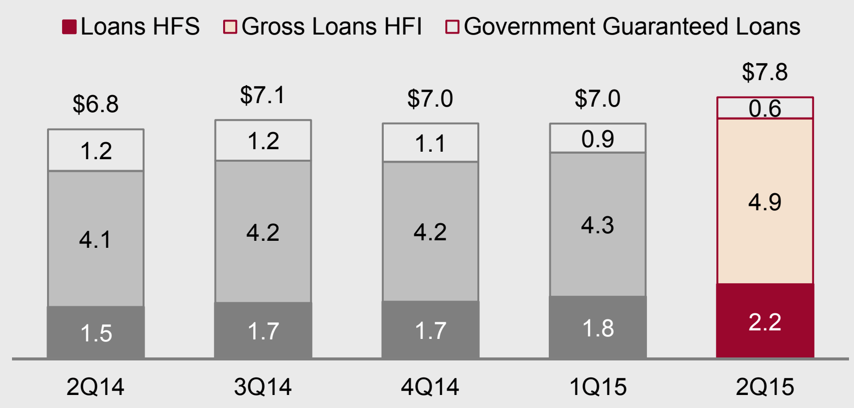
- We call on local governmental agencies, and other public units, as an additional source for deposit funding
- Cost of deposit 0.43%

Lending

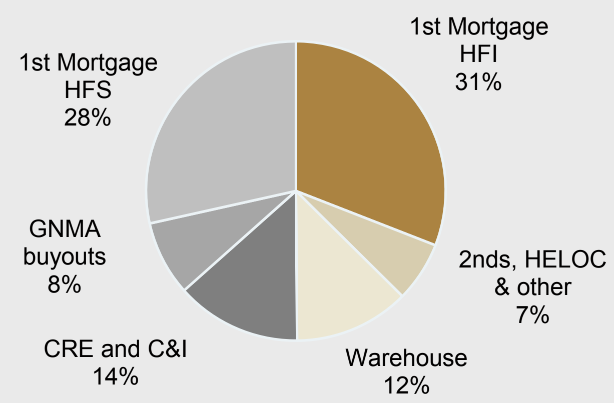
Portfolio and strategy overview

- **Flagstar's largest category of earning assets consists of loans held-for-investment, currently $5.3bn, gross**
  - Loans to consumers consist of residential first mortgage loans, HELOC and other
  - C&I / CRE lending is an important growth strategy, offering risk diversification and asset sensitivity
  - Warehouse loans are extended to other mortgage lenders, offering attractive risk-adjusted returns
- **Flagstar maintains a balance of mortgage loans held for sale, currently $2.0bn**
  - Essentially all of our mortgage loans produced are sold into the secondary market on a whole loan basis or by securitizing the loans into MBS
  - Flagstar has the option to direct a portion of the mortgage loans it originates to its own balance sheet
- **Flagstar also has a portfolio of FHA-insured or guaranteed delinquent loans securitized in Ginnie Mae pools, which it repurchases from time to time**

Total average loans ($bn)



Q2 2015 average gross loans

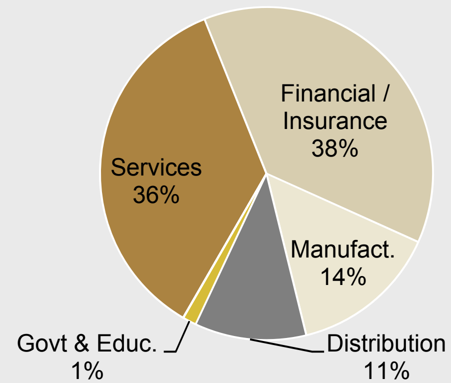


Lending: Commercial

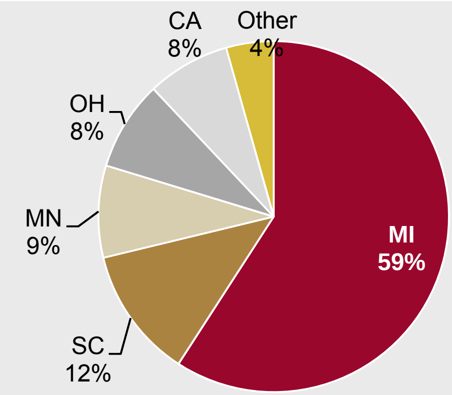
C&I and CRE loans are predominately in-footprint and well diversified

C&I as of 6/30/15 - $412mm

Borrower type:

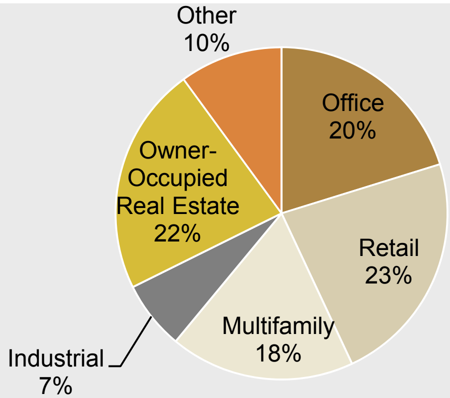


Borrower location:

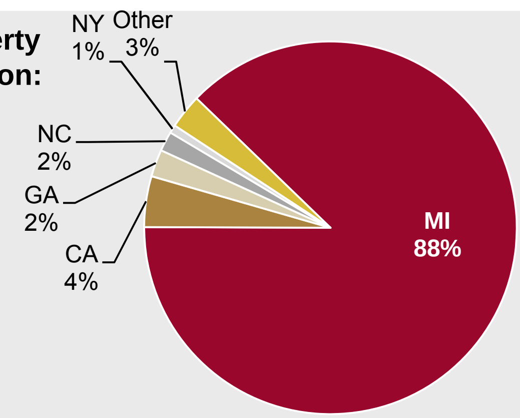


CRE as of 6/30/15 - $629mm

Property type:



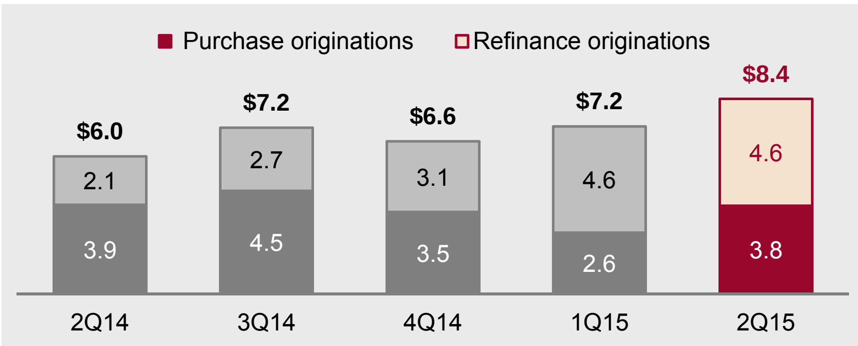
Property location:



Mortgage origination

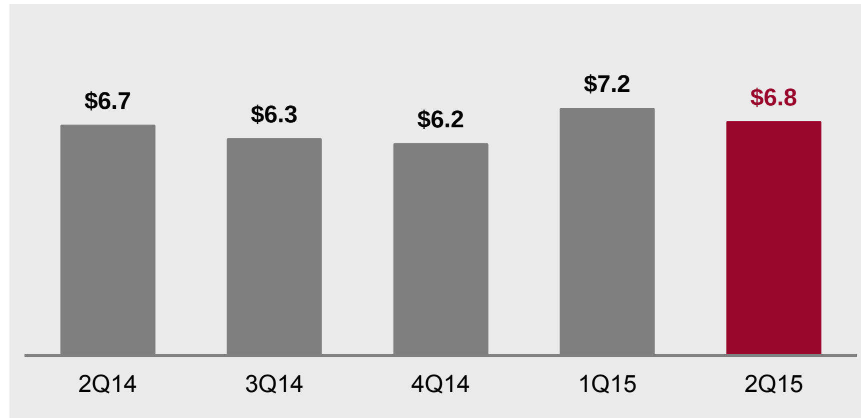
Flagstar has enhanced its mortgage originations business to improve service and profitability

Closings by purpose ($bn)

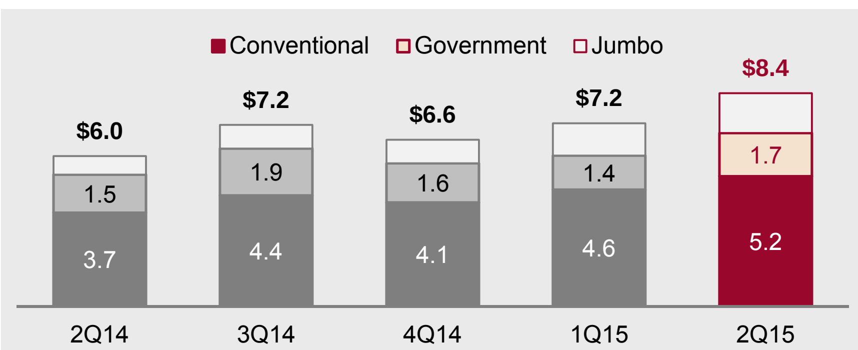


Conforming (%)	62%	61%	62%	64%	**61%**

Fallout adjusted locks ($bn)

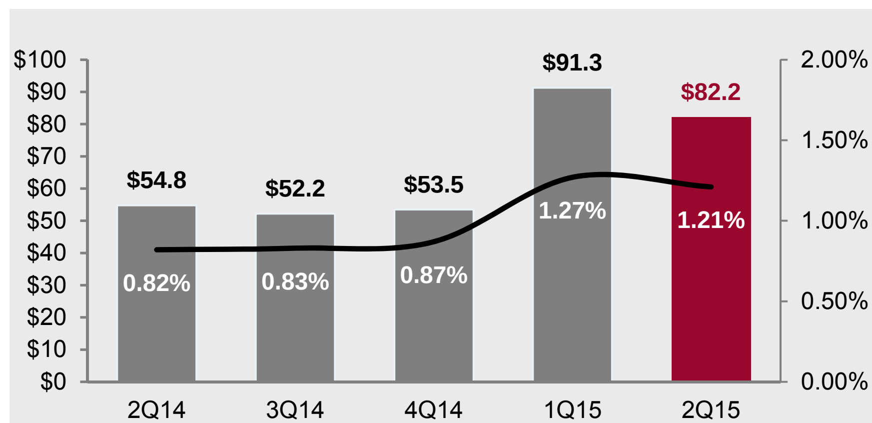


Closings by mortgage type ($bn)



FHA (%)	16%	15%	14%	12%	**16%**

Gain on loan sale[1] – revenue and margin



1) Based on fallout adjusted locks.

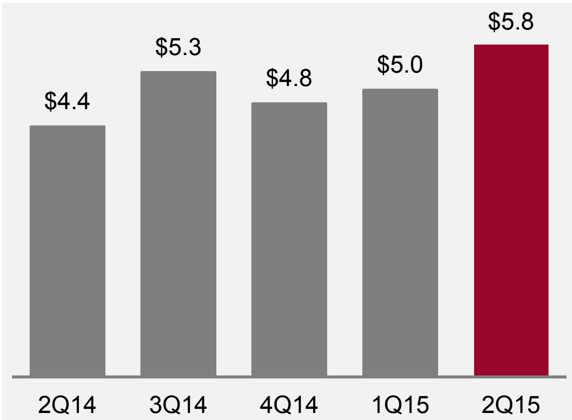
Flagstar Bancorp

Residential originations by channel

Flagstar originates mortgages primarily through the correspondent channel

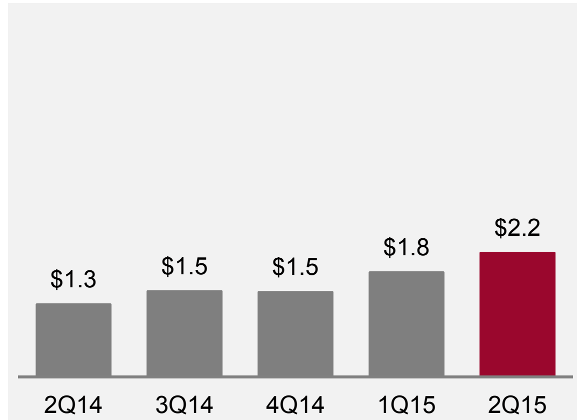
Residential mortgage originations by channel ($bn)

Correspondent



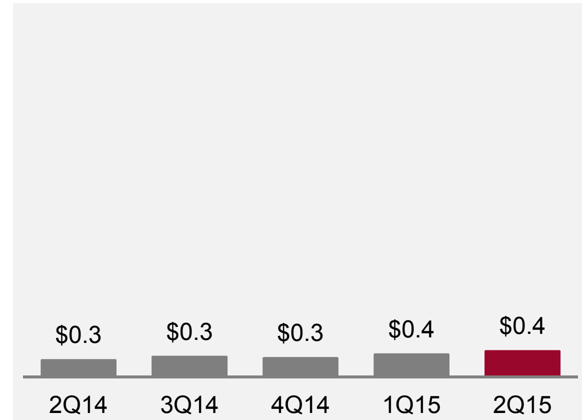
- Slightly less than 700 correspondent partners in 50 states in Q2 2015
- Top 10 relationships account for 17% of overall correspondent volume
- Warehouse lines to approximately 250 correspondent relationships

Broker



- Over 550 brokerage relationships in 50 states in Q2 2015
- Top 10 relationships account for 23% of overall brokerage volume

Retail



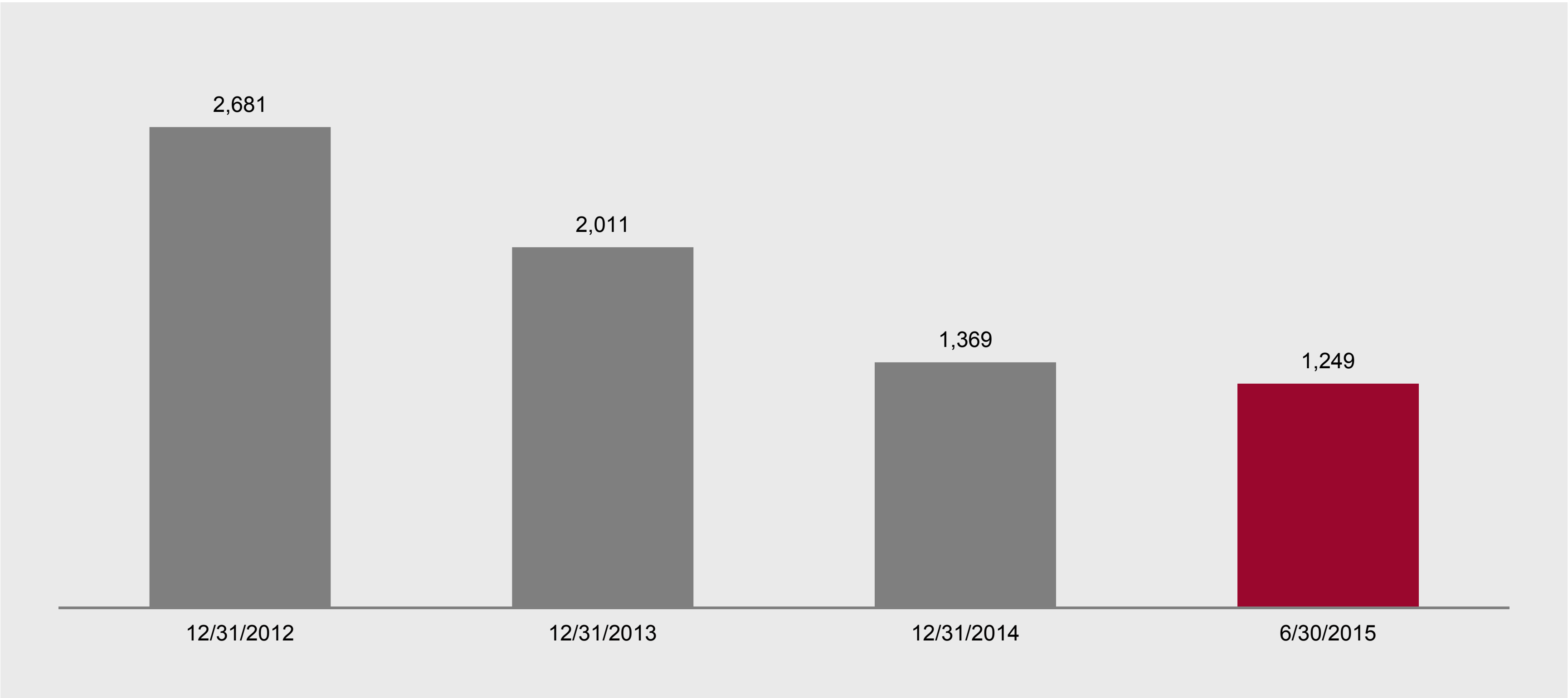
- 13 standalone home centers in 9 states in Q2 2015
- Consumer direct is 34% of retail volume

Third-party originator oversight

Flagstar has been actively managing its TPO relationships to optimize risk and profitability

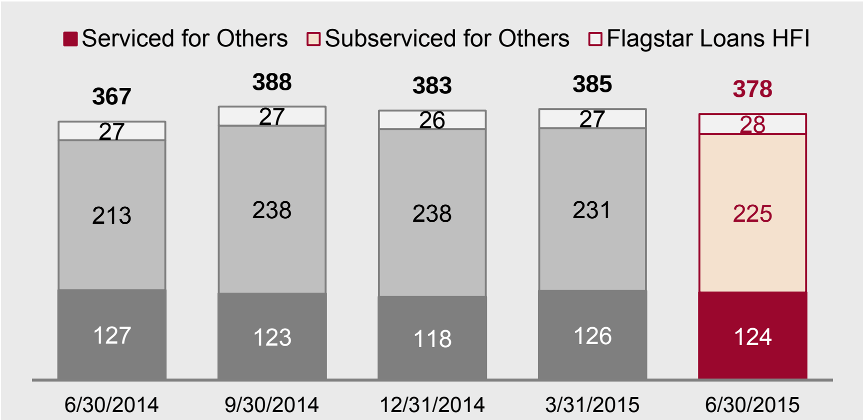
- Has maintained consistent market share while halving TPO relationships

Number of third party originators



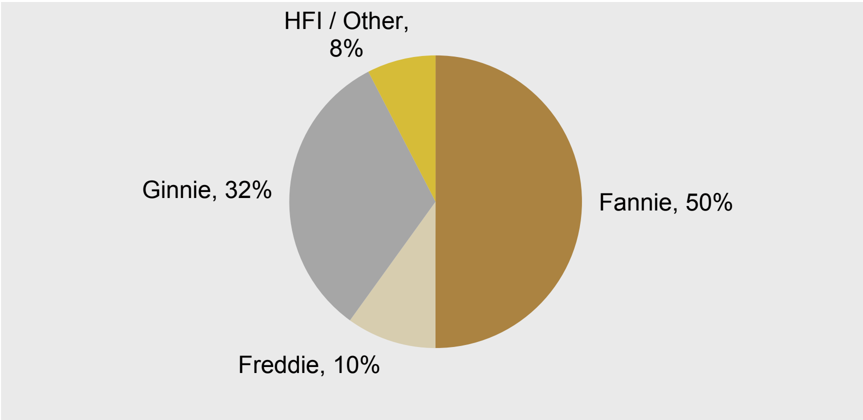
Mortgage servicing

Loans serviced ('000)

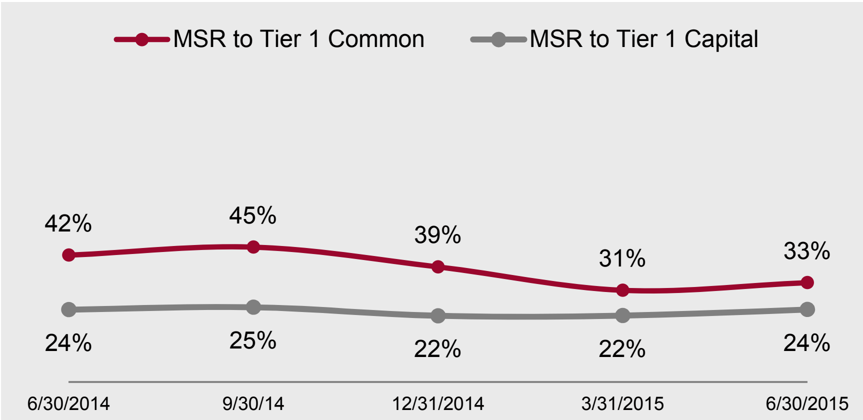


$ UPB of MSRs sold ($bn)

Breakdown of loans serviced



MSR / regulatory capital(1)



1) Regulator ratios reported under Basel III as of 6/30/2015 and Basel 1 as of 12/31/2014. Please see appendix for non-GAAP calculations.

Net return on mortgage servicing asset

% return – MSR asset

% Return	2Q14	3Q14	4Q14	1Q15	2Q15
Net hedged profit (loss)	0.8%	-0.7%	0.6%	-6.1%	5.5%
Carry on asset	22.1%	21.9%	21.5%	27.2%	32.1%
Run-off	-9.5%	-11.8%	-14.7%	-22.3%	-17.1%
Gross return on the mortgage servicing asset	**13.4%**	**9.3%**	**7.4%**	**-1.3%**	**20.5%**
Sale transaction & P/L	-6.5%	-3.1%	-5.1%	-2.4%	-6.6%
Model Changes	0.0%	-4.5%	0.0%	0.0%	-0.1%
Net return on the mortgage servicing asset	**6.9%**	**1.8%**	**2.3%**	**-3.7%**	**13.8%**

$mm return – MSR asset

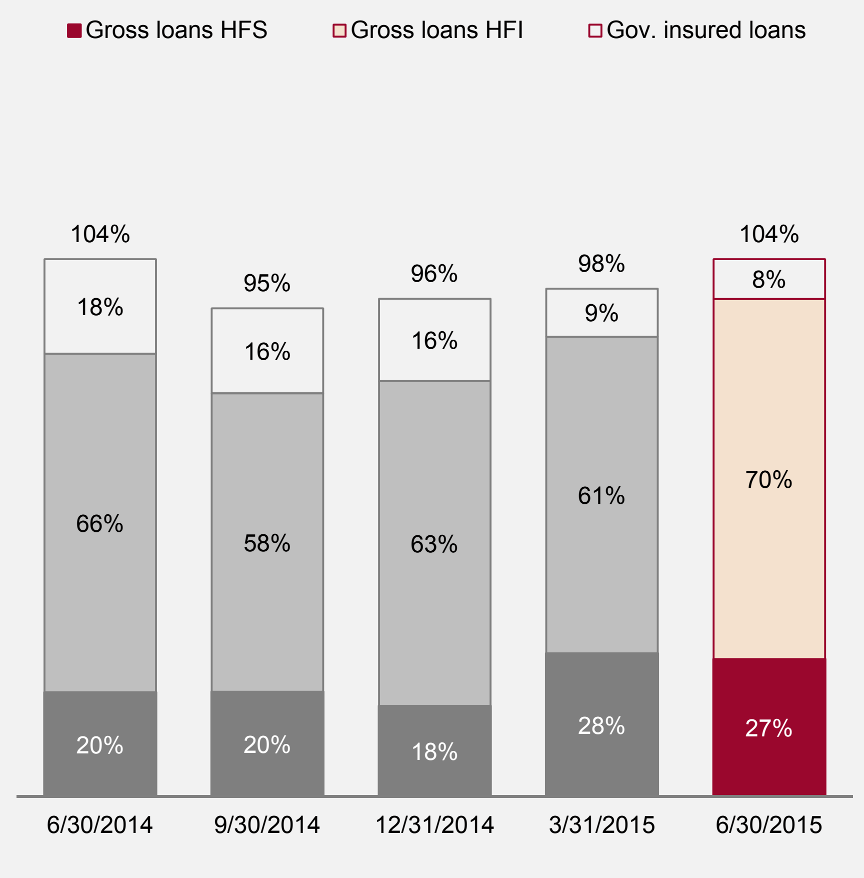
$ Return	2Q14	3Q14	4Q14	1Q15	2Q15
Net hedged profit (loss)	$0.6	($0.5)	$0.4	($4.0)	$3.7
Carry on asset	16.1	16.3	15.2	17.8	21.7
Run-off	(6.9)	(8.8)	(10.4)	(14.6)	(11.6)
Gross return on the mortgage servicing asset	**$9.7**	**$6.9**	**$5.2**	**($0.8)**	**$13.8**
Sale transaction & P/L	(4.7)	(2.3)	(3.6)	(1.6)	(4.5)
Model Changes	-	(3.3)	-	-	(0.0)
Net return on the mortgage servicing asset	**$5.0**	**$1.3**	**$1.6**	**($2.4)**	**$9.3**
Average mortgage servicing rights	**$291**	**$295**	**$280**	**$265**	**$271**

Flagstar Bancorp

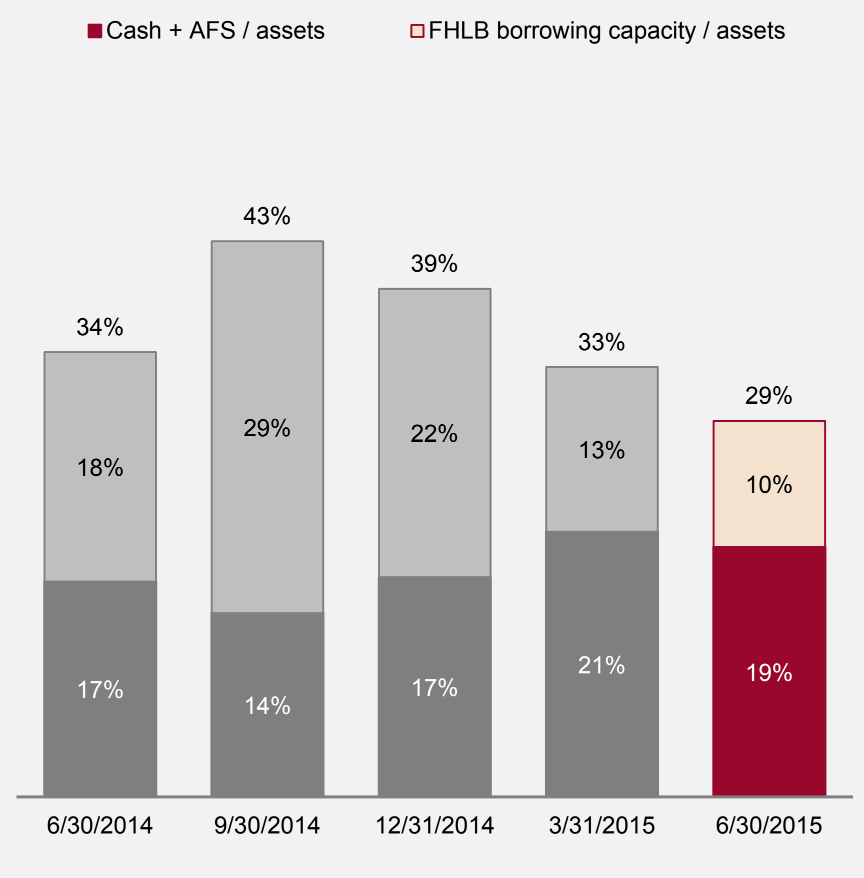
Robust capital and liquidity

Balance sheet expansion funded with core deposit growth

Gross loans/deposits



Available liquidity/total assets



Available liquidity and funding

Quarter end balances and ratios ($mm)

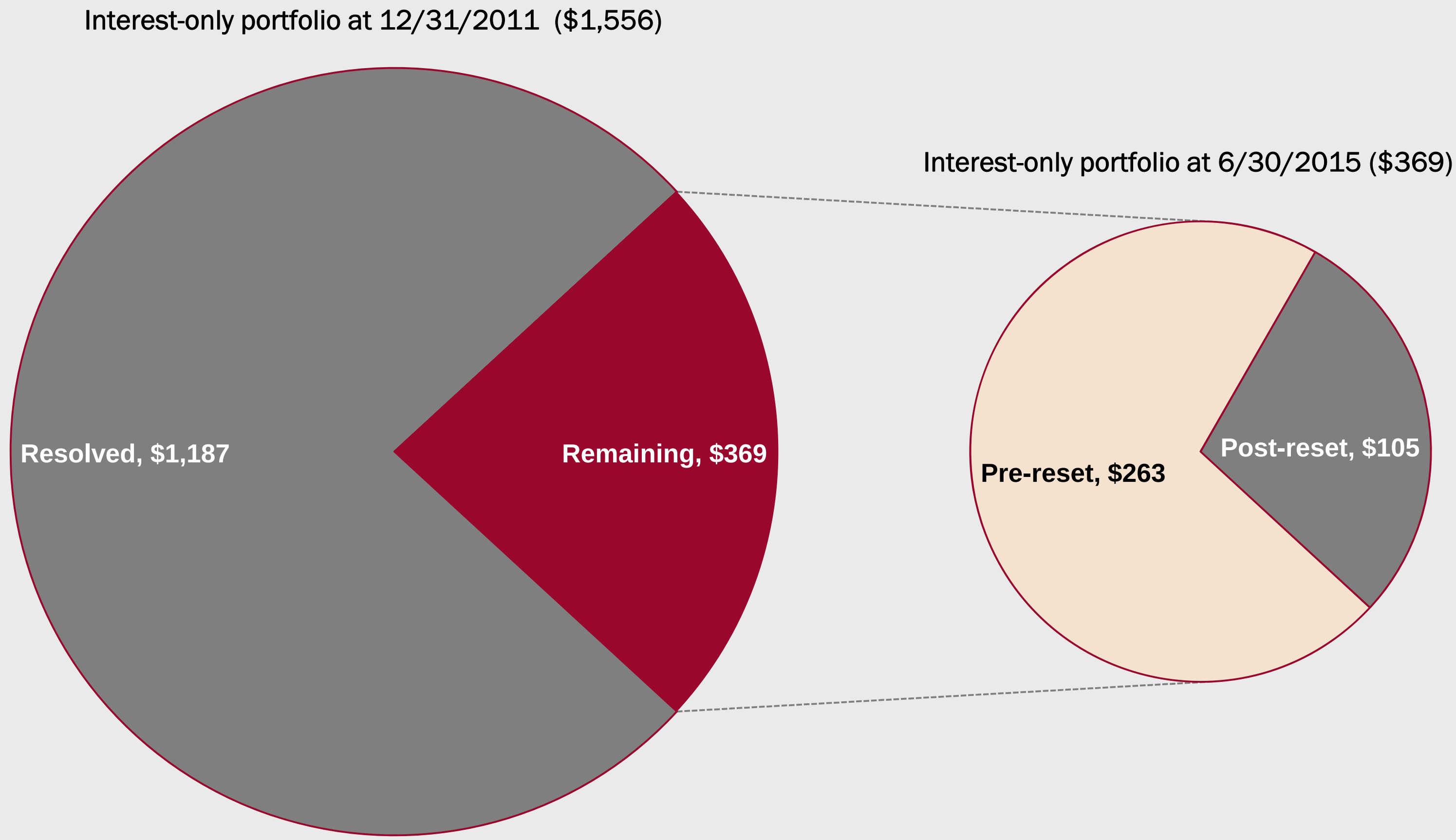
Available liquidity	6/30/2014	9/30/2014	12/31/2014	3/31/2015	6/30/2015
Interest earning deposits	$135	$62	$87	$198	$193
Investment & trading securities	$1,606	$1,378	$1,672	$2,295	$2,272
Less: securities haircut	(80)	(69)	(84)	(115)	(114)
Less: pledged collateral	(2)	(1)	(0)	-	-
Liquid assets	**$1,658**	**$1,371**	**$1,675**	**$2,379**	**$2,352**
FHLB borrowing capacity	$1,766	$2,775	$2,200	$1,476	$1,186
Total available liquidity	**$3,424**	**$4,145**	**$3,875**	**$3,855**	**$3,538**
Liquid assets as a % of total assets	16.7%	14.2%	17.0%	20.6%	19.4%
FHLB Capacity as a % of total assets	17.8%	28.8%	22.4%	12.8%	9.8%
Available liquidity as a % of total assets	**34.5%**	**43.1%**	**39.4%**	**33.3%**	**29.1%**

Funding	6/30/2014	9/30/2014	12/31/2014	3/31/2015	6/30/2015
Brokered deposits	$357	$354	$392	$361	$328
FHLB advances	1,032	150	514	1,625	2,198
Other debt	345	340	331	317	283
Total wholesale funding	**$1,734**	**$844**	**$1,237**	**$2,303**	**$2,809**
Wholesale funding as a % of total assets	**17.5%**	**8.8%**	**12.6%**	**19.9%**	**23.1%**

Improved asset quality

Flagstar has substantially reduced risk associated with interest-only loans

Interest only reset exposure ($mm)

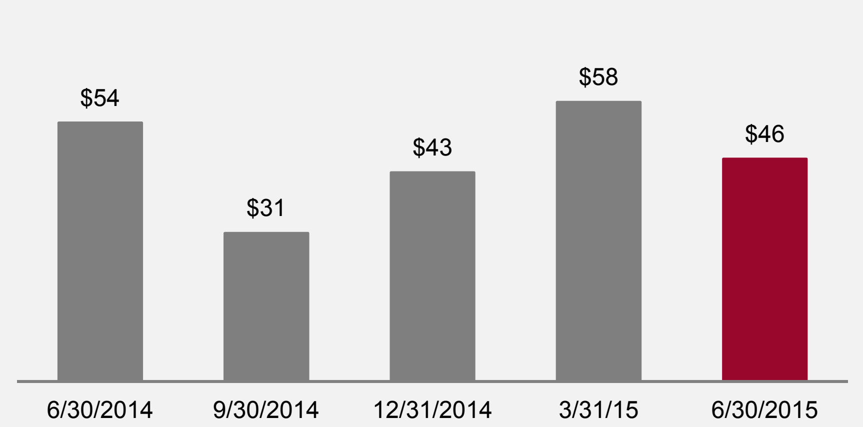


Representation & Warranty reserve details

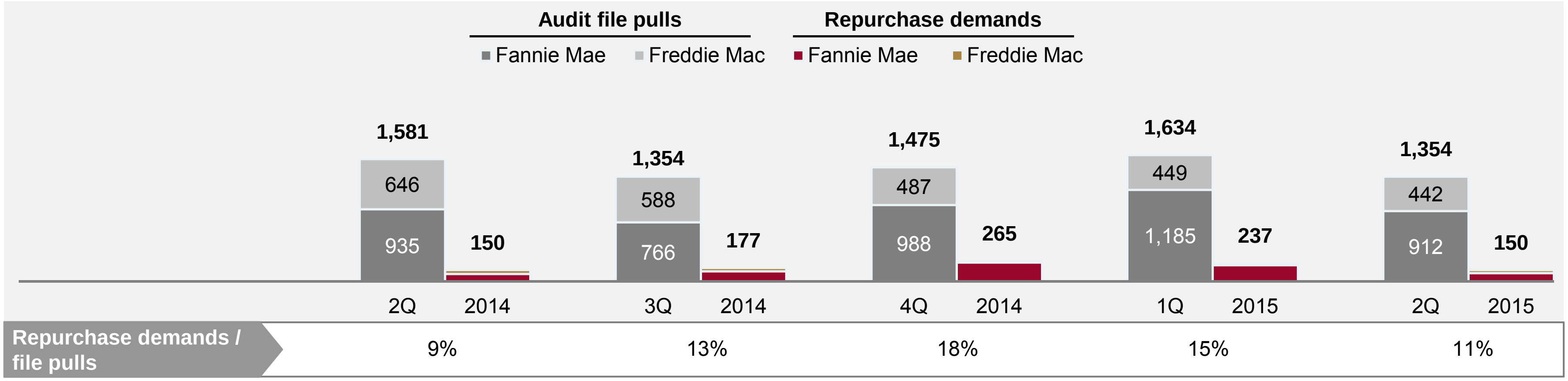
Repurchase reserve ($mm)

(in millions)	6/30/14	9/30/14	12/31/14	3/31/15	6/30/15
Beginning balance	$48.0	$50.0	$57.0	$53.0	$53.0
Additions	7.0	14.5	(4.2)	0.4	(3.7)
Net charge-offs	(5.0)	(7.5)	0.2	(0.4)	(1.3)
Ending Balance	**$50.0**	**$57.0**	**$53.0**	**$53.0**	**$48.0**

Repurchase pipeline ($mm)



Repurchase activity with Fannie and Freddie



Flagstar Bancorp

Supplemental capital ratios

$mm – Basel III (transitional) to Basel III (fully phased-in)

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 6/30/15				
Basel III (transitional)	$954	$1,309	$1,309	$1,396
Increased deductions related to deferred tax assets, mortgage servicing assets, and other capital components	($413)	($262)	($262)	($262)
Basel III (fully phased-in) capital[(1)]	**$541**	**$1,047**	**$1,047**	**$1,134**
Risk-weighted assets as of 6/30/15				
Basel III assets (transitional)	$6,553	$11,406	$6,553	$6,553
Net change in assets	($139)	($139)	($139)	($139)
Basel III (fully phased-in) assets[(1)]	**$6,414**	**$11,145**	**$6,414**	**$6,414**
Capital ratios				
Basel III (transitional)	14.6%	11.5%	20.0%	21.3%
% Basel III (fully phased-in)[(1)]	**8.4%**	**9.4%**	**16.3%**	**17.7%**

Flagstar Bancorp

Supplemental capital ratios

$$mm – Basel III (fully phased-in) to Basel III (fully phased-in with TARP payoff)

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 6/30/15				
Basel III (transitional)	$541	$1,047	$1,047	$1,134
Net change in capital	($84)	($437)	($437)	($440)
Basel III (fully phased-in) capital(1)	**$457**	**$610**	**$610**	**$694**
Risk-weighted assets as of 6/30/15				
Basel III assets (transitional)	$6,414	$11,145	$6,414	$6,414
Net change in assets	($321)	($438)	($321)	($321)
Basel III (fully phased-in) assets(1)	**$6,093**	**$10,707**	**$6,093**	**$6,093**
Capital ratios				
Basel III (transitional)	8.4%	9.4%	16.3%	17.7%
% Basel III (fully phased-in)(1)	**7.5%**	**5.7%**	**10.0%**	**11.4%**

1) On January 1, 2015, the Basel III rules became effective, subject to transitions provisions primarily related to regulatory deductions and adjustments impacting 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.

Flagstar Bancorp

Efficiency ratio and earnings per share

$mm

	2Q14	3Q14	4Q14	1Q15	2Q15
Net interest income (a)	$62.4	$64.4	$61.3	$64.9	$72.5
Noninterest income (b)	102.5	85.2	98.4	118.3	127.0
Adjusting items :					
Loan fees and charges [1]	(10.0)	-	-	-	-
Representation and warranty reserve – change in estimate [2]	-	10.3	-	-	-
Other noninterest income [3]	-	-	-	-	-
Adjusted noninterest income	$92.5	$95.5	$98.4	$118.3	$127.0
Adjusted income	**$160.1**	**$162.1**	**$153.7**	**$181.7**	**$193.6**
Noninterest expense (c)	$121.4	$179.4	$139.2	$137.0	$138.9
Adjusting items :					
Legal and professional expense [4]	(2.9)	(1.1)	-	-	-
Other noninterest expense [5]	10.0	(37.5)	-	-	-
Adjusted noninterest expense	**$128.5**	**$140.8**	**$139.2**	**$137.0**	**$138.9**
Efficiency ratio (c/(a+b))	**73.6%**	**119.9%**	**87.2%**	**74.8%**	**69.6%**
Net (loss) income applicable to common stockholders	$25.5	($27.6)	$11.1	$31.5	$46.4
Adjustment to remove adjusting items	(17.1)	(48.9)	-	-	-
Tax impact of adjusting items	6.0	(17.1)	-	-	-
Adjusting tax item	-	-	-	-	-
Adjusted net (loss) income applicable to common stockholders	**$14.4**	**$4.2**	**$11.1**	**$31.5**	**$46.4**
Diluted (loss) income per share	$0.33	($0.61)	$0.07	$0.43	$0.68
Adjustment to remove adjusting items	(0.31)	0.87	-	-	-
Tax impact of adjusting items	0.11	(0.30)	-	-	-
Adjusting tax item	-	-	-	-	-
Diluted adjusted (loss) income per share	**$0.14**	**($0.04)**	**$0.07**	**$0.43**	**$0.68**
Weighted average shares outstanding					
Basic	56,230,458	56,249,300	56,310,858	56,385,454	56,436,026
Diluted	56,822,102	56,249,300	56,792,751	56,775,039	57,165,072

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.

Flagstar Bancorp

Fixed & variable noninterest expense, adjusted

$mm

	2Q14	3Q14	4Q14	1Q15	2Q15
Fixed expenses					
Compensation and benefits	$55.2	$53.5	$59.0	$60.8	$59.1
Occupancy and equipment	19.4	20.5	20.1	19.9	19.8
Asset resolution	17.9	13.7	13.4	7.8	4.7
Other noninterest expense[(1)]	19.2	32.3	26.8	26.4	30.0
Total fixed expenses	**$111.7**	**$120.0**	**$119.3**	**$114.9**	**$113.6**
Variable expenses					
Commissions	$8.5	$10.3	$9.3	$10.4	$11.0
Loan processing expenses	8.2	10.5	10.6	11.7	14.3
Total variable expenses	**$16.7**	**$20.8**	**$19.9**	**$22.1**	**$25.3**
Non-recurring items (excluded)					
Other noninterest expenses	($7.1)	$38.6	$0.0	$0.0	$0.0
Total non-recurring items	**($7.1)**	**$38.6**	**$0.0**	**$0.0**	**$0.0**
Total noninterest expense	**$121.4**	**$179.4**	**$139.2**	**$137.0**	**$138.9**

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

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