Flagstar Bancorp, Inc. (NYSE: FBC)

Earnings Presentation
3rd Quarter 2018

October 23, 2018

Cautionary statements

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, 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.

In addition to results presented in accordance with GAAP, this presentation includes non-GAAP financial measures. The Company believes these non-GAAP financial measures provide additional information that is useful to investors in helping to understand the capital requirements Flagstar will face in the future and underlying performance and trends of Flagstar.

Non-GAAP financial measures have inherent limitations, which are not required to be uniformly applied. Readers should be aware of these limitations and should be cautious with respect to the use of such measures. To compensate for these limitations, we use non-GAAP measures as comparative tools, together with GAAP measures, to assist in the evaluation of our operating performance or financial condition. Also, we ensure that these measures are calculated using the appropriate GAAP or regulatory components in their entirety and that they are computed in a manner intended to facilitate consistent period-to-period comparisons. Flagstar's method of calculating these non-GAAP measures may differ from methods used by other companies. These non-GAAP measures should not be considered in isolation or as a substitute for those financial measures prepared in accordance with GAAP or in-effect regulatory requirements.

Where non-GAAP financial measures are used, the most directly comparable GAAP or regulatory financial measure, as well as the reconciliation to the most directly comparable GAAP or regulatory financial measure, can be found in these conference call slides. Additional discussion of the use of non-GAAP measures can also be found in the Form 8-K Current Report related to this presentation and in periodic Flagstar reports filed with the U.S. Securities and Exchange Commission. These documents can all be found on the Company's website at flagstar.com.

Executive Overview

Sandro DiNello, CEO

Strategic highlights

Unique relationship-based business model	• Third quarter 2018 results demonstrated strength of banking business • Pending acquisition of 52 Midwest branches of Wells Fargo will transform banking franchise - Provides low cost, low beta deposits; more than doubles customer base with 200,000 new customer relationships
Grow community banking	• Solid growth in banking and disciplined cost control delivered solid profitability - Net interest income of $124 million; up 8% vs. 2Q18 and 20% vs. 3Q17 - Adjusted noninterest expense[1] of $172 million; down 3% vs. 2Q18 and up 1% vs. 3Q17
Strengthen mortgage revenues	• Mortgage business continued to be challenged by industry overcapacity and secondary margin compression - Mortgage revenue[2] of $56 million; down 22% vs. 2Q18 and down 31% vs. 3Q17
Highly profitable operations	• Adjusted net income[1] of $0.85 per diluted share; unchanged vs. 2Q18 and up 21% vs. 3Q17 • Built scale and profitability in servicing business; nearly 620,000 loans serviced, up 16% vs. 2Q18 • Adjusted return on assets[1] 1.1%; adjusted return on average equity[1] 13.0%
Positioned to thrive in any market	• Strong credit metrics and low delinquency levels supported by 1.5% allowance coverage ratio • Strong total risk based capital ratio of 14.2%; Capital Simplification NPR would improve total risk based capital ratio to 14.5%[1]

1) Non-GAAP number. Please see reconciliation on page 46.
2) Mortgage revenue is defined as net gain on loan sales plus net return on MSRs.

Financial Overview

Jim Ciroli, CFO

Financial highlights

3rd Quarter 2018

Solid earnings with cost discipline	• Adjusted net income[1] of $49 million, or $0.85 per diluted share, in 3Q18 - Higher net interest income; average earning assets up 5%; net interest margin up 7 bps to 2.93% - Net gain on loan sales of $43 million; lowest quarter since 2Q11 - Lower noninterest expense reflecting lower mortgage expenses and cost reduction initiatives
Strong growth in community banking	• Net interest income rose $9 million, or 8%, led by growth of high quality, relationship-based loans - Average earning assets up $793 million, driven by growth of LHFI of $492 million, or 6% - Net interest margin expanded as increased deposit growth allowed a reduction in FHLB borrowings
Lower mortgage revenue	• Mortgage revenue[2] down $16 million, or 22%, on lower net gain on loan sales, partially offset by improved MSR return - Net gain on loan sales fell $20 million, or 32%, reflecting lower GOS margin (down 20 bps) - Net return on MSRs $4 million higher reflecting lower prepayments and stronger valuations
Pristine asset quality	• Negligible net charge-offs • Nonperforming loan ratio fell to 0.28%; early stage consumer delinquencies low • Allowance for loan losses covered 1.5% of loans HFI
Robust capital position	• Capital remained strong with regulatory capital ratios well above current "well capitalized" guidelines - Total risk based capital ratio at 14.2%; up 16 bps vs. 2Q18 - Company expects total risk based capital ratio to be 13.7% at 12/31/2018, reflecting Wells Fargo branch acquisition, recognition of deferred hedging gains in AOCI, and enactment of Capital Simplification regulations

1) Non-GAAP number. Please see reconciliation on page 46.
2) Mortgage revenue is defined as net gain on loan sales HFS plus the net return on the MSRs.

Quarterly income comparison

$mm

		3Q18		2Q18	$ Variance	% Variance
Net interest income	A	$124		$115	$9	8%
Provision (benefit) for loan losses ("PLL")		(2)		(1)	(1)	N/M
Net interest income after PLL		126		116	10	9%
Net gain on loan sales		43		63	(20)	(32%)
Loan fees and charges		23		24	(1)	(4%)
Loan administration income		5		5	-	-
Net return on mortgage servicing rights		13		9	4	44%
Other noninterest income		23		22	1	5%
Total noninterest income	B	107		123	(16)	(13%)
Compensation and benefits		76		80	(4)	(5%)
Commissions and loan processing expense		35		40	(5)	(13%)
Other noninterest expenses		61	(1)	57	4	7%
Total noninterest expense	C	172	(1)	177	(5)	(3%)
Income before income taxes		**61**	(1)	**62**	**(1)**	**(2%)**
Provision for income taxes		12		12	-	-
Net income		**$49**	(1)	**$50**	**($1)**	**(2%)**
Diluted income per share		**$0.85**	(1)	**$0.85**	-	-
Profitability						
Net interest margin		2.93%		2.86%	7 bps	
Total revenues		$233		$239	($6)	(3%)
Net gain on loan sales / total revenue		18%		26%	(800 bps)	
Mortgage rate lock commitments, fallout adjusted		$8,290		$9,011	($721)	(8%)
Mortgage closings		$9,199		$9,040	$159	2%
Net gain on loan sale margin, HFS		0.51%		0.71%	(20 bps)	

1) Non-GAAP number. Number shown excludes $1 million of transaction costs related to pending Wells Fargo branch acquisition. Please see reconciliation on page 46.

N/M – not meaningful

Observations

A Net interest income

- Net interest income rose $9mm, or 8%
  - Average earning assets increased 5%, led by balanced growth in loans HFS, commercial and consumer loans
  - Average deposits increased 9%, led by higher custodial, brokered and commercial deposits

B Noninterest income

- Noninterest income decreased $16mm, or 13%
  - Net gain on loan sales fell $20mm, or 32%, on lower GOS margin, primarily due to secondary marketing performance and a mix shift toward delegated correspondent channel
  - Net return on MSRs improved $4mm

C Noninterest expense

- Noninterest expense fell $4mm, or 2%; down $5mm, or 3%, excluding Wells Fargo branch acquisition costs
  - Commissions and loan processing expense fell $5mm, or 13%, reflecting shift in channel mix
  - Compensation and benefits declined $4mm, or 5%, led by cost reduction initiatives and lower incentive compensation

Flagstar Bancorp

Average balance sheet highlights

3Q18 ($mm)

	Average Balance Sheet		
		Incr (Decr)(1)	
	$	$	%
Loans held-for-sale	$4,393	$223	5%
Consumer loans(2)	3,850	239	7%
Commercial loans(2)	5,022	253	5%
Total loans held-for-investment	8,872	492	6%
Other earning assets(3)	3,521	78	2%
Interest-earning assets	$16,786	$793	5%
Other assets	1,825	34	2%
Total assets	$18,611	$827	5%
Deposits	$11,336	$922	9%
Short-term FHLB advances & other	3,465	(181)	(5%)
Long-term FHLB advances	1,280	-	0%
Other long-term debt	494	-	-
Other liabilities	522	47	10%
Total liabilities	$17,097	$788	5%
Stockholders' equity	1,514	39	3%
Total liabilities and stockholders' equity	$18,611	$827	5%
Tangible book value per common share(4)	$25.13	$0.76	3%

Observations

Interest-earning assets

- Solid gains in commercial loan portfolio; warehouse loans increased $91mm, or 6%, CRE loans increased $88mm, or 4%, and C&I loans increased $74mm, or 6%
- Consumer loans up $239mm, or 7%; focus on adding residential mortgage and indirect marine/RV loans with high risk adjusted returns

Interest-bearing liabilities

- Custodial deposits increased $366mm, or 23%, on higher subserviced accounts
- Brokered deposits increased $273mm
- Commercial demand deposits increased $259mm, or 25%
  - Provides additional risk based capital and funding at cost favorable to marginal alternatives

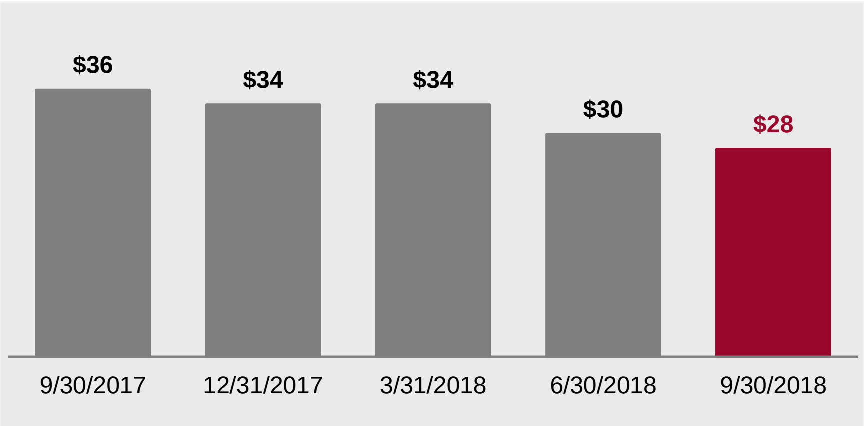
Equity(4)

- Tangible common equity to asset ratio of 7.74%
- FBC closing share price of $30.14 on October 22, 2018 is 120% of tangible book value per share

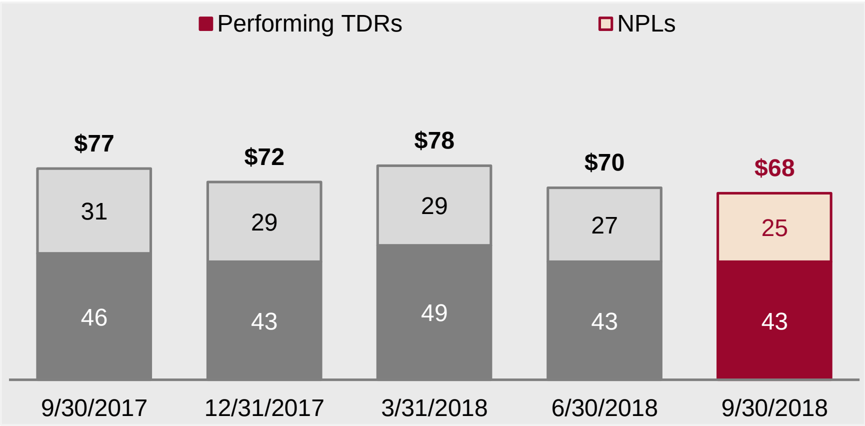
1) Measured vs. the prior quarter.
2) Consumer loans include first and second mortgages, HELOC and other loans; commercial loans include commercial real estate, commercial & industrial and warehouse loans.
3) Other earning assets include interest earning deposits, investment securities and loans with government guarantees.
4) Tangible book value per common share references a non-GAAP number. Please see reconciliation on page 46.

Asset quality

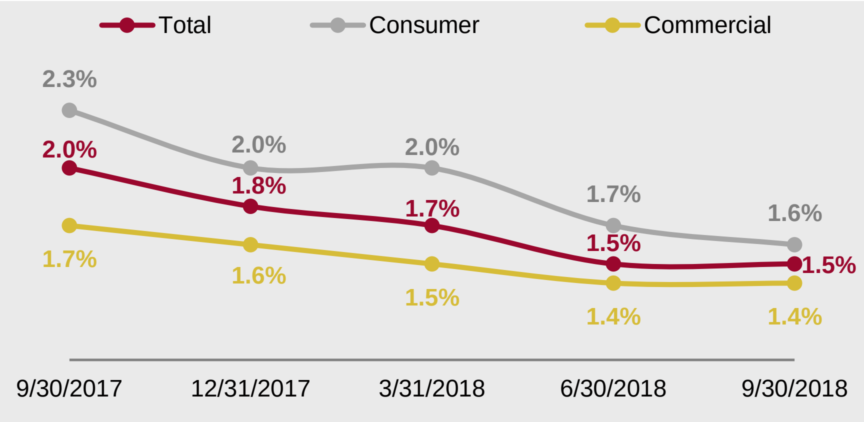
Delinquencies ($mm)



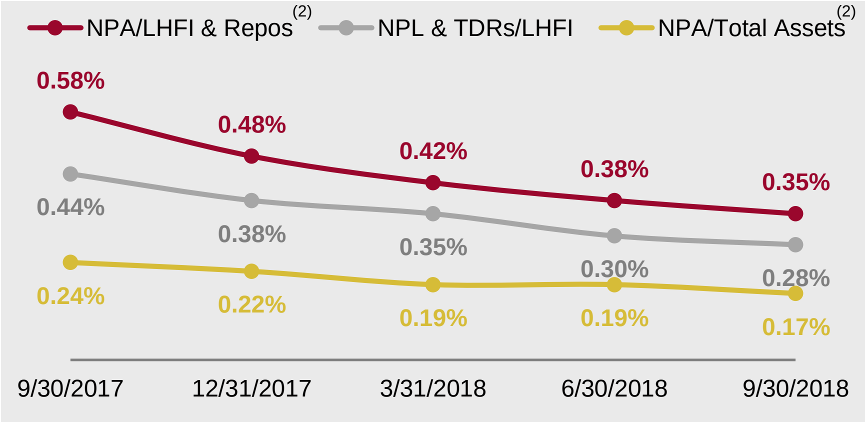
Performing TDRs and NPLs ($mm)



Allowance coverage[1] (% of loans HFI)



Nonperforming loan and asset ratios

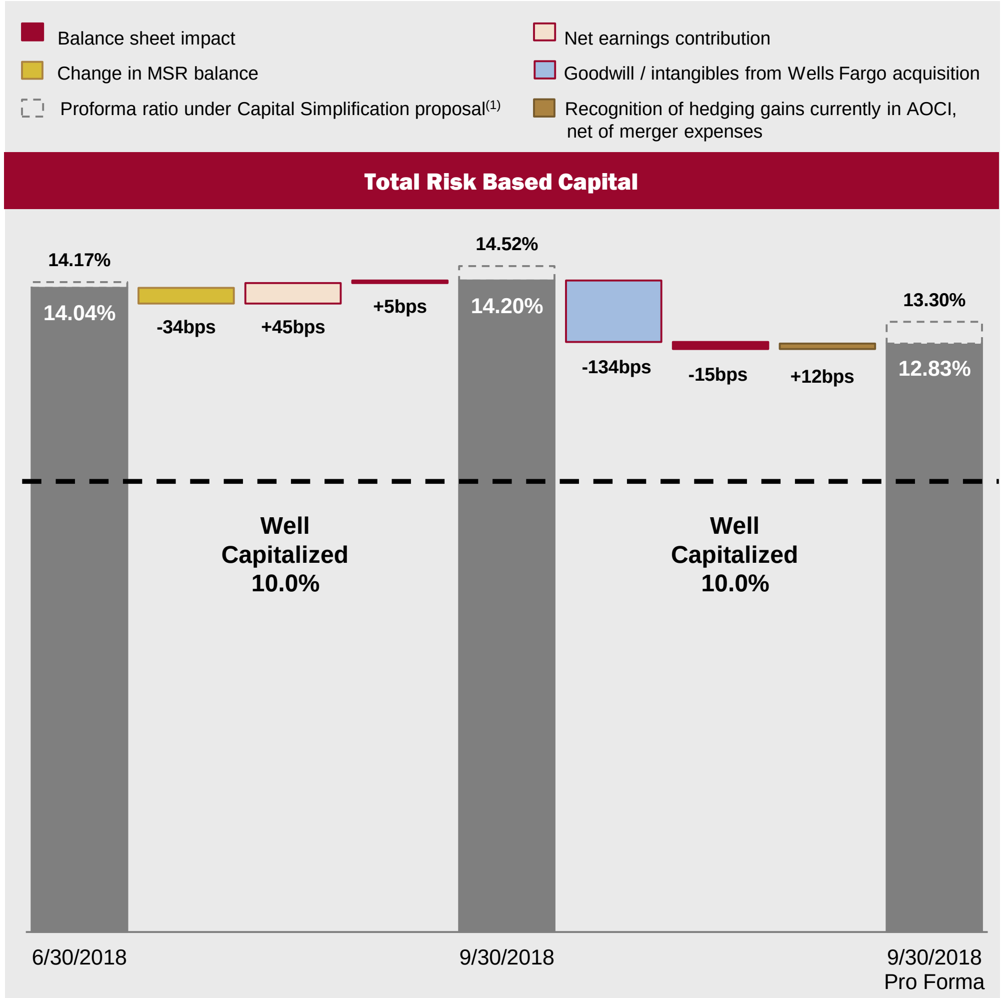


1) Excludes loans carried under the fair value option and loans with government guarantees.

2) Excludes loans held-for-sale

Robust capital

Flagstar Bancorp Capital Ratios



Observations 3Q18

	Tier 1 Leverage	CET-1 to RWA	Tier 1 to RWA	Total RBC to RWA
3Q18 Actual	8.4%	11.0%	13.1%	14.2%
2Q18 Actual	8.7%	10.8%	12.9%	14.0%

- With pending acquisition of Wells Fargo branches, Company is now constrained by total risk based capital ratio
  - Wells Fargo acquisition reduces ratio to 13.3% (pro forma as of 9/30/2018), led by decrease from acquired goodwill and intangible assets, partially offset by recognition of deferred hedging gains in AOCI and enactment of Capital Simplification regulations
  - Long-term target range of 13-14%
  - Given low level of residual risk, Company is comfortable operating in bottom half of targeted range
- Lifting of Supervisory Agreement provides increased flexibility in capital management
  - Investing capital in the business provides highest risk-adjusted returns
  - If not deployed in business, Company expects to consider other options for excess capital, including share repurchases and dividends

1) Non-GAAP number. Please see reconciliation on page 46.

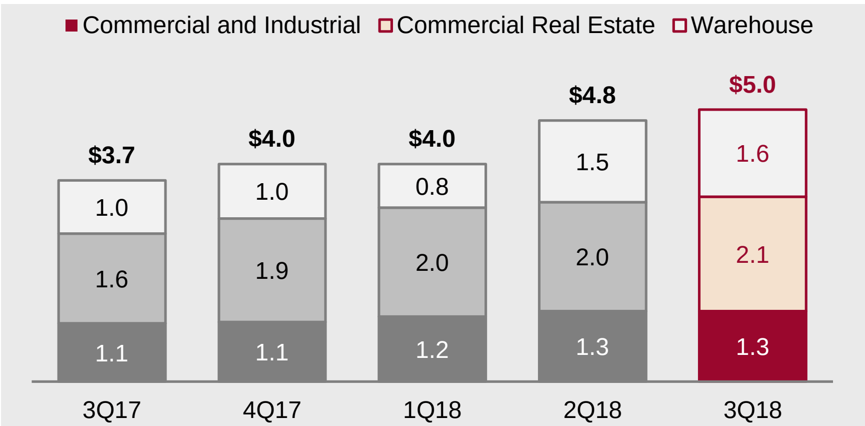
Flagstar Bancorp

Business Segment Overview

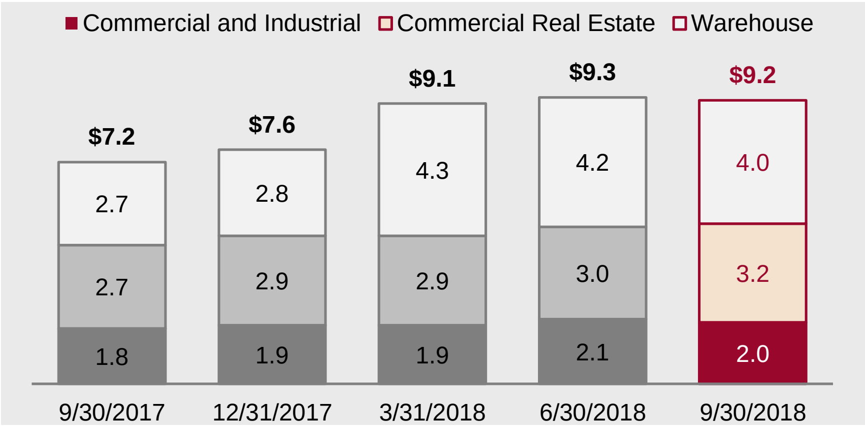
Lee Smith, COO

Community banking

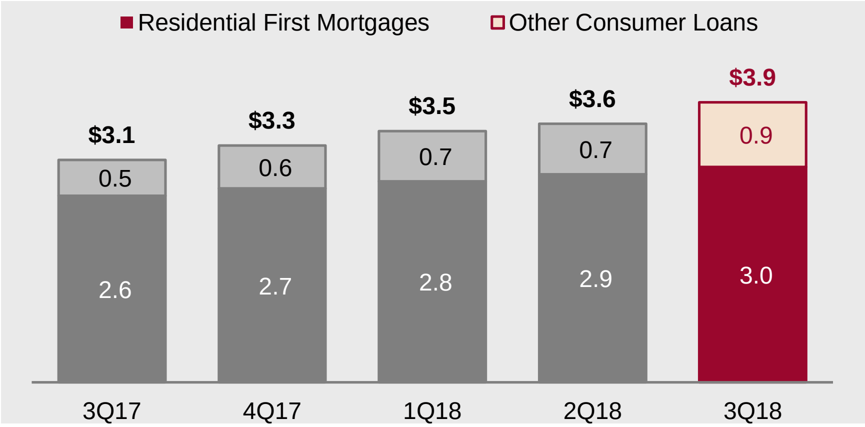
Average commercial loans ($bn)



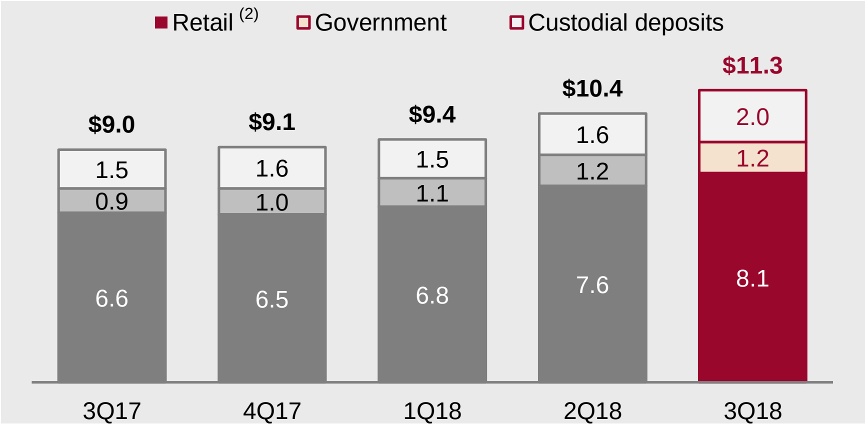
Quarter-end commercial loan commitments ($bn)



Average consumer loans ($bn)



Average deposit funding[1] ($bn)

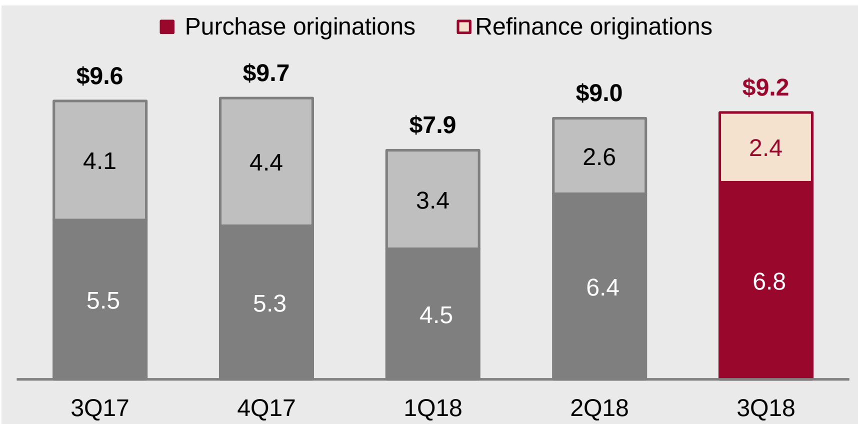


1) Includes custodial deposits which are included as part of mortgage servicing.
2) Includes brokered certificates of deposit ($0.5 bn in 3Q18)

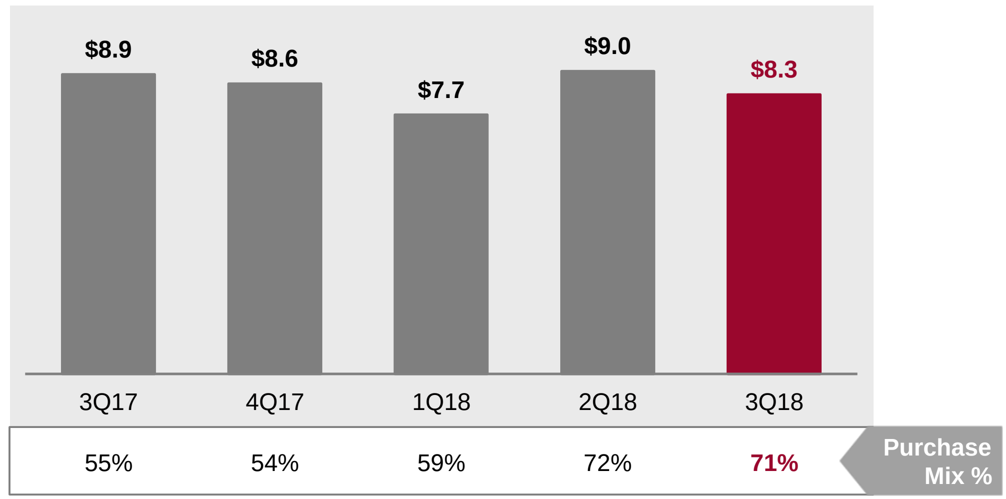
Mortgage originations

3rd Quarter 2018

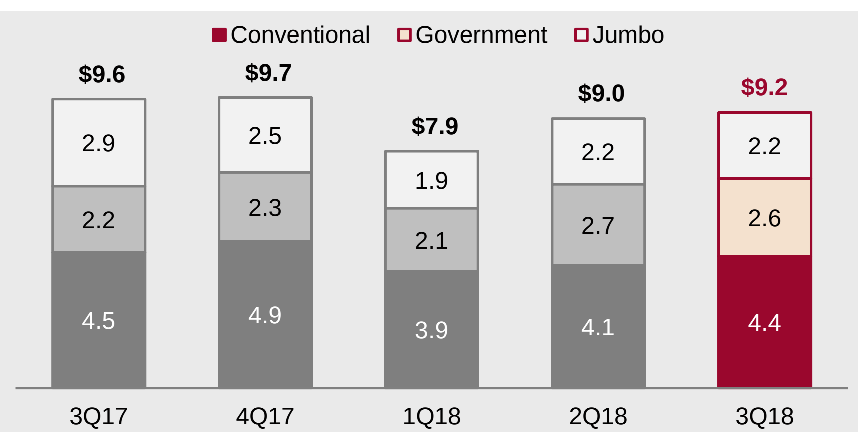
Closings by purpose ($bn)



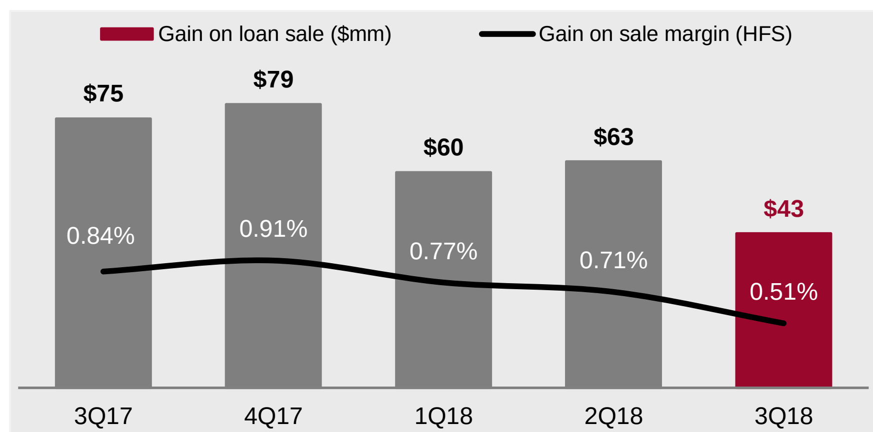
Fallout-adjusted locks ($bn)



Closings by mortgage type ($bn)

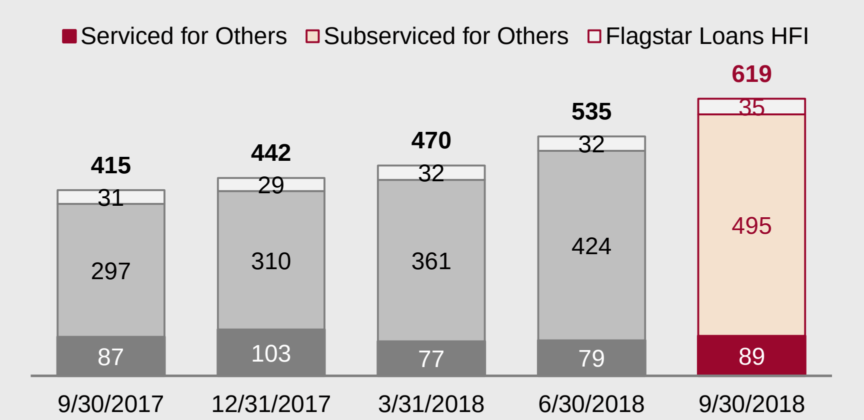


Net gain on loan sales – revenue and margin

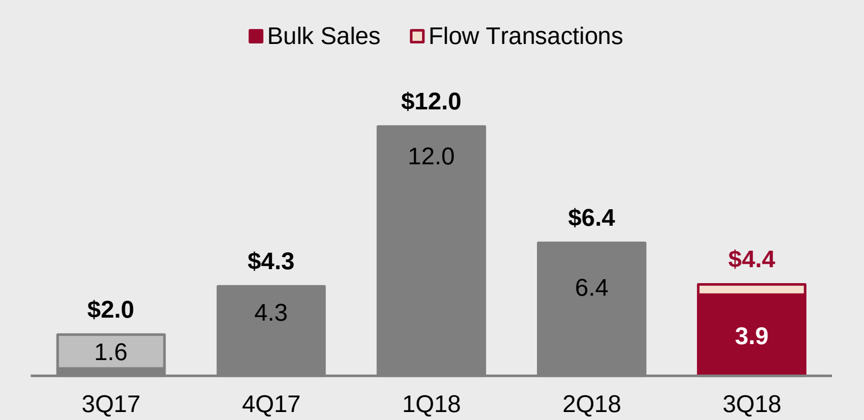


Mortgage servicing

Quarter-end loans serviced (000's)

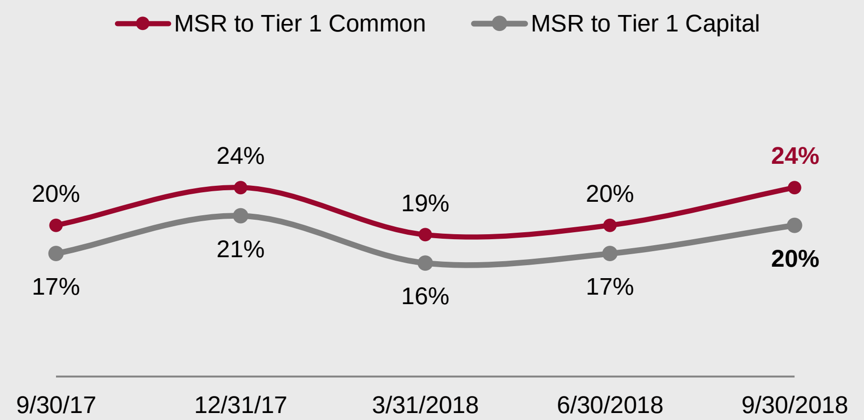


$ UPB of MSRs sold ($bn)



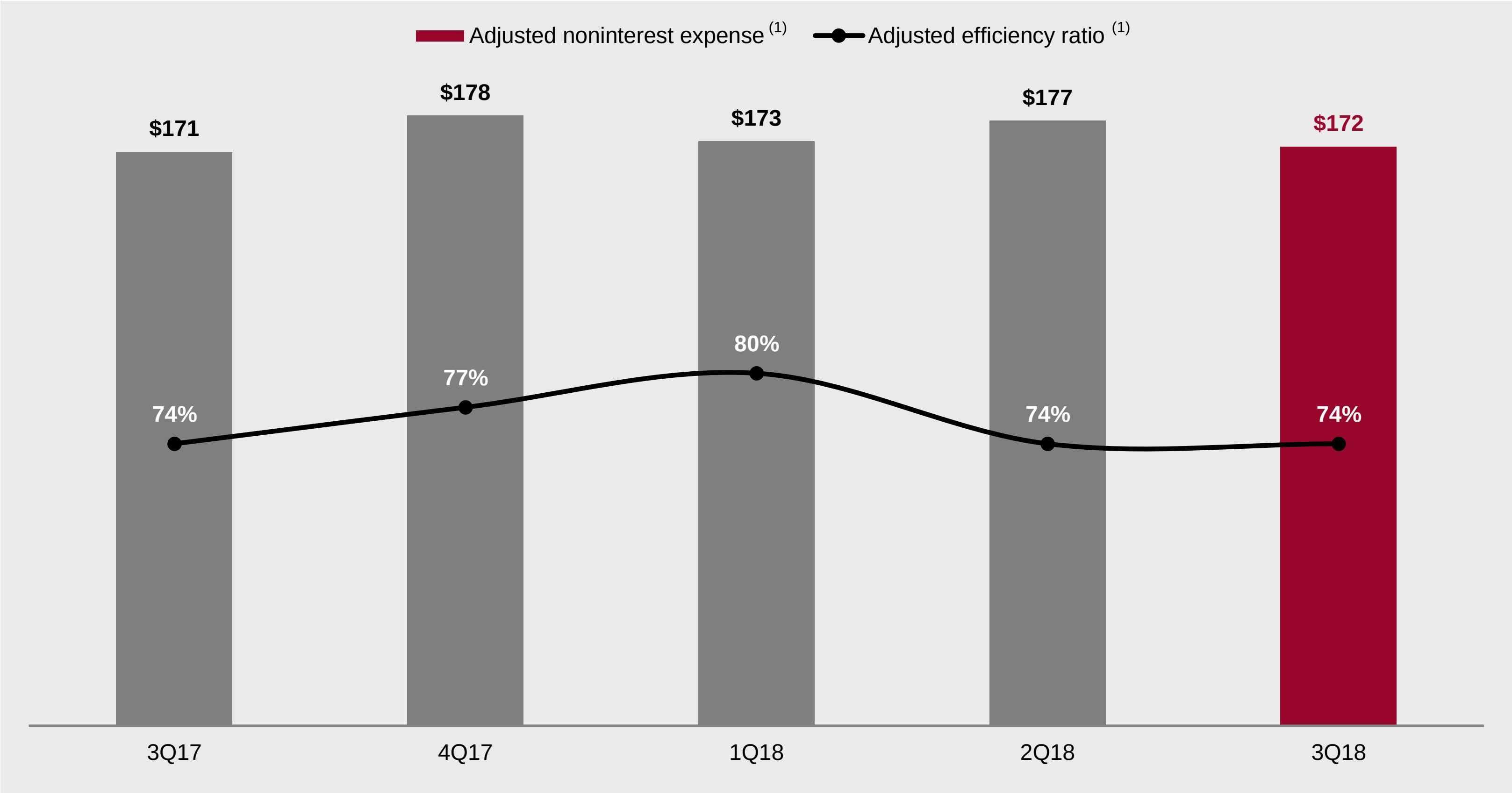
Average custodial deposits ($bn)

MSR / regulatory capital (Bancorp)



Noninterest expense and efficiency ratio

Quarterly noninterest expense ($mm) and efficiency ratio



1) References non-GAAP number for 3Q18; number excludes acquisition costs of $1 million related to Wells Fargo branch acquisition. Please see reconciliation on page 46.

Closing Remarks / Q&A

Sandro DiNello, CEO

Earnings guidance[1]

4th Quarter 2018 Outlook	
Net interest income	• Net interest income up slightly - Average earning assets down moderately, led by seasonally lower loans HFS and warehouse loans - Net interest margin expands approximately 15 bps on Wells Fargo branch acquisition
Noninterest income	• Net gain on loan sales flat - Fallout-adjusted locks (FOAL) down seasonally, offset by an increase in GOS margin • Net return on mortgage servicing rights approximates 6-8% before transaction costs from closing 4Q18 MSR sales ($5 billion UPB)
Noninterest expense	• Noninterest expense to increase to between $175-$180 million, not including expenses associated with Wells Fargo branch acquisition

1) See cautionary statements on slide 2.

Appendix

Flagstar at a glance

3rd Quarter 2018

Corporate Overview

- **Traded on the NYSE (FBC)**
- **Headquartered in Troy, MI**
- **Market capitalization $1.7bn**
- **Member of the Russell 2000 Index**

Community banking

- Leading Michigan-based bank with a balanced, diversified lending platform
- $18.7bn of assets and $11.6bn of deposits
- More than 125k household & 17k business relationships

Mortgage origination

- Leading national originator of residential mortgages ($35.9bn during last twelve months to September 30, 2018)
- 81 retail home lending offices operating in 27 states with direct-to-consumer in all 50 states
- More than 1,100 correspondent and 800 broker relationships

Mortgage servicing

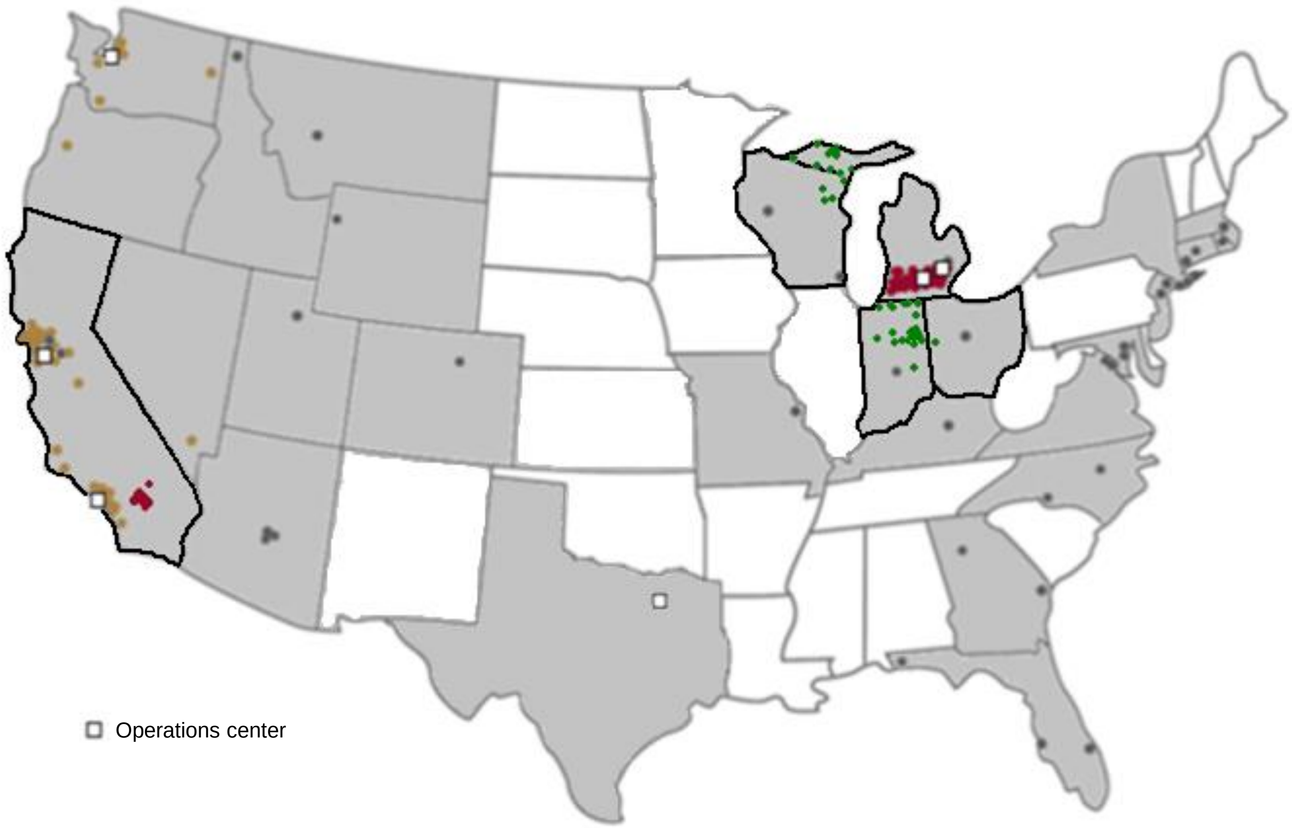
- 7th largest sub-servicer of mortgage loans nationwide
- Servicing nearly 620k loans as of September 30, 2018
- Efficiently priced deposits from escrow balances

108 Flagstar Bank Branches(1)

52 Pending Acquisition of Wells Fargo Branches

41 Flagstar retail home lending offices(2)

40 Opes retail home lending offices(3)



1) Includes 8 Desert Community Bank branches in the High Desert region of San Bernardino County, CA.
2) Includes seven home lending offices located in banking branches.
3) Opes has one retail lending office in Honolulu, HI that is not pictured on this map.

Flagstar's integrated business model

- Illustrative case studies detailed below:

Residential MBS Investor

Initial relationship

- Bulk sale of MSRs with subservicing retained (2013 - 2014)

Expanded relationship

- Provided MSR lending facility (2016)
  - Commitments of $50mm collateralized by FNMA MSRs
  - Subservice non-Flagstar mortgage accounts providing fee income
- Portfolio recapture services provided with direct-to-consumer refinancings of over $325mm since inception (2016)
- Additional bulk and flow sales of MSRs with subservicing retained (2017 and 2018)

Home Builder

Initial relationship

- Provided home builder line of credit (2016)
  - Secured real estate commitment of $15mm (currently $50mm)

Expanded relationship

- Established 36 additional deposit accounts (2016-2018)
  - Average deposit balance of $6mm
- Warehouse line of credit (2017)
  - Commitments of $10mm

Wholesale Originator

Initial relationship

- Established correspondent lending relationship (2017)
  - Purchased nearly $300mm of mortgages since inception (2017)

Expanded relationship

- Warehouse line of credit (2017)
  - Commitments of $15mm
- Initiated subservicing agreement (2017)
  - Entire portfolio of newly originated mortgage loans are on-boarded with Flagstar

Flagstar Bancorp

Flagstar has a strong executive team

Board of Directors
John Lewis
Chairman

Sandro DiNello
President & CEO

- CEO since 5/13
- Over 35 years of banking experience with Flagstar and its predecessors with a strong emphasis on community banking, including the management of retail operations and product strategy

Chief Audit Officer
Brian Dunn

Chief Operating Officer
Lee Smith

- COO since 5/13
- Formerly a partner of MatlinPatterson Global Advisors and a Senior Director at Zolfo Cooper
- Extensive experience in financial management and operations
- Chartered Accountant in England and Wales

Chief Financial Officer
Jim Ciroli

- CFO since 8/14
- More than 30 years of banking and financial services experience with First Niagara, Huntington and KeyCorp

Mortgage Banking
Kristy Fercho

- Appointed President of Mortgage effective 9/17
- Has 15 years experience with Fannie Mae in various executive and leadership roles focused on building banking relationships and growth initiatives

Community Banking
Drew Ottaway

- Executive Vice President, Michigan Market President and Managing Director, Lending
- With Flagstar since 12/15 and has 30 years of banking and commercial lending experience in southeast Michigan with Comerica and NBD

Chief Risk Officer
Steve Figliuolo

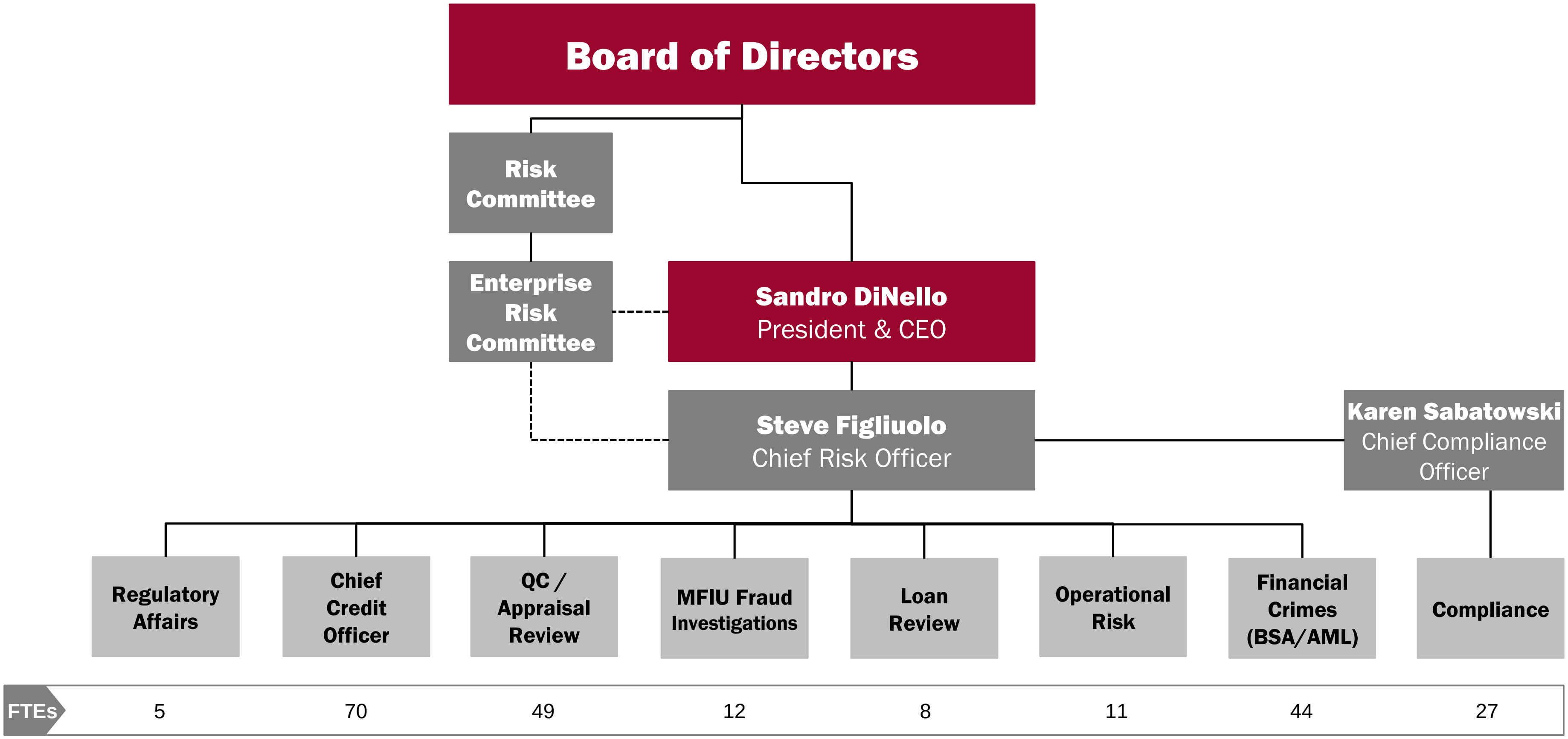
- CRO since 6/14
- Over 35 years of financial services experience with Citizens Republic, Fleet Boston Financial, First Union and Chase Manhattan

General Counsel
Patrick McGuirk

- General Counsel since 6/15
- Over 20 years of financial services legal experience with the FDIC and Sidley Austin LLP

Risk management

Best-in-class risk management platform with 226 FTEs[(1)]



1) Does not include 28 FTEs in internal audit.

Strong growth opportunities

	Grow community banking	Build mortgage subservicing business
Build	• Opportunistic team lift outs • Grow national lending platforms[1] - Expand warehouse lending (275bp spread) - Grow home builder finance (450bp spread) - Build MSR lending (350bp spread; LTVs<60%) • Cultivate middle-market and business banking relationships • Add specialty lending disciplines and teams	• Grow subservicing operations - Retain subservicing on MSR sales - Acquire new 3rd party subservicing relationships where Flagstar was not the originator - Cross-sell additional revenue capabilities

1) Indicated spreads are targets and may not be reflective of actual spreads.

Flagstar Bancorp

Financial performance

- Solid growth in banking and subservicing has created more stable earnings
- Heightened focus on efficiency and expense management

Revenue Composition and Earnings Metrics

Revenue (millions)	9/30/2017 YTD	9/30/2018 YTD	Percentage Increase
Community Banking	$ 186	$ 248	33%
Mortgage Servicing	56	70	25%
Subtotal	**242**	**318**	31%
Mortgage Origination	369	352	(5%)
Other	18	16	(11%)
Total	**$ 629**	**$ 686**	9%
Diluted Earnings per Share (1)	$ 1.89	$ 2.30	22%
Return on Average Assets (1)	0.95%	1.00%	
Return on Average Equity (1)	10.38%	12.18%	

1) Non-GAAP number. Number shown excludes $1 million of transaction costs related to pending Wells Fargo branch acquisition in 3Q18 and $2 million of transaction costs related to Sterns and Opes acquisitions in 1Q17 and 2Q17. Please see reconciliation on page 46.

Long-term targets

Revenues

Banking

- **Lender of choice in key markets (banking footprint and national lending platforms)**
- **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
  - Scalable platforms with balance sheet growth at low incremental cost

Mortgage

- **Nationally recognized leader**
- **Maintain market share**
  - Widen margin
  - Expand retail originations
- **Every 100k in new loans sub-serviced generates $4mm - $6mm of incremental pre-tax profits**

Financial Performance

Return on assets

- **Long-term target of 1.1 – 1.7%**
  - Add incremental revenue with low incremental cost
  - Improved risk management will deliver long-run savings

Return on equity

- **Long-term target of 12 - 17%**
  - Add / increase high ROE businesses

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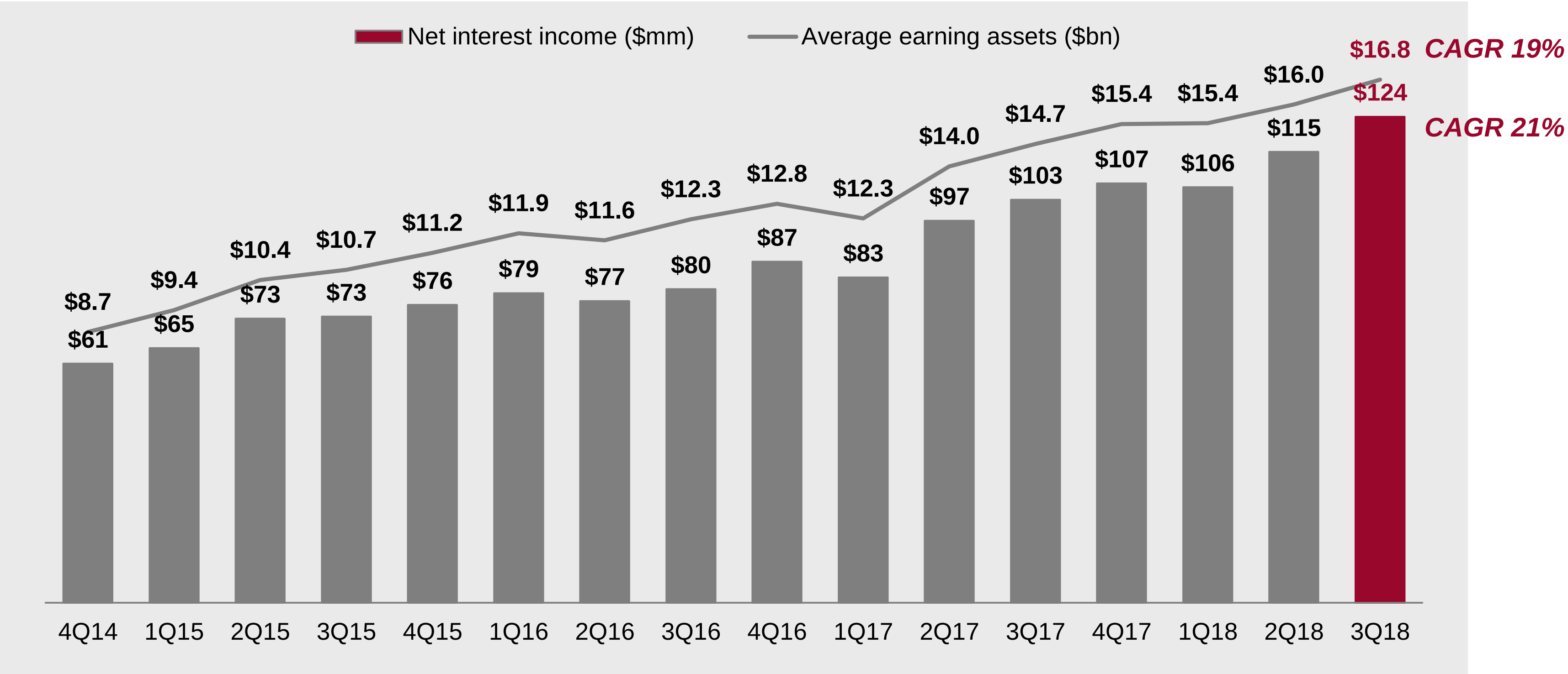
Higher net interest income is stabilizing earnings

3rd Quarter 2018

- Achieving earning asset growth without diminishing net interest income growth
  - Growing and expanding net interest margin
- Transition to more stable net interest income

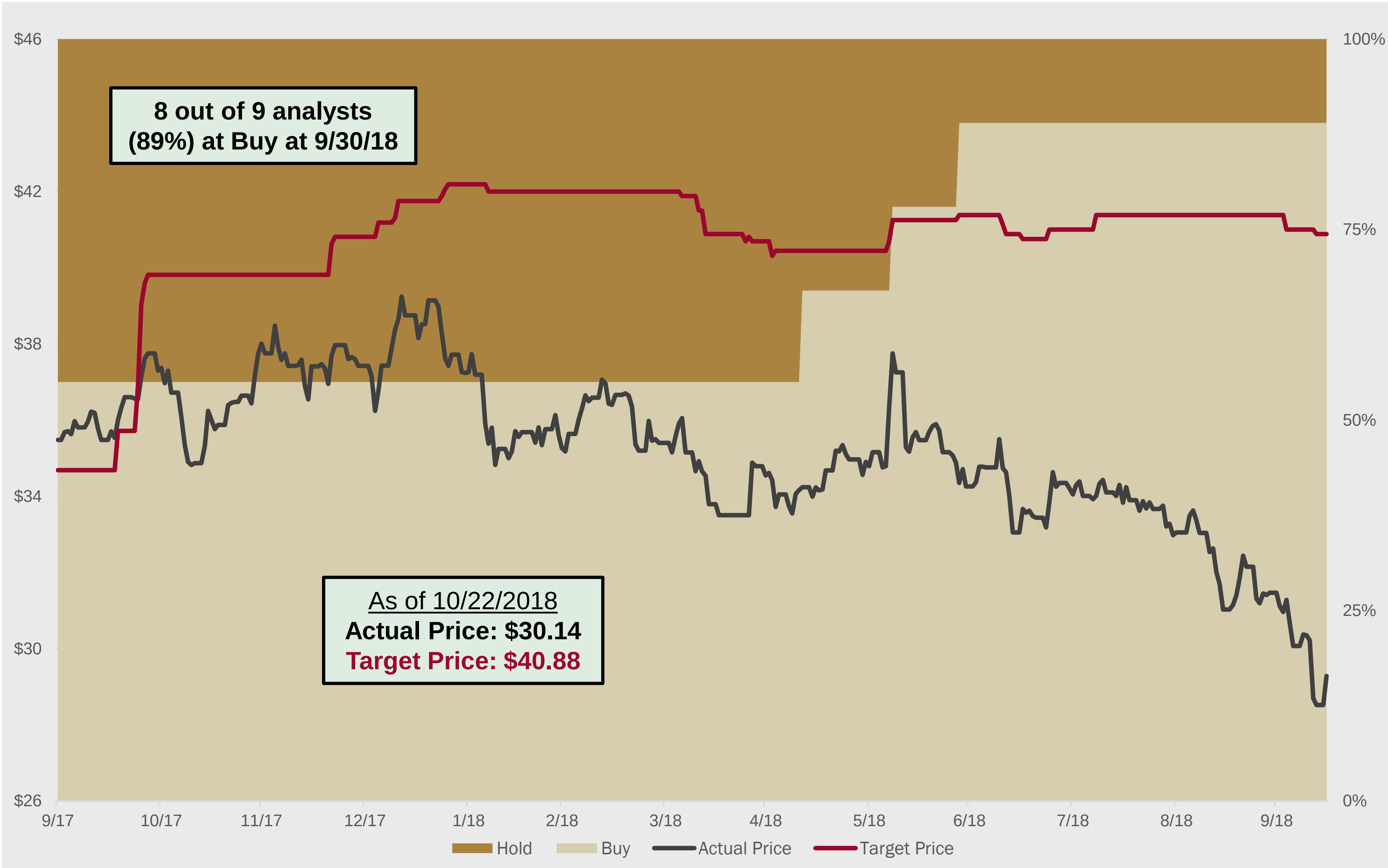
Average earning assets and net interest income



Price target has increased on improved prospects

3rd Quarter 2018

Analyst rating history

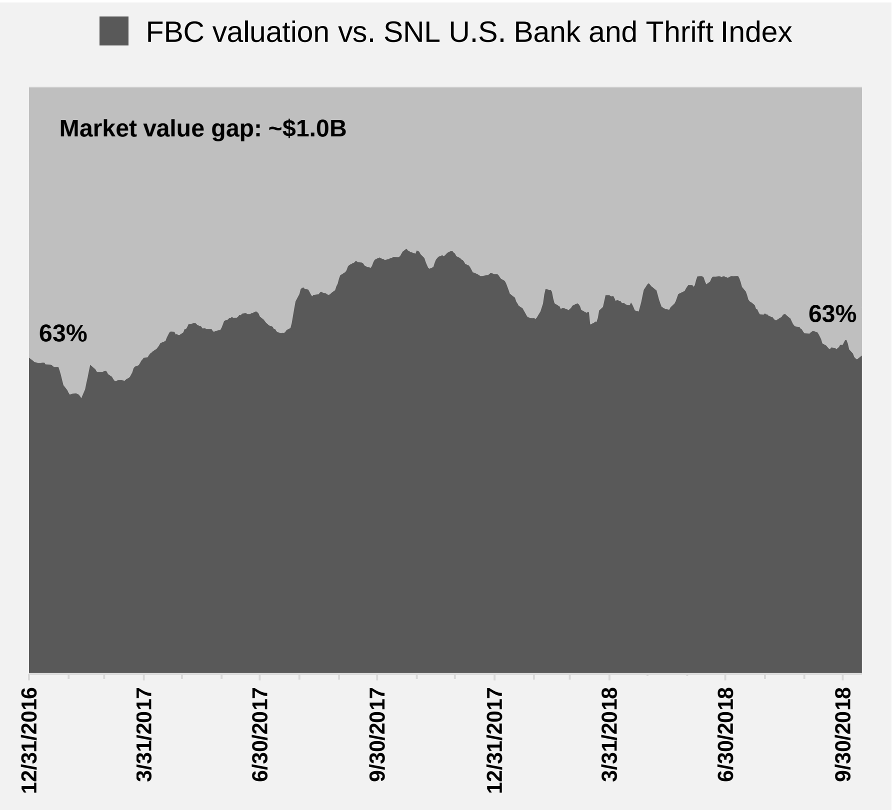


Source: Analyst ratings and target price (consensus estimate) as reported by First Call as of 10/15/2018.

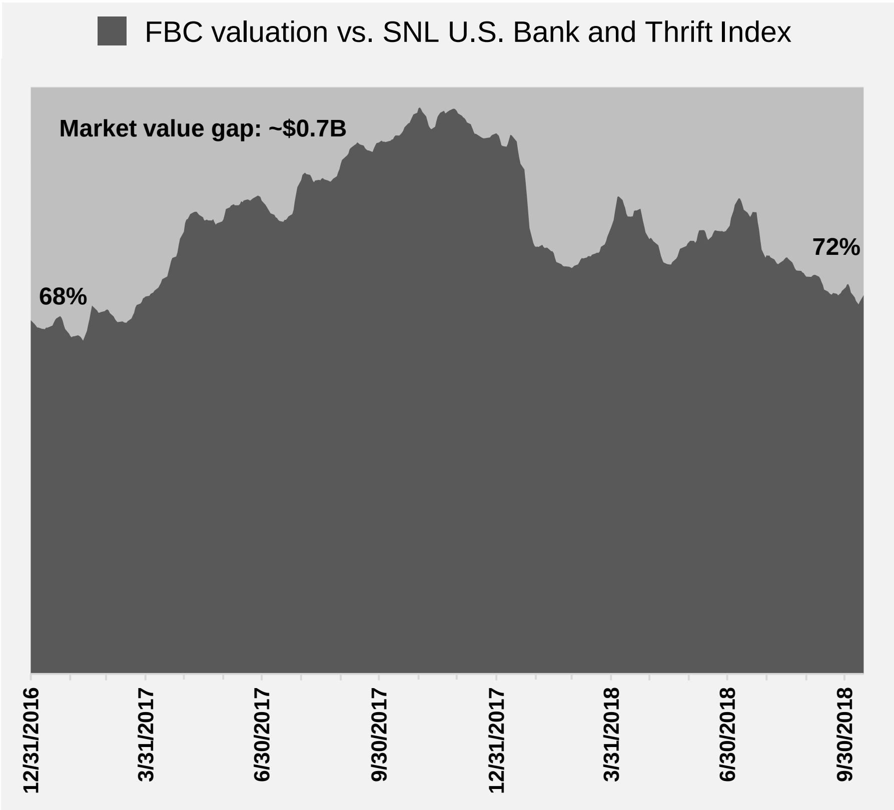
Valuation metrics

Observation: FBC trades at a discount to its banking peers

Market / tangible book



Price / LTM earnings



Source: SNL Financial; as of 10/15/2018

Strong market position in Midwest

Market characteristics

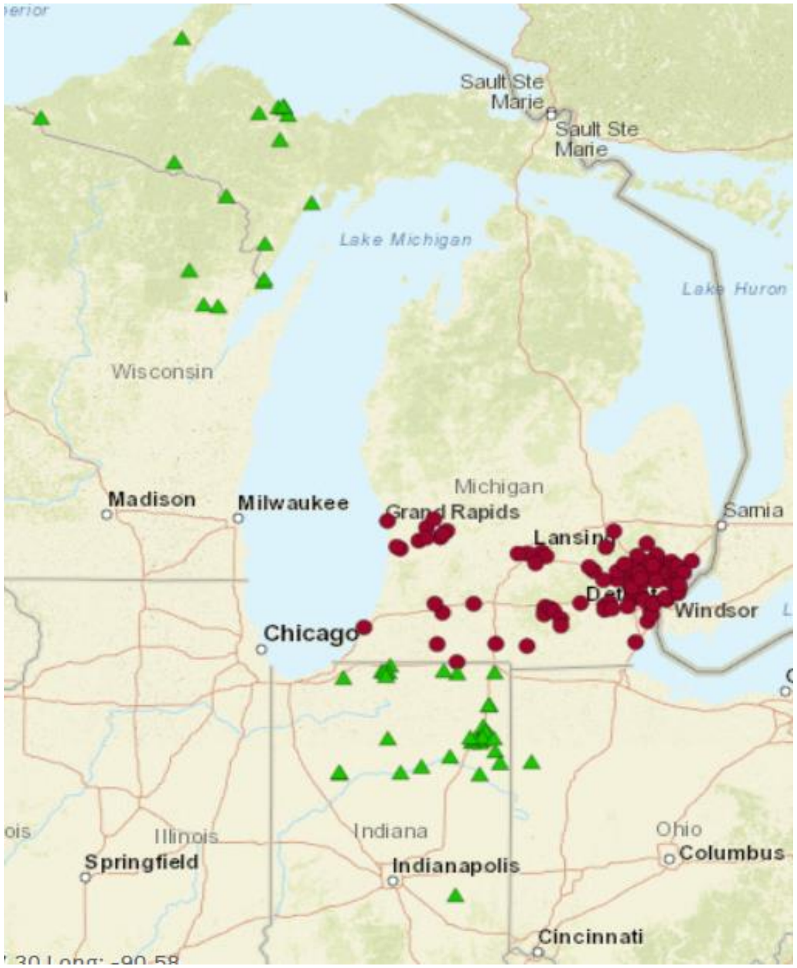
Leading position in Michigan

2018 Rank				Deposits ($mm)		% YoY
Overall	MI-based	Institution	Branches	Total	Share	Change
1		Chase	229	$43,637	20%	0%
2		Comerica	196	30,158	14%	2%
3		Bank of America	106	19,225	9%	8%
4		PNC	185	17,234	8%	-1%
5		Fifth Third	208	16,451	8%	-3%
6		Huntington	316	15,767	7%	7%
7	1	Chemical	186	13,123	6%	13%
8	**2**	**Flagstar[1][2]**	**113**	**10,297**	**5%**	**7%**
9		Citizens	89	5,641	3%	2%
10		TCF	51	3,194	1%	6%
		Top 10	**1,679**	**$174,726**	**81%**	**3%**

Attractive Midwest markets

	Flagstar Deposits		Deposit	Median	Proj HHI	Proj pop
Market	$mm	% of total	mkt share	HHI[3]	growth[3][4]	growth[3][4]
Oakland County[2]	4,341	38.8%	8.0%	79,065	10.9%	2.6%
Fort Wayne[5]	962	8.6%	8.7%	56,120	9.6%	2.5%
Grand Rapids MSA	435	3.9%	2.0%	65,403	11.5%	4.7%
Ann Arbor MSA	301	2.7%	3.4%	72,826	12.3%	4.3%
Key Flagstar markets	6,039	53.9%	6.3%	74,114	10.8%	2.8%
National aggregate				61,045	8.8%	3.6%

Flagstar's Midwest branch network



● Existing Flagstar Michigan branches (99) as of June 30, 2018
▲ Wells Fargo branches pending acquisition (52)

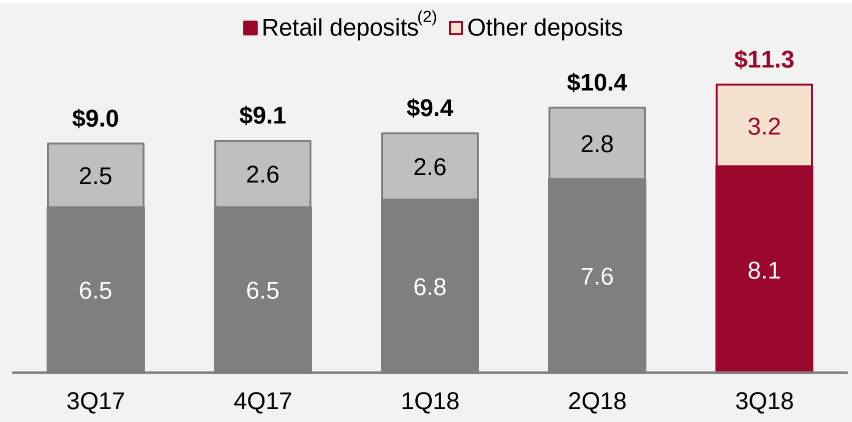
Source: S&P Global Market Intelligence; Note: Deposit data as of June 30, 2018 and projections based on 2018 estimates; MI-based banks highlighted.
1) Reflects the pending acquisition of 14 Wells Fargo branches located in Michigan.
2) Oakland County data excludes $1.7bn of custodial deposits held at company headquarters.
3) Key Flagstar Markets Median HHI, projected HHI growth and projected population growth are deposit weighted based on Flagstar's portfolio.
4) 2019–2024 CAGR.
5) Fort Wayne, IN deposit data is based on Fort Wayne, IN Fed District. Fort Wayne, IN demographic data is based on counties within Fort Wayne, IN Fed District, deposit weighted based on Flagstar's portfolio.

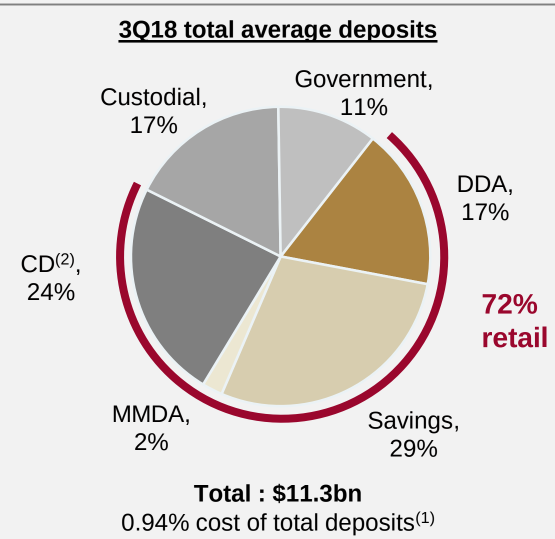
Deposits

Portfolio and strategy overview

- **Flagstar gathers deposits from consumers, 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 growing DDA balances with consumer, business banking and commercial relationships
  - We additionally maintain depository relationships in connection with our mortgage origination and servicing businesses, and with Michigan governmental entities
  - Cost of total deposits equal to 0.94%[1]

Total average deposits ($bn)





1) Total deposits include noninterest bearing deposits.
2) Includes brokered CDs

Flagstar Bancorp

Deposit growth opportunities

Core Deposits

Retail

- Average balance of $7.1bn during 3Q18 of which 50% are demand & savings accounts
- Cost of total core deposits[1]: 1.12%[2] during 3Q18
- Average core deposits of $75mm per branch
- Flagstar's branding is helping grow core deposits
- Branch acquisitions significantly enhance core deposit base

Commercial

- Average balance of $1.0bn during 3Q18
- Flagstar is focused on growing commercial deposits
  - Increasing balances with growing lines of business, including home builder finance
- Offer complete line of treasury management services

Other Deposits

Government

- Average balance of $1.2bn during 3Q18
- Cost of total government deposits: 1.22%[2] during 3Q18
- Michigan deposits are not required to be collateralized
- Strong, long-term relationships across the state

Custodial

- Average balance of $2.0bn during 3Q18 on nearly 620k loans serviced and subserviced
- Deposit balances increase along with the number of loans serviced and subserviced

1) Core deposits = total deposits excluding government deposits and custodial deposits.
2) Total deposits include noninterest bearing deposits.

Pending Wells Fargo Branch Acquisition

Transaction Overview

Transaction summary	• Flagstar is acquiring 52 branches located in Indiana, Michigan, Wisconsin and Ohio from Wells Fargo - Approximately $2.1 billion of deposits at an average cost of 0.06%(1) - 66% of deposits are located in IN (33 branches); 21 branches in Fort Wayne, IN (leading market share) (2) - 27% are located in the Upper Peninsula of MI (14 branches); #1 market share (2) - 7% are located in WI (4 branches) and OH (1 branch) - Approximately $114 million of loans(1)
Financial consideration	• Effective deposit premium of approximately 7 percent based on balances at closing • Expected to be accretive to earnings per share in 2019 • Tangible book value payback period of less than 5 years • Additional one-time integration costs of approximately $10 million during fourth quarter 2018
Other considerations	• Conducted comprehensive due diligence • Intend to keep all branches and retain all employees • Target an 13 – 14 percent total risk based capital ratio at close. Any capital needed is expected to be met through a combination of earnings retention and balance sheet management

(1) As of September 30, 2018.
(2) Source: FDIC Summary of Deposits as of June 30, 2018; acquired branch data as of September 30, 2018; Fort Wayne, IN market area includes Fort Wayne, IN Fed District; Upper Peninsula of MI market area includes the counties of Delta, Dickinson, Gogebic, Houghton, Iron, Marquette, and Menominee, MI.

Pending Wells Fargo Branch Acquisition

Strategic Rationale

Builds Midwest footprint	• Improves ability to increase presence in well-known Midwest market - Leading market share in Fort Wayne, IN; #1 market share in Upper Peninsula of MI markets(1) • Adds nearly 200,000 new customers/relationships; more than doubles customer base • Completion of the proposed Wells Fargo branch acquisition together with the recently completed DCB branch acquisition will significantly expand branch network in short time

Enhances franchise value	• Transformational banking transaction
	• Moves funding from wholesale borrowings to core deposits, reducing rate sensitivity of funding base
	  - Interest-bearing demand deposits increase to 11 percent of total deposits
	  - Total funding cost drops 25 basis points(2)

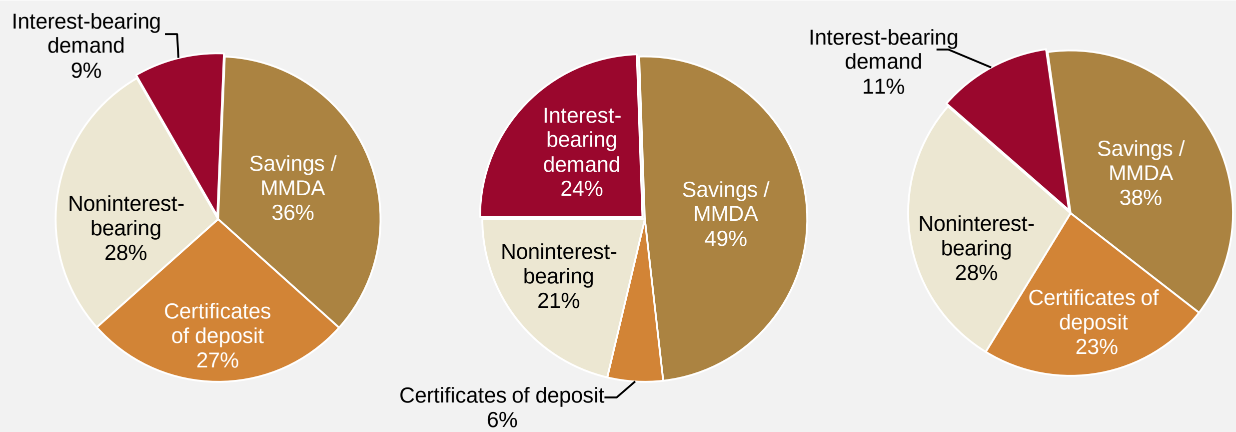
Transforms funding source	• Transaction provides low-cost, stable funding
	• At closing, liquidity will be used to repay FHLB advances
	  - Wholesale funding ratio falls 12 percentage points to 20 percent(3)
	  - HFI loan-to-deposit ratio declines 14 percentage points to 64 percent(4)
	• Longer-term, larger branch network expands access to core deposits and other business opportunities

(1) Source: FDIC Summary of Deposits as of June 30, 2018; acquired branch data as of September 30, 2018; Fort Wayne, IN market area includes Fort Wayne, IN Fed District; Upper Peninsula of MI market area includes the counties of Delta, Dickinson, Gogebic, Houghton, Iron, Marquette, and Menominee, MI.
(2) Pro-forma as of September 30, 2018. Total funding cost is interest expense on interest-bearing liabilities divided by average funding liabilities (interest-bearing liabilities plus noninterest-bearing deposits).
(3) Pro-forma as of September 30, 2018. Wholesale funding ratio is average wholesale funding (wholesale deposits plus FHLB advances) divided by average funding liabilities.
(4) Pro-forma as of September 30, 2018. HFI loan-to-deposit ratio is average HFI loans (excluding warehouse loans) divided by total average deposits (excluding custodial deposits).

Pending Wells Fargo Branch Acquisition

Improved Deposit Mix

Pro forma total deposits as of 9/30/2018 ($mm)



	Flagstar[1]		Wells Fargo[2]		Pro forma	
	$	bps	$	bps	$	bps
Noninterest-bearing[3]	3,268	0.00%	$451	0.00%	$3,719	0.00%
Interest-bearing demand	1,010	1.33%	518	0.03%	1,528	0.89%
Savings / MMDA	4,044	0.96%	1,033	0.04%	5,077	0.77%
Certificates of deposit[4]	3,013	1.79%	117	0.48%	3,130	1.74%
Total deposits	$11,336	0.94%	$2,119	0.06%	$13,455	0.80%

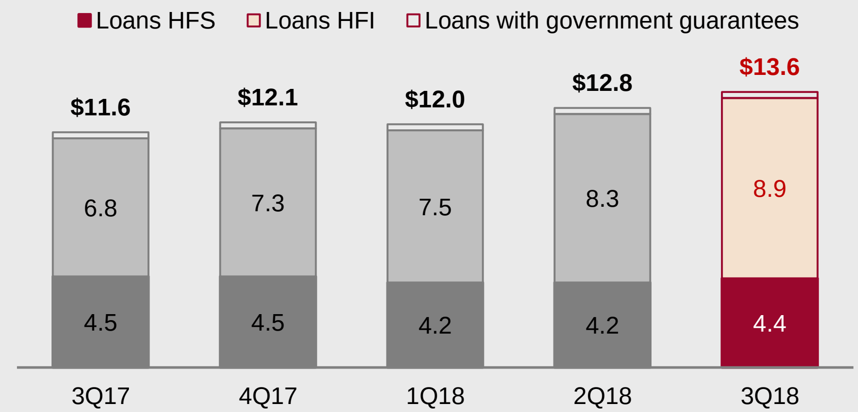
(1) Average balances for the quarter ended September 30, 2018.
(2) Acquired branch data as of September 30, 2018.
(3) Includes noninterest-bearing custodial deposits from mortgage servicing business.
(4) Includes wholesale deposits.

Lending

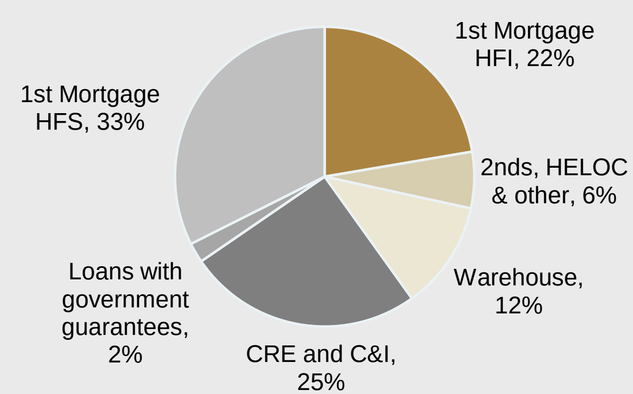
Portfolio and strategy overview

- **Flagstar's largest category of earning assets consists of loans held-for-investment which averaged $8.9bn during 3Q18**
  - 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 $4.4bn during 3Q18**
  - 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)



3Q18 average loans



Flagstar Bancorp

Community banking growth model

Relationship-based growth platform

- Primary focus is to build relationships
  - Recruit experienced bankers from larger regional banks
  - Retain seasoned bankers within our organization
- Leverage deep industry experience and client relationships
  - Focus on moving relationships and credit facilities to Flagstar
- Low incremental efficiency ratio
  - Marginal cost of 15-30% that varies with type of loans underwritten
- Estimated pre-tax contribution of $5bn loan growth could contribute ~ $1.00 earnings per share

New banker additions (past 2 years)

Line of Service	# of Additions	Avg Years Experience[(1)]
Business Banking	11	24
Commercial Lending	9	24
Consumer Finance	1	18
CRE Lending	6	21
Equip Financing Group	3	25
Homebuilder Finance	5	17
Indirect Lending	4	24
Warehouse Lending	5	26
Wealth Management	3	13
Grand Total	47	22

(1) We focus on recruitment of bankers with larger, regional bank lending experience.

Commercial lending

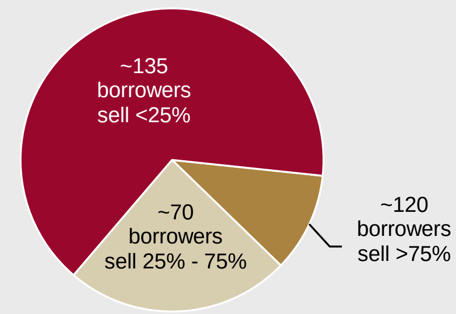
Diversified relationship-based commercial lending capabilities

Overview

Warehouse	• Warehouse lines with approximately 330 active relationships nationwide, of which approximately 82% sell a portion of their loans to Flagstar • Collateralized by mortgage loans being funded which are paid off once the loan is sold
Commercial Real Estate	• Diversified property types which are primarily income-producing in the normal course of business • Focused on experienced top-tier developers with significant deposit and non-credit product opportunities
Commercial & Industrial	• Lines of credit and term loans for working capital needs, equipment purchases, and expansion projects • Primarily Michigan based relationships or relationships with national finance companies

Warehouse - $1.6bn (9/30/18)

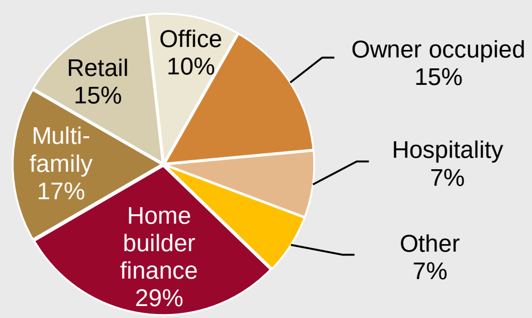
% Advances sold to Flagstar



Average 24% advances sold to Flagstar

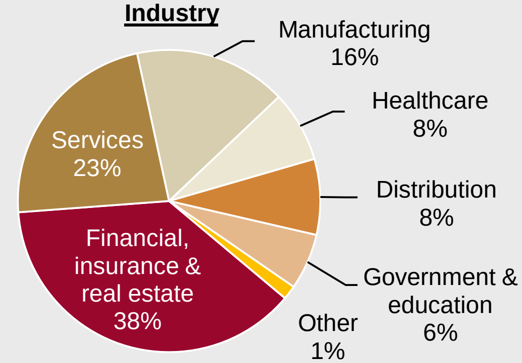
Commercial Real Estate - $2.1bn (9/30/18)

Property type



Commercial & Industrial - $1.3bn (9/30/18)

Industry



67% Relationship-Based Lending[(1)]

1) Includes Michigan lending, national finance lending, and home builder finance lending

Warehouse lending

- National relationship-based lending platform
- Attractive asset class with good spreads and low credit risk
- Strong growth potential and scalable platform
- Flagstar is well positioned to gain market share, leveraging relationships in complementary lines of business, including home builder finance and mortgage originations

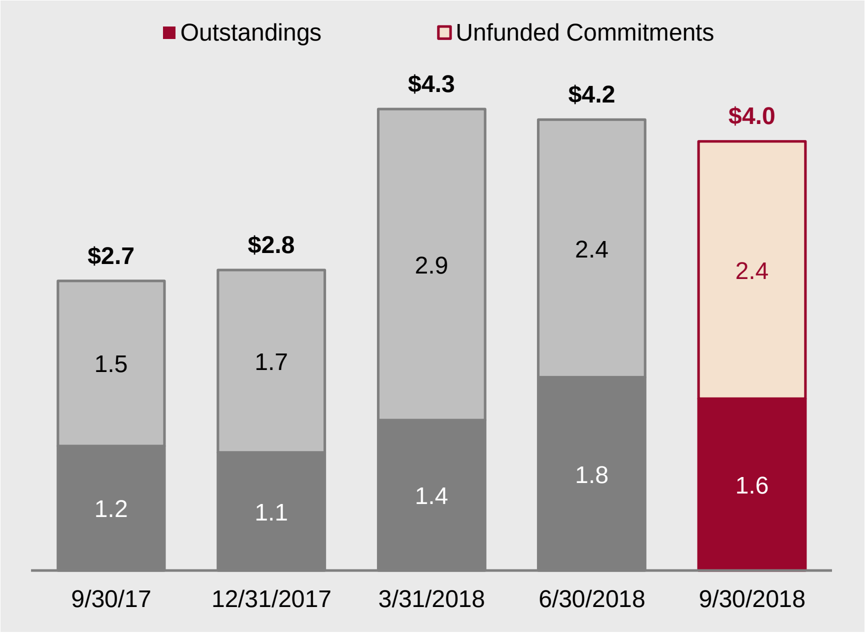
Warehouse lenders ranked by commitments ($mm)

Rank	Institution	YOY Growth	2Q18 Total	2Q18 Share
1	JPMorgan Chase	24%	$13,000	19%
2	Texas Capital	14%	5,923	9%
3	Wells Fargo	0%	5,800	9%
4	Flagstar Bancorp[1]	64%	4,195	6%
5	BB&T	-2%	3,700	6%
6	TIAA FSB (Everbank)	-10%	3,500	5%
7	Comerica	-8%	3,400	5%
8	Customers Bank	-6%	3,300	5%
9	First Tennessee	-5%	3,000	4%
10	U.S. Bancorp	3%	2,918	4%
	Top 10	9%	$48,736	73%

1) Flagstar acquired Santander mortgage warehouse business on 3/12/2018.

Source: Inside Mortgage Finance as of September 14, 2018.

FBC warehouse loan commitments ($bn)



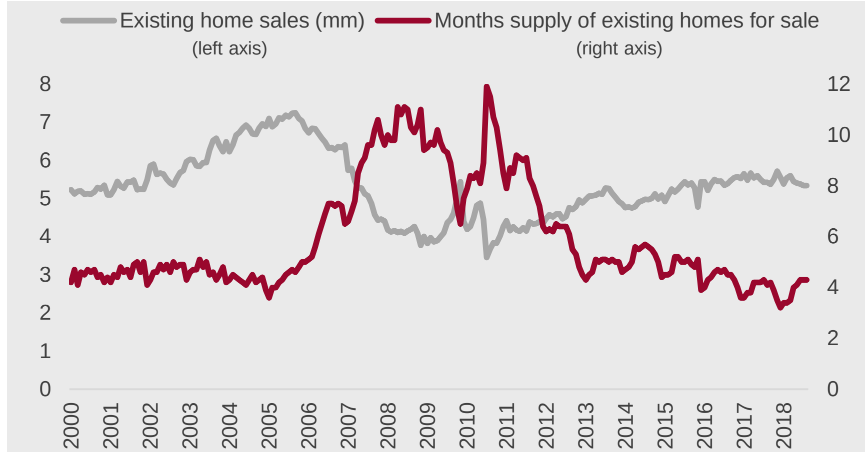
Flagstar Bank

Home builder finance

Overview

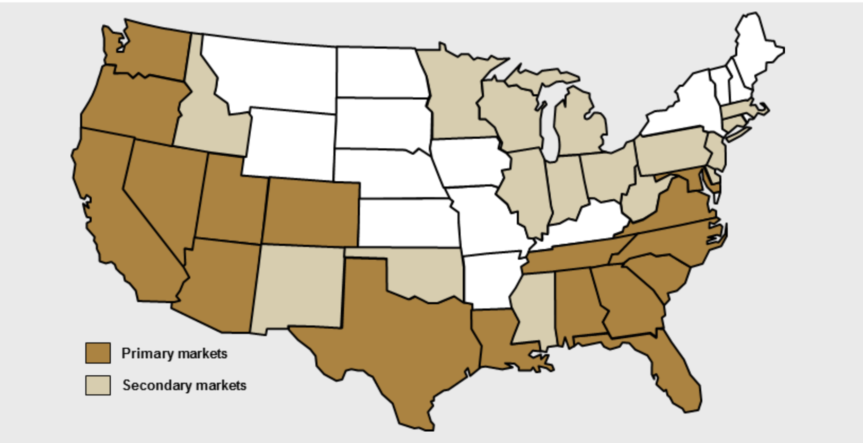
- National relationship-based lending platform launched in 1Q16
  - Attractive asset class with good spreads (~450bps)
  - Meaningful cross-sell opportunities including warehouse loans, commercial deposits and purchase originations
- Flagstar is well positioned to gain market share given builder and mortgage relationships
  - Focused on markets with strong housing fundamentals and higher growth potential
  - We currently have direct relationships with 6 of the top 10 and do business with 52 of the top 100 builders nationwide
  - We are well positioned to take advantage of supply/demand imbalance in housing market

Tightening housing supply[1]

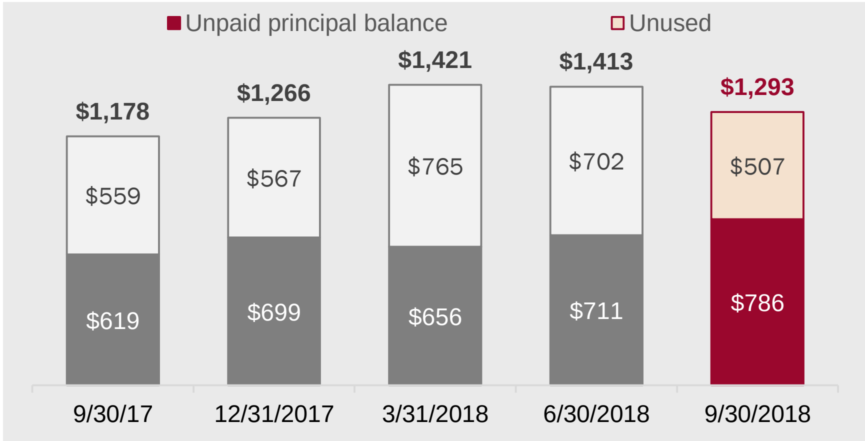


1) Source: Bloomberg (through 8/31/18)

Home builder finance footprint



Home builder loan commitments[2] ($mm)



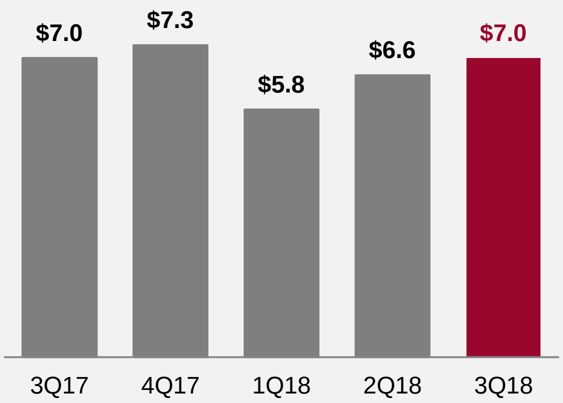
2) Commitments are for loans classified as commercial real estate and commercial & industrial.

Flagstar Bank

National distribution through multiple channels

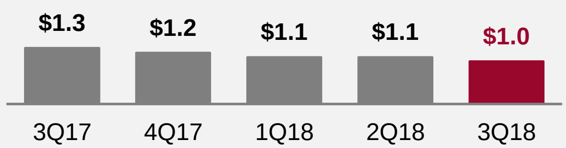
Residential mortgage originations by channel ($bn)

Correspondent



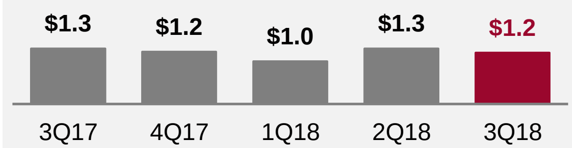
- 4.7% market share with #5 national ranking[1]
- More than 1,100 correspondent partners
- Top 10 relationships account for 13% of overall correspondent volume
- Warehouse lines with more than 300 correspondent relationships

Broker



- 2.3% market share with #7 national ranking[1]
- More than 800 brokerage relationships
- Top 10 relationships account for 12% of overall brokerage volume

Retail

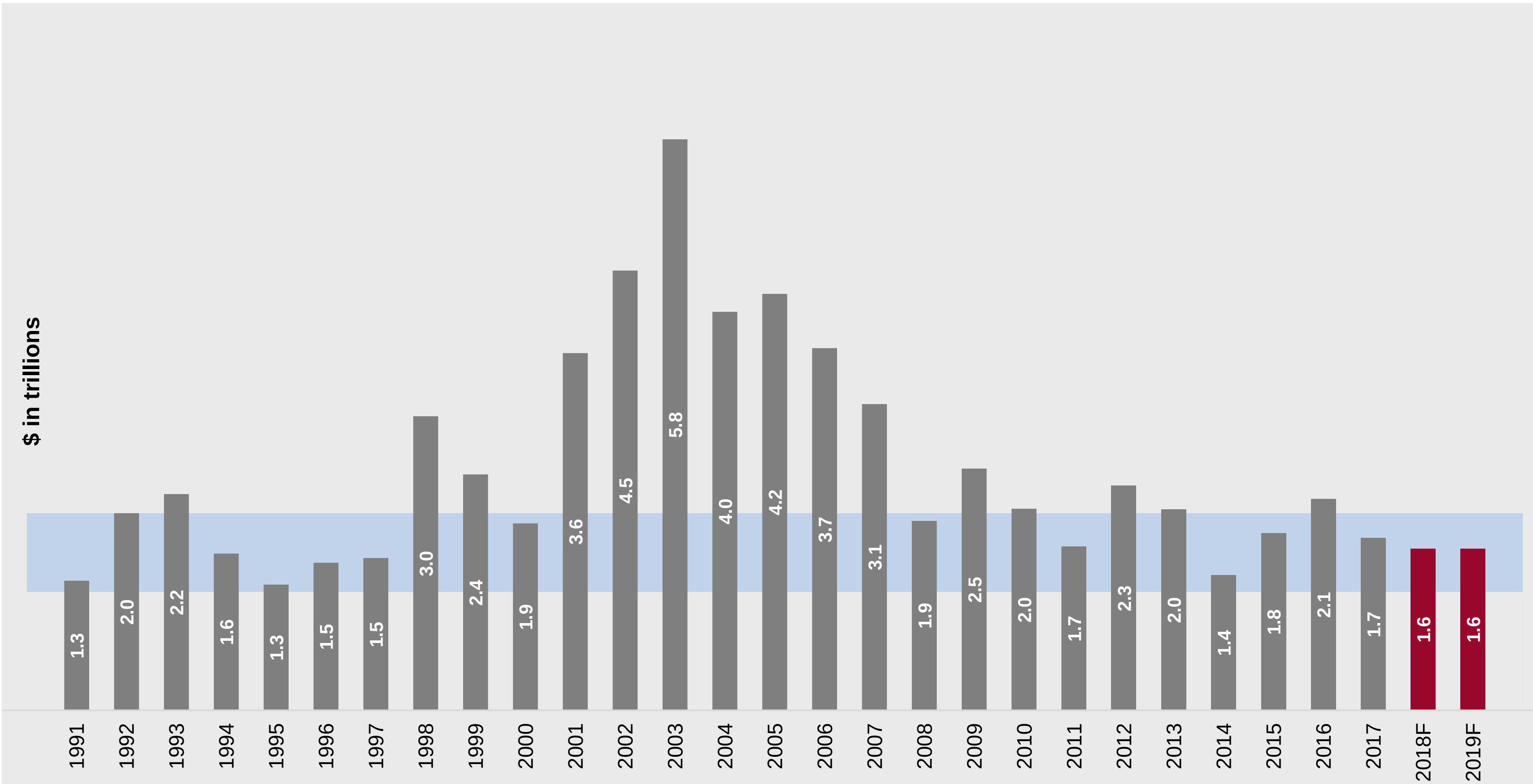


- Retail distribution share of 13% in 3Q18
- Opes acquisition and organic growth has expanded our retail footprint to 81 locations in 27 states
- Direct-to-consumer is 11% of retail volume

1) Data source: As reported by Inside Mortgage Finance for 2Q18 published August 24, 2018.

Flagstar has restructured its operations to be profitable even at historical lows for the mortgage origination market

U.S. residential mortgage origination market (historical and projected volumes)



	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018F	2019F
Nominal ($)	0.6	0.9	1.0	0.8	0.6	0.8	0.8	1.7	1.4	1.1	2.2	2.9	3.8	2.8	3.0	2.7	2.4	1.5	2.0	1.7	1.4	2.0	1.8	1.3	1.7	2.1	1.7	1.6	1.6
Real(1) ($)	1.0	1.6	1.8	1.3	1.1	1.2	1.3	2.5	2.1	1.7	3.2	4.0	5.2	3.7	3.9	3.4	2.9	1.8	2.3	2.0	1.6	2.2	2.0	1.4	1.8	2.1	1.7	1.6	1.6
Adjusted(2) ($)	1.3	2.0	2.2	1.6	1.3	1.5	1.5	3.0	2.4	1.9	3.6	4.5	5.8	4.0	4.2	3.7	3.1	1.9	2.5	2.0	1.7	2.3	2.0	1.4	1.8	2.1	1.7	1.6	1.6

Source: Mortgage Bankers Association for actual periods and a blended average of forecast by Fannie Mae, Freddie Mac and Mortgage Bankers Association.
1. Adjusted for historical inflation as reported by Bureau of Labor Statistics (2018 = 100).
2. Adjusted for population growth as reported by the U.S. Census Bureau (2016 = 100).

Flagstar Bancorp

MSR portfolio

MSR portfolio statistics

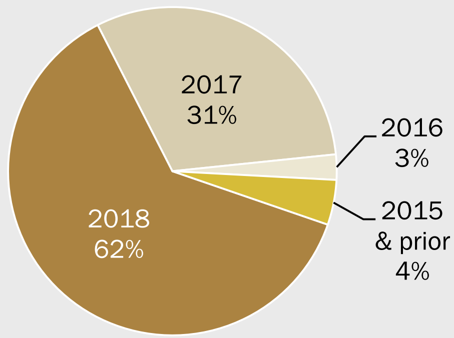
Measure ($mm)	6/30/2018	9/30/2018	Difference
Unpaid principal balance	$19,249	$21,835	$2,586
Fair value of MSR	$257	$313	$56
Capitalized rate (% of UPB)	1.34%	1.43%	9 bps
Multiple	4.105	4.152	0.047
Note rate	4.213%	4.355%	14.2 bps
Service fee	0.325%	0.345%	2 bps
Average Measure ($000)			
UPB per loan	$244	$247	$3
FICO	694	693	(1)
Loan to value	84.90%	86.52%	162 bps

Net (loss) return on mortgage servicing rights ($mm)

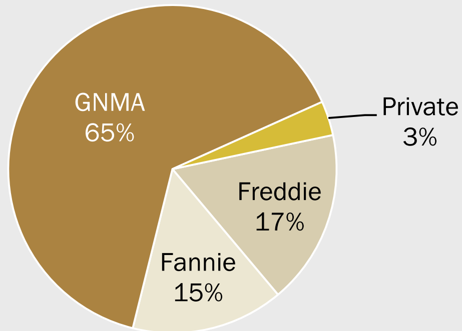
$ Return	3Q17	4Q17	1Q18	2Q18	3Q18
Net hedged profit (loss)	$0	($1)	($1)	($1)	($1)
Carry on asset	9	11	8	11	12
Run-off	(4)	(7)	(5)	(3)	(4)
Gross return on the mortgage servicing rights	**$5**	**$3**	**$2**	**$7**	**$7**
Sale transaction & P/L	1	(3)	1	0	3
Model changes	0	(4)	1	2	3
Net return on the mortgage servicing rights	**$6**	**($4)**	**$4**	**$9**	**$13**
Average mortgage servicing rights	**$212**	**$269**	**$269**	**$224**	**$270**

MSR portfolio characteristics (% UPB)

By Vintage



By Investor



Flagstar Bancorp

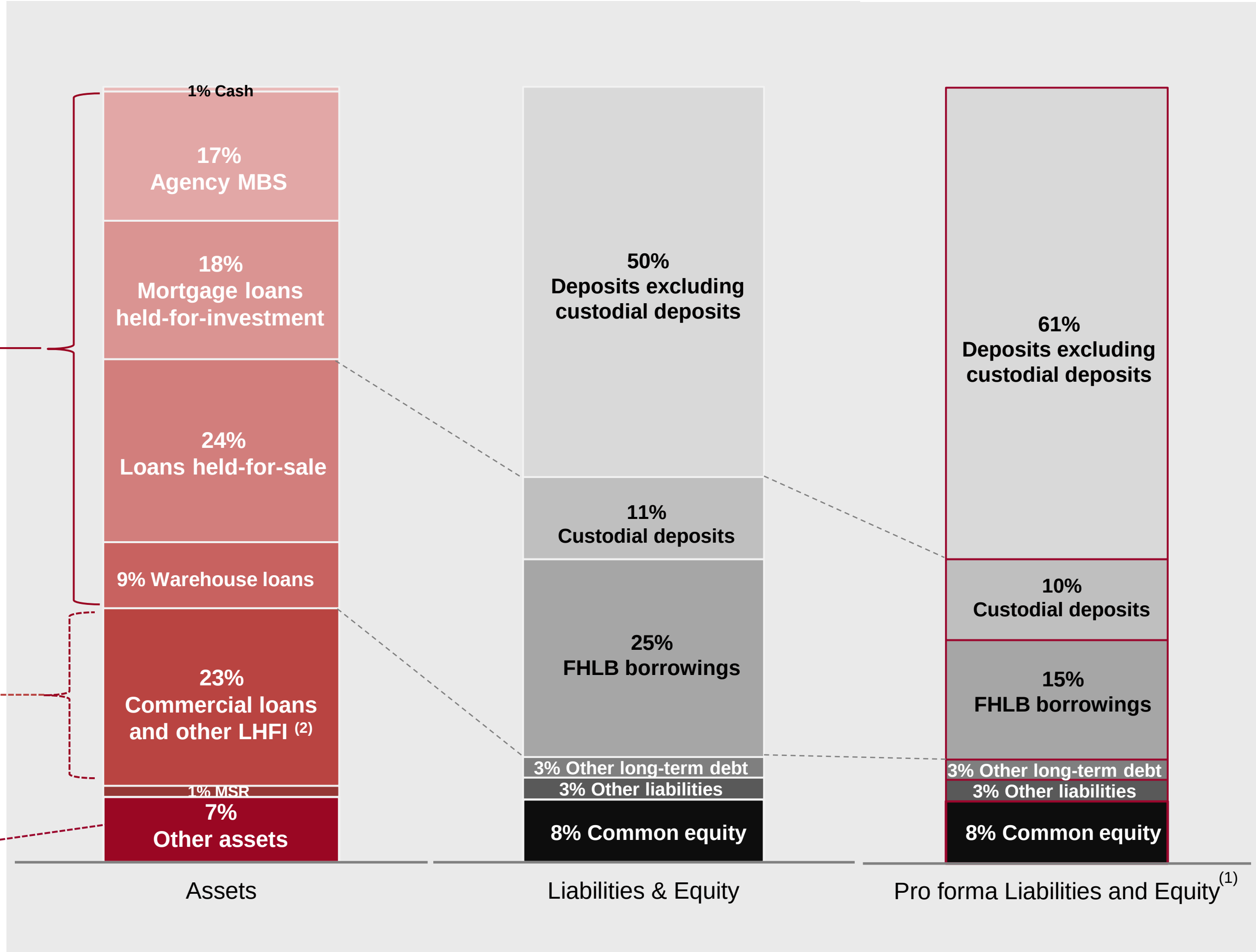
Balance sheet composition

~69% of assets are in lower risk-content assets: cash, marketable securities, warehouse loans, loans held-for-sale and freshly-originated, high-FICO conforming mortgages underwritten by Flagstar

Attractive relationship lending with very low delinquencies

Primarily low risk, stable assets (FHLB stock, BOLI, premises & equipment, deferred tax asset, etc.)

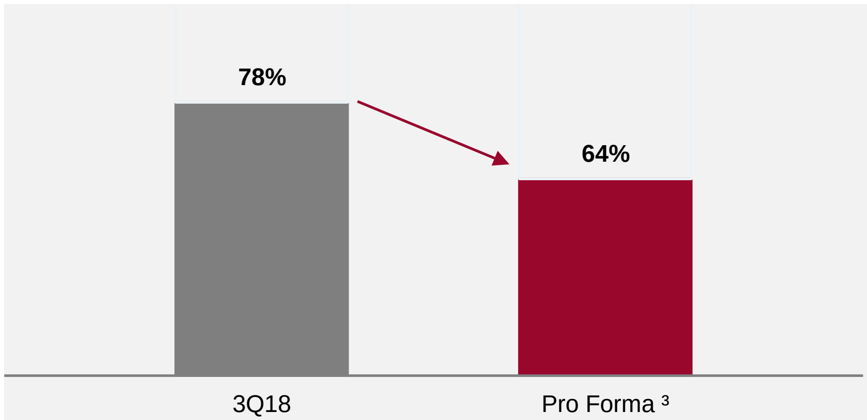
3Q18 average balance sheet (%)



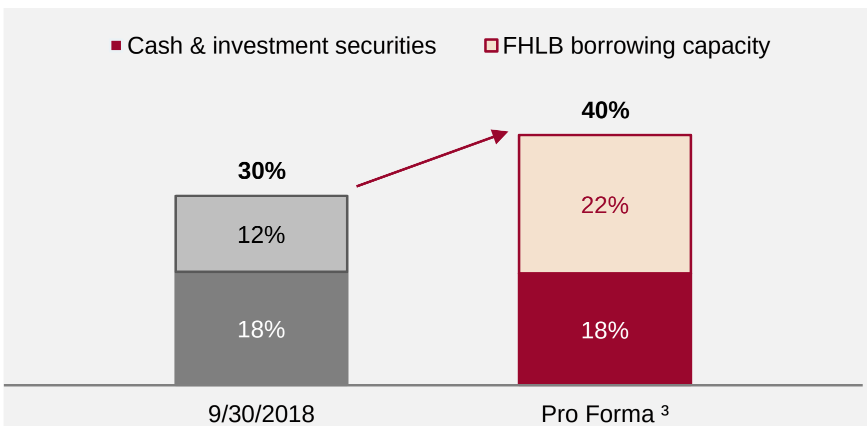
1) Pro forma liabilities and equity reflect the pending acquisition of 52 Wells Fargo branches.
2) Other LHFI includes home equity and other consumer loans.

Liquidity and funding

HFI loan-to-deposit ratio[1]



Liquidity ratio[2]



Commentary

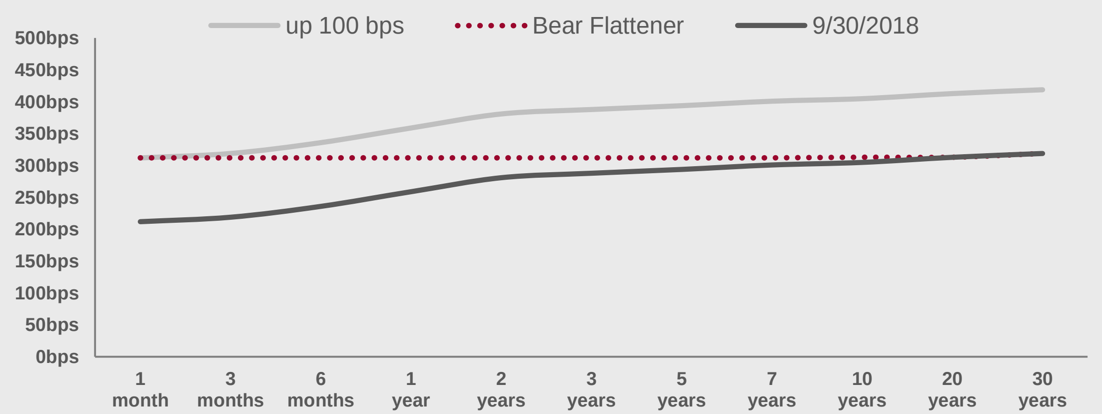
- Flagstar has invested significantly in building its Community Bank, which provides attractive core deposit funding for its balance sheet
- These retail deposits are supplemented by custodial deposits from the servicing business
- Much of the remainder of Flagstar's balance sheet is self-funding given it is eligible collateral for FHLB advances (which provides significant liquidity capacity)
- Pro forma HFI loan-to-deposit ratio[1] declines 14 percentage points to 64 percent
- Pro forma liquidity ratio[2] at September 30, 2018 increases 10 percentage points to 40 percent

1) HFI loan-to-deposit ratio is total average loans HFI (excluding warehouse loans) expressed as a percentage of total average deposits (excluding custodial deposits).
2) Cash, investment securities and FHLB borrowing capacity expressed as a percentage of total assets.
3) Pro-forma as of September 30, 2018 for the pending acquisition of 52 Wells Fargo branches.

Flagstar Bancorp

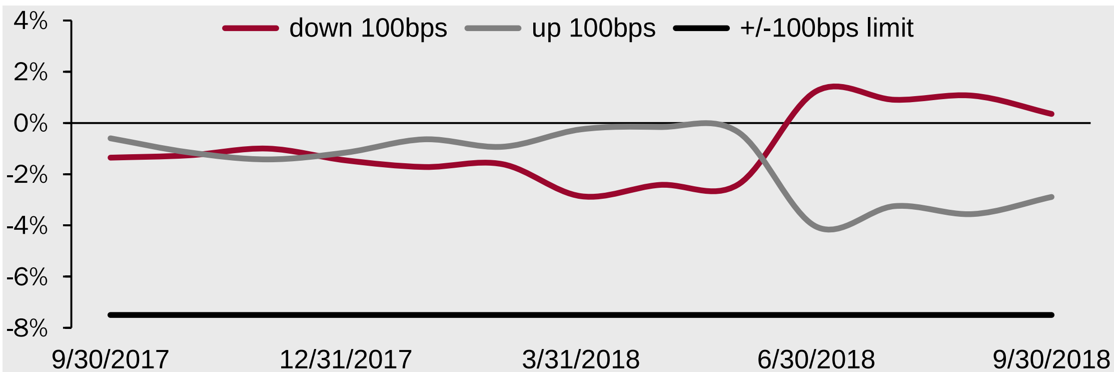
Low interest rate risk

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



	Scenario	
($ in mm)	+100bps	Bear Flattener
Net interest income	$32	($18)
Noninterest Income	($32) to $0	$0 to $18

Economic value of equity, trend (9/30/17 – 9/30/18)



Non-GAAP reconciliation

$mm

Adjusted Net Income, Diluted EPS, ROA, ROE, and Efficiency Ratio

	3 months ended September 30, 2018	3 months ended June 30, 2018	9 months ended September 30, 2018	9 months ended September 30, 2017
Noninterest Expanse	$ 173	$ 177		
Adjustment to remove acquisition costs (after-tax)	1	-		
Adjusted Noninterest Expense	**$ 172**	**$ 177**		
Net Income	$ 48	$ 50	$ 133	$ 108
Adjustment to remove acquisition costs (after-tax)	1	-	1	2
Adjusted Net Income	**$ 49**	**$ 50**	**$ 134**	**$ 110**
Diluted Earnings per Share	$ 0.83	$ 0.85	$ 2.28	$ 1.86
Adjustment to remove acquisition costs (after-tax)	0.02	-	0.02	0.03
Adjusted Diluted Earnings per Share	**$ 0.85**	**$ 0.85**	**$ 2.30**	**$ 1.89**
Return on Average Assets	1.0%	1.1%	1.0%	0.9%
Adjustment to remove acquisition costs (after-tax)	0.1%	0.0%	0.0%	0.1%
Adjusted Return on Average Assets	**1.1%**	**1.1%**	**1.0%**	**1.0%**
Return on Average Equity	12.8%	13.5%	12.1%	10.2%
Adjustment to remove acquisition costs (after-tax)	0.2%	0.0%	0.1%	0.2%
Adjusted Return on Average Equity	**13.0%**	**13.5%**	**12.2%**	**10.4%**
Efficiency Ratio	75%	74%		
Adjustment to remove acquisition costs (after-tax)	(1%)	0%		
Adjusted Efficiency Ratio	**74%**	**74%**		

Tangible Book Value per Share and Tangible Common Equity to Assets Ratio

	as of September 30, 2018	as of June 30, 2018
Total stockholders' equity	$ 1,518	$ 1,475
Goodwill and intangible assets	70	71
Tangible book value	$ 1,448	$ 1,404
Number of common shares outstanding	57,625,439	57,598,406
Tangible book value per share	**$ 25.13**	**$ 24.37**
Total Assets	$ 18,697	$ 18,130
Tangible common equity to assets ratio	**7.74%**	**7.74%**

Regulatory Capital under Capital Simplification

	as of September 30, 2018	
	Total RBC Ratio	Total RBC Ratio (pro forma with pending Wells Fargo branch acquisition)
Regulatory capital - Basel III to capital simplification		
Basel III	$ 1,677	$ 1,531
Net change in deductions to DTAs, MSRs and other capital components	136	147
Basel III with capital simplification	$ 1,813	$ 1,678
Risk-weighted assets – Basel III to capital simplification		
Basel III assets	$ 11,799	$ 11,932
Net change in assets	673	683
Basel III with capital simplification	$ 12,472	$ 12,615
Capital ratios		
Basel III	14.2%	12.8%
Basel III with capital simplification	**14.5%**	**13.3%**