Flagstar Bancorp, Inc. (NYSE: FBC)

Houlihan Lokey
Annual Financial Services Investor Conference

MARCH 11, 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, by their nature, involve estimates, projections, goals, forecasts, assumptions, risks and uncertainties that could cause actual results or outcomes to differ materially from those expressed in a forward-looking statement. Examples of forward-looking statements include statements regarding our expectations, beliefs, plans, goals, objectives and future financial or other performance. 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. 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.

There are a number of important factors that could cause future results to differ materially from historical performance and these forward-looking statements. Factors that might cause such a difference 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 or changed 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 with the Office of Comptroller of the Currency and the Consent Order of the Consumer Financial Protection Bureau and our ability to address any further matters raised by these regulators, and other regulators or government bodies;
9. Our ability to comply with the terms and conditions of the agreement with the U.S. Department of Justice and the impact of compliance with that agreement and our ability to accurately estimate the financial impact of that agreement, including the fair value and timing of the future payments;
10. The Bank's ability to make capital distributions and our ability to pay dividends on our capital stock or interest on our trust preferred securities;
11. Our ability to attract and retain senior management and other qualified personnel to execute our business strategy, including our entry into new lines of business, our introduction of new products and services and management of risks relating thereto, and our competing in the mortgage loan originations, mortgage servicing and commercial and retail banking lines of business;
12. Our ability to satisfy our mortgage servicing and subservicing obligations and manage repurchases and indemnity demands by mortgage loan purchasers, guarantors and insurers;
13. The outcome and cost of defending current and future legal or regulatory litigation, proceedings or investigations;
14. Our ability to create and maintain an effective risk management framework and effectively manage risk, including, among other things, market, interest rate, credit and liquidity risk, including risks relating to the 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.

All of the above factors are difficult to predict, contain uncertainties that may materially affect actual results, and may be beyond our control. New factors emerge from time to time, and it is not possible for our management to predict all such factors or to assess the effect of each such factor on our business.

Although we believe that these forward-looking statements are based on reasonable estimates and assumptions, they are not guarantees of future performance and are subject to known and unknown risks, uncertainties, contingencies and other factors. Accordingly, we cannot give you 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.

Investment proposition

Strong core franchise	• Largest bank headquartered in Michigan, with \$9.8 billion in assets, \$7.1 billion of deposits and 107 branches • 9th largest mortgage originator with nearly \$25 billion in mortgage loans originated during 2014 • 17th largest mortgage servicer / sub-servicer for over \$75 billion of home loans for nearly 400,000 borrowers
Increased profitability	• Q4'14 net income of \$11 million, up 44% from adjusted Q3'14 net income • Flagstar has reduced operating expense ~\$200mm to match mortgage industry volume lows
Improved asset quality	• Improved performance in the HFI portfolio with: - NPAs at 1.42% of total assets, and - Early stage delinquency (30-89 days past due) at 0.99% of loans held-for-investment • Allowance coverage of 7% of loans held-for-investment
Robust capital and liquidity	• Flagstar has strongest capital among peers: - Total Capital of 24.1% - Tier 1 Leverage of 12.6% • Balance sheet expansion will be funded with core deposit growth • Highly liquid – cash, GSE securities, and loans held for sale equal to 31% of total assets
Relative valuation	• Flagstar's price to tangible book value is slightly less than 50% of peers

Agenda

Strong core franchise

Community bank

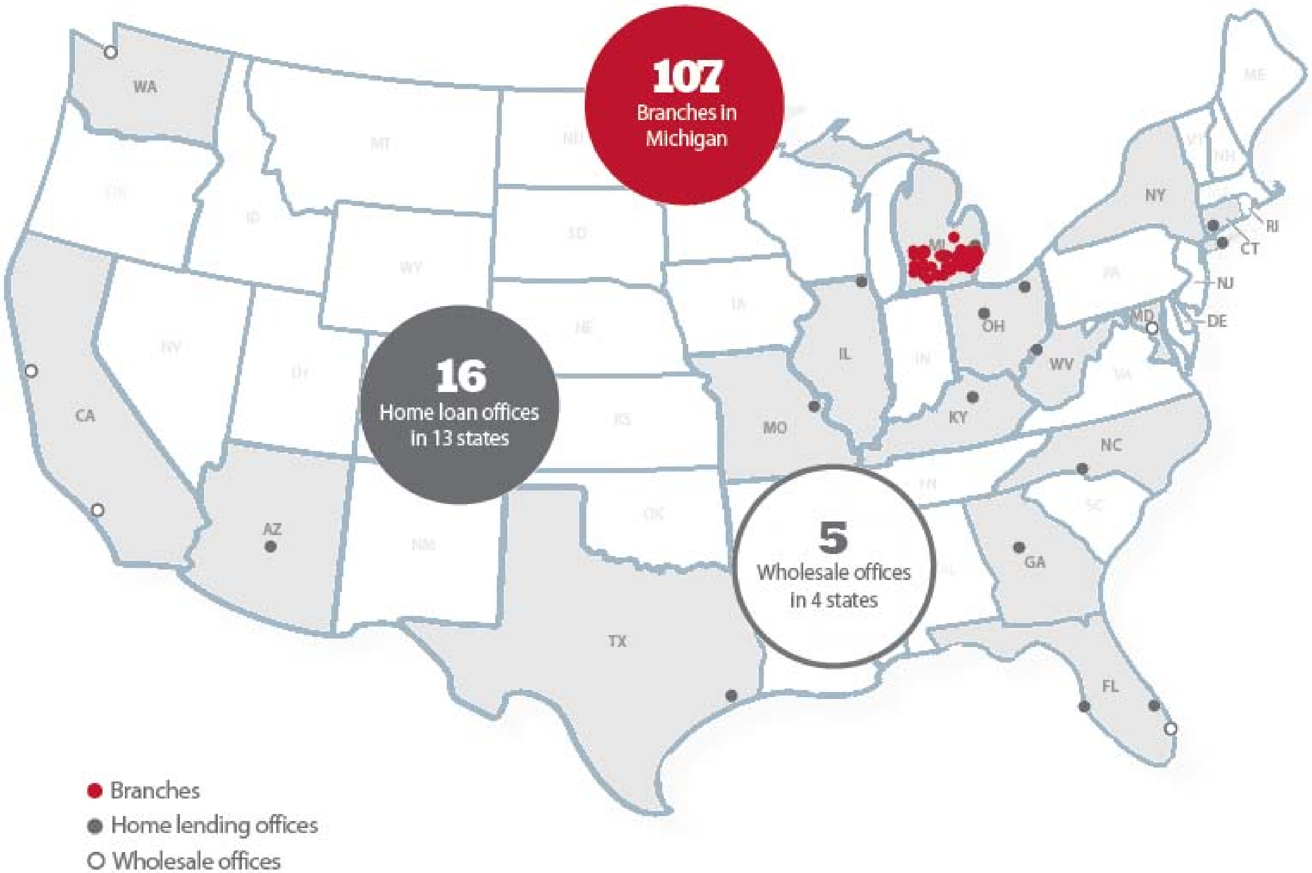
- Largest Michigan based bank
- #7 in deposit market share
- $9.8bn of assets
- $7.1bn of deposits
- 107 branches

Mortgage originator

- 9th largest originator nationally
- Originated nearly $25bn of residential mortgage loans during the last 12 months

Mortgage servicer

- 17th largest combined servicer of mortgage loans nationwide
- Currently servicing nearly 400k loans
- Scalable mortgage platform to service up to 1mm loans

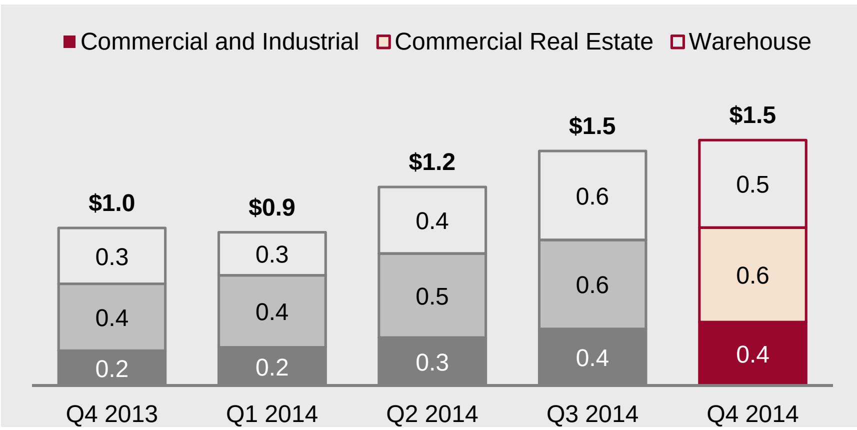


Flagstar Bancorp

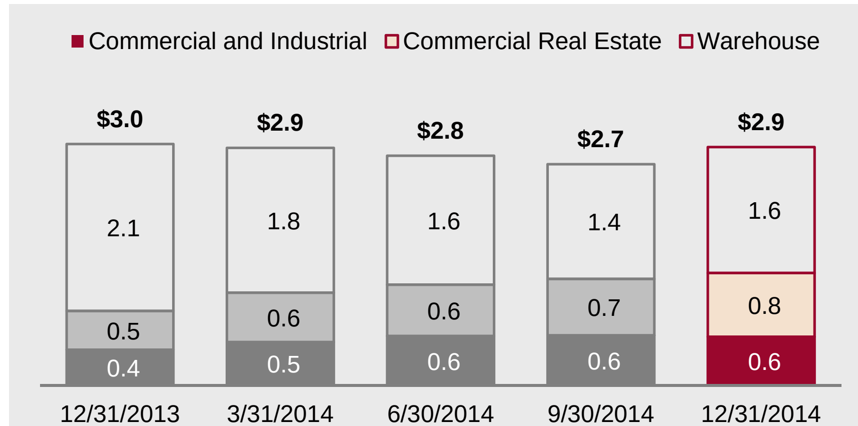
Community banking

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

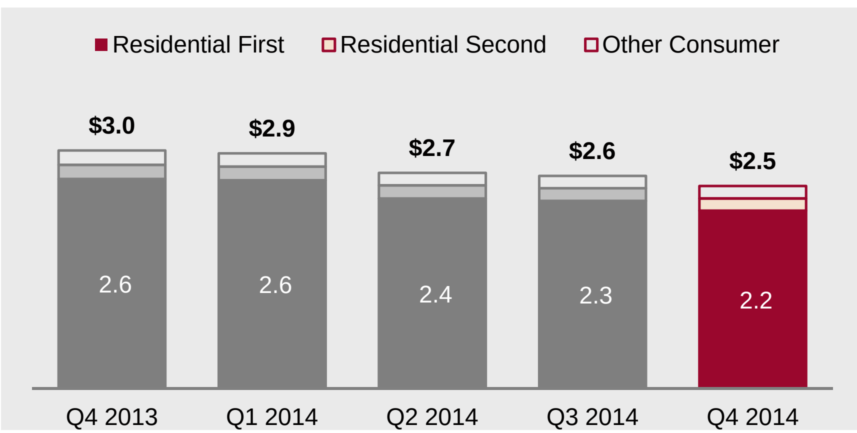
Average commercial loans ($bn)



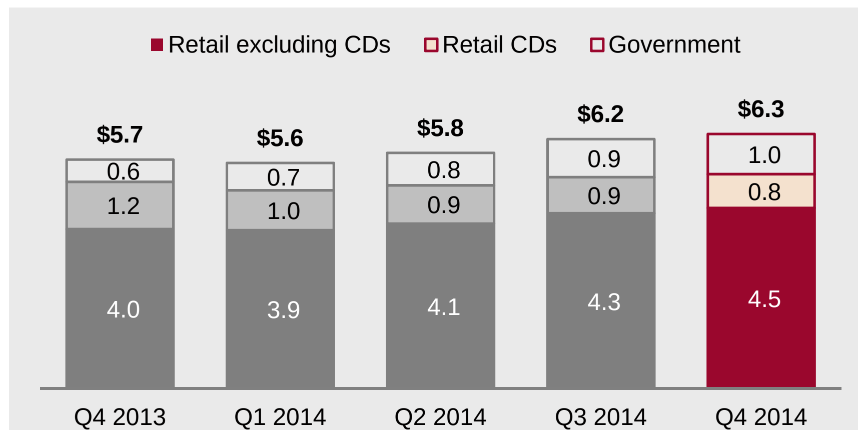
Commercial loan total commitments ($bn)



Average consumer loans ($bn)



Average deposits ($bn)

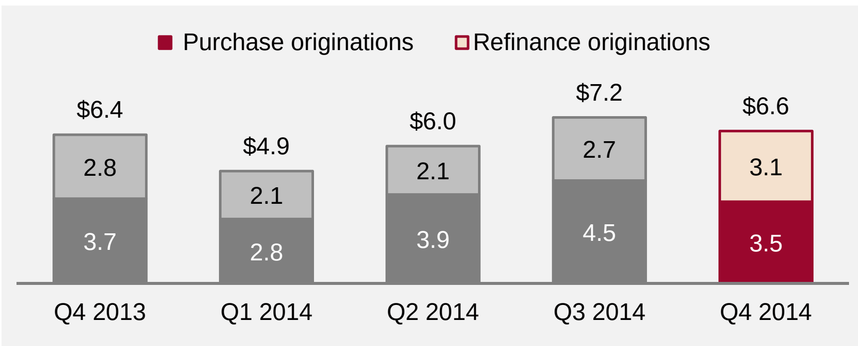


Flagstar Bancorp

Mortgage originations

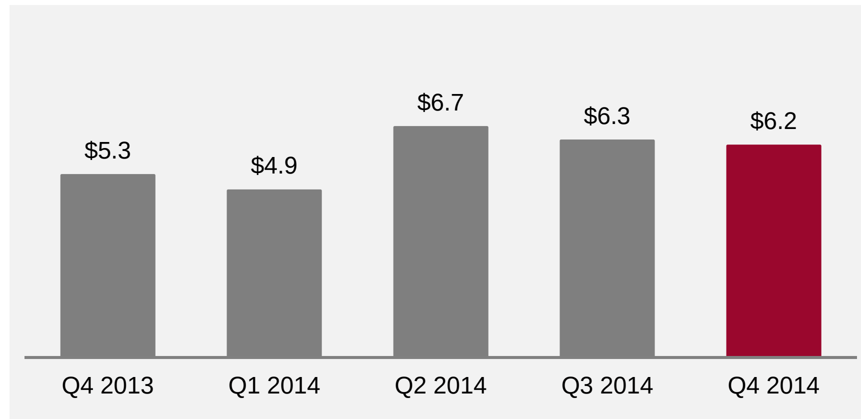
- Flagstar has right sized its origination business to be profitable at cyclical lows

Originations by purpose ($bn)

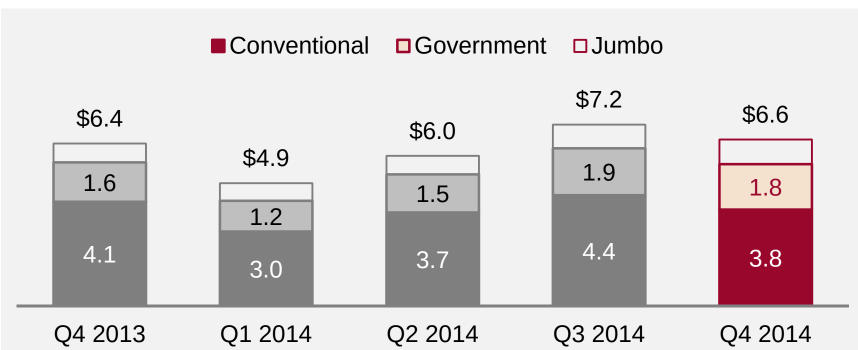


Conforming (%)	64%	60%	62%	61%	62%

Fallout adjusted locks ($bn)

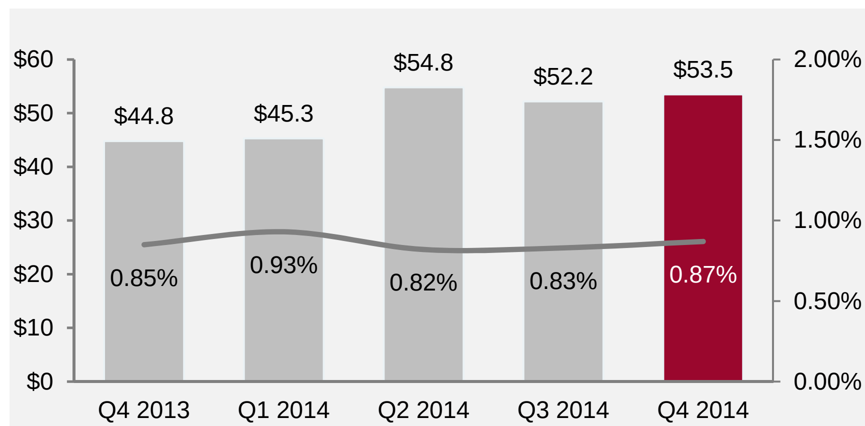


Originations by mortgage type ($bn)



FHA (%)	14%	16%	16%	15%	14%

Gain on loan sale[1] – revenue and margin



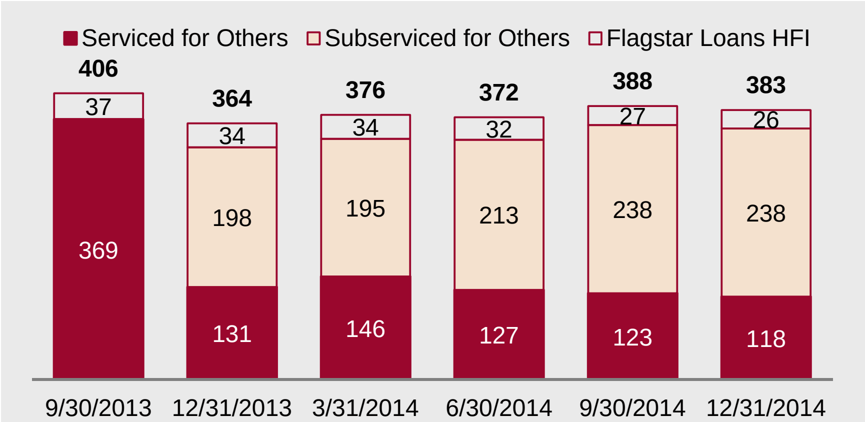
1. Based on fallout adjusted locks.

Flagstar Bancorp

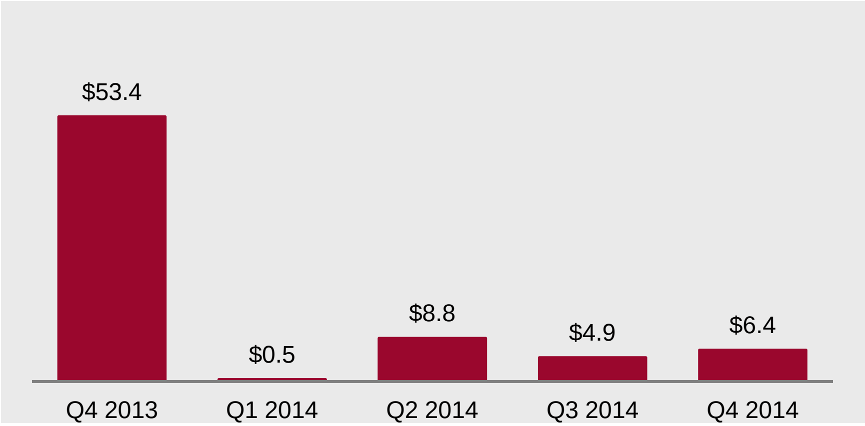
Mortgage servicing

- Flagstar has de-risked its servicing business by selling MSR assets while retaining a sub-servicing platform

Loans serviced ('000)

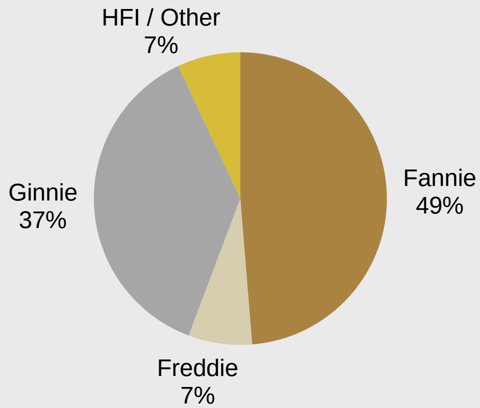


$ UPB of MSRs sold[1] ($bn)

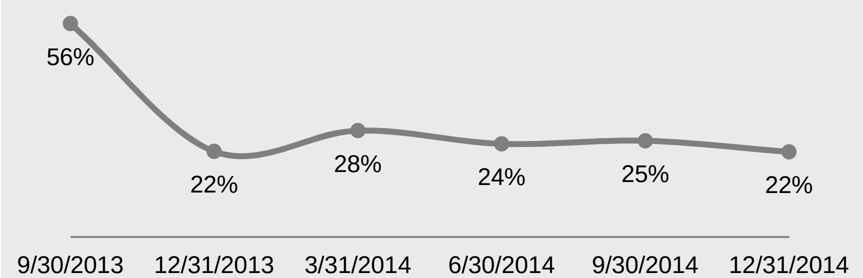


[1] Includes bulk and flow sales.

Breakdown of loans serviced



MSR / regulatory capital



Flagstar Bancorp

Agenda

Flagstar Bancorp

Substantial progress rebuilding Flagstar

2013 | **2014**

Risk mitigation

- **5/2/13** Settlement with MBIA for $110mm
- **6/21/13** Settlement with Assured Guaranty for $105mm
- **11/6/13** Settlement with Fannie Mae R&W liability of $121mm for pre-2009 mortgages
- **12/30/13** Settlement with Freddie Mac R&W liability of $11mm for pre-2009 mortgages
- **FY 2013** Completed the sales of $508mm UPB of NPLs and TDRs
- **Q1 2014** Bolstered LLR by $100mm to raise resi I/O loss estimation from 12 to 18 months
- **9/29/14** Settlement with CFPB related to loss mitigation and default servicing practices
- **FY 2014** Completed the sales of $72mm UPB of NPLs and TDRs

Management

- **3/4/13** Mike Flynn becomes General Counsel
- **5/17/13** Sandro DiNello becomes CEO, Lee Smith becomes COO
- **6/23/14** Stephen Figliuolo becomes CRO
- **8/4/2014** James Ciroli becomes CFO
- **12/2/2014** Andy Fornarola becomes Director of Community Banking

Achievements

- **7/17/13** Announced outsourcing of default servicing and intent to service only performing
- **8/28/13** Announced marketing partnership with Detroit Red Wings
- **12/18/13** Announced sale of $40.7bn of MSRs to Two Harbors, retaining subservicing
- **Q4 2013** Repaid $2.9bn of high cost FHLB advances
- **1/22/14** Announced reversal of $356mm DTA valuation allowance

Flagstar Bancorp

Agenda

Increased profitability

Quarterly adjusted income comparison[1]

$mm

	Q4 2014	Q3 2014	Variance
Net interest income	$61.3	$64.4	($3.1)
Provision for loan losses	5.0	8.1	3.1
Net interest income after provision for loan losses	56.3	56.3	-
Net gain on loans sales	53.5	52.2	1.4
Loan fees and charges	16.8	18.7	(1.9)
Loan administration income	5.5	5.6	(0.1)
Other noninterest income	22.7	8.8	13.9
Adjusting items[1]	-	10.4	(10.4)
Noninterest income	98.4	95.6	2.9
Gain sale / total revenue	*35%*	*34%*	*0%*
Compensation and benefits	59.0	53.5	(5.5)
Commissions	9.3	10.3	1.0
Other noninterest expenses	71.0	115.5	44.6
Adjusting items[1]	-	(38.6)	(38.6)
Noninterest expense	139.3	140.8	1.5
Adjusted efficiency ratio	*91%*	*87%*	*4%*
Adjusted operating income before taxes	**15.5**	**11.1**	**4.4**
Income tax expense	4.4	3.3	(1.1)
Adjusted net (loss) income	**$11.1**	**$7.7**	**$3.4**

Observations

Lower net interest income

- 11 bps decrease in NIM, primarily due to lower yield on loans with government guarantees
- 1% decline in average earning assets; resulting from third quarter jumbo loan sales partially offset by increased commercial lending

Lower credit related costs

- Total credit costs of $12.3 million vs. $23.9 million in the prior quarter on an adjusted basis
  - Improvement in R&W provision due to lower loss experience & claim recoveries

Revenue growth

- Noninterest income increased $3 million, excluding $10.4 million of indemnity charges in Q3
  - Net gain on loan sales up slightly on 4bps improvement in margin

Expense discipline

- Noninterest expense decreased $2 million
  - Asset resolution, legal and professional and other noninterest expense down
  - Partially offset by higher compensation expense

1 Please see adjustments in the non-GAAP reconciliations included in the appendix.

Flagstar Bancorp

Increased profitability

Balance sheet highlights

$mm

	12/31/2014	9/30/2014	Variance
Total Assets	**$9,840**	**$9,625**	**$215**
Cash and cash equivalents	$136	$107	$29
Investments securities available-for-sale	1,672	1,378	294
Liquid assets	**$1,808**	**$1,485**	**$323**
Residential first mortgages	$2,193	$2,225	($31)
Consumer loans[1]	436	447	(11)
Commercial loans[2]	1,049	918	131
Warehouse loans	769	595	174
Loans, held for investment	**$4,448**	**$4,185**	**$262**
Loans held for sale	1,244	1,469	(225)
Loans repurchased with government guarantees	1,128	1,192	(63)
Total loans	**$6,820**	**$6,846**	**($26)**
Mortgage servicing rights	$258	$285	($28)
Gross HFI loans / deposit ratio	62.9%	57.8%	510 bps
Wholesale funding ratio[3]	12.6%	8.8%	380 bps
MSR to tier 1 capital ratio[4]	21.8%	24.9%	-310 bps

1 Includes second mortgage, HELOC and other consumer loans.
2 Commercial loans include commercial real estate, commercial and industrial and commercial lease financing loans.
3 Wholesale funding ratio is the percent of total assets that is funded by brokered deposits, FHLB advances and other debt.
4 See non-GAAP reconciliation in the appendix.

Observations

Balance sheet positioned for growth

- Total assets up 2% to $9.8B
- Strong liquidity position maintained

Strengthening balance sheet

- Deposits are a significant portion of our funding
  - Total deposits up to 83% of liabilities
  - Core deposits up to 52% of liabilities
- Common equity / assets of 11%

Liquidity remains enviable

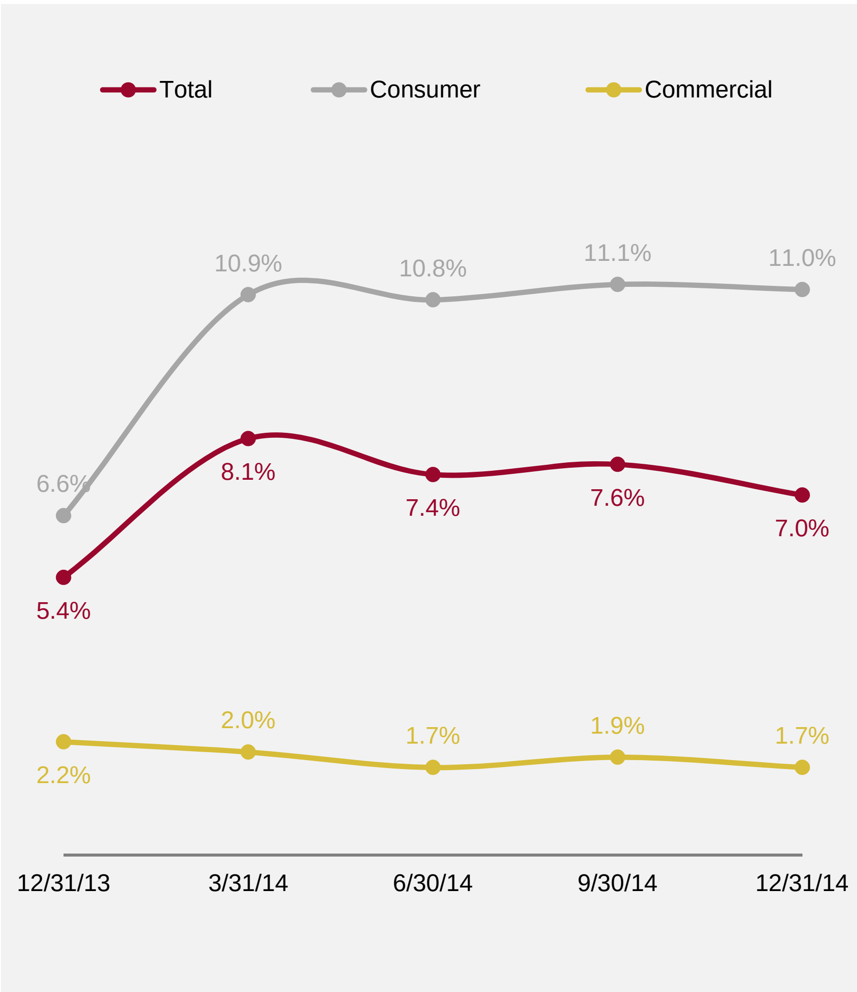
- Loans held for sale equal to 18% of deposits
- Cash + agency securities equal to 17% of total assets
- Borrowing capacity with FHLB at 22% of total assets

Flagstar Bancorp

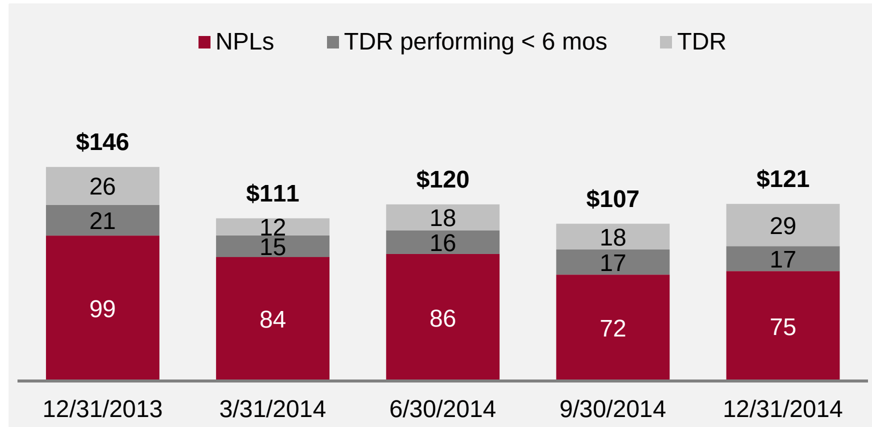
Improved asset quality

- Allowance coverage is sufficient to cover loss content in non-performing loans

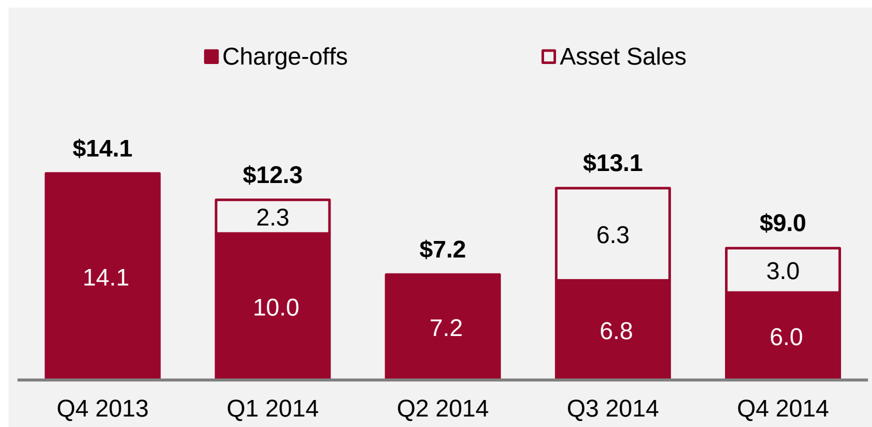
Allowance coverage[1] (% of loans HFI)



Nonperforming loans ($mm)



Net charge-offs ($mm)



[1] Excludes loans carried under the fair value option.

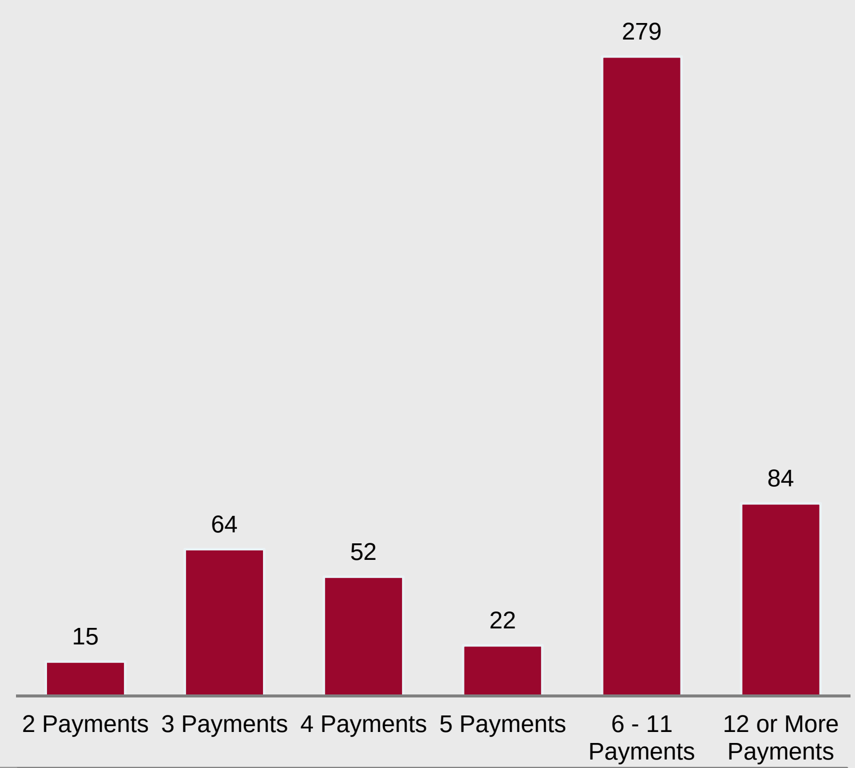
Flagstar Bancorp

Improved asset quality

Interest only portfolio – historic resets

- Strong performance on cash flow resets with 70% having already made 6 or more payments
- Less than 10% of charged-off loans defaulted after reset date

Cash flow resets by payments made after reset



%	2 Payments	3 Payments	4 Payments	5 Payments	6 - 11 Payments	12 or More Payments
%	2.9%	12.4%	10.1%	4.3%	54.1%	16.3%

Note: January 1, 2013 through December 31, 2014

Resets through December 31, 2014

	Quantity	UPB ($mm)	%
Paid in full	295	$104	25.6%
Cash flow resets	516	151	37.2%
Loan Sales	133	47	11.6%
Modifications	94	32	7.9%
Charge-off / foreclosure	92	24	5.8%
Default servicing	41	15	3.7%
Total resolutions	**1,171**	**$372**	**91.8%**
In-process	113	33	8.2%
Total resets through 12/31/14	**1,284**	**$406**	**100.0%**

Improved asset quality

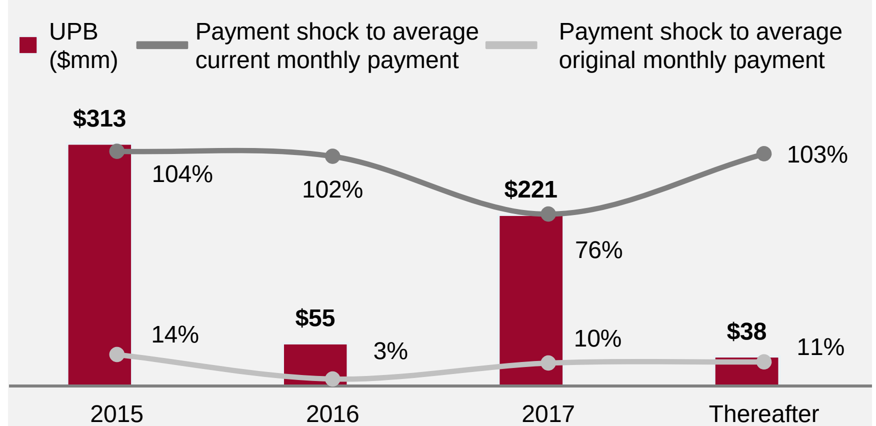
Interest only portfolio – upcoming resets

- Rolling 12-month average loss severity has been 37%; consistent with overall loan portfolio

Key highlights

- Flagstar retains a $628mm IO portfolio that will reset from 2015-17
- The portfolio is well seasoned and naturally running off, with >68% sub-90% LTV
- I/O reserve was ~$94mm in Q4 2014 (~10% of outstanding loans)
- Flagstar is aggressively managing this portfolio with proactive calling campaigns and refinancing/modification opportunities
  - 100% right party contact for resets that occurred during Q4 2014
  - 95.4% right party contact for resets that will occur during Q1 2015
- 47% of portfolio is in CA/FL where it benefits from significant house price appreciation

I/O reset by year



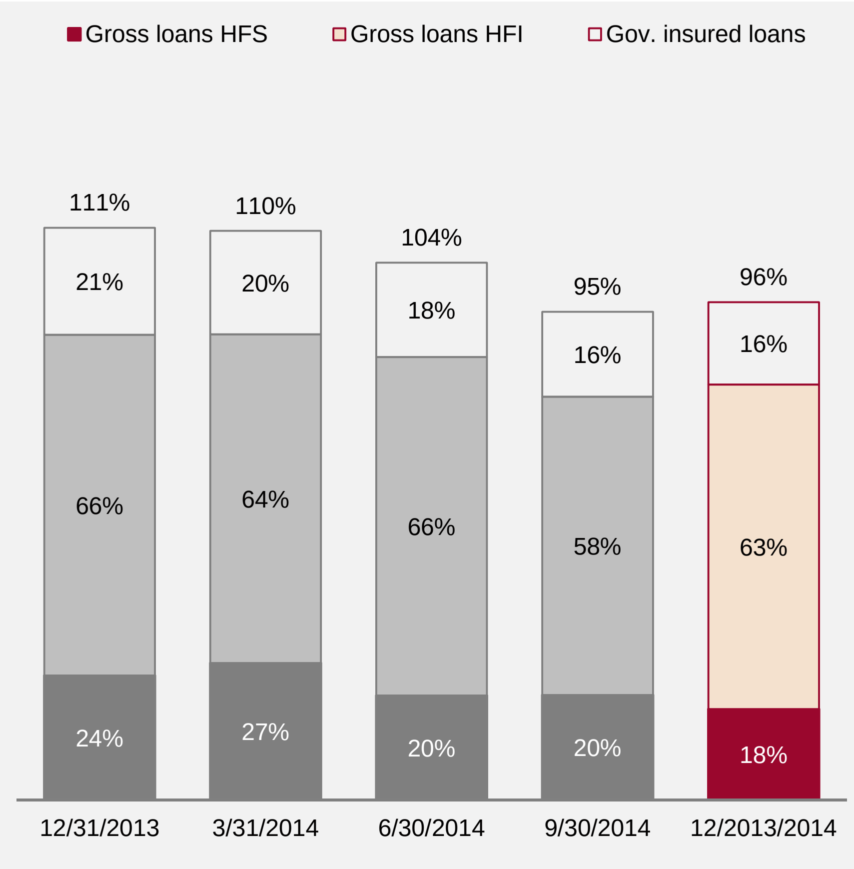
FICO & LTV (as of December 31, 2014)

Current FICOs	Current LTVs: $ <70	$ 70-79	$ 80-89	$ 90-99	$ 100+	$ Total	% <70	% 70-79	% 80-89	% 90-99	% 100+	% Total
740+	$96	$67	$66	$60	$37	$326	15%	11%	11%	10%	6%	52%
700-739	$31	$22	$32	$22	$16	$123	5%	4%	5%	4%	3%	20%
660-699	$19	$16	$16	$20	$11	$82	3%	2%	3%	3%	2%	13%
620-659	$9	$9	$13	$9	$6	$47	1%	2%	2%	1%	1%	7%
<620	$13	$10	$10	$7	$9	$50	2%	2%	2%	1%	1%	8%
Total	**$168**	**$125**	**$137**	**$119**	**$79**	**$628**	**27%**	**20%**	**22%**	**19%**	**13%**	**100%**

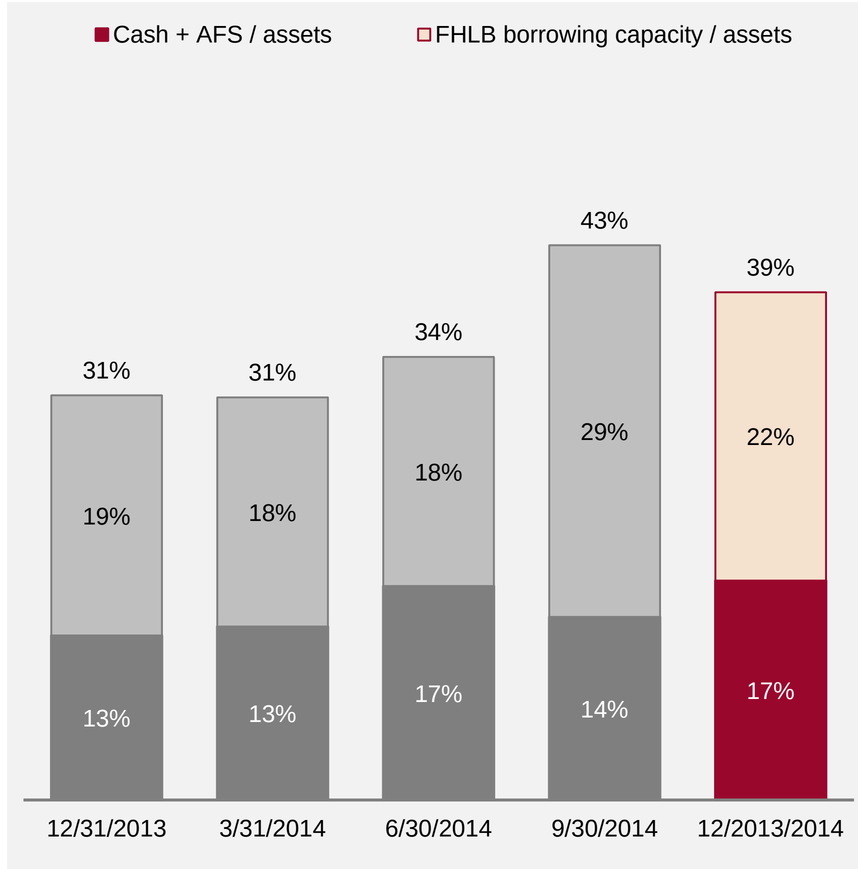
Robust capital and liquidity

- Balance sheet expansion funded with core deposit growth

Gross loans/deposits



Available liquidity/total assets

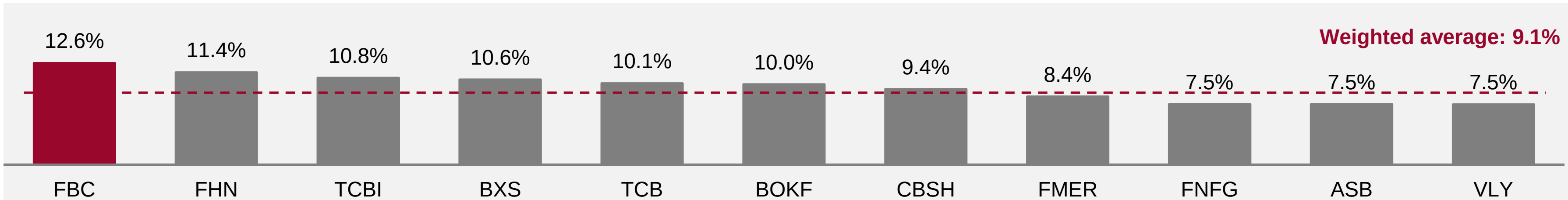


Flagstar Bancorp

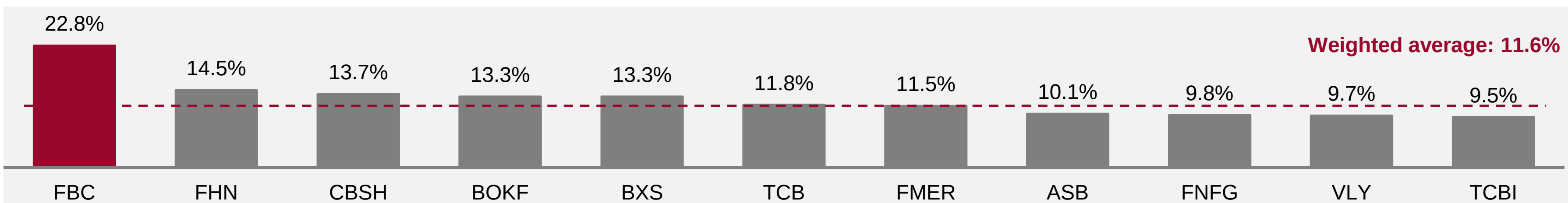
Robust capital and liquidity (cont.)

- Flagstar has strongest capital among peers

Tier 1 leverage

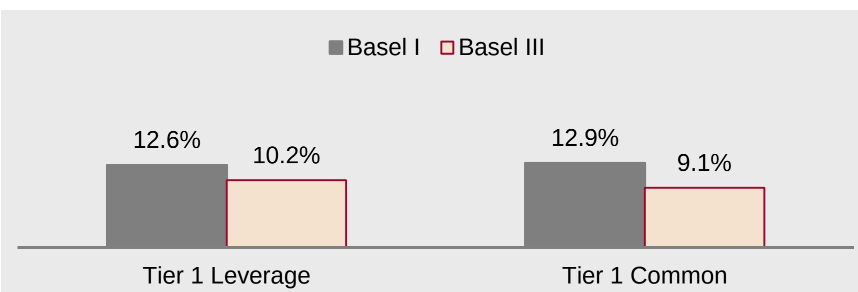


Tier 1 capital



Source: SNL Financial; comparable data as of December 31, 2014.

Pro-forma capital ratios (12/31/14)[1]



1. Please see non-GAAP table in the appendix.

Basel III implementation overview

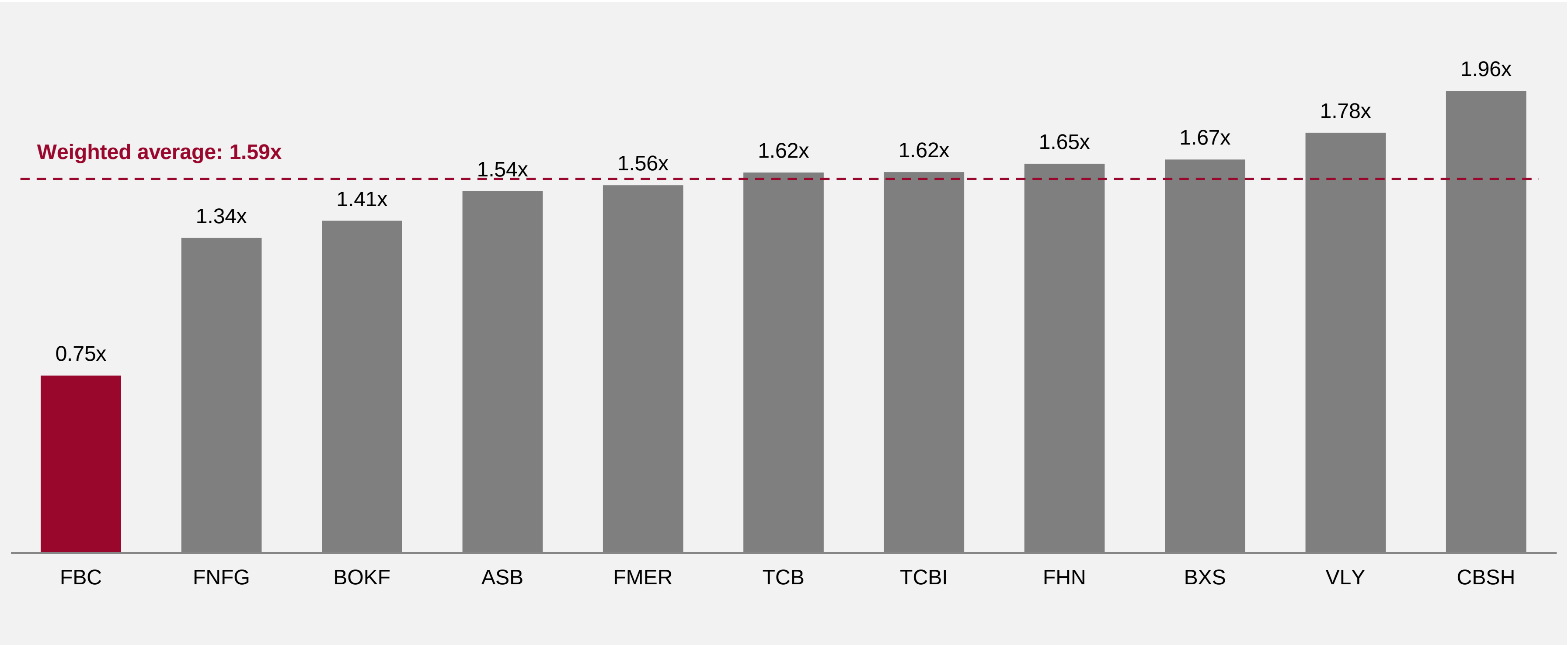
- 3 year phase-in period, starting January 1, 2015 – January 1, 2018
- DTA and MSR assets are limited to 10% individually and 15% on a combined basis of common equity Tier 1 capital
- DTA and MSR assets are weighted at 250% of the amount included in risk weighted assets
- Average quarterly assets, rather than end of period assets, are measured for the Tier 1 leverage ratio

Flagstar Bancorp

Relative valuation vs. peers

- Flagstar's price to tangible book value is slightly less than 50% of peers

Market value of common equity / tangible book value



Source: SNL Financial; tangible book value as of December 31, 2014 and market value of common equity as of February 27, 2015.

Agenda

Conclusion

Strong core franchise

Increased profitability

Improved asset quality

Robust capital and liquidity

Relative valuation

Appendix

Flagstar® Bancorp

Key operating statistics

$mm (except per share data)	Q4 2014	Q3 2014	Variance
Profitability			
Net interest margin	2.80%	2.91%	-11 bps
Mortgage rate lock commitments, fallout adjusted	$6,156	$6,304	($148)
Gain on loan sale margin[(1)]	0.87%	0.83%	4 bps
Asset Quality			
Charge-off to average loans held for investments[(2)]	91 bps	136 bps	-45 bps
Nonperforming assets / total assets[(2)]	1.41%	1.39%	2 bps
Allowance for loan losses / Nonperforming loans[(2)]	255.7%	295.4%	NM
Allowance for loan losses / Loans held for investment[(2)]	7.01%	7.60%	-59 bps
Capital			
Tier 1 leverage	12.6%	12.5%	9 bps
Total risk based capital	24.1%	24.4%	-23 bps
Mortgage servicing rights to Tier 1 capital[(3)]	21.8%	24.9%	-310 bps
Book value per common share	$19.64	$19.28	$0.36

1 Expressed as a percent of fallout adjusted locks.
2 Excludes loans that are fair valued.
3 See non-GAAP reconciliation in the appendix.

Observations

Increased profitability

- Positive operating leverage led by:
  - 3% operating revenue growth
  - 1% decline in noninterest expense

Lower credit costs

- Lower net charge-off equal to 91 bps
- Stable NPAs at 1.41% of assets
- Stable delinquencies at $164 million

Strong balance sheet and liquidity

- All ratios exceed regulatory minimums
  - Tier 1 leverage increase 9bps to 12.6%
- $0.36 increase in book value per common share
- Exposure to MSRs continues to be managed

Flagstar Bancorp

Consolidated financial highlights

$mm	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014
Balance Sheet					
Gross loans HFS	$1,480	$1,674	$1,343	$1,469	$1,244
Gross loans HFI	$4,056	$4,020	$4,053	$4,185	$4,448
Government guaranteed loans	$1,274	$1,267	$1,218	$1,192	$1,128
MSR	$285	$320	$289	$285	$258
Total assets	$9,407	$9,611	$9,933	$9,625	$9,840
Deposits	$6,140	$6,310	$6,644	$7,234	$7,069
FHLB borrowings	$988	$1,125	$1,032	$150	$514
Trust preferred	$247	$247	$247	$247	$247
Preferred equity	$266	$267	$267	$267	$267
Common equity	$1,160	$1,085	$1,119	$1,085	$1,106
% common equity of total assets	**12.3%**	**11.3%**	**11.3%**	**11.3%**	**11.2%**
Income Statement					
Net interest income	$41	$58	$62	$61	$64
Gain on loan sales	$45	$45	$55	$52	$54
Other noninterest income	$54	$75	$48	$33	$60
Noninterest expense	($389)	($139)	($121)	($179)	($139)
Pre-provision net revenue	($249)	$39	$44	($33)	$38
Provision for loan losses	($14)	($112)	($6)	($8)	($5)
Income before taxes	($263)	($73)	$37	($41)	$33
PPNR / average assets	**-9.4%**	**1.7%**	**1.8%**	**-1.3%**	**1.6%**
Credit					
ALLL	$207	$307	$306	$301	$297
ALLL as a % of Loans HFI	5.4%	8.1%	7.4%	7.6%	7.0%
ALLL to non-performing NPLs	145.9%	286.9%	263.1%	295.4%	255.7%
Operations					
Number of banking centers	111	106	106	106	107
Number of loan origination centers	39	33	32	32	26
# of employees (FTEs)	2,894	2,483	2,481	2,492	2,530

Flagstar Bancorp

Consolidated financial highlights

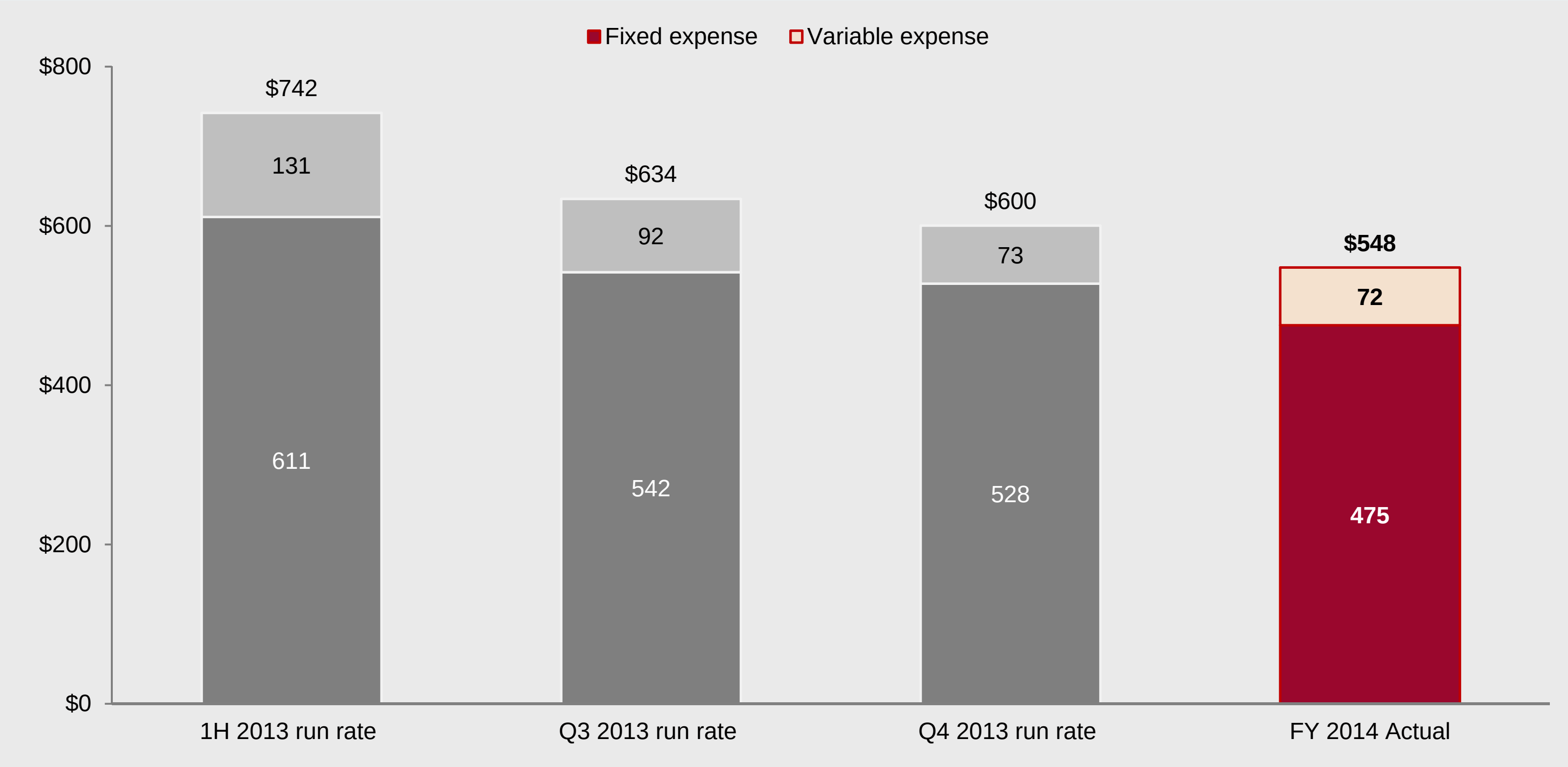
$mm	2009	2010	2011	2012	2013	2014
Balance Sheet						
Gross loans HFS	$1,970	$2,585	$1,801	$3,940	$1,480	$1,244
Gross loans HFI	$7,714	$6,305	$7,039	$5,438	$4,056	$4,448
Government guaranteed loans	$826	$1,675	$1,899	$1,841	$1,274	$1,128
MSR	$652	$580	$510	$711	$285	$258
Total assets	$14,013	$13,644	$13,637	$14,082	$9,407	$9,840
Deposits	$8,778	$7,998	$7,690	$8,294	$6,140	$7,069
FHLB borrowings	$3,900	$3,725	$3,953	$3,180	$988	$514
Trust preferred	$299	$247	$247	$247	$247	$247
Preferred equity	$244	$249	$255	$260	$266	$267
Common equity	$353	$1,010	$825	$899	$1,160	$1,106
% common equity of total assets	**2.5%**	**7.4%**	**6.0%**	**6.4%**	**12.3%**	**11.2%**
Income Statement						
Net interest income	$219	$211	$245	$297	$187	$246
Gain on loan sales	$501	$297	$301	$991	$402	$206
Other noninterest income	$22	$157	$85	$30	$250	$155
Noninterest expense	($680)	($611)	($635)	($990)	($918)	($579)
Pre-provision net revenue	$63	$54	($4)	$329	($79)	$28
Provision for loan losses	($504)	($426)	($177)	($276)	($70)	($132)
Income before taxes	($442)	($373)	($181)	$53	($149)	($103)
PPNR / average assets	**0.4%**	**0.4%**	**-0.0%**	**2.4%**	**-0.7%**	**0.3%**
Credit						
ALLL	$318	$274	$318	$305	$207	$297
ALLL as a % of Loans HFI	6.8%	4.3%	4.4%	5.6%	5.4%	7.0%
ALLL to non-performing NPLs	48.9%	86.1%	65.1%	76.3%	145.9%	255.7%
Operations						
Number of banking centers	165	162	111	111	111	107
Number of loan origination centers	32	27	27	31	39	26
# of employees (FTEs)	3,075	3,001	2,839	3,328	2,894	2,530

Flagstar Bancorp

Active expense management

- Flagstar has actively reduced operating expense ~$200mm to match mortgage industry lows

Annualized noninterest expense run-rate[1] ($mm)



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

1 See Non-GAAP reconciliation. Q4 2013 non-interest expense run-rate excludes non-recurring significant items - $177.6mm loss on extinguishment of debt from FHLB prepayment adjustment and $61.0mm in incremental expense related to Department of Justice estimated liability

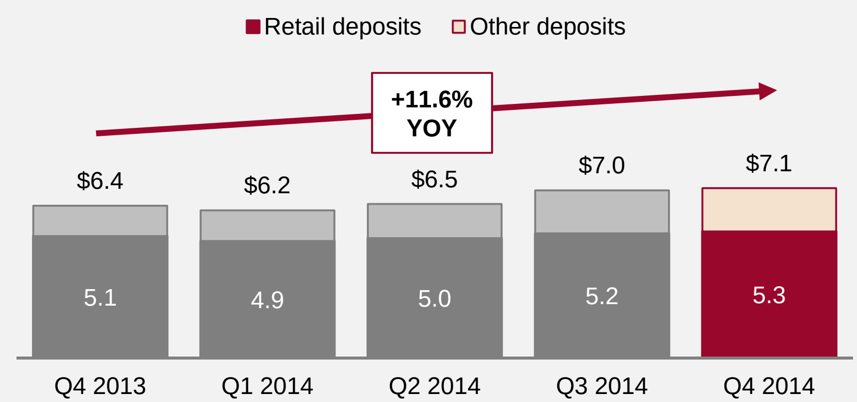
Flagstar Bancorp

Deposits

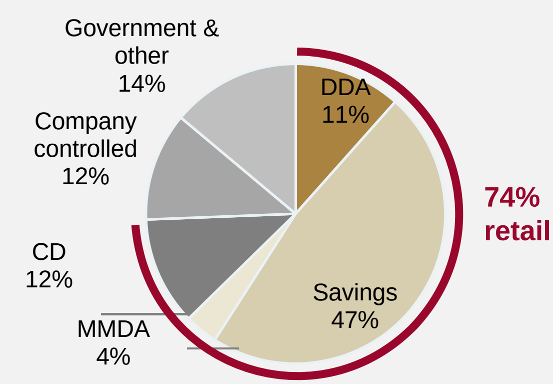
Portfolio and strategy overview

- **Flagstar gathers deposits from consumers, small businesses and select governmental entities**
  - Traditionally, CDs and savings accounts represented the bulk of our branch-based retail depository relationships
  - Today, we are focused on gathering core DDA deposits from small business and consumers and represents $0.5bn of the overall deposit growth
  - We additionally maintain depository relationships in connection with our mortgage origination and servicing businesses, and with predominately MI governmental entities
  - MRQ cost of deposits of 0.58%

Total average deposits ($bn)



Q4 2014 total average deposits



Total : $7.1bn
0.58% MRQ cost of total deposits

Flagstar Bancorp

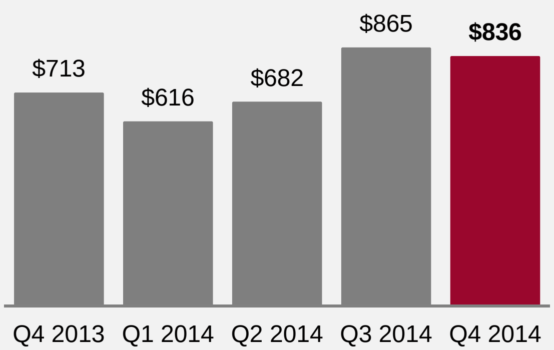
Deposit channel overviews:

Commercial, Company Controlled, Government

Average commercial ($mm)

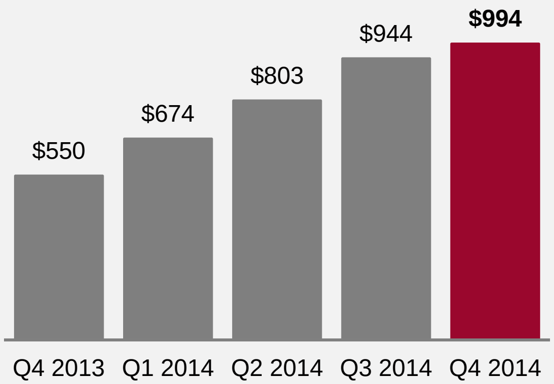
- Over the past year, treasury management services has driven:
  - 32% growth in commercial deposits
  - 102% growth in fee income
- MRQ rate: 0.19%

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 $450mm of additional deposits are available at 12/31/2014 to return to our balance sheet once certain conditions are met
- MRQ rate: 0.00% (highly efficient funding)

Average government ($mm)



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

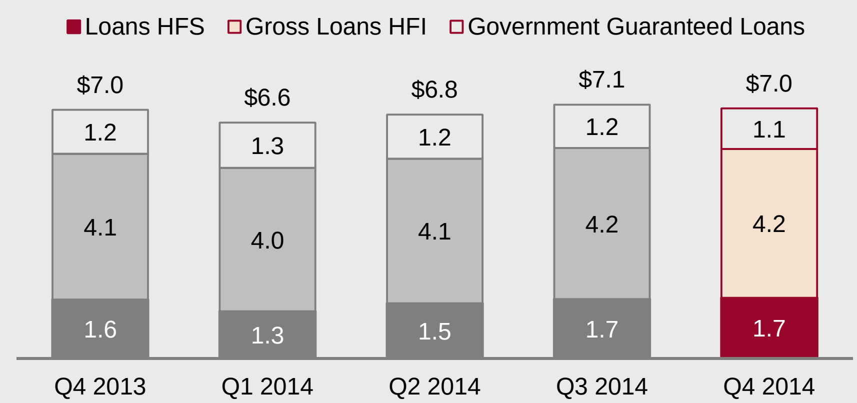
Flagstar Bancorp

Lending

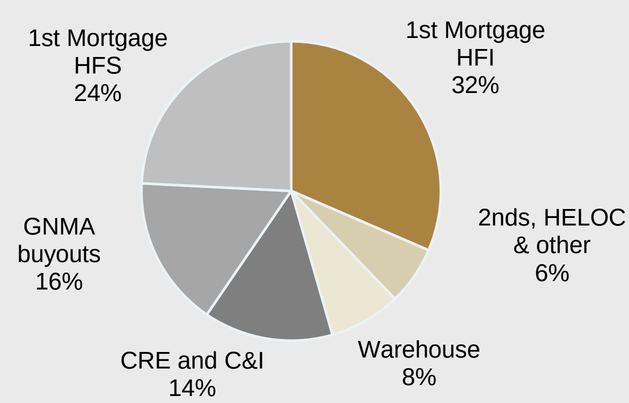
Portfolio and strategy overview

- **Flagstar's largest category of earning assets consists of loans held-for-investment, currently $4.4bn, gross**
  - Loans to consumers consist of residential first mortgage loans, HELOC and other
  - C&I / CRE lending is an important growth strategy, offering risk diversification and asset sensitivity
  - Warehouse loans are extended to other mortgage lenders, offering attractive risk-adjusted returns
- **Flagstar maintains a balance of mortgage loans held for sale, currently $1.2bn**
  - 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)



Q4 2014 average gross loans

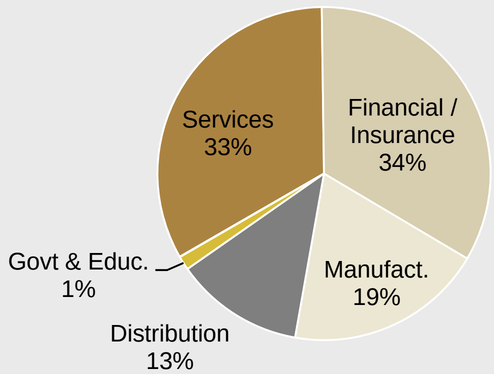


Lending: Commercial

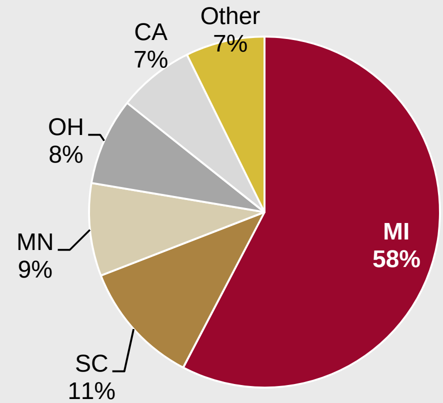
Predominately in-footprint and well diversified

C&I ($429mm, 41% of total commercial loans)

Borrower type:

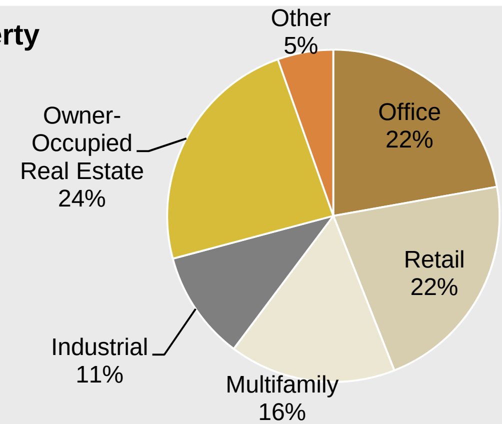


Borrower location:

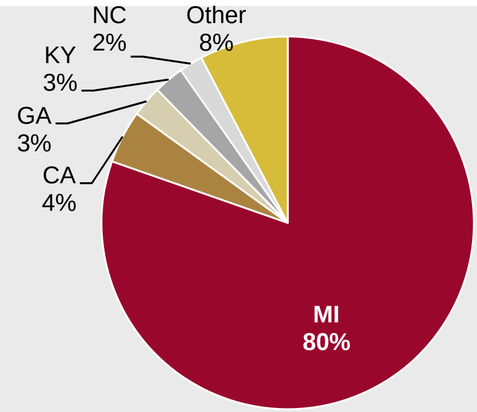


CRE ($620mm, 59% of total commercial loans)

Property type:



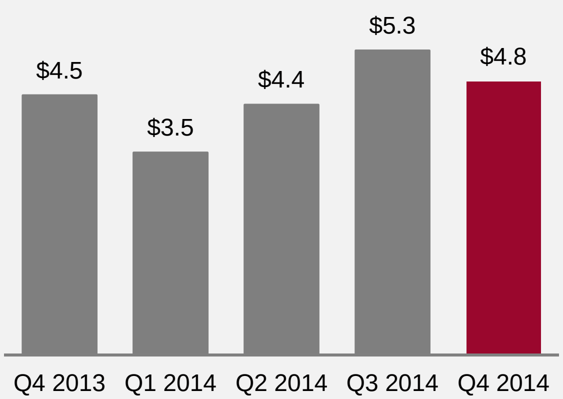
Property location:



Mortgages are originated primarily through the correspondent channel

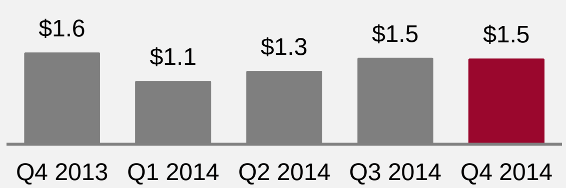
Residential mortgage originations by channel ($bn)

Correspondent



- ~800 correspondent partners in 50 states in Q4 2014
- Top 10 relationships account for 18% of overall correspondent volume
- Warehouse lines to over 250 correspondent relationships

Broker



- ~600 brokerage relationships in 50 states in Q4 2014
- Top 10 relationships account for 20% of overall brokerage volume

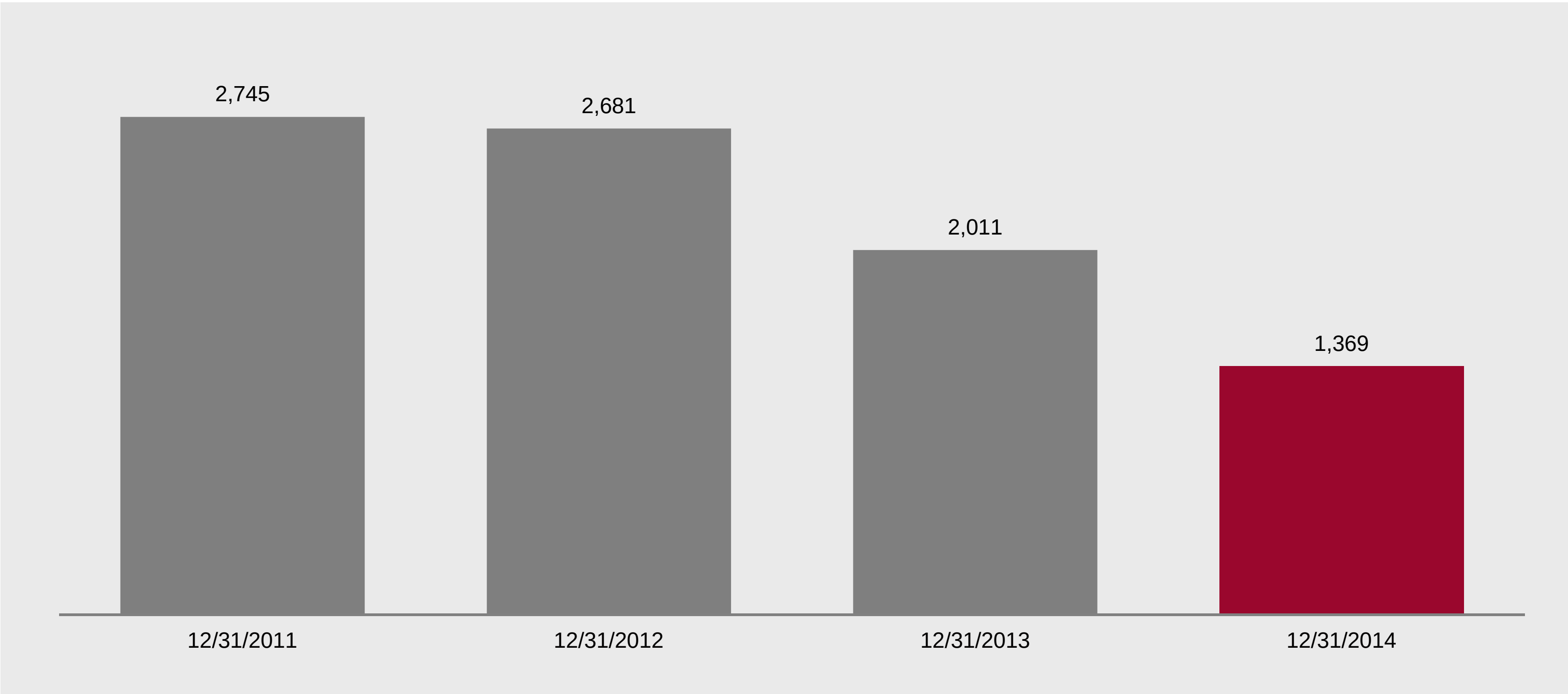
Retail

- 26 standalone home centers in 15 states account for 64% of overall retail volume
- Consumer direct is 36% of retail volume

Third-party originator oversight

- **Flagstar has been actively managing its Third-party Originator ("TPO") relationships to optimize risk and profitability**
  - Has maintained consistent market share while halving TPO relationships

Number of third party originators



Net return on mortgage servicing asset

$ return – MSR asset

% Return	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014
Net hedged profit (loss)	2.7%	0.0%	0.8%	-0.7%	0.6%
Carry on asset	12.6%	22.6%	22.1%	21.9%	21.5%
Run-off	-6.0%	-6.6%	-9.5%	-11.8%	-14.7%
Gross MSR yield	**9.3%**	**16.0%**	**13.4%**	**9.3%**	**7.4%**
Transaction Costs	-4.5%	4.8%	-3.8%	-1.2%	-2.8%
Gain (Loss) / FV adjustment	2.8%	1.0%	-2.7%	-1.9%	-2.3%
Model Changes	0.6%	0.0%	0.0%	-4.5%	0.0%
Net MSR yield	**8.3%**	**21.8%**	**6.9%**	**1.8%**	**2.3%**

$ return – MSR asset

% Return	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014
Net hedged profit (loss)	$5.3	($0.0)	$0.6	($0.5)	$0.4
Carry on asset	25.2	16.7	16.1	16.3	15.2
Run-off	(11.9)	(4.9)	(6.9)	(8.8)	(10.4)
Gross MSR yield	**$18.7**	**$11.8**	**$9.7**	**$6.9**	**$5.2**
Transaction Costs	(9.0)	3.6	(2.7)	(0.9)	(1.9)
Gain/Loss on sale	5.7	0.8	(2.0)	(1.4)	(1.6)
Model Changes	1.3	-	-	(3.3)	-
Net MSR yield	**$16.7**	**$16.1**	**$5.0**	**$1.3**	**$1.6**
Average MSR Balance	**$794**	**$300**	**$291**	**$295**	**$280**

Available liquidity and funding

Quarter end balances and ratios($mm)

Available liquidity	12/31/13	3/31/14	6/30/14	9/30/14	12/31/14
Interest earning deposits	$225	$162	$135	$62	$89
Agency securities	1,028	1,195	1,596	1,375	1,670
Total liquid assets	**$1,253**	**$1,357**	**$1,731**	**$1,437**	**$1,759**
Less: securities haircut	(51.4)	(59.8)	(79.8)	(68.7)	(83.5)
Less: pledged collateral	-	(4)	(2)	(1)	(0)
FHLB borrowing capacity	**$1,752**	**$1,708**	**$1,766**	**$2,775**	**$2,200**
Total available liquidity	**$2,953**	**$3,002**	**$3,415**	**$4,142**	**$3,875**
(Cash + agency securities) as a % of total assets	12.8%	13.5%	16.6%	14.2%	17.0%
FHLB Capacity as a % of total assets	18.6%	17.8%	17.8%	28.8%	22.4%
Available liquidity as a % of total assets	**31.4%**	**31.2%**	**34.4%**	**43.0%**	**39.4%**

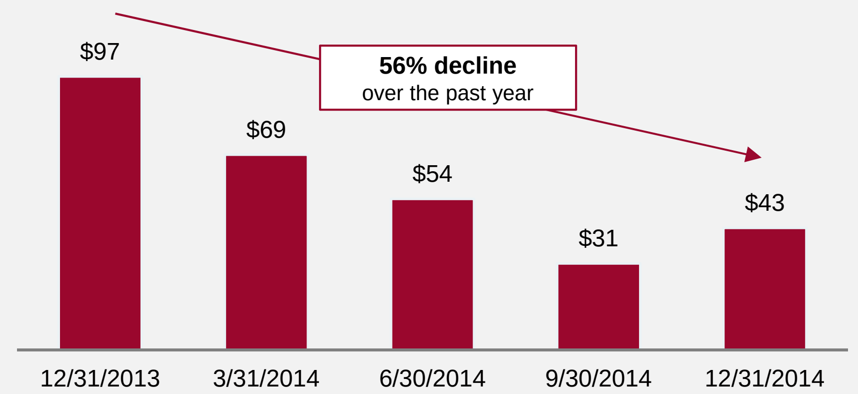
Funding	12/31/13	3/31/14	6/30/14	9/30/14	12/31/14
Brokered deposits	$349	$318	$357	$354	$392
FHLB advances	988	1,125	1,032	150	514
Other debt	353	349	345	340	331
Total wholesale funding	**$1,690**	**$1,792**	**$1,734**	**$844**	**$1,237**
Wholesale funding as a % of total assets	**18.0%**	**18.6%**	**17.5%**	**8.8%**	**12.6%**

Representation & Warranty reserve details

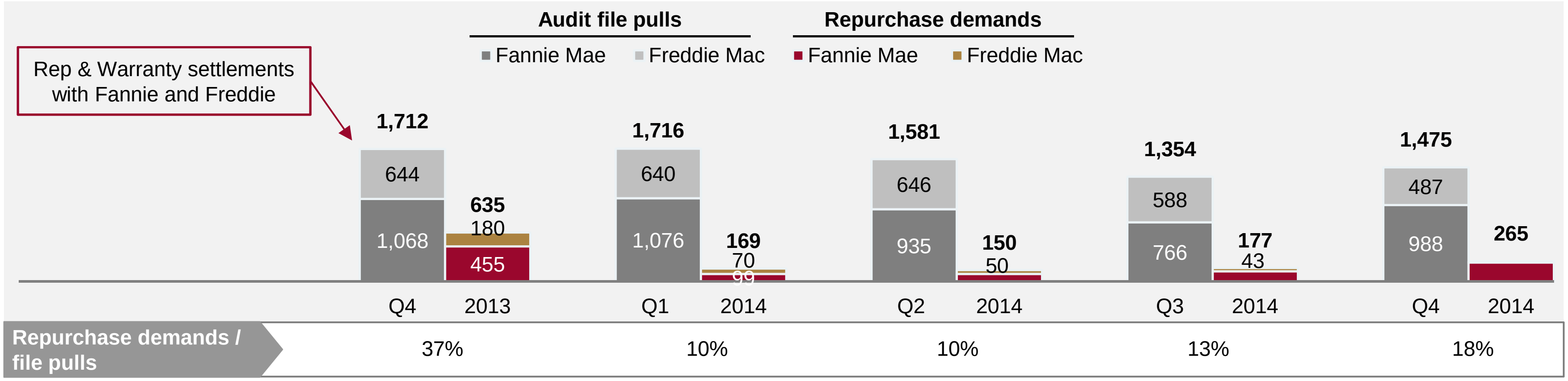
Repurchase reserve ($mm)

(in millions)	12/31/13	3/31/14	6/30/14	9/30/14	12/31/14
Beginning balance	$174.0	$54.0	$48.0	$50.0	$57.0
Additions	(12.4)	(0.4)	7.0	14.5	(4.2)
Net charge-offs	(107.6)	(5.6)	(5.0)	(7.5)	0.2
Ending Balance	**$54.0**	**$48.0**	**$50.0**	**$57.0**	**$53.0**

Repurchase pipeline ($mm)



Repurchase activity with Fannie and Freddie



Flagstar Bancorp

Pro-forma capital ratios

$mm

	12/31/2014	9/30/2014	12/31/2013
Mortgage servicing rights	$257.8	$285.4	$284.7
Tier 1 Capital	$1,183.6	$1,146.2	$1,280.5
MSR to Tier 1 ratio	**21.8%**	**24.9%**	**22.2%**

$mm

Flagstar Bancorp (the Company)	**Common Equity Tier 1 (to Risk Weighted Assets)**	**Tier 1 Leverage (to Adjusted Tangible Assets)(1)**
as of December 31, 2014		
Basel I regulatory capital	$670	$1,184
Increased deductions related to deferred tax assets, mortgage servicing assets, and other capital components	($205)	($209)
Basel III regulatory capital (fully phased-in)(2)	**$464**	**$975**
Basel risk weighted I assets	$5,190	$9,403
Net change in assets	($98)	$109
Basel III risk weighted assets (fully phased-in)(2)	**$5,092**	**$9,512**
Basel I capital ratios(3)	12.90%	12.59%
Basel III capital ratios (fully phased-in)(2)	**9.12%**	**10.25%**

1) The definition of total assets used in the calculation of the Tier 1 Leverage ratio changed from ending total assets under Basel I to quarterly average total assets under Basel III.
2) Basel III information is considered estimated and not final at this time as the Basel III rules continue to be subject to interpretation by U.S. Banking Regulators.
3) The Bank is currently subject to the requirements of Basel I.

Flagstar Bancorp

Adjusted efficiency ratio and earnings per share

$mm

	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013
Net interest income (a)	$61.3	$64.4	$62.4	$58.2	$41.2
Noninterest income (b)	98.4	85.2	102.5	75.0	113.1
Less provisions:					
Representation and warranty reserve - change in estimate	(6.1)	2.2	5.2	(1.7)	9.5
Adjusting items :					
Loan fees and charges	-	-	(10.0)	-	-
Net impairment loss recognized through earnings	-	-			-
Representation and warranty reserve – change in estimate (one time)[1]	-	10.4			(24.9)
Other noninterest income	-	-		21.1	-
Adjusted noninterest income	$98.4	$95.6	$92.5	$96.0	$88.2
Adjusted income (c)	**$153.7**	**$162.1**	**$160.1**	**$152.6**	**$138.9**
Noninterest expense (d)	$139.3	$179.4	$121.4	$139.3	$388.7
Adjusting items :					
Loss on extinguishment of debt	-	-	-	-	(177.6)
Legal and professional expense[2]		(1.1)	(2.9)	-	-
Other noninterest expense[3]	-	(37.5)	10.0	-	(61.0)
Adjusted noninterest expense (e)	**$139.3**	**$140.8**	**$128.5**	**$139.3**	**$150.1**
Efficiency ratio (d/(a+b))	**87.2%**	**120.0%**	**73.6%**	**104.6%**	**251.8%**
Efficiency ratio (adjusted) (e/c)	**90.6%**	**86.8%**	**80.2%**	**91.3%**	**108.1%**
Net (loss) income applicable to common stockholders	$11.1	($27.6)	$25.5	($78.9)	$160.5
Adjustment to remove adjusting items	-	49.0	(17.1)	21.1	213.7
Tax impact of adjusting items	-	(13.6)	6.0	(7.4)	(54.5)
Adjusting tax item	-	-	-	-	(355.8)
Adjusted net (loss) income applicable to common stockholders	**$11.1**	**$7.7**	**$14.4**	**($65.2)**	**($36.1)**
Diluted (loss) income per share	$0.07	($0.61)	$0.33	($1.51)	$2.77
Adjustment to remove adjusting items	-	0.86	(0.31)	0.38	3.77
Tax impact of adjusting items	-	(0.24)	0.11	(0.13)	(0.96)
Adjusting tax item	-	-	-	-	(6.28)
Diluted adjusted (loss) income per share	**$0.07**	**$0.01**	**$0.13**	**($1.26)**	**($0.70)**
Weighted average shares outstanding					
Basic	56,310,858	56,249,300	56,230,458	56,194,184	56,126,895
Diluted	56,792,751	56,249,300	56,822,102	56,194,184	56,694,096

1) Significant item for charge for government loan indemnification for the third quarter 2014 located in representation and warranty reserve-change in estimate.
2) Significant item for charge for CFPB CID - related costs for the third and second quarter of 2014 located in legal and professional expense.
3) Significant item for charge for CFPB settlement for the third quarter 2014 located in other noninterest expense.

Adjusted noninterest expense

Annualized noninterest expense run-rate ($mm)	1H 2013	Q3 2013	Q4 2013	FY 2014
Fixed expenses				
Compensation and benefits	$148.2	$61.6	$69.6	$233.3
Occupancy and equipment	41.6	18.6	19.8	80.4
Asset resolution	32.3	16.3	3.4	56.5
Other noninterest expense(1)	83.5	39.0	39.1	105.2
Total fixed expenses	**$305.6**	**$135.5**	**$131.9**	**$475.3**
Variable expenses				
Commissions	$32.9	$12.1	$9.4	$35.4
Loan processing expenses	32.5	10.9	8.8	37.0
Total variable expenses	**$65.4**	**$23.0**	**$18.2**	**$72.4**
Non-recurring items (excluded)				
Loss on extinguishment of debt	$0.0	$0.0	$177.6	$0.0
Incremental expenses(2)	-	-	61.0	31.5
Total non-recurring items	**$0.0**	**$0.0**	**$238.6**	**$31.5**
Total noninterest expense	$371.0	$158.5	$388.7	$579.2
Annualized fixed expenses	**$611.2**	**$542.0**	**$527.6**	**$475.3**
Annualized variable expenses	**$130.8**	**$92.0**	**$72.8**	**$72.4**

1 Other noninterest expense includes Federal insurance premiums, legal and professional expense and other noninterest expense
2 Included in other noninterest expense on our consolidated financial statements

Flagstar Bancorp