Flagstar Bancorp, Inc. (NYSE: FBC)

BancAnalysts Association of Boston Conference

November 2, 2017

Flagstar Bancorp

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 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.

Flagstar at a glance

Corporate Overview

- Traded on the NYSE (FBC)
- Headquartered in Troy, MI
- Market capitalization $2.1bn
- Member of the Russell 2000 Index

Community banking

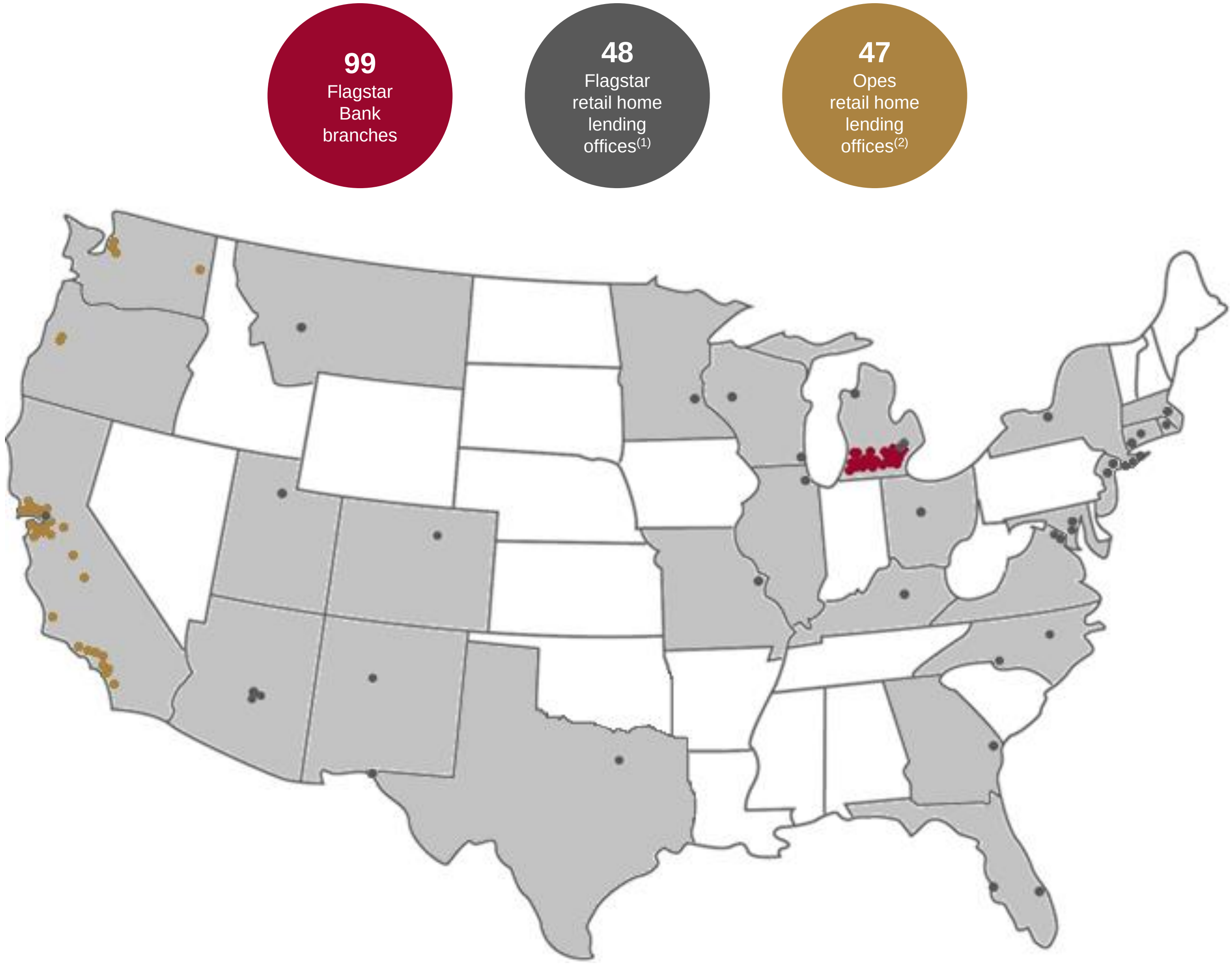
- Leading Michigan-based bank with a balanced, diversified lending platform
- $16.9bn of assets and $9.2bn of deposits
- 99 branches
- 108k household & 15k business relationships

Mortgage origination

- Leading national originator of residential mortgages ($33.2bn during last twelve months)
- Recent acquisitions originated approximately $10bn of residential mortgages during 2016
- 95 retail home lending offices in 27 states
- More than 1,700 TPO relationships

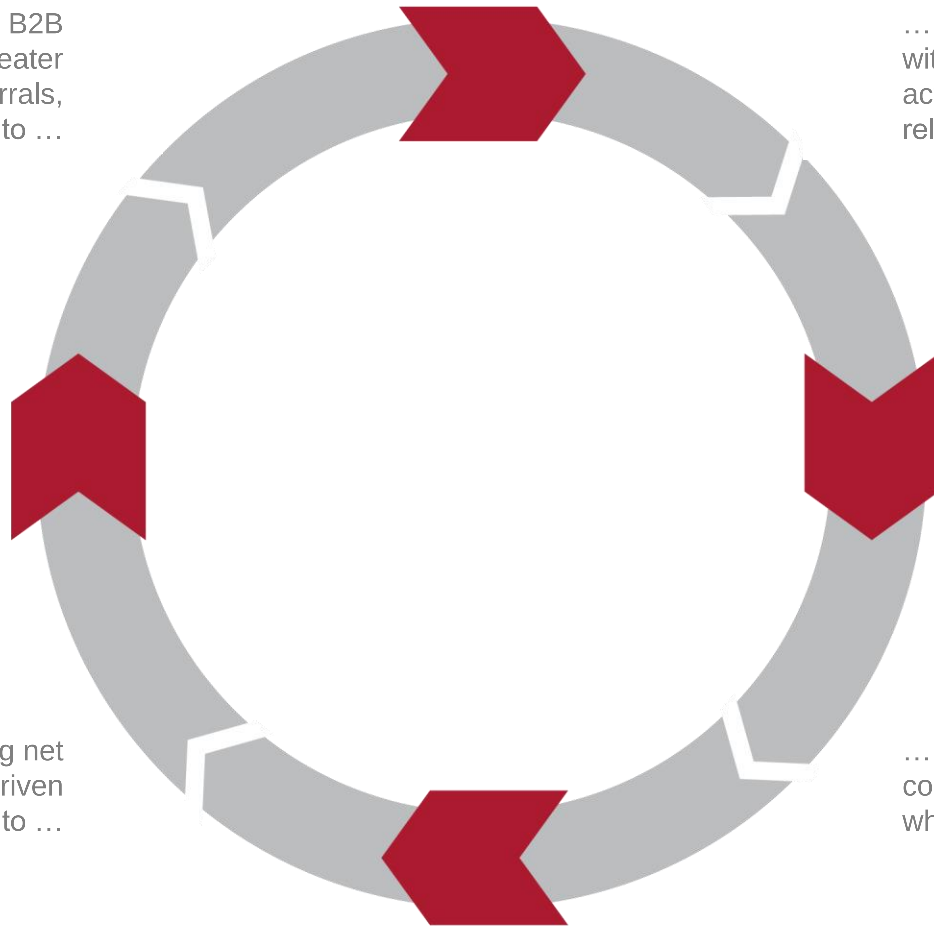
Mortgage servicing

- 8th largest sub-servicer of mortgage loans nationwide
- Currently servicing approximately 415k loans
- Scalable platform with capacity to service 1mm loans
- Low cost deposits from escrow balances



1) Includes seven home lending offices located in banking branches.
2) Opes has one retail lending office in Honolulu, HI that is not pictured on this map.

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



… **Originates** mortgages in multiple channels on a national scale, which …

… **Generates** capital with high ROE fee-based activity and servicing relationships, which …

… **Leverages** our scalable sub-servicing platform, which …

… **Generates** stable, lower cost, long-term funding, which we are able to ...

… **Deploy** excess funding into lending opportunities where we are a lender of choice, which …

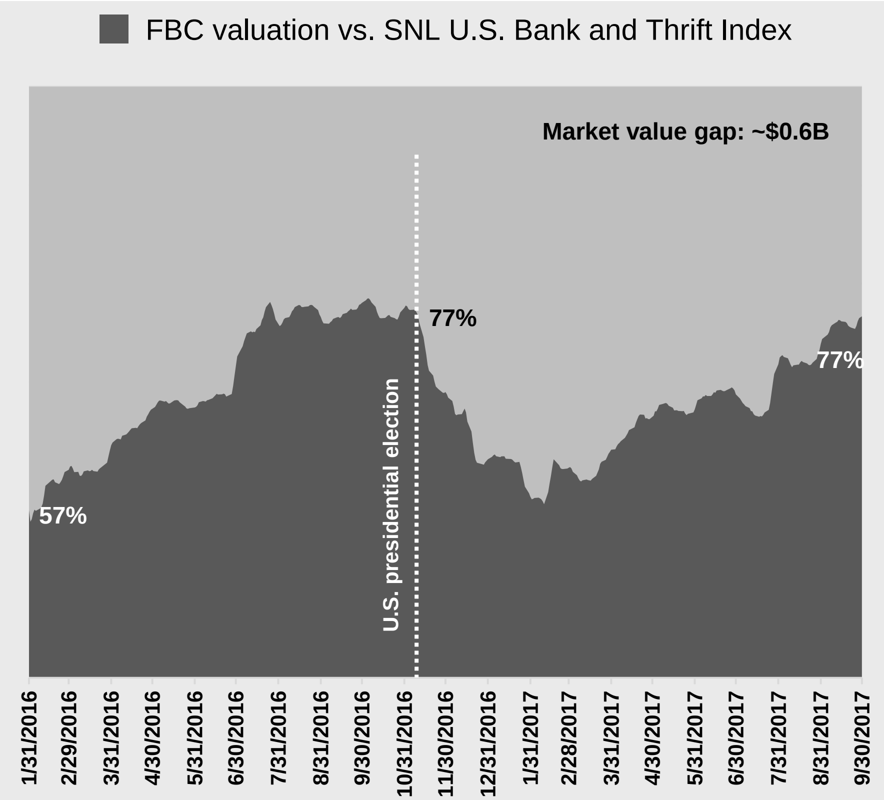
… **Builds** enduring net interest margin driven revenue, allowing us to …

… **Cross-sell** our banking products to deepen our B2B relationships, which …

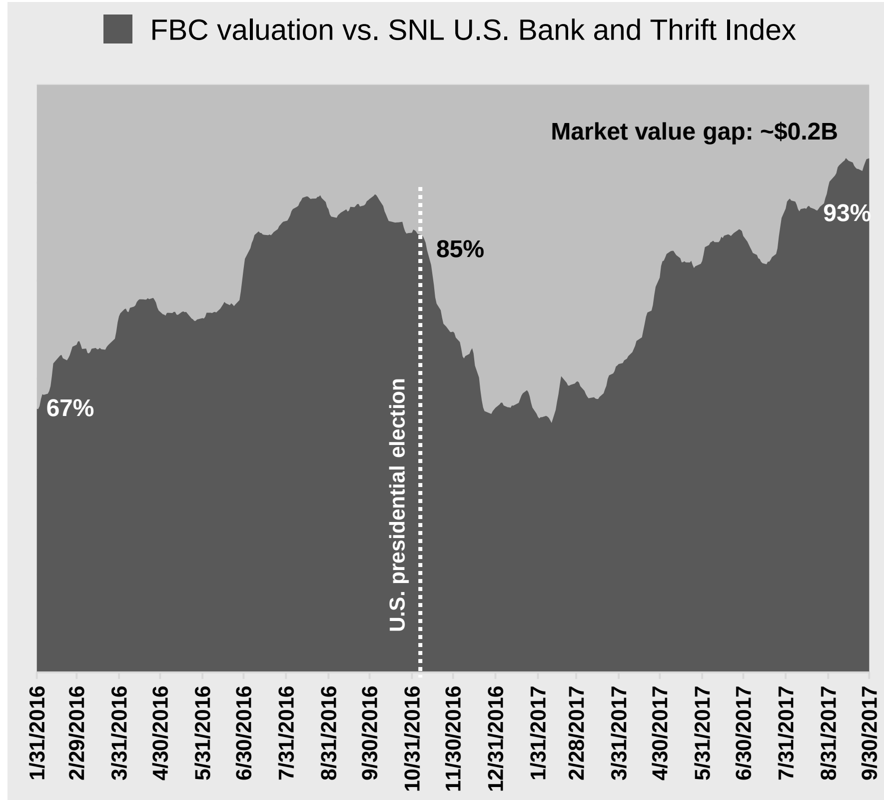
… **Expands** our key B2B relationships to develop greater mortgage origination referrals, improving our ability to …

Despite being up 39% year-to-date, we still trail banking peers in relative valuation

Market / tangible book

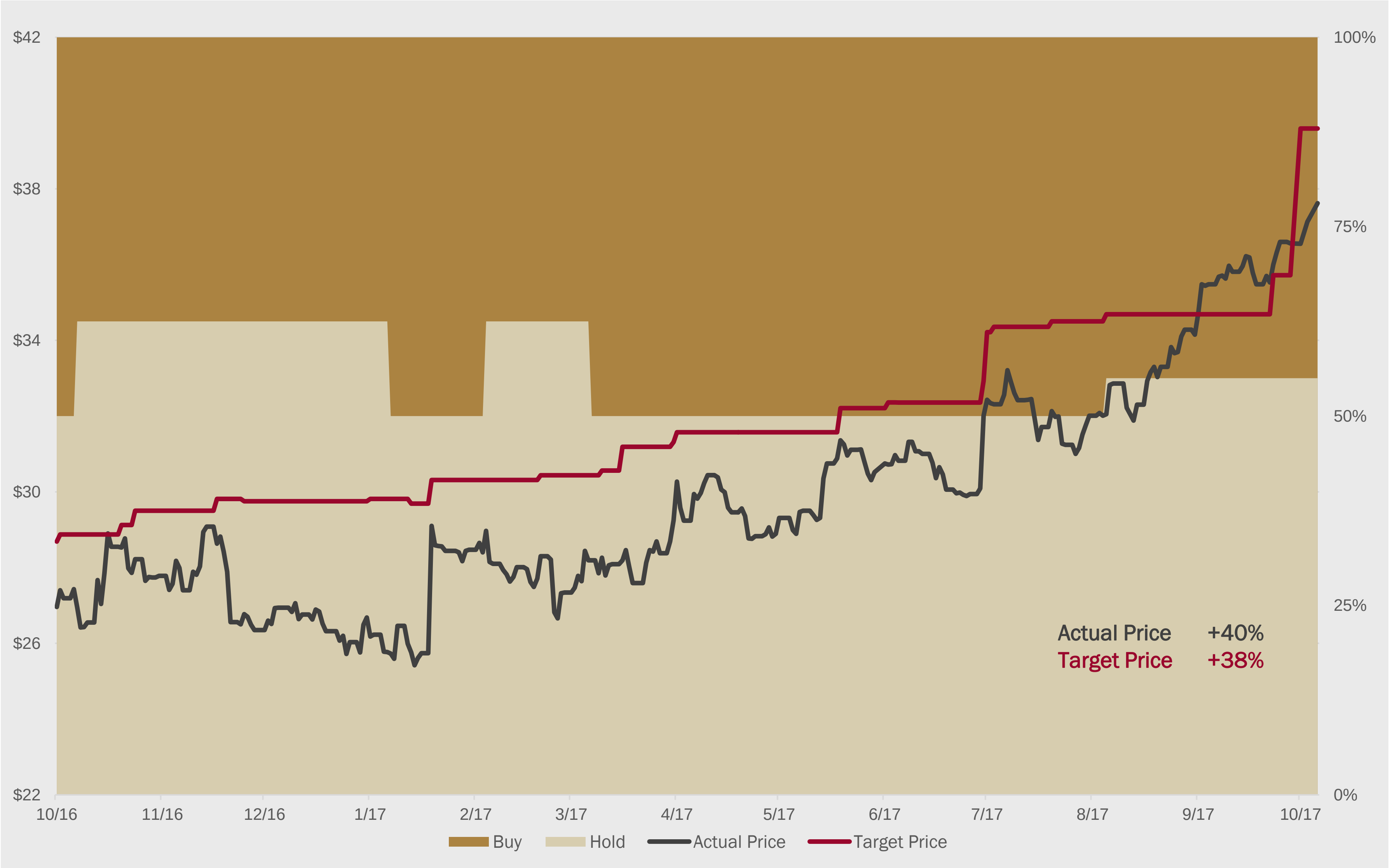


Price / LTM earnings



Average price target of $39.81 represents a nice upside to existing trading levels

Analyst rating history (10/26/16 – 10/26/17)



Source: Analyst ratings and target price (consensus estimate) as reported by First Call.

Growth is the key to value creation

Upside earnings potential ($mm except per share amounts)

Targeted loan growth		$5,000
3Q17 net interest margin		2.78%
Targeted net interest income growth		$139
Pre-tax income at marginal efficiency ratio of:	36%	$90
Net income at incremental tax rate of:	35%	$58
Targeted earnings per share growth		$1.00
Share price (as of 10/31/17)		$37.37
FY18 First Call consensus earnings per share		$2.82
Implied forward earnings multiple		13.3x
FY18 First Call consensus earnings per share		$2.82
Earnings per share growth potential		1.00
Potential earnings per share		$3.82
Share price at FY18 forward earnings multiple of:	13.3x	$50.62
	14.3x	$54.44
	15.3x	$58.26

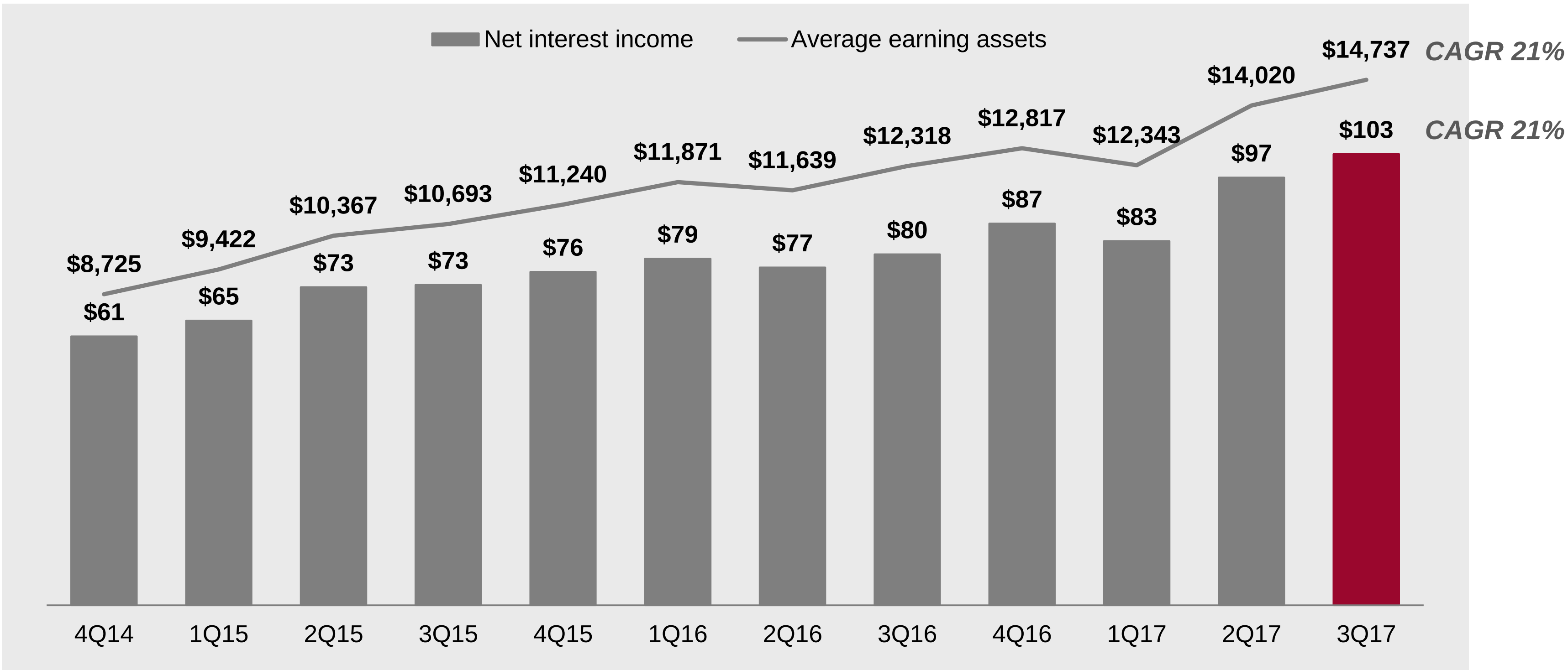
3 pillars of value creation

1. **Demonstrated strong ability to grow earning assets**
   - Earning assets and net interest income CAGRs of 21% since 4Q14
   - Well-diversified and high asset quality; very low NPLs and delinquencies
2. **Outsized capital generation**
   - Trapped capital of 80 bps for NOL related DTAs will mostly be released in the next 12 months
   - Proposed regulations would add another 70 bps to already strong capital levels
3. **Funding capacity and capability**
   - Current liquidity to support $1.7bn of loan growth
   - Ample opportunities to generate any required deposit funding for additional loan growth

Asset generation

- Flagstar has generated earning asset growth despite selling lower quality assets of:
  - $1.0bn of UPB in 2015 largely comprised of interest-only loans and troubled debt restructurings
  - $1.3bn of UPB in 2016 to accelerate the rotation into commercial loans
- Net interest income growth achieved despite higher cost funding to support 3Q16 TARP redemption

Average earning assets and net interest income ($mm)



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

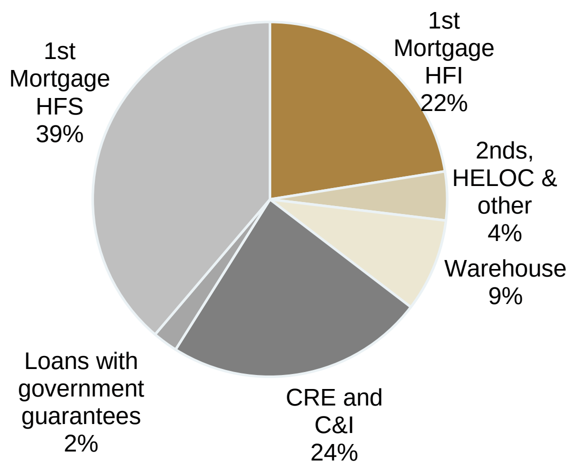
New banker additions (past 2 years)

Line of Service	# of Additions	Avg Years Experience[1]
Business Banking	9	28
Commercial Lending	6	23
Consumer Finance	6	27
CRE Lending	2	32
Equip Financing	6	27
Home Builder Finance	13	21
Indirect Lending	1	35
Warehouse Lending	1	17
Grand Total	44	25

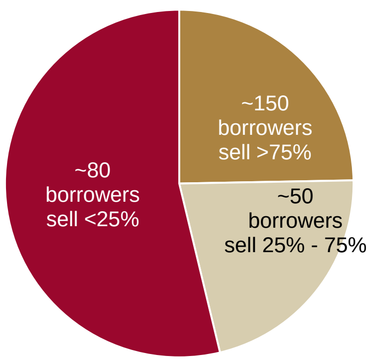
(1) We focus on recruitment of bankers with larger, regional bank lending experience.

Demonstrated ability to grow well-diversified portfolio

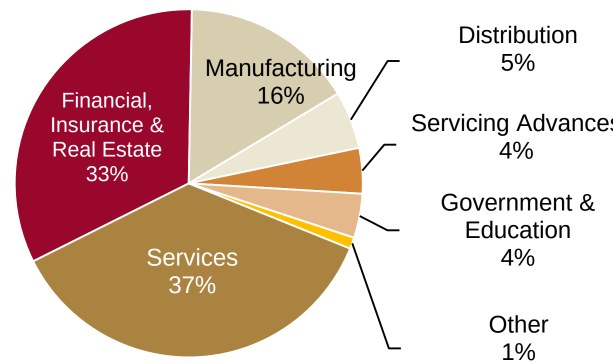
Loans Held-for-Investment
$7.2bn (9/30/17)



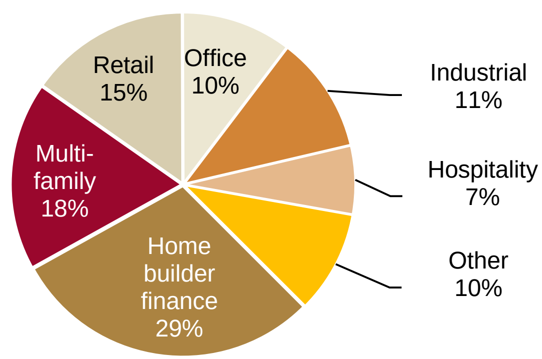
Warehouse Loans
$1.2bn (9/30/17)



Commercial & Industrial
$1.1bn (9/30/17)



Commercial Real Estate
$1.8bn (9/30/17)



15% owner occupied

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Flagstar's integrated relationship-focused business model

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 more than $150mm since inception (2016)
- Additional bulk and flow sales of MSRs with subservicing retained (2017)

Home Builder

Initial relationship

- Provided home builder line of credit (2016)
  - Unsecured non-real estate commitments of $30mm
  - Commercial deposits of $15mm

Expanded relationship

- Participated in syndicated warehouse facility to captive mortgage operation (2016)
  - Commitments of $36mm
  - 1 of 3 participants in the syndication

Wholesale Originator

Initial relationship

- Established correspondent lending relationship (2017)
  - Purchased more than $175mm of mortgages year-to-date

Expanded relationship

- Warehouse line of credit (2017)
  - Commitments of $50mm
- Initiated subservicing agreement (2017)
  - Entire portfolio of newly originated mortgage loans are on-boarded with Flagstar

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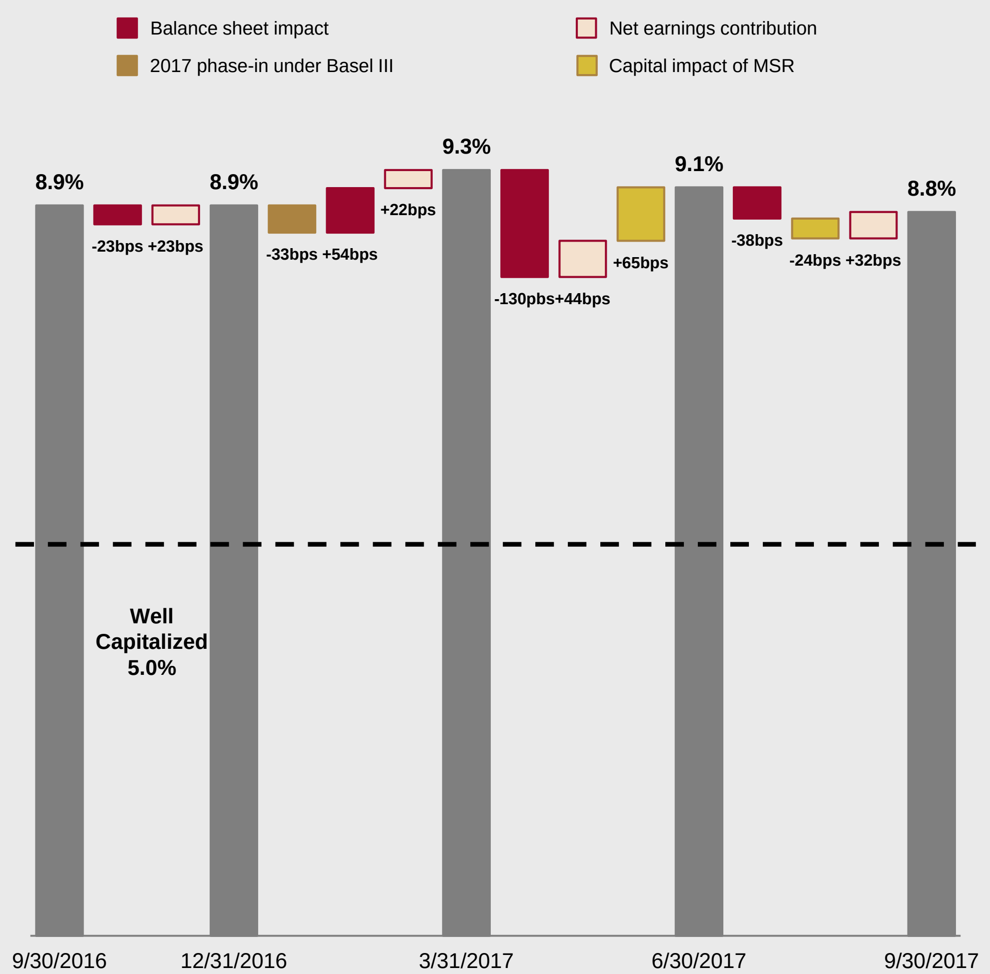
Robust capital

Flagstar Bancorp Tier 1 Leverage (actual)



Observations 3Q17

	Tier 1 Leverage	CET-1 to RWA	Tier 1 to RWA	Total RBC to RWA
3Q17 Actual	8.8%	11.7%	13.7%	15.0%
2Q17 Actual	9.1%	12.5%	14.7%	15.9%

- Tier 1 leverage remained strong at 8.8% as quarterly earnings funded balance sheet growth
  - Supported $900mm of balance sheet growth with only 6bps decrease in Tier 1 leverage excluding MSR impact
  - Planned MSR growth impacted Tier 1 leverage 24bps given positive signals of Capital Simplification

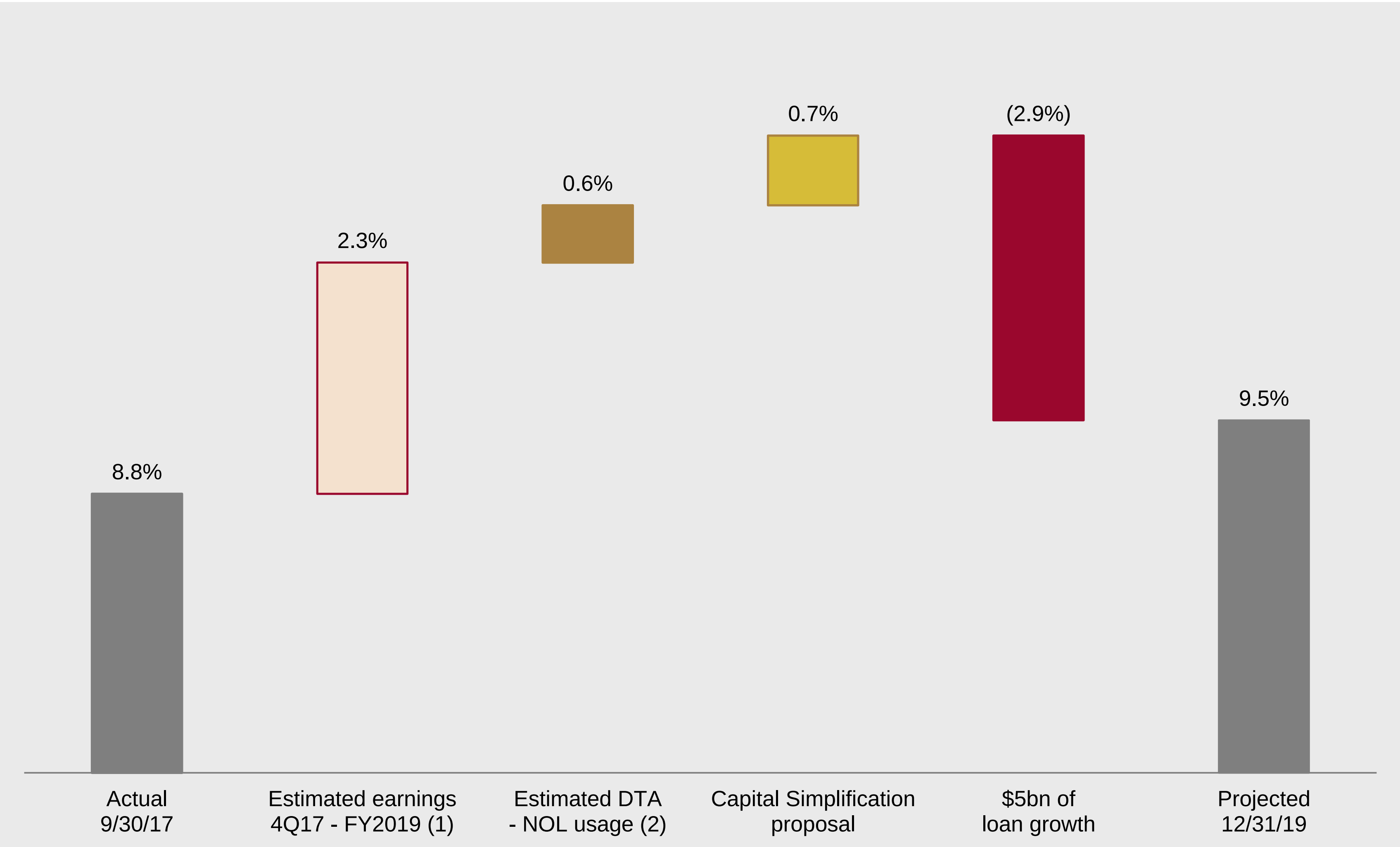
Higher rate capital generation (near-term)

- As Flagstar utilizes its NOLs, it generates capital at a pre-tax rate
- The balance sheet has trapped capital of:
  - $129mm of NOL-related DTAs (80bps of Tier 1 leverage)
  - $128mm of MSRs (79bps of Tier 1 leverage)
- Capital Simplification proposal would unleash trapped capital and increase Tier 1 leverage ~70 bps[1] and risk-based capital ratios ~30-45 bps[1] to support balance sheet growth

1) Pro-forma at September 30, 2017.

Compounding capital

Flagstar Bancorp Tier 1 Leverage (projected based on First Call estimates)



1. Represents analyst consensus earnings as reported by First Call.
2. Excludes $36mm of NOL's subject to §382 limitations.

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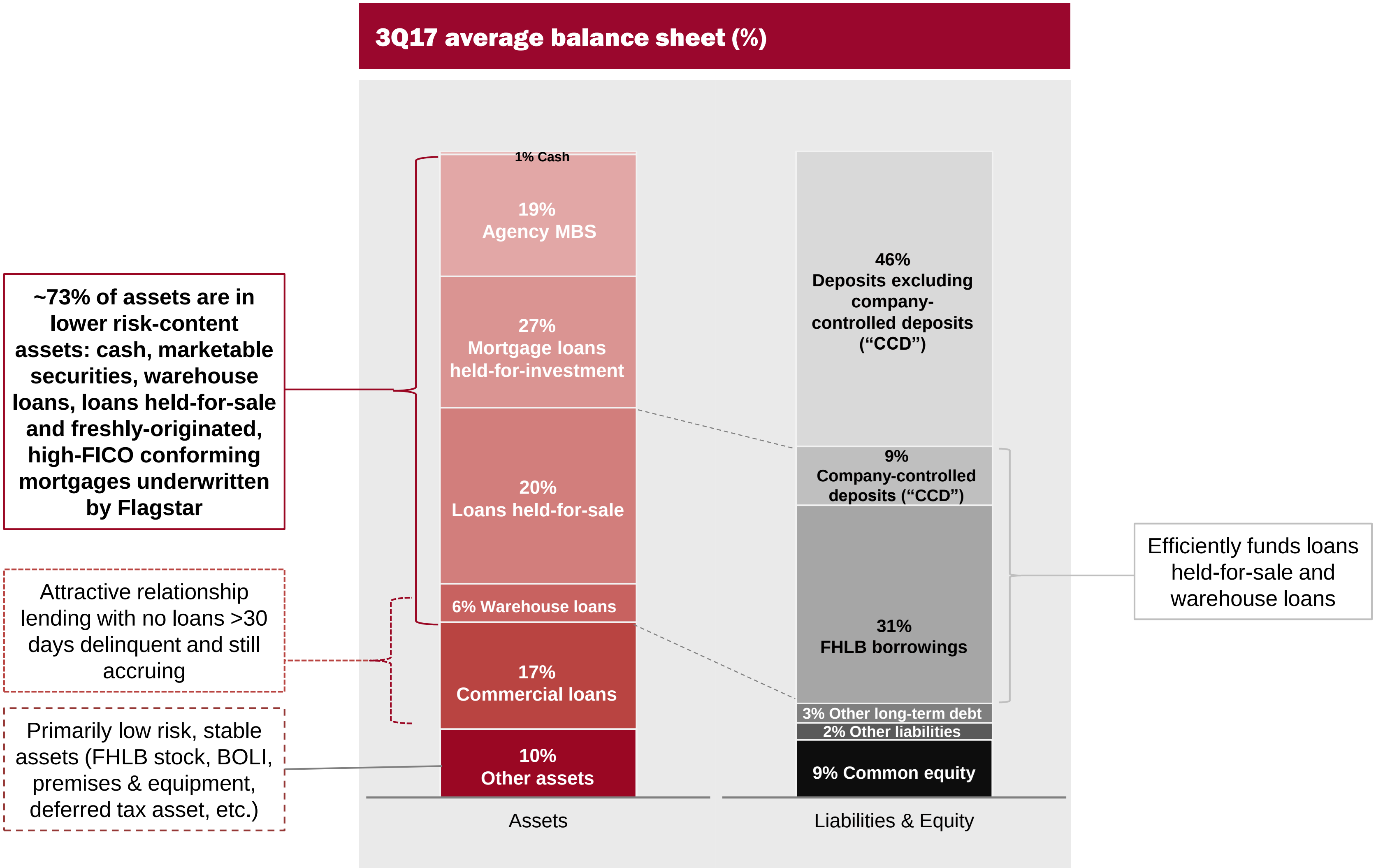
Balance sheet composition



Abundant sources of liquidity

Acquisition

Branch purchase

Thrift purchase & sell residential portfolio

Low loan-to-deposit banks

$2.0-$3.0bn

Sub-servicing

Retain our own servicing through relief granted by NPRs and sub-servicing retained sales

Expand our subservicing business by servicing non-Flagstar originated loans and private label capability (Q2 ‘18)

$1.5-$2.0bn

$5.0 - $6.5bn identified sources of liquidity

$0.5-1.0bn

Digital online

Extending our deposit gathering to our existing customers and channels

Offers to 415,000 subservicing customers

Use with mortgage loan offering through existing 95 retail home lending offices in 27 states

$0.5-$1.0bn

Partnerships & Other

Clearing deposits

Other non-LCR friendly deposits

Rotate funding out of loans held-for-sale by reducing turn-times

Positioned to thrive in any mortgage market

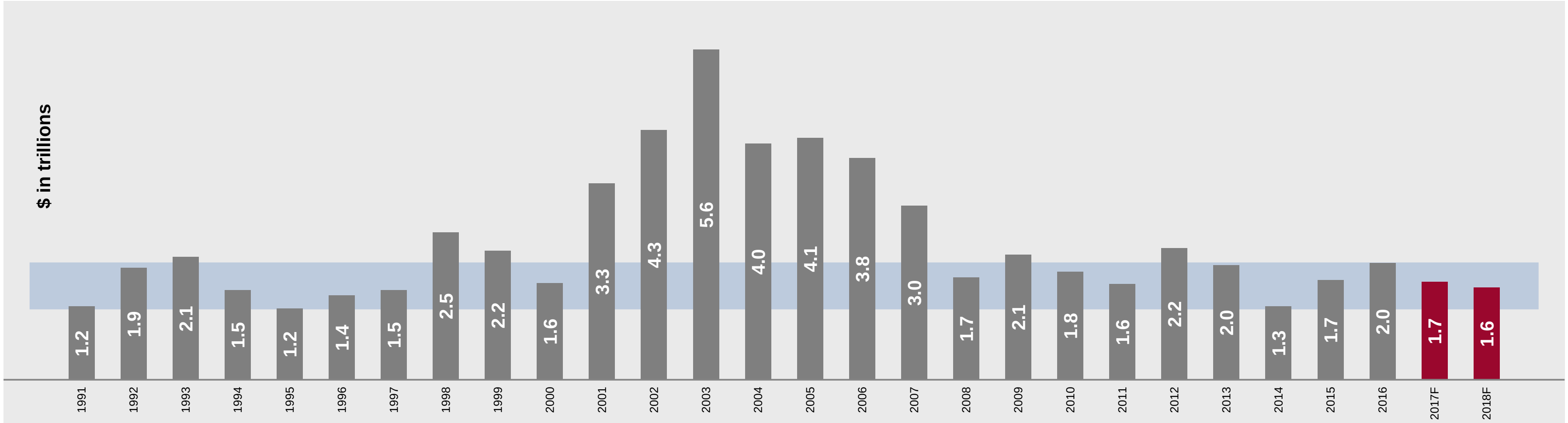
Growth years

- In good mortgage years (like 2016):
  - rise with the tide
  - resist irrational seller expectations
  - remain disciplined with costs and pricing

Recessionary years

- In down mortgage years (like 2017):
  - pursue consolidation opportunities
  - transact on lower seller expectations
  - remain disciplined with costs and pricing

U.S. residential mortgage origination market[1][2] (historical and projected volumes)



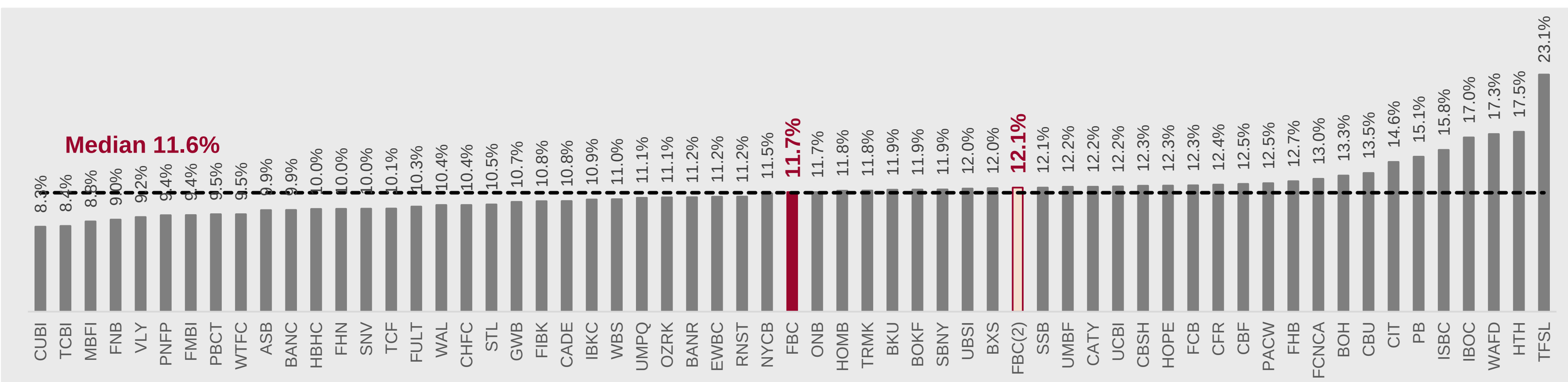
Source: Inside Mortgage Finance for actual periods and a blended average of forecast by Fannie Mae, Freddie Mac and Mortgage Bankers Association.

1. Adjusted for historical inflation as reported by Bloomberg (2015 = 100).
2. Adjusted for population growth as reported by the US Census Bureau (2015 = 100).

Flagstar represents a tremendous upside value with very little risk

- Strong credit metrics
  - NPL ratio lowest in 30 years; 0.44% of loans held-for-investment
  - Early stage delinquencies remain low in all portfolios
  - ALLL/Loans HFI coverage approximately 50% stronger than next strongest coverage ratio among mid-sized banks
- Neutral market risk
  - Low level of interest rate risk, evidenced by NII and EVE interest rate shock analyses
  - Highly effective MSR/mortgage pipeline hedging programs despite volatility in 10 year treasuries
  - Hedges rates, convexity and forward implied volatility
- Abundant liquidity
  - Warehouse loan portfolio of $1.2 billion turns over every two weeks
  - Mortgage loans held for sale portfolio could be liquidated within one month
  - On-balance sheet US government backed securities total $2.6 billion
- Leading levels of regulatory capital

Tier 1 common(1) – 9/30/17



1. Sourced from SNL Financial; Data is as of September 30, 2017 (June 30, 2017 if not available) for all major exchange U.S. Banks with assets between $10bn and $50bn, excluding Puerto Rican banks.
2. Represents FBC on a pro forma basis to reflect recognition of $128mm of excluded MSRs in CET1 under proposed regulations for Capital Simplification.

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