

Section 1: 8-K (8-K)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): December 1, 2018



(Exact Name of Registrant as Specified in Charter)

Michigan
(State or Other Jurisdiction
of Incorporation)

1-16577
(Commission File Number)

38-3150651
(IRS Employer
Identification No.)

5151 Corporate Drive, Troy, Michigan
(Address of Principal Executive Offices)

48098
(Zip Code)

(248) 312-2000
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act (17 CFR 230.405) or Rule 12b-2 of the Exchange Act (17 CFR 240.12b-2).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 7.01 Regulation FD Disclosure

The attached slides, filed as Exhibit 99.1 to this form 8-K, are furnished and shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 nor shall the information be deemed incorporated by reference in any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934 except as may be expressly set forth by specific reference in such filing.

Item 8.01 Other Event

As previously announced, Flagstar Bank, FSB, a wholly-owned bank subsidiary of Flagstar Bancorp, Inc., acquired 52 branches from Wells Fargo Bank, N.A. A total of \$1.8 billion of deposits transferred at closing. The premium, subject to adjustment per the Purchase and Assumption Agreement, was approximately 7%.

We do not know with certainty what actual post-closing attrition will be. However, using the previous assumption of 17% post-closing attrition, we expect that the payback period would be 6.1 years and the transaction would still be immediately accretive to 2019 earnings.

This filing 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.

Item 9.01 Financial Statements and Exhibits

Exhibits

99.1 [Wells Fargo Bank, N.A. Branch Acquisition Slides](#)

Exhibit Index

Exhibit No.	Description
99.1	Wells Fargo Bank, N.A. Branch Acquisition Slides

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Section 2: EX-99.1 (EXHIBIT 99.1)

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).

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Wells Fargo Branch Acquisition

Transaction Overview

Transaction summary

- Flagstar acquired 52 branches located in Indiana, Michigan, Wisconsin and Ohio from Wells Fargo
 - \$1.8 billion⁽¹⁾ of deposits at an average cost of 0.07%⁽¹⁾
 - 67% of deposits are located in IN (33 branches); 21 branches in Fort Wayne, IN (leading market share) ⁽²⁾
 - 26% 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)
 - \$109 million of loans⁽¹⁾

Financial consideration

- Effective deposit premium of 7 percent based on balances at closing
- Expected to be accretive to earnings per share in 2019
- Tangible book value payback period of approximately 6.1 years based on the crossover method
- Additional one-time integration costs of approximately \$10 million – \$12 million during fourth quarter 2018

Other considerations

- Conducted comprehensive due diligence
- Intend to keep all branches and retain all employees
- Target a 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 December 1, 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.

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 approximately 170,000 new customers/relationships; nearly doubles customer base
- Wells Fargo branch acquisition together with the recently completed DCB branch acquisition significantly expands 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 20 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 10 percentage points to 22 percent⁽³⁾
 - HFI loan-to-deposit ratio declines 12 percentage points to 66 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 for Flagstar, December 1, 2018 for Wells Fargo. Total funding cost is interest expense on interest-bearing liabilities divided by average funding liabilities (interest-bearing liabilities plus noninterest-bearing deposits).

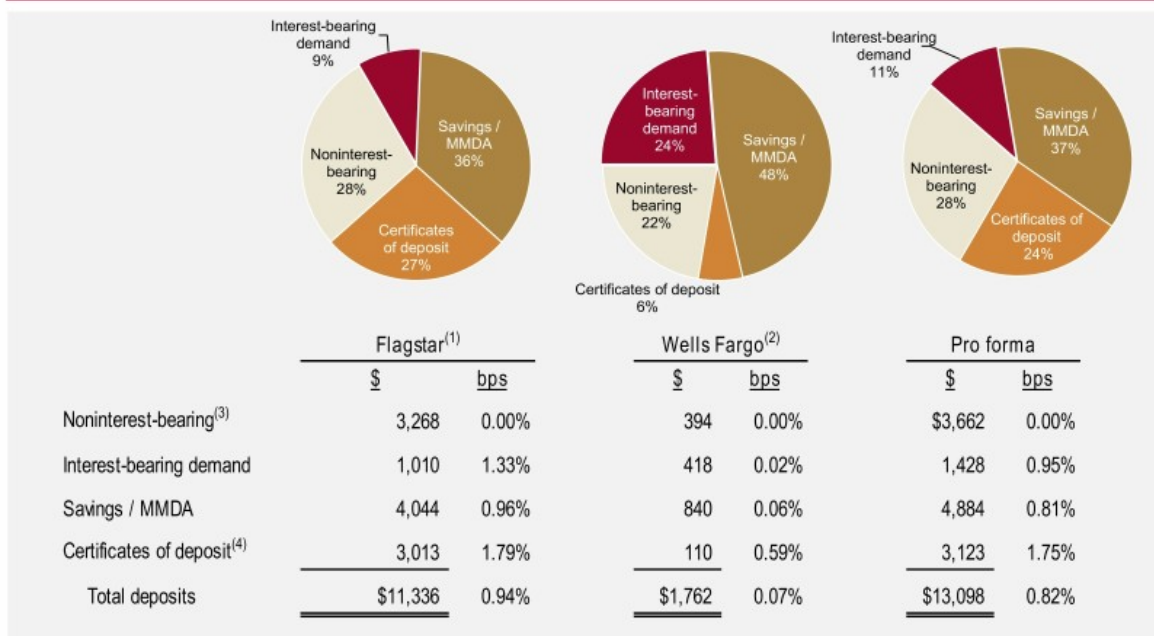
(3) Pro-forma as of September 30, 2018 for Flagstar, December 1, 2018 for Wells Fargo. Wholesale funding ratio is average wholesale funding (wholesale deposits plus FHLB advances) divided by average funding liabilities.

(4) Pro-forma as of September 30, 2018 for Flagstar, December 1, 2018 for Wells Fargo. HFI loan-to-deposit ratio is average HFI loans (excluding warehouse loans) divided by total average deposits (excluding custodial deposits).

Wells Fargo Branch Acquisition

Improved Deposit Mix

Pro forma total deposits (\$mm)



(1) Average balances for the quarter ended September 30, 2018.

(2) As of December 1, 2018.

(3) Includes noninterest-bearing custodial deposits from mortgage servicing business.

(4) Includes wholesale deposits.

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