

WINTRUST FINANCIAL CORP

Form 10-Q

August 09, 2011

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q**

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2011

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

**Commission File Number 001-35077
WINTRUST FINANCIAL CORPORATION
(Exact name of registrant as specified in its charter)**

Illinois

36-3873352

(State of incorporation or organization)

(I.R.S. Employer Identification No.)

727 North Bank Lane
Lake Forest, Illinois 60045
(Address of principal executive offices)
(847) 615-4096
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock no par value, 35,536,596 shares, as of July 29, 2011

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PART I
ITEM 1. FINANCIAL STATEMENTS

WINTRUST FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CONDITION

(In thousands, except share data)	(Unaudited) June 30, 2011	December 31, 2010	(Unaudited) June 30, 2010
Assets			
Cash and due from banks	\$ 140,434	\$ 153,690	\$ 123,712
Federal funds sold and securities purchased under resale agreements	43,634	18,890	28,664
Interest-bearing deposits with other banks (balance restricted for securitization investors of \$23,276 at June 30, 2011, \$36,620 at December 31, 2010, and \$83,501 at June 30, 2010)	990,308	865,575	1,110,123
Available-for-sale securities, at fair value	1,456,426	1,496,302	1,418,035
Trading account securities	509	4,879	38,261
Federal Home Loan Bank and Federal Reserve Bank stock	86,761	82,407	79,300
Brokerage customer receivables	29,736	24,549	24,291
Mortgage loans held-for-sale, at fair value	133,083	356,662	222,703
Mortgage loans held-for-sale, at lower of cost or market	5,881	14,785	15,278
Loans, net of unearned income, excluding covered loans	9,925,077	9,599,886	9,324,163
Covered loans	408,669	334,353	275,563
Total loans	10,333,746	9,934,239	9,599,726
Less: Allowance for loan losses	117,362	113,903	106,547
Less: Allowance for covered loan losses	7,443		
Net Loans (balance restricted for securitization investors of \$660,294 at June 30, 2011, \$646,268 at December 31, 2010, and \$598,857 at June 30, 2010)	10,208,941	9,820,336	9,493,179
Premises and equipment, net	403,577	363,696	346,806
FDIC indemnification asset	110,049	118,182	114,102
Accrued interest receivable and other assets	389,634	366,438	374,172
Trade date securities receivable	322,091		28,634
Goodwill	283,301	281,190	278,025
Other intangible assets	11,532	12,575	13,275
Total assets	\$14,615,897	\$13,980,156	\$13,708,560
Liabilities and Shareholders Equity			
Deposits:			
Non-interest bearing	\$ 1,397,433	\$ 1,201,194	\$ 953,814
Interest bearing	9,861,827	9,602,479	9,670,928

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Total deposits	11,259,260	10,803,673	10,624,742
Notes payable	1,000	1,000	1,000
Federal Home Loan Bank advances	423,500	423,500	415,571
Other borrowings	432,706	260,620	218,424
Secured borrowings owed to securitization investors	600,000	600,000	600,000
Subordinated notes	40,000	50,000	55,000
Junior subordinated debentures	249,493	249,493	249,493
Trade date securities payable	2,243		200
Accrued interest payable and other liabilities	134,309	155,321	159,394
Total liabilities	13,142,511	12,543,607	12,323,824

Shareholders' Equity:

Preferred stock, no par value; 20,000,000 shares authorized:

Series A \$1,000 liquidation value; 50,000 shares issued and outstanding at June 30, 2011, December 31, 2010 and June 30, 2010

49,704 49,640 49,379

Series B \$1,000 liquidation value; no shares issued and outstanding at June 30, 2011 and December 31, 2010, and 250,000 shares issued and outstanding at June 30, 2010

237,081

Common stock, no par value; \$1.00 stated value; 60,000,000 shares authorized; 34,988,497 shares issued at June 30, 2011, 34,864,068 shares issued at December 31, 2010, and 31,084,417 shares issued at June 30, 2010

34,988 34,864 31,084

Surplus

969,315 965,203 680,261

Treasury stock, at cost, 1,441 shares at June 30, 2011, no shares at December 31, 2010, and 119 shares at June 30, 2010, respectively.

(50) (4)

Retained earnings

415,297 392,354 381,969

Accumulated other comprehensive income (loss)

4,132 (5,512) 4,966

Total shareholders' equity

1,473,386 1,436,549 1,384,736

Total liabilities and shareholders' equity

\$14,615,897 \$13,980,156 \$13,708,560

See accompanying notes to unaudited consolidated financial statements.

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(In thousands, except per share data)	Three Months Ended		Six Months Ended	
	2011	2010	2011	2010
		June 30,		June 30,
Interest income				
Interest and fees on loans	\$132,338	\$135,800	\$268,881	\$265,342
Interest bearing deposits with banks	870	1,215	1,806	2,489
Federal funds sold and securities purchased under resale agreements	23	34	55	83
Securities	11,438	11,218	20,978	22,230
Trading account securities	10	343	23	364
Federal Home Loan Bank and Federal Reserve Bank stock	572	472	1,122	931
Brokerage customer receivables	194	166	360	304
Total interest income	145,445	149,248	293,225	291,743
Interest expense				
Interest on deposits	22,404	31,626	46,360	64,838
Interest on Federal Home Loan Bank advances	4,010	4,094	7,968	8,440
Interest on notes payable and other borrowings	2,715	1,439	5,345	2,901
Interest on secured borrowings owed to securitization investors	2,994	3,115	6,034	6,109
Interest on subordinated notes	194	256	406	497
Interest on junior subordinated debentures	4,422	4,404	8,792	8,779
Total interest expense	36,739	44,934	74,905	91,564
Net interest income	108,706	104,314	218,320	200,179
Provision for credit losses	29,187	41,297	54,531	70,342
Net interest income after provision for credit losses	79,519	63,017	163,789	129,837
Non-interest income				
Wealth management	10,601	9,193	20,837	17,860
Mortgage banking	12,817	7,985	24,448	17,713
Service charges on deposit accounts	3,594	3,371	6,905	6,703
Gains on available-for-sale securities, net	1,152	46	1,258	438
Gain on bargain purchases	746	26,494	10,584	37,388
Trading (losses) gains	(30)	(1,617)	(470)	4,344
Other	7,772	4,964	13,977	8,598
Total non-interest income	36,652	50,436	77,539	93,044

Non-interest expense				
Salaries and employee benefits	53,079	50,649	109,178	99,721
Equipment	4,409	4,046	8,673	7,941
Occupancy, net	6,772	6,033	13,277	12,263
Data processing	3,147	3,669	6,670	7,076
Advertising and marketing	1,440	1,470	3,054	2,784
Professional fees	4,533	3,957	8,079	7,064
Amortization of other intangible assets	704	674	1,393	1,319
FDIC insurance	3,281	5,005	7,799	8,814
OREO expenses, net	6,577	5,843	12,385	7,181
Other	13,264	11,317	24,807	22,438
Total non-interest expense	97,206	92,663	195,315	176,601
Income before taxes	18,965	20,790	46,013	46,280
Income tax expense	7,215	7,781	17,861	17,253
Net income	\$ 11,750	\$ 13,009	\$ 28,152	\$ 29,027
Preferred stock dividends and discount accretion	\$ 1,033	\$ 4,943	\$ 2,064	\$ 9,887
Net income applicable to common shares	\$ 10,717	\$ 8,066	\$ 26,088	\$ 19,140
Net income per common share Basic	\$ 0.31	\$ 0.26	\$ 0.75	\$ 0.67
Net income per common share Diluted	\$ 0.25	\$ 0.25	\$ 0.60	\$ 0.64
Cash dividends declared per common share	\$	\$	\$ 0.09	\$ 0.09
Weighted average common shares outstanding	34,971	31,074	34,950	28,522
Dilutive potential common shares	8,438	1,267	8,437	1,203
Average common shares and dilutive common shares	43,409	32,341	43,387	29,725

See accompanying notes to unaudited consolidated financial statements.

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CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)*

(In thousands)	Preferred stock	Common stock	Surplus	Treasury stock	Retained earnings	Accumulated other comprehensive income (loss)	Total shareholder's equity
Balance at December 31, 2009	\$ 284,824	\$ 27,079	\$ 589,939	\$ (122,733)	\$ 366,152	\$ (6,622)	\$ 1,138,639
Comprehensive income:							
Net income					29,027		29,027
Other comprehensive income, net of tax:							
Unrealized gains on securities, net of reclassification adjustment						12,040	12,040
Unrealized losses on derivative instruments						(296)	(296)
Comprehensive income							40,771
Cash dividends declared on common stock					(2,191)		(2,191)
Dividends on preferred stock					(8,251)		(8,251)
Accretion on preferred stock	1,636				(1,636)		
Common stock repurchases				(102)			(102)
Stock-based compensation			2,505				2,505
Cumulative effect of change in accounting for loan securitizations					(1,132)	(156)	(1,288)
Common stock issued for:							
New issuance, net of costs		3,795	83,791	122,831			210,417
Exercise of stock options and warrants		108	2,198				2,306

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Restricted stock awards		41	(91)					(50)
Employee stock purchase plan		13	482					495
Director compensation plan		48	1,437					1,485
Balance at June 30, 2010	\$ 286,460	\$ 31,084	\$ 680,261	\$	(4)	\$ 381,969	\$ 4,966	\$ 1,384,736
Balance at December 31, 2010	\$ 49,640	\$ 34,864	\$ 965,203	\$		\$ 392,354	\$ (5,512)	\$ 1,436,549
Comprehensive income:								
Net income						28,152		28,152
Other comprehensive income, net of tax:								
Unrealized gains on securities, net of reclassification adjustment							7,690	7,690
Unrealized gains on derivative instruments							1,954	1,954
Comprehensive income								37,796
Cash dividends declared on common stock						(3,145)		(3,145)
Dividends on preferred stock						(2,000)		(2,000)
Accretion on preferred stock	64					(64)		
Common stock repurchases						(50)		(50)
Stock-based compensation			2,034					2,034
Common stock issued for:								
Exercise of stock options and warrants		45	567					612
Restricted stock awards		25	(28)					(3)
Employee stock purchase plan		29	868					897
Director compensation plan		25	671					696

Balance at June 30, 2011	\$ 49,704	\$ 34,988	\$ 969,315	\$ (50)	\$ 415,297	\$ 4,132	\$ 1,473,386
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	Six Months Ended June 30,	
	2011	2010
Other comprehensive income (loss)		
Unrealized gains on available-for-sale securities arising during the period, net	\$ 14,013	\$ 20,023
Unrealized gains (losses) on derivative instruments arising during the period, net	3,203	(482)
Less: Reclassification adjustment for gains included in net income, net	1,258	438
Less: Income tax expense	6,314	7,359
Other comprehensive income	\$ 9,644	\$ 11,744

See accompanying notes to unaudited consolidated financial statements.

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CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)*

(In thousands)	Six Months Ended June 30,	
	2011	2010
Operating Activities:		
Net income	\$ 28,152	\$ 29,027
Adjustments to reconcile net income to net cash provided by operating activities		
Provision for credit losses	54,531	70,342
Depreciation and amortization	9,772	9,060
Stock-based compensation expense	2,034	2,505
Tax benefit from stock-based compensation arrangements	169	562
Excess tax benefits from stock-based compensation arrangements	(238)	(760)
Net amortization of premium on securities	5,496	1,159
Mortgage servicing rights fair value change and amortization, net	1,136	2,242
Originations and purchases of mortgage loans held-for-sale	(1,020,626)	(1,419,144)
Proceeds from sales of mortgage loans held-for-sale	1,257,619	1,480,862
Bank owned life insurance income, net of claims	(1,537)	(1,042)
Decrease (increase) in trading securities, net	4,370	(4,487)
Net increase in brokerage customer receivables	(5,187)	(3,420)
Gain on mortgage loans sold	(4,510)	(23,984)
Gain on available-for-sale securities, net	(1,258)	(438)
Gain on bargain purchases	(10,584)	(37,388)
Loss on sales of premises and equipment, net		8
Decrease in accrued interest receivable and other assets, net	85,641	97,626
Decrease in accrued interest payable and other liabilities, net	(29,341)	(14,350)
Net Cash Provided by Operating Activities	375,639	188,380
Investing Activities:		
Proceeds from maturities of available-for-sale securities	746,324	675,419
Proceeds from sales of available-for-sale securities	53,511	270,654
Purchases of available-for-sale securities	(1,072,299)	(1,148,417)
Net cash received for acquisitions	19,925	133,952
Net (increase) decrease in interest-bearing deposits with banks	(100,337)	36,909
Net increase in loans	(364,474)	(421,140)