

WINTRUST FINANCIAL CORP

Form 10-Q

May 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 March 31, 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, 34,962,816 shares, as of May 3, 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) March 31, 2011	December 31, 2010	(Unaudited) March 31, 2010
Assets			
Cash and due from banks	\$ 140,919	\$ 153,690	\$ 106,501
Federal funds sold and securities purchased under resale agreements	33,575	18,890	15,393
Interest-bearing deposits with other banks (balance restricted for securitization investors of \$35,630 at March 31, 2011, \$36,620 at December 31, 2010, and \$114,925 at March 31, 2010)	946,193	865,575	1,222,323
Available-for-sale securities, at fair value	1,710,321	1,496,302	1,205,919
Trading account securities	2,229	4,879	39,938
Federal Home Loan Bank and Federal Reserve Bank stock	85,144	82,407	74,001
Brokerage customer receivables	25,361	24,549	20,978
Mortgage loans held-for-sale, at fair value	92,151	356,662	149,897
Mortgage loans held-for-sale, at lower of cost or market	2,335	14,785	6,152
Loans, net of unearned income, excluding covered loans	9,561,802	9,599,886	9,070,562
Covered loans	431,299	334,353	
Total loans	9,993,101	9,934,239	9,070,562
Less: Allowance for loan losses	115,049	113,903	102,397
Less: Allowance for covered loan losses	4,844		
Net Loans (balance restricted for securitization investors of \$647,793 at March 31, 2011, \$646,268 at December 31, 2010, and \$565,185 at March 31, 2010)	9,873,208	9,820,336	8,968,165
Premises and equipment, net	369,785	363,696	348,182
FDIC indemnification asset	124,785	118,182	
Accrued interest receivable and other assets	394,292	366,438	363,676
Trade date securities receivable			27,850
Goodwill	281,940	281,190	278,025
Other intangible assets	12,056	12,575	12,978
Total assets	\$14,094,294	\$13,980,156	\$12,839,978
Liabilities and Shareholders Equity			
Deposits:			
Non-interest bearing	\$ 1,279,256	\$ 1,201,194	\$ 871,830
Interest bearing	9,635,913	9,602,479	8,853,040

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Total deposits	10,915,169	10,803,673	9,724,870
Notes payable	1,000	1,000	1,000
Federal Home Loan Bank advances	423,500	423,500	421,775
Other borrowings	250,032	260,620	218,079
Secured borrowings owed to securitization investors	600,000	600,000	600,000
Subordinated notes	50,000	50,000	60,000
Junior subordinated debentures	249,493	249,493	249,493
Trade date securities payable	10,000		62,017
Accrued interest payable and other liabilities	141,847	155,321	137,912
Total liabilities	12,641,041	12,543,607	11,475,146

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 March 31, 2011, December 31, 2010 and March 31, 2010

49,672 49,640 49,379

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

236,263

Common stock, no par value; \$1.00 stated value; 60,000,000 shares authorized; 34,947,251 shares issued at March 31, 2011, 34,864,068 shares issued at December 31, 2010, and 31,044,449 shares issued at March 31, 2010

34,947 34,864 31,044

Surplus

967,587 965,203 677,090

Treasury stock, at cost, 1,069 shares at March 31, 2011 and no shares at December 31, 2010 and March 31, 2010, respectively

(74)

Retained earnings

404,580 392,354 373,903

Accumulated other comprehensive loss

(3,459) (5,512) (2,847)

Total shareholders' equity

1,453,253 1,436,549 1,364,832

Total liabilities and shareholders' equity

\$14,094,294 \$13,980,156 \$12,839,978

See accompanying notes to unaudited consolidated financial statements.

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CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)*

(In thousands, except per share data)	Three Months Ended March 31,	
	2011	2010
Interest income		
Interest and fees on loans	\$136,543	\$129,542
Interest bearing deposits with banks	936	1,274
Federal funds sold and securities purchased under resale agreements	32	49
Securities	9,540	11,012
Trading account securities	13	21
Federal Home Loan Bank and Federal Reserve Bank stock	550	459
Brokerage customer receivables	166	139
Total interest income	147,780	142,496
Interest expense		
Interest on deposits	23,956	33,212
Interest on Federal Home Loan Bank advances	3,958	4,346
Interest on notes payable and other borrowings	2,630	1,462
Interest on secured borrowings owed to securitization investors	3,040	2,995
Interest on subordinated notes	212	241
Interest on junior subordinated debentures	4,370	4,375
Total interest expense	38,166	46,631
Net interest income	109,614	95,865
Provision for credit losses	25,344	29,044
Net interest income after provision for credit losses	84,270	66,821
Non-interest income		
Wealth management	10,236	8,667
Mortgage banking	11,631	9,727
Service charges on deposit accounts	3,311	3,332
Gains on available-for-sale securities, net	106	392
Gain on bargain purchases	9,838	10,894
Trading (losses) gains	(440)	5,961
Other	6,205	3,634
Total non-interest income	40,887	42,607
Non-interest expense		
Salaries and employee benefits	56,099	49,072
Equipment	4,264	3,896
Occupancy, net	6,505	6,230
Data processing	3,523	3,407

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Advertising and marketing	1,614	1,314
Professional fees	3,546	3,107
Amortization of other intangible assets	689	645
FDIC insurance	4,518	3,809
OREO expenses, net	5,808	1,337
Other	11,543	11,121
Total non-interest expense	98,109	83,938
Income before taxes	27,048	25,490
Income tax expense	10,646	9,473
Net income	\$ 16,402	\$ 16,017
Preferred stock dividends and discount accretion	\$ 1,031	\$ 4,943
Net income applicable to common shares	\$ 15,371	\$ 11,074
Net income per common share Basic	\$ 0.44	\$ 0.43
Net income per common share Diluted	\$ 0.36	\$ 0.41
Cash dividends declared per common share	\$ 0.09	\$ 0.09
Weighted average common shares outstanding	34,928	25,942
Dilutive potential common shares	7,794	1,139
Average common shares and dilutive common shares	42,722	27,081

See accompanying notes to unaudited consolidated financial statements.

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(In thousands)	Preferred Common		Surplus	Treasury stock	Retained earnings	Accumulated	Total shareholder equity
	stock	stock				other comprehensive income (loss)	
Balance at December 31, 2009	\$ 284,824	\$ 27,079	\$ 589,939	\$ (122,733)	\$ 366,152	\$ (6,622)	\$ 1,138,639
Comprehensive income:							
Net income					16,017		16,017
Other comprehensive income, net of tax:							
Unrealized gains on securities, net of reclassification adjustment						4,095	4,095
Unrealized losses on derivative instruments						(164)	(164)
Comprehensive income							19,948
Cash dividends declared on common stock					(2,191)		(2,191)
Dividends on preferred stock					(4,125)		(4,125)
Accretion on preferred stock	818				(818)		
Common stock repurchases				(98)			(98)
Stock-based compensation			1,414				1,414
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	83,919	122,831			210,545
Exercise of stock options and warrants		78	1,621				1,699
Restricted stock awards		31	(237)				(206)
Employee stock purchase plan		13	482				495
Director compensation plan		48	(48)				
Balance at March 31, 2010	\$ 285,642	\$ 31,044	\$ 677,090	\$	\$ 373,903	\$ (2,847)	\$ 1,364,832
Balance at December 31, 2010	\$ 49,640	\$ 34,864	\$ 965,203	\$	\$ 392,354	\$ (5,512)	\$ 1,436,549
Comprehensive income:							
Net income					16,402		16,402
Other comprehensive income, net of tax:							
Unrealized gains on securities, net of reclassification adjustment						749	749
Unrealized gains on derivative instruments						1,304	1,304
Comprehensive income							18,455

Cash dividends declared on common stock					(3,145)		(3,145)
Dividends on preferred stock					(999)		(999)
Accretion on preferred stock	32				(32)		
Common stock repurchases					(74)		(74)
Stock-based compensation		1,094					1,094
Common stock issued for:							
Exercise of stock options and warrants	33	546					579
Restricted stock awards	12	(16)					(4)
Employee stock purchase plan	13	423					436
Director compensation plan	25	337					362
Balance at March 31, 2011	\$ 49,672	\$ 34,947	\$ 967,587	\$	(74)	\$ 404,580	\$ (3,459) \$ 1,453,253

	Three Months Ended March	
	2011	31, 2010
Other comprehensive income (loss)		
Unrealized gains (losses) on available-for-sale securities arising during the period, net	\$ 1,370	\$ 6,798
Unrealized gains (losses) on derivative instruments arising during the period, net	2,121	(267)
Less: Reclassification adjustment for gains included in net income, net	106	392
Less: Income tax expense	1,332	2,364
Other comprehensive income	\$ 2,053	\$ 3,775

See accompanying notes to unaudited consolidated financial statements.

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CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)*

(In thousands)	Three Months Ended March 31,	
	2011	2010
Operating Activities:		
Net income	\$ 16,402	\$ 16,017
Adjustments to reconcile net income to net cash provided by operating activities		
Provision for credit losses	25,344	29,044
Depreciation and amortization	5,551	5,130
Stock-based compensation expense	1,094	1,414
Tax benefit from stock-based compensation arrangements	235	396
Excess tax benefits from stock-based compensation arrangements	(194)	(570)
Net amortization of premium on securities	4,176	413
Mortgage servicing rights fair value change and amortization, net	(140)	538
Originations and purchases of mortgage loans held-for-sale	(562,088)	(686,679)
Proceeds from sales of mortgage loans held-for-sale	843,209	816,427
Bank owned life insurance income, net of claims	(876)	(623)
Decrease (increase) in trading securities, net	2,650	(6,164)
Net increase in brokerage customer receivables	(812)	(107)
Gain on mortgage loans sold	(4,160)	(10,081)
Gain on available-for-sale securities, net	(106)	(392)
Gain on bargain purchases	(9,838)	(10,894)
Decrease in accrued interest receivable and other assets, net	47,043	31,080
Decrease in accrued interest payable and other liabilities, net	(16,406)	(23,813)
Net Cash Provided by Operating Activities	351,084	161,136
Investing Activities:		
Proceeds from maturities of available-for-sale securities	284,469	364,778
Proceeds from sales of available-for-sale securities	50,142	184,515
Purchases of available-for-sale securities	(541,199)	(507,544)
Net cash received for acquisitions	21,371	
Net increase in interest-bearing deposits with banks	(56,222)	(81,735)
Net decrease (increase) in loans	17,691	(131,153)
Purchases of premises and equipment, net	(10,557)	(2,148)
Net Cash Used for Investing Activities	(234,305)	(173,287)
Financing Activities:		
Decrease in deposit accounts	(100,938)	(192,207)
Decrease in other borrowings, net	(10,808)	(29,358)
Decrease in Federal Home Loan Bank advances, net		(9,300)
Excess tax benefits from stock-based compensation arrangements	194	570
Issuance of common stock, net of issuance costs		210,545

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Issuance of common shares resulting from exercise of stock options, employee stock purchase plan and conversion of common stock warrants	905	1,593
Common stock repurchases	(74)	(98)
Dividends paid	(4,144)	(6,316)
Net Cash Used for Financing Activities	(114,865)	(24,571)
Net Increase (Decrease) in Cash and Cash Equivalents	1,914	(36,722)
Cash and Cash Equivalents at Beginning of Period	172,580	158,616
Cash and Cash Equivalents at End of Period	\$ 174,494	\$ 121,894

See accompanying notes to unaudited consolidated financial statements.

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WINTRUST FINANCIAL CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(1) Basis of Presentation

The consolidated financial statements of Wintrust Financial Corporation and Subsidiaries (Wintrust or the Company) presented herein are unaudited, but in the opinion of management reflect all necessary adjustments of a normal or recurring nature for a fair presentation of results as of the dates and for the periods covered by the consolidated financial statements.

The accompanying consolidated financial statements are unaudited and do not include information or footnotes necessary for a complete presentation of financial condition, results of operations or cash flows in accordance with U.S. generally accepted accounting principles. The consolidat