

WINTRUST FINANCIAL CORP

Form 10-Q

November 01, 2010

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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 September 30, 2010

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 0-21923
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, 31,156,846 shares, as of October 28, 2010

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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) September 30, 2010	December 31, 2009	(Unaudited) September 30, 2009
Assets			
Cash and due from banks	\$ 155,067	\$ 135,133	\$ 128,898
Federal funds sold and securities purchased under resale agreements	88,913	23,483	22,863
Interest-bearing deposits with other banks (\$47,780 restricted for securitization investors at September 30, 2010)	1,224,584	1,025,663	1,168,362
Available-for-sale securities, at fair value	1,324,179	1,255,066	1,362,359
Trading account securities	4,935	33,774	29,204
Brokerage customer receivables	25,442	20,871	19,441
Federal Home Loan Bank and Federal Reserve Bank stock	80,445	73,749	71,889
Loans held-for-sale, at fair value	307,231	265,786	187,505
Loans held-for-sale, at lower of cost or market	13,209	9,929	5,750
Loans, net of unearned income, excluding covered loans	9,461,155	8,411,771	8,275,257
Covered loans	353,840		
Total loans	9,814,995	8,411,771	8,275,257
Less: Allowance for loan losses	110,432	98,277	95,096
Net Loans (\$635,755 restricted for securitization investors at September 30, 2010)	9,704,563	8,313,494	8,180,161
Premises and equipment, net	353,445	350,345	352,890
FDIC indemnification asset	161,640		
Accrued interest receivable and other assets	365,496	416,678	315,806
Goodwill	278,025	278,025	276,525
Other intangible assets	13,194	13,624	14,368
Total assets	\$ 14,100,368	\$ 12,215,620	\$ 12,136,021
Liabilities and Shareholders Equity			
Deposits:			
Non-interest bearing	\$ 1,042,730	\$ 864,306	\$ 841,668
Interest bearing	9,919,509	9,052,768	9,005,495
Total deposits	10,962,239	9,917,074	9,847,163
Notes payable	1,000	1,000	1,000
Federal Home Loan Bank advances	414,832	430,987	433,983
Other borrowings	241,522	247,437	252,071

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Secured borrowings owed to securitization investors	600,000		
Subordinated notes	55,000	60,000	65,000
Junior subordinated debentures	249,493	249,493	249,493
Trade date securities payable	2,045		
Accrued interest payable and other liabilities	175,325	170,990	181,229
Total liabilities	12,701,456	11,076,981	11,029,939
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 September 30, 2010, December 31, 2009 and September 30, 2009	49,379	49,379	49,379
Series B \$1,000 liquidation value; 250,000 shares issued and outstanding at September 30, 2010, December 31, 2009 and September 30, 2009	237,855	235,445	234,682
Common stock, no par value; \$1.00 stated value; 60,000,000 shares authorized; 31,145,332 shares at September 30, 2010, 27,079,308 shares at December 31, 2009, and 26,965,411 shares at September 30, 2009	31,145	27,079	26,965
Surplus	682,318	589,939	580,988
Treasury stock, at cost, 1,592 shares at September 30, 2010, 2,872,489 shares at December 31, 2009 and 2,862,343 shares at September 30, 2009	(51)	(122,733)	(122,437)
Retained earnings	394,323	366,152	342,873
Accumulated other comprehensive income (loss)	3,943	(6,622)	(6,368)
Total shareholders' equity	1,398,912	1,138,639	1,106,082
Total liabilities and shareholders' equity	\$14,100,368	\$12,215,620	\$12,136,021

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 September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Interest income				
Interest and fees on loans	\$137,902	\$126,448	\$403,244	\$343,637
Interest bearing deposits with banks	1,339	778	3,828	2,205
Federal funds sold and securities purchased under resale agreements	35	106	118	233
Securities	7,438	13,677	29,668	42,977
Trading account securities	19	7	383	86
Brokerage customer receivables	180	132	484	372
Federal Home Loan Bank and Federal Reserve Bank stock	488	429	1,419	1,275
Total interest income	147,401	141,577	439,144	390,785
Interest expense				
Interest on deposits	31,088	42,806	95,926	132,261
Interest on Federal Home Loan Bank advances	4,042	4,536	12,482	13,492
Interest on notes payable and other borrowings	1,411	1,779	4,312	5,401
Interest on secured borrowings owed to securitization investors	3,167		9,276	
Interest on subordinated notes	265	333	762	1,341
Interest on junior subordinated debentures	4,448	4,460	13,227	13,348
Total interest expense	44,421	53,914	135,985	165,843
Net interest income	102,980	87,663	303,159	224,942
Provision for credit losses	25,528	91,193	95,870	129,329
Net interest income after provision for credit losses	77,452	(3,530)	207,289	95,613
Non-interest income				
Wealth management	8,973	7,501	26,833	20,310
Mortgage banking	20,980	13,204	38,693	52,032
Service charges on deposit accounts	3,384	3,447	10,087	9,600
Gain on sales of commercial premium finance receivables		3,629		4,147
Gains (losses) on available-for-sale securities, net	9,235	(412)	9,673	(910)
Gain on bargain purchases	6,593	113,062	43,981	113,062
Trading gains (losses)	712	6,236	5,147	23,254
Other	4,779	4,013	13,286	11,064
Total non-interest income	54,656	150,680	147,700	232,559

Non-interest expense				
Salaries and employee benefits	57,014	48,088	156,735	138,923
Equipment	4,203	4,069	12,144	12,022
Occupancy, net	6,254	5,884	18,517	17,682
Data processing	3,891	3,226	10,967	9,578
Advertising and marketing	1,650	1,488	4,434	4,003
Professional fees	4,555	4,089	11,619	9,843
Amortization of other intangible assets	701	677	2,020	2,040
FDIC insurance	4,642	4,334	13,456	16,468
OREO expenses, net	4,767	10,243	11,948	13,671
Other	12,046	10,465	34,484	29,540
Total non-interest expense	99,723	92,563	276,324	253,770
Income before taxes	32,385	54,587	78,665	74,402
Income tax expense	12,287	22,592	29,540	29,500
Net income	\$ 20,098	\$ 31,995	\$ 49,125	\$ 44,902
Preferred stock dividends and discount accretion	\$ 4,943	\$ 4,668	\$ 14,830	\$ 14,668
Net income applicable to common shares	\$ 15,155	\$ 27,327	\$ 34,295	\$ 30,234
Net income per common share Basic	\$ 0.49	\$ 1.14	\$ 1.17	\$ 1.26
Net income per common share Diluted	\$ 0.47	\$ 1.07	\$ 1.12	\$ 1.25
Cash dividends declared per common share	\$ 0.09	\$ 0.09	\$ 0.18	\$ 0.27
Weighted average common shares outstanding	31,117	24,052	29,396	23,958
Dilutive potential common shares	988	2,493	1,132	323
Average common shares and dilutive common shares	32,105	26,545	30,528	24,281

See accompanying notes to unaudited consolidated financial statements.

Table of Contents*WINTRUST FINANCIAL CORPORATION AND SUBSIDIARIES**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, 2008	\$281,873	\$26,611	\$571,887	\$(122,290)	\$318,793	\$(10,302)	\$1,066,572
Comprehensive income:							
Net income					44,902		44,902
Other comprehensive income, net of tax:							
Unrealized gains on securities, net of reclassification adjustment						2,154	2,154
Unrealized gains on derivative instruments						2,089	2,089
Comprehensive income							49,145
Cash dividends declared on common stock					(6,463)		(6,463)
Dividends on preferred stock					(12,480)		(12,480)
Accretion on preferred stock	2,188				(2,188)		
Stock-based compensation			5,132				5,132
Cumulative effect of change in accounting for other-than-temporary impairment					309	(309)	
Common stock issued for:							
Exercise of stock options and warrants		175	2,482				2,657
Restricted stock awards		73	(820)	(147)			(894)
Employee stock purchase plan		56	635				691
Director compensation plan		50	1,672				1,722
Balance at September 30, 2009	\$284,061	\$26,965	\$580,988	\$(122,437)	\$342,873	\$ (6,368)	\$1,106,082

Balance at December 31, 2009	\$284,824	\$27,079	\$589,939	\$(122,733)	\$366,152	\$ (6,622)	\$1,138,639
Comprehensive income:							
Net income					49,125		49,125
Other comprehensive income, net of tax:							
Unrealized gains on securities, net of reclassification adjustment						11,031	11,031
Unrealized losses on derivative instruments						(310)	(310)
Comprehensive income							59,846
Cash dividends declared on common stock					(4,992)		(4,992)
Dividends on preferred stock					(12,420)		(12,420)
Accretion on preferred stock	2,410				(2,410)		
Stock-based compensation			3,116				3,116
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		141	2,856				2,997
Restricted stock awards		56	(83)	(149)			(176)
Employee stock purchase plan		26	896				922
Director compensation plan		48	1,803				1,851
Balance at September 30, 2010	\$287,234	\$31,145	\$682,318	\$ (51)	\$394,323	\$ 3,943	\$1,398,912

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY

**Nine Months ended September
30,**
2010 **2009**

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Other comprehensive income (loss)		
Unrealized gains (losses) on available-for-sale securities arising during the period, net	\$ 26,836	\$ 2,435
Unrealized (losses) gains on derivative instruments arising during the period, net	(505)	3,399
Less: Reclassification adjustment for gains (losses) included in net income, net	9,673	(910)
Less: Income tax expense	5,937	2,501
Other comprehensive income	\$ 10,721	\$ 4,243

See accompanying notes to unaudited consolidated financial statements.

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CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)*

(In thousands)	Nine Months ended September 30,	
	2010	2009
Operating Activities:		
Net income	\$ 49,125	\$ 44,902
Adjustments to reconcile net income to net cash provided by (used for) operating activities		
Provision for credit losses	95,870	129,329
Depreciation and amortization	13,426	15,246
Stock-based compensation expense	4,521	5,132
Tax benefit (expense) from stock-based compensation arrangements	744	(140)
Excess tax benefits from stock-based compensation arrangements	(1,020)	(724)
Net amortization of premium on securities	4,674	129
Mortgage servicing rights fair value change and amortization, net	3,724	2,057
Originations and purchases of mortgage loans held-for-sale	(2,495,880)	(3,713,883)
Proceeds from sales of mortgage loans held-for-sale	2,498,438	3,620,400
Originations of premium finance receivables held-for-sale		(790,044)
Proceeds from sales and securitizations of premium finance receivables held-for-sale		106,282
Bank owned life insurance income, net of claims	(1,593)	(1,403)
Gain on sales of premium finance receivables		(4,147)
Decrease (increase) in trading securities, net	28,839	(24,805)
Net increase in brokerage customer receivables	(4,571)	(1,540)
Gain on mortgage loans sold	(47,283)	(38,656)
(Gain) loss on available-for-sale securities, net	(9,673)	