

WINTRUST FINANCIAL CORP

Form 10-Q

August 10, 2009

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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, 2009**

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 definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

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, 24,062,007 shares, as of August 7, 2009

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PART I
ITEM 1. FINANCIAL STATEMENTS

WINTRUST FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CONDITION

(In thousands)	(Unaudited) June 30, 2009	December 31, 2008	(Unaudited) June 30, 2008
Assets			
Cash and due from banks	\$ 122,382	\$ 219,794	\$ 166,857
Federal funds sold and securities purchased under resale agreements	41,450	226,110	73,311
Interest bearing deposits with banks	655,759	123,009	6,438
Available-for-sale securities, at fair value	1,267,410	784,673	1,590,648
Trading account securities	22,973	4,399	1,877
Brokerage customer receivables	17,701	17,901	19,661
Loans held-for-sale, at fair value	291,275	51,029	114,739
Loans held-for-sale, at lower of cost or market	529,825	10,087	3,640
Loans, net of unearned income	7,595,476	7,621,069	7,153,603
Less: Allowance for loan losses	85,113	69,767	57,633
Net loans	7,510,363	7,551,302	7,095,970
Premises and equipment, net	350,447	349,875	348,881
Accrued interest receivable and other assets	260,182	240,664	208,574
Trade date securities receivable		788,565	
Goodwill	276,525	276,310	276,311
Other intangible assets	13,244	14,608	16,170
Total assets	\$11,359,536	\$10,658,326	\$9,923,077
Liabilities and Shareholders Equity			
Deposits:			
Non-interest bearing	\$ 793,173	\$ 757,844	\$ 688,512
Interest bearing	8,398,159	7,618,906	7,072,855
Total deposits	9,191,332	8,376,750	7,761,367
Notes payable	1,000	1,000	41,975
Federal Home Loan Bank advances	435,980	435,981	438,983
Other borrowings	244,286	336,764	383,009
Subordinated notes	65,000	70,000	75,000
Junior subordinated debentures	249,493	249,515	249,579
Trade date securities payable			97,898
Accrued interest payable and other liabilities	107,369	121,744	126,241
Total liabilities	10,294,460	9,591,754	9,174,052

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Shareholders' equity:			
Preferred stock	283,518	281,873	
Common stock	26,835	26,611	26,478
Surplus	577,473	571,887	547,792
Treasury stock	(122,302)	(122,290)	(122,258)
Retained earnings	317,713	318,793	325,314
Accumulated other comprehensive loss	(18,161)	(10,302)	(28,301)
Total shareholders' equity	1,065,076	1,066,572	749,025
Total liabilities and shareholders' equity	\$11,359,536	\$10,658,326	\$9,923,077

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		Six Months Ended	
	June 30,		June 30,	
	2009	2008	2009	2008
Interest income				
Interest and fees on loans	\$ 110,302	\$ 108,803	\$ 217,189	\$ 227,756
Interest bearing deposits with banks	767	68	1,427	188
Federal funds sold and securities purchased under resale agreements	66	472	127	1,106
Securities	15,819	16,553	30,146	32,634
Trading account securities	55	15	79	46
Brokerage customer receivables	120	249	240	606
Total interest income	127,129	126,160	249,208	262,336
Interest expense				
Interest on deposits	43,502	53,862	89,455	115,292
Interest on Federal Home Loan Bank advances	4,503	4,557	8,956	9,113
Interest on notes payable and other borrowings	1,752	2,900	3,622	5,670
Interest on subordinated notes	428	843	1,008	1,930
Interest on junior subordinated debentures	4,447	4,598	8,888	9,189
Total interest expense	54,632	66,760	111,929	141,194
Net interest income	72,497	59,400	137,279	121,142
Provision for credit losses	23,663	10,301	38,136	18,856
Net interest income after provision for credit losses	48,834	49,099	99,143	102,286
Non-interest income				
Wealth management	6,883	7,771	12,809	15,636
Mortgage banking	22,596	7,536	38,828	13,632
Service charges on deposit accounts	3,183	2,565	6,153	4,938
Gain on sales of premium finance receivables	196	566	518	1,707
Gains (losses) on available-for-sale securities, net	1,540	(140)	(498)	(1,473)
Other	11,054	15,306	24,069	23,736
Total non-interest income	45,452	33,604	81,879	58,176
Non-interest expense				
Salaries and employee benefits	46,015	36,976	90,835	73,648
Equipment	4,015	4,048	7,953	7,974
Occupancy, net	5,608	5,438	11,798	11,305
Data processing	3,216	2,918	6,352	5,716
Advertising and marketing	1,420	1,368	2,515	2,367

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Professional fees	2,871	2,227	5,754	4,295
Amortization of other intangible assets	676	779	1,363	1,567
Other	20,424	11,427	34,637	21,158
Total non-interest expense	84,245	65,181	161,207	128,030
Income before taxes	10,041	17,522	19,815	32,432
Income tax expense	3,492	6,246	6,908	11,451
Net income	6,549	11,276	12,907	20,981
Preferred stock dividends and discount accretion	5,000		10,000	
Net income applicable to common shares	\$ 1,549	\$ 11,276	\$ 2,907	\$ 20,981
Net income per common share Basic	\$ 0.06	\$ 0.48	\$ 0.12	\$ 0.89
Net income per common share Diluted	\$ 0.06	\$ 0.47	\$ 0.12	\$ 0.87
Cash dividends declared per common share	\$	\$	\$ 0.18	\$ 0.18
Weighted average common shares outstanding	23,964	23,608	23,910	23,563
Dilutive potential common shares	300	531	269	555
Average common shares and dilutive common shares	24,264	24,139	24,179	24,118

See accompanying notes to unaudited consolidated financial statements.

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	Preferred Stock	Common Stock	Surplus	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Shareholders' Equity
at December 31, 2007	\$	\$26,281	\$539,586	\$(122,196)	\$309,556	\$(13,672)	\$
Comprehensive income:							
Net income					20,981		
Comprehensive income, net of tax:							
Realized losses on securities, net of reclassification adjustment						(15,188)	
Realized gains on derivative Instruments						559	
Comprehensive income							
Dividends declared on common stock					(4,231)		
Share repurchases				(62)			
Restricted compensation			4,942				
Reverse effect of change in accounting for split-dollar life insurance					(992)		
Stock issued for:							
Exercise of stock options and warrants		73	1,871				
Restricted stock awards		71	(532)				
Share repurchase plan		23	795				
Restricted compensation plan		30	1,130				
at June 30, 2008	\$	\$26,478	\$547,792	\$(122,258)	\$325,314	\$(28,301)	\$
at December 31, 2008	\$281,873	\$26,611	\$571,887	\$(122,290)	\$318,793	\$(10,302)	\$1,055,071
Comprehensive income:							
Net income					12,907		
Comprehensive income, net of tax:							
Realized losses on securities, net of reclassification adjustment						(10,666)	
Realized gains on derivative instruments						2,807	
Comprehensive income							
Dividends declared on common stock					(4,296)		
Dividends on preferred stock					(8,355)		
Share repurchases on preferred stock	1,645				(1,645)		
Share repurchases				(12)			
Restricted compensation			3,431				
					309		

The net effect of change in accounting for
 non-temporary impairment
 on stock issued for:

of stock options and warrants	52	612
of restricted stock awards	66	(764)
of the stock purchase plan	56	635
of the compensation plan	50	1,672

At June 30, 2009 \$283,518 \$26,835 \$577,473 \$(122,302) \$317,713 \$(18,161) \$1,000,000

	Six Months Ended June 30,	
	2009	2008
Other Comprehensive Income:		
Unrealized losses on available-for-sale securities arising during the period, net	\$(17,861)	\$(26,451)
Unrealized gains on derivative instruments arising during the period, net	4,567	909
Less: Reclassification adjustment for losses included in net income, net	(498)	(1,473)
Less: Income tax benefit	(4,937)	(9,440)
Other Comprehensive (loss) income	\$ (7,859)	\$(14,629)

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,	
	2009	2008
Operating Activities:		
Net income	\$ 12,907	\$ 20,981
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	38,136	18,856
Depreciation and amortization	10,125	10,138
Stock-based compensation expense	3,431	4,942
Tax (expense) benefit from stock-based compensation arrangements	(650)	395
Excess tax benefits from stock-based compensation arrangements	(84)	(464)
Net amortization (accretion) of premium on securities	4	(859)
Mortgage servicing rights fair value change and amortization, net	1,218	668
Originations and purchases of loans held-for-sale	(2,753,665)	(946,621)
Originations of premium finance receivables held-for-sale	(520,000)	
Proceeds from sales of mortgage loans held-for-sale	2,542,202	945,415
Bank owned life insurance income, net of claims	(851)	(1,464)
Gain on sales of premium finance receivables	(518)	(1,707)
Increase in trading securities, net	(18,574)	(306)
Net decrease in brokerage customer receivables	200	4,545
Gain on mortgage loans sold	(28,521)	(7,621)
Losses on available-for-sale securities, net	498	1,473
Loss on sales of premises and equipment, net	27	79
Decrease (increase) in accrued interest receivable and other assets, net	6,372	(687)
(Decrease) increase in accrued interest payable and other liabilities, net	(7,597)	24,085
Net Cash (Used for) Provided by Operating Activities	(715,340)	71,848
Investing Activities:		
Proceeds from maturities of available-for-sale securities	975,126	587,493
Proceeds from sales of available-for-sale securities	1,071,192	609,498
Purchases of available-for-sale securities	(1,760,047)	(1,319,858)
Proceeds from sales of premium finance receivables		184,255
Net (increase) decrease in interest-bearing deposits with banks	(532,750)	3,972
Net increase in loans	(18,092)	(561,137)
Purchases of premises and equipment, net	(9,272)	(18,657)
Net Cash Used for Investing Activities	(273,843)	(514,434)
Financing Activities:		
Increase in deposit accounts	814,576	289,873
(Decrease) increase in other borrowings, net	(92,478)	128,575
Decrease in notes payable, net		(18,725)

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Increase in Federal Home Loan Bank advances, net		23,801
Repayment of subordinated note	(5,000)	
Excess tax benefits from stock based compensation arrangements	84	464