WINTRUST FINANCIAL CORP
Form 10-Q
May 11, 2009

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

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

For the quarterly period ended March 31, 2009

OR

o **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 þ No o

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 o No o

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 þ	Accelerated Filer o	Non-Accelerated Filer o	Smaller Reporting Company o
		(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 o No þ

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, 23,973,495 shares, as of May 7, 2009

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PART I
ITEM 1. FINANCIAL STATEMENTS

WINTRUST FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CONDITION

(In thousands)	**(Unaudited) March 31, 2009**	December 31, 2008	(Unaudited) March 31, 2008
Assets			
Cash and due from banks	**$ 122,207**	$ 219,794	$ 160,890
Federal funds sold and securities purchased under resale agreements	**98,454**	226,110	280,408
Interest bearing deposits with banks	**266,512**	123,009	11,280
Available-for-sale securities, at fair value	**1,413,576**	784,673	1,110,854
Trading account securities	**13,815**	4,399	1,185
Brokerage customer receivables	**15,850**	17,901	22,786
Mortgage loans held-for-sale, at fair value	**207,107**	51,029	86,634
Mortgage loans held-for-sale, at lower of cost or market	**11,600**	10,087	15,690
Loans, net of unearned income	**7,841,447**	7,621,069	6,874,916
Less: Allowance for loan losses	**74,248**	69,767	53,758
Net loans	**7,767,199**	7,551,302	6,821,158
Premises and equipment, net	**349,245**	349,875	344,863
Accrued interest receivable and other assets	**263,145**	240,664	188,607
Trade date securities receivable		788,565	395,041
Goodwill	**276,310**	276,310	276,121
Other intangible assets	**13,921**	14,608	16,949
Total assets	**$10,818,941**	$10,658,326	$9,732,466
Liabilities and Shareholders Equity			
Deposits:			
Non-interest bearing	**$ 745,194**	$ 757,844	$ 670,433
Interest bearing	**7,880,783**	7,618,906	6,813,149
Total deposits	**8,625,977**	8,376,750	7,483,582
Notes payable	**1,000**	1,000	70,300
Federal Home Loan Bank advances	**435,981**	435,981	434,482
Other borrowings	**250,488**	336,764	293,091
Subordinated notes	**70,000**	70,000	75,000
Junior subordinated debentures	**249,502**	249,515	249,621
Trade date securities payable	**7,170**		236,217
Accrued interest payable and other liabilities	**115,596**	121,744	136,880
Total liabilities	**9,755,714**	9,591,754	8,979,173

Shareholders equity:			
Preferred stock	**282,662**	281,873	
Common stock	**26,766**	26,611	26,416
Surplus	**575,166**	571,887	544,594
Treasury stock	**(122,302)**	(122,290)	(122,252)
Retained earnings	**315,855**	318,793	314,038
Accumulated other comprehensive loss	**(14,920)**	(10,302)	(9,503)
Total shareholders equity	**1,063,227**	1,066,572	753,293
Total liabilities and shareholders equity	**$10,818,941**	$10,658,326	$9,732,466

See accompanying notes to unaudited consolidated financial statements.

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WINTRUST FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

	Three Months Ended March 31,	
(In thousands, except per share data)	**2009**	2008
Interest income		
Interest and fees on loans	**$106,887**	$118,953
Interest bearing deposits with banks	**660**	120
Federal funds sold and securities purchased under resale agreements	**61**	634
Securities	**14,327**	16,081
Trading account securities	**24**	31
Brokerage customer receivables	**120**	357
Total interest income	**122,079**	136,176
Interest expense		
Interest on deposits	**45,953**	61,430
Interest on Federal Home Loan Bank advances	**4,453**	4,556
Interest on notes payable and other borrowings	**1,870**	2,770
Interest on subordinated notes	**580**	1,087
Interest on junior subordinated debentures	**4,441**	4,591
Total interest expense	**57,297**	74,434
Net interest income	**64,782**	61,742
Provision for credit losses	**14,473**	8,555
Net interest income after provision for credit losses	**50,309**	53,187
Non-interest income		
Wealth management	**5,926**	7,865
Mortgage banking	**16,232**	6,096
Service charges on deposit accounts	**2,970**	2,373
Gain on sales of premium finance receivables	**322**	1,141
Losses on available-for-sale securities, net	**(2,038)**	(1,333)
Other	**13,015**	8,430
Total non-interest income	**36,427**	24,572
Non-interest expense		
Salaries and employee benefits	**44,820**	36,672
Equipment	**3,938**	3,926
Occupancy, net	**6,190**	5,867
Data processing	**3,136**	2,798
Advertising and marketing	**1,095**	999
Professional fees	**2,883**	2,068
Amortization of other intangible assets	**687**	788

Other	**14,213**	9,731
Total non-interest expense	**76,962**	62,849
Income before taxes	**9,774**	14,910
Income tax expense	**3,416**	5,205
Net income	**6,358**	9,705
Dividends on preferred shares	**5,000**	
Net income applicable to common shares	**$ 1,358**	$ 9,705
Net income per common share Basic	**$ 0.06**	$ 0.41
Net income per common share Diluted	**$ 0.06**	$ 0.40
Cash dividends declared per common share	**$ 0.18**	$ 0.18
Weighted average common shares outstanding	**23,855**	23,518
Dilutive potential common shares	**221**	582
Average common shares and dilutive common shares	**24,076**	24,100

See accompanying notes to unaudited consolidated financial statements.

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WINTRUST FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY (UNAUDITED)

ands)	**Preferred Stock**	**Common Stock**	**Surplus**	**Treasury Stock**	**Retained Earnings**	**Accumulated Other Compre- hensive Income (Loss)**	**T Shar E**
at December 31, 2007	$	$ 26,281	$ 539,586	$ (122,196)	$ 309,556	$ (13,672)	$
ensive income:							
me					9,705		
mprehensive income, net of tax:							
ed gains on securities, net of reclassification adjustment						8,091	
ed losses on derivative Instruments						(3,922)	
ensive income							
idends declared on common stock					(4,231)		
stock repurchases				(56)			
sed compensation			2,498				
ve effect of change in accounting for split-dollar life							
e						(992)	
stock issued for:							
of stock options and warrants		62	1,703				
d stock awards		44	(324)				
compensation plan		29	1,131				
at March 31, 2008	$	$ 26,416	$ 544,594	$ (122,252)	$ 314,038	$ (9,503)	$
at December 31, 2008	**$ 281,873**	**$ 26,611**	**$ 571,887**	**$ (122,290)**	**$ 318,793**	**$ (10,302)**	**$ 1,**
hensive income:							
me					**6,358**		
omprehensive income, net of tax:							
ed losses on securities, net of reclassification adjustment						**(5,694)**	
ed gains on derivative instruments						**1,076**	
hensive income							
idends declared on common stock					**(4,296)**		
s on preferred stock	**789**				**(5,000)**		
stock repurchases				**(12)**			
sed compensation			**1,772**				
stock issued for:							
of stock options and warrants		**46**	**575**				
d stock awards		**60**	**(705)**				

compensation plan		**49**	**1,637**				
at March 31, 2009	**$ 282,662**	**$ 26,766**	**$ 575,166**	**$ (122,302)**	**$ 315,855**	**$ (14,920)**	**$ 1,**

	Three Months Ended March 31,	
	2009	2008
Other Comprehensive Income:		
Unrealized (losses) gains on available-for-sale securities arising during the period, net	**$ (11,314)**	$ 11,434
Unrealized gains (losses) on derivative instruments arising during the period, net	**1,707**	(6,380)
Less: Reclassification adjustment for losses included in net income, net	**(2,038)**	(1,333)
Less: Income tax (benefit) expense	**(2,951)**	2,218
Other Comprehensive (loss) income	**$ (4,618)**	$ 4,169

See accompanying notes to unaudited consolidated financial statements.

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WINTRUST FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(In thousands)	Three Months Ended March 31, 2009	2008
Operating Activities:		
Net income	**$ 6,358**	$ 9,705
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	**14,473**	8,555
Depreciation and amortization	**5,109**	5,018
Stock-based compensation expense	**1,772**	2,498
Tax (expense) benefit from stock-based compensation arrangements	**(576)**	555
Excess tax benefits from stock-based compensation arrangements	**(68)**	(394)
Net (accretion) amortization of premium on securities	**(158)**	(286)
Mortgage servicing rights fair value change and amortization, net	**1,659**	829
Originations and purchases of mortgage loans held-for-sale	**(1,245,129)**	(462,860)
Proceeds from sales of mortgage loans held-for-sale	**1,099,747**	473,723
Bank owned life insurance income, net of claims	**(286)**	(613)
Gain on sales of premium finance receivables	**(322)**	(1,141)
(Increase) decrease in trading securities, net	**(9,416)**	386
Net decrease in brokerage customer receivables	**2,051**	1,420
Gain on mortgage loans sold	**(12,209)**	(3,635)
Losses on available-for-sale securities, net	**2,038**	1,333
Loss on sales of premises and equipment, net	**11**	
(Increase) decrease in accrued interest receivable and other assets, net	**490**	(2,865)
(Decrease) increase in accrued interest payable and other liabilities, net	**(2,004)**	15,846
Net Cash (Used for) Provided by Operating Activities	**(136,460)**	48,074
Investing Activities:		
Proceeds from maturities of available-for-sale securities	**665,932**	364,956
Proceeds from sales of available-for-sale securities	**992,398**	187,292
Purchases of available-for-sale securities	**(1,504,650)**	(400,110)
Proceeds from sales of premium finance receivables		114,805
Net increase in interest-bearing deposits with banks	**(143,503)**	(870)
Net increase in loans	**(251,507)**	(200,808)
Purchases of premises and equipment, net	**(3,766)**	(9,896)
Net Cash (Used for) Provided by Investing Activities	**(245,096)**	55,369
Financing Activities:		
Increase in deposit accounts	**249,221**	12,106
(Decrease) increase in other borrowings, net	**(86,276)**	38,657
Increase in notes payable, net		9,600

Increase in Federal Home Loan Bank advances, net		19,301
Issuance of preferred stock, net of issuance costs		
Excess tax benefits from stock based compensation arrangements	**68**	394
Issuance of common shares resulting from exercise of stock options, employee stock purchase plan and conversion of common stock warrants	**553**	930
Common stock repurchases	**(12)**	(56)
Dividends paid	**(7,241)**	(4,231)
Net Cash Provided by Financing Activities	**156,313**	76,701
Net (Decrease) Increase in Cash and Cash Equivalents	**(225,243)**	180,144
Cash and Cash Equivalents at Beginning of Period	**445,904**	261,154
Cash and Cash Equivalents at End of Period	**$ 220,661**	$ 441,298

See accompanying notes to unaudited consolidated financial statements.

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.

Wintrust is a financial holding company currently engaged in the business of providing traditional community banking services to customers in the Chicago metropolitan area and southern Wisconsin. Additionally, the Company operates various non-bank subsidiaries. Wintrust has 15 wholly-owned bank subsidiaries (collectively, the Banks), nine of which the Company started as *de novo* institutions, including Lake Forest Bank & Trust Company (Lake Forest Bank), Hinsdale Bank & Trust Company (Hinsdale Bank), North Shore Community Bank & Trust Company (North Shore Bank), Libertyville Bank & Trust Company (Libertyville Bank), Barrington Bank & Trust Company, N.A. (Barrington Bank), Crystal Lake Bank & Trust Company, N.A. (Crystal Lake Bank), Northbrook Bank & Trust Company (Northbrook Bank), Beverly Bank & Trust Company, N.A. (Beverly Bank) and Old Plank Trail Community Bank, N.A. (Old Plank Trail Bank). The Company acquired Advantage National Bank (Advantage Bank) in October 2003, Village Bank & Trust (Village Bank) in December 2003, Northview Bank & Trust (Northview Bank) in September 2004, Town Bank in October 2004, State Bank of The Lakes in January 2005, First Northwest Bank in March 2005 and Hinsbrook Bank and Trust (Hinsbrook Bank) in May 2006. In December 2004, Northview Bank s Wheaton branch became its main office, it was renamed Wheaton Bank & Trust (Wheaton Bank) and its two Northfield locations became branches of Northbrook Bank and its Mundelein location became a branch of Libertyville Bank. In May 2005, First Northwest Bank was merged into Village Bank. In November 2006, Hinsbrook Bank s Geneva branch was renamed St. Charles Bank & Trust (St. Charles Bank), its Willowbrook, Downers Grove and Darien locations became branches of Hinsdale Bank and its Glen Ellyn location became a branch of Wheaton Bank.

The Company provides, on a national basis, loans to businesses to finance insurance premiums on their commercial insurance policies (premium finance receivables) through First Insurance Funding Corporation (FIFC). In November 2007, the Company acquired Broadway Premium Funding Corporation (Broadway). Broadway also provides loans to businesses to finance insurance premiums, mainly through insurance agents and brokers in the northeastern portion of the United States and California. On October 1, 2008, Broadway merged with its parent, FIFC, but continues to utilize the Broadway brand in serving its segment of the marketplace.

In 2007, FIFC began financing life insurance policy premiums for high net-worth individuals. These loans are originated through independent insurance agents with assistance from financial advisors and legal counsel. The life insurance policy is the primary form of collateral. In addition, these loans can be secured with a letter of credit or certificate of deposit. FIFC is a wholly-owned subsidiary of Lake Forest Bank.

Wintrust, through Tricom, Inc. of Milwaukee (Tricom), provides high-yielding short-term accounts receivable financing (Tricom finance receivables) and value-added out-sourced administrative services, such as data processing of payrolls, billing and cash management services, to the temporary staffing industry, with clients located throughout the United States. Tricom is a wholly-owned subsidiary of Hinsdale Bank.

The Company provides a full range of wealth management services through its trust, asset management and broker-dealer subsidiaries. Trust and investment services are provided at the Banks through the Company s wholly-owned subsidiary, Wayne Hummer Trust Company, N.A. (WHTC), a *de novo* company started in 1998. Wayne Hummer Investments, LLC (WHI) is a broker-dealer providing a full range of private client and securities brokerage services to clients located primarily in the Midwest. WHI has office locations staffed by one or more registered financial advisors in a majority of the Company s Banks. WHI also provides a full range of investment services to individuals through a network of relationships with community-based financial institutions primarily in Illinois. WHI is a wholly-owned subsidiary of North Shore Bank. Wayne Hummer Asset Management Company (WHAMC) provides money management services and advisory services to individuals, institutions and municipal and tax-exempt organizations, in addition to portfolio management and financial supervision for a wide range of pension and profit-sharing plans. WHI

and WHAMC were acquired in 2002, and in February 2003, the Company acquired Lake Forest Capital Management (LFCM), a registered investment advisor, which was merged into WHAMC. WHTC, WHI and WHAMC are referred to collectively as the Wayne Hummer Companies.

In May 2004, the Company acquired Wintrust Mortgage Corporation (WMC) (formerly known as WestAmerica Mortgage Company) and its affiliate, Guardian Real Estate Services, Inc. (Guardian). WMC engages primarily in the origination and purchase of residential mortgages for sale into the secondary market. WMC maintains principal origination offices in ten states, including Illinois, and originates loans in other states through wholesale and correspondent offices. WMC is a wholly-owned subsidiary of Barrington Bank. Guardian provided document preparation and other loan closing services to WMC and a network of mortgage brokers. Guardian was merged into Barrington Bank in November 2008. In December 2008, WMC acquired certain assets and assumed certain liabilities of the mortgage banking business of Professional Mortgage Partners (PMP).

Wintrust Information Technology Services Company (WITS) provides information technology support, item capture, imaging and statement preparation services to the Wintrust subsidiaries and is a wholly-owned subsidiary of Wintrust.

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 generally accepted accounting principles. The consolidated financial statements should be read in conjunction with the consolidated financial statements and notes included in the Company s Annual Report and Form 10-K for the year ended December 31, 2008. Operating results reported for the three-month period are not necessarily indicative of the results which may be expected for the entire year. Reclassifications of certain prior period amounts have been made to conform to the current period presentation.

The preparation of the financial statements requires management to make estimates, assumptions and judgments that affect the reported amounts of assets and liabilities. Management believes that the estimates made are reasonable, however, changes in estimates may be required if economic or other conditions develop differently from management s expectations. Certain policies and accounting principles inherently have a greater reliance on the use of estimates, assumptions and judgments and as such have a greater possibility of producing results that could be materially different than originally reported. Management views critical accounting policies to be those which are highly dependent on subjective or complex judgments, estimates and assumptions, and where changes in those estimates and assumptions could have a significant impact on the financial statements. Management currently views the determination of the allowance for loan losses and the allowance for losses on lending-related commitments, estimations of fair value, the valuations required for impairment testing of goodwill, the valuation and accounting for derivative instruments and income taxes as the accounting areas that require the most subjective and complex judgments, and as such could be the most subject to revision as new information becomes available. Descriptions of our significant accounting policies are included in Note 1 (Summary of Significant Accounting Policies) of the Company s 2008 Form 10-K.

(2) Recent Accounting Developments

In April 2009, the Financial Accounting Standards Board (FASB) issued FASB Staff Position No. 141R-1, Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies (FSP 141R-1). FSP 141R-1 amends and clarifies SFAS No. 141(R), Business Combinations (SFAS 141R), to address application issues raised by preparers, auditors, and members of the legal profession on initial recognition and measurement, subsequent measurement and accounting, and disclosure of assets and liabilities arising from contingencies in a business combination. FSP 141R-1 is effective for assets or liabilities arising from contingencies in business combinations for which the acquisition date is on or after the first annual reporting period beginning on or after December 15, 2008. The adoption of FSP 141R-1 did not have a material impact on the Company s financial statements.

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In April 2009, the FASB issued FSP No. FAS 107-1 and APB 28-1, Interim Disclosures about Fair Value of Financial Instruments (FSP FAS 107-1 and APB 28-1). FSP FAS 107-1 and APB 28-1 amends FASB Statement No. 107, ″Disclosures about Fair Value of Financial Instruments , to require disclosures about fair value of financial instruments for interim reporting periods of publicly traded companies as well as in annual financial statements. FSP FAS 107-1 and APB 28-1 is effective for interim reporting periods ending after June 15, 2009, with early adoption permitted. The Company did not early adopt this FSP. The adoption will expand the Company s disclosures regarding the use of fair value in interim periods. The Company is currently evaluating the potential impact the new pronouncement will have on its financial statements.

In April 2009, the FASB issued FSP No. FAS 115-2 and FAS 124-2, Recognition and Presentation of Other-Than-Temporary Impairments (FSP FAS 115-2 and FAS 124-2). FSP FAS 115-2 and FAS 124-2 amends the other-than-temporary impairment (OTTI) guidance in GAAP for debt securities and the presentation and disclosure requirements of OTTI on debt and equity securities in the financial statements. This FSP does not amend existing recognition and measurement guidance related to OTTI of equity securities. FSP FAS 115-2 and FAS 124-2 requires separate display of losses related to credit deterioration and losses related to other market factors. When an entity does not intend to sell the security and it is more likely than not that an entity will not have to sell the security before recovery of its cost basis, it must recognize the credit component of OTTI in earnings and the remaining portion in other comprehensive income. FSP FAS 115-2 and FAS 124-2 is effective for interim reporting periods ending after June 15, 2009, with early adop