

WINTRUST FINANCIAL CORP

Form 10-Q

August 09, 2006

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q
x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2006
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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. 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 ☐

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, 25,625,931 shares, as of August 4, 2006

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PART I
ITEM 1. FINANCIAL STATEMENTS

WINTRUST FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CONDITION

(In thousands)	(Unaudited) June 30, 2006	December 31, 2005	(Unaudited) June 30, 2005
Assets			
Cash and due from banks	\$ 164,396	\$ 158,136	\$ 212,419
Federal funds sold and securities purchased under resale agreements	106,588	183,229	355,382
Interest bearing deposits with banks	11,850	12,240	5,034
Available-for-sale securities, at fair value	1,952,433	1,799,384	924,616
Trading account securities	1,349	1,610	2,815
Brokerage customer receivables	31,293	27,900	29,212
Mortgage loans held-for-sale	112,955	85,985	142,798
Loans, net of unearned income	6,055,140	5,213,871	5,023,087
Less: Allowance for loan losses	44,596	40,283	39,722
Net loans	6,010,544	5,173,588	4,983,365
Premises and equipment, net	280,892	247,875	228,550
Accrued interest receivable and other assets	207,499	272,772	669,599
Goodwill	270,774	196,716	195,827
Other intangible assets, net	22,211	17,607	19,376
Total assets	\$9,172,784	\$8,177,042	\$7,768,993
Liabilities and Shareholders' Equity			
Deposits:			
Non-interest bearing	\$ 686,869	\$ 620,091	\$ 638,843
Interest bearing	6,875,752	6,109,343	5,660,207
Total deposits	7,562,621	6,729,434	6,299,050
Notes payable	30,000	1,000	4,000
Federal Home Loan Bank advances	379,649	349,317	351,888
Other borrowings	80,097	95,796	152,401
Subordinated notes	83,000	50,000	50,000
Long-term debt — trust preferred securities	230,375	230,458	209,921
Accrued interest payable and other liabilities	85,239	93,126	104,680
Total liabilities	8,450,981	7,549,131	7,171,940
Shareholders' equity:			
Preferred stock			

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Common stock	25,619	23,941	23,568
Surplus	507,928	420,426	411,115
Common stock warrants	697	744	780
Retained earnings	235,453	201,133	165,602
Accumulated other comprehensive loss	(47,894)	(18,333)	(4,012)
Total shareholders' equity	721,803	627,911	597,053
Total liabilities and shareholders' equity	\$9,172,784	\$8,177,042	\$7,768,993

See accompanying notes to unaudited consolidated financial statements.

Table of Contents***WINTRUST FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)***

(In thousands, except per share data)	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
Interest income				
Interest and fees on loans	\$109,420	\$80,890	\$206,071	\$153,169
Interest bearing deposits with banks	141	44	265	72
Federal funds sold and securities purchased under resale agreements	434	351	1,954	501
Securities	24,561	16,921	46,092	31,350
Trading account securities	17	24	23	46
Brokerage customer receivables	543	447	1,008	861
Total interest income	135,116	98,677	255,413	185,999
Interest expense				
Interest on deposits	62,069	36,288	116,351	65,259
Interest on Federal Home Loan Bank advances	3,714	3,048	6,994	5,617
Interest on notes payable and other borrowings	2,687	905	3,341	2,684
Interest on subordinated notes	1,056	745	1,857	1,424
Interest on long-term debt trust preferred securities	4,348	3,809	8,464	7,219
Total interest expense	73,874	44,795	137,007	82,203
Net interest income	61,242	53,882	118,406	103,796
Provision for credit losses	1,743	1,294	3,279	2,525
Net interest income after provision for credit losses	59,499	52,588	115,127	101,271
Non-interest income				
Wealth management	7,531	7,817	17,668	15,761
Mortgage banking	5,860	5,555	10,970	12,083
Service charges on deposit accounts	1,746	1,594	3,444	2,933
Gain on sales of premium finance receivables	1,451	1,726	2,446	3,382
Administrative services	1,204	1,124	2,358	2,138
Gains (losses) on available-for-sale securities, net	(95)	978	(15)	978
Other	6,596	(2,253)	16,147	3,646
Total non-interest income	24,293	16,541	53,018	40,921
Non-interest expense				
Salaries and employee benefits	33,351	29,181	66,829	58,644
Equipment	3,293	2,977	6,467	5,726
Occupancy, net	4,845	3,862	9,513	7,701
Data processing	2,025	1,743	3,884	3,458

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Advertising and marketing	1,249	1,216	2,369	2,210
Professional fees	1,682	1,505	3,118	2,974
Amortization of other intangible assets	823	869	1,566	1,625
Other	8,639	7,663	16,621	14,982
Total non-interest expense	55,907	49,016	110,367	97,320
Income before income taxes	27,885	20,113	57,778	44,872
Income tax expense	10,274	7,134	21,154	16,220
Net income	\$ 17,611	\$12,979	\$ 36,624	\$ 28,652
Net income per common share Basic	\$ 0.71	\$ 0.55	\$ 1.50	\$ 1.26
Net income per common share Diluted	\$ 0.69	\$ 0.53	\$ 1.45	\$ 1.20
Cash dividends declared per common share	\$	\$	\$ 0.14	\$ 0.12
Weighted average common shares outstanding	24,729	23,504	24,395	22,672
Dilutive potential common shares	894	1,125	917	1,166
Average common shares and dilutive common shares	25,623	24,629	25,312	23,838

See accompanying notes to unaudited consolidated financial statements.

Table of Contents**WINTRUST FINANCIAL CORPORATION AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)**

	Compre- hensive Income	Common Stock	Surplus	Common Stock Warrants	Retained Earnings	Accumulated Other Compre - hensive Income (Loss)	Total Shareholders Equity
(In thousands)							
Balance at December 31, 2004		\$21,729	\$319,147	\$ 828	\$139,566	\$ (7,358)	\$ 473,912
Comprehensive income:							
Net income	\$ 28,652				28,652		28,652
Other comprehensive income, net of tax:							
Unrealized gains on securities, net of reclassification adjustment	3,240					3,240	3,240
Unrealized gains on derivative instruments	106					106	106
Comprehensive income	\$ 31,998						
Cash dividends declared					(2,616)		(2,616)
Common stock issued for:							
New issuance, net of costs		1,000	54,872				55,872
Business combinations		598	29,834				30,432
Exercise of common stock warrants		3	136	(48)			91
Director compensation plan		8	310				318
Employee stock purchase plan and exercises of stock options		211	5,984				6,195
Restricted stock awards		19	832				851
Balance at June 30, 2005		\$23,568	\$411,115	\$ 780	\$165,602	\$ (4,012)	\$ 597,053
Balance at December 31, 2005		\$23,941	\$420,426	\$ 744	\$201,133	\$ (18,333)	\$ 627,911

Comprehensive income:

Net income	\$ 36,624			36,624		36,624
Other comprehensive income, net of tax:						
Unrealized losses on securities, net of reclassification adjustment	(29,561)			(29,561)		(29,561)
Comprehensive income	\$ 7,063					
Cash dividends declared				(3,373)		(3,373)
Cumulative effect of change in accounting for servicing rights				1,069		1,069
Stock-based compensation		11,084				11,084
Common stock issued for:						
New issuance, net of costs	200	11,384				11,584
Business combinations	1,123	55,965				57,088
Exercise of common stock warrants	13	431	(47)			397
Director compensation plan	13	569				582
Employee stock purchase plan and exercises of stock options	260	8,138				8,398
Restricted stock awards	69	(69)				
Balance at June 30, 2006	\$25,619	\$507,928	\$ 697	\$235,453	\$ (47,894)	\$ 721,803

Six Months Ended June 30,
2006 **2005**

Disclosure of reclassification amount and income tax impact:

Unrealized holding gains (losses) on available-for-sale securities arising during the period, net	\$ (47,899)	\$6,250
Unrealized holding gains on derivative instruments arising during the period, net		172
Less: Reclassification adjustment for gains (losses) included in net income, net	(15)	978
Less: Income tax expense (benefit)	(18,323)	2,098
Net unrealized gains (losses) on available-for-sale securities and derivative instruments	\$ (29,561)	\$3,346

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,	
	2006	2005
Operating Activities:		
Net income	\$ 36,624	\$ 28,652
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	3,279	2,525
Depreciation and amortization	7,904	6,685
Share-based compensation expense	5,944	1,335
Tax benefit from stock-based compensation arrangements	3,278	2,572
Excess tax benefits from stock-based compensation arrangements	(2,780)	
Net amortization of premium on securities	143	2,856
Fair market value change of interest rate swaps	(7,591)	5,719
Originations and purchases of mortgage loans held-for-sale	(912,080)	(1,057,767)
Proceeds from sales of mortgage loans held-for-sale	890,819	1,026,272
Gain on sales of premium finance receivables	(2,446)	(3,382)
Decrease in trading securities, net	261	784
Net (increase) decrease in brokerage customer receivables	(3,393)	2,635
Gain on mortgage loans sold	(5,709)	(6,374)
(Gains) losses on available-for-sale securities, net	15	(978)
(Gain) loss on sales of premises and equipment, net	(27)	42
Decrease in accrued interest receivable and other assets, net	106,928	3,450
(Decrease) increase in accrued interest payable and other liabilities, net	(4,673)	18,283
Net Cash Provided by Operating Activities	116,496	33,309
Investing Activities:		
Proceeds from maturities of available-for-sale securities	423,454	63,004
Proceeds from sales of available-for-sale securities	86,480	485,719
Purchases of available-for-sale securities	(633,344)	(448,922)
Proceeds from sales of premium finance receivables	202,882	284,415
Net cash paid for acquisitions	(51,282)	(78,644)
Net decrease in interest-bearing deposits with banks	590	15
Net increase in loans	(669,006)	(536,558)
Purchases of premises and equipment, net	(26,922)	(21,451)
Net Cash Used for Investing Activities	(667,148)	(252,422)
Financing Activities:		
Increase in deposit accounts	410,263	607,645
Decrease in other borrowings, net	(18,499)	(77,150)
Increase (decrease) in notes payable, net	29,000	(2,000)

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Increase in Federal Home Loan Bank advances, net	18,000	25,300
Proceeds from issuance of subordinated note	25,000	
Excess tax benefits from stock based compensation arrangements	2,780	
Issuance of common stock, net of issuance costs	11,584	55,872
Issuance of common shares resulting from exercise of stock options, employee stock purchase plan and conversion of common stock warrants	5,516	3,837