

WINTRUST FINANCIAL CORP  
Form 10-Q  
August 08, 2013  
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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FORM 10-Q

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

For the quarterly period ended June 30, 2013

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

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WINTRUST FINANCIAL CORPORATION  
(Exact name of registrant as specified in its charter)  
Illinois  
(State of incorporation or organization)  
9700 W. Higgins Road, Suite 800  
Rosemont, Illinois 60018  
(Address of principal executive offices)

36-3873352  
(I.R.S. Employer Identification No.)

(847) 939-9000  
(Registrant's telephone number, including area code)

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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  (Do not check if a smaller reporting company) 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, 39,725,726 shares, as of July 31, 2013



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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) June 30, 2013	December 31, 2012	(Unaudited) June 30, 2012
Assets			
Cash and due from banks	\$224,286	\$284,731	\$176,529
Federal funds sold and securities purchased under resale agreements	9,013	30,297	15,227
Interest-bearing deposits with other banks (no balance restricted for securitization investors at June 30, 2013 and December 31, 2012, and a balance restricted for securitization investors of \$658,983 at June 30, 2012)	440,656	1,035,743	1,117,888
Available-for-sale securities, at fair value	1,843,824	1,796,076	1,196,702
Trading account securities	659	583	608
Federal Home Loan Bank and Federal Reserve Bank stock	79,354	79,564	92,792
Brokerage customer receivables	26,214	24,864	31,448
Mortgage loans held-for-sale, at fair value	525,027	385,033	511,566
Mortgage loans held-for-sale, at lower of cost or market	12,964	27,167	14,538
Loans, net of unearned income, excluding covered loans	12,516,892	11,828,943	11,202,842
Covered loans	454,602	560,087	614,062
Total loans	12,971,494	12,389,030	11,816,904
Less: Allowance for loan losses	106,842	107,351	111,920
Less: Allowance for covered loan losses	14,429	13,454	20,560
Net loans (no balance restricted for securitization investors at June 30, 2013 and December 31, 2012, and a balance restricted for securitization investors of \$29,840 at June 30, 2012)	12,850,223	12,268,225	11,684,424
Premises and equipment, net	512,928	501,205	449,608
FDIC indemnification asset	137,681	208,160	222,568
Accrued interest receivable and other assets	573,709	511,617	710,275
Goodwill	356,871	345,401	330,896
Other intangible assets	20,137	20,947	21,213
Total assets	\$17,613,546	\$17,519,613	\$16,576,282
Liabilities and Shareholders' Equity			
Deposits:			
Non-interest bearing	\$2,450,659	\$2,396,264	\$2,047,715
Interest bearing	11,915,195	12,032,280	11,009,866
Total deposits	14,365,854	14,428,544	13,057,581
Notes payable	1,729	2,093	2,457
Federal Home Loan Bank advances	585,942	414,122	564,301
Other borrowings	252,776	274,411	375,523
Secured borrowings—owed to securitization investors	—	—	360,825
Subordinated notes	10,000	15,000	15,000
Junior subordinated debentures	249,493	249,493	249,493
Trade date securities payable	577	—	19,025
Accrued interest payable and other liabilities	310,515	331,245	210,003
Total liabilities	15,776,886	15,714,908	14,854,208
Shareholders' Equity:			

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Preferred stock, no par value; 20,000,000 shares authorized:			
Series A - \$1,000 liquidation value; 50,000 shares issued and outstanding at June 30, 2013, December 31, 2012 and June 30, 2012	49,976	49,906	49,837
Series C - \$1,000 liquidation value; 126,500 shares issued and outstanding at June 30, 2013, December 31, 2012 and June 30, 2012	126,500	126,500	126,500
Common stock, no par value; \$1.00 stated value; 100,000,000 shares authorized at June 30, 2013, December 31, 2012, and June 30, 2012; 37,984,485 shares issued at June 30, 2013, 37,107,684 shares issued at December 31, 2012, and 36,573,468 shares issued at June 30, 2012	37,985	37,108	36,573
Surplus	1,066,796	1,036,295	1,013,428
Treasury stock, at cost, 259,342 shares at June 30, 2013, 249,329 shares at December 31, 2012, and 236,226 shares at June 30, 2012	(8,214	) (7,838	) (7,374
Retained earnings	612,821	555,023	501,139
Accumulated other comprehensive (loss) income	(49,204	) 7,711	1,971
Total shareholders' equity	1,836,660	1,804,705	1,722,074
Total liabilities and shareholders' equity	\$17,613,546	\$17,519,613	\$16,576,282
See accompanying notes to unaudited consolidated financial statements.			

Table of ContentsWINTRUST FINANCIAL CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

(In thousands, except per share data)	Three Months Ended		Six Months Ended	
	June 30, 2013	2012	June 30, 2013	2012
Interest income				
Interest and fees on loans	\$145,983	\$144,100	\$288,097	\$287,655
Interest bearing deposits with banks	411	203	980	451
Federal funds sold and securities purchased under resale agreements	4	6	19	18
Securities	9,359	10,510	18,111	22,357
Trading account securities	8	10	13	19
Federal Home Loan Bank and Federal Reserve Bank stock	693	641	1,377	1,245
Brokerage customer receivables	188	221	362	432
Total interest income	156,646	155,691	308,959	312,177
Interest expense				
Interest on deposits	13,675	17,273	28,179	35,303
Interest on Federal Home Loan Bank advances	2,821	2,867	5,585	6,451
Interest on notes payable and other borrowings	1,132	2,274	2,286	5,376
Interest on secured borrowings—owed to securitization investors	—	1,743	—	4,292
Interest on subordinated notes	52	126	111	295
Interest on junior subordinated debentures	3,142	3,138	6,261	6,295
Total interest expense	20,822	27,421	42,422	58,012
Net interest income	135,824	128,270	266,537	254,165
Provision for credit losses	15,382	20,691	31,069	38,091
Net interest income after provision for credit losses	120,442	107,579	235,468	216,074
Non-interest income				
Wealth management	15,892	13,393	30,720	25,794
Mortgage banking	31,734	25,607	61,879	44,141
Service charges on deposit accounts	5,035	3,994	9,828	8,202
Gains on available-for-sale securities, net	2	1,109	253	1,925
Fees from covered call options	993	3,114	2,632	6,237
Gain on bargain purchases, net	—	(55	) —	785
Trading gains (losses), net	3,260	(928	) 2,825	(782
Other	7,079	4,701	13,237	11,656
Total non-interest income	63,995	50,935	121,374	97,958
Non-interest expense				
Salaries and employee benefits	79,225	68,139	156,738	137,169
Equipment	6,413	5,466	12,597	10,866
Occupancy, net	8,707	7,728	17,560	15,790
Data processing	4,358	3,840	8,957	7,458
Advertising and marketing	2,722	2,179	4,762	4,185
Professional fees	4,191	3,847	7,412	7,451
Amortization of other intangible assets	1,164	1,089	2,284	2,138
FDIC insurance	3,003	3,477	6,447	6,834
OREO expense, net	2,284	5,848	664	13,026
Other	16,120	15,572	30,885	30,027

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Total non-interest expense	128,187	117,185	248,306	234,944
Income before taxes	56,250	41,329	108,536	79,088
Income tax expense	21,943	15,734	42,177	30,283
Net income	\$34,307	\$25,595	\$66,359	\$48,805
Preferred stock dividends and discount accretion	\$2,617	\$2,644	\$5,233	\$3,890
Net income applicable to common shares	\$31,690	\$22,951	\$61,126	\$44,915
Net income per common share—Basic	\$0.85	\$0.63	\$1.64	\$1.24
Net income per common share—Diluted	\$0.69	\$0.52	\$1.34	\$1.02
Cash dividends declared per common share	\$—	\$—	\$0.09	\$0.09
Weighted average common shares outstanding	37,486	36,329	37,231	36,266
Dilutive potential common shares	12,354	7,770	12,363	7,723
Average common shares and dilutive common shares	49,840	44,099	49,594	43,989

See accompanying notes to unaudited consolidated financial statements.

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

(In thousands)	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2013	2012	2013	2012
Net income	\$34,307	\$25,595	\$66,359	\$48,805
Unrealized (losses) gains on securities				
Before tax	(71,463 )	7,959	(78,918 )	4,740
Tax effect	28,341	(3,160 )	31,147	(1,884 )
Net of tax	(43,122 )	4,799	(47,771 )	2,856
Less: Reclassification of net gains included in net income				
Before tax	2	1,109	253	1,925
Tax effect	(1 )	(445 )	(101 )	(772 )
Net of tax	1	664	152	1,153
Net unrealized (losses) gains on securities	(43,123 )	4,135	(47,923 )	1,703
Unrealized gains on derivative instruments				
Before tax	2,169	936	3,643	1,732
Tax effect	(865 )	(371 )	(1,451 )	(687 )
Net unrealized gains on derivative instruments	1,304	565	2,192	1,045
Foreign currency translation adjustment				
Before tax	(8,241 )	2,701	(14,545 )	2,701
Tax effect	1,923	(600 )	3,361	(600 )
Net foreign currency translation adjustment	(6,318 )	2,101	(11,184 )	2,101
Total other comprehensive (loss) income	(48,137 )	6,801	(56,915 )	4,849
Comprehensive (loss) income	\$(13,830 )	\$32,396	\$9,444	\$53,654

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)

(In thousands)	Preferred stock	Common stock	Surplus	Treasury stock	Retained earnings	Accumulated other comprehensive income (loss)	Total shareholders' equity
Balance at December 31, 2011	\$49,768	\$35,982	\$1,001,316	\$(112 )	\$459,457	\$ (2,878 )	\$1,543,533
Net income	—	—	—	—	48,805	—	48,805
Other comprehensive income, net of tax	—	—	—	—	—	4,849	4,849
Cash dividends declared on common stock	—	—	—	—	(3,261 )	—	(3,261 )
Dividends on preferred stock	—	—	—	—	(3,793 )	—	(3,793 )
Accretion on preferred stock	69	—	—	—	(69 )	—	—
Stock-based compensation	—	—	4,639	—	—	—	4,639
Issuance of Series C preferred stock	126,500	—	(3,810 )	—	—	—	122,690
Common stock issued for:							
Exercise of stock options and warrants	—	420	7,676	(6,391 )	—	—	1,705
Restricted stock awards	—	110	1,692	(871 )	—	—	931
Employee stock purchase plan	—	39	1,223	—	—	—	1,262
Director compensation plan	—	22	692	—	—	—	714
Balance at June 30, 2012	\$176,337	\$36,573	\$1,013,428	\$(7,374)	\$501,139	\$ 1,971	\$1,722,074
Balance at December 31, 2012	\$176,406	\$37,108	\$1,036,295	\$(7,838)	\$555,023	\$ 7,711	\$1,804,705
Net income	—	—	—	—	66,359	—	66,359
Other comprehensive loss, net of tax	—	—	—	—	—	(56,915 )	(56,915 )
Cash dividends declared on common stock	—	—	—	—	(3,328 )	—	(3,328 )
Dividends on preferred stock	—	—	—	—	(5,163 )	—	(5,163 )
Accretion on preferred stock	70	—	—	—	(70 )	—	—
Stock-based compensation	—	—	4,628	—	—	—	4,628
Common stock issued for:							
Acquisitions	—	648	22,422	—	—	—	23,070
Exercise of stock options and warrants	—	46	1,301	(214 )	—	—	1,133
Restricted stock awards	—	121	140	(162 )	—	—	99
Employee stock purchase plan	—	31	1,287	—	—	—	1,318
Director compensation plan	—	31	723	—	—	—	754
Balance at June 30, 2013	\$176,476	\$37,985	\$1,066,796	\$(8,214)	\$612,821	\$ (49,204 )	\$1,836,660

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, 2013	2012
Operating Activities:		
Net income	\$66,359	\$48,805
Adjustments to reconcile net income to net cash provided by (used for) operating activities		
Provision for credit losses	31,069	38,091
Depreciation and amortization	13,874	11,442
Stock-based compensation expense	4,628	4,639
Tax benefit from stock-based compensation arrangements	223	1,228
Excess tax benefits from stock-based compensation arrangements	(326)	(800)
Net amortization of premium on securities	155	4,830
Mortgage servicing rights fair value change and amortization, net	(1,456)	(1,920)
Originations and purchases of mortgage loans held-for-sale	(2,025,231)	(1,568,240)
Proceeds from sales of mortgage loans held-for-sale	1,954,766	1,392,580
Bank owned life insurance income, net of claims	(1,748)	(1,424)
(Increase) decrease in trading securities, net	(76)	1,882
Net increase in brokerage customer receivables	(1,350)	(3,523)
Gains on mortgage loans sold	(55,326)	(29,920)
Gains on available-for-sale securities, net	(253)	(1,925)
Gain on bargain purchases, net	—	(785)
Loss on sales of premises and equipment, net	—	471
Net (gain) loss on sales and fair value adjustments of other real estate owned	(1,926)	10,302
Decrease (increase) in accrued interest receivable and other assets, net	35,279	(245,123)
(Decrease) increase in accrued interest payable and other liabilities, net	(12,930)	10,600
Net Cash Provided by (Used for) Operating Activities	5,731	(328,790)
Investing Activities:		
Proceeds from maturities of available-for-sale securities	120,803	410,640
Proceeds from sales of available-for-sale securities	84,459	1,364,546
Purchases of available-for-sale securities	(205,372)	(1,036,877)
Net cash paid for acquisitions	(9,350)	