

CENTRUE FINANCIAL CORP
Form 10-Q
May 11, 2009

**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 March 31, 2009
Commission File Number: 0-28846

Centrue Financial Corporation

(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

36-3145350
(I.R.S. Employer Identification
Number)

7700 Bonhomme Avenue, St. Louis, Missouri 63105
(Address of principal executive offices including zip code)

(314) 505-5500
(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 for 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 x 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 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.

Large accelerated filer Accelerated filer
Non-accelerated filer 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 x.

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Shares outstanding at May 08, 2009
Common Stock, Par Value \$1.00	6,025,491

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CENTRUE FINANCIAL CORPORATION
PART I FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED BALANCE SHEETS
March 31, 2009 and December 31, 2008 (In Thousands, Except Share and Per Share Data)

	March 31, 2009	December 31, 2008
ASSETS		
Cash and cash equivalents	\$ 43,081	\$ 35,014
Securities available-for-sale	222,272	241,851
Restricted securities	10,711	10,711
Loans	985,464	1,004,390
Allowance for loan losses	(16,010)	(15,018)
Net loans	969,454	989,372
Cash value of life insurance	28,173	27,917
Mortgage servicing rights	2,902	2,890
Premises and equipment, net	31,615	32,376
Goodwill	24,331	24,494
Intangible assets, net	8,675	9,088
Other real estate	12,772	12,723
Other assets	16,377	15,445
Total assets	\$ 1,370,363	\$ 1,401,881
LIABILITIES AND STOCKHOLDERS EQUITY		
Liabilities		
Deposits		
Non-interest-bearing	\$ 113,703	\$ 118,745
Interest-bearing	954,750	930,475
Total deposits	1,068,453	1,049,220
Federal funds purchased and securities sold under agreements to repurchase	22,695	46,306
Federal Home Loan Bank advances	90,277	140,285
Notes payable	10,961	19,826
Series B mandatory redeemable preferred stock	268	268
Subordinated debentures	20,620	20,620
Other liabilities	10,442	9,448
Total liabilities	1,223,716	1,285,973
Commitments and contingent liabilities		
Stockholders equity		
Series A convertible preferred stock (aggregate liquidation preference of \$2,762)	500	500
Series C fixed rate, cumulative perpetual preferred stock (aggregate liquidation preference of \$32,668)	29,571	
Common stock, \$1 par value, 15,000,000 shares authorized; 7,453,555 shares issued at March 31, 2009 and December 31, 2008	7,454	7,454
Surplus	74,658	71,488
Retained earnings	62,704	62,476
Accumulated other comprehensive income (loss)	(5,820)	(3,590)

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	169,067	138,328
Treasury stock, at cost 1,425,064 shares at March 31, 2009 and December 31, 2008	(22,420)	(22,420)
Total stockholders equity	146,647	115,908
Total liabilities and stockholders equity	\$ 1,370,363	\$ 1,401,881

See Accompanying Notes to Unaudited Financial Statements

1.

CENTRUE FINANCIAL CORPORATION
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
Three Months Ended March 31, 2009 and 2008
(In Thousands, Except Per Share Data)

	Three Months Ended March 31,	
	2009	2008
Interest income		
Loans	\$ 14,189	\$ 17,295
Securities		
Taxable	2,505	2,474
Exempt from federal income taxes	317	358
Federal funds sold and other	11	55
Total interest income	17,022	20,182
Interest expense		
Deposits	5,606	8,340
Federal funds purchased and securities sold under agreements to repurchase	39	333
Advances from the Federal Home Loan Bank	543	1,172
Series B Mandatory Redeemable	4	12
Subordinated debentures	290	384
Notes payable	162	238
Total interest expense	6,644	10,479
Net interest income	10,378	9,703
Provision for loan losses	2,235	766
Net interest income after Provision for loan losses	8,143	8,937
Noninterest income		
Service charges	1,457	1,636
Mortgage banking income	698	446
Bank owned life insurance	256	252
Securities gains	14	848
Total other-than-temporary impairment losses	(2,611)	
Portion of loss recognized in other comprehensive income (before taxes)	1,403	
Net impairment loss recognized in earnings	(1,208)	
Gain on sale of OREO	7	96
Gain on sale of other assets	93	482
Other income	726	1,178
	2,043	4,938
Noninterest expenses		
Salaries and employee benefits	4,126	4,829
Occupancy, net	865	1,038
Furniture and equipment	560	782
Marketing	183	236
Supplies and printing	119	131
Telephone	193	241

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Data Processing	370	303
Amortization of intangible assets	413	909
Other expenses	2,048	1,847
	8,877	10,316
See Accompanying Notes to Unaudited Financial Statements		

2.

CENTRUE FINANCIAL CORPORATION
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
Three Months Ended March 31, 2009 and 2008
(In Thousands, Except Per Share Data)

	Three Months Ended March 31,	
	2009	2008
Income before income taxes	1,309	3,559
Income taxes	244	1,114
Net income	\$ 1,065	\$ 2,445
Preferred stock dividends	415	52
Net income for common stockholders	\$ 650	\$ 2,393
Basic earnings per common share	\$ 0.11	\$ 0.40
Diluted earnings per common share	\$ 0.11	\$ 0.39
Total comprehensive income:		
Net income	\$ 1,065	\$ 2,445
Change in unrealized gains (losses) on available for sale securities for which a portion of an other-than-temporary impairment has been recognized in earnings, net of reclassifications and tax effect	(1,815)	
Change in unrealized gains (losses) on other securities available for sale, net of reclassifications and tax effect	(3,020)	(703)
Reclassification adjustment:		
Net impairment loss recognized in earnings	1,208	
(Gains) recognized in earnings	(14)	(848)
Net unrealized gains	(3,641)	(1,551)
Tax expense	(1,411)	(601)
Other comprehensive income (loss)	(2,230)	(950)
Total comprehensive income (loss)	\$ (1,165)	\$ 1,495

See Accompanying Notes to Unaudited Financial Statements

CENTRUE FINANCIAL CORPORATION
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
Three Months Ended March 31, 2009 and 2008 (In Thousands)

	Three Months Ended March 31,	
	2009	2008
Cash flows from operating activities		
Net Income	\$ 1,065	\$ 2,445
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	593	875
Amortization of intangible assets	413	909
Amortization of mortgage servicing rights, net	263	143
Amortization of bond premiums, net	141	55
Share based compensation	73	29
Provision for loan losses	2,235	766
Provision for deferred income taxes	1,127	
Earnings on bank-owned life insurance	(256)	(252)
Other than temporary impairment, securities	1,208	
Securities losses (gains), net	(14)	(848)
(Gain) loss on sale of OREO	(7)	(76)
(Gain) loss on sale of other assets	(93)	
(Gain) loss on sale of loans	(747)	(358)
(Gain) on sale of branches		(482)
Loss related to sale of Wealth Management	163	
Proceeds from sales of loans held for sale	41,130	34,812
Origination of loans held for sale	(40,108)	(38,733)
Change in assets and liabilities (Increase) decrease in other assets	(2,442)	197
Increase (decrease) in other liabilities	2,358	(652)
Net cash provided by operating activities	7,102	(1,170)
Cash flows from investing activities		
Securities available-for-sale		
Proceeds from maturities and paydowns	17,199	92,046
Purchases	(2,529)	(61,300)
Net decrease (increase) in loans	17,280	(69,983)
(Purchase) disposal of premises and equipment	168	(318)
Proceeds from sale of OREO	67	2,287
Sale of Branches, net of premium received		(7,746)
Net cash provided by (used in) investing activities	32,185	(45,014)
Cash flows from financing activities		
Net increase (decrease) in deposits	19,233	38,713
Net increase (decrease) in federal funds purchased and securities sold under agreements to repurchase	(23,611)	4,229
Repayment of advances from the Federal Home Loan Bank	(212,008)	(145,207)
Proceeds from advances from the Federal Home Loan Bank	162,000	139,000
Payments on notes payable	(8,865)	(21)
Proceeds from notes payable		10,250
Dividends on common stock	(422)	(789)
Dividends on preferred stock	(215)	(52)
Proceeds from exercise of stock options		214

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Net proceeds from preferred stock issued	32,668	
Purchase of treasury stock		(1,175)
Net cash provided by (used in) financing activities	(31,220)	45,162
Net increase (decrease) in cash and cash equivalents	8,067	(1,022)
Cash and cash equivalents		
Beginning of period	35,014	51,628
End of period	\$ 43,081	\$ 50,606
Supplemental disclosures of cash flow information		
Cash payments for Interest	\$ 6,284	\$ 11,246
Income taxes		
Transfers from loans to other real estate owned	128	492
See Accompanying Notes to Unaudited Financial Statements		

4.

Centrue Financial Corporation
Notes to Unaudited Consolidated Financial Statements
(In Thousands, Except Share and Per Share Data)

Note 1. Summary of Significant Accounting Policies

Centrue Financial Corporation (the Company) is a bank holding company organized under the laws of the State of Delaware. The Company provides a full range of banking services to individual and corporate customers located in markets extending from the far western and southern suburbs of the Chicago metropolitan area across Central Illinois down to the metropolitan St. Louis area. These services include demand, time, and savings deposits; business and consumer lending; and mortgage banking. Brokerage, asset management, and trust services are provided to our customers on a referral basis to third party providers. The Company is subject to competition from other financial institutions and nonfinancial institutions providing financial services. Additionally, the Company and its subsidiary, Centrue Bank (the Bank), are subject to regulations of certain regulatory agencies and undergo periodic examinations by those regulatory agencies.

Basis of presentation

The consolidated financial statements include the accounts of the Company and Centrue Bank. Intercompany balances and transactions have been eliminated in consolidation. Certain 2008 amounts have been reclassified to conform to the 2009 presentation. Assets held in an agency or fiduciary capacity are not assets of the Company and, accordingly, are not included in the accompanying consolidated financial statements.

The accompanying unaudited interim consolidated financial statements of Centrue Financial Corporation have been prepared in accordance with U.S. generally accepted accounting principles and with the rules and regulations of the Securities and Exchange Commission for interim financial reporting. Accordingly, they do not include all of the information and footnotes required for complete financial statements. In the opinion of management, all normal and recurring adjustments which are necessary to fairly present the results for the interim periods presented have been included. The preparation of financial statements requires management to make estimates and assumptions that affect the recorded amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. The allowance for loan losses, carrying value of goodwill, value of mortgage servicing rights, deferred taxes, and fair values of financial instruments are particularly subject to change. Actual results could differ from those estimates.

For further information with respect to significant accounting policies followed by the Company in the preparation of its consolidated financial statements, refer to the Company's Annual Report on Form 10-K for the year ended December 31, 2008. The annualized results of operations during the three months ended March 31, 2009 are not necessarily indicative of the results expected for the year ending December 31, 2009. All financial information is in thousands (000s), except shares and per share data.

Note 2. Earnings Per Share

Basic earnings per share for the three months ended March 31, 2009 and 2008 were computed by dividing net income by the weighted average number of shares outstanding. Diluted earnings per share for the three months ended March 31, 2009 and 2008 were computed by dividing net income by the weighted average number of shares outstanding, adjusted for the dilutive effect of the stock options and warrants. Computations for basic and diluted earnings per share are provided as follows:

Centrue Financial Corporation
Notes to Unaudited Consolidated Financial Statements
(In Thousands, Except Share and Per Share Data)

Note 2. Earnings Per Share (continued)

	Three Months Ended March 31,	
	2009	2008
Basic Earnings Per Common Share		
Net income for common shareholders	\$ 650	\$ 2,393
Weighted average common shares outstanding	6,028	6,052
Basic earnings per common share	\$ 0.11	\$ 0.40
Diluted Earnings Per Common Share		
Weighted average common shares outstanding	6,028	6,052
Add: dilutive effect of assumed exercised stock options		37
Add: dilutive effect of assumed exercised common stock warrants		
Weighted average common and dilutive potential shares outstanding	6,028	6,089
Diluted earnings per common share	\$ 0.11	\$ 0.39

There were approximately 711,369 and 340,800 options and 508,320 and 0 warrants outstanding for the three months ended March 31, 2009 and 2008, respectively that were not included in the computation of diluted earnings per share. These options and warrants were anti-dilutive since the exercise prices were greater than the average market price of the common stock.

Note 3. Securities

The primary strategic objective related to the Company's \$232,983 investment securities portfolio is to assist with liquidity and interest rate risk management. Of the Company's securities, \$222,272 are classified as available-for-sale and are carried at fair value. The Company does not have any securities classified as trading or held-to-maturity.

The fair value of available-for-sale securities and the related, gross unrealized gains and losses recognized in accumulated other comprehensive income at March 31, 2009 and December 31, 2008, respectively:

	March 31, 2009			
	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses	Amortized Cost
U.S. government agencies	\$ 10,598	\$ 320	\$	\$ 10,278
States and political subdivisions	37,803	1,137	(60)	36,726
U.S. government agency residential mortgage-back securities	139,534	2,156	(185)	137,563
Collateralized residential mortgage obligations	18,801	117	(1,167)	19,851

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Equity securities	1,765	(70)	1,835
Collateralized debt obligations	12,371	(11,652)	24,023
Corporate	1,400	(96)	1,496
	\$ 222,272	\$ 3,730	\$ (13,230) \$ 231,772

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Centrue Financial Corporation
Notes to Unaudited Consolidated Financial Statements
(In Thousands, Except Share and Per Share Data)

Note 3. Securities (continued)

	December 31, 2008			
	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses	Amortized Cost
U.S. government agencies	\$ 16,995	\$ 482	\$	\$ 16,513
States and political subdivisions	38,202	530	(194)	37,866
U.S. government agency residential mortgage-back securities	143,378	1,148	(887)	143,117
Collateralized residential mortgage obligations	20,004	53	(1,453)	21,404
Equity securities	1,496		(75)	1,571
Collateralized debt obligations	19,848		(5,400)	25,248
Corporate	1,928	7	(70)	1,991
	\$ 241,851	\$ 2,220	\$ (8,079)	\$ 247,710

The amounts below include the activity for available-for-sale securities related to sales, maturities and calls:

	Three Months Ended March 31,	
	2009	2008
Proceeds from calls	\$ 8,551	\$ 83,897
Proceeds from sales		
Realized gains	14	848
Realized losses		
Net impairment loss recognized in earnings	(1,208)	

The tax benefit (provision) related to these net realized gains and losses were \$5 and \$329.

Securities with unrealized losses not recognized in income are as follows presented by length of time individual securities have been in a continuous unrealized loss position:

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
March 31, 2009						
Description of Securities						
U.S. government agencies	\$	\$	\$	\$	\$	\$
State and political subdivisions	2,644	(60)			2,644	(60)
U.S. government agency residential mortgage-backed securities	13,422	(100)	9,511	(85)	22,933	(185)
	521	(3)	13,441	(1,164)	13,962	(1,167)

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Collateralized residential mortgage obligations							
Equities			165	(70)	165	(70)	
Collateralized debt obligations			12,371	(11,652)	12,371	(11,652)	
Corporate	1,400	(96)			1,400	(96)	
Total temporarily impaired	\$ 17,987	\$ (259)	\$ 35,488	\$ (12,971)	\$ 53,475	\$ (13,230)	

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Centrue Financial Corporation
Notes to Unaudited Consolidated Financial Statements
(In Thousands, Except Share and Per Share Data)

Note 3. Securities (continued)

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
December 31, 2008						
Description of Securities						
U.S. government agencies	\$	\$	\$	\$	\$	\$
State and political subdivisions	7,284	(194)			7,284	(194)
U.S. government agency residential mortgage-backed securities	59,742	(796)	3,245	(91)	62,987	(887)
Collateralized residential mortgage obligations	16,385	(1,453)			16,385	(1,453)
Equities			1,496	(75)	1,496	(75)
Collateralized debt obligations	7,579	(2,524)	12,269	(2,876)	19,848	(5,400)
Corporate	1,423	(70)			1,423	(70)
Total temporarily impaired	\$ 92,413	\$ (5,037)	\$ 17,010	\$ (3,042)	\$ 109,423	\$ (8,079)

The fair values of securities classified as available-for-sale at March 31, 2009, by contractual maturity, are shown as follows. Securities not due at a single maturity date, including mortgage-backed securities, collateralized mortgage obligations, and equity securities are shown separately.

Fair Value

Due in one year or less	\$	3,409
Due after one year through five years		32,938
Due after five years through ten years		7,418
Due after ten years		17,007
U.S. government agency residential mortgage-backed securities		139,534
Collateralized residential mortgage obligations		18,801
Equity and corporate securities		3,165
	\$	222,272

See Note 9 on Fair Value for additional information about our analysis on the security portfolio related to the fair value and other-than-temporary impairment disclosures of these instruments.

Note 4. Loans

The following table describes the composition of loans by major categories outstanding as of March 31, 2009 and December 31, 2008, respectively:

March 31, 2009		December 31, 2008	
\$	%	\$	%

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Commercial	\$ 146,932	14.9%	\$ 152,807	15.2%
Agricultural	13,342	1.4	16,914	1.7
Real estate:				
Commercial mortgages	454,061	45.9	460,920	45.9
Construction	174,543	17.7	164,820	16.4
Agricultural	16,277	1.7	17,339	1.7
1-4 family mortgages	174,967	17.8	185,666	18.5
Installment	4,853	0.5	5,267	0.5
Other	489	0.1	657	0.1
Total loans	985,464	100.0%	1,004,390	100.0%
Allowance for loan losses	(16,010)		(15,018)	
Loans, net	\$ 969,454		\$ 989,372	

8.

Centrue Financial Corporation
Notes to Unaudited Consolidated Financial Statements
(In Thousands, Except Share and Per Share Data)

Note 4. Loans (continued)

The following table presents data on impaired loans:

	March 31, 2009	December 31, 2008
Impaired loans for which an allowance has been provided	\$ 38,711	\$ 36,754
Impaired loans for which no allowance has been provided	1,125	1,880
Total loans determined to be impaired	\$ 39,836	\$ 38,634
Allowance for loan loss for impaired loans included in the allowance for loan losses	\$ 9,190	\$ 8,357

In originating loans, the Company recognizes that credit losses will be experienced and the risk of loss will vary with, among other things, current economic conditions; the type of loan being made; the creditworthiness of the borrower over the term of the loan; and in the case of a collateralized loan, the quality of the collateral for such loan. The allowance for loan losses represents the Company's estimate of the allowance necessary to provide for probable incurred losses in the loan portfolio. In making this determination, the Company analyzes the ultimate collectability of the loans in its portfolio; incorporating feedback provided by internal loan staff; the independent loan review function; and information provided by regulatory agencies.

The Company has loans held for sale of \$1,868 and \$2,143 as of March 31, 2009 and December 31, 2008 respectively.

The Company conducts a quarterly evaluation as to the adequacy of the allowance for loan losses. Transactions in the allowance for loan losses for the three months ended March 31, 2009 and 2008 are summarized below:

	Three Months Ended March 31,	
	2009	2008
Beginning balance	\$ 15,018	\$ 10,755
Charge-offs	(1,309)	(398)
Recoveries	66	98
Provision for loan losses	2,235	766
Ending balance	\$ 16,010	\$ 11,221
Period end total loans	\$ 985,464	\$ 1,016,097
Average loans	\$ 1,000,409	\$ 999,042
Ratio of net charge-offs to average loans	0.12%	0.03%
Ratio of provision for loan losses to average loans	0.22	0.08
Ratio of allowance for loan losses to period end total loans	1.62	1.10

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Ratio of allowance for loan losses to total nonperforming loans	103.47	276.52
Ratio of allowance for loan losses to average loans	1.60	1.12

Note 5. Share Based Compensation

In 1999, the Company adopted the 1999 Option Plan. Under the 1999 Option Plan, nonqualified options may be granted to employees and eligible directors of the Company and its subsidiaries to purchase the Company's common stock at 100% of the fair market value on the date the option is granted. The Company has authorized 50,000 shares for issuance under the 1999 Option Plan. During 1999, 40,750 of these shares were granted and are 100% fully vested. The options have an exercise period of ten years from the date of grant. There are 9,250 shares available for grant under this plan.

Centrue Financial Corporation
Notes to Unaudited Consolidated Financial Statements
(In Thousands, Except Share and Per Share Data)

Note 5. Share Based Compensation (continued)

In April 2003, the Company adopted the 2003 Option Plan. Under the 2003 Option Plan, as amended on April 24, 2007, nonqualified options, incentive stock options, restricted stock and/or stock appreciation rights may be granted to employees and outside directors of the Company and its subsidiaries to purchase the Company's common stock at an exercise price to be determined by the Executive and Compensation committee. Pursuant to the 2003 Option Plan, 570,000 shares of the Company's unissued common stock have been reserved for issuance upon the exercise of options and rights granted under the 2003 Option Plan. The options have an exercise period of ten years from the date of grant. There are 113,500 shares remaining for grants under this plan.

The Company awarded 5,000 restricted common stock awards in November, 2006 that were available under the restricted stock portion of the plan. The restricted shares were issued out of treasury shares with an aggregate grant date fair value of \$90. The awards were granted using the fair value as the last sale price as quoted on the NASDAQ Stock Market on the date of grant of \$18.03. The awarded shares vest at a rate of 20% of the initially awarded amount per year, beginning on the date of the award and are contingent upon continuous service by the recipient through the vesting date.

A summary of the status of the option plans as of March 31, 2009, and changes during the period ended on those dates is presented below:

	March 31, 2009			
	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life	Aggregate Intrinsic Value
Outstanding at January 1, 2009	635,519	\$ 18.68		
Granted	95,500	9.54		
Exercised				
Forfeited	(19,650)	12.33		
Outstanding at end of period	711,369	\$ 17.63	5.1 years	\$
Vested or expected to vest	699,881	\$ 17.69	4.9 years	\$
Options exercisable at period end	456,069	\$ 18.96	4.4 years	\$

Options outstanding at March 31, 2009 and December 31, 2008 were as follows:

Range of Exercise Prices	Outstanding		Exercisable	
	Number	Weighted-Average Remaining Contractual Life	Number	Weighted-Average Exercise Price
March 31, 2009:				
\$ 5.65 - \$ 13.00	127,881	5.5 years	32,381	\$ 11.75
13.88 - 18.63	243,688	4.8 years	173,288	16.59

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19.03	-	23.31	339,800	5.1 years	250,400	21.53
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			711,369	5.1 years	456,069	\$ 18.96
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December 31, 2008:

\$	9.65	-	\$ 13.00	46,381	1.6 years	46,381	11.60
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	13.88	-	18.63	249,338	4.6 years	161,338	16.43
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	19.03	-	23.31	339,800	5.1 years	247,800	21.55
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			635,519	4.6 years	455,519	\$ 18.72
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10.

Centrue Financial Corporation
Notes to Unaudited Consolidated Financial Statements
(In Thousands, Except Share and Per Share Data)

Note 5. Share Based Compensation (continued)

Information related to the stock option plan during the quarter ended March 31, 2009 and 2008 was as follows:

	March 31, 2009	March 31, 2008
Intrinsic value of options exercised	\$	\$ 37
Cash received from option exercises		214
Tax benefit realized from option exercises		

The compensation cost that has been charged against income for the stock options portion of the Equity Incentive Plan was \$68 and \$24 for the three months ended March 31, 2009 and 2008. The compensation cost that has been charged against income for the restricted stock portion of the Equity Incentive Plan was \$5 and \$5 for the three months ended March 31, 2009 and 2008.

The fair value of each option award is estimated on the date of grant using a closed form option valuation (Black-Scholes) model that uses the assumptions noted in the table below. Expected volatilities are based on historical volatilities of the Company's common stock. The Company uses historical data to estimate option exercise and post-vesting termination behavior. (Employee and management options are tracked separately). The expected term of options granted is based on historical data and represents the period of time that options granted are expected to be outstanding, which takes into account that the options are not transferable. The

risk-free interest rate for the expected term of the option is based on the U.S. Treasury yield curve in effect at the time of the grant. During the period, there were 95,500 options granted.

	March 31, 2009	December 31, 2008	March 31, 2008
Fair value	\$ 1.79	\$ 3.36 - 3.69	\$ 3.36
Risk-free interest rate	1.53%	2.75% - 2.95%	2.75%
Expected option life (years)	6	6	6
Expected stock price volatility	68.84%	23.91% - 24.07%	24.07%
Dividend yield	7.57%	2.79 - 2.95%	2.95%

Unrecognized stock option compensation expense related to unvested awards (net of estimated forfeitures) for the remainder of 2009 and beyond is estimated as follows:

	Amount
April, 2009	\$ 161
December, 2009	215
2010	200
2011	104
2012	39
2013	
2014	
Total	\$ 719

Note 6. Contingent Liabilities and Other Matters

Neither the Company nor its subsidiary is involved in any pending legal proceedings other than routine legal proceedings occurring in the normal course of business, which, in the opinion of management, in the aggregate, are not material to the Company's consolidated financial

condition.

Note 7. Segment Information

The Company utilizes an internal reporting and planning process that focuses on lines of business (LOB). The reportable segments are determined by the products and services offered, primarily distinguished between retail, commercial, treasury, and other operations. Loans and deposits generate the revenues in the commercial segments; deposits, loans, secondary mortgage sales and servicing generates the revenue in the retail segment; investment income generates the revenue in the treasury segment; and holding company services generate revenue in the other operations segment. The net allocations line represents the allocation of the costs that are overhead being spread to the specific segments.

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Centrue Financial Corporation
Notes to Unaudited Consolidated Financial Statements
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Note 7. Segment Information (continued)

The accounting policies used with respect to segment reporting are the same as those described in the summary of significant accounting policies as forth in Note 1. Segment performance is evaluated using net income.

Information reported internally for performance assessment follows:

	Three Months Ended				
	March 31, 2009				
	Retail Segment	Commercial Segment	Treasury Segment	Other Operations	Total Company
Net interest income (loss)	\$ 2,522	\$ 7,156	\$ 1,487	\$ (787)	\$ 10,378
Other revenue	2,595	278	(1,194)	364	2,043
Other expense	3,173	597	53	4,047	7,870
Noncash items					
Depreciation	329	1		263	593
Provision for loan losses	175	2,060			2,235
Other intangibles	414				414
Net allocations	1,743	2,574	416	(4,733)	
Income tax expense					