

CENTRUE FINANCIAL CORP  
Form 10-Q  
August 13, 2012

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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, 2012

Commission File Number: 0-28846

**Centrue Financial Corporation**

(Exact name of Registrant as specified in its charter)

Delaware 36-3145350  
(State or other jurisdiction of (I.R.S. Employer Identification  
incorporation or organization) 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

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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 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.

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  No .

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 August 13, 2012 |
|--------------------------------|---------------------------------------|
| Common Stock, Par Value \$1.00 | 6,063,441                             |

**Centrue Financial Corporation**

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**June 30, 2012**

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**Centrue Financial Corporation****Part I Financial Information****Item 1. Financial Statements****Unaudited Consolidated Balance Sheets****June 30, 2012 and December 31, 2011 (In Thousands, Except Share Data)**

|  | June 30,<br>2012 | December<br>31,<br>2011 |
|--|------------------|-------------------------|
| <b>ASSETS</b>  |                  |                         |
| Cash and cash equivalents  | \$48,253         | \$69,735                |
| Securities available-for-sale  | 225,667          | 228,836                 |
| Restricted securities  | 7,028            | 9,150                   |
| Loans  | 567,908          | 582,395                 |
| Allowance for loan losses  | (18,234 )        | (21,232 )               |
| Net loans  | 549,674          | 561,163                 |
| Bank-owned life insurance  | 31,900           | 31,412                  |
| Mortgage servicing rights  | 2,003            | 2,089                   |
| Premises and equipment, net  | 23,187           | 23,754                  |
| Other intangible assets, net   | 4,789            | 5,264                   |
| Other real estate owned  | 27,890           | 29,667                  |
| Other assets   | 6,183            | 6,914                   |
| <b>Total assets</b>  | <b>\$926,574</b> | <b>\$967,984</b>        |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>                                |                  |                         |
| <b>Liabilities</b>   |                  |                         |
| <b>Deposits:</b>   |                  |                         |
| Non-interest-bearing   | \$122,107        | \$134,137               |
| Interest-bearing   | 660,157          | 714,501                 |
| <b>Total deposits</b>  | <b>782,264</b>   | <b>848,638</b>          |
| Federal funds purchased and securities sold under agreements to repurchase | 17,766           | 18,036                  |
| Federal Home Loan Bank advances  | 48,057           | 23,058                  |
| Notes payable  | 10,345           | 10,440                  |
| Series B mandatory redeemable preferred stock                              | 268              | 268                     |
| Subordinated debentures  | 20,620           | 20,620                  |
| Other liabilities  | 14,853           | 14,355                  |
| <b>Total liabilities</b>   | <b>894,173</b>   | <b>935,415</b>          |
| Commitments and contingent liabilities                                     | —                | —                       |

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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)                  | 31,739    | 31,429    |
| Common stock, \$1 par value, 15,000,000 shares authorized; 7,453,555 shares issued at June 30, 2012 and December 31, 2011 | 7,454     | 7,454     |
| Surplus   | 74,570    | 74,558    |
| Accumulated deficit   | (61,831 ) | (60,064 ) |
| Accumulated other comprehensive income  | 1,846     | 569       |
|   | 54,278    | 54,446    |
| Treasury stock, at cost, 1,390,114 shares at June 30, 2012 and December 31, 2011  | (21,877 ) | (21,877 ) |
| Total stockholders' equity  | 32,401    | 32,569    |
| <br>  |           |           |
| Total liabilities and stockholders' equity  | \$926,574 | \$967,984 |

See Accompanying Notes to Unaudited Financial Statements

1.

**Centrue Financial Corporation**

Unaudited Consolidated Statements Of Income (Loss)

And Comprehensive Income (Loss)

**Three Months and Six Months Ended June 30, 2012 and 2011****(In Thousands, Except Per Share Data)**

|  | Three Months Ended<br>June 30, |         | Six Months Ended<br>June 30, |          |
|--|--------------------------------|---------|------------------------------|----------|
|  | 2012                           | 2011    | 2012                         | 2011     |
| Interest income  |                                |         |                              |          |
| Loans  | \$6,952                        | \$8,836 | \$13,989                     | \$18,117 |
| Securities   |                                |         |                              |          |
| Taxable  | 854                            | 1,088   | 1,684                        | 2,085    |
| Exempt from federal income taxes   | 113                            | 177     | 239                          | 392      |
| Federal funds sold and other   | 37                             | 37      | 76                           | 68       |
| Total interest income  | 7,956                          | 10,138  | 15,988                       | 20,662   |
| Interest expense   |                                |         |                              |          |
| Deposits   | 1,143                          | 2,213   | 2,542                        | 4,700    |
| Federal funds purchased and securities sold under agreements to repurchase | 10                             | 10      | 21                           | 21       |
| Federal Home Loan Bank advances  | 190                            | 355     | 376                          | 767      |
| Series B mandatory redeemable preferred stock                              | 4                              | 4       | 8                            | 8        |
| Subordinated debentures  | 295                            | 274     | 588                          | 544      |
| Notes payable  | 92                             | 91      | 188                          | 181      |
| Total interest expense   | 1,734                          | 2,947   | 3,723                        | 6,221    |
| Net interest income  | 6,222                          | 7,191   | 12,265                       | 14,441   |
| Provision for loan losses  | 1,375                          | 3,250   | 2,725                        | 7,500    |
| Net interest income after provision for loan losses                        | 4,847                          | 3,941   | 9,540                        | 6,941    |
| Noninterest income   |                                |         |                              |          |
| Service charges  | 1,040                          | 1,189   | 2,089                        | 2,251    |
| Mortgage banking income  | 455                            | 302     | 942                          | 709      |
| Electronic banking services  | 558                            | 565     | 1,090                        | 1,092    |
| Bank-owned life insurance  | 245                            | 250     | 488                          | 499      |
| Securities gains   | 698                            | 379     | 714                          | 379      |
| Total other-than-temporary impairment losses                               | —                              | (107 )  | —                            | (499 )   |
| Portion of loss recognized in other comprehensive income (before taxes)    | —                              | —       | —                            | —        |
| Net impairment on securities   | —                              | (107 )  | —                            | (499 )   |

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|                              |       |       |       |       |
|------------------------------|-------|-------|-------|-------|
| Gain on sale of OREO         | 234   | (92 ) | 425   | (48 ) |
| Gain on sale of other assets | —     | —     | —     | 63    |
| Other income                 | 582   | 198   | 1,116 | 362   |
|                              | 3,812 | 2,684 | 6,864 | 4,808 |

See Accompanying Notes to Unaudited Financial Statements

2.



**Centrue Financial Corporation**

Unaudited Consolidated Statements Of Income (Loss)

And Comprehensive Income (Loss)

**Three Months and Six Months Ended June 30, 2012 and 2011****(In Thousands, Except Per Share Data)**

|   | Three Months<br>Ended<br>June 30, |           | Six Months Ended<br>June 30, |           |
|---|-----------------------------------|-----------|------------------------------|-----------|
|   | 2012                              | 2011      | 2012                         | 2011      |
| Noninterest expense   |                                   |           |                              |           |
| Salaries and employee benefits  | 3,582                             | 3,460     | 7,284                        | 7,093     |
| Occupancy, net  | 620                               | 704       | 1,284                        | 1,424     |
| Furniture and equipment   | 283                               | 421       | 667                          | 860       |
| Marketing   | 94                                | 67        | 169                          | 127       |
| Supplies and printing   | 65                                | 77        | 133                          | 141       |
| Telephone   | 179                               | 204       | 354                          | 408       |
| Data processing   | 360                               | 375       | 667                          | 739       |
| FDIC insurance  | 511                               | 824       | 1,029                        | 1,674     |
| Loan processing and collection costs  | 554                               | 511       | 1,090                        | 1,102     |
| OREO valuation adjustment   | 662                               | 1,097     | 795                          | 1,297     |
| Amortization of intangible assets   | 238                               | 263       | 475                          | 539       |
| Other expenses  | 1,428                             | 1,574     | 2,874                        | 2,973     |
|   | 8,576                             | 9,577     | 16,821                       | 18,377    |
| Income (loss) before income taxes   | \$83                              | \$(2,952) | \$(417)                      | \$(6,628) |
| Income tax expense (benefit)  | —                                 | (528)     | —                            | (746)     |
| Net income (loss)   | \$83                              | \$(2,424) | \$(417)                      | \$(5,882) |
| Preferred stock dividends   | 523                               | 501       | 1,040                        | 995       |
| Net income (loss) for common stockholders   | \$(440)                           | \$(2,925) | \$(1,457)                    | \$(6,877) |
| Basic earnings (loss) per common share  | \$(0.07)                          | \$(0.48)  | \$(0.24)                     | \$(1.14)  |
| Diluted earnings (loss) per common share  | \$(0.07)                          | \$(0.48)  | \$(0.24)                     | \$(1.14)  |
| Total comprehensive income (loss):  |                                   |           |                              |           |
| Net income (loss)   | \$83                              | \$(2,424) | \$(417)                      | \$(5,882) |
| 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 | —                                 | (21)      | —                            | (145)     |

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|   |        |           |        |            |
|---|--------|-----------|--------|------------|
| Change in unrealized gains (losses) on other securities available for sale, net of reclassifications and tax effect | 772    | 1,416     | 1,991  | 2,401      |
| Reclassification adjustment:  |        |           |        |            |
| Net impairment loss recognized in earnings  | —      | 107       | —      | 499        |
| (Gains) recognized in earnings  | (698 ) | (379 )    | (714 ) | (379 )     |
| Net unrealized gains (loss)   | 74     | 1,123     | 1,277  | 2,376      |
| Tax expense (benefit)   | —      | 434       | —      | 919        |
| Other comprehensive income (loss)   | 74     | 689       | 1,277  | 1,457      |
| Total comprehensive income (loss)   | \$157  | \$(1,735) | \$860  | \$(4,425 ) |

See Accompanying Notes to Unaudited Financial Statements

3.

**Centrue Financial Corporation**

## Unaudited Consolidated Statements Of Cash Flows

**Six Months Ended June 30, 2012 and 2011 (In Thousands)**

|   | Six Months Ended<br>June 30, |            |
|---|------------------------------|------------|
|   | 2012                         | 2011       |
| Cash flows from operating activities  |                              |            |
| Net income (loss)   | \$(417 )                     | \$(5,882 ) |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities |                              |            |
| Depreciation  | 766                          | 946        |
| Amortization of intangible assets   | 475                          | 539        |
| Amortization of mortgage servicing rights, net  | 306                          | 198        |
| Amortization of bond premiums, net  | 1,404                        | 1,175      |
| Income tax valuation adjustment   | 13                           | 2,029      |
| Share based compensation  | 13                           | 58         |
| Provision for loan losses   | 2,725                        | 7,500      |
| Provision for deferred income taxes   | (13 )                        | (2,029 )   |
| Earnings on bank-owned life insurance   | (488 )                       | (499 )     |
| Other than temporary impairment, securities   | —                            | 499        |
| OREO valuation allowance  | 795                          | 1,297      |
| Securities sale (gains), net  | (714 )                       | (379 )     |
| (Gain) on sale of other assets, net   | —                            | (63 )      |
| (Gain) loss on sale of OREO   | (425 )                       | 48         |
| (Gain) on sale of loans   | (1,240 )                     | (443 )     |
| Proceeds from sales of loans held for sale  | 38,018                       | 20,871     |
| Origination of loans held for sale  | (35,174)                     | (19,517)   |
| Change in assets and liabilities  |                              |            |
| (Increase) decrease in other assets   | 439                          | 1,302      |
| Increase (decrease) in other liabilities  | (316 )                       | (1,328 )   |
| Net cash provided by operating activities   | 6,167                        | 6,322      |
| Cash flows from investing activities  |                              |            |
| Proceeds from paydowns of securities available for sale                                 | 26,213                       | 22,647     |
| Proceeds from calls and maturities of securities available for sale                     | 2,310                        | 11,920     |
| Proceeds from sales of securities available for sale                                    | 18,069                       | 18,419     |
| Purchases of securities available for sale  | (42,800)                     | (53,485)   |
| Redemption of Federal Home Loan Bank stock  | 2,088                        | —          |
| Redemption of Federal Reserve Bank stock  | 110                          | 1,279      |
| Purchase of Federal Reserve Bank stock  | (76 )                        | —          |
| Net decrease (increase) in loans  | 973                          | 30,565     |
| (Purchase) disposal of premises and equipment   | (198 )                       | (194 )     |
| Proceeds from sale of OREO  | 7,402                        | 3,611      |
| Net cash from investing activities  | 14,091                       | 34,762     |

See Accompanying Notes to Unaudited Financial Statements

4.

**Centrue Financial Corporation**

## Unaudited Consolidated Statements Of Cash Flows

**Six Months Ended June 30, 2012 and 2011 (In Thousands)**

|   | Six Months Ended<br>June 30, |          |
|---|------------------------------|----------|
|   | 2012                         | 2011     |
| Cash flows from financing activities  |                              |          |
| Net increase (decrease) in deposits   | (66,374)                     | (65,068) |
| Net increase (decrease) in federal funds purchased and securities sold under agreements to repurchase | (270 )                       | (8 )     |
| Repayment of advances from the Federal Home Loan Bank   | (1 )                         | (23,000) |
| Proceeds from advances from the Federal Home Loan Bank  | 25,000                       | 10,000   |
| Payments on notes payable   | (95 )                        | (90 )    |
| Net cash used in financing activities   | (41,740)                     | (78,166) |
| Net increase (decrease) in cash and cash equivalents  | (21,482)                     | (37,082) |
| Cash and cash equivalents   |                              |          |
| Beginning of period   | 69,735                       | 82,945   |
| End of period   | \$48,253                     | \$45,863 |
| Supplemental disclosures of cash flow information   |                              |          |
| Cash payments for   |                              |          |
| Interest  | \$3,495                      | \$6,373  |
| Income taxes  | 10                           | 19       |
| Transfers from loans to other real estate owned   | 6,187                        | 14,860   |

See Accompanying Notes to Unaudited Financial Statements

5.

## **Centrue Financial Corporation**

Notes to Unaudited Consolidated Financial Statements

**(Table Amounts In Thousands, Except Share Data)**

### **Note 1. Summary of Significant Accounting Policies**

Centrue Financial Corporation is a bank holding company organized under the laws of the State of Delaware. When we use the terms “Centrue,” the “Company,” “we,” “us,” and “our,” we mean Centrue Financial Corporation, a Delaware corporation, and its consolidated subsidiaries. When we use the term the “Bank,” we are referring to our wholly owned banking subsidiary, Centrue Bank. The Company and the Bank provide 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. Additionally, 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 the Bank are subject to regulations of certain regulatory agencies and undergo periodic examinations by those regulatory agencies.

#### Basis of presentation

The accounting and reporting policies of the Company and its subsidiaries conform to U.S. generally accepted accounting principles (“GAAP”) and general practice within the banking industry. The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. Material estimates which are particularly susceptible to significant change in the near term relate to the fair value of investment securities and other-than-temporary impairment of securities, the determination of the allowance for loan losses and valuation of other real estate owned.

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, 2011. The consolidated financial statements include the accounts of the Company and Centrue Bank. Intercompany balances and transactions have been eliminated in consolidation and certain 2011 amounts have been reclassified to conform to the 2012 presentation. The annualized results of operations during the three and six months ended June 30, 2012 are not necessarily indicative of the results expected for the year ending December 31, 2012. All financial information in the following tables is in thousands (000s), except share and per share data. 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.

**Note 2. Earnings Per Share**

Basic earnings per share for the three and six months ended June 30, 2012 and 2011 were computed by dividing net income by the weighted average number of shares outstanding. Diluted earnings per share for the same periods 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:

6.

**Centrue Financial Corporation**

Notes to Unaudited Consolidated Financial Statements

**(Table Amounts In Thousands, Except Share Data)****Note 2. Earnings Per Share (Continued)**

|  | Three Months<br>Ended<br>June 30, |           | Six Months<br>Ended<br>June 30, |           |
|--|-----------------------------------|-----------|---------------------------------|-----------|
|  | 2012                              | 2011      | 2012                            | 2011      |
| Basic Earnings (Loss) Per Common Share                             |                                   |           |                                 |           |
| Net income (loss) for common shareholders                          | \$(440 )                          | \$(2,925) | \$(1,457)                       | \$(6,877) |
| Weighted average common shares outstanding                         | 6,063                             | 6,048     | 6,063                           | 6,048     |
| Basic earnings per common share                                    | \$(0.07 )                         | \$(0.48 ) | \$(0.24 )                       | \$(1.14 ) |
| Diluted Earnings Per Common Share                                  |                                   |           |                                 |           |
| Weighted average common shares outstanding                         | 6,063                             | 6,048     | 6,063                           | 6,048     |
| Add: dilutive effect of assumed exercised stock options            | —                                 | —         | —                               | —         |
| Add: dilutive effect of assumed exercised<br>common stock warrants | —                                 | —         | —                               | —         |
| Weighted average common and dilutive potential shares outstanding  | 6,063                             | 6,048     | 6,063                           | 6,048     |
| Diluted earnings (loss) per common share                           | \$(0.07 )                         | \$(0.48 ) | \$(0.24 )                       | \$(1.14 ) |

There were 274,927 options and 508,320 warrants outstanding for the three and six months ended June 30, 2012 and 496,738 options and 508,320 warrants outstanding for the three and six months ended June 30, 2011 that were not included in the computation of diluted earnings per share because the exercise price was greater than the average market price and therefore, were anti-dilutive. In addition, the Company's convertible preferred stock was not included in the computation of diluted earnings per share as it was anti-dilutive.

**Note 3. Securities**

The primary strategic objective related to the Company's securities portfolio is to assist with liquidity and interest rate risk management. The fair value of securities classified as available-for-sale was \$225.7 million at June 30, 2012 compared to \$228.8 million at December 31, 2011. The carrying value of securities classified as restricted (Federal Reserve and Federal Home Loan Bank stock) was \$7.0 million at June 30, 2012 compared to \$9.2 million at December 31, 2011. The Company does not have any securities classified as trading or held-to-maturity.



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The following tables represent the fair value of available-for-sale securities and the related, gross unrealized gains and losses recognized in accumulated other comprehensive income (loss) at June 30, 2012 and December 31, 2011:

|   | June 30, 2012 |                        |                         |                |
|---|---------------|------------------------|-------------------------|----------------|
|   | Fair Value    | Gross Unrealized Gains | Gross Unrealized Losses | Amortized Cost |
| U.S. government agencies                                      | \$15,336      | \$ 78                  | \$ —                    | \$ 15,258      |
| States and political subdivisions                             | 16,249        | 757                    | —                       | 15,492         |
| U.S. government agency residential mortgage-backed securities | 153,865       | 3,224                  | (6 )                    | 150,647        |
| Collateralized residential mortgage obligations:              |               |                        |                         |                |
| Agency  | 25,342        | 190                    | (11 )                   | 25,163         |
| Private label   | 1,280         | 112                    | —                       | 1,168          |
| Equity securities   | 2,652         | 224                    | —                       | 2,428          |
| Collateralized debt obligations:                              |               |                        |                         |                |
| Single issue  | 2,064         | —                      | —                       | 2,064          |
| Pooled  | 6,977         | 660                    | (1,639 )                | 7,956          |
| Corporate   | 1,902         | —                      | (98 )                   | 2,000          |
|   | \$225,667     | \$ 5,245               | \$ (1,754 )             | \$ 222,176     |

7.

**Centrue Financial Corporation**

Notes to Unaudited Consolidated Financial Statements

**(Table Amounts In Thousands, Except Share Data)****Note 3. Securities (Continued)**

|   | December 31, 2011 |                        |                         |                |
|---|-------------------|------------------------|-------------------------|----------------|
|   | Fair Value        | Gross Unrealized Gains | Gross Unrealized Losses | Amortized Cost |
| U.S. government agencies                                      | \$3,019           | \$ 88                  | \$ —                    | \$2,931        |
| States and political subdivisions                             | 18,125            | 649                    | (1 )                    | 17,477         |
| U.S. government agency residential mortgage-backed securities | 177,539           | 2,790                  | (101 )                  | 174,850        |
| Collateralized residential mortgage obligations:              | 15,527            | 229                    | —                       | 15,298         |
| Agency  | 1,550             | 72                     | (7 )                    | 1,485          |
| Private label   | 2,530             | 134                    | —                       | 2,396          |
| Equity securities   |                   |                        |                         |                |
| Collateralized debt obligations:                              |                   |                        |                         |                |
| Single issue  | 2,064             | —                      | —                       | 2,064          |
| Pooled  | 6,600             | 53                     | (1,574 )                | 8,121          |
| Corporate   | 1,882             | —                      | (118 )                  | 2,000          |
|   | \$228,836         | \$ 4,015               | \$ (1,801 )             | \$226,622      |

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

|  | Three Months Ended |         | Six Months Ended |          |
|--|--------------------|---------|------------------|----------|
|  | June 30, 2012      | 2011    | June 30, 2012    | 2011     |
| Proceeds from calls and maturities                               | \$1,040            | \$7,260 | \$2,310          | \$11,920 |
| Proceeds from sales  | 17,127             | 18,419  | 18,069           | 18,419   |
| Realized gains   | 698                | 379     | 714              | 379      |
| Realized losses  | —                  | —       | —                | —        |
| Net impairment loss recognized in earnings                       | —                  | (107 )  | —                | (499 )   |
| Tax benefit (provision) related to net realized gains and losses | (271 )             | (105 )  | (277 )           | 46       |

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The following table represents securities with unrealized losses not recognized in income presented by the length of time individual securities have been in a continuous unrealized loss position:

|   | June 30, 2012       |                 |                   |                 |            |                 |
|---|---------------------|-----------------|-------------------|-----------------|------------|-----------------|
|   | Less than 12 Months |                 | 12 Months or More |                 | Total      |                 |
|   | Fair Value          | Unrealized Loss | Fair Value        | Unrealized Loss | Fair Value | Unrealized Loss |
| U.S. government agency residential mortgage-backed securities | \$12,001            | \$ (6 )         | \$—               | \$ —            | \$12,001   | \$ (6 )         |
| Collateralized residential mortgage obligations: agency       | 12,524              | (11 )           | —                 | —               | 12,524     | (11 )           |
| Collateralized debt obligations: pooled Corporate             | —                   | —               | 2,366             | (1,639 )        | 2,366      | (1,639 )        |
|   | 1,902               | (98 )           | —                 | —               | 1,902      | (98 )           |
| Total temporarily impaired                                    | \$26,427            | \$ (115 )       | \$2,366           | \$ (1,639 )     | \$28,793   | \$ (1,754 )     |

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**Centrue Financial Corporation**

Notes to Unaudited Consolidated Financial Statements

**(Table Amounts In Thousands, Except Share Data)****Note 3. Securities (Continued)**

|  | December 31, 2011   |                 |                   |                 |            |                 |
|--|---------------------|-----------------|-------------------|-----------------|------------|-----------------|
|  | Less than 12 Months |                 | 12 Months or More |                 | Total      |                 |
|  | Fair Value          | Unrealized Loss | Fair Value        | Unrealized Loss | Fair Value | Unrealized Loss |
| State and political subdivisions                               | \$524               | \$ (1 )         | \$—               | \$ —            | \$524      | \$ (1 )         |
| U.S. government agency residential mortgage-backed securities  | 30,895              | (101 )          | —                 | —               | 30,895     | (101 )          |
| Collateralized residential mortgage obligations: private label | 731                 | (7 )            | —                 | —               | 731        | (7 )            |
| Collateralized debt obligations: pooled Corporate              | —                   | —               | 6,497             | (1,574 )        | 6,497      | (1,574 )        |
| Corporate  | 1,882               | (118 )          | —                 | —               | 1,882      | (118 )          |
| Total temporarily impaired                                     | \$34,032            | \$ (227 )       | \$6,497           | \$ (1,574 )     | \$40,529   | \$ (1,801 )     |

The fair values of securities classified as available-for-sale at June 30, 2012, 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.

|   | Amortized Cost | Fair Value |
|---|----------------|------------|
| Due in one year or less                                       | \$ 2,006       | \$2,017    |
| Due after one year through five years                         | 24,475         | 24,812     |
| Due after five years through ten years                        | 5,641          | 6,010      |
| Due after ten years   | 10,648         | 9,689      |
| U.S. government agency residential mortgage-backed securities | 150,647        | 153,865    |
| Collateralized residential mortgage obligations               | 26,331         | 26,622     |
| Equity  | 2,428          | 2,652      |
|   | \$ 222,176     | \$ 225,667 |

The following table presents a rollforward of the credit losses recognized in earnings for the three month period ended June 30, 2012 and 2011:

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|   | 2012     | 2011     |
|---|----------|----------|
| Beginning balance, April 1,   | \$20,597 | \$20,754 |
| Amounts related to credit loss for which an other-than-temporary impairment was not previously recognized   | —        | —        |
| Additions/Subtractions  |          |          |
| Amounts realized for securities sold during the period  | —        | —        |
| Amounts related to securities for which the company intends to sell or that it will be more likely than not that the company will be required to sell prior to recovery of amortized cost basis | —        | —        |
| Reductions for increase in cash flows expected to be collected that are recognized over the remaining life of the security  | —        | —        |
| Increases to the amount related to the credit loss for which other-than-temporary was previously recognized   | —        | 107      |
| Ending balance, June 30,  | \$20,597 | \$20,861 |

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**Centrue Financial Corporation**

Notes to Unaudited Consolidated Financial Statements

**(Table Amounts In Thousands, Except Share Data)****Note 3. Securities (Continued)**

The following table presents a rollforward of the credit losses recognized in earnings for the six month period ended June 30, 2012 and 2011:

|   | 2012     | 2011     |
|---|----------|----------|
| Beginning balance, January 1,   | \$20,597 | \$20,362 |
| Amounts related to credit loss for which an other-than-temporary impairment was not previously recognized   | —        | —        |
| Additions/Subtractions  |          |          |
| Amounts realized for securities sold during the period  | —        | —        |
| Amounts related to securities for which the company intends to sell or that it will be more likely than not that the company will be required to sell prior to recovery of amortized cost basis | —        | —        |
| Reductions for increase in cash flows expected to be collected that are recognized over the remaining life of the security  | —        | —        |
| Increases to the amount related to the credit loss for which other-than-temporary was previously recognized   | —        | 499      |
| Ending balance, June 30,  | \$20,597 | \$20,861 |

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 major classifications of loans follow:

Aggregate Principal  
Amount

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|                                  | June 30,<br>2012 | December<br>31,<br>2011 |
|----------------------------------|------------------|-------------------------|
| Commercial                       | \$62,697         | \$63,982                |
| Agricultural & AGRE              | 38,418           | 39,128                  |
| Construction, land & development | 35,618           | 42,008                  |
| Commercial RE                    | 298,387          | 288,068                 |
| 1-4 family mortgages             | 130,252          | 146,767                 |
| Consumer                         | 2,536            | 2,442                   |
| Total Loans                      | \$567,908        | \$582,395               |
| Allowance for loan losses        | (18,234 )        | (21,232 )               |
| Loans, net                       | \$549,674        | \$561,163               |

There were \$0.2 million and \$1.8 million of loans held for sale at June 30, 2012 and December 31, 2011, respectively.

The credit quality indicator utilized by the Company to internally analyze the loan portfolio is the internal risk rating. Internal risk ratings of 0 to 5 are considered pass credits, a risk rating of a 6 is special mention, a risk rating of a 7 is substandard, and a risk rating of an 8 is doubtful. Loans classified as pass credits have no identified material weaknesses and are performing as agreed. Loans classified as special mention have a potential weakness that deserves management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the institution's credit position at some future date. Loans classified as substandard are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected. Loans classified as doubtful have all the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

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**Centrue Financial Corporation**

Notes to Unaudited Consolidated Financial Statements

**(Table Amounts In Thousands, Except Share Data)****Note 4. Loans (Continued)**

The following table presents the commercial loan portfolio by internal risk rating:

June 30, 2012

| Internal Risk Rating | Commercial |                 |                     |                                  | Commercial Real Estate |                    | Total     |
|----------------------|------------|-----------------|---------------------|----------------------------------|------------------------|--------------------|-----------|
|                      | Closed-end | Lines of Credit | Agriculture & AG RE | Construction, Land & Development | Owner-Occupied         | Non-Owner Occupied |           |
| 1-2                  | \$584      | \$450           | \$ 3,941            | \$ 117                           | \$3,302                | \$633              | \$9,027   |
| 3                    | 2,532      | 5,973           | 13,897              | 1,616                            | 10,362                 | 13,829             | 48,209    |
| 4                    | 12,218     | 12,416          | 14,491              | 1,274                            | 73,887                 | 62,665             | 176,951   |
| 5                    | 9,513      | 9,809           | 6,004               | 11,972                           | 17,770                 | 59,814             | 114,882   |
| 6                    | 1,357      | 3,890           | —                   | 2,299                            | 10,087                 | 12,551             | 30,184    |
| 7                    | 2,739      | 1,216           | 85                  | 18,340                           | 15,785                 | 17,702             | 55,867    |
| 8                    | —          | —               | —                   | —                                | —                      | —                  | —         |
| Total                | \$28,943   | \$33,754        | \$ 38,418           | \$ 35,618                        | \$131,193              | \$167,194          | \$435,120 |

December 31, 2011

| Internal Risk Rating | Commercial |                 |                     |                                  | Commercial Real Estate |                    | Total     |
|----------------------|------------|-----------------|---------------------|----------------------------------|------------------------|--------------------|-----------|
|                      | Closed-end | Lines of Credit | Agriculture & AG RE | Construction, Land & Development | Owner-Occupied         | Non-Owner Occupied |           |
| 1-2                  | \$716      | \$449           | \$ 4,833            | \$ 3,649                         | \$3,489                | \$647              | \$13,783  |
| 3                    | 2,938      | 7,708           | 15,649              | 1,034                            | 8,971                  | 17,168             | 53,468    |
| 4                    | 12,989     | 13,533          | 14,323              | 1,566                            | 68,045                 | 44,665             | 155,121   |
| 5                    | 10,405     | 5,322           | 3,517               | 6,200                            | 20,518                 | 51,580             | 97,542    |
| 6                    | 3,374      | 3,892           | 741                 | 5,497                            | 10,868                 | 19,900             | 44,272    |
| 7                    | 1,434      | 1,222           | 65                  | 24,062                           | 19,720                 | 22,497             | 69,000    |
| 8                    | —          | —               | —                   | —                                | —                      | —                  | —         |
| Total                | \$31,856   | \$32,126        | \$ 39,128           | \$ 42,008                        | \$131,611              | \$156,457          | \$433,186 |



The retail residential loan portfolio is generally unrated. Delinquency is a typical factor in adversely risk rating a credit to a special mention or substandard. The following table presents the retail residential loan portfolio by internal risk rating:

|                 | Residential —1-4 family |          |           |
|-----------------|-------------------------|----------|-----------|
|                 | Senior                  | Jr. Lien | Total     |
|                 | Lien                    | & Lines  |           |
|                 |                         | of       |           |
|                 |                         | Credit   |           |
| June 30, 2012   |                         |          |           |
| Unrated         | \$71,257                | \$47,488 | \$118,745 |
| Special mention | 1,297                   | 868      | 2,165     |
| Substandard     | 8,499                   | 843      | 9,342     |
| Doubtful        | —                       | —        | —         |
| Total           | \$81,053                | \$49,199 | \$130,252 |

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**Centrue Financial Corporation**

Notes to Unaudited Consolidated Financial Statements

**(Table Amounts In Thousands, Except Share Data)****Note 4. Loans (Continued)**

|                   | Senior<br>Lien | Residential — 1-4 family<br>Jr. Lien<br>& Lines<br>of<br>Credit | Total     |
|-------------------|----------------|---|-----------|
| December 31, 2011 |                |   |           |
| Unrated           | \$83,969       | \$49,498  | \$133,467 |
| Special mention   | 907            | 904   | 1,811     |
| Substandard       | 10,013         | 1,161   | 11,174    |
| Doubtful          | 315            | —   | 315       |
| Total             | \$95,204       | \$51,563  | \$146,767 |

An analysis of the activity in the allowance for loan losses for the three months ended June 30, 2012 and 2011 follows:

|                   | Commercial<br>& AG<br>RE | Agriculture | Construction, Land &<br>Development | Commercial<br>RE | 1-4<br>Family<br>Residential | Consumer | Total    |
|-------------------|--------------------------|-------------|-------------------------------------|------------------|------------------------------|----------|----------|
| June 30, 2012     |                          |             |                                     |                  |                              |          |          |
| Beginning Balance | \$ 1,503                 | \$ 8        | \$4,655                             | \$ 11,199        | \$ 2,929                     | \$ 44    | \$20,338 |
| Charge-offs       | —                        | (62 )       | (1,041                              | ) (1,779 )       | (675 )                       | (1 )     | (3,558 ) |
| Recoveries        | —                        | 26          | 2                                   | 44               | 4                            | 3        | 79       |
| Provision         | (25 )                    | 295         | 177                                 | 301              | 625                          | 2        | 1,375    |
| Ending Balance    | \$ 1,478                 | \$ 267      | \$3,793                             | \$ 9,765         | \$ 2,883                     | \$ 48    | \$18,234 |

|                   | Commercial<br>& AG<br>RE | Agriculture | Construction, Land &<br>Development | Commercial<br>RE | 1-4 Family<br>Residential | Consumer | Total    |
|-------------------|--------------------------|-------------|-------------------------------------|------------------|---------------------------|----------|----------|
| June 30, 2011     |                          |             |                                     |                  |                           |          |          |
| Beginning Balance | \$ 1,759                 | \$ 315      | \$8,655                             | \$ 15,269        | \$3,055                   | \$ 36    | \$29,089 |

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|                |          |        |         |           |         |       |          |
|----------------|----------|--------|---------|-----------|---------|-------|----------|
| Charge-offs    | (176 )   | (654 ) | (2,333) | (4,296 )  | (667 )  | (6 )  | (8,132 ) |
| Recoveries     | 12       | 2      | 99      | 14        | 8       | 16    | 151      |
| Provision      | 156      | 723    | (111)   | 2,022     | 471     | (11 ) | 3,250    |
| Ending Balance | \$ 1,751 | \$ 386 | \$6,310 | \$ 13,009 | \$2,867 | \$ 35 | \$24,358 |

An analysis of the activity in the allowance for loan losses for the six months ended June 30, 2012 and 2011 follows:

|                   | Commercial | Agriculture<br>& AG RE | Construction,<br>Land &<br>Development | Commercial<br>RE | 1-4 Family<br>Residential | Consumer | Total    |
|-------------------|------------|------------------------|--|------------------|---------------------------|----------|----------|
| June 30, 2012     |            |                        |  |                  |                           |          |          |
| Beginning Balance | \$ 1,590   | \$ 5                   | \$ 4,811                               | \$ 11,680        | \$ 3,090                  | \$ 56    | \$21,232 |
| Charge-offs       | —          | (87 )                  | (1,093 )                               | (3,929 )         | (1,078 )                  | (6 )     | (6,193 ) |
| Recoveries        | —          | 43                     | 286                                    | 131              | 7                         | 3        | 470      |
| Provision         | (112 )     | 306                    | (211 )                                 | 1,883            | 864                       | (5 )     | 2,725    |
| Ending Balance    | \$ 1,478   | \$ 267                 | \$ 3,793                               | \$ 9,765         | \$ 2,883                  | \$ 48    | \$18,234 |

12.

**Centrue Financial Corporation**

## Notes to Unaudited Consolidated Financial Statements

(Table Amounts In Thousands, Except Share Data)

**Note 4. Loans (Continued)**

|                   | Commercial | Agriculture<br>& AG RE | Construction,<br>Land &<br>Development | Commercial<br>RE | 1-4 Family<br>Residential | Consumer | Total    |
|-------------------|------------|------------------------|--|------------------|---------------------------|----------|----------|
| June 30, 2011     |            |                        |  |                  |                           |          |          |
| Beginning Balance | \$ 1,634   | \$ 337                 | \$ 12,500                              | \$ 13,721        | \$ 3,273                  | \$ 46    | \$31,511 |
| Charge-offs       | (241 )     | (654 )                 | (6,834 )                               | (6,014 )         | (1,293 )                  | (26 )    | (15,062) |
| Recoveries        | 18         | 3                      | 100                                    | 231              | 36                        | 21       | 409      |
| Provision         | 340        | 700                    | 544                                    | 5,071            | 851                       | (6 )     | 7,500    |
| Ending Balance    | \$ 1,751   | \$ 386                 | \$ 6,310                               | \$ 13,009        | \$ 2,867                  | \$ 35    | \$24,358 |

The following is an analysis on the balance in the allowance for loan losses and the recorded investment in impaired loans by portfolio segment based on impairment method as of June 30, 2012 and December 31, 2011:

| June 30, 2012                               | Commercial | Agriculture<br>& AG RE | Construction,<br>Land &<br>Development | Commercial<br>RE | 1-4 Family<br>Residential | Consumer | Total     |
|---|------------|------------------------|--|------------------|---------------------------|----------|-----------|
| Allowance for loan losses:                  |            |                        |  |                  |                           |          |           |
| Loans individually evaluated for impairment | \$ 698     | \$ 9                   | \$ 2,272                               | \$ 4,613         | \$ 1,640                  | \$ —     | \$9,232   |
| Loans collectively evaluated for impairment | 780        | 258                    | 1,521                                  | 5,152            | 1,243                     | 48       | 9,002     |
| Total ending allowance balance:             | \$ 1,478   | \$ 267                 | \$ 3,793                               | \$ 9,765         | \$ 2,883                  | \$ 48    | \$18,234  |
| Loan balances:                              |            |                        |  |                  |                           |          |           |
| Loans individually evaluated for impairment | \$ 3,774   | \$ 85                  | \$ 18,340                              | \$ 30,131        | \$ 9,330                  | \$ 5     | \$61,665  |
| Loans collectively evaluated for impairment | 58,923     | 38,333                 | 17,278                                 | 268,256          | 120,922                   | 2,531    | 506,243   |
| Loans with an allowance recorded:           | \$ 62,697  | \$ 38,418              | \$ 35,618                              | \$ 298,387       | \$ 130,252                | \$ 2,536 | \$567,908 |

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| December 31, 2011                           | Commercial | Agriculture<br>& AG RE | Construction,<br>Land &<br>Development | Commercial<br>RE | 1-4 Family<br>Residential | Consumer | Total     |
|---|------------|------------------------|--|------------------|---------------------------|----------|-----------|
| Allowance for loan losses:                  |            |                        |  |                  |                           |          |           |
| Loans individually evaluated for impairment | \$ 715     | \$ —                   | \$ 2,228                               | \$ 5,211         | \$ 1,591                  | \$ 5     | \$9,750   |
| Loans collectively evaluated for impairment | 875        | 5                      | 2,583                                  | 6,469            | 1,499                     | 51       | 11,482    |
| Total ending allowance balance:             | \$ 1,590   | \$ 5                   | \$ 4,811                               | \$ 11,680        | \$ 3,090                  | \$ 56    | \$21,232  |
| Loan balances:                              |            |                        |  |                  |                           |          |           |
| Loans individually evaluated for impairment | \$ 2,463   | \$ 65                  | \$ 24,062                              | \$ 36,141        | \$ 10,563                 | \$ 5     | \$73,299  |
| Loans collectively evaluated for impairment | 61,519     | 39,063                 | 17,946                                 | 251,927          | 136,204                   | 2,437    | 509,096   |
| Loans with an allowance recorded:           | \$ 63,982  | \$ 39,128              | \$ 42,008                              | \$ 288,068       | \$ 146,767                | \$ 2,442 | \$582,395 |

13.

**Centrue Financial Corporation**

Notes to Unaudited Consolidated Financial Statements

**(Table Amounts In Thousands, Except Share Data)**

**Note 4. Loans (Continued)**

**Troubled Debt Restructurings:**

The Company had troubled debt restructurings (“TDRs”) of \$4.3 million and \$7.1 million as of June 30, 2012 and December 31, 2011, respectively. Specific reserves of \$0.3 million and \$0.95 million were allocated to TDRs as of June 30, 2012 and December 31, 2011, respectively. At June 30, 2012, nonaccrual TDR loans were \$4.3 million, as compared to \$6.0 million at December 31, 2011. At June 30, 2012 there were \$0.03 million of TDRs on accrual status compared to December 31, 2011, when \$1.1 million was on accrual. The Company has not committed to lend any additional amounts to customers with outstanding loans that are classified as TDRs as of June 30, 2012.

At June 30, 2012, the Company held loans whose terms had been modified as troubled debt restructuring. The modification of the terms of such loans included one or a combination of the following: a reduction of the stated interest rate of the loan to a below market rate or the payment modification to interest only. Modifications involving a reduction of the stated interest rate of the loan were for periods ranging from 6 months to 16 months. During the six month period ending June 30, 2012, there was one TDR added in the amount of \$0.9 million during the first quarter. It was subsequently removed in the second quarter as the collateral was sold, specific provision charged-off and the remaining loan balance paid-off.

A loan is considered to be in payment default once it is 90 days contractually past due under the modified terms. There were no loans modified as troubled debt restructurings for which there was a payment default within twelve months following the modification during the three or six month period ending June 30, 2011 or 2012.

The Company evaluates loan modifications to determine if the modification constitutes a troubled debt restructure. A loan modification constitutes a troubled debt restructure if the borrower is experiencing financial difficulty and the Company grants a concession it would not otherwise consider. In order to determine whether a borrower is experiencing financial difficulty, an evaluation is performed of the probability that the borrower will be in payment default on any of its loans with the Company’s debt in the foreseeable future without the modification. This evaluation is performed under the Company’s internal underwriting guidelines. TDRs are separately identified for impairment disclosures. If a loan is considered to be collateral dependent loan, the TDR is reported, net, at the fair value of the

collateral.

14.

**Centrue Financial Corporation**

## Notes to Unaudited Consolidated Financial Statements

(Table Amounts In Thousands, Except Share Data)

**Note 4. Loans (Continued)**

The following tables present data on impaired loans:

| June 30, 2012                             | Recorded Investment | Unpaid Principal Balance | Related Allowance | Average Recorded Investment | Interest Income Recognized | Cash Basis Interest Recognized |
|---|---------------------|--------------------------|-------------------|-----------------------------|----------------------------|--------------------------------|
| Loans with no related allowance recorded: |                     |                          |                   |                             |                            |                                |
| Commercial                                |                     |                          |                   |                             |                            |                                |
| Closed-end                                | \$ 128              | \$ 142                   | \$ —              | \$ 73                       | \$ 1                       | \$ 1                           |
| Line of credit                            | 45                  | 308                      | —                 | 189                         | —                          | —                              |
| Agricultural & AG RE                      | 25                  | 672                      | —                 | 52                          | —                          | —                              |
| Construction, land & development          | 5,933               | 16,069                   | —                 | 5,680                       | (2 )                       | (2 )                           |
| CRE - all other                           |                     |                          |                   |                             |                            |                                |
| Owner occupied                            | 4,517               | 5,051                    | —                 | 5,054                       | 11                         | 10                             |
| Non-owner occupied                        | 4,704               | 5,212                    | —                 | 7,804                       | 150                        | 124                            |
| 1-4 family residential                    |                     |                          |                   |                             |                            |                                |
| Senior lien                               | 1,148               | 1,788                    | —                 | 1,465                       | 2                          | 2                              |
| Jr. lien & lines of credit                | 219                 | 389                      | —                 | 570                         | 5                          | 4                              |
| Consumer                                  | —                   | —                        | —                 | —                           | —                          | —                              |
| Subtotal                                  | 16,719              | 29,631                   | —                 | 20,887                      | 167                        | 139                            |
| Loans with an allowance recorded:         |                     |                          |                   |                             |                            |                                |
| Commercial                                |                     |                          |                   |                             |                            |                                |
| Closed-end                                | \$ 2,429            | \$ 2,429                 | \$ 698            | \$ 1,816                    | \$ 54                      | \$ 55                          |
| Line of credit                            | 1,172               | 1,172                    | —                 | 1,143                       | —                          | (10 )                          |
| Agricultural & AG RE                      | 60                  | 60                       | 9                 | 20                          | —                          | —                              |
| Construction, land & development          | 12,407              | 17,419                   | 2,272             | 17,046                      | 9                          | 8                              |
| CRE - all other                           |                     |                          |                   |                             |                            |                                |
| Owner occupied                            | 11,140              | 11,595                   | 2,445             | 13,319                      | 289                        | 233                            |
| Non-owner occupied                        | 9,770               | 10,531                   | 2,168             | 10,093                      | 72                         | 58                             |
| 1-4 family residential                    |                     |                          |                   |                             |                            |                                |
| Senior lien                               | 7,340               | 7,540                    | 1,234             | 7,729                       | 226                        | 217                            |
| Jr. lien & lines of credit                | 623                 | 770                      | 406               | 483                         | 10                         | 10                             |
| Consumer                                  | 5                   | 5                        | —                 | 4                           | —                          | —                              |



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|             |           |           |          |           |        |        |
|-------------|-----------|-----------|----------|-----------|--------|--------|
| Subtotal    | 44,946    | 51,521    | 9,232    | 51,653    | 660    | 571    |
| Total       | \$ 61,665 | \$ 81,152 | \$ 9,232 | \$ 72,540 | \$ 827 | \$ 710 |
| Commercial  | \$ 52,330 | \$ 70,660 | \$ 7,592 | \$ 62,289 | \$ 584 | \$ 477 |
| Residential | \$ 9,330  | \$ 10,487 | \$ 1,640 | \$ 10,247 | \$ 243 | \$ 233 |
| Consumer    | \$ 5      | \$ 5      | \$ —     | \$ 4      | \$ —   | \$ —   |

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**Centrue Financial Corporation**

## Notes to Unaudited Consolidated Financial Statements

**(Table Amounts In Thousands, Except Share Data)****Note 4. Loans (Continued)**

| December 31, 2011                         | Recorded<br>Investment | Unpaid<br>Principal<br>Balance | Related<br>Allowance | Average<br>Recorded<br>Investment | Interest<br>Income<br>Recognized | Cash Basis<br>Interest<br>Recognized |   |
|---|------------------------|--------------------------------|----------------------|-----------------------------------|----------------------------------|--------------------------------------|---|
| Loans with no related allowance recorded: |                        |                                |                      |                                   |                                  |                                      |   |
| Commercial                                |                        |                                |                      |                                   |                                  |                                      |   |
| Closed-end                                | \$ 28                  | \$ 28                          | \$ —                 | \$ 53                             | \$ 1                             | \$ 1                                 |   |
| Line of credit                            | 45                     | 308                            | —                    | 550                               | —                                | —                                    |   |
| Agricultural & AG RE                      | 65                     | 682                            | —                    | 62                                | 3                                | 3                                    |   |
| Construction, land & development          | 4,453                  | 14,583                         | —                    | 10,066                            | 58                               | 58                                   |   |
| CRE - all other                           |                        |                                |                      |                                   |                                  |                                      |   |
| Owner occupied                            | 4,738                  | 5,417                          | —                    | 6,284                             | 44                               | 41                                   |   |
| Non-owner occupied                        | 7,749                  | 8,656                          | —                    | 11,933                            | 442                              | 416                                  |   |
| 1-4 family residential                    |                        |                                |                      |                                   |                                  |                                      |   |
| Senior lien                               | 1,108                  | 1,576                          | —                    | 2,198                             | 37                               | 37                                   |   |
| Jr. lien & lines of credit                | 683                    | 799                            | —                    | 697                               | 17                               | 16                                   |   |
| Consumer                                  | —                      | —                              | —                    | —                                 | —                                | —                                    |   |
| Subtotal                                  | 18,869                 | 32,049                         | —                    | 31,843                            | 602                              | 572                                  |   |
| Loans with an allowance recorded:         |                        |                                |                      |                                   |                                  |                                      |   |
| Commercial                                |                        |                                |                      |                                   |                                  |                                      |   |
| Closed-end                                | \$ 1,213               | \$ 1,213                       | \$ 449               | \$ 1,380                          | \$ 84                            | \$ 84                                |   |
| Line of credit                            | 1,177                  | 1,177                          | 266                  | 2,337                             | 25                               | 14                                   |   |
| Agricultural & AG RE                      | —                      | —                              | —                    | 1,039                             | —                                | —                                    |   |
| Construction, land & development          | 19,609                 | 30,053                         | 2,228                | 19,749                            | (26                              | ) (27                                | ) |
| CRE - all other                           |                        |                                |                      |                                   |                                  |                                      |   |
| Owner occupied                            | 14,851                 | 15,204                         | 3,678                | 13,152                            | 850                              | 773                                  |   |
| Non-owner occupied                        | 8,803                  | 11,142                         | 1,533                | 11,632                            | 383                              | 353                                  |   |
| 1-4 family residential                    |                        |                                |                      |                                   |                                  |                                      |   |
| Senior lien                               | 8,396                  | 8,580                          | 1,391                | 8,062                             | 693                              | 677                                  |   |
| Jr. lien & lines of credit                | 375                    | 482                            | 200                  | 386                               | 9                                | 9                                    |   |
| Consumer                                  | 6                      | 6                              | 5                    | 4                                 | —                                | —                                    |   |
| Subtotal                                  | 54,430                 | 67,857                         | 9,750                | 57,741                            | 2,018                            | 1,883                                |   |
| Total                                     | \$ 73,299              | \$ 99,906                      | \$ 9,750             | \$ 89,584                         | \$ 2,620                         | \$ 2,455                             |   |

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|             |           |           |          |           |          |          |
|-------------|-----------|-----------|----------|-----------|----------|----------|
| Commercial  | \$ 62,731 | \$ 88,463 | \$ 8,154 | \$ 78,237 | \$ 1,864 | \$ 1,716 |
| Residential | \$ 10,562 | \$ 11,437 | \$ 1,591 | \$ 11,343 | \$ 756   | \$ 739   |
| Consumer    | \$ 6      | \$ 6      | \$ 5     | \$ 4      | \$ —     | \$ —     |

Due to the economic conditions facing many of its customers, the Company determined that there were \$22.3 million and \$28.6 million of loans that were classified as impaired but were considered to be performing loans at June 30, 2012 and December 31, 2011, respectively.

16.

**Centrue Financial Corporation**

Notes to Unaudited Consolidated Financial Statements

**(Table Amounts In Thousands, Except Share Data)****Note 4. Loans (Continued)**

The following tables represent activity related to loan portfolio aging:

| June 30, 2012                    | 30 - 59<br>Days<br>Past<br>Due | 60 -<br>89<br>Days<br>Past<br>Due | 90 Days<br>Past Due or<br>Nonaccrual | Total<br>Past<br>Due | Current   | Total<br>Loans |
|----------------------------------|--------------------------------|-----------------------------------|--------------------------------------|----------------------|-----------|----------------|
| Commercial                       |                                |                                   |                                      |                      |           |                |
| Closed-end                       | \$227                          | \$81                              | \$ 1,554                             | \$1,862              | \$27,081  | \$28,943       |
| Line of credit                   | —                              | —                                 | 1,216                                | 1,216                | 32,538    | 33,754         |
| Agricultural & AG RE             | 3                              | —                                 | 85                                   | 88                   | 38,330    | 38,418         |
| Construction, land & development | —                              | 24                                | 18,082                               | 18,106               | 17,512    | 35,618         |
| CRE - all other                  |                                |                                   |                                      |                      |           |                |
| Owner occupied                   | 917                            | 123                               | 6,472                                | 7,512                | 123,681   | 131,193        |
| Non-owner occupied               | 1,191                          | —                                 | 7,296                                | 8,487                | 158,707   | 167,194        |
| 1-4 family residential           |                                |                                   |                                      |                      |           |                |
| Senior lien                      | 549                            | 454                               | 4,434                                | 5,437                | 75,616    | 81,053         |
| Jr. lien & lines of credit       | 667                            | 110                               | 651                                  | 1,428                | 47,771    | 49,199         |
| Consumer                         | 12                             | —                                 | —                                    | 12                   | 2,524     | 2,536          |
| Total                            | \$3,566                        | \$792                             | \$ 39,790                            | \$44,148             | \$523,760 | \$567,908      |

| December 31, 2011                | 30 - 59<br>Days<br>Past<br>Due | 60 - 89<br>Days<br>Past<br>Due | 90 Days<br>Past Due or<br>Nonaccrual | Total<br>Past<br>Due | Current  | Total<br>Loans |
|----------------------------------|--------------------------------|--------------------------------|--------------------------------------|----------------------|----------|----------------|
| Commercial                       |                                |                                |                                      |                      |          |                |
| Closed-end                       | \$1,183                        | \$—                            | \$ 95                                | \$1,278              | \$30,578 | \$31,856       |
| Line of credit                   | —                              | 43                             | 1,222                                | 1,265                | 30,861   | 32,126         |
| Agricultural & AG RE             | —                              | —                              | 65                                   | 65                   | 39,063   | 39,128         |
| Construction, land & development | —                              | 472                            | 23,738                               | 24,210               | 17,798   | 42,008         |
| CRE - all other                  |                                |                                |                                      |                      | —        |                |
| Owner occupied                   | 2,477                          | 1,357                          | 8,633                                | 12,467               | 119,144  | 131,611        |
| Non-owner occupied               | 3,207                          | 3,000                          | 6,572                                | 12,779               | 143,678  | 156,457        |

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|                            |          |         |           |          |           |           |
|----------------------------|----------|---------|-----------|----------|-----------|-----------|
| 1-4 family residential     |          |         |           |          | —         |           |
| Senior lien                | 2,832    | 691     | 3,588     | 7,111    | 88,093    | 95,204    |
| Jr. lien & lines of credit | 738      | 151     | 806       | 1,695    | 49,868    | 51,563    |
| Consumer                   | 10       | —       | 4         | 14       | 2,428     | 2,442     |
| Total                      | \$10,447 | \$5,714 | \$ 44,723 | \$60,884 | \$521,511 | \$582,395 |

17.

**Centrue Financial Corporation**

Notes to Unaudited Consolidated Financial Statements

**(Table Amounts In Thousands, Except Share Data)****Note 4. Loans (Continued)**

The following table represents data for nonaccrual loans:

|                                  | For the period<br>ended |                         |
|----------------------------------|-------------------------|-------------------------|
|                                  | June 30,<br>2012        | December<br>31,<br>2011 |
| Commercial                       |                         |                         |
| Closed-end                       | \$1,554                 | \$ 95                   |
| Line of credit                   | 1,216                   | 1,222                   |
| Agricultural & AG RE             | 85                      | 65                      |
| Construction, land & development | 18,082                  | 23,738                  |
| CRE - all other                  |                         |                         |
| Owner occupied                   | 6,472                   | 8,633                   |
| Non-owner occupied               | 7,296                   | 6,572                   |
| 1-4 family residential           |                         |                         |
| Senior lien                      | 4,434                   | 3,588                   |
| Jr. lien & lines of credit       | 651                     | 806                     |
| Consumer                         | —                       | 4                       |
| Total                            | \$39,790                | \$ 44,723               |

Nonaccrual loans include both smaller balance homogeneous loans that are collectively evaluated for impairment and individually classified impaired loans.

**Note 5. Share Based Compensation**

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

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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 and are available for issuance upon the exercise of options and rights granted under the 2003 Option Plan. The options have an exercise period of seven to ten years from the date of grant. There are 66,000 shares available to grant under this plan.

A summary of the status of the option plans as of June 30, 2012, and changes during the period ended on those dates is presented below:

|                                | June 30, 2012 |                                    | Weighted-Average              | Aggregate          |
|--------------------------------|---------------|------------------------------------|-------------------------------|--------------------|
|                                | Shares        | Weighted-Average<br>Exercise Price | Remaining<br>Contractual Life | Intrinsic<br>Value |
| Outstanding at January 1, 2012 | 328,438       |                                    |                               |                    |