

Edgar Filing: CENTRUE FINANCIAL CORP - Form 10-Q

CENTRUE FINANCIAL CORP  
Form 10-Q  
August 10, 2007

=====

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, 2007  
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)

122 West Madison Street, Ottawa, Illinois 61350  
(Address of principal executive offices including zip code)

(815) 431-2720  
(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  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. Large accelerated filer  Accelerated filer  Non-accelerated filer .

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b 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 10, 2007
----- Common Stock, Par Value \$1.00	----- 6,363,922

=====

CENTRUE FINANCIAL CORPORATION  
FORM 10-Q INDEX  
JUNE 30, 2007

PAGE  
-----

## Edgar Filing: CENTRUE FINANCIAL CORP - Form 10-Q

PART I.	FINANCIAL INFORMATION	
Item 1.	Financial Statements	
	o Unaudited Consolidated Balance Sheets.....	1
	o Unaudited Consolidated Statements of Income and Comprehensive Income .....	2
	o Unaudited Consolidated Statements of Cash Flows.....	4
	o Notes to Unaudited Consolidated Financial Statements.....	5
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations.....	16
Item 3.	Quantitative and Qualitative Disclosures About Market Risk.....	31
Item 4.	Controls and Procedures .....	32
PART II.	OTHER INFORMATION	
Item 1.	Legal Proceedings.....	33
Item 1A.	Risk Factors.....	33
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds.....	33
Item 3.	Defaults Upon Senior Securities.....	33
Item 4.	Submission of Matters to a Vote of Security Holders.....	34
Item 5.	Other Information.....	34
Item 6.	Exhibits.....	34
SIGNATURES.....		35

CENTRUE FINANCIAL CORPORATION

PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

UNAUDITED CONSOLIDATED BALANCE SHEETS

June 30, 2007 and December 31, 2006 (In Thousands, Except Share Data)

	June 30, 2007	December 31, 2006
	-----	-----
ASSETS		
Cash and cash equivalents	\$ 50,387	\$ 40,195
Securities available-for-sale	276,710	298,692
Loans	912,168	836,944
Allowance for loan losses	(10,828)	(10,835)
	-----	-----
Net loans	901,340	826,109
Cash surrender value of life insurance	26,393	25,904

Edgar Filing: CENTRUE FINANCIAL CORP - Form 10-Q

Mortgage servicing rights	3,309	3,510
Premises and equipment, net	35,950	35,403
Goodwill	25,439	25,396
Intangible assets, net	12,154	12,733
Other real estate	6,568	2,136
Other assets	15,136	12,947
	-----	-----
Total assets	\$ 1,353,386	\$ 1,283,025
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Deposits		
Non-interest-bearing	\$ 130,701	\$ 125,585
Interest-bearing	957,421	901,025
	-----	-----
Total deposits	1,088,122	1,026,610
Federal funds purchased and securities sold under agreements to repurchase	45,370	36,319
Advances from the Federal Home Loan Bank	57,731	63,147
Notes payable	10,917	9,015
Series B mandatory redeemable preferred stock	831	831
Subordinated debentures	20,620	20,620
Other liabilities	11,728	8,292
	-----	-----
Total liabilities	1,235,319	1,164,834
	-----	-----
Stockholders' equity		
Series A convertible preferred stock	500	500
Common stock	7,434	7,412
Surplus	70,817	70,460
Retained earnings	55,162	52,469
Accumulated other comprehensive (loss) income	(793)	235
	-----	-----
	133,120	131,076
Treasury stock, at cost	(15,053)	(12,885)
	-----	-----
Total stockholders' equity	118,067	118,191
	-----	-----
Total liabilities and stockholders' equity	\$ 1,353,386	\$ 1,283,025
	=====	=====

See Accompanying Notes to Unaudited Financial Statements

-----  
1.

-----  
CENTRUE FINANCIAL CORPORATION  
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME  
Three and Six Months Ended June 30, 2007 and 2006  
(In Thousands, Except Per Share Data)  
-----

-----  
Three months Ended  
June 30,  
-----

-----  
Six Months En  
June 30,  
-----

Edgar Filing: CENTRUE FINANCIAL CORP - Form 10-Q

	2007	2006	2007	
	-----	-----	-----	-----
Interest income				
Loans	\$ 16,917	\$ 7,194	\$ 32,963	\$
Securities				
Taxable	3,182	2,027	6,472	
Exempt from federal income taxes	381	210	763	
Federal funds sold and other	173	45	268	
	-----	-----	-----	-----
Total interest income	20,653	9,476	40,466	
Interest expense				
Deposits	9,443	3,845	18,260	
Federal funds purchased and securities sold				
under agreements to repurchase	463	51	873	
Advances from the Federal Home Loan Bank	628	455	1,273	
Series B Mandatory Redeemable	12	13	25	
Subordinated debentures	451	-	898	
Notes payable	165	160	323	
	-----	-----	-----	-----
Total interest expense	11,162	4,524	21,652	
Net interest income	9,491	4,952	18,814	
Provision for loan losses	226	(300)	226	
	-----	-----	-----	-----
Net interest income after				
Provision for loan losses	9,265	5,252	18,588	
Noninterest income				
Service charges	1,969	495	3,552	
Trust income	232	199	461	
Mortgage banking income	449	281	883	
Brokerage commissions and fees	104	88	230	
Bank owned life insurance (BOLI)	247	137	488	
Securities gains (losses), net	(33)	(89)	(33)	
Gain on sale of OREO	491	-	588	
Other income	735	252	1,279	
	-----	-----	-----	-----
	4,194	1,363	7,448	
Noninterest expenses				
Salaries and employee benefits	5,144	2,359	10,292	
Occupancy expense, net	1,019	215	1,960	
Furniture and equipment expense	627	616	1,322	
Marketing	221	96	413	
Supplies and printing	156	65	337	
Telephone	210	118	388	
Other real estate owned expense	38	2	41	
Amortization of intangible assets	591	31	1,212	
Other expenses	1,840	1,300	3,829	
	-----	-----	-----	-----
	9,846	4,802	19,794	
	-----	-----	-----	-----

See Accompanying Notes to Unaudited Financial Statements

Edgar Filing: CENTRUE FINANCIAL CORP - Form 10-Q

UNAUDITED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME  
 Three and Six Months Ended June 30, 2007 and 2006  
 (In Thousands, Except Per Share Data)

	Three months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Income from continuing operations				
before income taxes	3,613	1,813	6,242	
Income taxes	1,107	522	1,837	
Income from continuing operations	2,506	1,291	4,405	
DISCONTINUED OPERATIONS:				
Gain (loss) from discontinued operations	-	5	-	
Income tax benefit	-	2	-	
Gain (loss) on discontinued operations	-	3	-	
Net income	2,506	1,294	4,405	
Preferred stock dividends	52	52	104	
Net income for common stockholders	\$ 2,454	\$ 1,242	\$ 4,301	\$
Basic earnings per share from continuing operations	\$ 0.38	\$ 0.33	\$ 0.67	\$
Diluted earnings per share from continuing operations	\$ 0.38	\$ 0.32	\$ 0.66	\$
Basic earnings per share from discontinued operations	\$ -	\$ -	\$ -	\$
Diluted earnings per share from discontinued operations	\$ -	\$ -	\$ -	\$
Basic earnings per common share	\$ 0.38	\$ 0.33	\$ 0.67	\$
Diluted earnings per common share	\$ 0.38	\$ 0.32	\$ 0.66	\$
TOTAL COMPREHENSIVE INCOME:				
Net Income	\$ 2,506	\$ 1,294	\$ 4,405	\$
Change in unrealized gains (losses) on available for sale securities	(1,201)	(943)	(1,028)	
Other comprehensive income	\$ 1,305	\$ 351	\$ 3,377	\$

See Accompanying Notes to Unaudited Financial Statements

Edgar Filing: CENTRUE FINANCIAL CORP - Form 10-Q

3.

CENTRUE FINANCIAL CORPORATION  
 UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS  
 Six Months Ended June 30, 2007 and 2006 (In Thousands)

	Six Months End June 30,	
	----- 2007 -----	
Cash flows from operating activities		
Net income	\$	4,405
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation		789
Amortization of intangible assets		1,212
Amortization of mortgage servicing rights, net		201
Amortization of bond premiums, net		109
Stock option expense		63
Federal Home Loan Bank stock dividend		(36)
Provision for loan losses		226
Provision for deferred income taxes		(3,778)
Tax benefit related to exercised options		(122)
Increase in cash surrender value		(489)
Loss on sale of securities		33
Gain (loss) on sale of loans		(634)
(Gain) loss on sale of OREO acquired in settlement of loans		(588)
Proceeds from sales of loans held for sale		43,149
Origination of loans held for sale		(44,316)
Change in assets and liabilities		
Decrease (increase) in other assets		2,271
Increase (decrease) in other liabilities		3,126
		-----
Net cash provided by operating activities		5,621
Cash flows from investing activities		
Securities available-for-sale		
Proceeds from maturities and paydowns		22,627
Proceeds from sales		2,497
Purchases		(4,557)
Purchase of loans		-
Net (increase) decrease in loans		(81,374)
Purchase of premises and equipment		(1,336)
Sale of branch		-
Purchase of charter		(633)
Proceeds from sale of OREO acquired in settlement of loans		3,874
		-----
Net cash provided by (used in) investing activities		(58,902)
Cash flows from financing activities		
Net increase (decrease) in deposits		61,502
Net increase in federal funds purchased and securities sold under agreements to repurchase		9,051
Payments on notes payable		(348)
Proceeds from notes payable		2,250
Net increase (decrease) in advances from the Federal Home Loan Bank		(5,416)
Dividends on common stock		(1,610)
Dividends on preferred stock		(104)

Edgar Filing: CENTRUE FINANCIAL CORP - Form 10-Q

Proceeds from exercise of stock options	316	
Purchase of treasury stock	(2,168)	
	-----	-----
Net cash provided by (used in) financing activities	63,473	
	-----	-----
Net increase (decrease) in cash and cash equivalents	10,192	
Cash and cash equivalents		
Beginning of period	40,195	
	-----	-----
End of period	\$ 50,387	\$
	=====	=====
Supplemental disclosures of cash flow information		
Cash payments for		
Interest	\$ 21,751	\$
Income taxes	-	
Transfers from loans to other real estate owned	7,718	

See Accompanying Notes to Unaudited Financial Statements

-----  
4.

CENTRUE FINANCIAL CORPORATION  
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS  
(In Thousands, Except Per Share Data)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Centrue Financial Corporation (the "Company") is a bank holding company for Centrue Bank. During the fourth quarter of 2006, the former UnionBancorp completed its merger with Centrue Financial Corporation with UnionBancorp being the surviving entity in this merger. Upon completion of the merger, UnionBancorp changed its name to Centrue Financial Corporation. The accompanying unaudited interim consolidated financial statements of Centrue Financial Corporation (the "Company") 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. Actual results could differ from those estimates. Certain 2006 amounts have been reclassified to conform to the 2007 presentation.

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, 2006. The annualized results of operations during the three and six months ended June 30, 2007 are not necessarily indicative of the results expected for the year ending December 31, 2007. All financial information is in thousands (000's), except shares and per share data. The consolidated financial statements reflect the results of the Company's insurance unit of the Wealth Management segment as a discontinued operation as described in Note 8.

NOTE 2. EARNINGS PER SHARE

Edgar Filing: CENTRUE FINANCIAL CORP - Form 10-Q

Basic earnings per share for the three and six months ended June 30, 2007 and 2006 were computed by dividing net income by the weighted average number of shares outstanding. Diluted earnings per share for the three and six months ended June 30, 2007 and 2006 were computed by dividing net income by the weighted average number of shares outstanding, adjusted for the dilutive effect of the stock options. Computations for basic and diluted earnings per share are provided below:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
<b>BASIC EARNINGS PER COMMON SHARE</b>				
Net income				
available to common shareholders	\$ 2,454	\$ 1,242	\$ 4,301	\$ 2,142
Weighted average common shares outstanding	6,414	3,743	6,438	3,743
Basic Earnings Per Common Share	\$ 0.38	\$ 0.33	\$ 0.67	\$ 0.57
<b>DILUTED EARNINGS PER COMMON SHARE</b>				
Weighted average common shares outstanding	6,414	3,743	6,438	3,743
Add: dilutive effect of assumed exercised stock options	36	94	34	94
Weighted average common and dilutive Potential shares outstanding	6,450	3,837	6,472	3,837
Diluted Earnings Per Common Share	\$ 0.38	\$ 0.32	\$ 0.66	\$ 0.57

5.

CENTRUE FINANCIAL CORPORATION  
 NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS  
 (In Thousands, Except Per Share Data)

NOTE 2. EARNINGS PER SHARE (continued)

There were approximately 321,200 and 60,000 options outstanding at June 30, 2007 and 2006, respectively that were not included in the computation of diluted earnings per share. These options were antidilutive since the exercise prices were greater than the average market price of the common stock.

NOTE 3. SECURITIES

The Company's consolidated securities portfolio, which represented 24.0% of the Company's 2007 second quarter average earning asset base, is managed to minimize interest rate risk, maintain sufficient liquidity and maximize return. All of the Company's securities are classified as available-for-sale and are carried at fair value. The Company does not have any securities classified as trading or



Edgar Filing: CENTRUE FINANCIAL CORP - Form 10-Q

held-to-maturity.

The following table describes the fair value, gross unrealized gains and losses of securities available-for-sale at June 30, 2007 and December 31, 2006, respectively:

	June 30, 2007			P
	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses	
U.S. government agencies	\$ 120,669	\$ 33	\$ (695)	
States and political subdivisions	41,593	197	(374)	
U.S. government mortgage-backed securities	56,131	282	(396)	
Collateralized mortgage obligations	25,257	-	(367)	
Equity securities	27,326	310	-	
Corporate	5,734	4	(20)	
	-----	-----	-----	
	\$ 276,710	\$ 826	\$ (1,852)	
	=====	=====	=====	

	December 31, 2006			P
	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses	
U.S. government agencies	\$ 126,039	\$ 308	\$ (245)	
States and political subdivisions	41,471	329	(9)	
U.S. government mortgage-backed securities	69,579	253	(393)	
Collateralized mortgage obligations	27,237	44	(77)	
Equity securities	25,602	171	-	
Corporate	8,764	16	(13)	
	-----	-----	-----	
	\$ 298,692	\$ 1,121	\$ (737)	
	=====	=====	=====	

Management does not believe any individual unrealized losses as of June 30, 2007, identified in the preceding tables represent other-than-temporary impairment. These unrealized losses are primarily attributable to changes in the interest rates. The Company has both the intent and ability to hold each of the securities shown in the table for the time necessary to recover its amortized cost. The unrealized loss on the available for sale securities is included, net of tax, in other comprehensive income.

6.

CENTRUE FINANCIAL CORPORATION  
 NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS  
 (In Thousands, Except Per Share Data)

Edgar Filing: CENTRUE FINANCIAL CORP - Form 10-Q

NOTE 3. SECURITIES (continued)

Sales of securities available-for-sale were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Proceeds	\$ 2,497	\$ 16,594	\$ 2,497	\$ 16,594
Realized gains	\$ 4	\$ 17	\$ 4	\$ 17
Realized losses	\$ (37)	\$ (106)	\$ (37)	\$ (106)

NOTE 4. LOANS

The following table describes the composition of loans by major categories outstanding as of June 30, 2007 and December 31, 2006, respectively:

	June 30, 2007		December 31, 2006	
	\$	%	\$	%
Commercial	\$ 154,924	16.98%	\$ 154,829	16.98%
Agricultural	21,763	2.39	23,118	2.39
Real estate:				
Commercial mortgages	351,919	38.58	274,909	38.58
Construction	138,174	15.15	116,608	15.15
Agricultural	24,726	2.71	27,624	2.71
1-4 family mortgages	208,689	22.88	226,884	22.88
Installment	10,985	1.20	11,998	1.20
Other	988	0.11	974	0.11
Total loans	912,168	100.00%	836,944	100.00%
Allowance for loan losses	(10,828)		(10,835)	
Loans, net	\$ 901,340		\$ 826,109	

The following table presents data on impaired loans:

	June 30, 2007	December 31, 2006
Impaired loans for which an allowance has been provided	\$ 6,481	\$ 6,481
Impaired loans for which no allowance has been provided	4,698	4,698
Total loans determined to be impaired	\$ 11,179	\$ 11,179
Allowance for loan loss for impaired loans included		

Edgar Filing: CENTRUE FINANCIAL CORP - Form 10-Q

in the allowance for loan losses \$ 1,542

7.

CENTRUE FINANCIAL CORPORATION  
 NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS  
 (In Thousands, Except Per Share Data)

NOTE 4. LOANS (continued)

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 collectibility 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 conducts a quarterly evaluation as to the adequacy of the allowance for loan losses. Transactions in the allowance for loan losses for the three and six months ended June 30, 2007 and 2006 are summarized below:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Beginning balance	\$ 10,607	\$ 7,506	\$ 10,835	\$ 10,835
Charge-offs	(191)	(651)	(689)	(689)
Recoveries	186	293	456	456
Provision for loan losses	226	(300)	226	226
Ending balance	\$ 10,828	\$ 6,848	\$ 10,828	\$ 10,828
Period end total loans, net of unearned interest	\$ 912,168	\$ 403,455	\$ 912,168	\$ 912,168
Average loans	\$ 883,151	\$ 407,360	\$ 870,129	\$ 870,129
Ratio of net charge-offs to average loans	0.00%	0.09%	0.03%	0.03%
Ratio of provision for loan losses to average loans	0.03%	(0.07)%	0.03%	0.03%
Ratio of allowance for loan losses to ending total loans	1.19%	1.70%	1.19%	1.19%
Ratio of allowance for loan losses to total nonperforming loans	241.05%	244.05%	241.05%	241.05%
Ratio of allowance at end of period to average loans	1.23%	1.68%	1.24%	1.24%

8.

CENTRUE FINANCIAL CORPORATION  
 NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS  
 (In Thousands, Except Per Share Data)

NOTE 5. STOCK OPTION PLANS

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.

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, as amended on April 24, 2007, 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 ten years from the date of grant. There are 455,000 shares available for grant under this plan.

In addition to the Company plans described above, in conjunction with the merger, all outstanding options of the former Centrue Financial were converted into options to acquire Company common stock, as adjusted for the exchange ratio. Following the merger, no additional options are issuable under any of the former Centrue plans.

The fair value of each option award is estimated on the date of grant using a closed option valuation (Black-Scholes) model that uses the assumptions noted in the table below. Expected volatilities are based on historic 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. The fair value of options granted was determined using the following weighted-average assumptions as of the grant date:

	June 30, 2007	December 31, 2006
Fair value	\$ 4.62	\$ 4.81
Risk-free interest rate	4.92%	4.95%
Expected option life (years)	6	6
Expected stock price volatility	23.70%	23.45%
Dividend yield	2.70%	2.47%

CENTRUE FINANCIAL CORPORATION  
 NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS  
 (In Thousands, Except Per Share Data)

NOTE 5. STOCK OPTION PLANS (continued)

A summary of the status of the option plans as of June 30, 2007, and changes during the period ended on those dates is presented below:

	June 30, 2007			
	Shares	Weighted- Average Exercise Price	Weighted- Average Remaining Contractual Life	Ag In
Outstanding at beginning of period	494,424	\$ 18.61		
Granted	58,000	19.27		
Exercised	(21,900)	14.44		
Forfeited	(2,500)	16.06		
Outstanding at end of period	528,024	\$ 16.72	4.3 years	\$
Options exercisable at period end	438,024	\$ 18.73	4.6 years	\$

Options outstanding at June 30, 2007 and December 31, 2006 were as follows:

Range of Exercise Prices	Outstanding		Exercisabl	
	Number	Weighted Average Remaining Contractual Life	Number	W A E
<b>JUNE 30, 2007:</b>				
\$ 11.25 - \$ 13.00	46,381	3.1 years	46,381	
13.88 - 18.50	147,443	3.6 years	147,443	
20.30 - 23.29	334,200	4.7 years	244,200	
	528,024	4.3 years	438,024	\$
<b>DECEMBER 31, 2006:</b>				
\$ 7.25 - \$ 9.75	7,000	0.2 years	7,000	\$
11.25 - 13.00	53,931	3.4 years	53,931	
13.88 - 18.50	157,293	4.1 years	157,293	

Edgar Filing: CENTRUE FINANCIAL CORP - Form 10-Q

20.30 - 23.29	276,200	6.1 years	244,200	
	-----	-----	-----	-----
	494,424	5.1 years	462,424	\$
	=====	=====	=====	=====

10.

CENTRUE FINANCIAL CORPORATION  
 NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS  
 (In Thousands, Except Per Share Data)

NOTE 5. STOCK OPTION PLANS (continued)

Information related to the stock option plan during the quarter ended June 30, 2007 and June 30, 2006 is as follows:

	June 30, 2007	June 30, 2006
	-----	-----
Intrinsic value of options exercised	\$ 75	\$ 174
Cash received from option exercises	316	160
Tax benefit realized from option exercises	122	62

The Company recorded \$69 and \$68 in salaries and employee benefits stock compensation expense during the six months ended June 30, 2007 and 2006.

Unrecognized stock option compensation expense related to unvested awards (net of estimated forfeitures) for the remainder of 2007 and beyond is estimated as follows:

Period	Amount
-----	-----
July, 2007 - December, 2007	\$ 26
2008	63
2009	63
2010	63
2011	63
2012	52
2013	10
	-----
Total	\$ 340
	=====

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's reporting was enhanced so that a line of business (LOB) reporting structure was implemented as of January 1, 2005. The reportable segments are determined by the products and services offered, primarily distinguished between retail, commercial, treasury, wealth management, and operations & other. Loans, and deposits generate the revenues in the commercial segments; deposits, loans,

Edgar Filing: CENTRUE FINANCIAL CORP - Form 10-Q

secondary mortgage sales and servicing generates the revenue in the retail segment; investment income generates the revenue in the treasury segment; brokerage, and trust services generate the revenue in the wealth management segment (formerly known as the financial services segment); and holding company services and discontinued operations associated with the sale of the insurance unit 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. With the sale of the insurance unit, the results for insurance were classified into the Other Operations segment from the Wealth Management segment.

11.

CENTRUE FINANCIAL CORPORATION  
 NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS  
 (In Thousands, Except Per Share Data)

NOTE 7. SEGMENT INFORMATION (continued)

The merger with the former Centrue became effective on November 13, 2006, and as such, the results for the former Centrue Bank are presented as a stand alone segment ("Other Banking") since comparable discrete financial information is not available for the results of this segment on the same reporting basis as the rest of the Company.

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

	Three Months Ended, June 30, 2007				
	Retail Segment	Commercial Segment	Treasury Segment	Wealth Management	Other Operation
Net interest income (loss)	\$ 1,836	\$ 3,176	\$ 885	\$ 69	\$ (1,255)
Other revenue	1,140	147	(35)	391	20
Other expense	1,282	558	60	343	2,491
Noncash items					
Depreciation	182	3	-	3	26
Provision for loan losses	-	-	-	-	-
Other intangibles	-	-	-	1	-
Net allocations	1,126	1,197	109	126	(2,555)
Income tax expense	(36)	489	132	(56)	(9)
Segment profit (loss)	422	1,076	549	43	(1,165)
Goodwill	2,546	2,648	-	1,178	-
Segment assets	124,632	350,892	184,022	2,342	-

	Three Months Ended, June 30, 2006				
	Retail	Commercial	Treasury	Wealth	Other

Edgar Filing: CENTRUE FINANCIAL CORP - Form 10-Q

	Segment	Segment	Segment	Management	Operation
	-----	-----	-----	-----	-----
Net interest income (loss)	\$ 1,926	\$ 3,126	\$ 86	\$ 50	\$ (23)
Other revenue	908	110	(89)	565	20
Other expense	1,497	523	63	710	1,84
Noncash items					
Depreciation	200	3	-	35	21
Provision for loan losses	(100)	(200)	-	-	-
Other intangibles	-	-	-	15	2
Net allocations	624	1,256	158	833	(2,27)
Income tax expense	207	540	(146)	(128)	5
Segment profit (loss)	406	1,114	(78)	(250)	10
Goodwill	2,512	2,631	-	1,820	-
Segment assets	91,575	326,048	209,259	3,575	20,14

12.

CENTRUE FINANCIAL CORPORATION  
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS  
(In Thousands, Except Per Share Data)

NOTE 7. SEGMENT INFORMATION (continued)

	Six Months Ended, June 30, 2007				
	Retail Segment	Commercial Segment	Treasury Segment	Wealth Management	Other Operation
	-----	-----	-----	-----	-----
Net interest income (loss)	\$ 3,614	\$ 6,360	\$ 1,009	\$ 135	\$ (1,73)
Other revenue	2,024	251	(35)	775	37
Other expense	2,694	1,168	123	744	4,74
Noncash items					
Depreciation	398	6	-	8	50
Provision for loan losses	-	-	-	-	-
Other intangibles	-	-	-	2	-
Net allocations	1,969	2,628	283	310	(5,19)
Income tax expense	24	895	31	(103)	(17)
Segment profit (loss)	553	1,914	537	(51)	(1,24)
Goodwill	2,546	2,648	-	1,178	-
Segment assets	124,632	350,892	184,022	2,342	-

	Six Months Ended, June 30, 2006				
	Retail Segment	Commercial Segment	Treasury Segment	Wealth Management	Other Operation
	-----	-----	-----	-----	-----
Net interest income (loss)	\$ 3,908	\$ 6,389	\$ 216	\$ 106	\$ (48)
Other revenue	1,758	221	(88)	1,198	36



Edgar Filing: CENTRUE FINANCIAL CORP - Form 10-Q

Other expense	2,936	1,167	131	1,374	3,83
Noncash items					
Depreciation	443	6	-	73	40
Provision for loan losses	25	(1,125)	-	-	
Other intangibles	-	-	-	30	5
Net allocations	1,471	2,469	318	466	(4,72
Income tax expense	264	1,389	(252)	(215)	10
Segment profit (loss)	527	2,704	(69)	(424)	20
Goodwill	2,512	2,613	-	1,820	
Segment assets	91,575	326,048	209,259	3,575	

NOTE 8. DISCONTINUED OPERATIONS

During the third quarter of 2006, the Company sold the insurance unit from the Wealth Management segment for \$1,200. In accordance with FASB Statement No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("FAS 144") the results of operations of the insurance unit are reflected in the Company's statements of income for the three and six months ended June 30, 2006 as "discontinued operations." Approximately \$1,030 of goodwill and intangibles attributed to the insurance unit on the Company's balance sheet were written off as a result of this transaction and factored into the loss on the sale of the discontinued operations.

-----  
13.

CENTRUE FINANCIAL CORPORATION  
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS  
(In Thousands, Except Per Share Data)  
-----

NOTE 8. DISCONTINUED OPERATIONS (continued)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
	-----	-----	-----	-----
Net interest income	\$ -	\$ (1)	\$ -	\$ -
Noninterest income	-	334	-	-
Noninterest expense	-	328	-	-
	-----	-----	-----	-----
Loss from discontinued operations				
Before income taxes	-	5	-	-
Income Tax / Benefit for taxes	-	2	-	-
	-----	-----	-----	-----
Net gain / (loss) from discontinued operations	\$ -	\$ 3	\$ -	\$ -
	=====	=====	=====	=====

NOTE 9. RECENT ACCOUNTING DEVELOPMENTS

In September 2006, the FASB issued Statement No. 157, "Fair Value Measurements". This Statement defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. This Statement establishes a fair value hierarchy about the assumptions used to measure fair

Edgar Filing: CENTRUE FINANCIAL CORP - Form 10-Q

value and clarifies assumptions about risk and the effect of a restriction on the sale or use of an asset. The standard is effective for fiscal years beginning after November 15, 2007. The Company has not completed its evaluation of the impact of the adoption of this standard.

In February 2006, the FASB issued Statement No. 155, "Accounting for Certain Hybrid Financial Instruments—an amendment to FASB Statements No. 133 and 140". This Statement permits fair value re-measurement for any hybrid financial instruments, clarifies which instruments are subject to the requirements of Statement No. 133, and establishes a requirement to evaluate interests in securitized financial assets and other items. The new standard is effective for financial assets acquired or issued after the beginning of the entity's first fiscal year that begins after September 15, 2006. Adoption of this statement on January 1, 2007 did not have a material impact on the Company's consolidated financial position or results of operations.

In March 2006, the FASB issued Statement No. 156, "Accounting for Servicing of Financial Assets - an amendment of FASB Statement No. 140". This statement provides the following: 1) revised guidance on when a servicing asset and servicing liability should be recognized; 2) requires all separately recognized servicing assets and servicing liabilities to be initially measured at fair value, if practicable; 3) permits an entity to elect to measure servicing assets and servicing liabilities at fair value each reporting date and report changes in fair value in earnings in the period in which the changes occur; 4) upon initial adoption, permits a one-time reclassification of available-for-sale securities to trading securities for securities which are identified as offsetting the entity's exposure to changes in the fair value of servicing assets or liabilities that a servicer elects to subsequently measure at fair value; and 5) requires separate presentation of servicing assets and servicing liabilities subsequently measured at fair value in the statement of financial position and additional footnote disclosure. This standard is effective as of the beginning of an entity's first fiscal year that begins after September 15, 2006, with the effects of initial adoption being reported as a cumulative-effect adjustment to retained earnings. We will continue to carry the mortgage servicing asset at lower of cost or market, reviewing it quarterly for impairment.

In February, 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" ("SFAS 159"). SFAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value. The objective of SFAS 159 is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting principles. It is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007. Early adoption is permitted as of the beginning of a fiscal year that begins on or before November 15, 2007, provided the entity also elects to apply the provisions of SFAS 157. The Company has decided not to early adopt SFAS159 and is currently evaluating the impact of the adoption with respect to its current practice of measuring fair value and disclosure of it in its financial statements.

-----  
14.

CENTRUE FINANCIAL CORPORATION  
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS  
(In Thousands, Except Per Share Data)  
-----

The Company adopted FASB Interpretation No. 48, "Accounting for Uncertainty in

## Edgar Filing: CENTRUE FINANCIAL CORP - Form 10-Q

Income Taxes - An Interpretation of FASB No. 109" ("FIN 48") as of January 1, 2007. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. A tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to follow. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more than likely than not" test, no benefit is recorded. The adoption had no effect on the Company's financial statements.

The Company is subject to U. S. federal income tax as well as income tax for the states of Illinois and Missouri. The Company is no longer subject to examination by taxing authorities for years before 2002. The Company does not expect the total amount of unrecognized tax benefits to significantly increase in the next twelve months.

-----  
15.

CENTRUE FINANCIAL CORPORATION  
ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION  
AND RESULTS OF OPERATIONS  
(In Thousands, Except Per Share Data)  
-----

Centrue Financial Corporation (the "Company") is a bank holding company for Centrue Bank. During the fourth quarter of 2006, the former UnionBancorp completed its merger with Centrue Financial Corporation with UnionBancorp being the surviving entity in this merger. Upon completion of the merger, UnionBancorp changed its name to Centrue Financial Corporation. The following discussion provides an analysis of the Company's results of operations and financial condition for the three and six months ended June 30, 2007 as compared to the same period in 2006. 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. Actual results could differ from those estimates. Certain 2006 amounts have been reclassified to conform to the 2007 presentation.

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, 2006. The annualized results of operations during the three and six months ended June 30, 2007 are not necessarily indicative of the results expected for the year ending December 31, 2007. All financial information is in thousands (000's), except shares and per share data.

### CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported 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 reporting period. By their nature, changes in these assumptions and estimates could significantly affect the Company's financial position or results of operations. Actual results could differ from those estimates. Those critical

## Edgar Filing: CENTRUE FINANCIAL CORP - Form 10-Q

accounting policies that are of particular significance to the Company are discussed in Note 1 of the Company's 2006 Annual Report on Form 10-K.

**Allowance for Loan Losses:** The allowance for loan losses is a valuation allowance for probable incurred credit losses, increased by the provision for loan losses and decreased by charge-offs less recoveries. Management estimates the allowance balance required based on past loan loss experience, the nature and volume of the portfolio, information about specific borrower situations and estimated collateral values, current economic conditions and other factors. Allocations of the allowance may be made for specific loans, but the entire allowance is available for any loan that, in management's judgment, should be charged off. Loan losses are charged against the allowance when management believes that the uncollectibility of a loan balance is confirmed.

**Goodwill and other intangible assets:** Goodwill results from business acquisitions and represents the excess of the purchase price over the fair value of acquired tangible assets and liabilities and identifiable intangible assets. Goodwill is assessed at least annually for impairment and any such impairment will be recognized in the period identified. Other intangible assets consist of core deposit and acquired customer relationship intangible assets arising from whole bank, and branch company acquisitions. They are initially measured at fair value and then are amortized over their estimated useful lives, which is ten years.

**Income taxes:** Deferred tax assets and liabilities are recognized for temporary differences between the financial reporting basis and the tax basis of the Company's assets and liabilities. Deferred taxes are recognized for the estimated taxes ultimately payable or recoverable based on enacted tax laws. Changes in enacted tax rates and laws are reflected in the financial statements in the periods they occur.

-----  
16.

CENTRUE FINANCIAL CORPORATION  
ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION  
AND RESULTS OF OPERATIONS  
(In Thousands, Except Per Share Data)  
-----

### GENERAL

Centrue Financial Corporation is a bank holding company organized under the laws of the state of Delaware. The Company derives most of its revenues and income from the operations of its bank subsidiary, Centrue Bank (the "Bank"), but also derives revenue from the Wealth Management Division of its bank subsidiary. The Company provides a full range of services to individual and corporate customers located in markets to the west and south of suburban Chicago, as well as in east central and northwest Illinois, and in the St. Louis metropolitan area. These products and services include demand, time, and savings deposits; lending; mortgage banking; brokerage services; asset management; and trust services. The Company is subject to competition from other financial institutions, including banks, thrifts and credits unions, as well as 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.

### Second Quarter 2007 Highlights:

- o Second quarter 2007 results included the following nonrecurring items:

## Edgar Filing: CENTRUE FINANCIAL CORP - Form 10-Q

- o \$576 in employment related expenses, including separation costs and a previously announced executive officer contract payment;
  - o \$140 in costs associated with accelerated depreciation related to two branch closings and the core processing computer conversion;
  - o \$491 realized from the gain on sale of property held in other real estate;
  - o The net impact to earnings after taxes was approximately \$146 of additional expense or \$0.02 per diluted share.
- o The loan portfolio increased \$43,639 or 5.0% during the second quarter largely due to growth experienced in the St. Louis market.
- o Several positive asset quality trends were experienced:
- o Action list loans decreased by 31.7% from \$37,600 reported on December 31, 2006 to \$25,700 on June 30, 2007. The change from the first quarter was a decrease by 20.5% or down from \$32,327.
  - o Non-accrual loans decreased by 61.8% from \$11,759 reported on December 31, 2006 to \$4,492 on June 30, 2007. Non-accrual loans declined 52.3% from \$9,416 since March 31, 2007.
  - o The delinquency ratio decreased from 2.44% at 2006 year-end to 1.18% recorded at June 30, 2007. This ratio was 2.03% at March 31, 2007.
- o The net interest margin decreased 7 basis points to 3.30% as compared to the same period in 2006 and 5 basis points from the first quarter of 2007, largely due to the inverted yield curve and competitive pressures in pricing loans and deposits.
- o Excluding the \$716 of charges related to restructuring, noninterest expense levels for the second quarter 2007 reflect a \$1,307 or 12.5% decrease compared to the same period in 2006 for the pro forma combined companies. The former UnionBancorp reported \$5,129 (adjusted for discontinued operations), while the former Centrue reported \$5,308 for a combined total of \$10,437. Excluding the charges related to restructuring, year-to-date noninterest expense levels have decreased \$2,053 or 9.7% as compared to the pro forma combined level of \$21,131 for the same period in 2006.
- o On June 22, 2007, Centrue Financial Corporation was added to the Russell Microcap(R) Index after the Russell Investment Group reconstituted its comprehensive set of U.S. and global equity indexes. The Company will hold its membership until Russell reconstitutes its indexes in June of 2008. The Russell indexes capture the 4,000 largest U.S. stocks, as ranked by total market capitalization. The Russell Microcap is comprised of organizations falling in the lower half of those 4,000 stocks.

---

17.

CENTRUE FINANCIAL CORPORATION  
ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION  
AND RESULTS OF OPERATIONS  
(In Thousands, Except Per Share Data)

---

- o The Company obtained a Missouri bank charter in June and converted its Clayton, Missouri loan production office into a full-service branch.

## Edgar Filing: CENTRUE FINANCIAL CORP - Form 10-Q

Since beginning operations as a loan production office in September 2006, the Clayton branch has originated loans in excess of \$100,000.

- o In order to integrate operations and streamline its retail distribution channel, the Company consolidated two in-store bank branches into nearby main bank locations and is scheduled to close a third branch at the end of August. These actions will result in 33 total remaining branches.
- o The Company successfully completed its core systems conversion and, by the end of the third quarter, will have realized a net reduction of over 100 full-time equivalent employees as compared to pro-forma staffing levels at the beginning of 2006.
- o The Company's Board of Directors, in a continuing effort to enhance stockholder value, approved the payment of an 8.0% increase in the quarterly cash dividend to \$0.13 from \$0.12 on the Company's common stock during the quarter, marking the 88th consecutive quarter of dividends paid to stockholders.
- o The Company repurchased 110,918 shares of its common stock at a weighted average cost of \$19.17 per share under the Company's stock repurchase plan.

### RESULTS OF OPERATIONS

#### NET INCOME

Income from continuing operations for the second quarter ended June 30, 2007 equaled \$2,506 or \$0.38 per diluted share as compared to \$1,291 or \$0.33 per diluted share in the same period of 2006. This represents increases of 94.1% in net income and 15.2% in diluted per share earnings. For the six months ended June 30, 2007, net income from continuing operations equaled \$4,405 or \$0.66 per diluted share compared to \$2,940 or \$0.75 per diluted share in the same period during 2006. This represents an increase of 49.8% in net income and a decrease of 12.0% in diluted per share earnings. Results for the three months and six months ended June 30, 2007 include the impact from the merger of Centrue Financial Corporation and UnionBancorp, Inc. that occurred in November 2006.

Return on average assets was 0.76% for the second quarter of 2007 compared to 0.79% for the same period in 2006. Return on average assets was 0.68% for the six month period ended June 30, 2007 compared to 0.89% for the same period in 2006.

Return on average stockholders' equity was 8.51% for the second quarter of 2007 compared to 7.93% for the same period in 2006. Return on average stockholder's equity was 7.51% for the six month period ended June 30, 2007 compared to 9.03% for the same period in 2006.

---

18.

#### CENTRUE FINANCIAL CORPORATION

#### ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(In Thousands, Except Per Share Data)

---

#### NET INTEREST INCOME/ MARGIN

Fully tax equivalent net interest income for the three months ended June 30,

Edgar Filing: CENTRUE FINANCIAL CORP - Form 10-Q

2007 increased 91.8% to \$9,740 as compared \$5,078 for the same period in 2006. The improvement in net interest income was largely related to an increase in earning assets due to the addition of the former Centrue's loan and investment portfolios. This was offset by increases in deposit balances, a shift in the mix of funding liabilities from lower costing non-interest bearing deposits to higher costing time deposits and compression in the net interest margin.

The net interest margin, on a tax equivalent basis, decreased 7 basis points to 3.30% as compared to the same period in 2006 and 5 basis points from the first quarter of 2007. The primary drivers for the decrease were compressed loan spreads, heightened competition for deposits and fixed rate term loans that were repriced at similar or lower rates during the last twelve months in a flat to inverted yield curve environment. Competitive pressures in pricing loans and deposits are likely to maintain pressure on the margin throughout 2007.

Fully tax equivalent net interest income for the six months ended June 30, 2007 totaled \$19,313, representing an increase of \$8,921 or 85.8% compared to the \$10,392 earned during the same period in 2006. Net interest income increased largely due to the factors described above impacting the second quarter results.

The Company's net interest income is affected by changes in the amount and mix of interest-earning assets and interest-bearing liabilities, referred to as "volume change." It is also affected by changes in yields earned on interest-earning assets and rates paid on interest-bearing deposits and other borrowed funds referred to as "rate change." The following table details each category of average amounts outstanding for interest-earning assets and interest-bearing liabilities, average rate earned on all interest-earning assets, average rate paid on all interest-bearing liabilities and the net yield on average interest-earning assets. In addition, the table reflects the changes in net interest income stemming from changes in interest rates and from asset and liability volume, including mix. The change in interest attributable to both rate and volume has been allocated to the changes in the rate and the volume on a pro rata basis.

19.

CENTRUE FINANCIAL CORPORATION  
 ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS  
 (In Thousands, Except Per Share Data)

AVERAGE BALANCE SHEET  
 AND ANALYSIS OF NET INTEREST INCOME

For the Three Months Ended June 30,

	2007			2006		
	Average Balance	Interest Income/Expense	Average Rate	Average Balance	Interest Income/Expense	Average Rate
<b>ASSETS</b>						
<b>INTEREST-EARNING ASSETS</b>						
Interest-earning deposits	\$ 5,898	\$ 8	0.56%	\$ 211	\$ 4	5

Edgar Filing: CENTRUE FINANCIAL CORP - Form 10-Q

Securities (1)						
Taxable	243,915	3,196	5.26	175,260	2,025	4
Non-taxable (2)	40,956	563	5.51	18,317	319	6
	-----	-----	-----	-----	-----	-----
Total securities (tax equivalent)	284,861	3,759	5.29	193,577	2,344	4
	-----	-----	-----	-----	-----	-----
Federal funds sold	12,878	165	5.15	2,960	42	5
	-----	-----	-----	-----	-----	-----
Loans (3) (4)						
Commercial	175,253	3,538	8.10	111,996	1,981	7
Real estate	695,691	12,934	7.36	285,000	4,986	7
Installment and other	12,207	498	16.36	10,364	246	9
	-----	-----	-----	-----	-----	-----
Gross loans (tax equivalent)	883,151	16,970	7.71	407,360	7,213	7
	-----	-----	-----	-----	-----	-----
Total interest-earning assets	1,186,788	20,902	7.06	604,108	9,603	6
	-----	-----	-----	-----	-----	-----
NONINTEREST-EARNING ASSETS						
Cash and cash equivalents	30,185			17,735		
Premises and equipment, net	35,724			13,740		
Other assets	77,632			23,129		
	-----			-----		
Total nonearning assets	143,541			54,604		
	-----			-----		
Total assets	\$ 1,330,329			\$ 658,712		
	=====			=====		
LIABILITIES AND STOCKHOLDERS' EQUITY						
INTEREST-BEARING LIABILITIES						
NOW accounts	\$ 105,629	\$ 476	1.81%	\$ 69,410	\$ 314	1
Money market accounts	118,795	1,058	3.57	52,834	360	2
Savings deposits	101,525	173	0.69	37,050	68	0
Time deposits	616,306	7,735	5.03	308,770	3,103	4
Federal funds purchased and repurchase agreements	40,695	463	4.56	3,955	51	5
Advances from FHLB	57,735	629	4.37	47,074	455	3
Notes payable	32,405	628	7.77	9,668	174	7
	-----	-----	-----	-----	-----	-----
Total interest-bearing liabilities	1,073,090	11,162	4.17	528,761	4,525	3
	-----	-----	-----	-----	-----	-----
NONINTEREST-BEARING LIABILITIES						
Noninterest-bearing deposits	126,755			59,659		
Other liabilities	12,304			4,843		
	-----			-----		
Total noninterest-bearing liabilities	139,059			64,502		
	-----			-----		
Stockholders' equity	118,180			65,449		
	-----			-----		
Total liabilities and stockholders' equity	\$ 1,330,329			\$ 658,712		
	=====			=====		
Net interest income (tax equivalent)		\$ 9,740			\$ 5,078	
		=====			=====	
Net interest income (tax equivalent) to total earning assets			3.30%			3
			=====			=====
Interest-bearing liabilities to earning assets		90.42%			87.53%	
		=====			=====	



Edgar Filing: CENTRUE FINANCIAL CORP - Form 10-Q

- 
- (1) Average balance and average rate on securities classified as available-for-sale is based on historical amortized cost balances.
  - (2) Interest income and average rate on non-taxable securities are reflected on a tax equivalent basis based upon a statutory federal income tax rate of 34%.
  - (3) Nonaccrual loans are included in the average balances.
  - (4) Overdraft loans are excluded in the average balances.
- 

20.

CENTRUE FINANCIAL CORPORATION  
 ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS  
 (In Thousands, Except Per Share Data)

-----

AVERAGE BALANCE SHEET  
 AND ANALYSIS OF NET INTEREST INCOME

	For the Six Months Ended June 30,					
	2007			2006		
	Average Balance	Interest Income/Expense	Average Rate	Average Balance	Interest Income/Expense	Average Rate
<b>ASSETS</b>						
<b>INTEREST-EARNING ASSETS</b>						
Interest-earning deposits	\$ 4,733	\$ 21	0.91%	\$ 231	\$ 7	6.00%
Securities (1)						
Taxable	248,369	6,500	5.28	178,249	4,025	4.00%
Non-taxable (2)	40,991	1,128	5.55	18,173	645	7.00%
Total securities (tax equivalent)	289,360	7,628	5.32	196,422	4,670	4.00%
Federal funds sold	9,509	247	5.45	2,263	52	5.00%
Loans (3) (4)						
Commercial	178,673	7,260	8.19	115,016	4,042	7.00%
Real estate	679,523	24,791	7.28	284,405	9,820	6.00%
Installment and other	11,933	1,018	17.19	11,173	526	9.00%
Gross loans (tax equivalent)	870,129	33,069	7.66	410,594	14,388	7.00%
Total interest-earning assets	1,173,731	40,965	7.04	609,510	19,117	6.00%
<b>NONINTEREST-EARNING ASSETS</b>						
Cash and cash equivalents	28,440			18,126		
Premises and equipment, net	35,617			13,791		
Other assets	74,481			23,624		
Total nonearning assets	138,538			55,541		

Edgar Filing: CENTRUE FINANCIAL CORP - Form 10-Q

Total assets	\$ 1,312,269			\$ 665,051	
	=====			=====	
LIABILITIES AND STOCKHOLDERS' EQUITY					
INTEREST-BEARING LIABILITIES					
NOW accounts	\$ 104,124	\$ 896	1.74%	\$ 69,702	\$ 596
Money market accounts	119,364	2,117	3.58	54,305	709
Savings deposits	102,039	354	0.70	37,790	122
Time deposits	601,892	14,893	4.99	308,490	5,897
Federal funds purchased and repurchase agreements	38,546	873	4.57	4,977	123
Advances from FHLB	59,471	1,273	4.32	48,205	938
Notes payable	31,397	1,246	8.00	10,356	340
	-----	-----	-----	-----	-----
Total interest-bearing liabilities	1,056,833	21,652	4.13	533,825	8,725
	-----	-----	-----	-----	-----
NONINTEREST-BEARING LIABILITIES					
Noninterest-bearing deposits	126,134			60,689	
Other liabilities	11,009			4,903	
	-----			-----	
Total noninterest-bearing liabilities	137,143			65,592	
	-----			-----	
Stockholders' equity	118,293			65,634	
	-----			-----	
Total liabilities and stockholders' equity	\$ 1,312,269			\$ 665,051	
	=====			=====	
Net interest income (tax equivalent)		\$ 19,313			\$ 10,392
		=====			=====
Net interest income (tax equivalent) to total earning assets			3.32%		
			=====		=====
Interest-bearing liabilities to earning assets		90.04%			87.58%
		=====			=====

- 
- (1) Average balance and average rate on securities classified as available-for-sale is based on historical amortized cost balances.
  - (2) Interest income and average rate on non-taxable securities are reflected on a tax equivalent basis based upon a statutory federal income tax rate of 34%.
  - (3) Nonaccrual loans are included in the average balances.
  - (4) Overdraft loans are excluded in the average balances.

-----

21.

CENTRUE FINANCIAL CORPORATION  
 ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS  
 OF OPERATIONS  
 (In Thousands, Except Per Share Data)

-----

PROVISION FOR LOAN LOSSES

The Company recorded a \$226 provision for loan losses for the second quarter of 2007 as compared to reporting a negative provision of (\$300) in the 2006 period.

## Edgar Filing: CENTRUE FINANCIAL CORP - Form 10-Q

For the six months ended June 30, 2007, the Company recorded a \$226 provision for loan losses as compared to recognizing a negative provision of (\$1,100) in the 2006 period. Results for 2006 included negative provisions largely due to the pay-off of one \$4,400 loan relationship that was classified as impaired in late 2005 with a specific reserve allocation of \$1,500.

The following factors have impacted 2007 provision levels:

- o decrease in action list loans since year-end;
- o higher than anticipated recoveries;
- o loans that were charged off during the first six months of 2007 had previously established specific allocation; and
- o loan growth during the first six months of 2007.

Nonperforming loans at June 30, 2007 totaled \$4,492, a decrease of 61.8% as compared to \$11,759 as of December 31, 2006 and down 52.3% as compared to \$9,416 as of March 31, 2007. Net charge-offs for the second quarter of 2007 were \$5 compared with \$358 for the comparable period in 2006. Annualized net charge-offs for the period were 0.00% of average loans compared with 0.09% of average loans for same period in 2006.

Net charge-offs for the six months ended June 30, 2007 were \$233 compared with \$414 for the comparable period in 2006. Annualized net charge-offs for the period were 0.03% of average loans compared with 0.10% of average loans for same period in 2006.

See "Nonperforming Assets" and "Other Potential Problem Loans" for further information.

The amount of the provision for loan losses is based on management's evaluations of the loan portfolio, with particular attention directed toward nonperforming, impaired and other potential problem loans. During these evaluations, consideration is also given to such factors as management's evaluation of specific loans, the level and composition of impaired loans, other nonperforming loans, other identified potential problem loans, historical loss experience, results of examinations by regulatory agencies, results of the independent asset quality review process, the market value of collateral, the estimate of discounted cash flows, the strength and availability of guarantees, concentrations of credits and various other factors, including concentration of credit risk in various industries and current economic conditions.

Management remains watchful of credit quality issues. Should the economic climate deteriorate from current levels, borrowers may experience difficulty, and the level of nonperforming loans, charge-offs and delinquencies could rise and require further increases in the provision.

-----  
22.

CENTRUE FINANCIAL CORPORATION  
ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS  
(In Thousands, Except Per Share Data)  
-----

### NONINTEREST INCOME

The following table summarizes the Company's noninterest income:

Three Months Ende June 30,	Six Months Ended June 30,
-------------------------------	------------------------------

Edgar Filing: CENTRUE FINANCIAL CORP - Form 10-Q

	2007	2006	2007	2006
Service charges	\$ 1,969	\$ 495	\$ 3,552	\$ 935
Trust income	232	199	461	418
Mortgage banking income	449	281	883	527
Brokerage commissions and fees	104	88	230	172
Bank owned life insurance	247	137	488	277
Securities gains (losses), net	(33)	(89)	(33)	(88)
Gain (loss) on the sale of Oreo	491	-	588	-
Other income	735	252	1,279	587
Total noninterest income from continuing operations	\$ 4,194	\$ 1,363	\$ 7,448	\$ 2,828
Amounts reclassified to discontinued operations	-	334	-	629
Previously reported noninterest income levels	\$ 4,194	\$ 1,697	\$ 7,448	\$ 3,457

Noninterest income from continuing operations increased \$2,831 during the second quarter of 2007 to \$4,194 as compared to \$1,363 for the same period in 2006. Excluding \$491 in gain on sale of OREO property, noninterest income increased \$2,340 or 171.7% during the second quarter of 2007 as compared to the same period in 2006. The majority of the increase was related to revenue that was associated with the November 2006 merger and also the result of improvements in service charges on deposit accounts, fees received on items drawn on customer accounts with insufficient funds and revenue generated from the mortgage banking division.

Noninterest income from continuing operations totaled \$7,448 for the six months ended June 30, 2007, compared to \$2,828 for the same time frame in 2006. Excluding all net gains on sale of assets and net securities losses for both periods, noninterest income increased \$3,977 or 136.4%. The change was largely reflective of the same items discussed regarding the second quarter.

23.

CENTRUE FINANCIAL CORPORATION  
 ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS  
 (In Thousands, Except Per Share Data)

NONINTEREST EXPENSE

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Salaries and employee benefits	\$ 5,144	\$ 2,359	\$ 10,292	\$ 5,405
Occupancy expense, net	1,019	215	1,960	754
Furniture and equipment expense	627	616	1,322	995
Marketing	221	96	413	206
Supplies and printing	156	65	337	160
Telephone	210	118	388	235
Other real estate owned expense	38	2	41	8
Amortization of intangible assets	591	31	1,212	60

Edgar Filing: CENTRUE FINANCIAL CORP - Form 10-Q

Other expenses	1,840	1,300	3,829	1,973
	-----	-----	-----	-----
Total noninterest expense from continuing operations	9,846	4,802	19,794	9,796
Amounts reclassified to discontinued operations	-	327	-	667
	-----	-----	-----	-----
Previously reported noninterest expense levels	\$ 9,846	\$ 5,129	\$ 19,794	\$ 10,463
	=====	=====	=====	=====

Noninterest expense for continuing operations increased \$5,044 to \$9,846 for the three months ended June 30, 2007 as compared to \$4,802 for the same period in 2006. Excluding the restructuring charges of \$716, noninterest expense levels increased \$4,328 or 90.1% as compared to the same period in 2006. The increase was reported across all categories and predominantly due to higher costs associated with operating 21 additional branches resulting from the November 2006 merger. Also adversely impacting expense levels were core deposit amortization, accelerated depreciation expense for assets being phased out and restructuring related expenses.

Noninterest expense for continuing operations totaled \$19,794 for the six months ended June 30, 2007, increasing by \$9,998 or 102.1% from the same period in 2006. The change was largely reflective of the same items discussed regarding the second quarter.

APPLICABLE INCOME TAXES

Income tax expense for the periods included benefits for tax-exempt income, tax-advantaged investments and general business tax credits offset by the effect of nondeductible expenses. The following table shows the Company's income before income taxes, as well as applicable income taxes and the effective tax rate for the three and six months ended June 30, 2007 and 2006.

-----  
24.

CENTRUE FINANCIAL CORPORATION

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(In Thousands, Except Per Share Data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
	-----	-----	-----	-----
Income from continuing				
Operations before income taxes	\$ 3,613	\$ 1,813	\$ 6,242	\$ 4,269
Applicable income taxes	1,107	522	1,837	1,303
Effective tax rates	30.6%	28.8%	29.4%	30.5%

The Company recorded an income tax expense of \$1,107 and \$522 for the three months ended June 30, 2007 and 2006, respectively. Effective tax rates equaled 30.6% and 28.8% respectively, for such periods. The Company recorded income tax expense of \$1,837 and \$1,303 for the six months ended June 30, 2007 and 2006, respectively. Effective tax rates equaled 29.4% and 30.5% respectively, for such periods.

Income tax expense for the periods included benefits for tax-exempt income,

## Edgar Filing: CENTRUE FINANCIAL CORP - Form 10-Q

tax-advantaged investments and general business tax credits offset by the effect of nondeductible expenses. The Company's effective tax rate was lower than statutory rates due to the Company deriving interest income from municipal securities and loans, which are exempt from federal tax and certain U. S. government agency securities, which are exempt from Illinois State tax. Additionally, the Company has reduced tax expense through various tax planning initiatives.

### FINANCIAL CONDITION

#### GENERAL

As of June 30, 2007, the following are the highlights of the balance sheet when compared to December 31, 2006:

- o gross loans grew \$75,224 or 9.0% due predominantly to growth experienced in the St. Louis office;
- o deposits grew 6.0% to \$1,088,122 from \$1,026,610 with a large portion of the increase concentrated in time deposits;
- o the loan to deposit ratio increased to 83.8% as of June 30, 2007 from 81.5% at December 31, 2006. This is the highest it has been in seventeen quarters;
- o non-interest bearing deposits increased to 12.0% of total deposits at the end of second quarter from 11.4% as of March 31, 2007. This compared to 12.2% as of December 31, 2006.

#### NONPERFORMING ASSETS

If a loan is placed on nonaccrual status, the loan does not generate current period income for the Company. Loans are placed on nonaccrual status when there are serious doubts regarding the collectibility of all principal and interest due under the terms of the loans. Amounts received on nonaccrual loans generally are applied first to principal and then to interest after all principal has been collected. A loan is generally transferred to nonaccrual status if it is not in the process of collection and is delinquent in payment of either principal or interest beyond 90 days. Loans that are 90 days delinquent but are well secured and in the process of collection are not included in nonperforming assets. Other nonperforming assets consist of real estate acquired through loan foreclosures or other workout situations and other assets acquired through repossessions.

-----  
25.

### CENTRUE FINANCIAL CORPORATION

#### ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(In Thousands, Except Per Share Data)  
-----

The classification of a loan as nonaccrual does not necessarily indicate that the principal is uncollectible, in whole or in part. The Bank makes a determination as to collectibility on a case-by-case basis. The Bank considers both the adequacy of the collateral and the other resources of the borrower in determining the steps to be taken to collect nonaccrual loans. The final determination as to the steps taken is made based upon the specific facts of each situation. Alternatives that are typically considered to collect nonaccrual loans are foreclosure, collection under guarantees, loan restructuring or judicial collection actions.

Each of the Company's loans is assigned a rating based upon an internally developed grading system. A separate credit administration department also

## Edgar Filing: CENTRUE FINANCIAL CORP - Form 10-Q

reviews grade assignments on an ongoing basis. Management continuously monitors nonperforming, impaired and past due loans to prevent further deterioration of these loans. The Company has an independent loan review function which is separate from the lending function and is responsible for the review of new and existing loans.

The following table summarizes nonperforming assets and loans past due 90 days or more for the previous five quarters.

	2007		2006	
	June 30,	Mar 31,	Dec 31,	Sept 30,
Non-accrual loans	\$ 4,492	\$ 9,416	\$ 11,759	\$ 3,053
Loans 90 days past due and still accruing interest	-	-	-	168
Total nonperforming loans	4,492	9,416	11,759	3,221
Other real estate owned	6,568	4,262	2,136	859
Total nonperforming assets	\$ 11,060	\$ 13,678	\$ 13,895	\$ 4,080
Nonperforming loans to total end of period loans	0.49%	1.08%	1.40%	0.79%
Nonperforming assets to total end of period loans	1.21	1.57	1.66	1.00
Nonperforming assets to total end of period assets	0.81	1.04	1.08	0.63

The level of nonperforming loans at June 30, 2007 decreased to \$4,492 versus the \$9,416 that existed at March 31, 2007 and the \$11,759 that existed as of December 31, 2006. The decrease in nonperforming loans from December 31, 2006 to June 30, 2007 was largely related to the completion of work out plans previously in place. Some of the work out plans for nonperforming real estate loans resulted in the Company obtaining ownership of the collateral securing the loans and are reflected in a \$4,432 increase in other real estate owned.

The level of nonperforming loans to total end of period loans was 0.49% at June 30, 2007, as compared to 1.40% at December 31, 2006 and 1.08% at March 31, 2007. The reserve coverage ratio (allowance to nonperforming loans) was reported at 241.05% as of June 30, 2007 as compared to 92.14% as of December 31, 2006 and 244.05% as of June 30, 2006.

#### OTHER POTENTIAL PROBLEM LOANS

The Company has other potential problem loans that are currently performing, but where some concerns exist as to the ability of the borrower to comply with present loan repayment terms. Excluding nonperforming loans and loans that management has classified as impaired, these other potential problem loans totaled \$2,044 at June 30, 2007 as compared to \$1,218 at June 30, 2006 and \$1,757 at December 31, 2006. The classification of these loans, however, does not imply that management expects losses on each of these loans, but believes that a higher level of scrutiny and close monitoring is prudent under the circumstances. Such classifications relate to specific concerns for each individual borrower and do not relate to any concentration risk common to all loans in this group.

## Edgar Filing: CENTRUE FINANCIAL CORP - Form 10-Q

### ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(In Thousands, Except Per Share Data)

---

#### ALLOWANCE FOR LOAN LOSSES

At June 30, 2007, the allowance for loan losses was \$10,828 or 1.19% of total loans as compared to \$10,835 or 1.29% at December 31, 2006. In originating loans, the Company recognizes that credit losses will be experienced and the risk of loss will vary with, among other things, the following:

- o general economic conditions;
- o the type of loan being made;
- o the creditworthiness of the borrower over the term of the loan;
- o in the case of a collateralized loan, the quality of the collateral for such a 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 by analyzing the following:

- o ultimate collectibility of the loans in its portfolio;
- o incorporating feedback provided by internal loan staff;
- o the independent loan review function;
- o results of examinations performed by regulatory agencies.

The Company regularly evaluates the adequacy of the allowance for loan losses. Commercial credits are graded using a system that is in compliance with regulatory classifications by the loan officers and the loan review function validates the officers' grades. In the event that the loan review function downgrades the loan, it is included in the allowance analysis at the lower grade. To establish the appropriate level of the allowance, a sample of loans (including impaired and nonperforming loans) are reviewed and classified as to potential loss exposure.

Based on an estimation computed pursuant to the requirements of Financial Accounting Standards Board ("FASB") Statement No. 5, "Accounting for Contingencies," and FASB Statements Nos. 114 and 118, "Accounting by Creditors for Impairment of a Loan," the analysis of the allowance for loan losses consists of three components:

- o specific credit allocation established for expected losses resulting from analysis developed through specific credit allocations on individual loans for which the recorded investment in the loan exceeds its fair value;
- o general portfolio allocation based on historical loan loss experience for each loan category;
- o subjective reserves based on general economic conditions as well as specific economic factors in the markets in which the Company operates.

The specific credit allocation component of the allowance for loan losses is based on a regular analysis of loans over a fixed-dollar amount where the internal credit rating is at or below a predetermined classification. The fair value of the loan is determined based on either the present value of expected future cash flows discounted at the loan's effective interest rate, the market price of the loan, or, if the loan is collateral dependent, the fair value of the underlying collateral less cost of sale.

The general portfolio allocation component of the allowance for loan losses is determined statistically using a loss migration analysis that examines



historical loan loss experience. The loss migration analysis is performed quarterly and loss factors are updated regularly based on actual experience. The general portfolio allocation element of the allowance for loan losses also includes consideration of the amounts necessary for concentrations and changes in portfolio mix and volume.

-----  
27.

CENTRUE FINANCIAL CORPORATION

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(In Thousands, Except Per Share Data)  
-----

The allowance for loan losses is based on estimates, and ultimate losses will vary from current estimates. These estimates are reviewed monthly, and as adjustments, either positive or negative, become necessary, a corresponding increase or decrease is made in the provision for loan losses. The methodology used to determine the adequacy of the allowance for loan losses is consistent with prior years, and there were no reallocations.

Management remains watchful of credit quality issues. Should the economic climate deteriorate from current levels, borrowers may experience difficulty, and the level of nonperforming loans, charge-offs and delinquencies could rise and require further increases in the provision.

#### LIQUIDITY

The Company manages its liquidity position with the objective of maintaining sufficient funds to respond to the needs of depositors and borrowers and to take advantage of earnings enhancement opportunities. In addition to the normal inflow of funds from core-deposit growth together with repayments and maturities of loans and investments, the Company utilizes other short-term funding sources such as brokered time deposits, securities sold under agreements to repurchase, overnight federal funds purchased from correspondent banks and the acceptance of short-term deposits from public entities and Federal Home Loan Bank advances.

The Company monitors and manages its liquidity position on several bases, which vary depending upon the time period. As the time period is expanded, other data is factored in, including estimated loan funding requirements, estimated loan payoffs, investment portfolio maturities or calls and anticipated depository buildups or runoffs.

The Company classifies all of its securities as available-for-sale, thereby maintaining significant liquidity. The Company's liquidity position is further enhanced by structuring its loan portfolio interest payments as monthly and by the significant representation of retail credit and residential mortgage loans in the Company's loan portfolio, resulting in a steady stream of loan repayments. In managing its investment portfolio, the Company provides for staggered maturities so that cash flows are provided as such investments mature.

The Company's cash flows are comprised of three classifications: cash flows from operating activities, cash flows from investing activities and cash flows from financing activities. Cash flows provided by operating activities and financing activities offset by those used in investing activities, resulted in a net increase in cash and cash equivalents of \$10,192 from December 31, 2006 to June 30, 2007.

During the first six months of 2007, the Company experienced net cash inflows of \$63,473 in financing activities primarily due to an increase in deposits and

Edgar Filing: CENTRUE FINANCIAL CORP - Form 10-Q

\$5,621 in operating activities. In contrast, net cash outflows of \$58,902 were used in investing activities due to the growth in loans.

28.

CENTRUE FINANCIAL CORPORATION  
 ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS  
 (In Thousands, Except Per Share Data)

CONTRACTUAL OBLIGATIONS, COMMITMENTS, CONTINGENCIES, AND OFF-BALANCE SHEET FINANCIAL INSTRUMENTS

The Company has entered into contractual obligations and commitments and off-balance sheet financial instruments. The following tables summarize the Company's contractual cash obligations and other commitments and off balance sheet instruments as of June 30, 2007.

CONTRACTUAL OBLIGATIONS	Payments Due by Period				
	Within 1 Year	1-3 Years	4-5 Years	After 5 Years	
Short-term debt	\$ 9,974	\$ -	\$ -	\$ -	\$
Long-term debt	100	400	400	43	
Certificates of deposit	479,506	149,765	7,992	1,271	
Operating leases	202	843	900	475	
Severance payments	454	-	-	-	
Series B mandatory redeemable preferred stock	-	831	-	-	
Subordinated debentures	-	-	-	20,620	
FHLB advances	39,467	13,200	-	5,064	
<b>Total contractual cash obligations</b>	<b>\$ 529,703</b>	<b>\$ 165,039</b>	<b>\$ 9,292</b>	<b>\$ 27,473</b>	<b>\$</b>

OFF-BALANCE SHEET FINANCIAL INSTRUMENTS	Amount of Commitment Expiration per Period				
	Within 1 Year	1-3 Years	4-5 Years	After 5 Years	
Lines of credit	\$ 149,591	\$ 61,392	\$ 3,827	\$ 16,344	\$
Standby letters of credit	9,220	165	-	-	
<b>Total commercial commitments</b>	<b>\$ 158,811</b>	<b>\$ 61,557</b>	<b>\$ 3,827</b>	<b>\$ 16,344</b>	<b>\$</b>

CAPITAL RESOURCES

STOCKHOLDERS' EQUITY

The Company is committed to managing capital for maximum shareholder benefit and maintaining strong protection for depositors and creditors. Stockholders' equity

## Edgar Filing: CENTRUE FINANCIAL CORP - Form 10-Q

at June 30, 2007 was \$118,067, a decrease of \$124 or 0.01%, from December 31, 2006. The decrease in stockholders' equity was largely the result of a decrease in accumulated other comprehensive income and an increase in treasury stock related to repurchase activity. Average quarterly equity as a percentage of average quarterly assets was 8.88% at June 30, 2007, compared to 10.35% at December 31, 2006. Book value per common share equaled \$18.47 at June 30, 2007 compared to \$18.23 at December 31, 2006.

### STOCK REPURCHASE

On November 13, 2006, the Board of Directors approved a stock repurchase plan whereby the Company may repurchase from time to time up to 5% or 370,000 of its outstanding shares of common stock in the open market or in private transactions over an 18 month period. Purchases are dependent upon market conditions and the availability of shares. The repurchase program enables the Company to optimize its use of capital relative to other investment alternatives and benefits both the Company and the shareholders by enhancing earnings per share and return on equity. During the second quarter of 2007, 110,918 shares were repurchased at a weighted cost of \$19.17.

-----  
29.

### CENTRUE FINANCIAL CORPORATION

#### ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(In Thousands, Except Per Share Data)

### CAPITAL MEASUREMENTS

The Bank is expected to meet a minimum risk-based capital to risk-weighted assets ratio of 8%, of which at least one-half (or 4%) must be in the form of Tier 1 (core) capital. The remaining one-half (or 4%) may be in the form of Tier 1 (core) or Tier 2 (supplementary) capital. The amount of loan loss allowance that may be included in capital is limited to 1.25% of risk-weighted assets. The ratio of Tier 1 (core) and the combined amount of Tier 1 (core) and Tier 2 (supplementary) capital to risk-weighted assets for the Company was 10.3% and 11.1%, respectively, at June 30, 2007. The Company is currently, and expects to continue to be, in compliance with these guidelines.

The following table sets forth an analysis of the Company's capital ratios:

	June 30, 2007	December 31,		Minimum Capital Ratios	W Cap Ra
		2006	2005		
Tier 1 risk-based capital	\$ 101,939	\$ 99,869	\$ 60,546		
Tier 2 risk-based capital	10,828	10,834	6,266		
Total capital	112,767	110,703	66,812		
Risk-weighted assets	1,016,677	927,043	501,342		
Capital ratios					
Tier 1 risk-based capital	10.3%	10.8%	12.1%	4.00%	
Tier 2 risk-based capital	11.1	11.9	13.3	8.00	
Leverage ratio	7.6	7.9	9.0	4.00	

## Edgar Filing: CENTRUE FINANCIAL CORP - Form 10-Q

### RECENT REGULATORY AND ACCOUNTING DEVELOPMENTS

See Note 9 to the Unaudited Consolidated Financial Statements for information concerning recent regulatory and accounting developments.

### SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

This report contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Act of 1934 as amended. The Company intends such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 and is including this statement for purposes of these safe harbor provisions. Forward-looking statements, which are based on certain assumptions and describe future plans, strategies, and expectations of the Company, are generally identified by the use of words such as "believe," "expect," "intend," "anticipate," "estimate," "project," "planned" or "potential" or similar expressions.

In connection with the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, the Company is hereby identifying important factors that could effect the Company's financial performance and could cause the Company's actual results for future periods to differ materially from any opinions or statements expressed with respect to future periods in any forward-looking statements.

-----  
30.

### CENTRUE FINANCIAL CORPORATION

#### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

(In Thousands, Except Per Share Data)  
-----

Among the factors that could have an impact on the Company's ability to achieve operating results and the growth plan goals are as follows:

- o management's ability to reduce and effectively manage interest rate risk and the impact of interest rates in general on the volatility of the Company's net interest income;
- o fluctuations in the value of the Company's investment securities;
- o the Company's ability to ultimately collect on any downgraded long-standing loan relationships;
- o the Company's ability to adapt successfully to technological changes to compete effectively in the marketplace;
- o credit risks and risks from concentrations (by geographic area and by industry) within the Company's loan portfolio and individual large loans;
- o volatility of rate sensitive deposits;
- o operational risks, including data processing system failures or fraud;
- o asset/liability matching risks and liquidity risks;
- o the ability to successfully acquire low cost deposits or funding;
- o the ability to successfully execute strategies to increase noninterest income;
- o the ability to successfully grow non-commercial real estate loans;
- o the ability of the Company to fully realize expected cost savings and revenue generation opportunities in connection with the synergies of merging with the former Centrue Bank;
- o the ability to adopt and implement new regulatory requirements as dictated by the SEC, FASB or other rule-making bodies which govern our industry;

## Edgar Filing: CENTRUE FINANCIAL CORP - Form 10-Q

- o changes in the general economic or industry conditions, nationally or in the communities in which the Company conducts business.

### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

#### INTEREST RATE SENSITIVITY MANAGEMENT

The Company performs a net interest income analysis as part of its asset/liability management practices. The net interest income analysis measures the change in net interest income in the event of hypothetical changes in interest rates. This analysis assesses the risk of changes in net interest income in the event of a sudden and sustained 100 to 200 basis point increase in market interest rates or a 100 to 200 basis point decrease in market rates. The interest rates scenarios are used for analytical purposes and do not necessarily represent management's view of future market movements. The tables below present the Company's projected changes in net interest income for the various rate shock levels at June 30, 2007 and December 31, 2006, respectively:

	Change in Net Interest Income Over One Year Horizon			
	June 30, 2007		December 31, 2006	
	Dollar Change	% Change	Dollar Change	% Change
	(Dollars in Thousands)			
+200 bp	\$ 732	1.74%	\$ 2,215	5.49%
+100 bp	385	0.92	1,157	2.87
Base	-	-	-	-
-100 bp	(1,266)	(3.01)	(1,529)	(3.79)
-200 bp	(3,836)	(9.13)	(4,345)	(10.77)

31.

#### CENTRUE FINANCIAL CORPORATION

#### ITEM 4. CONTROLS AND PROCEDURES

(In Thousands, Except Per Share Data)

As shown above, the Company's model at June 30, 2007, the effect of an immediate 200 basis point increase in interest rates would increase the Company's net interest income by \$732 or 1.74%. The effect of an immediate 200 basis point decrease in rates would decrease the Company's net interest income by \$3,836 or 9.13%.

Computations of the prospective effects of hypothetical interest rate changes are based on numerous assumptions, including relative levels of market interest rates, loan prepayments and deposit decay rates and should not be relied upon as indicative of actual results. Actual values may differ from those projections set forth above, should market conditions vary from the assumptions used in preparing the analysis. Further, the computations do not contemplate actions the Company may undertake in response to changes in interest rates.

#### ITEM 4. CONTROLS AND PROCEDURES

As of the end of the period covered by this report, the Company carried out an evaluation under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the Company's disclosure controls and procedures (as defined in Rule

## Edgar Filing: CENTRUE FINANCIAL CORP - Form 10-Q

13a-15(e) and 15d-15(e) under the Securities and Exchange Act of 1934, as amended). Based on this evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective in timely alerting them to material information relating to the Company required to be included in the Company's periodic filings with the Securities and Exchange Commission. It should be noted that in designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. The Company has designed its disclosure controls and procedures to reach a level of reasonable assurance of achieving the desired control objectives and, based on the evaluation described above, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective at reaching that level of reasonable assurance.

There was no change in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended) during the Company's most recently completed fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

-----  
32.

### PART II - OTHER INFORMATION

#### ITEM 1. LEGAL PROCEEDINGS

In the normal course of business the Company may be involved in various legal proceedings from time to time. The Company does not believe it is currently involved in any claim or action the ultimate disposition of which would have a material adverse effect on the Company's financial statements.

#### ITEM 1A. RISK FACTORS

The Company did not experience any material changes in the Risk Factors during the Company's most recently completed fiscal quarter. For specific information about the risks facing the Company refer to the Company's Annual Report on Form 10-K for the year ended December 31, 2006.

#### ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following table provides information about purchases of the Company's common stock by the Company during the quarter ended June 30, 2007.

PERIOD	TOTAL NUMBER OF SHARES PURCHASED	AVERAGE PRICE PAID PER SHARE	TOTAL NUMBER OF SHARES PURCHASED AS PART OF PUBLICLY ANNOUNCED PLANS OR PROGRAMS	MAXIMUM NUMBER OF SHARES THAT MAY YET BE PURCHASED UNDER THE PLANS OR PROGRAMS
04/01/07 - 04/30/07	--	--	--	365
05/01/07 - 05/31/07	97,352	\$ 19.18	97,352	268

Edgar Filing: CENTRUE FINANCIAL CORP - Form 10-Q

06/01/07 - 06/30/07	13,566	\$	19.09	13,566	254
Total (1)	110,918	\$	19.17	110,918	254

(1) The Company repurchased 110,918 shares at an average price per share of \$19.17 of our common stock during the quarter ended June 30, 2007 pursuant to the Company's current repurchase program. The current repurchase program approved on November 12, 2006 authorized us to repurchase 370,000 of the outstanding shares of our common stock. The expiration date of this program is May 13, 2008. Unless terminated earlier by resolution of our board of directors, the program will expire on the earlier of such expiration date or when we have repurchased all shares authorized for repurchase under the program.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

33.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

At the April 24, 2007 annual meeting of stockholders, Thomas A. Daiber, Dennis J. McDonnell, Mark L. Smith and Scott C. Sullivan were elected to serve as Class III directors until 2010 and the 2003 Stock Option Plan, as amended and restated, was approved. Continuing as Class I directors until 2008 are Richard J. Berry, Walter E. Breipohl and Randall E. Ganim. Continuing as Class II directors until 2009 are Michael A. Griffith, Michael J. Hejna and John A. Shinkle.

There were 6,470,840 issued and outstanding shares of common stock entitled to vote at the annual meeting. The voting on each item presented at the annual meeting was as follows:

	For	Withheld		
	-----	-----		
Election of Directors				
Thomas A. Daiber	5,464,638	77,998		
Dennis J. McDonnell	5,466,049	76,587		
Mark L. Smith	5,299,886	242,750		
Scott C. Sullivan	5,457,334	85,302		
	For	Against	Abstain	
	-----	-----	-----	
Approval of the amended and restated 2003 Stock Option Plan	3,904,845	402,232	75,889	

ITEM 5. OTHER INFORMATION

(a) Effective April 30, 2007, J. David Conterio, Executive Vice President/Head of Wealth Management, left the Company. Mr. Conterio's employment with the Company ceased because the position of Head of Wealth Management was eliminated.

Pursuant to the Employment Security Agreement dated May 23, 2005, between the Company and Mr. Conterio, the Company is obligated to pay Mr. Conterio a one-time cash payment of \$142,500 within thirty days after the date his employment with the Company ceased.

Edgar Filing: CENTRUE FINANCIAL CORP - Form 10-Q

(b) Not applicable

ITEM 6. EXHIBITS

Exhibits:

- 31.1 Certification of Thomas A. Daiber, President and Principal Executive Officer, required by Rule 13a - 14(a).
- 31.2 Certification of Kurt R. Stevenson, Senior Executive Vice President and Principal Financial and Accounting Officer required by Rule 13a - 14(a).
- 32.1(1) Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, from the Company's President and Principal Executive Officer.
- 32.2(1) Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, from the Company's Senior Executive Vice President and Principal Financial and Accounting Officer.

-----  
(1) This certification is not "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended.

-----  
34.

SIGNATURES

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES EXCHANGE ACT OF 1934, THE REGISTRANT HAS DULY CAUSED THIS REPORT TO BE SIGNED ON ITS BEHALF BY THE UNDERSIGNED, THEREUNTO DULY AUTHORIZED.

CENTRUE FINANCIAL CORPORATION

Date: August 10, 2007

By: /s/ THOMAS A. DAIBER

-----  
Thomas A. Daiber  
President and Principal Executive  
Officer

Date: August 10, 2007

By: /s/ KURT R. STEVENSON

-----  
Kurt R. Stevenson  
Senior Executive Vice President and  
Principal Financial and  
Accounting Officer

-----  
35.