

CENTRUE FINANCIAL CORP
Form 10-Q
August 12, 2011

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, 2011
Commission File Number: 0-28846

Centrue Financial Corporation
(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation
or organization)

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

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

(314) 505-5500
(Registrant's telephone number, including area code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

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

date.

Class

Shares outstanding at August 12, 2011

Common Stock, Par Value \$1.00

6,048,405

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June 30, 2011

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Centrue Financial Corporation
Part I Financial Information
Item 1. Financial Statements
Unaudited Consolidated Balance Sheets
June 30, 2011 and December 31, 2010 (In Thousands, Except Share Data)

	June 30, 2011	December 31, 2010
ASSETS		
Cash and cash equivalents	\$ 45,863	\$ 82,945
Securities available-for-sale	221,127	219,475
Restricted securities	9,190	10,470
Loans	660,882	721,871
Allowance for loan losses	(24,358)	(31,511)
Net loans	636,524	690,360
Bank-owned life insurance	30,902	30,403
Mortgage servicing rights	2,340	2,425
Premises and equipment, net	24,935	25,687
Other real estate owned	35,618	25,564
Other assets	15,757	17,833
Total assets	\$ 1,022,256	\$ 1,105,162
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Deposits		
Non-interest-bearing	\$ 112,986	\$ 118,667
Interest-bearing	753,051	812,438
Total deposits	866,037	931,105
Federal funds purchased and securities sold under agreements to repurchase	16,180	16,188
Federal Home Loan Bank advances	58,059	71,059
Notes payable	10,533	10,623
Series B mandatory redeemable preferred stock	268	268
Subordinated debentures	20,620	20,620
Other liabilities	12,998	12,378
Total liabilities	984,695	1,062,241
Commitments and contingent liabilities	—	—
Stockholders' equity		
Series A convertible preferred stock (aggregate liquidation preference of \$2,762)	500	500
Series C fixed rate, Cumulative Perpetual Preferred Stock (aggregate liquidation preference of \$32,668)	31,120	30,810
Common stock, \$1 par value, 15,000,000 shares authorized; 7,453,555 shares issued at June 30, 2011 and December 31, 2010	7,454	7,454
Surplus	74,780	74,721

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Retained earnings (accumulated deficit)	(54,047)	(46,861)
Accumulated other comprehensive income (loss)	(132)	(1,589)
	59,675	65,035
Treasury stock, at cost 1,405,150 shares at June 30, 2011 and December 31, 2010	(22,114)	(22,114)
Total stockholders' equity	37,561	42,921
Total liabilities and stockholders' equity	\$ 1,022,256	\$ 1,105,162

See Accompanying Notes to Unaudited Financial Statements

1.

Centrue Financial Corporation
 Unaudited Consolidated Statements Of Income (Loss)
 And Comprehensive Income (Loss)
 Three Months and Six Months Ended June 30, 2011 and 2010
 (In Thousands, Except Per Share Data)

	Three Months Ended		Six Months Ended	
	June 30,	2010	June 30,	2010
	2011		2011	
Interest income				
Loans	\$8,836	\$10,773	\$18,117	\$22,021
Securities				
Taxable	1,088	1,613	2,085	3,346
Exempt from federal income taxes	177	258	392	536
Federal funds sold and other	37	38	68	65
Total interest income	10,138	12,682	20,662	25,968
Interest expense				
Deposits	2,213	4,049	4,700	8,420
Federal funds purchased and securities sold under agreements to repurchase	10	12	21	30
Federal Home Loan Bank advances	355	579	767	1,160
Series B mandatory redeemable preferred stock	4	4	8	8
Subordinated debentures	274	259	544	513
Notes payable	91	92	181	180
Total interest expense	2,947	4,995	6,221	10,311
Net interest income	7,191	7,687	14,441	15,657
Provision for loan losses	3,250	7,550	7,500	16,900
Net interest income (loss) after provision for loan losses	3,941	137	6,941	(1,243)
Noninterest income				
Service charges	1,189	1,299	2,251	2,719
Mortgage banking income	302	167	709	486
Bank-owned life insurance	250	257	499	512
Electronic banking services	565	528	1,092	1,012
Securities gains	379	1,012	379	1,014
Total other-than-temporary impairment losses	(107)	(3,921)	(499)	(5,762)
Portion of loss recognized in other comprehensive income (before taxes)	—	2,004	—	2,238
Net impairment on securities	(107)	(1,917)	(499)	(3,524)
Gain (loss) on sale of OREO	(92)	1	(48)	10
Gain on sale of other assets	—	1,268	63	1,470
Other income	198	191	362	429
	2,684	2,806	4,808	4,128

See Accompanying Notes to Unaudited Financial Statements

2.

Centrue Financial Corporation
 Unaudited Consolidated Statements Of Income (Loss)
 And Comprehensive Income (Loss)
 Three Months and Six Months Ended June 30, 2011 and 2010
 (In Thousands, Except Per Share Data)

	Three Months Ended		Six Months Ended	
	June 30,	2010	June 30,	2010
	2011		2011	
Noninterest expenses				
Salaries and employee benefits	3,460	3,701	7,093	7,472
Occupancy, net	704	943	1,424	1,731
Furniture and equipment	421	519	860	1,043
Marketing	67	82	127	189
Supplies and printing	77	98	141	196
Telephone	204	194	408	373
Data processing	375	397	739	779
FDIC insurance	824	853	1,674	1,707
Loan processing and collection costs	511	602	1,102	1,114
OREO valuation adjustment	1,097	330	1,297	1,987
Amortization of intangible assets	263	321	539	660
Other expenses	1,574	1,570	2,973	2,845
	9,577	9,610	18,377	20,096
Income (loss) before income taxes	\$(2,952)	\$(6,667)	\$(6,628)	\$(17,211)
Income tax expense (benefit)	(528)	(2,742)	(746)	(7,026)
Net income (loss)	\$(2,424)	\$(3,925)	\$(5,882)	\$(10,185)
Preferred stock dividends	501	478	995	951
Net income (loss) for common stockholders	\$(2,925)	\$(4,403)	\$(6,877)	\$(11,136)
Basic earnings (loss) per common share	\$(0.48)	\$(0.73)	\$(1.14)	\$(1.84)
Diluted earnings (loss) per common share	\$(0.48)	\$(0.73)	\$(1.14)	\$(1.84)
Total comprehensive income (loss):				
Net income (loss)	\$(2,424)	\$(3,925)	\$(5,882)	\$(10,185)
Change in unrealized gains (losses) on available for sale securities for which a portion of an other-than-temporary impairment has been recognized in earnings	(21)	(982)	(145)	(2,633)
Change in unrealized gains (losses) on other securities available for sale	1,416	458	2,401	803
Reclassification adjustment:				
Net impairment loss recognized in earnings	107	1,917	499	3,524
(Gains) recognized in earnings	(379)	(1,012)	(379)	(1,014)
Net unrealized gains (loss)	1,123	381	2,376	680

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Tax expense (benefit)	434	148	919	264
Other comprehensive income (loss)	689	233	1,457	416
Total comprehensive income (loss)	\$(1,735)	\$(3,692)	\$(4,425)	\$(9,769)

See Accompanying Notes to Unaudited Financial Statements

3.

Centrue Financial Corporation
 Unaudited Consolidated Statements Of Cash Flows
 Six Months Ended June 30, 2011 and 2010 (In Thousands)

	Six Months Ended	
	June 30,	
	2011	2010
Cash flows from operating activities		
Net Income (Loss)	\$ (5,882)	\$ (10,185)
Adjustments to reconcile net income (loss) to net cash provided by operating activities		
Depreciation	946	1,133
Amortization of intangible assets	539	660
Amortization of mortgage servicing rights, net	198	218
Amortization of bond premiums, net	1,175	1,291
Mortgage servicing rights valuation adjustment	—	225
Income tax valuation allowance	2,029	—
Share based compensation	58	53
Provision for loan losses	7,500	16,900
Provision for deferred income taxes	(2,029)	(4,377)
Earnings on bank-owned life insurance	(499)	(512)
Other than temporary impairment, securities	499	3,524
OREO valuation allowance	1,297	1,987
Securities sale losses (gains), net	(379)	(1,014)
(Gain) on sale of other assets, net	(63)	(291)
(Gain) loss on sale of OREO	48	(10)
(Gain) loss on sale of loans	(443)	(462)
(Gain) loss on sale of branches	—	(1,179)
Proceeds from sales of loans held for sale	20,871	24,036
Origination of loans held for sale	(19,517)	(22,767)
Change in assets and liabilities		
(Increase) decrease in other assets	1,302	4,052
Increase (decrease) in other liabilities	(1,328)	(117)
Net cash provided by operating activities	6,322	13,165
Cash flows from investing activities		
Proceeds from paydowns of securities available for sale	22,647	37,993
Proceeds from calls and maturities of securities available for sale	11,920	4,405
Proceeds from sales of securities available for sale	19,698	34,860
Purchases of securities available for sale	(53,485)	(112,643)
Net decrease (increase) in loans	30,565	68,504
(Purchase) disposal of premises and equipment	(194)	221
Proceeds from sale of OREO	3,611	232
Sale of branch, net of premium received	—	(11,726)
Net cash provided by (used in) investing activities	34,762	21,846
Cash flows from financing activities		
Net increase (decrease) in deposits	(65,068)	(41,885)
	(8)	(4,726)

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Net increase (decrease) in federal funds purchased and securities sold under agreements to repurchase		
Repayment of advances from the Federal Home Loan Bank	(23,000)	(25,201)
Proceeds from advances from the Federal Home Loan Bank	10,000	15,000
Payments on notes payable	(90)	—
Net cash provided by (used in) financing activities	(78,166)	(56,812)
Net increase (decrease) in cash and cash equivalents	(37,082)	(21,801)
Cash and cash equivalents		
Beginning of period	82,945	56,452
End of period	\$ 45,863	\$ 34,651
Supplemental disclosures of cash flow information		
Cash payments for		
Interest	\$ 6,373	\$ 9,924
Income taxes	19	—
Transfers from loans to other real estate owned	14,860	2,188

See Accompanying Notes to Unaudited Financial Statements

4.

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

Note 1. Summary of Significant Accounting Policies

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

Basis of presentation

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

For further information with respect to significant accounting policies followed by the Company in the preparation of its consolidated financial statements, refer to the Company’s Annual Report on Form 10-K for the year ended December 31, 2010. The consolidated financial statements include the accounts of the Company and Centrue Bank. Intercompany balances and transactions have been eliminated in consolidation and certain 2010 amounts have been reclassified to conform to the 2011 presentation. The annualized results of operations during the three and six months ended June 30, 2011 are not necessarily indicative of the results expected for the year ending December 31, 2011. All financial information in the following tables is in thousands (000s), except share and per share data. In the opinion of management, all normal and recurring adjustments which are necessary to fairly present the results for the interim periods presented have been included.

5.

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

Note 2. Earnings Per Share

Basic earnings per share for the three and six months ended June 30, 2011 and 2010 were computed by dividing net income by the weighted average number of shares outstanding. Diluted earnings per share for the same periods were computed by dividing net income by the weighted average number of shares outstanding, adjusted for the dilutive effect of the stock options and warrants. Computations for basic and diluted earnings per share are provided as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Basic Earnings (Loss) Per Common Share				
Net income (loss) for common shareholders	\$(2,925)	\$(4,403)	\$(6,877)	\$(11,136)
Weighted average common shares outstanding	6,048	6,043	6,048	6,043
Basic earnings (loss) per common share	\$(0.48)	\$(0.73)	\$(1.14)	\$(1.84)
Diluted Earnings (Loss) Per Common Share				
Weighted average common shares outstanding	6,048	6,043	6,048	6,043
Add: dilutive effect of assumed exercised stock options	—	—	—	—
Add: dilutive effect of assumed exercised common stock warrants	—	—	—	—
Weighted average common and dilutive potential shares outstanding	6,048	6,043	6,048	6,043
Diluted earnings (loss) per common share	\$(0.48)	\$(0.73)	\$(1.14)	\$(1.84)

There were 496,738 options and 508,320 warrants outstanding for the three and six months ended June 30, 2011 and 628,569 options and 508,320 warrants outstanding for the three and six months ended June 30, 2010 that were not included in the computation of diluted earnings per share because the exercise price was greater than the average market price and therefore, were anti-dilutive. In addition, the Company's convertible preferred stock was not included in the computation of diluted earnings per share as it was anti-dilutive.

Note 3. Securities

The primary strategic objective related to the Company's securities portfolio is to assist with liquidity and interest rate risk management. The fair value of securities classified as available-for-sale was \$221.1 million at June 30, 2011 compared to \$219.5 million at December 31, 2010. The fair value of securities classified as restricted (Federal Reserve and Federal Home Loan Bank stock) was \$9.2 million at June 30, 2011 compared to \$10.5 million at December 31, 2010. The Company does not have any securities classified as trading or held-to-maturity.

The following tables represent the fair value of available-for-sale securities and the related, gross unrealized gains and losses recognized in accumulated other comprehensive income(loss) at June 30, 2011 and December 31, 2010:

		June 30, 2011		
	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses	Amortized Cost
U.S. government agencies	\$8,499	\$106	\$—	\$8,393
States and political subdivisions	21,473	553	(3)	20,923
U.S. government agency residential mortgage-backed securities	158,085	2,413	(75)	155,747
Collateralized residential mortgage obligations:				
Agency	18,268	356	—	17,912
Private label	3,004	221	—	2,783
Equity securities	2,443	95	—	2,348
Collateralized debt obligations:				
Single issue	3,885	39	—	3,846
Pooled	5,470	65	(2,706)	8,111
	\$221,127	\$3,848	\$(2,784)	\$220,063

6.

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

Note 3. Securities (Continued)

	December 31, 2010			
	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses	Amortized Cost
U.S. government agencies	\$7,085	\$168	\$—	\$6,917
States and political subdivisions	28,348	531	(8)	27,825
U.S. government agency residential mortgage-backed securities	147,846	2,070	(131)	145,907
Collateralized residential mortgage obligations:				
Agency	20,735	192	—	20,543
Private label	4,936	70	(77)	4,943
Equity securities	2,254	41	—	2,213
Collateralized debt obligations:				
Single issue	3,849	3	—	3,846
Pooled	4,422	42	(4,213)	8,593
	\$219,475	\$3,117	\$(4,429)	\$220,787

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

	Three Months Ended		Six Months Ended	
	June 30, 2011	2010	June 30, 2011	2010
Proceeds from calls and maturities	\$7,260	\$2,095	\$11,920	\$4,405
Proceeds from sales	19,376	34,809	19,698	34,860
Realized gains	379	1,012	379	1,014
Realized losses	—	—	—	—
Net impairment loss recognized in earnings	(107)	(1,917)	(499)	(3,524)
Tax benefit (provision) related to net realized gains and losses	(105)	349	46	969

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

	June 30, 2011				Total	
	Less than 12 Months Fair Value	Unrealized Loss	12 Months or More Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
State and political subdivisions	727	(3)	—	—	727	(3)
	33,044	(75)	—	—	33,044	(75)

U.S. government
agency residential
mortgage-backed
securities

Collateralized debt obligations: pooled	—	—	5,356	(2,706)	5,356	(2,706)
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Total temporarily impaired	\$ 33,771	\$ (78)	\$ 5,356	\$ (2,706)	\$ 39,127	\$ (2,784)
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7.

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

Note 3. Securities (Continued)

	December 31, 2010				Fair Value	Total Unrealized Loss
	Less than 12 Months Fair Value	Unrealized Loss	12 Months or More Fair Value	Unrealized Loss		
State and political subdivisions	\$ 664	\$ (3)	\$ 350	\$ (5)	\$ 1,014	\$ (8)
U.S. government agency residential mortgage-backed securities	17,216	(131)	—	—	17,216	(131)
Collateralized residential mortgage obligations: private label	—	—	2,559	(77)	2,559	(77)
Collateralized debt obligations: pooled	—	—	4,330	(4,213)	4,330	(4,213)
Total temporarily impaired	\$ 17,880	\$ (134)	\$ 7,239	\$ (4,295)	\$ 25,119	\$ (4,429)

The fair values of securities classified as available-for-sale at June 30, 2011, by contractual maturity, are shown as follows. Securities not due at a single maturity date, including mortgage-backed securities, collateralized mortgage obligations, and equity securities are shown separately.

	Amortized Cost	Fair Value
Due in one year or less	\$ 5,767	\$ 5,847
Due after one year through five years	12,822	13,145
Due after five years through ten years	7,893	8,012
Due after ten years	14,791	12,323
U.S. government agency residential mortgage-backed securities	155,747	158,085
Collateralized residential mortgage obligations	20,695	21,272
Equity	2,348	2,443
	\$ 220,063	\$ 221,127

The following table presents a rollforward of the credit losses recognized in earnings for the three month period ended June 30, 2011 and 2010:

	2011	2010
Beginning balance, April 1,	\$ 20,754	\$ 16,948

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Amounts related to credit loss for which an other-than-temporary impairment was not previously recognized	—	—
Additions/Subtractions		
Amounts realized for securities sold during the period	—	—
Amounts related to securities for which the company intends to sell or that it will be more likely than not that the company will be required to sell prior to recovery of amortized cost basis	—	—
Reduction for increase in cash flows expected to be collected that are recognized over the remaining life of the security	—	—
Increases to the amount related to the credit loss for which other-than-temporary was previously recognized	107	1,917
Ending balance, June 30,	\$ 20,861	\$ 18,865

8.

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

Note 3. Securities (Continued)

The following table presents a rollforward of the credit losses recognized in earnings for the six month period ended June 30, 2011 and 2010:

	2011	2010
Beginning balance, January 1,	\$ 20,362	\$ 15,341
Amounts related to credit loss for which an other-than-temporary impairment was not previously recognized	—	—
Additions/Subtractions		
Amounts realized for securities sold during the period	—	—
Amounts related to securities for which the company intends to sell or that it will be more likely than not that the company will be required to sell prior to recovery of amortized cost basis	—	—
Reduction for increase in cash flows expected to be collected that are recognized over the remaining life of the security	—	—
Increases to the amount related to the credit loss for which other-than-temporary was previously recognized	499	3,524
Ending balance, June 30,	\$ 20,861	\$ 18,865

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

Note 4. Loans

The major classifications of loans follow:

	Aggregate Principal Amount	
	June 30, 2011	December 31, 2010
Commercial	\$ 84,669	\$ 87,226
Agricultural & AGRE	36,649	44,289
Construction, land & development	53,416	72,078
Commercial RE	318,772	342,208
1-4 family mortgages	164,590	172,666
Consumer	2,786	3,404
Total loans	\$ 660,882	\$ 721,871
Allowance for loan losses	(24,358)	(31,511)
Loans, net	\$ 636,524	\$ 690,360

There were \$0.8 million and \$1.7 million of loans held for sale at June 30, 2011 and December 31, 2010, respectively.

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

9.

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

Note 4. Loans (Continued)

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

Internal Risk Rating	Commercial			Construction	Commercial Real Estate		Total
	Closed end	Lines of Credit	Agriculture & AGRE	Land & Development	Owner-Occupied	Non-Owner Occupied	
Jun. 30, 2011							
1-2	\$ 1,931	\$ 1,194	\$ 4,324	\$ 3,982	\$ 4,711	\$ 845	\$ 16,987
3	3,612	5,382	12,418	1,157	11,986	20,729	55,284
4	19,047	26,350	14,954	1,267	78,661	51,401	191,680
5	10,492	3,791	3,047	7,938	23,158	45,866	94,292
6	1,118	5,118	1,821	5,852	6,464	16,348	36,721
7	2,253	4,381	85	33,220	20,272	38,331	98,542
8	—	—	—	—	—	—	—
Total	\$ 38,453	\$ 46,216	\$ 36,649	\$ 53,416	\$ 145,252	\$ 173,520	\$ 493,506
Dec. 31, 2010							
1-2	\$ 2,294	\$ 331	\$ 8,527	\$ 4,700	\$ 8,559	\$ 1,479	\$ 25,890
3	3,935	7,333	10,873	1,237	17,673	23,045	64,096
4	21,225	24,042	16,742	1,500	76,491	61,468	201,468
5	10,483	4,768	3,588	8,720	21,389	42,495	91,443
6	1,217	4,506	42	7,232	3,206	20,821	37,024
7	2,149	4,898	4,517	48,689	25,075	40,507	125,835
8	—	45	—	—	—	—	45
Total	\$ 41,303	\$ 45,923	\$ 44,289	\$ 72,078	\$ 152,393	\$ 189,815	\$ 545,801

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

Jun. 30, 2011	Residential – 1-4 family JR Lien & Lines of		Total
	Senior Lien	Credit	
Unrated	\$ 98,487	\$ 52,239	\$ 150,726
Special mention	1,065	1,426	2,491
Substandard	9,885	1,488	11,373
Total	\$ 109,437	\$ 55,153	\$ 164,590

Residential – 1-4 family JR Lien & Lines of		Total
Senior Lien	Credit	

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Dec. 31, 2010			
Unrated	\$ 99,852	\$ 55,147	\$ 154,999
Special mention	1,034	1,769	2,803
Substandard	13,707	1,157	14,864
Total	\$ 114,593	\$ 58,073	\$ 172,666

10.

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

Note 4. Loans (Continued)

An analysis of the activity in the allowance for loan losses for the three months ended June 30, 2011 and 2010 follows:

	Commercial	Agriculture & AGRE	Construction, Land & Development	Commercial RE	1-4 Family Residential	Consumer	Total
June 30, 2011							
Beginning							
Balance	\$ 1,759	\$ 315	\$ 8,655	\$ 15,269	\$ 3,055	\$ 36	\$ 29,089
Charge-offs	(176)	(654)	(2,333)	(4,296)	(667)	(6)	(8,132)
Recoveries	12	2	99	14	8	16	151
Provision	156	723	(111)	2,022	471	(11)	3,250
Ending							
Balance	\$ 1,751	\$ 386	\$ 6,310	\$ 13,009	\$ 2,867	\$ 35	\$ 24,358

June 30, 2010							
Beginning							
Balance							\$41,845
Charge-offs							(7,059)
Recoveries							42
Provision							7,550
Ending							
Balance							\$42,378

An analysis of the activity in the allowance for loan losses for the six months ended June 30, 2011 and 2010 follows:

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

June 30, 2010							
							\$40,909

Beginning	
Balance	
Charge-offs	(15,595)
Recoveries	164
Provision	16,900
Ending	
Balance	\$42,378

11.

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

Note 4. Loans (Continued)

The following is an analysis on the balance and allowance for loan loss for impaired loans as of June 30, 2011 and December 31, 2010:

	Commercial	Agriculture & AGRE	Construction, Land & Development	Commercial RE	1-4 Family Residential	Consumer	Total
Jun. 30, 2011							
Allowance for loan losses:							
Loans individually evaluated for impairment	\$ 1,074	\$ 8	\$ 4,138	\$ 6,634	\$ 841	\$ 3	\$ 12,698
Loans collectively evaluated for impairment	677	378	2,172	6,375	2,026	32	11,660
Total ending allowance balance	\$ 1,751	\$ 386	\$ 6,310	\$ 13,009	\$ 2,867	\$ 35	\$ 24,358
Loan balances:							
Loans individually evaluated for impairment	\$ 6,424	\$ 85	\$ 33,193	\$ 49,593	\$ 11,146	\$ 8	\$ 100,449
Loans collectively evaluated for impairment	78,245	36,564	20,223	269,179	153,444	2,778	560,433
Loans with an allowance recorded:	\$ 84,669	\$ 36,649	\$ 53,416	\$ 318,772	\$ 164,590	\$ 2,786	\$ 660,882
Dec. 31, 2010							
Allowance for loan losses:							
Loans individually evaluated for impairment	\$ 1,175	\$ 328	\$ 8,174	\$ 6,487	\$ 1,500	\$ —	\$ 17,664

Loans collectively evaluated for impairment	459	9	4,326	7,234	1,773	46	13,847
Total ending allowance balance	\$ 1,634	\$ 337	\$ 12,500	\$ 13,721	\$ 3,273	\$ 46	\$ 31,511
Loan balances:							
Loans individually evaluated for impairment	\$ 6,858	\$ 4,516	\$ 48,535	\$ 51,652	\$ 14,602	\$ 1	\$ 126,164
Loans collectively evaluated for impairment	80,368	39,773	23,543	290,556	158,064	3,403	595,707
Loans with an allowance recorded:	\$ 87,226	\$ 44,289	\$ 72,078	\$ 342,208	\$ 172,666	\$ 3,404	\$ 721,871

Troubled debt restructurings (“TDRs”) are separately identified for impairment disclosures. If a loan is considered to be collateral dependent loan, the TDR is reported, net, at the fair value of the collateral. The Company had TDRs of \$6.4 million and \$5.3 million as of June 30, 2011 and December 31, 2010, respectively. Specific reserves of \$0.6 million and \$0.4 were allocated to TDRs as of June 30, 2011 and December 31, 2010, respectively. At June 30, 2011, nonaccrual TDR loans were \$4.5 million, as compared to \$5.0 million at December 31, 2010. At June 30, 2011 and December 31, 2010, \$1.9 million and \$0.3 million of TDRs were on accrual status. The Company has not committed to lend any additional amounts to customers with outstanding loans that are classified as TDRs as of June 30, 2011.

12.

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

Note 4. Loans (Continued)

The following tables present data on impaired loans:

June 30, 2011	Recorded Investment	Unpaid Principal Balance	Related Allowance	Current Quarter Average Recorded Investment	Year-to-Date Average Recorded Investment	Current Quarter Interest Income Recognized	Year-to-Date Interest Income Recognized
Loans with no related allowance recorded:							
Commercial	\$ 978	\$ 1,952	\$ —	\$ 898	\$ 1,921	\$ 1	\$ 2
Agricultural & AGRE	65	682	—	60	63	—	3
Construction, land & development	12,964	29,544	—	14,579	12,617	(60)	(99)
Commercial RE	23,966	30,937	—	21,762	21,884	362	501
1-4 family residential	3,368	3,821	—	3,420	3,226	33	61
Consumer	—	—	—	—	—	—	—
Subtotal	41,341	66,936	—	40,719	39,711	336	468
Loans with an allowance recorded:							
Commercial	5,446	5,446	1,074	4,798	3,770	34	78
Agricultural & AGRE	20	20	8	2,079	2,759	—	—
Construction, land & development	20,229	32,205	4,137	20,133	23,977	21	142
Commercial RE	25,627	25,627	6,634	24,903	24,281	333	757
1-4 family residential	7,778	8,208	841	8,560	9,128	163	386
Consumer	8	8	4	4	3	—	—
Subtotal	59,108	71,514	12,698	60,477	63,918	551	1,363
Total	\$ 100,449	\$ 138,450	\$ 12,698	\$ 101,196	\$ 103,629	\$ 887	\$ 1,831
Commercial	\$ 89,295	\$ 126,413	\$ 11,853	\$ 89,212	\$ 91,272	\$ 691	\$ 1,384

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Residential	\$ 11,146	\$ 12,029	\$ 841	\$ 11,980	\$ 12,354	\$ 196	\$ 447
Consumer	\$ 8	\$ 8	\$ 4	\$ 4	\$ 3	\$ —	\$ —

Cash basis interest income recognized during the three and six months ended June 30, 2011, totaled \$0.9 million and \$1.6 million, respectively.

December 31, 2010	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
Loans with no related allowance recorded:					
Commercial	\$3,968	\$5,805	\$—	\$1,638	\$133
Agricultural & AGRE	68	685	—	143	86
Construction, land & development	8,695	23,949	—	8,188	(395)
Commercial RE	22,129	26,581	—	15,795	313
1-4 family residential	2,838	2,953	—	3,069	104
Consumer	1	1	—	—	—
Subtotal	37,699	59,974	—	28,833	241
Loans with an allowance recorded:					
Commercial	2,890	2,890	1,175	4,228	140
Agricultural & AGRE	4,448	4,448	328	3,849	155
Construction, land & development	39,840	51,001	8,174	40,972	914
Commercial RE	29,523	34,695	6,487	28,443	