

Edgar Filing: CENTRUE FINANCIAL CORP - Form 10-Q

CENTRUE FINANCIAL CORP
Form 10-Q
May 09, 2008

=====

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

QUARTERLY REPORT
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended March 31, 2008
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 is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No .

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

Class	Shares outstanding at May 9, 2008
----- Common Stock, Par Value \$1.00	----- 6,026,996

=====

Centrue Financial Corporation
Form 10-Q Index
March 31, 2008

Page

PART I. FINANCIAL INFORMATION

Edgar Filing: CENTRUE FINANCIAL CORP - Form 10-Q

Item 1. Financial Statements

- o Unaudited Consolidated Balance Sheets1
- o Unaudited Consolidated Statements of Income and
Comprehensive Income2
- o Unaudited Consolidated Statements of Cash Flows4
- o Notes to Unaudited Consolidated Financial Statements5

Item 2. Management's Discussion and Analysis of Financial Condition
and Results of Operations15

Item 3. Quantitative and Qualitative Disclosures
About Market Risk28

Item 4. Controls and Procedures29

PART II. OTHER INFORMATION

Item 1. Legal Proceedings30

Item 1A. Risk Factors30

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.....30

Item 3. Defaults Upon Senior Securities30

Item 4. Submission of Matters to a Vote of Security Holders30

Item 5. Other Information31

Item 6. Exhibits31

SIGNATURES32

CENTRUE FINANCIAL CORPORATION
 PART I FINANCIAL INFORMATION
 ITEM 1. FINANCIAL STATEMENTS
 UNAUDITED CONSOLIDATED BALANCE SHEETS
 MARCH 31, 2008 AND DECEMBER 31, 2007
 (IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

	March 31 2008
ASSETS	
Cash and cash equivalents	\$ 50,
Securities available-for-sale	207,
Restricted securities	10,
Loans	1,016,
Allowance for loan losses	(11,
Net loans	1,004,
Cash surrender value of life insurance	27,

Edgar Filing: CENTRUE FINANCIAL CORP - Form 10-Q

Mortgage servicing rights	3,
Premises and equipment, net	34,
Goodwill	25,
Intangible assets, net	10,
Other real estate	1,
Other assets	12,

Total assets	\$ 1,387,
	=====
LIABILITIES AND STOCKHOLDERS' EQUITY	
Liabilities	
Deposits	
Non-interest-bearing	\$ 118,
Interest-bearing	930,

Total deposits	1,049,
Federal funds purchased and securities sold under agreements to repurchase	49,
Federal Home Loan Bank advances	115,
Notes payable	24,
Series B mandatory redeemable preferred stock	
Subordinated debentures	20,
Other liabilities	10,

Total liabilities	1,269,
Commitments and contingent liabilities	
Stockholders' equity	
Series A convertible preferred stock (aggregate liquidation preference of 2,762)	
Common stock, \$1 par value, 15,000,000 shares authorized; 7,451,210 and 7,438,110	
shares issued at March 31, 2008 and at December 31, 2007	7,
Surplus	71,
Retained earnings	61,
Accumulated other comprehensive income (loss)	

Treasury stock, at cost 1,425,064 shares at March 31, 2008 and 1,366,564 at	140,
December 31, 2007	(22,

Total stockholders' equity	117,

Total liabilities and stockholders' equity	\$ 1,387,
	=====

See Accompanying Notes to Unaudited Financial Statements

1.

CENTRUE FINANCIAL CORPORATION
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
THREE MONTHS ENDED MARCH 31, 2008 AND 2007 (IN THOUSANDS, EXCEPT PER SHARE DATA)

Thre

Edgar Filing: CENTRUE FINANCIAL CORP - Form 10-Q

	----- 2008 -----
Interest income	
Loans	\$ 17,
Securities	
Taxable	2,
Exempt from federal income taxes	
Federal funds sold and other	

Total interest income	20,
Interest expense	
Deposits	8,
Federal funds purchased and securities sold under agreements to repurchase	
Federal Home Loan Bank advances	1,
Series B mandatory redeemable preferred	
Subordinated debentures	
Notes payable	

Total interest expense	10,
Net interest income	9,
Provision for loan losses	

Net interest income after Provision for loan losses	8,
Noninterest income	
Service charges	1,
Trust income	
Mortgage banking income	
Brokerage commissions and fees	
Bank owned life insurance	
Securities gains	
Gain on sale of OREO	
Gain on sale of other assets	
Other income	

	4,
Noninterest expenses	
Salaries and employee benefits	4,
Occupancy	1,
Furniture and equipment	
Marketing	
Supplies and printing	
Telephone	
Data Processing	
Amortization of intangible assets	
Other expenses	1,

	10,

See Accompanying Notes to Unaudited Financial Statements

Edgar Filing: CENTRUE FINANCIAL CORP - Form 10-Q

CENTRUE FINANCIAL CORPORATION
 UNAUDITED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
 THREE MONTHS ENDED MARCH 31, 2008 AND 2007 (IN THOUSANDS, EXCEPT PER SHARE DATA)

	Thre
	2008
Income before income taxes	3,
Income taxes	1,
Net income	\$ 2,
Preferred stock dividends	
Net income for common stockholders	\$ 2,
Basic earnings per common share	\$ 0
Diluted earnings per common share	\$ 0
Total comprehensive income:	
Net income	\$ 2,
Change in unrealized gains (losses) on available for sale securities	(
Tax effect	(
Total comprehensive income, net of tax	(
Total comprehensive income	\$ 1,

See Accompanying Notes to Unaudited Financial Statements

3.

CENTRUE FINANCIAL CORPORATION
 UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
 THREE MONTHS ENDED MARCH 31, 2008 AND 2007 (IN THOUSANDS)

	Three Months End	
	March 31,	
	2008	20
Cash flows from operating activities		
Net income	\$ 2,445	\$ 1
Adjustments to reconcile net income to		

Edgar Filing: CENTRUE FINANCIAL CORP - Form 10-Q

Net cash provided by operating activities		
Depreciation	875	
Amortization of intangible assets	909	
Amortization of mortgage servicing rights, net	143	
Amortization of bond premiums, net	55	
Share based compensation	41	
Provision for loan losses	766	
Earnings on bank-owned life insurance	(252)	
Securities losses/(gains), net	(848)	
(Gain) loss on sale of real estate acquired in settlement of loans	(76)	
(Gain) loss on sale of loans	(358)	
(Gain) on sale of branch	(482)	
Proceeds from sales of loans held for sale	34,812	10
Origination of loans held for sale	(38,733)	(10)
Change in assets and liabilities		
(Increase) decrease in other assets	185	(3)
Increase (decrease) in other liabilities	(652)	3
	-----	-----
Net cash provided by (used in) operating activities	(1,170)	3
Cash flows from investing activities		
Proceeds from maturities and paydowns of securities available for sale	92,046	13
Purchases of securities available for sale	(61,300)	(3)
Net decrease (increase) in loans	(69,983)	(33)
Purchase of premises and equipment	(318)	
Proceeds from sale of OREO	2,287	
Sale of Branches, net of premium received	(7,746)	
	-----	-----
Net cash provided by (used in) investing activities	(45,014)	(23)
Cash flows from financing activities		
Net increase (decrease) in deposits	38,713	30
Net increase (decrease) in federal funds purchased and securities sold under agreements to repurchase	4,229	5
Repayment of advances from the Federal Home Loan Bank	(145,207)	(5)
Proceeds from advances from the Federal Home Loan Bank	139,000	
Payments on notes payable	(21)	
Proceeds from notes payable	10,250	
Dividends on common stock	(789)	
Dividends on preferred stock	(52)	
Proceeds from exercise of stock options	214	
Purchase of treasury stock	(1,175)	
	-----	-----
Net cash provided by financing activities	45,162	29
Net increase (decrease) in cash and cash equivalents	(1,022)	8
Cash and cash equivalents		
Beginning of period	51,628	40
	-----	-----
End of period	\$ 50,606	\$ 48
	=====	=====
Supplemental disclosures of cash flow information		
Cash payments for		
Interest	\$ 11,246	\$ 9
Income taxes	-	-
Transfers from loans to other real estate owned	492	2

See Accompanying Notes to Unaudited Financial Statements

4.

CENTRUE FINANCIAL CORPORATION
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

Note 1. Summary of Significant Accounting Policies

Centrue Financial Corporation (the "Company") is a bank holding company organized under the laws of the State of Delaware. The Company provides a full range of products and services to individual and corporate customers located in the north central, east central, south central, suburban west area of Chicago, suburban metro east area of St. Louis, and northwest Illinois areas. These products and services include demand, time, and savings deposits; lending; mortgage banking, brokerage, asset management, and trust services. The Company is subject to competition from other financial institutions, including banks, thrifts and credit unions, as well as nonfinancial institutions providing financial services. Additionally, the Company and its subsidiary Centrue Bank (the "Bank") are subject to regulations of certain regulatory agencies and undergo periodic examinations by those regulatory agencies.

Basis of presentation

The accompanying unaudited interim consolidated financial statements of Centrue Financial Corporation have been prepared in accordance with U.S. generally accepted accounting principles and with the rules and regulations of the Securities and Exchange Commission for interim financial reporting. Accordingly, they do not include all of the information and footnotes required for complete financial statements. In the opinion of management, all normal and recurring adjustments which are necessary to fairly present the results for the interim periods presented have been included. The preparation of financial statements requires management to make estimates and assumptions that affect the recorded amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. The allowance for loan losses, carrying value of goodwill, value of mortgage servicing rights, deferred taxes, and fair values of financial instruments are particularly subject to change. Actual results could differ from those estimates. Certain 2007 amounts have been reclassified to conform to the 2008 presentation.

Assets held in an agency or fiduciary capacity, other than trust cash on deposit with Centrue Bank, are not assets of the Company and, accordingly, are not included in the accompanying consolidated financial statements. The consolidated financial statements include the accounts of the Company and Centrue Bank. Intercompany balances and transactions have been eliminated in consolidation.

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, 2007. The annualized results of operations during the three months ended March 31, 2008 are not necessarily indicative of the results expected for the year ending December 31, 2008. All financial information is in thousands (000s), except shares and per share data.

Note 2. Earnings Per Share

Basic earnings per common share is net income for common shareholders for the three months ended March 31, 2008 and 2007 divided by the weighted-average common shares outstanding during the period. Diluted earnings per common share

Edgar Filing: CENTRUE FINANCIAL CORP - Form 10-Q

includes the dilutive effect of additional potential shares issuable under stock options and Series A convertible preferred shares using the treasury stock method. Computations for basic and diluted earnings per share are provided below:

5.

CENTRUE FINANCIAL CORPORATION
 NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
 (IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

Note 2. Earnings Per Share (continued)

	Three Months Ended March 31,	
	2008	2007
Basic Earnings Per Common Share		
Net income available to common shareholders	\$ 2,393	\$ 1,847
Weighted average common shares outstanding	6,052,000	6,462,000
Basic earnings per common share	\$ 0.40	\$ 0.29
Diluted Earnings Per Common Share		
Weighted average common shares outstanding	6,052,000	6,462,000
Add: dilutive effect of assumed exercised stock options	37,000	35,000
Weighted average common and dilutive potential shares outstanding	6,089,000	6,497,000
Diluted earnings per common share	\$ 0.39	\$ 0.28

There were approximately 340,800 and 276,200 options outstanding for the three months ended March 31, 2008 and 2007, 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 18.8% of the Company's 2008 first 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 held-to-maturity.

The following table describes the fair value, gross unrealized gains and losses of securities available-for-sale at March 31, 2008 and December 31, 2007, respectively:

Edgar Filing: CENTRUE FINANCIAL CORP - Form 10-Q

	March 31, 2008			
	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses	% Port
U.S. government agencies	\$ 19,960	\$ 807	\$ -	
States and political subdivisions	41,344	1,048	(108)	
U. S. government mortgage-backed securities	93,422	850	(123)	
Collateralized mortgage obligations	23,401	141	(262)	
Equity securities	27,176	92	(2,448)	
Corporate	1,964	24	(39)	
	<u>\$ 207,267</u>	<u>\$ 2,962</u>	<u>\$ (2,980)</u>	

	December 31, 2007			
	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses	% Port
U.S. government agencies	\$ 103,624	\$ 1,415	\$ (14)	
States and political subdivisions	41,561	501	(13)	
U. S. government mortgage-backed securities	47,784	287	(106)	
Collateralized mortgage obligations	24,077	68	(100)	
Equity securities	18,874	105	(609)	
Corporate	2,741	9	(10)	
	<u>\$ 238,661</u>	<u>\$ 2,385</u>	<u>\$ (852)</u>	

6.

CENTRUE FINANCIAL CORPORATION
 NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
 (IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

Note 3. Securities (continued)

Management does not believe any individual unrealized losses as of March 31, 2008, 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.

The amounts below include the activity related to security sales and calls. The activity related to securities available-for-sale were as follows:

Three Months Ended
 March 31,

Edgar Filing: CENTRUE FINANCIAL CORP - Form 10-Q

	----- 2008 -----	----- 2007 -----
Proceeds	\$ 83,897	\$
Realized gains	\$ 848	\$
Realized losses	\$ -	\$

Note 4. Loans

The following table describes the composition of loans by major categories outstanding as of March 31, 2008 and December 31, 2007, respectively:

	March 31, 2008		December 31, 2007	
	\$	%	\$	%
	-----	-----	-----	-----
Commercial	\$ 197,683	19.5%	\$ 181,210	18.9%
Agricultural	14,671	1.4	21,861	2.3
Real estate:				
Commercial mortgages	398,639	39.2	362,920	37.9
Construction	177,028	17.4	159,274	16.6
Agricultural	22,597	2.2	23,560	2.5
1-4 family mortgages	197,650	19.5	198,208	20.7
Installment	7,356	0.7	8,611	0.9
Other	473	0.1	1,641	0.2
	-----	-----	-----	-----
Total loans	1,016,097	100.0%	957,285	100.0%
		=====		=====
Allowance for loan losses	(11,221)		(10,755)	
	-----		-----	
Loans, net	\$ 1,004,876		\$ 946,530	
	=====		=====	

The following table presents data on impaired loans:

	March 31, 2008	December 31, 2007
	-----	-----
Impaired loans for which an allowance has been provided	\$ 6,179	\$ 5,502
Impaired loans for which no allowance has been provided	3,723	5,923
	-----	-----
Total loans determined to be impaired	\$ 9,902	\$ 11,425
	=====	=====
Allowance for loan loss for impaired loans included in the allowance for loan losses	\$ 2,212	\$ 2,350
	=====	=====

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.

7.

CENTRUE FINANCIAL CORPORATION
 NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
 (IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

Note 4. Loans (continued)

As of March 31, 2008, the Company had \$3,920 of loans held for sale and at December 31, 2007, the Company had \$1,598 of loans held for sale.

The Company conducts a quarterly evaluation as to the adequacy of the allowance for loan losses. Transactions in the allowance for loan losses for the three months ended March 31, 2008 and 2007 are summarized below:

	Three Months Ended March 31,	
	2008	2007
Beginning balance	\$ 10,755	\$ 10,835
Charge-offs	(398)	(498)
Recoveries	98	270
Provision for loan losses	766	-
Ending balance	\$ 11,221	\$ 10,607
Period end total loans	\$ 1,016,097	\$ 868,529
Average loans	\$ 999,042	\$ 856,962
Ratio of net charge-offs to average loans	0.03%	0.03%
Ratio of provision for loan losses to average loans	0.08	0.00
Ratio of allowance for loan losses to period end total loans	1.10	1.22
Ratio of allowance for loan losses to total nonperforming loans	276.52	112.65
Ratio of allowance for loan losses to average loans	1.12	1.24

Note 5. Share Based Compensation

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

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, and/or stock appreciation rights may be granted to employees and outside directors of the Company and its subsidiaries to purchase the Company's

Edgar Filing: CENTRUE FINANCIAL CORP - Form 10-Q

common stock at an exercise price to be determined by the Executive and Compensation committee. Pursuant to the 2003 Option Plan, 570,000 shares of the Company's unissued common stock have been reserved 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 254,000 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.

8.

CENTRUE FINANCIAL CORPORATION
 NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
 (IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

Note 5. Share Based Compensation (continued)

The Company's compensation committee awarded 5,000 restricted common stock awards available under the restricted stock portion of the plan. The restricted shares were issued out of treasury shares with an aggregate grant date fair value of \$90. The awards were granted using the fair value as the last sale price as quoted on the NASDAQ Stock Market on the date of grant of \$18.03. The awarded shares vest at a rate of 20% of the initially awarded amount per year, beginning on the first anniversary date of the award, and are contingent upon continuous service by the recipient through the vesting date. Currently, there are 1,000 shares of the restricted stock that have vested.

A summary of the status of the option plans as of March 31, 2008, and changes during the period ended on those dates is presented below:

	March 31, 2008			
	Shares	Weighted- Average Exercise Price	Weighted- Average Remaining Contractual Life	Aggregate Intrinsic Value
Outstanding at January 1, 2008	574,024	\$ 18.96		
Granted	93,000	17.63		
Exercised	(13,100)	16.36		
Forfeited	(37,710)	20.69		
Outstanding at end of period	616,214	\$ 18.71	5.2 years	\$ 1,124
Vested or expected to vest	606,620	18.71	5.0 years	1,114
Options exercisable at period end	403,014	\$ 18.71	4.5 years	\$ 896

Options outstanding at March 31, 2008 and December 31, 2007 were as follows:

Edgar Filing: CENTRUE FINANCIAL CORP - Form 10-Q

Range of Exercise Prices	Outstanding		Exercisable	
	Number	Weighted-Average Remaining Contractual Life	Number	Weighted-Average Exercise Price
March 31, 2008:				
\$ 11.25 - \$ 13.00	46,381	2.3 years	46,381	\$ 11.60
13.88 - 18.50	216,033	4.9 years	123,033	15.55
19.03 - 23.31	353,800	5.8 years	233,600	21.79
	616,214	5.2 years	403,014	\$ 18.71
December 31, 2007:				
11.25 - 13.00	46,381	2.6 years	46,381	11.60
13.88 - 18.50	143,443	3.2 years	143,443	15.60
19.03 - 23.31	384,200	5.9 years	260,600	21.86
	574,024	5.0 years	450,424	\$ 18.81

9.

CENTRUE FINANCIAL CORPORATION
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

Note 5. Share Based Compensation (continued)

Information related to the stock option plan during the quarter ended March 31, 2008 and 2007 is as follows:

	March 31, 2008	March 31, 2007
Intrinsic value of options exercised	\$ 37	\$ 124
Cash received from option exercises	214	266
Tax benefit realized from option exercises	-	103
Weighted average of fair value of options granted	3.36	4.65

The compensation cost that has been charged against income for the stock options portion of the Equity Incentive Plan was \$24 and \$6 for the three months ended March 31, 2008 and 2007. The compensation cost that has been charged against income for the restricted stock portion of the Equity Incentive Plan was \$5 and \$0 for the three months ended March 31, 2008 and 2007.

The fair value of each option award is estimated on the date of grant using a closed form option valuation (Black-Scholes) model that uses the assumptions noted in the table below. Expected volatilities are based on historical volatilities of the Company's common stock. The Company uses historical data to estimate option exercise and post-vesting termination behavior. (Employee and

Edgar Filing: CENTRUE FINANCIAL CORP - Form 10-Q

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 grant date:

	March 31, 2008	March 31, 2007
	-----	-----
Fair value	\$ 3.36	\$ 4.69
Risk-free interest rate	2.75%	4.69%
Expected option life (years)	6	6
Expected stock price volatility	24.07%	23.67%
Dividend yield	2.95%	2.68%

Unrecognized stock option compensation expense related to unvested awards (net of estimated forfeitures) for the remainder of 2008 and beyond is estimated as follows:

	Amount

April, 2008 - December, 2008	\$ 145
2009	172
2010	172
2011	160
2012	104
2013	5

Total	\$ 758
	=====

10.

CENTRUE FINANCIAL CORPORATION
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

Note 6. Contingent Liabilities and Other Matters

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

Note 7. Segment Information

The Company utilizes a line of business ("LOB") reporting structure which 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 other operations. Loans, and deposits generate the revenues in the commercial segments; deposits, loans, secondary mortgage sales and servicing generates the revenue in the retail segment; investment income generates the revenue in the treasury segment; brokerage, and trust services generate the revenue in the wealth management segment and holding company services generate revenue in the other operations segment. The "net allocations" line represents the allocation of the costs that are overhead being spread to the specific segments.

Edgar Filing: CENTRUE FINANCIAL CORP - Form 10-Q

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

Information reported internally for performance assessment follows.

	Three Months Ended				
	March 31, 2008				
	Retail Segment	Commercial Segment	Treasury Segment	Wealth Management	Other Operations
Net interest income (loss)	\$ 3,256	\$ 5,911	\$ 602	\$ (9)	\$ (57)
Other revenue	3,076	287	848	382	345
Other expense	3,344	1,101	218	319	3,554
Noncash items					
Depreciation	431	2	-	4	438
Provision for loan losses	-	766	-	-	-
Other intangibles	507	-	-	398	-
Net allocations	920	2,441	629	3	(3,993)
Income tax expense	373	623	199	(116)	35
Segment profit (loss)	\$ 757	\$ 1,265	\$ 404	\$ (235)	\$ 254
Goodwill	\$ 11,927	\$ 12,404	\$ -	\$ 770	\$ -
Segment assets	\$ 300,540	\$ 798,855	\$ 205,825	\$ 913	\$ 81,719

	Three Months Ended				
	March 31, 2007				
	Retail Segment	Commercial Segment	Treasury Segment	Wealth Management	Other Operations
Net interest income (loss)	\$ 3,148	\$ 5,773	\$ 286	\$ 59	\$ 57
Other revenue	1,952	204	294	516	288
Other expense	2,883	1,094	159	541	3,812
Noncash items					
Depreciation	398	4	-	6	429
Provision for loan losses	-	-	-	-	-
Other intangibles	348	-	-	274	(1)
Net allocations	942	2,239	898	161	(4,240)
Income tax expense	106	442	(81)	(100)	364
Segment profit (loss)	\$ 423	\$ 2,198	\$ (396)	\$ (307)	\$ (19)
Goodwill	\$ 11,843	\$ 12,387	\$ -	\$ 1,166	\$ -
Segment assets	\$ 241,930	\$ 722,762	\$ 281,432	\$ 2,709	\$ 69,988

Edgar Filing: CENTRUE FINANCIAL CORP - Form 10-Q

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

Note 8. Borrowed Funds and Debt Obligations

On March 31, 2008, the Company entered into a new loan agreement with LaSalle Bank N.A. which provides for up to an aggregate principal amount of \$35,250 in borrowings. The loan agreement consists of three credit facilities. The first credit facility consists of a \$25,000 secured revolving line of credit which matures in December 2008. The second credit facility consists of a \$250 secured term facility, which will mature in March 2015. The third credit facility consists of a \$10,000 in subordinated debt, which also matures in March 2015. The interest rate on the term and subordinated debt credit facilities is three month LIBOR plus 295 basis points. The interest rate on the revolving credit facility is three month LIBOR plus 125 basis points. Repayment of each of the three credit facilities is interest only on a quarterly basis, with the principal amount of the loan due at maturity. The revolving and term credit facilities are secured by a pledge of the stock of Centrue Bank. The subordinated debt credit facility is unsecured and is intended to qualify as tier II capital for regulatory purposes. The loan agreement contains customary covenants, including but not limited to, Centrue Bank's maintenance of its status as well-capitalized, minimum return on average assets on an annual basis of 0.50%, maximum nonperforming assets to primary capital below 20%, and minimum loan loss reserves to total loans of 1.00%. The Company intends to use the credit facilities for general working capital purposes. The loan agreement contains no penalty for early repayment of either the revolving credit facility or the subordinated debt credit facility.

Note 9. Business Acquisitions and Divestures

On March 28, 2008 the Company completed the sale of its Hanover and Elizabeth branches to Apple River State Bank headquartered in Apple River, Illinois. Apple River assumed approximately \$25,300 in deposits and aquired \$12,700 in loans, and \$401 in premises and equipment. The net gain on the sale was \$482.

On December 28, 2007, the Company entered into an agreement to sell its Manlius and Tampico, Illinois branches to Peoples National Bank headquartered in Kewanee, Illinois. The Definitive Purchase and Assumption Agreement entered into calls for Peoples National to assume approximately \$31.3 million in deposits and \$25.9 million in loans. Additionally, Peoples National Bank is acquiring premises and equipment of \$276. The transaction is expected to be completed late in the second quarter of 2008. Management does not expect a loss on this transaction.

The proposed sale of the remaining branches in 2008 (Manlius and Tampico) is not expected to have a material impact on the future operations and results of the Company.

Note 10. Fair Value

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 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. In February 2008, the FASB issued staff position (FSP) 157-2, Effective Date of FASB Statement No. 157. This FSP delays the effective date of FAS 157 for all non-financial assets and non-financial liabilities, except those that are recognized or disclosed at fair value on a recurring basis (at least annually) to fiscal years beginning after November 15,

Edgar Filing: CENTRUE FINANCIAL CORP - Form 10-Q

2008 and interim periods within those fiscal years. The impact of adoption was not material.

Statement 157 establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) or identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

12.

CENTRUE FINANCIAL CORPORATION
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

Note 10. Fair Value (continued)

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs to reflect a reporting entity's own assumptions about the assumptions that market participants would use to price an asset or liability.

The fair value of securities available for sale are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs) or matrix pricing, which is a mathematical technique widely used in the industry to value debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on the securities' relationship to other benchmark quoted securities (Level 2 inputs).

Assets and liabilities measured at fair value are summarized below:

	Fair Value Measurements at March 31,	
	March 31, 2008	Quoted Prices in Active Markets for Identical Assets (Level 1)
	-----	-----
Assets and Liabilities Measured on a Recurring Basis		

Assets:		
Available for sale securities	\$ 207,267	\$ -

Assets and Liabilities Measured on a Non-Recurring Basis

Assets:

Edgar Filing: CENTRUE FINANCIAL CORP - Form 10-Q

Impaired Loans \$ 3,967 \$ - \$

Impaired loans, which are measured for impairment using the fair value of the collateral for collateral dependent loans, had a carrying amount of \$6,179 with a valuation allowance of \$2,212, resulting in an additional provision for loan losses of \$0 for the period.

13.

CENTRUE FINANCIAL CORPORATION
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

Note 11. Recent Accounting Developments

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. The new standard is effective for the Company on January 1, 2008. The Company did not elect the fair value option for any financial assets or financial liabilities as of January 1, 2008.

In January 2007, the FASB issued Derivatives Implementation Group Issue B40, Application of Paragraph 13 (b) to Securitized Interests in Prepayable Financial Assets (DIG Issue B40). DIG Issue B40 provides an exemption from the embedded derivative test of paragraph 13 (b) of SFAS No. 133 for instruments that would otherwise require bifurcation if the test is met solely because of a prepayment feature included within the securitized interest and prepayment is not controlled by the security holder. SFAS No. 155 and DIG Issue B40 did not have a material impact on the Company's consolidated financial position or results of operations.

In September 2006, the FASB Emerging Issues Task Force finalized Issue No. 06-4, Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements. This issue requires that a liability be recorded during the service period when a split-dollar life insurance agreement continues after participants' employment or retirement. The required accrued liability will be based on either the post-employment benefit cost for the continuing life insurance or based on the future death benefit depending on contractual terms of the underlying agreement. This issue is effective for fiscal years beginning after December 15, 2007. Due to the adoption of this item, the Company recorded an entry of \$730 to the beginning balance for retained earnings as of January 1, 2008.

On November 5, 2007, the SEC issued Staff Accounting Bulletin No. 109, Written Loan Commitments Recorded at Fair Value through Earnings ("SAB 109"). Previously, SAB 105, Application of Accounting Principles to Loan Commitments, stated that in measuring the fair value of a derivative loan commitment, a company should not incorporate the expected net future cash flows related to the associated servicing of the loan. SAB 109 supersedes SAB 105 and indicates that the expected net future cash flows related to the associated servicing of the loan should be included in measuring fair value for all written loan commitments that are accounted for at fair value through earnings. SAB 105 also indicated that internally-developed intangible assets should not be recorded as part of

Edgar Filing: CENTRUE FINANCIAL CORP - Form 10-Q

the fair value of a derivative loan commitment, and SAB 109 retains that view. SAB 109 is effective for derivative loan commitments issued or modified in fiscal quarters beginning after December 15, 2007. The impact of this standard was not material.

On March 19, 2008, the FASB issued FASB Statement No. 161, Disclosures about Derivative Instruments and Hedging Activities (SFAS 161), which is intended to improve financial reporting for derivative instruments and hedging activities. Additional disclosures will be required that require disclosure of the fair values of derivative instruments and their gains and losses in tabular format. It also requires disclosure of derivatives features that are credit risk-related. These changes will enable investors to better understand their effects on an entity's financial position, financial performance and cash flows. It is effective for financial statements for fiscal years and interim periods beginning after November 15, 2008. The impact of this statement will not have a material effect on the Company's consolidated financial statements.

14.

CENTRUE FINANCIAL CORPORATION
ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

Centrue Financial Corporation (the "Company") is a bank holding company organized under the laws of the State of Delaware. The Company provides a full range of products and services to individual and corporate customers located in the north central, east central, south central, suburban west area of Chicago, suburban metro east area of St. Louis, and northwest Illinois areas. These products and services include demand, time, and savings deposits; lending; mortgage banking, brokerage, asset management, and trust services. The Company is subject to competition from other financial institutions, including banks, thrifts and credit unions, as well as nonfinancial institutions providing financial services. Additionally, the Company and its subsidiary Centrue Bank (the "Bank") are subject to regulations of certain regulatory agencies and undergo periodic examinations by those regulatory agencies.

The following discussion provides an analysis of the Company's results of operations and financial condition for the three months ended March 31, 2008 as compared to the same period in 2007. 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 2007 amounts have been reclassified to conform to the 2008 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, 2007. The annualized results of operations during the three months ended March 31, 2008 are not necessarily indicative of the results expected for the year ending December 31, 2008. All financial information is in thousands (000s), except shares and per share data.

Critical Accounting Policies and Estimates

Edgar Filing: CENTRUE FINANCIAL CORP - Form 10-Q

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 accounting policies that are of particular significance to the Company are discussed in Note 1 of the Company's 2007 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.

15.

CENTRUE FINANCIAL CORPORATION
ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

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.

General

First Quarter 2008 Highlights:

- o Nonrecurring activity for the quarter accounted for approximately \$349,000 in net income after taxes or \$0.06 per diluted share. Excluding nonrecurring activity, net income increased 10.4%, while diluted earnings per share rose 17.9%, in comparison to first quarter 2007 results.
- o First quarter 2008 results included the following nonrecurring activity:
 - o Approximately \$84,000 in discounted agency securities were called resulting in a net gain on sale of \$848. Cash received

Edgar Filing: CENTRUE FINANCIAL CORP - Form 10-Q

from the called securities was used to fund loans and reinvest in adjustable rate or "hybrid" securities.

- o Net gain on sale of branches of \$482.
- o Write-down of \$397 in goodwill related to the anticipated sale of a business line within the Wealth Management segment.
- o Approximately \$362 in costs associated with branch sales/closings, employee separation costs and other miscellaneous costs.
- o The loan portfolio increased \$58,800 or 6.1% from year-end 2007 and \$147,600 or 17.0% from first quarter 2007.
- o The level of nonperforming assets decreased \$1,800 or 25.7% to \$5,200 versus the \$7.0 million that existed as of December 31, 2007.
- o The net interest margin decreased 10 basis points to 3.25% as compared to 3.35% recorded in the first and fourth quarters of 2007.
- o As part of an ongoing effort by the Company to redeploy capital to higher growth markets, the Company completed the sale of its Hanover and Elizabeth branches. The transaction resulted in selling \$12,700 in loans and \$25,300 in deposits and generated a net gain on sale of \$482. Upcoming branch transactions include the previously announced sale of the Manlius and Tampico branches and closing of the Ashkum branch, both scheduled to be completed in the second quarter.
- o Entered into a \$10,000 subordinated debt agreement with LaSalle Bank N.A. The subordinated debt credit facility is unsecured and is intended to qualify as tier II capital for regulatory purposes.
- o In an effort to provide greater visibility and recognition within the investment community, the Company relocated our corporate headquarters to St. Louis, Missouri.

16.

CENTRUE FINANCIAL CORPORATION

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

(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

Results of Operations

Net Income

Net income for the first quarter 2008 equaled \$2,445 or \$0.39 per diluted share as compared to \$1,899 or \$0.28 per diluted share in the same period of 2007. This represents increases of 28.8% in net income and 39.3% in diluted per share earnings.

Return on average assets was 0.71% for the first quarter of 2008 compared to 0.60% for the same period in 2007. Return on average stockholders' equity was 8.24% for the first quarter of 2008 compared to 6.50% for the same period in 2007.

Net Interest Income/ Margin

Edgar Filing: CENTRUE FINANCIAL CORP - Form 10-Q

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.

Fully tax equivalent net interest income for the three months ended March 31, 2008 increased 4.1% to \$9,968 as compared \$9,574 for the same period in 2007. The improvement in net interest income was largely related to growth in the loan portfolio and a decrease in rates paid on interest bearing liabilities. These improvements were partially offset by reductions in the rates earned and volume of the securities portfolio and a decrease in rates earned on loans.

The net interest margin, on a tax equivalent basis, decreased 10 basis points to 3.25% as compared to the same period in 2007 and also decreased 10 basis points from the fourth quarter of 2007. The primary drivers for the decrease were compressed yields on the securities and loan portfolios, heightened competition for deposits and increased bank funding costs. Competitive pressures in pricing loans and deposits and expected future FOMC short-term rate reductions are likely to maintain pressure on the margin throughout 2008.

17.

CENTRUE FINANCIAL CORPORATION
 ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
 (IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

AVERAGE BALANCE SHEET
 AND ANALYSIS OF NET INTEREST INCOME

	For the Three Months Ended March 31,					
	2008			2007		
	Average Balance	Interest Income/Expense	Average Rate	Average Balance	Interest Income/Expense	Average Rate
ASSETS						
Interest-earning assets						
Interest-earning deposits	\$ 2,977	\$ 7	0.92%	\$ 3,554	\$ 13	
Securities						
Taxable	191,235	2,453	5.16	252,872	3,305	
Non-taxable	39,380	575	5.88	41,037	564	

Edgar Filing: CENTRUE FINANCIAL CORP - Form 10-Q

Total securities (tax equivalent)	230,615	3,028	5.28	293,909	3,869
Federal funds sold	4,200	37	3.54	6,103	82
Loans					
Commercial	220,667	3,742	6.82	182,954	3,721
Real estate	765,476	13,449	7.07	658,484	12,108
Installment and other	11,440	184	6.48	15,524	270
Gross loans (tax equivalent)	997,583	17,375	7.01	856,962	16,099
Total interest-earnings assets	1,235,375	20,447	6.66	1,160,528	20,063
Noninterest-earning assets					
Cash and cash equivalents	33,429			26,676	
Premises and equipment, net	35,422			35,509	
Other assets	72,259			71,295	
Total nonearning assets	141,110			133,480	
Total assets	\$ 1,376,485			\$ 1,294,008	
LIABILITIES & STOCKHOLDERS' EQUITY					
Interest-bearing liabilities					
NOW accounts	\$ 112,010	\$ 403	1.45	\$ 102,601	\$ 420
Money market accounts	156,238	1,320	3.40	119,940	1,058
Savings deposits	89,413	142	0.64	102,559	181
Time deposits	565,086	6,475	4.61	587,319	7,157
Federal funds purchased and repurchase Agreements	50,214	333	2.66	36,372	410
Advances from FHLB	120,635	1,172	3.91	61,226	645
Notes payable	36,179	634	7.05	30,378	618
Total interest-bearing liabilities	1,129,775	10,479	3.73	1,040,395	10,489
Noninterest-bearing liabilities					
Noninterest-bearing deposits	115,947			125,507	
Other liabilities	11,345			9,700	
Total noninterest-bearing liabilities	127,292			135,207	
Stockholders' equity	119,418			118,406	
Total liabilities and	\$ 1,376,485			\$ 1,294,008	

Edgar Filing: CENTRUE FINANCIAL CORP - Form 10-Q

stockholders' equity	=====	=====
Net interest income (tax equivalent)	\$ 9,968	\$ 9,574
	=====	=====
Net interest income (tax equivalent) to total earning assets		3.25%
		=====
Interest-bearing liabilities to earning assets	91.45%	89.65%
	=====	=====

- (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; overdraft loans are excluded in the balances.
- (4) Loan fees are included in the specific loan category.

18.

CENTRUE FINANCIAL CORPORATION
 ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
 (IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

Provision for Loan Losses

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.

During the first quarter of 2008, the Company made a \$766 provision to the allowance for loan losses as compared to reporting a \$0 provision for same period in 2007.

The following factors have impacted 2008 provision levels:

- o growth in loan portfolio;
- o increase in action list loans since year-end;
- o identifying and addressing problem credits based on the recent deteriorating economic conditions;

Edgar Filing: CENTRUE FINANCIAL CORP - Form 10-Q

Net charge-offs for the first quarter of 2008 were \$300 compared with \$228 for the comparable period in 2007. Annualized net charge-offs for the period was 0.03% of average loans compared with 0.03% of average loans for same period in 2007.

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

Noninterest Income

Noninterest income consists of a wide variety of fee-based revenues from bank-related service charges on deposits and mortgage revenues. Also included in this category are revenues generated by the Company's brokerage, trust and asset management services as well as increases in cash surrender value on bank-owned life insurance. The following table summarizes the Company's noninterest income:

	Three Months Ended March 31,	
	2008	2007
Service charges	1,636	1,583
Trust income	253	229
Mortgage banking income	446	434
Brokerage commissions and fees	102	126
Bank owned life insurance	252	241
Securities gains, net	848	-
Gain on sale of Oreo	96	82
Gain on sale of Other Assets	482	-
Other income	823	559
	-----	-----
Total noninterest income	\$ 4,938	\$ 3,254
	=====	=====

Noninterest income totaled \$4,938 for the three months ended March 31, 2008, compared to \$3,254 for the same period in 2007. Excluding \$848 in net securities gains and \$482 of net gains on the sale of other assets, noninterest income increased \$354 or 10.9% during the first quarter of 2008 as compared to the same period in 2007. This growth was primarily due to the result of improvements in service charges and NSF fees on deposit accounts, volume related improvement from the mortgage banking division and increased revenue generated from electronic banking products.

19.

CENTRUE FINANCIAL CORPORATION
ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

Noninterest Expense

Noninterest expense is comprised primarily of compensation and employee benefits, occupancy and other operating expense. The following table summarizes

Edgar Filing: CENTRUE FINANCIAL CORP - Form 10-Q

the Company's noninterest expense:

	Three Months Ended March 31,	
	2008	2007
Salaries and employee benefits	\$ 4,829	\$ 5,148
Occupancy expense, net	1,210	941
Furniture and equipment expense	611	695
Marketing	223	192
Supplies and printing	131	181
Telephone	241	178
Data processing	303	583
Amortization of intangible assets	909	621
Other expenses	1,859	1,409
	-----	-----
Total noninterest expense	\$ 10,316	\$ 9,948
	=====	=====

Noninterest expense totaled \$10,316 for the three months ended March 31, 2008, compared to \$9,948 for the same period in 2007. Excluding \$759 of previously mentioned non-recurring items, noninterest expense declined \$391 or 3.9% during the first quarter as compared to the same period in 2007. The decrease was primarily the result of reductions in salaries and employee benefits due to a decrease in full time equivalent employees, data processing costs related to the elimination of a redundant service provider and lower supplies expense.

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 months ended March 31, 2008 and 2007.

	Three Months Ended March 31,	
	2008	2007
Income before income taxes	\$ 3,559	\$ 2,629
Applicable income taxes	1,114	730
Effective tax rates	31.3%	27.8%

The Company recorded an income tax expense of \$1,114 and \$730 for the three months ended March 31, 2008 and 2007, respectively. Effective tax rates equaled 31.3% and 27.8% respectively, for such periods.

The Company's effective tax rate was lower than statutory rates due to several factors. First, the Company derives interest income from municipal securities and loans, which are exempt from federal tax and certain U. S. government agency securities, which are exempt from state tax. Also, the Company derives income from bank owned life insurance policies, which is exempt from federal and state tax.

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 SHARE AND PER SHARE DATA)

Earnings Review by Business Segment

The Company's internal reporting and planning process focuses on four primary lines of business (Segment(s)): Retail, Commercial, Treasury and Wealth Management. See Note 7 of the Notes to Unaudited Consolidated Financial Statements for the presentation of the condensed income statement and total assets for each Segment.

The financial information presented was derived from the Company's internal profitability reporting system that is used by management to monitor and manage the financial performance of the Company. This information is based on internal management accounting policies which have been developed to reflect the underlying economics of the Segments and, to the extent practicable, to portray the Segment as if it operated on a stand alone basis. Thus, each Segment, in addition to its direct revenues and expenses, assets and liabilities, includes an allocation of shared support function expenses. The Retail, Commercial, Treasury, and Wealth Management Segments also include funds transfer adjustments to appropriately reflect the cost of funds on loans made and funding credits on deposits generated. Apart from these adjustments, the accounting policies used are similar to those described in Note 1 of the Notes to Consolidated Financial Statements.

Since there are no comprehensive authorities for management accounting equivalent to U.S. generally accepted accounting principles, the information presented is not necessarily comparable with similar information from other financial institutions. In addition, methodologies used to measure, assign and allocate certain items may change from time-to-time to reflect, among other things, accounting estimate refinements, changes in risk profiles, changes in customers or product lines and changes in management structure.

Retail Segment. The Retail Segment ("Retail") provides retail banking services to individual customers through the Company's branch locations in Illinois and Missouri. The services provided by this Segment include direct lending, checking, savings, money market, CD accounts, safe deposit rental, ATM's and other traditional and electronic banking services.

Retail represented 30.9% of total Segment net income in the first quarter of 2008 as compared to 22.3% during same period in 2007. Retail assets were \$300,540 at March 31, 2008, \$306,156 at December 31, 2007 and \$241,930 as of March 31, 2007. This represented 21.7%, 22.4% and 18.3% of total consolidated assets, respectively.

The increase from first quarter of 2007 to 2008 was primarily the result of volume related increases from the mortgage banking division, gain on sale of branches, and stronger revenues from electronic banking products. Additionally, lower payroll and benefit costs and equipment depreciation costs helped improve earnings in the period. This was slightly offset by higher premises costs due to write-down of several facilities, higher debit card expenses and miscellaneous costs.

Commercial Segment. The Commercial Segment ("Commercial") provides commercial banking services to business customers served through the Company's full service branch channels located in Illinois and Missouri. The services provided by this Segment include lending, business checking and deposits, cash management, and other traditional as well as electronic commercial banking services.

Edgar Filing: CENTRUE FINANCIAL CORP - Form 10-Q

Commercial represented 51.7% of total Segment net income in the first quarter of 2008 as compared to 116.7% during same period in 2007. Commercial assets were \$798,855 at March 31, 2008, \$741,861 at December 31, 2007 and \$722,762 as of March 31, 2007. This represented 57.6%, 54.3% and 54.8% of total consolidated assets, respectively.

21.

CENTRUE FINANCIAL CORPORATION
ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

The decrease in net income from the first quarter of 2007 to 2008 was primarily the result of the increase in provision recorded during the quarter and the allocated expenses being higher due to growth in the commercial loan portfolio. The increase in the provision was the result of primarily growth in the loan portfolio and identifying and addressing problem credits and the recent deteriorating economic conditions in a timely fashion.

Treasury Segment. The Treasury Segment ("Treasury") is responsible for managing the investment portfolio and acquiring funding for loan activity. Treasury represented 16.5% of total segment net income in the first quarter of 2008 and (20.1%) during same period in 2007. Treasury assets were \$205,825 at March 31, 2008, \$268,484 at December 31, 2007 and \$281,432 as of March 31, 2007. This represented 14.8%, 19.7% and 21.3% of total consolidated assets, respectively.

Treasury's assets declined during the first quarter of 2008 related to the approximately \$83,000 in discounted agency securities that were called resulting in a net gain on sale of \$848. This led to most of the increase in net income for the period. Additionally, net allocated expenses were lower due to the decreased asset base. These positive variances were offset somewhat by higher taxes and operating costs.

Wealth Management Segment. The Wealth Management Segment ("Wealth") provides trust services, estate administration, financial planning, employee benefit plan administration, asset management, and brokerage transaction services.

Wealth represented (9.6%) of total Segment net income during the first quarter 2008 as compared to (16.2%) in same period in 2007. Wealth assets were \$913 at March 31, 2008, \$1,289 at December 31, 2007 and \$2,709 as of March 31, 2007. This represented 0.07%, 0.10% and 0.21% of total consolidated assets, respectively.

Assets and earnings decreased due to the \$397,000 write-down of goodwill for one of its business lines.

The results for the first quarter of 2008 improved over the same period in 2007 due to reduction of operating expenses and reduction of net expense allocations. These positive variances were slightly offset by reduced earnings during the first quarter of 2008.

Financial Condition

General

Following are highlights when compared to December 31, 2007:

Edgar Filing: CENTRUE FINANCIAL CORP - Form 10-Q

- o Outstanding loans totaled \$1,016,097 at March 31, 2008 compared to \$957,285 at December 31, 2007, representing an increase of \$58,812 or 6.1%. The loan growth was largely generated in the St. Louis and Streator markets and was concentrated in commercial real estate and commercial and industrial lending activities. The Company has no direct exposure to subprime mortgages.
- o Deposits totaled \$1,049,049 at March 31, 2008 compared to \$1,033,022 at December 31, 2007, representing an increase of \$16,027 or 1.6%. The majority of the increase was concentrated in lower costing non-maturing deposits, representing a shift from higher costing time deposits.

22.

CENTRUE FINANCIAL CORPORATION
ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

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. Other nonperforming assets consist of real estate acquired through loan foreclosures or other workout situations and other assets acquired through repossessions.

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 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.

2008		2007	
Mar 31,	Dec 31,	Sep 30,	Jun 30,

Edgar Filing: CENTRUE FINANCIAL CORP - Form 10-Q

Nonaccrual loans	\$ 4,058	\$ 4,090	\$ 5,573	\$ 4,492
Loans 90 days past due and still accruing interest	-	-	-	-
Total nonperforming loans	4,058	4,090	5,573	4,492
Other real estate owned	1,153	2,937	4,620	6,568
Total nonperforming assets	\$ 5,211	\$ 7,027	\$ 10,193	\$ 11,060
Nonperforming loans to total end of period loans	0.40%	0.43%	0.60%	0.49%
Nonperforming assets to total end of period loans	0.51%	0.73%	1.09%	1.21%
Nonperforming assets to total end of period assets	0.38%	0.51%	0.75%	0.81%

The level of nonperforming loans at March 31, 2008 decreased 0.8% to \$4,058 compared to \$4,090 that was reported at December 31, 2007. The decrease in nonperforming loans from December 31, 2007 to March 31, 2008 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. Other real estate owned decreased by \$1,784 during the quarter compared to year-end 2007.

The level of nonperforming loans to total end of period loans was 0.40% at March 31, 2008, as compared to 0.43% at December 31, 2007. The reserve coverage ratio (allowance to nonperforming loans) was reported at 276.52% as of March 31, 2008 as compared to 262.96% as of December 31, 2007.

In light of current market conditions, a review of our commercial real estate portfolio is ongoing. This continuing review has resulted in two large relationships aggregating \$28,000 being placed onto our internal watch list over the past thirty days. We are proactively working with the affected borrowers in order to strengthen or liquidate the loans.

23.

CENTRUE FINANCIAL CORPORATION

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

(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

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 \$1,131 at March 31, 2008 as compared to \$2,202 at March 31, 2007 and \$1,485 at December 31, 2007. 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.

Allowance for Loan Losses

At March 31, 2008, the allowance for loan losses was \$11,221 or 1.10% of total

Edgar Filing: CENTRUE FINANCIAL CORP - Form 10-Q

loans as compared to \$10,755 or 1.12% at December 31, 2007. 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.

24.

CENTRUE FINANCIAL CORPORATION
ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

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

Edgar Filing: CENTRUE FINANCIAL CORP - Form 10-Q

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.

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.

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 decrease in cash and cash equivalents of \$1,022 from December 31, 2007 to March 31, 2008.

During the first three months of 2008, the Company experienced net cash outflows of \$45,014 in investing activities primarily due to an increase in loans and securities and \$1,170 in operating activities. In contrast, net cash inflows of \$45,162 were provided by financing activities largely due to the net growth in

Edgar Filing: CENTRUE FINANCIAL CORP - Form 10-Q

deposits and issuance of debt.

25.

CENTRUE FINANCIAL CORPORATION
 ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS
 OF OPERATIONS
 (IN THOUSANDS, EXCEPT SHARE AND 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 March 31, 2008.

	Payments Due by Period			
	Within 1 Year	1 - 3 Years	4 - 5 Years	After 5 Years
Contractual Obligations				
Short-term debt	\$ 12,981	\$ -	\$ -	\$ 250
Long-term debt	-	2,600	2,200	6,000
Certificates of deposit	481,972	76,264	3,327	4,395
Operating leases	348	594	613	306
Severance payments	55	-	-	-
Series B mandatory redeemable preferred stock	-	831	-	-
Subordinated debentures	-	-	-	20,620
FHLB advances	79,145	28,200	3,000	5,063
Total contractual cash obligations	\$ 574,501	\$ 108,489	\$ 9,140	\$ 36,634

	Amount of Commitment Expiration Per Period			
	Within 1 Year	1 - 3 Years	4 - 5 Years	After 5 Years
Off-Balance Sheet Financial Instruments				
Lines of credit	\$ 163,468	\$ 59,136	\$ 3,754	\$ 20,541
Standby letters of credit	6,871	6,638	-	2,753
Total contractual cash obligations	\$ 170,339	\$ 65,774	\$ 3,754	\$ 23,294

Capital Resources

Edgar Filing: CENTRUE FINANCIAL CORP - Form 10-Q

Stockholders' Equity

The Company is committed to managing capital for maximum shareholder benefit and maintaining strong protection for depositors and creditors. Stockholders' equity at March 31, 2008 was \$117,870, a decrease of \$1,006 or 0.8%, from December 31, 2007. The decrease in stockholders' equity was largely the result of the Company's stock repurchase program, postretirement liability adjustment related to the adoption of FASB Issue No. 06-4 and a decrease in accumulated other comprehensive income due to a reduction in the fair market value of available-for-sales securities. Average quarterly equity as a percentage of average quarterly assets was 8.68% at March 31, 2008, compared to 8.75% at December 31, 2007. Book value per common share equaled \$19.48 at March 31, 2008 compared to \$19.50 at December 31, 2007.

Stock Repurchase

The Company repurchased 58,500 shares of stock during the quarter ended March 31, 2008 at an average price of \$20.08. The 2006 repurchase program approved on November 13, 2006 authorized the Company to repurchase up to 5% or 370,000 shares of common stock. This plan was completed in the fourth quarter 2007. The 2007 repurchase program approved on July 24, 2007 authorized the Company to repurchase an additional 500,000 shares, or approximately 8% of the Company's currently issued and outstanding shares, in the open market or privately negotiated transactions over an 18 month period commencing immediately following the completion of the 2006 stock repurchase program. The expiration date of this program is January 24, 2009. 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.

26.

CENTRUE FINANCIAL CORPORATION

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

(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

Capital Measurements

As discussed in Note 8, the Company's current debt agreements include a covenant that require the Bank to maintain the status of being well capitalized which is a ratio of 10.0% for total risk based capital. 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 8.9% and 10.8%, respectively, at March 31, 2008. 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:

	December 31,	Minimum	Well
Mar 31,	-----	Capital	Capitalized

Edgar Filing: CENTRUE FINANCIAL CORP - Form 10-Q

	2008	2007	2006	Ratios	Ratios
	-----	-----	-----	-----	-----
Tier 1 risk-based capital	\$ 102,597	\$ 101,831	\$ 99,869		
Tier 2 risk-based capital	21,221	10,755	10,835		
	-----	-----	-----		
Total capital	\$ 123,818	\$ 112,586	\$ 110,704		
	=====	=====	=====		
Risk-weighted assets	\$ 1,147,621	\$ 1,102,602	\$ 926,874		
	=====	=====	=====		
Capital ratios:					
Tier 1 risk-based capital	8.9%	9.2%	10.8%	4.0%	6.0%
Total risk-based capital	10.8%	10.2%	11.9%	8.0%	10.0%
Leverage ratio	7.7%	7.7%	7.9%	4.0%	5.0%

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.

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;

27.

CENTRUE FINANCIAL CORPORATION
ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

Edgar Filing: CENTRUE FINANCIAL CORP - Form 10-Q

- 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;
- 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 March 31, 2008 and December 31, 2007, respectively:

	Change in Net Interest Income Over One Year Horizon			
	March 31, 2008		December 31, 2007	
	Change		Change	
	\$	%	\$	%
+ 200 bp	\$ 1,187	2.95%	\$ 305	0.74%
+ 100 bp	708	1.76	509	1.23
Base	-	-	-	-
- 100 bp	(1,155)	(2.87)	(1,410)	(3.41)

Edgar Filing: CENTRUE FINANCIAL CORP - Form 10-Q

- 200 bp (2,787) (6.92) (3,109) (7.51)

As shown above, the Company's model at March 31, 2008, the effect of an immediate 200 basis point increase in interest rates would increase the Company's net interest income by \$1,187 or 2.95%. The effect of an immediate 200 basis point decrease in rates would decrease the Company's net interest income by \$2,787 or 6.92%.

In January, 2008, the Federal Reserve reduced rates by 125 basis points. The effect these rate adjustments have had is to increase pressure on our margin for 2008. Management had forecasted some of this rate reduction and took immediate steps to lessen the impact of the additional reductions that were announced. The mix of our funding portion of the balance sheet has been adjusted to lessen the impact the reductions would have on our asset rate sensitive portion of the balance sheet by taking advantage of the wider spreads in various sectors. Additionally, the steepening of the yield curve has also been advantageous to lessening the impact that the rate reductions will have during 2008.

28.

CENTRUE FINANCIAL CORPORATION
ITEM 4. CONTROLS AND PROCEDURES
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

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 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

Edgar Filing: CENTRUE FINANCIAL CORP - Form 10-Q

that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

29.

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, 2007.

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 March 31, 2008.

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
-----	-----	-----	-----	-----
01/01/08 - 01/31/08	17,200	\$ 22.41	17,200	436,378
02/01/08 - 02/29/08	13,100	\$ 18.32	13,100	423,278
03/01/08 - 03/31/08	28,200	\$ 19.47	28,200	395,078
Total (1)	58,500	\$ 20.08	58,500	395,078

- (1) The Company repurchased 58,500 shares of stock during the quarter ended March 31, 2008 at an average price of \$20.08. The 2006 repurchase program approved on November 13, 2006 authorized the Company to repurchase up to 5% or 370,000 shares of common stock. This plan was completed in the fourth quarter 2007. The 2007 repurchase program approved on July 24, 2007 authorized the Company to repurchase an additional 500,000 shares, or approximately 8% of the Company's currently issued and outstanding shares, in the open market or privately negotiated transactions over an 18 month period commencing immediately following the completion of the 2006 stock repurchase program. The expiration date of this program is January 24, 2009. 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.

Edgar Filing: CENTRUE FINANCIAL CORP - Form 10-Q

Item 3. Defaults Upon Senior Securities

None.

Item 4. Submission of Matters to a Vote of Security Holders

None

30.

Item 5. Other Information

None

Item 6. Exhibits

Exhibits:

- 10.1 Amended and Restated Loan and Subordinated Debenture Purchase Agreement dated as of March 31, 2008 (incorporated by reference from current report on Form 8-K filed on April 3, 2008).
- 10.2 Roger D. Dotson Employment Agreement Extension dated February 7, 2008.
- 10.3 Steven E. Flahaven Employment Agreement Extension dated February 7, 2008.
- 10.4 Heather M. Hammitt Employment Agreement Extension dated February 7, 2008.
- 10.5 Kenneth A. Jones Employment Agreement Extension dated February 7, 2008.
- 10.6 Diane F. Leto Employment Agreement Extension dated February 7, 2008.
- 10.7 Michael A. O'Gorman Employment Agreement Extension dated February 7, 2008.
- 10.8 Ricky R. Parks Employment Agreement Extension dated February 7, 2008.
- 10.9 Everett J. Solon Employment Agreement Extension dated February 7, 2008.
- 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

Edgar Filing: CENTRUE FINANCIAL CORP - Form 10-Q

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.

31.

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: May 9, 2008

By: /s/ THOMAS A. DAIBER

Thomas A. Daiber
President and Principal Executive
Officer

Date: May 9, 2008

By: /s/ KURT R. STEVENSON

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

32.