

CENTRUE FINANCIAL CORP  
Form 10-Q  
May 15, 2012

**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, 2012

Commission File Number: 0-28846

**Centrue Financial Corporation**

(Exact name of Registrant as specified in its charter)

Delaware	36-3145350
(State or other jurisdiction of incorporation or organization)	(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

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was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes S No £

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

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

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 15, 2012
Common Stock, Par Value \$1.00	6,063,441

**Centrue Financial Corporation**

**Form 10-Q Index**

**March 31, 2012**

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


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	March 31, 2012	December 31, 2011
<b>ASSETS</b>		
Cash and cash equivalents	\$62,544	\$69,735
Securities available-for-sale	246,361	228,836
Restricted securities	7,467	9,150
Loans	563,732	582,395
Allowance for loan losses	(20,338 )	(21,232 )
Net loans	543,394	561,163
Bank-owned life insurance	31,655	31,412
Mortgage servicing rights	2,031	2,089
Premises and equipment, net	23,370	23,754
Other intangible assets, net	5,027	5,264
Other real estate owned	33,501	29,667
Other assets	6,453	6,914
 Total assets	 \$961,803	 \$967,984
 <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Liabilities		
Deposits:		
Non-interest-bearing	\$132,163	\$134,137
Interest-bearing	711,242	714,501
Total deposits	843,405	848,638
Federal funds purchased and securities sold under agreements to repurchase	16,226	18,036
Federal Home Loan Bank advances	23,057	23,058
Notes payable	10,440	10,440
Series B mandatory redeemable preferred stock	268	268
Subordinated debentures	20,620	20,620
Other liabilities	15,029	14,355
Total liabilities	929,045	935,415
 Commitments and contingent liabilities	 —	 —
 Stockholders' equity		

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Series A Convertible Preferred Stock (aggregate liquidation preference of \$2,762)	500	500
Series C Fixed Rate, Cumulative Perpetual Preferred Stock (aggregate liquidation preference of \$32,668)	31,584	31,429
Common stock, \$1 par value, 15,000,000 shares authorized; 7,453,555 shares issued at March 31, 2012 and December 31, 2011	7,454	7,454
Surplus	74,561	74,558
Accumulated deficit	(61,236 )	(60,064 )
Accumulated other comprehensive income	1,772	569
	54,635	54,446
Treasury stock, at cost, 1,390,114 shares at March 31, 2012 and December 31, 2011	(21,877 )	(21,877 )
Total stockholders' equity	32,758	32,569
Total liabilities and stockholders' equity	\$961,803	\$967,984

See Accompanying Notes to Unaudited Financial Statements

1.

**Centrue Financial Corporation**

## Unaudited Consolidated Statements Of Income (Loss)

## And Comprehensive Income (Loss)

**Three Months Ended March 31, 2012 and 2011****(In Thousands, Except Per Share Data)**

	Three Months Ended March 31, 2012    2011	
Interest income		
Loans	\$7,037	\$9,281
Securities		
Taxable	830	997
Exempt from federal income taxes	126	215
Federal funds sold and other	39	31
Total interest income	8,032	10,524
Interest expense		
Deposits	1,399	2,487
Federal funds purchased and securities sold under agreements to repurchase	11	11
Federal Home Loan Bank advances	186	412
Series B mandatory redeemable preferred stock	4	4
Subordinated debentures	293	270
Notes payable	96	90
Total interest expense	1,989	3,274
Net interest income	6,043	7,250
Provision for loan losses	1,350	4,250
Net interest income after provision for loan losses	4,693	3,000
Noninterest income		
Service charges	1,049	1,062
Mortgage banking income	487	407
Electronic banking services	532	527
Bank-owned life insurance	243	249
Securities gains	16	—
Total other-than-temporary impairment losses	—	(393 )
Portion of loss recognized in other comprehensive income (before taxes)	—	1
Net impairment on securities	—	(392 )
Gain on sale of OREO	191	44

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Gain on sale of other assets	—	63
Other income	534	164
	3,052	2,124

See Accompanying Notes to Unaudited Financial Statements

2.

**Centrue Financial Corporation**

## Unaudited Consolidated Statements Of Income (Loss)

## And Comprehensive Income (Loss)

**Three Months Ended March 31, 2012 and 2011****(In Thousands, Except Per Share Data)**

	Three Months Ended March 31, 2012      2011	
Noninterest expense		
Salaries and employee benefits	3,702	3,633
Occupancy, net	664	720
Furniture and equipment	384	439
Marketing	75	60
Supplies and printing	68	64
Telephone	175	204
Data processing	307	364
FDIC insurance	518	850
Loan processing and collection costs	536	591
OREO valuation adjustment	133	200
Amortization of intangible assets	237	276
Other expenses	1,446	1,399
	8,245	8,800
Income (loss) before income taxes	\$(500 )	\$(3,676)
Income tax expense (benefit)	—	(218 )
Net income (loss)	\$(500 )	\$(3,458)
Preferred stock dividends	517	494
Net income (loss) for common stockholders	\$(1,017)	\$(3,952)
Basic earnings (loss) per common share	\$(0.17 )	\$(0.65 )
Diluted earnings (loss) per common share	\$(0.17 )	\$(0.65 )
Total comprehensive income (loss):		
Net income (loss)	\$(500 )	\$(3,458)
Change in unrealized gains (losses) on available for sale securities for which a portion of an other-than-temporary impairment has been recognized in earnings, net of reclassifications and tax effect	—	(123 )
Change in unrealized gains (losses) on other securities available for sale, net of reclassifications and tax effect	1,219	984



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Reclassification adjustment:

Net impairment loss recognized in earnings	—	392
(Gains) recognized in earnings	(16 )	—
Net unrealized gains (loss)	1,203	1,253
Tax expense (benefit)	—	485
Other comprehensive income (loss)	1,203	768
Total comprehensive income (loss)	\$703	\$(2,690)

See Accompanying Notes to Unaudited Financial Statements

3.

**Centrue Financial Corporation**

## Unaudited Consolidated Statements Of Cash Flows

**Three Months Ended March 31, 2012 and 2011 (In Thousands)**

	Three Months Ended March 31, 2012      2011	
Cash flows from operating activities		
Net income (loss)	\$(500 )	\$(3,458 )
Adjustments to reconcile net income (loss) to net cash provided by operating activities		
Depreciation	430	479
Amortization of intangible assets	237	276
Amortization of mortgage servicing rights, net	153	107
Amortization of bond premiums, net	727	642
Income tax valuation adjustment	94	1,141
Share based compensation	3	29
Provision for loan losses	1,350	4,250
Provision for deferred income taxes	(94 )	(1,141 )
Earnings on bank-owned life insurance	(243 )	(249 )
Other than temporary impairment, securities	—	392
OREO valuation allowance	133	200
Securities sale (gains), net	(16 )	—
(Gain) on sale of other assets, net	—	(63 )
(Gain) on sale of OREO	(191 )	(44 )
(Gain) on sale of loans	(417 )	(266 )
Proceeds from sales of loans held for sale	17,381	12,172
Origination of loans held for sale	(16,368)	(11,931)
Change in assets and liabilities		
(Increase) decrease in other assets	327	1,395
Increase (decrease) in other liabilities	155	(294 )
Net cash provided by operating activities	3,161	3,637
Cash flows from investing activities		
Proceeds from paydowns of securities available for sale	12,868	12,538
Proceeds from calls and maturities of securities available for sale	1,270	4,660
Proceeds from sales of securities available for sale	942	—
Purchases of securities available for sale	(32,095)	(32,240)
Redemption of Federal Home Loan Bank stock	1,593	—
Redemption of Federal Reserve Bank stock	110	322
Purchase of Federal Reserve Bank stock	(20 )	—
Net decrease (increase) in loans	10,409	209
(Purchase) disposal of premises and equipment	(46 )	(59 )
Proceeds from sale of OREO	1,661	1,312
Net cash from investing activities	(3,308 )	(13,258)

See Accompanying Notes to Unaudited Financial Statements

4.

**Centrue Financial Corporation**

Unaudited Consolidated Statements Of Cash Flows

**Three Months Ended March 31, 2012 and 2011 (In Thousands)**

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	Three Months Ended March 31, 2012      2011	
Cash flows from financing activities		
Net increase (decrease) in deposits	(5,233 )	(8,622 )
Net increase (decrease) in federal funds purchased and securities sold under agreements to repurchase	(1,810 )	(257 )
Repayment of advances from the Federal Home Loan Bank	(1 )	(20,000)
Net cash used in financing activities	(7,044 )	(28,879)
Net increase (decrease) in cash and cash equivalents	(7,191 )	(38,500)
Cash and cash equivalents		
Beginning of period	69,735	82,945
End of period	\$62,544	\$44,445
Supplemental disclosures of cash flow information		
Cash payments for		
Interest	\$1,896	\$3,254
Income taxes	10	—
Transfers from loans to other real estate owned	5,414	4,486

See Accompanying Notes to Unaudited Financial Statements

5.

## **Centrue Financial Corporation**

### Notes to Unaudited Consolidated Financial Statements

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

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

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

#### Basis of presentation

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

For further information with respect to significant accounting policies followed by the Company in the preparation of its consolidated financial statements, refer to the Company’s Annual Report on Form 10-K for the year ended December 31, 2011. The consolidated financial statements include the accounts of the Company and Centrue Bank. Intercompany balances and transactions have been eliminated in consolidation and certain 2011 amounts have been reclassified to conform to the 2012 presentation. The annualized results of operations during the three months ended March 31, 2012 are not necessarily indicative of the results expected for the year ending December 31, 2012. All

financial information in the following tables is in thousands (000s), except share and per share data. In the opinion of management, all normal and recurring adjustments which are necessary to fairly present the results for the interim periods presented have been included.

**Note 2. Earnings Per Share**

Basic earnings per share for the three months ended March 31, 2012 and 2011 were computed by dividing net income by the weighted average number of shares outstanding. Diluted earnings per share for the same periods were computed by dividing net income by the weighted average number of shares outstanding, adjusted for the dilutive effect of the stock options and warrants. Computations for basic and diluted earnings per share are provided as follows:

6.

**Centrue Financial Corporation**

Notes to Unaudited Consolidated Financial Statements

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

**Note 2. Earnings Per Share (Continued)**

	Three Months Ended March 31, 2012	2011
Basic Earnings (Loss) Per Common Share		