

CENTRUE FINANCIAL CORP
Form 10-Q
November 13, 2015

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 September 30, 2015
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)
122 W. Madison Street, Ottawa, IL 61350
(Address of principal executive offices including zip code)
(815) 431-8400
(Registrant's telephone number, including area code)

(I.R.S. Employer Identification
number)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

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

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

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

Class	Shares outstanding at November 13, 2015
Common Stock, Par Value \$0.01	6,513,694

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CENTRUE FINANCIAL CORPORATION
PART I FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT FOR PAR VALUE AND SHARE DATA)

	September 30, 2015	December 31, 2014
ASSETS		
Cash and cash equivalents	\$45,686	\$49,167
Securities available-for-sale	206,430	135,371
Restricted securities	8,271	6,102
Loans held for sale	214	364
Loans, net of allowance for loan loss: 2015 - \$8,403; 2014 - \$7,981	603,515	545,219
Bank-owned life insurance	34,877	34,194
Mortgage servicing rights	2,171	2,240
Premises and equipment, net	22,241	22,626
Intangible assets, net	1,117	1,831
Other real estate owned, net	9,755	10,256
Other assets	9,399	9,719
Total assets	\$943,676	\$817,089
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Deposits:		
Non-interest-bearing	\$160,998	\$144,633
Interest-bearing	548,537	554,191
Total deposits	709,535	698,824
Federal funds purchased and securities sold under agreements to repurchase	18,869	26,691
Federal Home Loan Bank advances	105,000	20,000
Notes payable	—	10,250
Series B mandatory redeemable preferred stock	268	268
Subordinated debentures	20,620	20,620
Other liabilities	5,636	10,108
Total liabilities	859,928	786,761
Commitments and contingent liabilities	—	—
Stockholders' equity		
Series C Fixed Rate, Cumulative Perpetual Preferred Stock, no shares authorized in 2015; 32,668 shares authorized and issued 2014; aggregate liquidation preference of \$32,668	—	32,668
Series D Fixed Rate, Non-Cumulative Perpetual Preferred Stock, 2,636 shares authorized and issued 2015 and 2014; aggregate liquidation preference of \$2,636	2,636	2,636
Common stock, \$0.01 par value; 215,000,000 shares authorized; 6,581,544 shares issued at 2015;		

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215,000,000 shares authorized; 248,452 shares issued at 2014	66	2	
Surplus	147,626	78,955	
Accumulated deficit	(41,469	) (58,750)
Accumulated other comprehensive loss	(2,218	) (2,051)
	106,641	53,460	
Treasury stock, at cost, 96,326 shares at September 30, 2015 and 97,330 at December 31, 2014	(22,893	) (23,132)
Total stockholders' equity	83,748	30,328	
Total liabilities and stockholders' equity	\$943,676	\$817,089	

See Accompanying Notes to Consolidated Financial Statements

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CENTRUE FINANCIAL CORPORATION
 UNAUDITED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
 (IN THOUSANDS, EXCEPT PER SHARE DATA)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Interest income				
Loans	\$6,476	\$6,304	\$18,868	\$18,796
Securities				
Taxable	794	543	2,020	1,766
Exempt from federal income taxes	46	62	122	188
Federal funds sold and other	20	38	67	98
Total interest income	7,336	6,947	21,077	20,848
Interest expense				
Deposits	316	498	940	1,637
Federal funds purchased and securities sold under agreements to repurchase	13	14	37	39
Federal Home Loan Bank advances	138	117	368	340
Series B mandatory redeemable preferred stock	4	4	12	12
Subordinated debentures	128	152	413	447
Notes payable	—	86	84	254
Total interest expense	599	871	1,854	2,729
Net interest income	6,737	6,076	19,223	18,119
Provision for loan losses	—	675	—	2,275
Net interest income after provision for loan losses	6,737	5,401	19,223	15,844
Noninterest income				
Service charges	1,075	1,154	3,010	3,289
Mortgage banking income	315	377	972	1,164
Electronic banking services	651	644	1,895	1,868
Bank-owned life insurance	232	229	683	668
Securities gains, net	196	410	297	788
Income from real estate	114	141	434	462
Gain on sale of OREO	47	166	50	588
Gain on sale of other assets	—	—	—	750
Gain on extinguishment of debt	—	—	1,750	—
Other income	608	83	750	243
	3,238	3,204	9,841	9,820

CENTRUE FINANCIAL CORPORATION
 UNAUDITED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
 (IN THOUSANDS, EXCEPT PER SHARE DATA)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Noninterest expense				
Salaries and employee benefits	4,086	3,796	12,394	11,490
Occupancy, net	706	677	2,142	2,139
Furniture and equipment	259	241	746	731
Marketing	105	61	263	174
Supplies and printing	50	59	170	180
Telephone	204	174	592	573
Data processing	442	476	1,258	1,282
FDIC insurance	281	473	925	1,428
Loan processing and collection costs	225	80	638	481
OREO carrying costs	187	277	655	801
OREO valuation adjustment	47	443	195	839
Amortization of intangible assets	238	238	714	714
Other expenses	2,012	1,037	4,286	3,327
	8,842	8,032	24,978	24,159
Income before income taxes	\$1,133	\$573	\$4,086	\$1,505
Income tax expense	45	—	78	—
Net income	\$1,088	\$573	\$4,008	\$1,505
Preferred stock dividends	395	808	1,401	2,585
Discount on redemption of preferred stock	—	—	(13,668) —
Net income (loss) for common stockholders	\$693	\$(235	) \$16,275	\$(1,080
)
Basic earnings (loss) per common share	\$0.11	\$(1.41	) \$3.68	\$(5.68
)
Diluted earnings (loss) per common share	\$0.11	\$(1.41	) \$3.68	\$(5.68
)
Total comprehensive income (loss):				
Net income	\$1,088	\$573	\$4,008	\$1,505
Change in unrealized gains (losses) on securities available for sale	424	34	130	(24
)
Reclassification adjustment for gains recognized in income	(196	) (410	) (297	) (788
)
Net unrealized gains (loss)	228	(376	) (167	) (812
)
Tax effect				
Other comprehensive income (loss)	228	(376	) (167	) (812
)
Total comprehensive income	\$1,316	\$197	\$3,841	\$693

See Accompanying Notes to Consolidated Financial Statements

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CENTRUE FINANCIAL CORPORATION
 UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS
 (IN THOUSANDS)

	Nine Months Ended September 30,	
	2015	2014
Cash flows from operating activities		
Net income	\$4,008	\$1,505
Adjustments to reconcile net income (loss) to net cash provided by operating activities		
Depreciation	868	883
Amortization of intangible assets	714	714
Amortization of mortgage servicing rights, net	257	216
Amortization of bond premiums, net	1,045	1,050
Provision for loan losses	—	2,275
Earnings on bank-owned life insurance	(683	) (668
OREO valuation allowance	195	839
Securities gains, net	(297	) (788
Gain on sale of OREO	(50	) (588
Gain on extinguishment of debt	(1,750) —
Gain on sale of loans	(664	) (782
Proceeds from sales of loans held for sale	26,561	28,977
Origination of loans held for sale	(21,901	) (27,841
Change in assets and liabilities		
(Increase) decrease in other assets	92	(1,332
Increase (decrease) in other liabilities	(4,449	) 238
Net cash provided by operating activities	3,946	4,698
Cash flows from investing activities		
Proceeds from paydowns of securities available for sale	24,794	20,721
Proceeds from calls and maturities of securities available for sale	3,530	280
Proceeds from sales of securities available for sale	49,584	20,926
Purchases of securities available for sale	(149,842	) (20,590
Redemption of Federal Reserve Bank stock	179	13
Purchase of Federal Home Loan Bank stock	(1,229) —
Purchase of Federal Reserve Bank stock	(1,119	) (53
Net increase in loans	(62,434	) (11,573
Purchase of premises and equipment	(483	) (650
Proceeds from sale of OREO	639	3,260
Net cash (used in) provided by investing activities	(136,381	) 12,334

CENTRUE FINANCIAL CORPORATION
 UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS
 (IN THOUSANDS)

	Nine Months Ended September 30,	
	2015	2014
Cash flows from financing activities		
Net increase (decrease) in deposits	10,711	(25,405)
Net increase (decrease) in federal funds purchased and securities sold under agreements to repurchase	(7,822)	) 753
Net proceeds of advances from the Federal Home Loan Bank	85,000	(5,000)
Repayment of Notes Payable	(8,500)) —
Net proceeds from the issuance of Common Stock	68,960	—
Purchase of Treasury Stock	—	(1,255)
Redemption of Series A Convertible Preferred Stock	—	(500)
Redemption of Series C Cumulative Perpetual Preferred Stock	(19,000)) —
Issuance of Series D Non-Cumulative Perpetual Preferred Stock	—	2,636
Dividends paid on preferred stock	(395)	) (881)
Net cash provided by (used in) financing activities	128,954	(29,652)
Net (decrease) in cash and cash equivalents	(3,481)	) (12,620)
Cash and cash equivalents		
Beginning of period	49,167	70,748
End of period	\$45,686	\$58,128
Supplemental disclosures of cash flow information		
Cash payments for		
Interest	\$6,710	\$2,442
Income taxes	81	5
Transfers from loans to other real estate owned	292	481

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 subsidiary. 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. 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 registration statement filed with the SEC on October 15, 2015 which includes the audited financial statements and notes for the year ended December 31, 2014. The consolidated financial statements include the accounts of the Company and Centrue Bank. Intercompany balances and transactions have been eliminated in consolidation and certain 2014 amounts have been reclassified to conform to the 2015 presentation. The annualized results of operations during the three and nine months ended September 30, 2015 are not necessarily indicative of the results expected for the year ending December 31, 2015. 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.

Reverse Stock Split

Common shares and per share amounts for all periods shown have been restated to reflect the impact of the 1:30 reverse stock split the Company completed effective May 29, 2015.

Capital Event

On March 31, 2015, the Company completed the issuance of \$76.0 million of new common stock in a private placement offering. A total of 6.3 million shares were sold in the offering at a price of \$12.00 per share. In conjunction with the stock offering the Company used the proceeds in part to pay \$4.9 million in accrued but unpaid interest on its subordinated debentures, redeemed all \$32.7 million of Series C Preferred Stock for \$19.0 million, settled \$10.3 million in notes payable with MB Financial for \$8.5 million and made a \$36.0 million capital contribution into Centrue Bank. The remaining proceeds have been and will be used for general corporate purposes.

Recent Accounting Pronouncements

In April 2015, the FASB issued an update, ASU No. 2015-05, Customer’s Accounting for Fees Paid in a Cloud Computing Arrangement. ASU 2015-05 provides guidance to customers about whether a cloud computing arrangement includes a software license. If a cloud computing arrangement includes a software license, the customer should account for the software license element of the arrangement consistent with the acquisition of other software

licenses. If the arrangement does not include a software license, the customer should account for a cloud computing arrangement as a service contract. This amendment is effective for fiscal years beginning after December 15, 2015, and interim periods beginning after December 15, 2016. Early adoption is permitted. The amendment may be adopted either prospectively to all arrangements entered into or materially modified after the effective date or retrospectively. The Company intends to adopt the accounting standard during 2016, as required, with no material impact. In June of 2014, the FASB issued an update, ASU No. 2014-11 Transfers and Servicing (Topic 860), guidance that requires repurchase-to-maturity transactions to be accounted for as secured borrowings and with additional disclosures. The guidance also requires separate accounting for a transfer of a financial asset executed contemporaneously with a repurchase agreement with the same counterparty. If the derecognition criteria are met as outlined in the guidance, the initial transfer will generally be accounted for as a sale and the repurchase agreement will generally be accounted for as a secured borrowing. The guidance is effective for annual reporting periods beginning after December 15, 2014 and interim reporting periods after December 15, 2015. Management

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

is evaluating the new guidance, but does not expect the adoption of this guidance will materially impact the Company's financial condition, results of operations, or liquidity.

In May 2014, the FASB issued an update (ASU No. 2014-09, Revenue from Contracts with Customers) creating FASB Topic 606, Revenue from Contracts with Customers. The guidance in this update affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards (for example, insurance contracts or lease contracts). The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance provides steps to follow to achieve the core principle. An entity should disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. Qualitative and quantitative information is required about contracts with customers, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. The amendments in this update will become effective for annual periods and interim periods within those annual periods beginning after December 15, 2016. We are currently evaluating the impact of adopting the new guidance on the consolidated financial statements.

Note 2. Earnings Per Share

A reconciliation of the numerators and denominators for earnings per common share computations for the three and nine months ended September 30, 2015 and 2014 is presented below (shares in thousands). Common shares, options, and per share amounts for all periods shown have been restated to reflect the impact of the thirty for one stock split the Company completed effective May 29, 2015. Options to purchase 3,488 and 6,083 shares of common stock were outstanding for September 30, 2015 and 2014, respectively; but were not included in the computation of diluted earnings per share because the exercise price was greater than the average market price and, therefore, were anti-dilutive.

	Three Months Ended September 30, 2015		Nine Months Ended September 30, 2014	
Basic Earnings (Loss) Per Common Share				
Net income	\$1,088	\$573	\$4,008	\$1,505
Preferred stock dividends	(395)	(808)	(1,401)	(2,585)
Discount on redemption of preferred stock	—	—	13,668	—
Net income (loss) for common shareholders	\$693	\$(235)	\$16,275	(1,080)
Weighted average common shares outstanding	6,485,218	166,641	4,420,000	190,160
Basic earnings per common share	\$0.11	\$(1.41)	\$3.68	\$(5.68)
Diluted Earnings Per Common Share				
Weighted average common shares outstanding	6,485,218	166,641	4,420,000	190,160
Weighted average common and dilutive potential shares outstanding	6,485,218	166,641	4,420,000	190,160
Diluted earnings (loss) per common share	\$0.11	\$(1.41)	\$3.68	\$(5.68)

On November 4, 2015 restricted stock awards totaling 28,476 shares of common stock were granted and issued. These additional shares are excluded from the above weighted average common and dilutive potential shares outstanding.

Note 3. Securities

The primary strategic objective related to the Company's securities portfolio is to assist with liquidity and interest rate risk management. The fair value of the securities classified as available-for-sale was \$206.4 million at September 30,

2015 compared to \$135.4 million at December 31, 2014. The carrying value of securities classified as restricted (Federal Reserve and Federal Home Loan Bank stock) was \$8.3 million at September 30, 2015 compared to \$6.1 million at December 31, 2014. The Company does not have any securities classified as trading or held-to-maturity.

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

The following table summarizes the fair value of available-for-sale securities, the related gross unrealized gains and losses recognized in accumulated other comprehensive income, and the amortized cost at September 30, 2015 and December 31, 2014:

	September 30, 2015			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government agencies	\$40,727	\$205	\$(8)	\$40,924
States and political subdivisions	14,894	60	(64)	14,890
U.S. government agency residential mortgage-backed securities	129,055	179	(270)	128,964
Collateralized residential mortgage obligations:				
Agency	18,876	22	(22)	18,876
Equity securities	2,619	157	—	2,776
Corporate	—	—	—	—
	\$206,171	\$623	\$(364)	\$206,430
	December 31, 2014			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government agencies	\$21,274	\$6	\$(171)	\$21,109
States and political subdivisions	8,951	78	(1)	9,028
U.S. government agency residential mortgage-backed securities	99,338	551	(221)	99,668
Collateralized residential mortgage obligations:				
Agency	38	—	—	38
Equity securities	2,579	157	—	2,736
Collateralized debt obligations:				
Single issue	765	—	(3)	762
Corporate	2,000	30	—	2,030
	\$134,945	\$822	\$(396)	\$135,371

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Proceeds from calls and maturities	\$2,000	\$—	\$3,530	\$280
Proceeds from sales	34,959	9,471	49,584	20,926
Realized gains	272	410	397	839
Realized losses	(76)	—	(100)	(51)
Net impairment loss recognized in earnings	—	—	—	—

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

The amortized cost and fair value of the investment securities portfolio are shown below by contractual maturity. Expected maturities may differ from contractual maturities if borrowers have the right to call or prepay obligations with or without call or prepayment penalties. Securities not due at a single maturity date and equity securities are shown separately.

	September 30, 2015	
	Amortized Cost	Fair Value
Due in one year or less	\$2,108	\$2,113
Due after one year through five years	29,998	30,080
Due after five years through ten years	23,332	23,436
Due after ten years	183	185
U.S. government agency residential mortgage-backed securities	129,055	128,964
Collateralized residential mortgage obligations	18,876	18,876
Equity	2,619	2,776
	\$206,171	\$206,430

Securities with unrealized losses not recognized in income are as follows presented by length of time individual securities have been in a continuous unrealized loss position:

	September 30, 2015					
	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
U.S. government agencies	\$4,692	\$(8)	\$—	\$—	\$4,692	\$(8)
States and political subdivisions	\$3,620	\$(64)	\$—	\$—	\$3,620	\$(64)
U.S. government agency residential mortgage-backed securities	73,623	(270)	—	—	73,623	(270)
Collateralized residential mortgage obligations: Agency	11,765	(22)	—	—	11,765	(22)
Corporate	—	—	—	—	—	—
Total temporarily impaired	\$93,700	\$(364)	\$—	\$—	\$93,700	\$(364)
	December 31, 2014					
	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
U.S. government agencies	\$18,212	\$(157)	\$1,986	\$(14)	\$20,198	\$(171)
States and political subdivisions	386	(1)	—	—	386	(1)
U.S. government agency residential mortgage-backed securities	34,809	(211)	2,148	(10)	36,957	(221)
Collateralized debt obligations: Single issue	—	—	762	(3)	762	(3)
Total temporarily impaired	\$53,407	\$(369)	\$4,896	\$(27)	\$58,303	\$(396)

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

Note 4. Loans

The major classifications of loans follow:

	Aggregate Principal Amount	
	September 30, 2015	December 31, 2014
Commercial	\$66,110	61,561
Agricultural & AG RE	46,323	53,193
Construction, land & development	24,844	13,860
Commercial RE	372,654	315,213
1-4 family mortgages	98,732	106,472
Consumer	3,255	2,901
Total Loans	\$611,918	553,200
Allowance for loan losses	(8,403	) (7,981
Loans, net	\$603,515	545,219

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

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

September 30, 2015

Internal Risk Rating	Commercial				Commercial Real Estate		
	Closed-end	Lines of Credit	Agriculture & AG RE	Construction, Land & Development	Owner-Occupied	Non-Owner Occupied	Total
Pass	\$23,369	\$42,002	\$46,323	\$24,627	\$151,251	\$197,354	\$484,926
Special Mention	329	250	—	—	7,870	7,760	16,209
Substandard	160	—	—	217	475	7,944	8,796
Doubtful	—	—	—	—	—	—	—
Total	\$23,858	\$42,252	\$46,323	\$24,844	\$159,596	\$213,058	\$509,931

CENTRUE FINANCIAL CORPORATION
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December 31, 2014

Internal Risk Rating	Commercial			Construction, Land & Development	Commercial Real Estate		Total
	Closed-end	Lines of Credit	Agriculture & AG RE		Owner-Occupied	Non-Owner Occupied	
Pass	\$18,379	\$42,076	\$53,193	\$13,038	\$139,617	\$157,340	\$423,643
Special Mention	392	250	—	—	1,225	6,620	8,487
Substandard	464	—	—	822	1,480	8,931	11,697
Doubtful	—	—	—	—	—	—	—
Total	\$19,235	\$42,326	\$53,193	\$13,860	\$142,322	\$172,891	\$443,827

The following table presents the Retail Residential Loan Portfolio by Internal Risk Rating:

	Residential -- 1-4 family		
	Senior Lien	Jr. Lien & Lines of Credit	Total
September 30, 2015			
Unrated	\$49,015	\$43,979	\$92,994
Special mention	3,961	157	4,118
Substandard	1,322	298	1,620
Doubtful	—	—	—
Total	\$54,298	\$44,434	\$98,732
December 31, 2014			
Unrated	\$55,142	\$45,299	\$100,441
Special mention	3,807	120	3,927
Substandard	1,719	385	2,104
Doubtful	—	—	—
Total	\$60,668	\$45,804	\$106,472

The retail residential loan portfolio is generally unrated. Delinquency is a typical factor in adversely risk rating a credit to a special mention or substandard.

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An analysis of activity in the allowance for loan losses for the three months ended September 30, 2015 and 2014 follows:

	Commercial	Agriculture & AG RE	Construction, Land & Development	Commercial RE	1-4 Family Residential	Consumer	Total
September 30, 2015							
Beginning Balance	\$1,036	\$65	\$396	\$5,185	\$1,951	\$12	\$8,645
Charge-offs	—	—	—	(24)	(325)	(1)	(350)
Recoveries	54	2	16	9	24	3	108
Provision	(121)	(1)	66	35	25	(4)	—
Ending Balance	\$969	\$66	\$478	\$5,205	\$1,675	\$10	\$8,403
	Commercial	Agriculture & AG RE	Construction, Land & Development	Commercial RE	1-4 Family Residential	Consumer	Total
September 30, 2014							
Beginning Balance	\$2,432	\$60	\$924	\$6,936	\$2,080	\$29	\$12,461
Charge-offs	(431)	—	(5)	(283)	(88)	(1)	(808)
Recoveries	68	1	—	410	53	3	535
Provision	15	3	96	416	149	(4)	675
Ending Balance	\$2,084	\$64	\$1,015	\$7,479	\$2,194	\$27	\$12,863

An analysis of activity in the allowance for loan losses for the nine months ended September 30, 2015 and 2014 follows:

	Commercial	Agriculture & AG RE	Construction, Land & Development	Commercial RE	1-4 Family Residential	Consumer	Total
September 30, 2015							
Beginning Balance	\$1,117	\$69	\$711	\$3,999	\$2,075	\$10	\$7,981
Charge-offs	(357)	—	(3)	(639)	(455)	(4)	(1,458)
Recoveries	144	2	43	1,616	45	30	1,880
Provision	65	(5)	(273)	229	10	(26)	—
Ending Balance	\$969	\$66	\$478	\$5,205	\$1,675	\$10	\$8,403
	Commercial	Agriculture & AG RE	Construction, Land & Development	Commercial RE	1-4 Family Residential	Consumer	Total
September 30, 2014							
Beginning Balance	\$1,413	\$70	\$1,127	\$6,834	\$2,162	\$31	\$11,637
Charge-offs	(920)	—	(118)	(559)	(308)	(6)	(1,911)
Recoveries	288	1	34	473	61	5	862
Provision	1,303	(7)	(28)	731	279	(3)	2,275

Ending Balance	\$2,084	\$64	\$1,015	\$7,479	\$2,194	\$27	\$12,863
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The following is an analysis on the balance in the allowance for loan losses and the recorded investment in impaired loans by portfolio segment based on impairment method as of September 30, 2015 and December 31, 2014:

September 30, 2015	Commercial	Agriculture & AG RE	Construction, Land & Development	Commercial RE	1-4 Family Residential	Consumer	Total
Allowance for loan losses:							
Loans individually evaluated for impairment	\$86	\$—	\$65	\$675	\$365	\$—	\$1,191
Loans collectively evaluated for impairment	883	66	413	4,530	1,310	10	7,212
Total allowance balance:	\$969	\$66	\$478	\$5,205	\$1,675	\$10	\$8,403
Loan balances:							
Loans individually evaluated for impairment	\$160	\$—	\$217	\$4,106	\$1,620	\$—	\$6,103
Loans collectively evaluated for impairment	65,950	46,323	24,627	368,548	97,112	3,255	605,815
Total loans balance:	\$66,110	\$46,323	\$24,844	\$372,654	\$98,732	\$3,255	\$611,918
December 31, 2014	Commercial	Agriculture & AG RE	Construction, Land & Development	Commercial RE	1-4 Family Residential	Consumer	Total
Allowance for loan losses:							
Loans individually evaluated for impairment	\$430	\$—	\$126	\$216	\$783	\$—	\$1,555
Loans collectively evaluated for impairment	687	69	585	3,783	1,292	10	6,426
Total allowance balance:	\$1,117	\$69	\$711	\$3,999	\$2,075	\$10	\$7,981
Loan balances:							
Loans individually evaluated for impairment	\$464	\$—	\$822	\$5,961	\$2,056	\$—	\$9,303
Loans collectively evaluated for	61,097	53,193	13,038	309,252	104,416	2,901	543,897

impairment

Total loans balance:	\$61,561	\$53,193	\$13,860	\$315,213	\$106,472	\$2,901	\$553,200
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Troubled Debt Restructurings:

The Company had troubled debt restructurings (“TDRs”) of \$0.15 million and \$0.02 million as of September 30, 2015 and December 31, 2014, respectively. Specific reserves were immaterial at September 30, 2015 and December 31, 2014. At September 30, 2015 nonaccrual TDR loans were \$0.13 million and \$0.02 million at December 31, 2014. There were \$0.03 million TDRs on accrual at September 30, 2015 compared to none at December 31, 2014. The Company had no commitments to lend additional amounts to a customer with an outstanding loan that is classified as TDR as of September 30, 2015 and December 31, 2014.

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During the nine month period ended September 30, 2015, the terms of a certain loans were modified as troubled debt restructurings. The modification of the terms of such loans may include one or a combination of the following: a reduction of the stated interest rate of the loan to a below market rate or the payment modification to interest only. A modification involving a reduction of the stated interest rate of the loan would be for periods ranging from 6 months to 16 months. During the nine month period ended September 30, 2015, there were two TDR added in a total amount of \$0.1 million compared to the year ended December 31, 2014 in which two loans were added as TDRs in the amount of \$5.0 million. The \$5.0 million of TDRs added in 2014 were subsequently sold in the fourth quarter of 2014. During the three months ending September 30, 2015 there was one 1-4 family residential loan modified as a troubled debt restructuring with a recorded investment of \$0.1 million; compared to the same three month period ended September 30, 2014 when there were no loans modified as troubled debt restructurings. The following tables present loans by class modified as troubled debt restructurings that occurred during the nine months ending September 30, 2015 and 2014:

	For the Nine Months Ended September 30, 2015		
	Number of Loans	Pre-Modification Recorded Investment	Post-Modification Recorded Investment
1-4 family residential			
Senior lien	2	127	127
Total	2	\$127	\$127

The troubled debt restructurings described above did not have a material impact to the allowance for loan losses and did not result in any additional charge-offs during the nine months ending September 30, 2015.

	For the Nine Months Ended September 30, 2014		
	Number of Loans	Pre-Modification Recorded Investment	Post-Modification Recorded Investment
Construction, land & development	1	\$5,013	\$5,013
1-4 family residential			
Jr. lien & lines of credit	1	34	34
Total	2	\$5,047	\$5,047

The troubled debt restructurings described above did not have a material impact to the allowance for loan losses and did not result in any additional charge-offs during the nine months ending September 30, 2014.

A loan is considered to be in payment default once it is 90 days contractually past due under the modified terms. In the nine months ending September 30, 2015 and the nine months ending September 30, 2014 there were no loans modified as troubled debt restructurings for which there was a payment default within twelve months following the modification.

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

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The following tables present data on impaired loans:

September 30, 2015	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized	Cash Basis Interest Recognized
Loans with no related allowance recorded:						
Commercial						
Closed-end	\$24	\$24	\$—	\$16	\$1	\$1
Line of credit	—	—	—	—	—	—
Agricultural & AG RE						
Construction, land & development	—	—	—	461	—	—
CRE - all other						
Owner occupied	9	9	—	131	—	—
Non-owner occupied	—	—	—	1,089	—	—
1-4 family residential						
Senior lien	305	305	—	319	1	1
Jr. lien & lines of credit	111	111	—	114	4	4
Consumer						
Subtotal	449	449	—	2,130	6	6
Loans with an allowance recorded:						
Commercial						
Closed-end	\$136	\$136	\$86	\$282	\$2	\$2
Line of credit	—	—	—	—	—	—
Agricultural & AG RE						
Construction, land & development	217	508	65	132	1	1
CRE - all other						
Owner occupied	467	735	186	676	11	7
Non-owner occupied	3,630	4,509	489	3,236	9	9
1-4 family residential						
Senior lien	1,017	1,342	332	1,120	12	11
Jr. lien & lines of credit	187	187	33	222	2	2
Consumer						
Subtotal	5,654	7,417	1,191	5,668	37	32
Total	\$6,103	\$7,866	\$1,191	\$7,798	\$43	\$38

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December 31, 2014	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized	Cash Basis Interest Recognized
Loans with no related allowance recorded:						
Commercial						
Closed-end	\$5	\$5	\$—	\$15	\$—	\$—
Line of credit	—	—	—	—	—	—
Agricultural & AG RE	—	—	—	—	—	—
Construction, land & development	648	1,122	—	221	11	11
CRE - all other						
Owner occupied	221	261	—	3,337	10	9
Non-owner occupied	4,354	4,753	—	4,084	74	74
1-4 family residential						
Senior lien	319	319	—	1,931	5	4
Jr. lien & lines of credit	120	120	—	142	6	6
Consumer	—	—	—	—	—	—
Subtotal	5,667	6,580	—	9,730	106	104
Loans with an allowance recorded:						
Commercial						
Closed-end	\$459	\$459	\$430	\$1,228	\$4	\$4
Line of credit	—	—	—	940	—	—
Agricultural & AG RE	—	—	—	—	—	—
Construction, land & development	174	332	126	3,833	—	—
CRE - all other						
Owner occupied	766	901	138	3,305	2	—
Non-owner occupied	620	620	78	7,737	2	—
1-4 family residential						
Senior lien	1,352	1,352	660	2,032	36	32
Jr. lien & lines of credit	265	276	123	268	10	9
Consumer	—	—	—	—	—	—
Subtotal	3,636	3,940	1,555	19,343	54	45
Total	\$9,303	\$10,520	\$1,555	\$29,073	\$160	\$149

The Company determined that there were \$0.1 million of loans that were classified as impaired but were considered to be performing (i.e., loans which are accruing interest) loans at September 30, 2015 compared to \$1.6 million at December 31, 2014.

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The following table represents information related to loan portfolio aging:

September 30, 2015	30 - 59 Days Past Due	60 - 89 Days Past Due	90 Days Past Due or Nonaccrual	Total Past Due	Current	Total Loans
Commercial						
Closed-end	\$373	\$49	\$160	\$582	\$23,276	\$23,858
Line of credit	—	—	—	—	42,252	42,252
Agricultural & AG RE	33	—	—	33	46,290	46,323
Construction, land & development	—	—	217	217	24,627	24,844
CRE - all other						
Owner occupied	—	371	475	846	158,750	159,596
Non-owner occupied	—	461	3,629	4,090	208,968	213,058
1-4 family residenti						