CENTRUE FINANCIAL CORP
Form 10-Q
November 14, 2005

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

þ **Quarterly Report Under Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the Quarterly Period Ended September 30, 2005.

or

o **Transition Report Under Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the Transition Period From __________ to __________.

Commission File Number 1-13676

CENTRUE FINANCIAL CORPORATION

(Exact Name of Registrant as Specified in its Charter)

Delaware	**36-3846489**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification Number)
310 South Schuyler Avenue, Kankakee, Illinois	**60901**
(Address of Principal Executive Offices)	(Zip Code)

(815) 937-4440

(Registrant s telephone number, including area code)

Check whether the Issuer (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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 þ No o

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes o No þ

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

As of November 12, 2005, there were 2,366,639 issued and outstanding shares of the Issuer s common stock.

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Certification of Chief Financial Officer Pursuant to Rule 13a-14(a)/15d-14(a)
Certification of Corporate Controller Pursuant to Rule 13a-14(a)/15d-14(a)
Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350
Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350
Certification of Corporate Controller Pursuant to 18 U.S.C. Section 1350

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PART I. FINANCIAL INFORMATION

ITEM 1. Consolidated Financial Statements (Unaudited)

CONSOLIDATED BALANCE SHEETS (UNAUDITED)

CENTRUE FINANCIAL CORPORATION AND SUBSIDIARY

	September 30, 2005	**December 31, 2004**
	(dollars in thousands)	
Assets		
Cash and due from banks	$ 14,334	$ 10,760
Interest bearing due from banks and other	2,404	2,526
Federal funds sold	11,600	
Cash and cash equivalents	28,338	13,286
Certificates of Deposit	50	149
Investment Securities available-for-sale, at fair value	129,544	124,763
Loans, net of allowance for loan losses of $4,844 and $5,475	425,149	418,963
Loans held for sale	6,693	416
Premises and equipment	21,945	18,267
Goodwill	14,354	12,446
Life insurance contracts	9,375	9,110
Non-marketable equity securities	5,024	4,211
Accrued interest receivable	2,965	2,570
Intangible assets	1,993	1,774
Real estate held for sale	1,946	3,002
Other assets	2,411	2,896
Total Assets	$ 649,787	$ 611,853
Liabilities		
Deposits:		
Noninterest bearing	$ 63,157	$ 53,919
Interest bearing	458,921	441,858
Total Deposits	522,078	495,777
Short-term borrowings	19,027	14,188
Long-term borrowings	60,791	55,473
Other liabilities	2,552	3,239
Total Liabilities	604,448	568,677
Stockholders Equity		
Preferred stock, $.01 par value 500,000 shares authorized and unissued		
Common stock, $.01 par value 5,500,000 authorized; 4,200,300 shares issued and outstanding	42	42
Additional paid-in capital	29,722	28,998
Retained income, partially restricted	47,232	43,925

Accumulated other comprehensive income (loss)	(949)	27
Unearned restricted stock (19,000 and 26,400 shares)	(383)	(512)
Treasury stock, (1,833,661 and 1,819,634 shares), at cost	(30,325)	(29,304)
Total Stockholders Equity	45,339	43,176
Total Liabilities and Stockholders Equity	$ 649,787	$ 611,853

See notes to the accompanying consolidated financial statements (unaudited)

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CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME (UNAUDITED)
CENTRUE FINANCIAL CORPORATION AND SUBSIDIARY

	Three Months Ended September 30		Nine Months Ended September 30	
	2005	2004	2005	2004
	(dollars in thousands, except per share data)			
Interest and dividend income:				
Loans	$ 6,802	$ 6,246	$ 19,674	$ 18,684
Investments	1,258	1,050	3,652	3,049
Deposits with banks and other	159	10	183	104
FHLB stock dividends	51	52	157	160
Total interest and dividend income	8,270	7,358	23,666	21,997
Interest expense:				
Deposits	2,701	1,896	6,802	5,913
Long-term borrowings	753	468	2,342	1,516
Short-term borrowings	79	238	203	569
Total interest expense	3,533	2,602	9,347	7,998
Net interest income	4,737	4,756	14,319	13,999
Provision for loan losses	75	300	576	900
Net interest income after provision for loan losses	4,662	4,456	13,743	13,099
Noninterest income:				
Fee income	1,716	1,245	4,141	3,126
Net gain (loss) on sale of securities		(5)	183	85
Net gain on sale of real estate held for sale	7		1	39
Net gain on sale of loans	165	238	454	661
Increase in cash surrender value of life insurance contracts	87	71	265	270
Other	43	40	246	161
Total noninterest income	2,018	1,589	5,290	4,342
Noninterest expense:				
Compensation and benefits	2,766	2,227	7,556	6,624
Occupancy, net	406	367	1,184	1,087
Furniture and equipment	288	330	1,421	1,019
Advertising	124	83	284	204
Data processing	77	158	395	458
Telephone and postage	161	157	485	437
Amortization of intangibles	72	61	205	168
Legal and professional fees	166	124	627	526
Other	922	803	2,374	2,243
Total noninterest expense	4,982	4,310	14,531	12,766
Income before income taxes	1,698	1,735	4,502	4,675

Income tax expense	480	502	1,195	1,414
Net income	$ 1,218	$ 1,233	$ 3,307	$ 3,261
Other comprehensive income (loss):				
Change in unrealized gains or losses on available for sale securities, net of related income taxes	(523)	849	(845)	(706)
Less: reclassification adjustment for gains (losses) included in net income, net of related income taxes		(2)	131	32
Other comprehensive income (loss)	(523)	851	(976)	(738)
Comprehensive income	$ 695	$ 2,084	$ 2,331	$ 2,523
Basic earnings per share	$ 0.52	$ 0.50	$ 1.41	$ 1.29
Diluted earnings per share	$ 0.52	$ 0.50	$ 1.40	$ 1.29
Dividends per share			$	$ 0.075

See the accompanying notes to consolidated financial statements (unaudited)

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CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
CENTRUE FINANCIAL CORPORATION AND SUBSIDIARY

	Nine Months Ended September 30	
	2005	**2004**
	(dollars in thousands)	
Operating activities		
Net income	$ 3,307	$ 3,261
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	576	900
Depreciation and amortization	1,576	1,276
Net amortization on investments	154	(247)
Amortization of intangibles	205	168
Deferred income taxes	722	2,547
Origination of loans held for sale	(20,566)	(24,426)
Proceeds from sales of loans held for sale	19,790	40,263
Gain on sale of loans	(454)	(661)
Gain on sale of securities	(183)	(85)
Gain on sale of real estate held for sale	1	(39)
Compensation expense for restricted stock	178	198
Increase in cash surrender value of life insurance contracts	(265)	(270)
Federal Home Loan Bank stock dividends	(174)	(161)
Changes in:		
Accrued interest receivable	(286)	(70)
Other assets and other liabilities, net	(743)	(1,646)
Net cash provided by operating activities	3,838	21,008
Investing activities		
Proceeds from maturities of certificates of deposit	99	199
Purchases of available for sale securities	(21,332)	(51,794)
Proceeds from sales of available for sale securities	13,698	5,943
Proceeds from maturities of available for sale securities	8,041	33,354
Proceeds from maturities of held-to-maturity securities		210
Proceeds from sales of real estate held for sale	2,106	261
Proceeds from sales of premises and equipment	15	
Acquisitions, net	(220)	38
Net (increase) decrease in loans	4,950	(11,498)
Purchases of bank premises and equipment	(2,841)	(1,386)
Net cash provided by (used in) investing activities	4,516	(24,673)
Financing activities		
Net decrease in deposits	(1,456)	(18,556)
Net change in short-term borrowings	4,839	
Proceeds from long-term borrowings	21,700	6,100
Repayments of long-term borrowings	(16,382)	(18,945)
Proceeds from issuance of junior subordinated debt owed to unconsolidated trusts		10,000

Proceeds from exercise of stock options		189
Dividends paid		(195)
Purchase of treasury stock	(2,003)	(5,389)
Net cash provided by (used in) financing activities	6,698	(26,796)
Net increase (decrease) in cash and cash equivalents	15,052	(30,461)
Cash and cash equivalents beginning of year	13,286	45,605
Cash and cash equivalents end of period	$ 28,338	$ 15,144

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	Nine Months Ended September 30	
	2005	2004
	(dollars in thousands)	
Supplemental disclosure of cash flow information		
Interest paid	$ 8,392	$ 7,886
Income taxes paid	800	1,290
Real estate acquired in settlement of loans	902	519
Acquisitions, net:		
Assets acquired:		
Certificates of Deposit	$	$ (298)
Investments	(6,561)	(8,616)
Loans, net	(12,608)	(7,342)
Loans held for sale	(5,047)	
Premises and equipment	(2,428)	(269)
Goodwill	(1,908)	(1,013)
Non-marketable securities	(639)	
Interest receivable	(109)	(104)
Intangibles	(424)	(774)
Real Estate held for sale	(155)	
Other assets	189	(157)
Liabilities assumed:		
Deposits	27,757	18,524
Other liabilities	56	87
Treasury Stock issued	1,657	
Cash received, net of cash paid	$ (220)	$ 38

See the accompanying notes to consolidated financial statements (unaudited)

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CENTRUE FINANCIAL CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
September 30, 2005

Note 1 Basis of Presentation

The consolidated financial statements of Centrue Financial Corporation (the Company) have been prepared in accordance with accounting principles generally accepted in the United States of America and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. The December 31, 2004 balance sheet has been derived from the audited financial statements at that date, but does not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. Operating results for the three and nine-month periods ended September 30, 2005 are not necessarily indicative of the results that may be expected for the year ending December 31, 2005. For further information, refer to the consolidated financial statements and footnotes thereto included in the annual report for the Company on Form 10-K for the year ended December 31, 2004.

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary Centrue Bank, an Illinois chartered commercial bank (the Bank). All material intercompany transactions and balances are eliminated. The Company is a financial holding company that engages in its business through its sole subsidiary, in a single significant business segment.

In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the consolidated balance sheet and revenues and expenses for the period. Actual results could differ significantly from those estimates.

Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for loan losses, valuation of mortgage servicing rights, goodwill, and real estate acquired in connection with foreclosures or in satisfaction of loans. In connection with the determination of the allowance for loan losses and the valuation of real estate acquired by foreclosure, management obtains independent appraisals for significant properties.

Certain 2004 amounts have been reclassified where appropriate to conform to the consolidated financial statement presentation used in 2005.

Note 2 Stock Based Compensation

The Company has a stock-based employee compensation plan, which is described more fully in the Company s annual report on Form 10-K for the year ended December 31, 2004. The Company accounts for this plan under the recognition and measurement principles of Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations. No stock-based employee compensation cost is reflected in net income, as all options granted under those plans had an exercise price equal to the market value of the underlying common stock on the grant date. The following table illustrates the effect on net income and earnings per share if the Company had applied the fair

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value recognition provisions of Statement of Financial Accounting Standard (SFAS) No. 123, Accounting for Stock-Based Compensation, to stock-based employee compensation:

	Three Months Ended September 30		Nine Months Ended September 30	
	2005	2004	2005	2004
	(dollars in thousands, except per share data)			
Net income, as reported	$ 1,218	$ 1,233	$ 3,307	$ 3,261
Less: Total stock-based employee compensation cost determined under the fair value based method, net of income taxes	57	39	248	253
Pro forma net income	$ 1,161	$ 1,194	$ 3,059	$ 3,008
Earnings per share:				
Basic as reported	$ 0.52	$ 0.50	1.41	1.29
Basic pro forma	0.49	0.49	1.30	1.19
Diluted as reported	0.52	0.50	1.40	1.29
Diluted pro forma	0.49	0.48	1.30	1.19

There were 21,500 options granted in the third quarter 2005 and 46,500 options during the first nine-months of 2005. The fair value of options granted in 2005 and 2004 has been estimated using the Black-Scholes option-pricing model with the following weighted average assumptions.

	Three Months Ended September 30		Nine Months Ended September 30	
	2005	2004	2005	2004
Number of options granted	21,500		46,500	25,500
Risk-free interest rate	4.15%		4.22%	4.37%
Expected life, in years	5		5	10
Expected volatility	18%		17%	23%
Expected dividend yield				0.27%
Estimated weighted average fair value per option	$ 6.62		$ 6.68	$ 11.41

Note 3 Earnings Per Share

Basic earnings per share of common stock have been determined by dividing net income for the period by the average number of shares of common stock outstanding. Diluted earnings per share of common stock have been determined by dividing net income for the period by the average number of shares of common stock and common stock equivalents outstanding. Average unearned restricted stock shares have been excluded from common shares outstanding for both basic and diluted earnings per share. Common stock equivalents assume exercise of stock options, and the purchase of treasury stock with the option proceeds at the average market price for the period (when dilutive). The Company has an incentive stock option plan for the benefit of directors, officers and employees. Diluted earnings per share have been determined considering the stock options granted, net of stock options which have been exercised.

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	Three Months Ended September 30		Nine Months Ended September 30	
	2005	2004	2005	2004
	(dollars in thousands, except share and per share data)			
Basic				
Net income	$ 1,218	$ 1,233	$ 3,307	$ 3,261
Average common shares outstanding	2,347,639	2,458,005	2,353,263	2,525,183
Net income per common share basic	$ 0.52	$ 0.50	$ 1.41	$ 1.29
Diluted				
Net income	$ 1,218	$ 1,233	$ 3,307	$ 3,261
Average common shares outstanding	2,347,639	2,458,005	2,353,263	2,525,183
Dilutive potential due to stock options	4,681	9,955	6,486	9,893
Average common shares outstanding	2,352,320	2,467,960	2,359,749	2,535,076
Net income per common share diluted	$ 0.52	$ 0.50	$ 1.40	$ 1.29

Note 4 Liquidity and Capital Resources

The Company maintains a certain level of cash and other liquid assets to fund normal volumes of loan commitments, deposit withdrawals and other obligations. The following table summarizes significant contractual obligations and other commitments at September 30, 2005 (in thousands):

Years Ended December 31,	Time Deposits	Long-term Borrowings (1)	Total
2005	$ 56,601	$ 368	$ 56,969
2006	133,465	31,041	164,506
2007	47,289	11,449	58,738
2008	13,157	5,156	18,313
2009	4,739	10,165	14,904
thereafter	4,502	2,612	7,114
Total	$ 259,753	$ 60,791	$ 320,544

Financial instruments whose contract amounts represent credit risk:

Commitment to originate loans	$ 28,335
Commitments to extend credit	23,340
Standby letters of credit	7,976
Total	$ 380,195

(1) Fixed rate callable borrowings are included in the period of their modified duration rather than in the period in which they are due. Borrowings include fixed rate callable advances of $5 million and $2 million maturing in years 2008 and 2011 which are callable in 2005 and variable rate prepayable advances of $20 million maturing in 2006. Trust preferred debentures of $10 million mature in both 2032 and 2034, but are callable in 2007 and 2009.

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Note 5 Investments

Continuous gross unrealized losses of investments in debt and equity securities as of September 30, 2005 (in thousands) which are classified as temporary were as follows:

	Continuous unrealized losses existing for less than 12 months		Continuous unrealized losses existing greater than 12 months		Total	
	Fair Value	Unrealized losses	Fair Value	Unrealized losses	Fair Value	Unrealized losses
Description of Securities						
U.S. government agencies	$ 72,234	$ 864	$	$	$ 72,234	$ 864
Municipals	4,574	36	16,700	453	21,274	489
Mortgage backed securities	2,389	24	5,648	178	8,037	202
Corporate			1,971	93	1,971	93
Total temporarily impaired securities	$ 79,197	$ 924	$ 24,319	$ 724	$ 103,516	$ 1,648

The unrealized losses on investment securities that have been in a continuous loss position are generally due to changes in interest rates and, as such, are considered to be temporary, by the Company.

Note 6 Junior Subordinated Debt Owed to Unconsolidated Trusts

The Company issued $10.0 million in each of April 2002 and April 2004 in cumulative trust preferred securities through newly formed special-purpose trusts, Kankakee Capital Trust I (Trust I) and Centrue Statutory Trust II (Trust II). The proceeds of the offerings were invested by the trusts in junior subordinated deferrable interest debentures of Trust I and Trust II. Trust I and Trust II are wholly-owned unconsolidated subsidiaries of the Company, and their sole assets are the junior subordinated deferrable interest debentures. Distributions are cumulative and are payable quarterly at a variable rate of 3.70% and 2.65% over the LIBOR rate, respectively, (at a rate of 7.59% and 6.54% at September 30, 2005) per annum of the stated liquidation amount of $1,000 per preferred security. Interest expense on the trust preferred securities was $358,000 and $238,000 for the three months ended September 30, 2005 and 2004, and $991,000 and $569,000 for the nine months ended September 30, 2005 and 2004, respectively. The obligations of the trusts are fully and unconditionally guaranteed, on a subordinated basis, by the Company. The trust preferred securities for Trust I are mandatorily redeemable upon the maturity of the debentures on April 7, 2032, or to the extent of any earlier redemption of any debentures by the Company, and are callable beginning April 7, 2007. The trust preferred securities for Trust II are mandatorily redeemable upon the maturity of the debentures on April 22, 2034, or to the extent of any earlier redemption of any debentures by the Company, and are callable beginning April 22, 2009. Holders of the capital securities have no voting rights, are unsecured, and rank junior in priority of payment to all of the Company s indebtedness and senior to the Company s capital stock. For regulatory purposes, the trust preferred securities qualify as Tier I capital subject to certain provisions.

Note 7 Recent Accounting Pronouncements

In December 2004, the Financial Accounting Standards Board (FASB) published FASB Statement No. 123 (revised 2004), Share-Based Payment (FAS 123(R) or the Statement). FAS 123(R) requires that the compensation cost relating to share-based payment transactions, including grants of employee stock options, be recognized in financial statements. That cost will be measured based on the fair value of the equity or liability instruments issued. FAS 123(R) permits entities to use any option-pricing model that meets the fair value objective in the

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Statement. (Modifications of share-based payments will be treated as replacement awards with the cost of the incremental value recorded in the financial statements.)

On April 14, 2005, the Securities and Exchange Commission (SEC) adopted a new rule that amends the compliance dates for Financial Accounting Standards Board s Statement of Financial Accounting Standards No. 123 (revised 2004), Share-Based Payment (SFAS No. 123R). Under the new rule, the Company is required to adopt SFAS No. 123R in the first quarter of fiscal 2006, beginning January 1, 2006. The Company has not yet determined the method of adoption or the effect of adopting SFAS No. 123R, and it has not determined whether the adoption will result in amounts that are similar to the current pro forma disclosures under SFAS No. 123.

Note 8. Acquisition of Illinois Community Bancorp, Inc.

On April 8, 2005, the Company acquired for cash and stock all of the outstanding shares of Illinois Community Bancorp, Inc. for a total cost of $3.3 million. As a result of the acquisition, Illinois Community Bancorp was dissolved and Illinois Community Bank became a wholly owned subsidiary of the Company. The acquisition was accounted for using the purchase method of accounting. As such, the results of operations of the acquired entity are excluded from the consolidated financial statements of income for the periods prior to the acquisition date. The purchase price has been allocated based on the fair values at the date of acquisition. This allocation resulted in intangible assets of $424,000 and goodwill of $1.9 million. The intangible assets are being amortized over ten years. At closing, Illinois Community Bancorp had assets of $29.8 million, including $17.7 million of loans, deposits of $27.8 million and stockholders equity of $1.4 million. Illinois Community Bank was merged into Centrue Bank during the third quarter of 2005.

ITEM 2. Management s Discussion and Analysis of Financial Condition and Results of Operations

GENERAL

The Company serves the financial needs of families and local businesses in its primary market areas through Centrue Bank s main banking office at 310 South Schuyler Avenue, Kankakee, Illinois and nineteen branch offices. The Company s market areas include central and southern Illinois, western Indiana and the metropolitan St. Louis, Missouri markets. The Company s business involves attracting deposits from the general public and using such deposits to originate commercial business, commercial real estate, consumer, multi-family, construction and residential mortgage loans in its market areas. The Company also invests in investment securities and various types of short term liquid assets. The Company has approximately 205 full time equivalent employees.

FINANCIAL CONDITION

The Company s total assets were $649.8 million at September 30, 2005, an increase of $37.9 million or 6.2%, from $611.9 million at December 31, 2004. Fluctuations in asset accounts were represented by an increase in cash and cash equivalents of $15.1 million, investment securities of $4.8 million, net loans and loans held for sale of $12.5 million, goodwill of $1.9 million and premises and equipment of $3.7 million. These increases were partially offset by a decrease in real estate held for sale of $1.1 million, which was due to the sale of a portion of the Company s largest real estate owned property.

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Cash and cash equivalents increased $15.1 million or 113.3% to $28.3 million from $13.3 million and investment securities increased $4.8 million or 3.8% to $129.5 million from $124.8 million. Net loans, including loans held for sale, increased $12.5 million or 3.0% to $431.8 million from $419.4 million. Goodwill increased $1.9 million or 15.3% to $14.4 million from $12.4 million as a result of the Illinois Community Bancorp acquisition. Intangible assets increased $219,000 or 12.3% to $2.0 million from $1.8 million. Nonmarketable equity securities increased $813,000 or 19.3% to $5.0 million from $4.2 million. The increase in each of these asset categories was primarily due to the Illinois Community Bancorp acquisition.

Premises and equipment increased $3.7 million, or 20.1%, primarily due to the costs associated with the construction of the Company s new facility in Fairview Heights, Illinois and the acquisition of Illinois Community Bancorp.

The decrease in real estate held for sale of $1.1 million or (35.1%) was primarily due to the sale of a portion of the Company s largest real estate owned property. The remaining portion of the property is under contract to be sold and should close during the fourth quarter of 2005. The sale of this property should result in net proceeds of $1.5 million, which slightly exceeds our carrying value.

Deposits increased $26.3 million or 5.3% to $522.1 million from $495.8 million. The net increase in deposits was primarily attributable to the acquisition of Illinois Community Bancorp and a deposit marketing campaign. Short-term borrowings increased $4.8 million to $19.0 million from $14.2 million and long-term borrowings increased $5.3 million to $60.8 million from $55.4 million in 2004. Short-term borrowings primarily consist of customer repurchase agreements, many of which fluctuate on a daily basis. The increase in short-term borrowings was a result of these customer fluctuations. The increase in long-term borrowings was due to the Company s decision to lengthen liabilities in a rising interest rate environment.

Stockholders equity increased $2.2 million or 5.0% to $45.3 million from $43.1 million at December 31, 2004. The increase was due mainly to net income and the acquisition of Illinois Community Bancorp partially offset by common stock repurchases and a decrease in unrealized gains on available-for-sale securities. There were 2,366,639 shares of common stock outstanding at September 30, 2005, compared to 2,380,666 shares at December 31, 2004. Equity per share of common stock increased by $1.02 to $19.16 at September 30, 2005 from $18.14 at December 31, 2004.

ASSET QUALITY

The Company s asset quality management program, particularly with regard to loans, is designed to analyze potential risk elements and to support the growth of a high quality loan portfolio. The existing loan portfolio is monitored via the Company s loan rating system. The loan rating system is used to assist in determining the adequacy of the allowance for loan losses. The Company s loan analysis process allows us to proactively identify, monitor and work with borrowers for whom there are indications of future repayment difficulties. The Company s lending philosophy is to invest in the communities served by its banking centers so that it can effectively monitor and control credit risk.

Total nonperforming loans at September 30, 2005 decreased $2.1 million from the end of 2004, which was mainly attributable to loans that were repaid from two large commercial borrowers. Foreclosed assets decreased $1.1 million due to the sale of a portion of the Company s largest real estate owned property. Management has entered into a contract to sell the remaining portion of the property and expects the closing to occur during the fourth quarter

of 2005. The sale of this property should result in net proceeds of $1.5 million, which slightly exceeds the Company s carrying value.

	September 30 2005	December 31 2004	Change
		(dollars in thousands)	
Non-accruing loans	$ 4,885	$ 6,769	$ (1,884)
Accruing loans delinquent 90 days or more		222	(222)
Total nonperforming loans	4,885	6,991	(2,106)
Foreclosed assets	1,946	3,002	(1,056)
Troubled debt restructuring	37	42	(5)
Total nonperforming assets	$ 6,868	$ 10,035	$ (3,167)
Allowance for loan losses to total loans	1.11%	1.29%	
Allowance for loan losses to nonperforming loans	99.16%	78.32%	
Nonperforming loans to total loans	1.12%	1.65%	
Nonperforming assets to total loans and foreclosed property	1.57%	2.35%	
Nonperforming assets to total assets	1.06%	1.64%	

One measure of the adequacy of the allowance for loan losses is the ratio of the allowance for loan losses to total loans. The ratio of the allowance for loan losses to total loans was 1.11% and 1.29% at September 30, 2005 and December 31, 2004, respectively. The ratio of the allowance for loan losses to non-performing loans increased to 99.16% as of September 30, 2005 compared to 78.32% at December 31, 2004. The increase in this ratio, which excludes foreclosed assets and restructured troubled debt, was the result of the decrease of $2.1 million of nonperforming loans and a decrease in the allowance for loan losses of $631,000.

Total classified loans at September 30, 2005 decreased to $12.9 million compared to $19.4 million at December 31, 2004. In 2004, the Company adopted a new loan policy and implemented new loan approval, documentation and monitoring processes and recruited an experienced commercial lending team. Additionally, in 2004, the Company recruited a Chief Credit Officer to strengthen our monitoring of credit quality and the overall loan portfolio. His duties include responsibility for all credit administration activities, supervision of collections and workout loans and compliance with the written loan policy. These initiatives have had a positive impact on the monitoring of the loan portfolio. The Company continues to seek additional methods to improve credit quality and the loan monitoring processes.

The Company recognized charge offs in the amount of $1.0 million and $1.9 million during the third quarter and first nine months of 2005 and $1.3 million and $2.0 million for the third quarter and first nine months of 2004. The Company had recoveries of $64,000 and $443,000 for the third quarter and first nine months of 2005 and $20,000 and $126,000 for the third quarter and first nine months of 2004. The provision for loan losses was $75,000 and $576,000 for the third quarter and first nine months of 2005, compared to $300,000 and $900,000 for the third quarter and first nine months of 2004. The provision for loan losses represents management s judgment of the cost associated with credit risk inherent in the loan portfolio. Factors which influence management s determination of the provision for loan losses include, among other things, size and quality of the loan portfolio measured against prevailing economic conditions, regulatory guidelines, a review of individual loans and historical loan loss experience. The Company acquired $259,000 of allowance for loan losses with the Illinois Community Bancorp acquisition in the second quarter of 2005.

The allowance for loan losses is maintained at a level believed adequate by management to absorb probable losses in the loan portfolio. Management s methodology to determine the adequacy of the allowance for loan losses considers specific credit reviews, past loan loss experience, current economic conditions and trends, and the volume, growth and composition of the loan portfolio. Based upon the Company s quarterly analysis of the adequacy of the allowance for loan losses, considering remaining collateral of loans with more than a normal degree of risk, historical loan loss percentages and economic conditions, it is management s belief that the allowance for loan losses at September 30, 2005 was adequate. However, there can be no assurance that the allowance for loan losses will be adequate to cover all losses.

Each credit on the Company s internal loan watch list is evaluated periodically to estimate potential losses. In addition, minimum loss estimates for each category of watch list credits are provided for based on management s judgment which considers past loan loss experience and other factors. For installment and real estate mortgage loans, specific allocations are based on past loss experience adjusted for recent portfolio growth and economic trends. The total of the estimated loss exposure resulting from the analysis is considered the allocated portion of the allowance for loan losses. The amounts specifically provided for individual loans and pools of loans are supplemented by an unallocated portion of the allowance for loan losses. This unallocated amount is determined based on management s judgment which considers, among other things, the risk of error in the specific allocations, other potential exposure in the loan portfolio, economic conditions and trends, and other factors.

The allowance for loan losses is charged when management determines that the prospects of recovery of the principal of a loan have significantly diminished. Subsequent recoveries, if any, are credited to the allowance for loan losses. All installment loans that are 90 to 120 days past due are charged off monthly unless the loans are insured for credit loss or where scheduled payments are being received. Real estate mortgage loans are written down to fair value upon foreclosure. Commercial and other loan charge-offs are made based on management s on-going evaluation of non-performing loans.

CRITICAL ACCOUNTING POLICIES

In the ordinary course of business, the Company has made a number of estimates and assumptions relating to the reporting of results of operations and financial condition in preparing its financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ significantly from those estimates under different assumptions and conditions. The Company believes the following discussion, including the allowance for loan losses, goodwill, and mortgage servicing rights, addresses the Company s most critical accounting policies, which are those that are most important to the portrayal of the Company s financial condition and results and require management s most difficult, subjective and complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain.

Allowance for Loan Losses The allowance for loan losses is a material estimate that is particularly susceptible to significant changes in the near term and is established through a provision for loan losses. The allowance is based upon past loan experience and other factors which, in management s judgment, deserve current recognition in estimating loan losses. The evaluation includes a review of all loans on which full collectibility may not be reasonably assured. Other factors considered by management include the size and character of the loan portfolio, concentrations of loans to specific borrowers or industries, existing economic conditions and historical losses on each portfolio category. In connection with the determination of the allowance for loan losses, management obtains independent appraisals for significant

properties, which collateralize loans. Management believes it uses the best information available to make such determinations. If circumstances differ substantially from the assumptions used in making determinations, future adjustments to the allowance for loan losses may be necessary and results of operations could be affected. While the Company believes it has established its existing allowance for loan losses in conformity with accounting principles generally accepted in the United States of America, there can be no assurance that regulators, in reviewing the Bank s loan portfolio, will not request an increase in the allowance for loan losses. Because future events affecting borrowers and collateral cannot be predicted with certainty, there can be no assurance that increases to the allowance will not be necessary if loan quality deteriorates.

Goodwill Costs in excess of the estimated fair value of identified net assets acquired through purchase transactions are recorded as an asset by the Company. The Company performs an annual impairment assessment as of September 30. No impairment of goodwill has been identified as a result of these tests. In making these impairment assessments, management must make subjective assumptions regarding the fair value of the Company s assets and liabilities. It is possible that these judgments may change over time as market conditions or Company strategies change, and these changes may cause the Company to record impairment charges to adjust the goodwill to its estimated fair value.

Mortgage Servicing Rights The Company recognizes as a separate asset the rights to service mortgage loans for others. The value of mortgage servicing rights is amortized in relation to the servicing revenue expected to be earned. Mortgage servicing rights are periodically evaluated for impairment based upon the fair value of those rights. Estimating the fair value of the mortgage servicing rights involves judgment, particularly of estimated prepayments speeds of the underlying mortgages serviced. Net income could be affected if management s assumptions and estimates differ from actual prepayments.

The above listing is not intended to be a comprehensive list of all the Company s accounting policies. In many cases, the accounting treatment of a particular transaction is specifically dictated by accounting principles generally accepted in the United States of America, with no need for management s judgment in their application. There are also areas in which management s judgment in selecting any available alternative would not produce a materially different result.

RESULTS OF OPERATIONS

THIRD QUARTER AND NINE MONTHS ENDED SEPTEMBER 30, 2005 AND 2004

For the third quarters ended September 30, 2005 and 2004, net income totaled $1.2 million. Net income for the nine months ended September 30, 2005 and 2004 totaled $3.3 million. Return on average assets for the third quarter and first nine months of 2005 was 0.74% and 0.70% compared to 0.81% and 0.71% for 2004. Return on average equity for the third quarter and first nine months of 2005 was 10.80% and 10.25%, compared to 11.86% and 9.87% for 2004.

The nine months ended September 30, 2005 operating results included non-recurring expenses which were incurred during the second quarter of 2005 of $666,000 ($0.22 per share, after tax). The non-recurring expenses included $464,000 ($0.16 per share, after tax) of asset write downs and other related expenses due to the Company s core processing system conversion. The Company expects these expenses to be recovered within one year as a result of reduced data processing costs. Management converted its systems to Jack Henry & Associates Silverlake data processing system which will allow the Company to expand our products and improve delivery of services to our customer base. The non-recurring expenses

also included $202,000 ($0.06 per share, after tax) of professional fees due to a terminated transaction associated with the Company s merger and acquisition activity.

The Company s comparable results for the nine months ended September 30, 2004 included a partial reversal of a valuation allowance for mortgage servicing rights of $50,000 and a gain of $127,000 from the sale of its credit card portfolio.

Net interest income for the three month periods decreased $19,000. Interest income increased $912,000 and interest expense increased $931,000 for the three month period ended September 30, 2005. Net interest income increased $320,000 for the nine month periods. Interest income during the first three quarters of 2005 increased $1.7 million, while interest expense increased $1.3 million. The net interest margin for the third quarter decreased to 3.27% compared to 3.47% on a tax equivalent basis for 2004. The decrease in the net interest margin was primarily a result of bank wide marketing campaigns on money market accounts and CDs. The flat yield curve and increased rates by competitors also contributed to an increase in rates by the Company to retain market share. The Company s overall cost of funds increased 23 basis points from 2.37% to 2.60% during the quarter. For the nine month periods, the net interest margin increased to 3.42% compared to 3.41% on a tax equivalent basis for 2004.

TABLE I
NET INTEREST INCOME ANALYSIS (UNAUDITED)
CENTRUE FINANCIAL CORPORATION AND SUBSIDIARY

	Three Months Ended September 30,					
	2005			2004		
	Average Outstanding Balance	Interest Earned/ Paid	Yield/ Rate	Average Outstanding Balance	Interest Earned/ Paid	Yield/ Rate
	(Dollars in Thousands)					
Interest-earning assets:						
Loans receivable (1) (3)	$ 435,382	$ 6,817	6.21%	$ 436,371	$ 6,263	5.71%
Investments securities (2) (3)	125,527	1,332	4.21%	111,254	1,121	4.01%
Other interest-earning assets	20,662	159	3.06%	4,239	10	0.94%
FHLB stock	4,363	51	4.67%	3,505	52	5.90%
Total interest-earning assets	585,934	8,359	5.66%	555,369	7,446	5.33%
Other assets	65,103			53,535		
Total assets	$ 651,037			$ 608,904		
Interest-bearing liabilities:						
Certificate accounts	$ 268,525	2,117	3.13%	$ 255,663	1,546	2.41%
Savings deposits	95,655	172	0.71%	92,241	142	0.61%
Demand and NOW deposits	99,973	412	1.64%	96,983	208	0.85%
Borrowings	74,525	832	4.43%	62,616	706	4.48%
Total interest-bearing liabilities	538,678	3,533	2.60%	507,503	2,602	2.04%
Non-interest bearing demand deposits	63,267			53,576		
Other liabilities	4,363			6,471		
Total liabilities	606,308			567,550		
Stockholders equity	44,729			41,354		
Total liabilities and stockholders equity	$ 651,037			$ 608,904		

Net interest income (3)		$ 4,826			$ 4,844	
Net interest rate spread			3.06%			3.29%
Net earning assets	$ 47,256			$ 47,866		
Net yield on average interest-earning assets (net interest margin)			3.27%			3.47%
Average interest-earning assets to average interest-bearing liabilities		108.77%			109.43%	

(1) Calculated including loans held for sale, and net of deferred loan fees, loan discounts, loans in process and the allowance for loan losses.

(2) Calculated including investment securities available-for-sale and certificates of deposit.

(3) Presented on a fully tax-equivalent basis, assuming a tax rate of 34%.

For the third quarter of 2005, tax equivalent interest income increased $913,000, to $8.4 million. The increase was primarily attributable to an increase in average earning assets and an increase in interest rates. Average earning assets increased $30.6 million to $585.9 million from $555.4 million in 2004. The average tax equivalent rate earned on earning assets increased 33 basis points to 5.66% from 5.33%. The increase in the average balance of interest-earning assets was primarily due to an increase in investment securities, federal funds

sold and the additional assets obtained in the Illinois Community Bancorp acquisition. The increase in the yield earned on interest-earning assets was due to increases in the federal funds rate and prime lending rates.

Interest expense in the third quarter increased $931,000 to $3.5 million from $2.6 million in 2004. The increase was primarily attributable to an increase in the rate paid on average interest bearing liabilities and an increase in the average balance of interest bearing liabilities. Average interest-bearing liabilities increased $31.2 million to $538.7 million from $507.5 million. The rate paid on interest bearing liabilities increased 56 basis points to 2.60% from 2.04% in 2004. The increase in average interest-bearing liabilities was primarily attributable to the addition of interest-bearing liabilities associated with the acquisition of Illinois Community Bancorp and additional borrowings. The increase in the average yield on interest-bearing liabilities resulted from an increase in deposit rates to remain competitive with local competition, including a money market special which the Company ran during the third quarter of 2005. The special increased the rate paid on interest bearing checking accounts 46 basis points compared to the second quarter of 2005.

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TABLE II
NET INTEREST INCOME ANALYSIS (UNAUDITED)
CENTRUE FINANCIAL CORPORATION AND SUBSIDIARY

	Nine Months Ended September 30,					
	2005			2004		
	Average Outstanding Balance	Interest Earned/ Paid	Yield/ Rate	Average Outstanding Balance	Interest Earned/ Paid	Yield/ Rate
	(Dollars in Thousands)					
Interest-earning assets:						
Loans receivable (1) (3)	$ 432,147	$ 19,725	6.10%	$ 434,912	$ 18,782	5.77%
Investments securities (2) (3)	122,689	3,865	4.21%	106,450	3,222	4.04%
Other interest-earning assets	11,198	183	2.19%	14,756	104	0.94%
FHLB stock	4,107	157	5.11%	3,428	160	6.24%
Total interest-earning assets	570,141	23,930	5.61%	559,546	22,268	5.32%
Other assets	60,649			51,821		
Total assets	$ 630,790			$ 611,367		
Interest-bearing liabilities:						
Certificate accounts	$ 253,071	5,421	2.86%	$ 263,520	4,904	2.49%
Savings deposits	95,161	484	0.68%	91,204	425	0.62%
Demand and NOW deposits	92,443	897	1.30%	93,276	584	0.84%
Borrowings	78,268	2,545	4.35%	61,516	2,085	4.53%
Total interest-bearing liabilities	518,943	9,347	2.41%	509,516	7,998	2.10%
Non-interest bearing demand deposits	61,983			52,237		
Other liabilities	6,734			5,499		
Total liabilities	587,660			567,252		
Stockholders equity	43,130			44,115		
Total liabilities and stockholders equity	$ 630,790			$ 611,367		

Net interest income (3)		$ 14,583			$ 14,270	
Net interest rate spread			3.20%			3.22%
Net earning assets	$ 51,198			$ 50,030		
Net yield on average interest-earning assets (net interest margin)			3.42%			3.41%
Average interest-earning assets to average interest-bearing liabilities		109.87%			109.82%	

(1) Calculated including loans held for sale, and net of deferred loan fees, loan discounts, loans in process and the allowance for loan losses.

(2) Calculated including investment securities available-for-sale and certificates of deposit.

(3) Presented on a fully tax-equivalent basis, assuming a tax rate of 34%.

For the nine months ended September 30, 2005, tax equivalent interest income increased $1.7 million, to $23.9 million. The increase was primarily attributable to an increase in interest rates, but was also affected by a modest increase in average earning assets. Average earning assets increased $10.6 million to $570.1 million from $559.5 million in 2004. The average tax equivalent rate earned on earning assets increased 29 basis points to 5.61% from 5.32%. The

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increase in the average balance of interest-earning assets was primarily due to an increase in investment securities, federal funds sold and the additional assets obtained in the Illinois Community Bancorp acquisition. The increase in the yield earned on interest-earning assets was due to increases in the federal funds and prime lending rates.

Interest expense during the nine-months ended September 30, 2005 increased $1.3 million to $9.3 million from $8.0 million in 2004. The increase was primarily attributable to an increase in the rate paid on average interest bearing liabilities and an increase in the average balance of interest bearing liabilities. Average interest-bearing liabilities increased $9.4 million to $518.9 million from $509.5 million. The rate paid on interest bearing liabilities increased 31 basis points to 2.41% from 2.10% in 2004. The average interest-bearing liabilities increased primarily due to borrowings and the addition of interest-bearing liabilities associated with the acquisition of Illinois Community Bancorp partially offset by a decrease in average certificates of deposit. The increase in the average yield on interest-bearing liabilities resulted from increasing market interest rates to remain competitive with local competition, including a money market special which was run during the third quarter of 2005.

The provision for loan losses was $75,000 and $576,000 for the third quarter and first nine months of 2005, compared to $300,000 and $900,000 for the third quarter and first nine months of 2004. The decrease in the provision for loan losses was due to improved asset quality as previously discussed in the asset quality section.

	Three Months Ended September 30		Change	
	2005	2004	Amount	Percent
		(dollars in thousands)		
Noninterest income:				
Fee income	$ 1,716	$ 1,245	$ 471	37.8%
Net loss on sale of securities		(5)	5	
Net gain on sale of real estate held for sale	7		7	
Net gain on sale of loans	165	238	(73)	(30.7)
Increase in cash surrender value of life insurance contracts	87	71	16	22.5
Other	43	40	3	7.5
Total	$ 2,018	$ 1,589	$ 429	27.0%

Noninterest income was $2.0 million for the quarter ended September 30, 2005, compared to $1.6 million for the same period in 2004. The increase in noninterest income for the quarter was primarily due to an increase in fee income of $467,000. The increase in fee income was primarily due to the overdraft protection program that was implemented during the third quarter of 2004. The decrease in the gain on sale of loans was primarily due to loan sales the Company executed during 2004 to reduce the interest rate risk volatility in the mortgage loan portfolio.

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	Three Months Ended September 30		Change	
	2005	2004	Amount	Percent
	(dollars in thousands)			
Noninterest expense:				
Compensation and benefits	$ 2,766	$ 2,227	$ 539	24.2%
Occupancy, net	406	367	39	10.6
Furniture and equipment	288	330	(42)	(12.7)
Advertising	124	83	41	49.4
Data processing	77	158	(81)	(51.3)
Telephone and postage	161	157	4	2.5
Amortization of Intangibles	72	61	11	18.0
Legal and professional fees	166	124	42	33.9
Other	924	803	121	15.1
Total	$ 4,982	$ 4,310	$ 672	15.6%

Noninterest expenses were $5.0 million for the quarter ended September 30, 2005, compared to $4.3 million for the same period in 2004. The increase in non-interest expenses was primarily due to an increase in compensation and benefits of $539,000 and an increase in other noninterest expenses of $121,000. Compensation and benefits increased primarily due to the Illinois Community Bancorp acquisition and personnel added at the Company s Fairview Heights branch which opened at the end of May 2005. The increase in other noninterest expenses was primarily due to new supplies needed in conjunction with the Company s core processing conversion.

	Nine Months Ended September 30		Change	
	2005	2004	Amount	Percent
	(dollars in thousands)			
Noninterest income:				
Fee income	$ 4,141	$ 3,126	$ 1,015	32.5%
Net gain on sale of securities	183	85	98	115.3
Net gain (loss) on sale of real estate held for sale	1	39	(38)	(97.4)
Net gain (loss) on sale of loans	454	661	(207)	(31.3)
Increase (decrease) in cash surrender value of life insurance contracts	265	270	(5)	(1.9)
Other	246	161	85	52.8
Total	$ 5,290	$ 4,342	$ 948	21.8%

Noninterest income was $5.3 million for the nine months ended September 30, 2005, compared to $4.3 million for the same period in 2004. The increase in noninterest income for the nine months ended September 30, 2005 was primarily attributable to an increase in fee income of $1.0 million and an increase in net gain of sale of securities of $98,000 offset by a decrease in gain on sale of loans of $207,000. The decrease in gain on sale of loans for the nine months ended September 30, 2005 was primarily due to the Company s sale of its credit card portfolio during the second quarter of 2004 which resulted in a gain in the amount of $127,000. The increase in fee income was primarily due to the overdraft protection program that was implemented during the third quarter of 2004.

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	Nine Months Ended September 30		Change	
	2005	2004	Amount	Percent
	(dollars in thousands)			
Noninterest expense:				
Compensation and benefits	$ 7,556	$ 6,624	$ 932	14.1%
Occupancy, net	1,184	1,087	97	8.9
Furniture and equipment	1,421	1,019	402	39.5
Advertising	284	204	80	39.2
Data processing	395	458	(63)	(13.8)
Telephone and postage	485	437	48	11.0
Amortization of Intangibles	205	168	37	22.0
Legal and professional fees	627	526	101	19.2
Other	2,374	2,243	131	5.8
Total	$ 14,531	$ 12,766	$ 1,765	13.8%

Noninterest expenses were $14.5 million for the nine months ended September 30, 2005, compared to $12.8 million for the same period in 2004. Compensation and benefits increased $932,000, furniture and equipment expenses increased $402,000 and legal and professional fees increased $101,000. Compensation and benefits increased primarily due to the Illinois Community Bancorp acquisition and personnel associated with the new Fairview Heights branch. Furniture and equipment increased due to the write-down of $464,000 of fixed assets and prepaid expenses related to the Company s former data processing system which became obsolete after the data processing conversion in June 2005. Legal and professional fees increased due to $202,000 of professional fees due to a terminated transaction associated with the Company s merger and acquisition activity during the second quarter of 2005.

Income tax expense decreased $22,000 and $219,000 for the third quarter and nine months ended September 30, 2005 from the same periods in 2004. The effective income tax rate was 28.2% and 26.5% for the quarter and nine months ended September 30, 2005 compared to 28.9% and 30.2% for the same periods in 2004. The decrease in the effective income tax rate was due to certain tax strategies implemented by the Company.

CAPITAL RESOURCES

The Company and its subsidiary Bank are subject to various regulatory capital requirements administered by the federal and state banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company s and the Bank s financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company and its subsidiary Bank must meet specific capital guidelines that involve quantitative measures of assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The Company s and the Bank s capital amounts and classifications are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Company and its subsidiary Bank to maintain minimum amounts and ratios (set forth in the table below) of Tier 1 capital (as defined by the regulations) to average assets (as defined) and Total and Tier I capital (as defined) to risk-weighted assets (as defined). Management believes, as of September 30, 2005, that the Company and the Bank meet all capital adequacy requirements to which they are subject.

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As of September 30, 2005, the most recent notification from the Bank s primary regulators, categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Bank must maintain minimum total risk-based, Tier I risk-based and Tier I leverage ratios as set forth in the table below. There are no conditions or events since that notification that management believes have changed the Bank s category.

	Actual		For Capital Adequacy Purposes		To be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
			(Dollars in Thousands)			
As of September 30, 2005						
Tier 1 Capital to Average Assets						
Centrue Financial	$ 45,370	7.15%	$ 25,388	4.00%	N/A	
Centrue Bank	45,295	7.72%	23,459	4.00%	$ 29,324	5.00%
Tier I Capital to Risk Weighted Assets						
Centrue Financial	45,370	10.74%	16,904	4.00%	N/A	
Centrue Bank	45,295	11.25%	16,110	4.00%	24,165	6.00%
Total Capital to Risk Weighted Assets			33,807			
Centrue Financial	54,785	12.96%	33,807	8.00%	N/A	
Centrue Bank	50,336	12.50%	32,219	8.00%	40,274	10.00%
As of December 31, 2004						
Tier 1 Capital to Average Assets						
Centrue Financial	$ 43,312	7.32%	$ 23,674	4.00%	N/A	
Centrue Bank	45,656	7.81%	23,382	4.00%	$ 29,227	5.00%
Tier I Capital to Risk Weighted Assets						
Centrue Financial	43,312	11.01%	15,742	4.00%	N/A	
Centrue Bank	46,656	11.32%	16,136	4.00%	24,204	6.00%
Total Capital to Risk Weighted Assets						
Centrue Financial	53,857	13.69%	31,483	8.00%	N/A	
Centrue Bank	50,703	12.57%	32,272	8.00%	40,340	10.00%

SPECIAL NOTE CONCERNING FORWARD-LOOKING STATEMENTS

This document contains, and future oral and written statements of the Company and its management may contain, forward-looking statements, within the meaning of such term in the Private Securities Litigation Reform Act of 1995, with respect to the financial condition, results of operations, plans, objectives, future performance and business of the Company. Forward-looking statements, which may be based upon beliefs, expectations and assumptions of the Company s management and on information currently available to management, are generally identifiable by the use of words such as believe, expect, anticipate, plan, intend estimate, may, will, would, could, shou expressions. Additionally, all statements in this document, including forward-looking statements, speak only as of the date they are made, and the Company undertakes no obligation to update any statement in light of new information or future events.

The Company s ability to predict results or the actual effect of future plans or strategies is inherently uncertain. Factors which could have a material adverse effect on the operations and future prospects of the Company and its subsidiaries include, but are not limited to, the following:

The strength of the United States economy in general and the strength of the local economies in which the Company conducts its operations which may be less favorable than expected and may result in, among

other things, a deterioration in the credit quality and value of the Company s assets.

The economic impact of past and any future terrorist threats and attacks, acts of war or threats thereof, and the response of the United States to any such threats and attacks.

The effects of, and changes in, federal, state and local laws, regulations and policies affecting banking, securities, insurance and monetary and financial matters.

The effects of changes in interest rates (including the effects of changes in the rate of prepayments of the Company s assets) and the policies of the Board of Governors of the Federal Reserve System.

The ability of the Company to compete with other financial institutions as effectively as the Company currently intends due to increases in competitive pressures in the financial services sector.

The inability of the Company to obtain new customers and to retain existing customers.

The timely development and acceptance of products and services, including products and services offered through alternative delivery channels such as the Internet.

Technological changes implemented by the Company and by other parties, including third party vendors, which may be more difficult or more expensive than anticipated or which may have unforeseen consequences to the Company and its customers.

The ability of the Company to develop and maintain secure and reliable electronic systems.

The ability of the Company to retain key executives and employees and the difficulty that the Company may experience in replacing key executives and employees in an effective manner.

Consumer spending and saving habits which may change in a manner that affects the Company s business adversely.

Business combinations and the integration of acquired businesses which may be more difficult or expensive than expected.

The costs, effects and outcomes of existing or future litigation.

Changes in accounting policies and practices, as may be adopted by state and federal regulatory agencies and the Financial Accounting Standards Board.

The ability of the Company to manage the risks associated with the foregoing as well as anticipated. These risks and uncertainties should be considered in evaluating forward-looking statements and undue reliance should not be placed on such statements. Additional information concerning the Company and its business, including other factors that could materially affect the Company s financial results, is included in the Company s filings with the Securities and Exchange Commission.

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

ASSET/LIABILITY MANAGEMENT

In an attempt to manage its exposure to changes in interest rates, management closely monitors the Company s interest rate risk. The Bank has a funds management committee, which meet monthly and review interest rate risk positions and evaluate current asset/liability pricing and strategies. The committees adjust pricing and strategies as needed and make recommendations to the Bank s board of directors regarding significant changes in strategy. In addition, on a quarterly basis, the board reviews the Bank s asset/liability position, including simulations of the effect on the Bank s capital of various interest rate scenarios.

In managing its asset/liability mix, the Company, at times, depending on the relationship between long-term and short-term interest rates, market conditions and consumer preferences,

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may place somewhat greater emphasis on maximizing its net interest margin than on better matching the interest rate sensitivity of its assets and liabilities in an effort to improve its net income. While the Company does have some exposure to changing interest rates, management believes that the Company is positioned to protect earnings throughout changing interest rate environments.

The Company currently does not enter into derivative financial instruments, including futures, forwards, interest rate risk swaps, option contracts, or other financial instruments with similar characteristics. However, the Company is party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers such as commitments to extend credit and letters of credit. Commitments to extend credit and letters of credit are not recorded as an asset by the Company until the commitment is accepted and funded or the letter of credit is exercised.

The Company s net income and economic value of equity (EVE), in the normal course of business, are exposed to interest rate risk, and can vary based on changes in the general level of interest rates. All financial products carry some amount of interest rate risk, and substantial portions of both the Company s assets and liabilities are financial products. These include investment securities, loans, deposits and borrowed money. Off-balance sheet items, such as loan commitments, letters of credit, commitments to buy or sell loans or securities, and derivative financial instruments, also carry some amount of interest rate risk.

The Funds Management Committees generally use three types of analysis in measuring and reviewing the Company s interest rate sensitivity. These are Static GAP analysis, Dynamic Gap Analysis and Economic Value of Equity. The Static GAP analysis measures assets and liabilities as they reprice in various time periods and is discussed under the heading of Asset/Liability Management on page 21 of the 2004 Annual Report to Shareholders.

The economic value of equity calculation uses information about the Company s assets, liabilities and off-balance sheet items, market interest rate levels and assumptions about the behavior of the assets and liabilities, to calculate the Company s equity value. The economic value of equity is the market value of assets minus the market value of liabilities, adjusted for off-balance sheet items divided by the market value of assets. The economic value of equity is then subjected to immediate and permanent upward changes of 300 basis points in market interest rate levels, in 100 basis point increments, and a downward change of 100 basis points. The resulting changes in equity value and net interest income at each increment are measured against pre-determined, minimum EVE ratios for each incremental rate change, as approved by the board in the interest rate risk policy.

The following table presents the Banks EVE ratios for the various rate change levels at September 30, 2005 and December 31, 2004:

	EVE Ratios	
Changes in Interest Rates	September 30, 2005	December 31, 2004
300 basis point rise	8.59%	7.54%
200 basis point rise	8.58%	7.88%
100 basis point rise	8.25%	8.06%
Base rate scenario	7.64%	7.91%
100 basis point decline	5.92%	6.60%

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The preceding table indicates that in the event of an immediate and permanent increase in prevailing market interest rates, the Banks EVE ratio, would be expected to increase in all scenarios. In the event of an immediate and permanent decrease in prevailing market interest rates, the Banks EVE ratio would be expected to decrease.

The EVE increases in a 100, 200 and 300 basis point rise because the Company is asset sensitive and would have more interest earning assets repricing than interest-bearing liabilities. This effect is increased by periodic and lifetime limits on changes in rate on most adjustable-rate, interest-earning assets. The EVE decreases in a falling rate scenario because of the limits on the Company s ability to decrease rates on some of its deposit sources, such as money market accounts and NOW accounts, and by the ability of borrowers to repay loans ahead of schedule and refinance at lower rates.

The EVE ratio is calculated by the Company s fixed income investment advisors, and reviewed by management, on a quarterly basis utilizing information about the Company s assets, liabilities and off-balance sheet items, which is provided by the Company. The calculation is designed to estimate the effects of hypothetical rate changes on the EVE, utilizing projected cash flows, and is based on numerous assumptions, including relative levels of market interest rates, loan prepayment speeds and deposit decay rates. Actual changes in the EVE, in the event of market interest rate changes of the type and magnitude used in the calculation, could differ significantly. Additionally, the calculation does not account for possible actions taken by Funds Management to mitigate the adverse effects of changes in market interest rates.

ITEM 4. Controls and Procedures

An evaluation was performed under the supervision and with the participation of the Company s management, including the Chief Executive Officer, Chief Financial Officer and Corporate Controller, of the effectiveness of the design and operation of the Company s disclosure controls and procedures (as defined in Rule 13a-15(e) promulgated under the Securities and Exchange Act of 1934, as amended) as of September 30, 2005. Based on that evaluation, the Company s management, including the Chief Executive Officer, Chief Financial Officer and Corporate Controller, concluded that the Company s disclosure controls and procedures were effective. There have been no significant changes in the Company s internal controls or in other factors that could significantly affect internal controls.

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CENTRUE FINANCIAL CORPORATION

PART II OTHER INFORMATION

Item 1. Legal Proceedings

There are no material pending legal proceedings to which the Company or the Bank is a party other than ordinary routine litigation incidental to their respective businesses.

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

The following table sets forth information about our stock repurchases for the three months ended September 30, 2005:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs (1)
July 1 July 31, 2005		$		369,298
August 1 August 31, 2005				369,298
September 1 September 30, 2005				369,298
Total		$		369,298

(1) The Company has a share repurchase plan which authorizes the Company to purchase up to 20% of the shares outstanding, or 484,663. The plan will expire on December 31, 2005.

Item 3. Defaults Upon Senior Securities

None

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

None

Item 5. Other Information

None

Item 6. Exhibits

a. Exhibits

31.1 Certification of Principal Executive Officer Pursuant to Rule 13a-14(a)/15d-14(a)

31.2 Certification of Chief Financial Officer Pursuant to Rule 13a-14(a)/15d-14(a)

31.3 Certification of Corporate Controller Pursuant to Rule 13a-14(a)/15d-14(a)

32.1 Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.3 Certification of Corporate Controller Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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CENTRUE FINANCIAL CORPORATION

SIGNATURES

In accordance with the requirements of the Securities Exchange Act of 1934, the Registrant has caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

		CENTRUE FINANCIAL CORPORATION Registrant
Date:	November 14, 2005	/s/ THOMAS A. DAIBER
		President and Chief Executive Officer
Date:	November 14, 2005	/s/ JAMES M. LINDSTROM
		Chief Financial Officer and Senior Vice President
Date:	November 14, 2005	/s/ JOHN A. BETTS
		Vice President and Corporate Controller