CENTRUE FINANCIAL CORP
Form 10-Q
August 08, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended June 30, 2008

Commission File Number: 0-28846

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

Delaware	36-3145350
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

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

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

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

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

Large accelerated filer	[ ]	Accelerated filer	[X]
Non-accelerated filer	[ ]	Smaller reporting company	[ ]

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

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

Class	Shares outstanding at August 8, 2008
Common Stock, Par Value $1.00	6,028,491

Centrue Financial Corporation
Form 10-Q Index
June 30, 2008

CENTRUE FINANCIAL CORPORATION
PART I FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED BALANCE SHEETS
JUNE 30, 2008 AND DECEMBER 31, 2007
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

	June 30, 2008	D

ASSETS		
Cash and cash equivalents	$ 48,238	$
Securities available-for-sale	203,864	
Restricted securities	10,670	
Loans	1,003,689	
Allowance for loan losses	(11,542)	
Net loans	992,147	
Cash value of life insurance	27,402	
Mortgage servicing rights	2,993	
Premises and equipment, net	33,750	
Goodwill	24,804	
Intangible assets, net	10,013	
Other real estate	4,317	
Other assets	15,350	
Total assets	$ 1,373,548	$
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Deposits		
Non-interest-bearing	$ 116,470	$
Interest-bearing	894,253	
Total deposits	1,010,723	
Federal funds purchased and securities sold under agreements to repurchase	64,301	
Federal Home Loan Bank advances	128,300	
Notes payable	21,933	
Series B mandatory redeemable preferred stock	831	
Subordinated debentures	20,620	
Other liabilities	10,233	
Total liabilities	1,256,941	
Commitments and contingent liabilities	--	
Stockholders' equity		
Series A convertible preferred stock (aggregate liquidation preference of 2,762)	500	
Common stock, $1 par value, 15,000,000 shares authorized; 7,453,555 and 7,438,110 shares issued at June 30, 2008 and at December 31, 2007	7,454	
Surplus	71,383	
Retained earnings	63,028	
Accumulated other comprehensive income (loss)	(3,338)	
	139,027	
Treasury stock, at cost 1,425,064 shares at June 30, 2008 and 1,366,564 at December 31, 2007	(22,420)	
Total stockholders' equity	116,607	
Total liabilities and stockholders' equity	$ 1,373,548	$

See Accompanying Notes to Unaudited Financial Statements

1.

CENTRUE FINANCIAL CORPORATION
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
THREE AND SIX MONTHS ENDED JUNE 30, 2008 AND 2007
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	Three Months Ended June 30, 2008	Three Months Ended June 30, 2007	Six Mon Ju 2008
Interest income			
Loans	$ 15,974	$ 16,917	$ 33,26
Securities			
Taxable	2,106	3,182	4,58
Exempt from federal income taxes	355	381	71
Federal funds sold and other	25	173	8
Total interest income	18,460	20,653	38,64
Interest expense			
Deposits	7,026	9,443	15,36
Federal funds purchased and securities sold under agreements to repurchase	153	463	48
Federal Home Loan Bank advances	776	628	1,94
Series B mandatory redeemable preferred	13	13	2
Subordinated debentures	250	450	63
Notes payable	238	165	47
Total interest expense	8,456	11,162	18,93
Net interest income	10,004	9,491	19,70
Provision for loan losses	866	226	1,63
Net interest income after Provision for loan losses	9,138	9,265	18,07
Noninterest income			
Service charges	1,875	1,969	3,51
Trust income	232	232	48
Mortgage banking income	389	449	83
Brokerage commissions and fees	66	104	16
Bank owned life insurance	254	247	50
Securities gains (losses), net	--	(33)	84
Gain on sale of OREO	142	491	23
Gain on sale of other assets	629	--	1,11
Other income	705	735	1,52
	4,292	4,194	9,23
Noninterest expenses			
Salaries and employee benefits	4,493	5,144	9,32
Occupancy	919	1,019	1,95
Furniture and equipment	624	627	1,40
Marketing	315	221	55

Supplies and printing	99	156	23
Telephone	201	210	44
Data Processing	231	276	53
Amortization of intangible assets	775	591	1,68
Other expenses	1,564	1,602	3,41
	9,221	9,846	19,53

See Accompanying Notes to Unaudited Financial Statements

CENTRUE FINANCIAL CORPORATION
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
THREE AND SIX MONTHS ENDED JUNE 30, 2008 AND 2007
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	Three Months Ended June 30,		Six Mon Ju
	2008	2007	2008
Income before income taxes	4,209	3,613	7,76
Income taxes	1,504	1,107	2,61
Net income	$ 2,705	$ 2,506	$ 5,15
Preferred stock dividends	52	52	10
Net income for common stockholders	$ 2,653	$ 2,454	$ 5,04
Basic earnings per common share	$ 0.44	$ 0.38	$ 0.8
Diluted earnings per common share	$ 0.44	$ 0.38	$ 0.8
Total comprehensive income:			
Net income	$ 2,705	$ 2,506	$ 5,15
Change in unrealized gains (losses) on available for sale securities	(5,428)	(1,961)	(6,97
Tax effect	(2,103)	(759)	(2,70
Total comprehensive income (loss), net of tax	(3,325)	(1,202)	(4,27
Total comprehensive income (loss)	$ (620)	$ 1,304	$ 87

See Accompanying Notes to Unaudited Financial Statements

CENTRUE FINANCIAL CORPORATION
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 2008 AND 2007 (IN THOUSANDS)

	Six Months E June 30, 2008
Cash flows from operating activities	
Net income	$ 5,150
Adjustments to reconcile net income to	
Net cash provided by operating activities	
Depreciation	1,493
Amortization of intangible assets	1,688
Amortization of mortgage servicing rights, net	284
Amortization of bond premiums, net	244
Share based compensation	265
Provision for loan losses	1,632
Provision for deferred income taxes	1,333
Tax benefit related to exercised options	--
Earnings on bank-owned life insurance	(506)
Securities losses/(gains), net	(848)
(Gain) loss on sale of OREO	(238)
(Gain) loss on sale of loans	(665)
(Gain) on sale of branch	(1,111)
Proceeds from sales of loans held for sale	70,488
Origination of loans held for sale	(74,786)
Change in assets and liabilities	
(Increase) decrease in other assets	(3,733)
Increase (decrease) in other liabilities	1,613
Net cash provided by (used in) operating activities	2,303
Cash flows from investing activities	
Proceeds from maturities and paydowns of securities available for sale	103,761
Purchases of securities available for sale	(75,160)
Net decrease (increase) in loans	(79,033)
Purchase of premises and equipment	(402)
Proceeds from sale of OREO	3,215
Purchase of Missouri Bank charter	--
Sale of Branches, net of premium received	(19,498)
Net cash provided by (used in) investing activities	(67,117)
Cash flows from financing activities	
Net increase (decrease) in deposits	29,922
Net increase (decrease) in federal funds purchased and securities sold under agreements to repurchase	19,364
Repayment of advances from the Federal Home Loan Bank	(294,315)
Proceeds from advances from the Federal Home Loan Bank	301,000
Payments on notes payable	(2,119)
Proceeds from notes payable	10,250
Dividends on common stock	(1,633)
Dividends on preferred stock	(104)
Proceeds from exercise of stock options	233
Purchase of treasury stock	(1,174)

Net cash provided by financing activities	61,424	
Net increase (decrease) in cash and cash equivalents	(3,390)	
Cash and cash equivalents		
Beginning of period	51,628	
End of period	$ 48,238	$
Supplemental disclosures of cash flow information		
Cash payments for		
Interest	$ 20,506	$
Income taxes	2,270	
Transfers from loans to other real estate owned	4,497	

See Accompanying Notes to Unaudited Financial Statements

4.

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

Note 1. Summary of Significant Accounting Policies

Centrue Financial Corporation (the "Company") is a bank holding company organized under the laws of the State of Delaware. The Company provides a full range of 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; lending; mortgage banking; brokerage; asset management; and trust services. The Company is subject to competition from other financial institutions and nonfinancial institutions providing financial services. Additionally, the Company and its subsidiary Centrue Bank (the "Bank") are subject to regulations of certain regulatory agencies and undergo periodic examinations by those regulatory agencies.

Basis of presentation

The consolidated financial statements include the accounts of the Company and Centrue Bank. Intercompany balances and transactions have been eliminated in consolidation.

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

Assets held in an agency or fiduciary capacity, other than trust cash on deposit with Centrue Bank, are not assets of the Company and, accordingly, are not included in the accompanying consolidated financial statements.

For further information with respect to significant accounting policies followed by the Company in the preparation of its consolidated financial statements, refer to the Company's Annual Report on Form 10-K for the year ended December 31, 2007. The annualized results of operations during the three and six months ended June 30, 2008 are not necessarily indicative of the results expected for the year ending December 31, 2008. All financial information is in thousands (000s), except shares and per share data.

Note 2. Earnings Per Share

Basic earnings per share for the three and six months ended June 30, 2008 and 2007 were computed by dividing net income by the weighted average number of shares outstanding. Diluted earnings per share for the three and six months ended June 30, 2008 and 2007 were computed by dividing net income by the weighted average number of shares outstanding, adjusted for the dilutive effect of the stock options. Computations for basic and diluted earnings per share are provided below:

Note 2. Earnings Per Share (continued)

	Three Months Ended June 30,		S
	2008	2007	20
Basic Earnings Per Common Share			
Net income for common stockholders	$ 2,653	$ 2,454	$
Weighted average common shares outstanding	6,027,000	6,414,000	6,0
Basic earnings per common share	$ 0.44	$ 0.38	$
Diluted Earnings Per Common Share			
Weighted average common shares outstanding	6,027,000	6,414,000	6,0
Add: dilutive effect of assumed exercised stock options	22,000	36,000	
Weighted average common and dilutive potential shares outstanding	6,049,000	6,450,000	6,0
Diluted earnings per common share	$ 0.44	$ 0.38	$

There were approximately 406,300 and 321,200 options outstanding at June 30, 2008 and 2007, respectively that were not included in the computation of diluted earnings per share. These options were antidilutive since the exercise prices were greater than the average market price of the common stock.

Note 3. Securities

All of the Company's securities are classified as available-for-sale and are carried at fair value. The Company does not have any securities classified as trading or held-to-maturity.

The following table describes the fair value, gross unrealized gains and losses of securities available-for-sale at June 30, 2008 and December 31, 2007, respectively:

	June 30, 2008		
	Fair Value	Gross Unrealized Gains	Gro Unrea Los
U.S. government agencies	$ 19,548	$ 396	$
States and political subdivisions	40,419	603	
U. S. government mortgage-backed securities	96,116	211	
Collateralized mortgage obligations	21,796	10	
Equity securities	1,621	101	
Investment in Trust Preferred instruments	22,391	--	
Corporate	1,973	6	
	$ 203,864	$ 1,327	$

	December 31, 2007		
	Fair Value	Gross Unrealized Gains	Gro Unrea Los
U.S. government agencies	$ 103,624	$ 1,415	$
States and political subdivisions	41,561	501	
U. S. government mortgage-backed securities	47,784	287	
Collateralized mortgage obligations	24,077	68	
Equity securities	1,601	105	
Investment in Trust Preferred instruments	17,273	--	
Corporate	2,741	9	
	$ 238,661	$ 2,385	$

(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

Note 3. Securities (continued)

Management does not believe any individual unrealized losses as of June 30, 2008, identified in the preceding tables represent other-than-temporary impairment based on our analysis. These unrealized losses are primarily attributable to changes in interest rates, general market risk repricing, and illiquidity in the capital markets. The Company has both the intent and ability to hold each of the securities shown in the table for the time necessary to recover its amortized cost. The unrealized loss on the available for sale securities is included, net of tax, in other comprehensive income.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Proceeds	$ --	$ 2,497	$ 83,897	$ 2,4
Realized gains	$ --	$ 4	$ 848	$
Realized losses	$ --	$ (37)	$ --	$ (

Note 4. Loans

The following table describes the composition of loans by major categories outstanding as of June 30, 2008 and December 31, 2007, respectively:

	June 30, 2008		December 31, 2007	
	$	%	$	%
Commercial	$ 188,039	18.7%	$ 181,210	18
Agricultural	12,834	1.3	21,861	2
Real estate:				
Commercial mortgages	408,775	40.7	362,920	37
Construction	180,589	18.0	159,274	16
Agricultural	17,819	1.8	23,560	2
1-4 family mortgages	188,648	18.8	198,208	20
Installment	6,354	0.6	8,611	0
Other	631	0.1	1,641	0
Total loans	1,003,689	100.0%	957,285	100
Allowance for loan losses	(11,542)		(10,755)	
Loans, net	$ 992,147		$ 946,530	

The following table presents data on impaired loans:

(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

	June 30, 2008	December 3 2007
Impaired loans for which an allowance has been provided	$ 23,410	$ 5,5
Impaired loans for which no allowance has been provided	1,752	5,9
Total loans determined to be impaired	$ 25,162	$ 11,4
Allowance for loan loss for impaired loans included in the allowance for loan losses	$ 2,640	$ 2,3

In originating loans, the Company recognizes that credit losses will be experienced and the risk of loss will vary with, among other things, current economic conditions; the type of loan being made; the creditworthiness of the borrower over the term of the loan; and in the case of a collateralized loan, the quality of the collateral for such loan. The allowance for loan losses represents the Company's estimate of the allowance necessary to provide

Note 4. Loans (continued)

for probable incurred losses in the loan portfolio. In making this determination, the Company analyzes the ultimate collectibility of the loans in its portfolio; incorporating feedback provided by internal loan staff; the independent loan review function; and information provided by regulatory agencies.

The Company reported loans held for sale of $3,769 and $1,598 at June 30, 2008 and December 31, 2007 respectively.

The Company conducts a quarterly evaluation as to the adequacy of the allowance for loan losses. Transactions in the allowance for loan losses for the three and six months ended June 30, 2008 and 2007 are summarized below:

	Three Months Ended June 30,		Six Mo Ju
	2008	2007	2008
Beginning balance	$ 11,221	$ 10,607	$ 10,755
Charge-offs	(622)	(191)	(1,020
Recoveries	77	186	175
Provision for loan losses	866	226	1,632

(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

Ending balance	$ 11,542	$ 10,828	$ 11,542
Period end total loans	$ 1,003,689	$ 912,168	$ 1,003,689
Average loans	$ 1,012,878	$ 883,151	$ 1,005,960
Ratio of net charge-offs to average loans	0.05%	0.00%	0.08
Ratio of provision for loan losses to average loans	0.09	0.03	0.16
Ratio of allowance for loan losses to period end total loans	1.15	1.19	1.15
Ratio of allowance for loan losses to total nonperforming loans	58.27	241.05	58.27
Ratio of allowance for loan losses to average loans	1.14	1.23	1.15

Note 5. Share Based Compensation

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

In April 2003, the Company adopted the 2003 Option Plan. Under the 2003 Option Plan, as amended on April 24, 2007, nonqualified options, incentive stock options, and/or stock appreciation rights may be granted to employees and outside directors of the Company and its subsidiaries to purchase the Company's common stock at an exercise price to be determined by the Executive and Compensation committee. Pursuant to the 2003 Option Plan, 570,000 shares of the Company's unissued common stock have been reserved and are available for issuance upon the exercise of options and rights granted under the 2003 Option Plan. The options have an exercise period of ten years from the date of grant. There are 209,000 shares available for grant under this plan.

Note 5. Share Based Compensation (continued)

The Company's compensation committee awarded 5,000 restricted common stock awards on November 14, 2006 which were available under the restricted stock portion of the plan. The restricted shares were issued out of treasury shares with an aggregate grant date fair value of $90. The awards were granted using the fair value as the last sale price as quoted on the NASDAQ Stock Market on the date of grant of $18.03. The awarded shares vest at a rate of 20% of the initially awarded amount per year, beginning on the first anniversary date of the award, and are contingent upon continuous service by the recipient through the vesting date. Currently, there are 1,000 shares of the restricted stock that have vested.

A summary of the status of the option plans as of June 30, 2008, and changes during the period ended on those dates is presented below:

	June 30, 2008			
	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life	Aggregat Intrinsi Value
Outstanding at January 1, 2008	574,024	$ 18.71		
Granted	138,000	17.96		
Exercised	(15,445)	16.17		
Forfeited	(38,010)	20.66		
Outstanding at end of period	658,569	$ 18.72	5.1 years	$
Vested or expected to vest	649,380	18.73	4.8 years	$
Options exercisable at period end	454,369	$ 18.74	4.6 years	$

Options outstanding at June 30, 2008 and December 31, 2007 were as follows:

	Outstanding		Exercisable	
Range of Exercise Prices	Number	Weighted-Average Remaining Contractual Life	Number	Weighted Average Exercis Price
June 30, 2008:				
$ 11.25 - $ 13.00	46,381	2.1 years	46,381	$ 11.
13.88 - 18.63	258,388	5.0 years	165,388	16.
19.03 - 23.31	353,800	5.5 years	242,600	21.
	658,569	5.1 years	454,369	$ 18.
December 31, 2007:				
11.25 - 13.00	46,381	2.6 years	46,381	11.
13.88 - 18.63	143,443	3.2 years	143,443	15.
19.03 - 23.31	384,200	5.9 years	260,600	21.
	574,024	5.0 years	450,424	$ 18.

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

Note 5. Share Based Compensation (continued)

Information related to the stock option plan during the quarter ended June 30, 2008 and 2007 is as follows:

	June 30, 2008	June 30, 2007
Intrinsic value of options exercised	$ 6	$ 75
Cash received from option exercises	233	316
Tax benefit realized from option exercises	--	122
Weighted average of fair value of options granted	3.69	4.62

The compensation cost that has been charged against income for the stock options portion of the Equity Incentive Plan was $256 and $63 for the six months ended June 30, 2008 and 2007. The compensation cost that has been charged against income for the restricted stock portion of the Equity Incentive Plan was $9 and $0 for the six months ended June 30, 2008 and 2007.

The fair value of each option award is estimated on the date of grant using a closed form option valuation (Black-Scholes) model that uses the assumptions noted in the table below. Expected volatilities are based on historical volatilities of the Company's common stock. The Company uses historical data to estimate option exercise and post-vesting termination behavior. (Employee and management options are tracked separately.) The expected term of options granted is based on historical data and represents the period of time that options granted are expected to be outstanding, which takes into account that the options are not transferable. The risk-free interest rate for the expected term of the option is based on the U.S. Treasury yield curve in effect at the time of the grant. The fair value of options granted was determined using the following weighted-average assumptions as of grant date:

	June 30, 2008	December 31, 2007
Fair value	$ 3.69	$ 4.41 - 4.65
Risk-free interest rate	2.95%	4.06% - 4.95%
Expected option life (years)	6	6
Expected stock price volatility	23.91%	23.33% - 23.67%
Dividend yield	2.79%	2.57 - 2.64%

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

	Amount
July, 2008 - December, 2008	$ 97
2009	172
2010	172
2011	160
2012	104
2013	5
Total	$ 710

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

Note 6. Contingent Liabilities and Other Matters

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

Note 7. Segment Information

The Company utilizes a line of business ("LOB") reporting structure which was implemented as of January 1, 2005. The reportable segments are determined by the products and services offered, primarily distinguished between retail, commercial, treasury, wealth management, and other operations. Loans, and deposits generate the revenues in the commercial segments; deposits, loans, secondary mortgage sales and servicing generates the revenue in the retail segment; investment income generates the revenue in the treasury segment; brokerage, and trust services generate the revenue in the wealth management segment and holding company services generate revenue in the other operations segment. The "net allocations" line represents the allocation of the costs that are overhead being spread to the specific segments.

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

Information reported internally for performance assessment follows.

	Three Months Ended June 30, 2008				
	Retail Segment	Commercial Segment	Treasury Segment	Wealth Management	O Ope
Net interest income (loss)	$ 3,846	$ 7,932	$ 404	$ (11)	$
Other revenue	3,357	349	--	306	
Other expense	2,976	789	52	327	
Noncash items					
Depreciation	563	2	--	2	
Provision for loan losses	--	866	--	--	
Other intangibles	478	--	--	297	
Net allocations	348	2,830	369	187	
Income tax expense	937	1,252	(6)	(171)	
Segment profit (loss)	$ 1,901	$ 2,542	$ (11)	$ (347)	$
Goodwill	$ 11,927	$ 12,404	$ --	$ 473	$
Segment assets	$ 294,634	$ 785,542	$ 216,047	$ 597	$

Three Months Ended
June 30, 2007

	Retail Segment	Commercial Segment	Treasury Segment	Wealth Management	O Ope
Net interest income (loss)	$ 3,440	$ 6,089	$ 1,182	$ 64	$
Other revenue	2,822	686	(27)	366	
Other expense	3,324	478	55	358	
Noncash items					
Depreciation	446	4	--	4	
Provision for loan losses	--	226	--	--	
Other intangibles	589	--	--	2	
Net allocations	700	3,204	453	229	
Income tax expense	397	945	213	(54)	
Segment profit (loss)	$ 806	$ 1,918	$ 434	$ (109)	$
Goodwill	$ 11,898	$ 12,374	$ --	$ 1,167	$
Segment assets	$ 341,965	$ 685,656	$ 281,329	$ 1,396	$

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

Note 7. Segment Information (continued)

	Six Months Ended June 30, 2008				
	Retail Segment	Commercial Segment	Treasury Segment	Wealth Management	O Ope
Net interest income (loss)	$ 6,849	$ 13,449	$ 965	$ 358	$
Other revenue	6,433	634	848	688	
Other expense	6,313	1,755	110	646	
Noncash items					
Depreciation	994	3	--	6	
Provision for loan losses	--	1,632	--	--	
Other intangibles	988	--	--	696	
Net allocations	830	6,001	793	402	
Income tax expense	1,372	1,548	300	(232)	
Segment profit (loss)	$ 2,785	$ 3,144	$ 610	$ (472)	$
Goodwill	$ 11,927	$ 12,404	$ --	$ 473	$
Segment assets	$ 294,634	$ 785,542	$ 216,047	$ 597	$

	Six Months Ended June 30, 2007				
	Retail Segment	Commercial Segment	Treasury Segment	Wealth Management	O Ope

(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

Net interest income (loss)	$	6,777	$	12,102	$	1,594	$	126	$
Other revenue		5,133		844		(27)		789	
Other expense		6,725		1,133		114		798	
Noncash items									
Depreciation		973		8		--		9	
Provision for loan losses		--		226		--		--	
Other intangibles		1,209		--		--		3	
Net allocations		1,216		6,294		871		441	
Income tax expense		590		1,744		192		(111)	
Segment profit (loss)	$	1,197	$	3,541	$	390	$	(225)	$
Goodwill	$	11,898	$	12,374	$	--	$	1,167	$
Segment assets	$	341,965	$	685,656	$	281,329	$	1,396	$

Note 8. Borrowed Funds and Debt Obligations

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

Note 9. Business Acquisitions and Divestures

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

On June 6, 2008 the Company completed the sale of its Manlius and Tampico branches to Peoples National Bank headquartered in Kewanee, Illinois. Peoples National assumed approximately $29,400 in deposits and acquired $17,400 in loans, and $214 in premises and equipment. The net gain on the sale was $629.

Note 10. Fair Value

(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

In September 2006, the FASB issued Statement No. 157, "Fair Value Measurements." This Statement defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. This Statement establishes a fair value hierarchy about the assumptions used to measure fair value and clarifies assumptions about risk and the effect of a restriction on the sale or use of an asset. The standard is effective for fiscal years beginning after November 15, 2007. In February 2008, the FASB issued staff position (FSP) 157-2, Effective Date of FASB Statement No. 157. This FSP delays the effective date of FAS 157 for all non-financial assets and non-financial liabilities, except those that are recognized or disclosed at fair value on a recurring basis (at least annually) to fiscal years beginning after November 15, 2008 and interim periods within those fiscal years. The impact of adoption was not material.

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

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

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

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

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

Note 10. Fair Value (continued)

Assets and liabilities measured at fair value are summarized below:

		Fair Value Measurements at June	
	June 30, 2008	Quoted Prices in Active Markets for Identical Assets (Level 1)	Signif Ot Obser Inp (Lev

(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

Assets and Liabilities Measured on a Recurring Basis

Assets:			
Available for sale securities	$ 203,864	$ --	$ 2

Assets and Liabilities Measured on a Non-Recurring Basis

Assets:			
Impaired loans	$ 20,770	$ --	$

Impaired loans, which are measured for impairment using the fair value of the collateral for collateral dependent loans, had a carrying amount of $23,410 with a valuation allowance of $2,640, resulting in an additional provision for loan losses of $0 for the period. During the quarter the fair value of impaired loans decreased by $440.

The majority of our impaired loans are collateralized by real estate. The carrying value for these real estate secured impaired loans was based upon information in independent appraisals obtained on the underlying collateral.

Note 11. Recent Accounting Developments

In February, 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" ("SFAS 159"). SFAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value. The objective of SFAS 159 is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting principles. The new standard is effective for the Company on January 1, 2008. The Company did not elect the fair value option for any financial assets or financial liabilities as of January 1, 2008.

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

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

On November 5, 2007, the SEC issued Staff Accounting Bulletin No. 109, Written Loan Commitments Recorded at Fair Value through Earnings ("SAB 109"). Previously, SAB 105, Application of Accounting Principles to Loan Commitments, stated that in measuring the fair value of a derivative loan commitment, a company should not incorporate the expected net future cash flows related to the associated servicing of the loan. SAB 109 supersedes SAB 105 and indicates that the expected net future cash flows related to the associated servicing of the loan should be included in measuring fair value for all written loan commitments that are accounted for at fair value through earnings. SAB 105 also indicated that internally-developed intangible assets should not be recorded as part of the fair value of a derivative loan commitment, and SAB 109 retains that view. SAB 109 is effective for derivative loan commitments issued or modified in fiscal quarters beginning after December 15, 2007. The impact of this standard was not material.

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

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

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

The following discussion provides an analysis of the Company's results of operations and financial condition for the three and six months ended June 30, 2008 as compared to the same period in 2007. In the opinion of management, all normal and recurring adjustments which are necessary to fairly present the results for the interim periods presented have been included. The preparation of financial statements requires management to make estimates and assumptions that affect the recorded amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

For further information with respect to significant accounting policies followed by the Company in the preparation of its consolidated financial statements, refer to the Company's Annual Report on Form 10-K for the year ended December 31, 2007. The annualized results of operations during the three and six months ended June 30, 2008 are not necessarily indicative of the results expected for the year ending December 31, 2008. All financial information is in thousands (000s), except shares and per share data.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. By their nature, changes in these assumptions and estimates could significantly affect the Company's financial position or results of operations. Actual results could differ from those estimates. Those critical accounting policies that are of particular significance to the Company are discussed in Note 1 of the Company's 2007 Annual Report on Form 10-K.

Securities: Available-for-sale securities are those that the Company intends to hold for an indefinite period of time, but not necessarily to maturity. Any decision to sell a security classified as available-for-sale would be based on various factors, including significant movements in interest rates, changes in the maturity mix of the Company's assets and liabilities, liquidity needs, regulatory capital considerations, and other similar factors. Securities available-for-sale are carried at fair value with unrealized gains or losses, net of the related deferred income tax effect, reported in other comprehensive income. Declines in the fair value of securities below their cost that are other than temporary are reflected as realized losses. In estimating other-than-temporary losses, management considers: The length of time and extent that fair value has been less than cost, the financial condition and near term prospects of the issuer, and the Company's ability and intent to hold the security for a period sufficient to allow for any anticipated recovery in fair value. Securities are written down to fair value when a decline in fair value is not temporary.

Allowance for Loan Losses: The allowance for loan losses is a valuation allowance for probable incurred credit losses, increased by the provision for loan losses and decreased by charge-offs less recoveries. Management estimates the allowance balance required based on past loan loss experience, the nature and volume of the portfolio, information about specific borrower situations and estimated collateral values, current economic conditions and other factors. Allocations of the allowance may be made for specific loans, but the entire allowance is available for any loan that, in management's judgment, should be charged off. Loan losses are charged against the allowance when management believes that the uncollectibility of a loan balance is confirmed.

Goodwill and other intangible assets: Goodwill results from business acquisitions and represents the excess of the purchase price over the fair value of acquired tangible assets and liabilities and identifiable intangible assets. Goodwill is assessed at least annually for impairment and any such impairment will be recognized in the period identified. Other intangible assets consist of core deposit and acquired customer relationship intangible assets arising from whole bank, and branch company acquisitions. They are initially measured at fair value and then are amortized over their estimated useful lives, which is ten years.

Income taxes: Deferred tax assets and liabilities are recognized for temporary differences between the financial reporting basis and the tax basis of the Company's assets and liabilities. Deferred taxes are recognized for the estimated taxes ultimately payable or recoverable based on enacted tax laws. Changes in enacted tax rates and laws are reflected in the financial statements in the periods they occur.

General

- Second quarter 2008 results included the following nonrecurring activity:
  - Net gain on sale of branches of $629.
  - Write-down of $297 in goodwill related to the anticipated sale of a Wealth Management business line.
  - Approximately $266 in costs associated with branch sales/closings and employee separation costs.
- Excluding $563 in nonrecurring 2008 operating expense items mentioned above and $716 in restructuring items taken in the second quarter 2007, noninterest expense levels decreased $457 or 5.0% in the second quarter of 2008 compared to 2007.
- Total core deposits (checking, NOW, savings and money market) increased $11,500 or 2.5% from year-end 2007. Excluding $24,300 in core deposits related to branch sales recorded in the first and second quarters of 2008, core deposits grew $37,100 or 8.0% since year-end 2007.
- The efficiency ratio improved to 64.76% during the quarter from 73.06% in the first quarter 2008 and 70.80% recorded in the first quarter 2007.
- The net interest margin increased 4 basis points to 3.34% as compared to 3.30% recorded in the second quarter of 2007 and increased 9 basis points from the first quarter of 2008 level of 3.25%.
- The level of nonperforming assets increased to $24,100 versus the $5,200 recorded at March 31, 2008 and $7,100 at December 31, 2007.
- As part of an ongoing effort to redeploy capital to higher growth markets, the Company closed its Ashkum branch and completed the sale of its Manlius and Tampico branches. The transaction resulted in selling $17,400 in loans and $29,400 in deposits and generated a net gain on sale of $629.

Results of Operations

Net Income

Net Income for the second quarter ended June 30, 2008 equaled $2,705 or $0.44 per diluted share as compared to $2,506 or $0.38 per diluted share in the same period of 2007. This represents increases of 7.9% in net income and 15.8% in diluted per share earnings. For the six months ended June 30, 2008, net income equaled $5,150 or $0.83 per diluted share as compared to $4,405 or $0.66 per diluted share in the same period during 2007. This represents increases of 16.9% in net income and 25.8% in diluted per share earnings.

Return on average equity was 9.26% for the second quarter 2008 as compared to 8.51% for the same period in 2007. Return on average assets was 0.80% for the second quarter 2008 compared to 0.76% for the same period in 2007.

Return on average equity was 8.74% for the six month period ended June 30, 2008 compared to 7.51% for the same period in 2007. Return on average assets was 0.76% for the six month period ended June 30, 2008 compared to 0.68% for the same period in 2007.

Net Interest Income/ Margin

The Company's net interest income is affected by changes in the amount and mix of interest-earning assets and interest-bearing liabilities, referred to as "volume change." It is also affected by changes in yields earned on interest-earning assets and rates paid on interest-bearing deposits and other borrowed funds referred to as "rate change." The following table details each category of average amounts outstanding for interest-earning assets and interest-bearing liabilities, average rate earned on all interest-earning assets, average rate paid on all interest-bearing liabilities and the net yield on average interest-earning assets. In addition, the table reflects the changes in net interest income stemming from changes in interest rates and from asset and liability volume, including mix. The change in interest attributable to both rate and volume has been allocated to the changes in the rate and the volume on a pro rata basis.

Fully tax equivalent net interest income for the second quarter 2008 increased 5.3% to $10,251 as compared $9,740 for the same period in 2007. The improvement in net interest income was due to strong growth in average earning assets, an improving net interest margin from a year ago and decreases in rates paid on interest-bearing funding, which dropped in response to the rate environment changes that occurred during the first quarter 2008.

The net interest margin increased 4 basis points to 3.34% as compared to 3.30% recorded in the second quarter of 2007 and increased 9 basis points from the first quarter of 2008 level of 3.25%. The improvement in the net interest margin was due to several factors, including growth in higher spread assets, an increase in yield-related loan fees and decreases in time deposit and other wholesale funding rates due to current market conditions. It is likely that the net interest margin will remain under pressure throughout 2008 due to ongoing competitive and market pressures in pricing loans and deposits.

Fully tax equivalent net interest income for the six months ended June 30, 2008 totaled $20,219, representing an increase of $906 or 4.7% compared to the $19,313 earned during the same period in 2007. Net interest income increased largely due to the factors described above impacting the second quarter results.

(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

AVERAGE BALANCE SHEET
AND ANALYSIS OF NET INTEREST INCOME

For the Three Months Ended June 30,

	2008			2007		
	Average Balance	Interest Income/ Expense	Average Rate	Average Balance	Interest Income/ Expense	Average Rate
ASSETS						
Interest-earning assets						
Interest-earning deposits	$ 2,855	$ 2	0.29%	$ 5,898	$ 8	0.56%
Securities						
Taxable	177,521	2,100	4.76	243,905	3,196	5.26
Non-taxable	39,142	554	5.69	40,956	563	5.51
Total securities (tax equivalent)	216,663	2,654	4.93	284,861	3,759	5.29
Federal funds sold	2,679	13	1.96	12,878	165	5.15
Loans						
Commercial	203,604	3,121	6.17	175,253	3,538	8.10
Real estate	798,308	12,755	6.43	691,119	13,184	7.65
Installment and other	10,966	162	5.94	16,779	248	5.92
Gross loans (tax equivalent)	1,012,878	16,038	6.37	883,151	16,970	7.71
Total interest-earnings assets	1,235,075	18,707	6.09	1,186,788	20,902	7.06
Noninterest-earning assets						
Cash and cash						

equivalents	29,373			30,185			
Premises and equipment, net	34,443			35,724			
Other assets	66,180			77,632			
Total nonearning assets	129,996			143,541			
Total assets	$1,365,071			$1,330,329			
LIABILITIES & STOCKHOLDERS' EQUITY							
Interest-bearing liabilities							
NOW accounts	$ 107,000	$ 291	1.10	$ 105,629	$ 476	1.81	
Money market accounts	165,208	1,107	2.69	118,795	1,058	3.57	
Savings deposits	90,920	61	0.27	101,525	173	0.69	
Time deposits	556,088	5,566	4.03	616,306	7,735	5.03	
Federal funds purchased and repurchase Agreements	39,585	154	1.56	40,695	463	4.56	
Advances from FHLB	111,762	777	2.80	57,735	629	4.37	
Notes payable	46,769	500	4.30	32,405	628	7.77	
Total interest-bearing liabilities	1,117,332	8,456	3.04	1,073,090	11,162	4.17	
Noninterest-bearing liabilities							
Noninterest-bearing deposits	57,222			126,755			
Other liabilities	72,986			12,304			
Total noninterest-bearing liabilities	130,208			139,059			
Stockholders' equity	117,531			118,180			
Total liabilities and stockholders' equity	$1,365,071			$1,330,329			
Net interest income (tax equivalent)		$10,251			$ 9,740		$
Net interest income (tax equivalent) to total earning assets			3.34%			3.30%	
Interest-bearing liabilities to earning assets	90.47%			90.42%			

(1) Average balance and average rate on securities classified as available-for-sale is based on historical amortized cost balances.

(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

(2) Interest income and average rate on non-taxable securities are reflected on a tax equivalent basis based upon a statutory federal income tax rate of 34%.
(3) Nonaccrual loans are included in the average balances; overdraft loans are excluded in the balances.
(4) Loan fees are included in the specific loan category.

AVERAGE BALANCE SHEET
AND ANALYSIS OF NET INTEREST INCOME

For the Six Months Ended June 30,

	2008			2007		
	Average Balance	Interest Income/ Expense	Average Rate	Average Balance	Interest Income/ Expense	Average Rate
ASSETS						
Interest-earning assets						
Interest-earning deposits	$ 2,916	$ 9	0.61%	$ 4,733	$ 21	0.91%
Securities						
Taxable	185,096	4,553	4.95	248,369	6,500	5.28
Non-taxable	39,261	1,129	5.78	40,991	1,128	5.55
Total securities (tax equivalent)	224,357	5,682	5.09	289,360	7,628	5.32
Federal funds sold	3,440	50	2.93	9,509	247	5.45
Loans						
Commercial	212,135	6,863	6.51	179,082	7,258	8.17
Real estate	781,892	26,203	6.74	674,892	25,293	7.56
Installment and other	10,867	347	6.41	16,155	518	6.46
Gross loans (tax equivalent)	1,004,894	33,413	6.69	870,129	33,069	7.66
Total interest-earnings assets	1,235,607	39,154	6.37	1,173,731	40,965	7.04

Noninterest-earning

assets						
Cash and cash equivalents	31,401			28,440		
Premises and equipment, net	34,933			35,617		
Other assets	68,837			74,481		
Total nonearning assets	135,171			138,538		
Total assets	$1,370,778			$1,312,269		
LIABILITIES & STOCKHOLDERS' EQUITY						
Interest-bearing liabilities						
NOW accounts	$ 109,505	$ 694	1.28	$ 104,124	$ 896	1.74
Money market accounts	160,723	2,428	3.04	119,364	2,117	3.58
Savings deposits	90,167	203	0.45	102,039	354	0.70
Time deposits	560,587	12,042	4.32	601,892	14,893	4.99
Federal funds purchased and repurchase Agreements	44,899	486	2.18	38,546	873	4.57
Advances from FHLB	116,199	1,948	3.37	59,471	1,273	4.32
Notes payable	41,474	1,134	5.11	31,397	1,246	8.00
Total interest-bearing liabilities	1,123,554	18,935	3.39	1,056,833	21,652	4.13
Noninterest-bearing liabilities						
Noninterest-bearing deposits	117,706			126,134		
Other liabilities	11,044			11,009		
Total noninterest-bearing liabilities	128,750			137,143		
Stockholders' equity	118,474			118,293		
Total liabilities and stockholders' equity	$1,370,778			$1,312,269		
Net interest income (tax equivalent)		$ 20,219			$ 19,313	
Net interest income (tax equivalent) to total earning assets			3.29%			3.32%
Interest-bearing liabilities to earning assets	90.93%			90.04%		

(1) Average balance and average rate on securities classified as

available-for-sale is based on historical amortized cost balances.

(2) Interest income and average rate on non-taxable securities are reflected on a tax equivalent basis based upon a statutory federal income tax rate of 34%.

(3) Nonaccrual loans are included in the average balances; overdraft loans are excluded in the balances.

(4) Loan fees are included in the specific loan category.

Provision for Loan Losses

The amount of the provision for loan losses is based on management's evaluations of the loan portfolio, with particular attention directed toward nonperforming, impaired and other potential problem loans. During these evaluations, consideration is also given to such factors as management's evaluation of specific loans, the level and composition of impaired loans, other nonperforming loans, other identified potential problem loans, historical loss experience, results of examinations by regulatory agencies, results of the independent asset quality review process, the market value of collateral, the estimate of discounted cash flows, the strength and availability of guarantees, concentrations of credits and various other factors, including concentration of credit risk in various industries and current economic conditions.

Due largely to the deterioration of two loan relationships during the second quarter 2008 (see "Nonperforming Asset" section for further discussion), the Company recorded an $866 provision for loan losses versus $226 in the same quarter of 2007. For the six months ended June 30, 2008, the Company recorded a $1,632 provision for loan losses as compared to recognizing a provision of $226 in the 2007 period.

The following factors have impacted 2008 provision levels:

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

Net charge-offs for the second quarter 2008 were $545 or 0.05% of average loans as compared to $300 or 0.03% reported in the first quarter 2008 and $5 in net charge-offs reported in the second quarter 2007. Net charge-offs for the six months ended June 30, 2008 were $845 or 0.08% of average loans as compared to $233 or 0.03% of average loans for the comparable period in 2007.

Management remains watchful of credit quality issues. Should the economic climate deteriorate from current levels, borrowers may experience difficulty, and the level of nonperforming loans, charge-offs and delinquencies could rise and require further increases in the provision. See "Nonperforming Assets" and "Other Potential Problem Loans" for further information.

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

Noninterest Income

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Service charges	1,875	1,969	3,511	3,5
Trust income	232	232	485	4
Mortgage banking income	389	449	835	8
Brokerage commissions and fees	66	104	168	2
Bank owned life insurance	254	247	506	4
Securities gains, net	--	(33)	848	(
Gain on sale of OREO	142	491	238	5
Gain on sale of Other Assets	629	--	1,111	
Other income	705	735	1,528	1,2
Total noninterest income	$ 4,292	$ 4,194	$ 9,230	$ 7,4

Noninterest income increased $98 during the second quarter 2008 to $4,292 as compared to $4,194 for the same period in 2007. Excluding $771 in gains on sale of branches and OREO properties from the second quarter 2008 and $491 in OREO gains from the second quarter 2007, noninterest income decreased $182 or 4.9%. The decrease was primarily the result of a reduction in service charges on deposit accounts, fees received on items drawn on customer accounts with insufficient funds and revenue generated from the mortgage banking and wealth management business units.

Noninterest income totaled $9,230 for the six months ended June 30, 2008, compared to $7,448 for the same period in 2007. Excluding all net gains on sale of assets, OREO, and net securities gains for both periods, noninterest income increased $140 or 2.0%. This improvement was largely due to increases in fees collected for electronic banking services for debit cards and ATM machines.

Noninterest Expense

Noninterest expense is comprised primarily of compensation and employee benefits, occupancy and other operating expense. The following table summarizes the Company's noninterest expense:

	Three Months Ended June 30,	Six Months Ended June 30,

(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

	2008	2007	2008	2007
Salaries and employee benefits	$ 4,493	$ 5,144	$ 9,322	$ 10,2
Occupancy expense, net	919	1,019	1,957	1,9
Furniture and equipment expense	624	627	1,406	1,3
Marketing	315	221	551	4
Supplies and printing	99	156	230	3
Telephone	201	210	442	3
Data processing	231	276	534	8
Amortization of intangible assets	775	591	1,684	1,2
Other expenses	1,564	1,602	3,411	3,0
Total noninterest expense	$ 9,221	$ 9,846	$ 19,537	$ 19,7

Noninterest expense decreased $625 to $9,221 for the three months ended June 30, 2008 as compared to $9,846 for the same period in 2007. Excluding nonrecurring charges of $563 in 2008 and $716 in 2007, noninterest expense levels decreased $472 or 5.2%. The decrease was reported across most categories and was predominantly due to a reduction in the number of full-time equivalent employees which yielded lower salary and benefits costs.

Noninterest expense totaled $19,537 for the six months ended June 30, 2008, decreasing by $257 or 1.3% from the same period in 2007. Excluding nonrecurring charges of $1,307 for 2008 and $716 for 2007, noninterest expense levels decreased $848 or 4.4% for the first six months of 2008 as compared to 2007. The change was largely reflective of the same items discussed regarding the second quarter.

Applicable Income Taxes

Income tax expense for the periods included benefits for tax-exempt income, tax-advantaged investments and general business tax credits offset by the effect of nondeductible expenses. The following table shows the Company's income before income taxes, as well as applicable income taxes and the effective tax rate for the three and six months ended June 30, 2008 and 2007.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Income before income taxes	$ 4,209	$ 3,613	$ 7,768	$ 6,242
Applicable income taxes	1,504	1,107	2,618	1,837
Effective tax rates	35.7%	30.6%	33.7%	29.4%

The Company recorded an income tax expense of $1,504 and $1,107 for the three months ended June 30, 2008 and 2007, respectively. Effective tax rates equaled 35.7% and 30.6% respectively, for such periods. The Company recorded income tax expense of $2,618 and $1,837 for the six months ended June 30, 2008 and 2007, respectively. Effective tax rates equaled 33.7% and 29.4% respectively, for such periods.

The Company's effective tax rate was lower than statutory rates due to several factors. First, the Company derives interest income from municipal securities and loans, which are exempt from federal tax and certain U. S. government agency securities, which are exempt from state tax. Also, the Company derives income from bank owned life insurance policies, which is exempt from federal and state tax. The increase in the effective tax rates over the prior year is driven by the higher pretax income and a decline in tax-exempt interest leading to higher federal taxes. In regard to the increased state tax expense, the growth in the Missouri branch and the changes in the Illinois tax code regarding apportionment rules resulted in higher state taxes for the applicable states.

Earnings Review by Business Segment

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

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

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

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

Retail generated $1,901 of net income in the second quarter of 2008 as compared to $806 during same period in 2007. Year to date Retail Segment net income was $2,785 as compared to $1,197 for the same period in 2007. Retail assets were $294,634 at June 30, 2008, $306,156 at December 31, 2007 and

$341,965 as of June 30, 2007.

For the second quarter of 2008, net income increased due to the gain on sale of branches and stronger revenues on electronic banking products. Additionally, FTE's are lower which decreased the payroll and benefit costs for retail and core deposit amortization was lower. These positive variances were slightly offset by higher IT costs, debit card expenses, miscellaneous deposit expenses and miscellaneous expenses.

The change in net income for the six months ended June 30, 2008 was reflective of the same reasons discussed for the second quarter.

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

Commercial had $2,542 of net income in the second quarter of 2008 as compared to $1,918 during same period in 2007. Year to date Commercial Segment net income was $3,144 as compared to $3,541 for the same period in 2007. Commercial assets were $785,542 at June 30, 2008, $741,861 at December 31, 2007 and $685,656 as of June 30, 2007.

Net income for the second quarter of 2008 increased as compared to the same period in 2007 due to the growth in the commercial loan portfolio which led to 30.3% increase in margin. Lower funding costs also helped increase the margin during the period. This increase was slightly offset by an increased provision due to the growth in the loan portfolio, identifying and addressing problem credits, and the recent deteriorating economic conditions. Additionally, noninterest income was lower as compared to 2007 due to the gain on sale of OREO recorded in 2007 as well as, payroll costs are higher than in 2007 due to an increase in the FTE's in this line of business.

For the six months ended June 30, 2008, the change in net income was largely due to the higher provision taken during the second quarter as discussed in "Provision for Loan Losses" section.

Treasury Segment. The Treasury Segment ("Treasury") is responsible for managing the investment portfolio and acquiring funding for loan activity. Treasury had a net loss of ($11) in the second quarter of 2008 and generated net income of $434 during same period in 2007. Year to date Treasury Segment net income was $610 as compared to $390 for the same period in 2007. Treasury assets were $216,047 at June 30, 2008, $268,484 at December 31, 2007 and $281,329 as of June 30, 2007.

Treasury's net income for second quarter declined in comparison to 2007 results due to the approximately $83,000 in discounted agency securities called during first quarter which resulted in fewer earning assets to generate revenue during the period. Additionally, since assets were lower than in 2007, net allocated expenses were lower due to the decreased asset base. These positive variances were augmented by a tax benefit for the period.

Net income for the first six months of 2008 decreased in comparison to 2007 due to the discounted agency securities called during first quarter as mentioned previously which led to lower net interest income that was offset partially by the net gain on sale of $848. Offsetting this negative variance was lower net allocated expenses attributed to the decreased asset base and lower income taxes.

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

Wealth had a loss of $(347) during the second quarter 2008 as compared to $(109) in same period in 2007. Year to date Wealth generated a loss of $(472) as compared to $(225) for the same period in 2007. Wealth assets were $597 at June 30, 2008, $1,289 at December 31, 2007 and $1,396 as of June 30, 2007.

Assets and earnings decreased due to the $297 write-down of goodwill for its business lines in the second quarter.

The results for the first six months of 2008 decreased over the same period in 2007 due to the write-down of $694 of goodwill during the first and second quarters of 2008. This negative variance was slightly offset by increased earnings and other costs being lower during the period.

Financial Condition

General

As of June 30, 2008, the following are the highlights of the balance sheet when compared to December 31, 2007:

- Outstanding loans totaled $1,003,689 at June 30, 2008 compared to $957,285 at December 31, 2007, representing an increase of $46,404 or 4.8%. The loan growth was largely generated in the St. Louis market and was concentrated in commercial real estate. Excluding $30,100 in loans related to branch sales recorded in the first and second quarters of 2008, loans grew $76,500 or 8.0% since year-end 2007. The Company has no direct exposure to subprime mortgages.

- Deposits totaled $1,011,723 at June 30, 2008 compared to $1,033,022 at December 31, 2007, representing a decrease of $21,299 or 2.1%. The decrease was experienced across most types with a significant portion coming from higher costing time deposits. Excluding $54,700 in deposits related to branch sales recorded in the first and second quarters of 2008, deposits increased $32,400 or 3.1% since year-end 2007. This increase was due to an overall increase in core deposits which grew 8.0%.

- The Company's consolidated securities portfolio is managed to minimize interest rate risk, maintain sufficient liquidity and maximize return. Total securities fair market value declined $5,400 from March 31, 2008 and $6,979 from December 31, 2007.

- Manageme