

CENTRUE FINANCIAL CORP
Form 10-Q
May 15, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended March 31, 2012

Commission File Number: 0-28846

Centrue Financial Corporation

(Exact name of Registrant as specified in its charter)

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

7700 Bonhomme Avenue, St. Louis, Missouri 63105

(Address of principal executive offices including zip code)

(314) 505-5500

(Registrant's telephone number, including area code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant

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

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

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

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

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

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

Class	Shares outstanding at May 15, 2012
Common Stock, Par Value \$1.00	6,063,441

Centrue Financial Corporation

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March 31, 2012

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

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

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

See Accompanying Notes to Unaudited Financial Statements

1.

Centrue Financial Corporation

Unaudited Consolidated Statements Of Income (Loss)

And Comprehensive Income (Loss)

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

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

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

See Accompanying Notes to Unaudited Financial Statements

2.

Centrue Financial Corporation

Unaudited Consolidated Statements Of Income (Loss)

And Comprehensive Income (Loss)

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

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

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

See Accompanying Notes to Unaudited Financial Statements

3.

Centrue Financial Corporation

Unaudited Consolidated Statements Of Cash Flows

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

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

See Accompanying Notes to Unaudited Financial Statements

4.

Centrue Financial Corporation

Unaudited Consolidated Statements Of Cash Flows

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

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

See Accompanying Notes to Unaudited Financial Statements

5.

Centrue Financial Corporation

Notes to Unaudited Consolidated Financial Statements

(Table Amounts In Thousands, Except Share Data)

Note 1. Summary of Significant Accounting Policies

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

Basis of presentation

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

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

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

Note 2. Earnings Per Share

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

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Centrue Financial Corporation

Notes to Unaudited Consolidated Financial Statements

(Table Amounts In Thousands, Except Share Data)**Note 2. Earnings Per Share (Continued)**

	Three Months Ended March 31,	
	2012	2011
Basic Earnings (Loss) Per Common Share		
Net income (loss) for common stockholders	\$(1,017)	\$(3,952)
Weighted average common shares outstanding	6,063	6,048
Basic earnings (loss) per common share	\$(0.17)	\$(0.65)
Diluted Earnings (Loss) Per Common Share		
Weighted average common shares outstanding	6,063	6,048
Add: dilutive effect of assumed exercised stock options	—	—
Add: dilutive effect of assumed exercised common stock warrants	—	—
Weighted average common and dilutive potential shares outstanding	6,063	6,048
Diluted earnings (loss) per common share	\$(0.17)	\$(0.65)

There were 280,927 options and 508,320 warrants outstanding for the three months ended March 31, 2012 and 496,738 options and 508,320 warrants outstanding for the three months ended March 31, 2011 that were not included in the computation of diluted earnings per share because the exercise price was greater than the average market price and therefore, were anti-dilutive. In addition, the Company's convertible preferred stock was not included in the computation of diluted earnings per share as it was anti-dilutive.

Note 3. Securities

The primary strategic objective related to the Company's securities portfolio is to assist with liquidity and interest rate risk management. The fair value of securities classified as available-for-sale was \$246.4 million at March 31, 2012 compared to \$228.8 million at December 31, 2011. The carrying value of securities classified as restricted (Federal

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Reserve and Federal Home Loan Bank stock) was \$7.5 million at March 31, 2012 compared to \$9.2 million at December 31, 2011. The Company does not have any securities classified as trading or held-to-maturity.

The following tables represent the fair value of available-for-sale securities and the related, gross unrealized gains and losses recognized in accumulated other comprehensive income (loss) at March 31, 2012 and December 31, 2011:

	March 31, 2012			
	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses	Amortized Cost
U.S. government agencies	\$15,505	\$72	\$(84)	) \$15,517
States and political subdivisions	17,924	656	—	) 17,268
U.S. government agency residential mortgage-backed securities	170,641	3,394	(61)	) 167,308
Collateralized residential mortgage obligations:				
Agency	27,161	221	(55)	) 26,995
Private label	1,433	124	(10)	) 1,319
Equity securities	2,583	171	—	) 2,412
Collateralized debt obligations:				
Single issue	2,064	—	—	) 2,064
Pooled	7,084	627	(1,604)	) 8,061
Corporate	1,966	—	(34)	) 2,000
	\$246,361	\$5,265	\$(1,848)	) \$242,944

7.

Centrue Financial Corporation

Notes to Unaudited Consolidated Financial Statements

(Table Amounts In Thousands, Except Share Data)**Note 3. Securities (Continued)**

	December 31, 2011			
	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses	Amortized Cost
U.S. government agencies	\$3,019	\$88	\$—	\$2,931
States and political subdivisions	18,125	649	(1)	17,477
U.S. government agency residential mortgage-backed securities	177,539	2,790	(101)	174,850
Collateralized residential mortgage obligations:				
Agency	15,527	229	—	15,298
Private label	1,550	72	(7)	1,485
Equity securities	2,530	134	—	2,396
Collateralized debt obligations:				
Single issue	2,064	—	—	2,064
Pooled	6,600	53	(1,574)	8,121
Corporate	1,882	—	(118)	2,000
	\$228,836	\$4,015	\$(1,801)	\$226,622

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

	Three Months Ended	
	March 31, 2012	March 31, 2011
Proceeds from calls and maturities	\$1,270	\$4,660
Proceeds from sales	942	—
Realized gains	16	—
Realized losses	—	—
Net impairment loss recognized in earnings	—	(392)
Tax benefit (provision) related to net realized gains and losses	(6)	151

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The following table represents securities with unrealized losses not recognized in income presented by the length of time individual securities have been in a continuous unrealized loss position:

	March 31, 2012								
	Less than 12 Months			12 Months or More		Total			
	Fair Value	Unrealized Loss		Fair Value	Unrealized Loss	Fair Value	Unrealized Loss		
U.S. government agencies	12,761	(84	)	—	—	12,761	(84)	
U.S. government agency residential mortgage-backed securities	14,260	(61	)	—	—	14,260	(61)	
Collateralized residential mortgage obligations:									
Agency	12,965	(55	)	—	—	12,965	(55)	
Private label	608	(10	)	—	—	608	(10)	
Collateralized debt obligations: pooled	—	—		3,593	(1,604)	3,593	(1,604)
Corporate	1,966	(34	)	—	—	1,966	(34)	
Total temporarily impaired	\$42,560	\$(244)	\$3,593	\$(1,604)	\$46,153	\$(1,848)

8.

Centrue Financial Corporation

Notes to Unaudited Consolidated Financial Statements

(Table Amounts In Thousands, Except Share Data)**Note 3. Securities (Continued)**

	December 31, 2011					
	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
State and political subdivisions	\$524	\$(1)	\$—	\$—	\$524	\$(1)
U.S. government agency residential mortgage-backed securities	30,895	(101)	—	—	30,895	(101)
Collateralized residential mortgage obligations: private label	731	(7)	—	—	731	(7)
Collateralized debt obligations: pooled	—	—	6,497	(1,574)	6,497	(1,574)
Corporate	1,882	(118)	—	—	1,882	(118)
Total temporarily impaired	\$34,032	\$(227)	\$6,497	\$(1,574)	\$40,529	\$(1,801)

The fair values of securities classified as available-for-sale at March 31, 2012, by contractual maturity, are shown as follows. Securities not due at a single maturity date, including mortgage-backed securities, collateralized mortgage obligations, and equity securities are shown separately.

	Amortized	
	Cost	Fair Value
Due in one year or less	\$3,044	\$3,060
Due after one year through five years	24,743	24,974
Due after five years through ten years	6,370	6,711
Due after ten years	10,753	9,798
U.S. government agency residential mortgage-backed securities	167,308	170,641
Collateralized residential mortgage obligations	28,314	28,594
Equity securities	2,412	2,583
	\$242,944	\$246,361

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The following table presents a rollforward of the credit losses recognized in earnings for the three month period ended March 31, 2012 and 2011:

	2012	2011
Beginning balance, January 1,	\$20,597	\$20,362
Amounts related to credit loss for which an other-than-temporary impairment was not previously recognized	—	—
Additions/Subtractions		
Amounts realized for securities sold during the period	—	—
Amounts related to securities for which the company intends to sell or that it will be more likely than not that the company will be required to sell prior to recovery of amortized cost basis	—	—
Reduction for increase in cash flows expected to be collected that are recognized over the remaining life of the security	—	—
Increases to the amount related to the credit loss for which other-than-temporary was previously recognized	—	392
Ending balance, March 31,	\$20,597	\$20,754

See Note 9 on Fair Value for additional information about our analysis on the security portfolio related to the fair value and other-than-temporary impairment disclosures of these instruments.

9.

Centrue Financial Corporation

Notes to Unaudited Consolidated Financial Statements

(Table Amounts In Thousands, Except Share Data)**Note 4. Loans**

The major classifications of loans follow:

	Aggregate Principal Amount	
	March 31, 2012	December 31, 2011
Commercial	\$61,872	\$63,982
Agricultural & AGRE	33,800	39,128
Construction, land & development	37,082	42,008
Commercial RE	290,284	288,068
1-4 family mortgages	138,394	146,767
Consumer	2,300	2,442
Total loans	\$563,732	\$582,395
Allowance for loan losses	(20,338)	(21,232)
Loans, net	\$543,394	\$561,163

There were \$1.2 million and \$1.8 million of loans held for sale at March 31, 2012 and December 31, 2011, respectively.

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

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

Mar. 31, 2012 Internal Risk Rating	Commercial				Commercial Real Estate		Total
	Closed end	Lines of Credit	Agriculture & AG RE	Construction Land & Development	Owner-Occupied	Non-Owner Occupied	
1-2	\$800	\$660	\$ 3,922	\$ 3,569	\$8,587	\$ 640	\$18,178
3	2,730	6,442	12,838	1,023	8,780	15,515	47,328
4	11,847	14,543	13,577	1,442	68,768	48,748	158,925
5	10,082	5,039	2,597	4,878	20,963	49,995	93,554
6	2,898	3,931	741	6,027	13,057	19,107	45,761
7	1,681	1,219	125	20,143	15,553	20,571	59,292
8	—	—	—	—	—	—	—
Total	\$30,038	\$31,834	\$ 33,800	\$ 37,082	\$135,708	\$ 154,576	\$423,038

10.

Centrue Financial Corporation

Notes to Unaudited Consolidated Financial Statements

(Table Amounts In Thousands, Except Share Data)**Note 4. Loans (Continued)**

Dec. 31, 2011	Commercial				Commercial Real Estate		Total
	Internal Risk Rating	Closed end	Lines of Credit	Agriculture & AG RE	Construction Land & Development	Owner-Occupied	
1-2	\$716	\$449	\$ 4,833	\$ 3,649	\$3,489	\$ 647	\$13,783
3	2,938	7,708	15,649	1,034	8,971	17,168	53,468
4	12,989	13,533	14,323	1,566	68,045	44,665	155,121
5	10,405	5,322	3,517	6,200	20,518	51,580	97,542
6	3,374	3,892	741	5,497	10,868	19,900	44,272
7	1,434	1,222	65	24,062	19,720	22,497	69,000
8	—	—	—	—	—	—	—
Total	\$31,856	\$32,126	\$ 39,128	\$ 42,008	\$131,611	\$ 156,457	\$433,186

The retail residential loan portfolio is generally unrated. Delinquency is a typical factor in adversely risk rating a credit to a special mention or substandard. The following table presents the retail residential loan portfolio by internal risk rating:

Mar. 31, 2012	Residential – 1-4 family		
	Senior Lien	JR Lien & Lines of Credit	Total
Unrated	\$78,795	\$47,103	\$125,898
Special mention	1,604	830	2,434
Substandard	8,854	893	9,747
Doubtful	315	—	315
Total	\$89,568	\$48,826	\$138,394

Residential – 1-4 family
Total

	Senior Lien	JR Lien & Lines of Credit	
Dec. 31, 2011			
Unrated	\$83,969	\$49,498	\$133,467
Special mention	907	904	1,811
Substandard	10,013	1,161	11,174
Doubtful	315	—	315
Total	\$95,204	\$51,563	\$146,767

An analysis of the activity in the allowance for loan losses for the three months ended March 31, 2012 and 2011 follows:

	Commercial	Agriculture & AGRE	Construction, Land & Development	Commercial RE	1-4 Family Residential	Consumer	Total
March 31, 2012							
Beginning Balance	\$ 1,590	\$ 5	\$ 4,811	\$ 11,680	\$ 3,090	\$ 56	\$21,232
Charge-offs	—	(25)	(52)	(2,150)	(403)	(5)	(2,635)
Recoveries	—	17	284	87	3	—	391
Provision	(87)	11	(388)	1,582	239	(7)	1,350
Ending Balance	\$ 1,503	\$ 8	\$ 4,655	\$ 11,199	\$ 2,929	\$ 44	\$20,338

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Centrue Financial Corporation

Notes to Unaudited Consolidated Financial Statements

(Table Amounts In Thousands, Except Share Data)**Note 4. Loans (Continued)**

	Commercial	Agriculture & AGRE	Construction, Land & Development	Commercial RE	1-4 Family Residential	Consumer	Total
March 31, 2011							
Beginning Balance	\$ 1,634	\$ 337	\$ 12,500	\$ 13,721	\$ 3,273	\$ 46	\$31,511
Charge-offs	(65)	—	(4,501)	(1,718)	(626)	(20)	(6,930)
Recoveries	6	1	1	217	28	5	258
Provision	184	(23)	655	3,049	380	5	4,250
Ending Balance	\$ 1,759	\$ 315	\$ 8,655	\$ 15,269	\$ 3,055	\$ 36	\$29,089

The following is an analysis on the balance in the allowance for loan losses and the recorded investment in impaired loans by portfolio segment based on impairment method as of March 31, 2012 and December 31, 2011:

Mar. 31, 2012	Commercial	Agriculture & AG RE	Construction, Land & Development	Commercial RE	1-4 Family Residential	Consumer	Total
Allowance for loan losses:							
Loans individually evaluated for impairment	\$ 674	\$ 8	\$ 3,172	\$ 6,044	\$ 1,686	\$ —	\$11,584
Loans collectively evaluated for impairment	829	—	1,483	5,155	1,243	44	8,754
Total ending allowance balance	\$ 1,503	\$ 8	\$ 4,655	\$ 11,199	\$ 2,929	\$ 44	\$20,338
Loan balances:							
Loans individually evaluated for impairment	\$ 2,712	\$ 125	\$ 20,143	\$ 32,742	\$ 9,948	\$ 1	\$65,671
Loans collectively evaluated for impairment	59,160	33,675	16,939	257,542	128,446	2,299	498,061
Loans with an allowance recorded:	\$ 61,872	\$ 33,800	\$ 37,082	\$ 290,284	\$ 138,394	\$ 2,300	\$563,732
Dec. 31, 2011	Commercial					Consumer	Total

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		Agriculture & AG RE	Construction, Land & Development	Commercial RE	1-4 Family Residential		
Allowance for loan losses:							
Loans individually evaluated for impairment	\$ 715	\$ —	\$ 2,228	\$ 5,211	\$ 1,591	\$ 5	\$9,750
Loans collectively evaluated for impairment	875	5	2,583	6,469	1,499	51	11,482
Total ending allowance balance	\$ 1,590	\$ 5	\$ 4,811	\$ 11,680	\$ 3,090	\$ 56	\$21,232
Loan balances:							
Loans individually evaluated for impairment	\$ 2,463	\$ 65	\$ 24,062	\$ 36,141	\$ 10,563	\$ 5	\$73,299
Loans collectively evaluated for impairment	61,519	39,063	17,946	251,927	136,204	2,437	509,096
Loans with an allowance recorded:	\$ 63,982	\$ 39,128	\$ 42,008	\$ 288,068	\$ 146,767	\$ 2,442	\$582,395

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Centrue Financial Corporation

Notes to Unaudited Consolidated Financial Statements

(Table Amounts In Thousands, Except Share Data)**Note 4. Loans (Continued)****Troubled Debt Restructurings:**

The Company had troubled debt restructurings (“TDRs”) of \$6.4 million and \$7.1 million as of March 31, 2012 and December 31, 2011, respectively. Specific reserves of \$1.3 million and \$0.95 million were allocated to TDRs as of March 31, 2012 and December 31, 2011, respectively. At March 31, 2012, nonaccrual TDR loans were \$5.3 million, as compared to \$6.0 million at December 31, 2011. March 31, 2012 and December 31, 2011, \$1.1 million of TDRs were on accrual status. The Company has not committed to lend any additional amounts to customers with outstanding loans that are classified as TDRs as of March 31, 2012.

During the period ending March 31, 2012, the terms of certain loans were modified as troubled debt restructurings. The modification of the terms of such loans included one or a combination of the following: a reduction of the stated interest rate of the loan to a below market rate or the payment modification to interest only. Modifications involving a reduction of the stated interest rate of the loan were for periods ranging from 6 months to 16 months.

The following table presents loans by class modified as troubled debt restructurings that occurred during the three month period ending March 31, 2012:

For the Three Months Ended March 31, 2012

	Number of Loans	Pre-Modification Recorded Investment	Post-Modification Recorded Investment	Provision
Commercial				
Closed End	—	\$ —	\$ —	\$ —
Line of Credit	—	—	—	—
Agricultural & AGRE	—	—	—	—
Construction, land & development	—	—	—	—

CRE – all other				
Owner Occupied	—	—	—	—
Non-Owner Occupied	1	892	892	585
1-4 family residential				
Senior lien	—	—	—	—
Junior lien & lines or credit	—	—	—	—
Consumer	—	—	—	—
Total	1	\$ 892	\$ 892	\$ 585

The troubled debt restructurings described above increased the allowance for loan losses by \$0.6 million and resulted in no charge offs during the three month period ending March 31, 2012.

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Centrue Financial Corporation

Notes to Unaudited Consolidated Financial Statements

(Table Amounts In Thousands, Except Share Data)**Note 4. Loans (Continued)**

The following table presents loans by class modified as troubled debt restructurings that occurred during the three month period ending March 31, 2011:

	For the Three Months Ended March 31, 2011			
	Pre- Number of Loans	Pre- Modification Recorded Investment	Post- Modification Recorded Investment	Provision
Commercial				
Closed End	—	\$ —	\$ —	\$ —
Line of Credit	—	—	—	—
Agricultural & AGRE	—	—	—	—
Construction, land & development	1	45	45	—
CRE – all other				
Owner Occupied	—	—	—	—
Non-Owner Occupied	—	—	—	—
1-4 family residential				
Senior lien	—	—	—	—
Junior lien & lines or credit	—	—	—	—
Consumer	—	—	—	—
Total	1	\$ 45	\$ 45	\$ —

The troubled debt restructurings described did not increase the allowance for loan losses and resulted in no charge offs during the three month period ending March 31, 2011.

A loan is considered to be in payment default once it is 90 days contractually past due under the modified terms. There were no loans modified as troubled debt restructurings for which there was a payment default within twelve months following the modification during the three month period ending March 31, 2012.

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

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Centrue Financial Corporation

Notes to Unaudited Consolidated Financial Statements

(Table Amounts In Thousands, Except Share Data)**Note 4. Loans (Continued)**

The following tables present data on impaired loans:

March 31, 2012	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized	Cash Basis Interest Recognized
Loans with no related allowance recorded:						
Commercial						
Closed End	\$ 9	\$ 23	\$ —	\$ 32	\$ —	\$ —
Line of Credit	—	—	—	369	—	—
Agricultural & AGRE	65	682	—	65	—	—
Construction, land & development	3,374	7,245	—	6,861	(8)	(8)
CRE – all other						
Owner Occupied	4,611	5,290	—	5,437	(2)	(2)
Non-Owner Occupied	4,880	4,880	—	10,266	77	50
1-4 family residential						
Senior lien	1,487	1,776	—	1,824	5	3
Junior lien & lines or credit	267	372	—	642	2	2
Consumer	—	—	—	—	—	—
Subtotal	14,693	20,268	—	25,496	74	45
Loans with an allowance recorded:						
Commercial						
Closed End	\$ 1,484	\$ 1,575	\$ 673	\$ 1,630	\$ 17	\$ 12
Line of Credit	1,219	1,482	1	1,727	—	(10)
Agricultural & AGRE	60	60	8	20	1	—
CRE - Construction, land & development	16,769	27,637	3,172	18,933	6	4
CRE – all other						
Owner Occupied	10,813	11,166	2,331	13,319	145	89
Non-owner occupied	12,438	14,378	3,713	11,232	69	40
1-4 family residential						
Senior lien	7,670	8,138	1,378	7,693	112	95
Junior lien & lines of credit	524	671	308	468	3	3

Consumer

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