CENTRUE FINANCIAL CORP
Form 10-Q
November 13, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q
QUARTERLY REPORT
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended September 30, 2015
Commission File Number: 0-28846
Centrue Financial Corporation
(Exact name of Registrant as specified in its charter)

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

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

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 [ü] 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 [ü] 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 | [ ü] |

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

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

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

Centrue Financial Corporation
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September 30, 2015

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

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

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

See Accompanying Notes to Consolidated Financial Statements

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

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

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

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

See Accompanying Notes to Consolidated Financial Statements

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

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

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

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

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

Note 1. Summary of Significant Accounting Policies

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

Basis of presentation

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

For further information with respect to significant accounting policies followed by the Company in the preparation of its consolidated financial statements, refer to the Company’s registration statement filed with the SEC on October 15, 2015 which includes the audited financial statements and notes for the year ended December 31, 2014. The consolidated financial statements include the accounts of the Company and Centrue Bank. Intercompany balances and transactions have been eliminated in consolidation and certain 2014 amounts have been reclassified to conform to the 2015 presentation. The annualized results of operations during the three and nine months ended September 30, 2015 are not necessarily indicative of the results expected for the year ending December 31, 2015. All financial information in the following tables is in thousands (000s), except share and per share data. In the opinion of management, all normal and recurring adjustments which are necessary to fairly present the results for the interim periods presented have been included.

Reverse Stock Split

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

Capital Event

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

Recent Accounting Pronouncements

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

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

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

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

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

Note 2. Earnings Per Share

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

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

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

Note 3. Securities

The primary strategic objective related to the Company's securities portfolio is to assist with liquidity and interest rate risk management. The fair value of the securities classified as available-for-sale was $206.4 million at September 30, 2015 compared to $135.4 million at December 31, 2014. The carrying value of securities classified as restricted (Federal Reserve and Federal Home Loan Bank stock) was $8.3 million at September 30, 2015 compared to $6.1 million at December 31, 2014. The Company does not have any securities classified as trading or held-to-maturity.

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

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

| | September 30, 2015 | | | |
|---|---|---|---|---|
| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
| U.S. government agencies | $40,727 | $205 | $(8) | $40,924 |
| States and political subdivisions | 14,894 | 60 | (64) | 14,890 |
| U.S. government agency residential mortgage-backed securities | 129,055 | 179 | (270) | 128,964 |
| Collateralized residential mortgage obligations: | | | | |
| Agency | 18,876 | 22 | (22) | 18,876 |
| Equity securities | 2,619 | 157 | — | 2,776 |
| Corporate | — | — | — | — |
| | $206,171 | $623 | $(364) | $206,430 |

| | December 31, 2014 | | | |
|---|---|---|---|---|
| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
| U.S. government agencies | $21,274 | $6 | $(171) | $21,109 |
| States and political subdivisions | 8,951 | 78 | (1) | 9,028 |
| U.S. government agency residential mortgage-backed securities | 99,338 | 551 | (221) | 99,668 |
| Collateralized residential mortgage obligations: | | | | |
| Agency | 38 | — | — | 38 |
| Equity securities | 2,579 | 157 | — | 2,736 |
| Collateralized debt obligations: | | | | |
| Single issue | 765 | — | (3) | 762 |
| Corporate | 2,000 | 30 | — | 2,030 |
| | $134,945 | $822 | $(396) | $135,371 |

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

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

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

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

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

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

| | September 30, 2015 | | | | | |
|---|---|---|---|---|---|---|
| | Less than 12 Months | | 12 Months or More | | Total | |
| | Fair Value | Unrealized Loss | Fair Value | Unrealized Loss | Fair Value | Unrealized Loss |
| U.S. government agencies | $4,692 | $(8) | $— | $— | $4,692 | $(8) |
| States and political subdivisions | $3,620 | $(64) | $— | $— | $3,620 | $(64) |
| U.S. government agency residential mortgage-backed securities | 73,623 | (270) | — | — | 73,623 | (270) |
| Collateralized residential mortgage obligations: Agency | 11,765 | (22) | — | — | 11,765 | (22) |
| Corporate | — | — | — | — | — | — |
| Total temporarily impaired | $93,700 | $(364) | $— | $— | $93,700 | $(364) |

| | December 31, 2014 | | | | | |
|---|---|---|---|---|---|---|
| | Less than 12 Months | | 12 Months or More | | Total | |
| | Fair Value | Unrealized Loss | Fair Value | Unrealized Loss | Fair Value | Unrealized Loss |
| U.S. government agencies | $18,212 | $(157) | $1,986 | $(14) | $20,198 | $(171) |
| States and political subdivisions | 386 | (1) | — | — | 386 | (1) |
| U.S. government agency residential mortgage-backed securities | 34,809 | (211) | 2,148 | (10) | 36,957 | (221) |
| Collateralized debt obligations: Single issue | — | — | 762 | (3) | 762 | (3) |
| Total temporarily impaired | $53,407 | $(369) | $4,896 | $(27) | $58,303 | $(396) |

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

Note 4. Loans
The major classifications of loans follow:

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

The credit quality indicator utilized by the Company to internally analyze the loan portfolio is the internal risk rating. Internal risk ratings of 0 to 5 are considered pass credits, a risk rating of a 6 is special mention, a risk rating of a 7 is substandard, and a risk rating of an 8 is doubtful. Loans classified as pass credits have no material weaknesses and are performing as agreed. Loans classified as special mention have a potential weakness that deserves management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the institution's credit position at some future date. Loans classified as substandard are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected. Loans classified as doubtful have all the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.
The following table presents the commercial loan portfolio by internal risk rating:
September 30, 2015

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

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December 31, 2014

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

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

| | Residential -- 1-4 family | | |
|---|---|---|---|
| | Senior Lien | Jr. Lien & Lines of Credit | Total |
| September 30, 2015 | | | |
| Unrated | $49,015 | $43,979 | $92,994 |
| Special mention | 3,961 | 157 | 4,118 |
| Substandard | 1,322 | 298 | 1,620 |
| Doubtful | — | — | — |
| Total | $54,298 | $44,434 | $98,732 |

| | Residential -- 1-4 family | | |
|---|---|---|---|
| | Senior Lien | Jr. Lien & Lines of Credit | Total |
| December 31, 2014 | | | |
| Unrated | $55,142 | $45,299 | $100,441 |
| Special mention | 3,807 | 120 | 3,927 |
| Substandard | 1,719 | 385 | 2,104 |
| Doubtful | — | — | — |
| Total | $60,668 | $45,804 | $106,472 |

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

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

| | Commercial | Agriculture & AG RE | Construction, Land & Development | Commercial RE | 1-4 Family Residential | Consumer | Total |
|---|---|---|---|---|---|---|---|
| September 30, 2015 | | | | | | | |
| Beginning Balance | $1,036 | $65 | $396 | $5,185 | $1,951 | $12 | $8,645 |
| Charge-offs | — | — | — | (24) | (325) | (1) | (350) |
| Recoveries | 54 | 2 | 16 | 9 | 24 | 3 | 108 |
| Provision | (121) | (1) | 66 | 35 | 25 | (4) | — |
| Ending Balance | $969 | $66 | $478 | $5,205 | $1,675 | $10 | $8,403 |

| | Commercial | Agriculture & AG RE | Construction, Land & Development | Commercial RE | 1-4 Family Residential | Consumer | Total |
|---|---|---|---|---|---|---|---|
| September 30, 2014 | | | | | | | |
| Beginning Balance | $2,432 | $60 | $924 | $6,936 | $2,080 | $29 | $12,461 |
| Charge-offs | (431) | — | (5) | (283) | (88) | (1) | (808) |
| Recoveries | 68 | 1 | — | 410 | 53 | 3 | 535 |
| Provision | 15 | 3 | 96 | 416 | 149 | (4) | 675 |
| Ending Balance | $2,084 | $64 | $1,015 | $7,479 | $2,194 | $27 | $12,863 |

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

| | Commercial | Agriculture & AG RE | Construction, Land & Development | Commercial RE | 1-4 Family Residential | Consumer | Total |
|---|---|---|---|---|---|---|---|
| September 30, 2015 | | | | | | | |
| Beginning Balance | $1,117 | $69 | $711 | $3,999 | $2,075 | $10 | $7,981 |
| Charge-offs | (357) | — | (3) | (639) | (455) | (4) | (1,458) |
| Recoveries | 144 | 2 | 43 | 1,616 | 45 | 30 | 1,880 |
| Provision | 65 | (5) | (273) | 229 | 10 | (26) | — |
| Ending Balance | $969 | $66 | $478 | $5,205 | $1,675 | $10 | $8,403 |

| | Commercial | Agriculture & AG RE | Construction, Land & Development | Commercial RE | 1-4 Family Residential | Consumer | Total |
|---|---|---|---|---|---|---|---|
| September 30, 2014 | | | | | | | |
| Beginning Balance | $1,413 | $70 | $1,127 | $6,834 | $2,162 | $31 | $11,637 |
| Charge-offs | (920) | — | (118) | (559) | (308) | (6) | (1,911) |
| Recoveries | 288 | 1 | 34 | 473 | 61 | 5 | 862 |
| Provision | 1,303 | (7) | (28) | 731 | 279 | (3) | 2,275 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Ending Balance | $2,084 | $64 | $1,015 | $7,479 | $2,194 | $27 | $12,863 |

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The following is an analysis on the balance in the allowance for loan losses and the recorded investment in impaired loans by portfolio segment based on impairment method as of September 30, 2015 and December 31, 2014:

| September 30, 2015 | Commercial | Agriculture & AG RE | Construction, Land & Development | Commercial RE | 1-4 Family Residential | Consumer | Total |
|---|---|---|---|---|---|---|---|
| Allowance for loan losses: | | | | | | | |
| Loans individually evaluated for impairment | $86 | $— | $65 | $675 | $365 | $— | $1,191 |
| Loans collectively evaluated for impairment | 883 | 66 | 413 | 4,530 | 1,310 | 10 | 7,212 |
| Total allowance balance: | $969 | $66 | $478 | $5,205 | $1,675 | $10 | $8,403 |
| | | | | | | | |
| Loan balances: | | | | | | | |
| Loans individually evaluated for impairment | $160 | $— | $217 | $4,106 | $1,620 | $— | $6,103 |
| Loans collectively evaluated for impairment | 65,950 | 46,323 | 24,627 | 368,548 | 97,112 | 3,255 | 605,815 |
| Total loans balance: | $66,110 | $46,323 | $24,844 | $372,654 | $98,732 | $3,255 | $611,918 |

| December 31, 2014 | Commercial | Agriculture & AG RE | Construction, Land & Development | Commercial RE | 1-4 Family Residential | Consumer | Total |
|---|---|---|---|---|---|---|---|
| Allowance for loan losses: | | | | | | | |
| Loans individually evaluated for impairment | $430 | $— | $126 | $216 | $783 | $— | $1,555 |
| Loans collectively evaluated for impairment | 687 | 69 | 585 | 3,783 | 1,292 | 10 | 6,426 |
| Total allowance balance: | $1,117 | $69 | $711 | $3,999 | $2,075 | $10 | $7,981 |
| | | | | | | | |
| Loan balances: | | | | | | | |
| Loans individually evaluated for impairment | $464 | $— | $822 | $5,961 | $2,056 | $— | $9,303 |
| Loans collectively evaluated for | 61,097 | 53,193 | 13,038 | 309,252 | 104,416 | 2,901 | 543,897 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| impairment | | | | | | | |
| Total loans balance: | $61,561 | $53,193 | $13,860 | $315,213 | $106,472 | $2,901 | $553,200 |

Troubled Debt Restructurings:

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

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

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

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

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

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

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

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

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The following tables present data on impaired loans:

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

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

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

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The following table represents information related to loan portfolio aging:

| September 30, 2015 | 30 - 59 Days Past Due | 60 - 89 Days Past Due | 90 Days Past Due or Nonaccrual | Total Past Due | Current | Total Loans |
|---|---|---|---|---|---|---|
| Commercial | | | | | | |
| Closed-end | $373 | $49 | $160 | $582 | $23,276 | $23,858 |
| Line of credit | — | — | — | — | 42,252 | 42,252 |
| Agricultural & AG RE | 33 | — | — | 33 | 46,290 | 46,323 |
| Construction, land & development | — | — | 217 | 217 | 24,627 | 24,844 |
| CRE - all other | | | | | | |
| Owner occupied | — | 371 | 475 | 846 | 158,750 | 159,596 |
| Non-owner occupied | — | 461 | 3,629 | 4,090 | 208,968 | 213,058 |
| 1-4 family residential | | | | | | |
| Senior lien | 1,480 | 48 | 1,298 | 2,826 | 51,472 | 54,298 |
| Jr. lien & lines of credit | 416 | — | 231 | 647 | 43,787 | 44,434 |
| Consumer | 2 | — | — | 2 | 3,253 | 3,255 |
| Total | $2,304 | $929 | $6,010 | $9,243 | $602,675 | $611,918 |

| December 31, 2014 | 30 - 59 Days Past Due | 60 - 89 Days Past Due | 90 Days Past Due or Nonaccrual | Total Past Due | Current | Total Loans |
|---|---|---|---|---|---|---|
| Commercial | | | | | | |
| Closed-end | $38 | $— | $450 | $488 | $18,747 | $19,235 |
| Line of credit | — | — | — | — | 42,326 | 42,326 |
| Agricultural & AG RE | 150 | — | — | 150 | 53,043 | 53,193 |
| Construction, land & development | 231 | — | 822 | 1,053 | 12,807 | 13,860 |
| CRE - all other | | | | | | |
| Owner occupied | 319 | 175 | 739 | 1,233 | 141,089 | 142,322 |
| Non-owner occupied | 153 | — | 4,354 | 4,507 | 168,384 | 172,891 |
| 1-4 family residential | | | | | | |
| Senior lien | 1,172 | 277 | 1,068 | 2,517 | 58,151 | 60,668 |
| Jr. lien & lines of credit | 423 | 64 | 316 | 803 | 45,001 | 45,804 |
| Consumer | — | — | — | — | 2,901 | 2,901 |
| Total | $2,486 | $516 | $7,749 | $10,751 | $542,449 | $553,200 |

Nonperforming loans include both smaller balance homogeneous loans that are collectively evaluated for impairment and individually classified impaired loans. There were no loans past due over 90 days and still accruing interest at September 30, 2015 or for the year ending December 31, 2014.

Note 5. Fair Value
The Company measures, monitors, and discloses certain of its assets and liabilities on a fair value basis. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Company maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value. Fair value guidance establishes a fair value hierarchy that prioritizes the inputs used to measure fair value into three broad levels

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based on the reliability of the input assumptions. The hierarchy gives the highest priority to level 1 measurements and the lowest priority to level 3 measurements and the categorization of where an asset or liability falls within the hierarchy is based on the lowest level of input that is significant to the fair value measurement. The three levels of the fair value hierarchy are defined as follows:

Level 1 - Unadjusted quoted prices for identical assets or liabilities traded in active markets.

Level 2 - Observable inputs other than level 1 prices, such as quoted prices for similar instruments; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Company used the following methods and significant assumptions to estimate the fair value of each type of financial instrument:

Securities

Available for Sale Securities. The fair value of securities available for sale is 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). If the securities could not be priced using quoted market prices, observable market activity or comparable trades, the financial market was considered not active and the assets were classified as Level 3.

Single Issue Trust Preferred. In 2010 the Company purchased single-issue trust preferred securities that are classified as available for sale. With respect to these securities, the Company looks at rating agency actions, payment history, the capital levels of the banks and the financial performance as filed in regulatory reports. At December 31, 2014, the Company still held $0.8 million of these securities. During 2015, the last of the Company's single-issue trust preferred securities were called and at September 30, 2015 none were held in the securities portfolio.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following table summarizes, by measurement hierarchy, the various assets and liabilities of the Company that are measured at fair value on a recurring basis:

| | Carrying Amount | Quoted Prices in Active Markets For Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|---|---|---|---|---|
| September 30, 2015 | | | | |
| U.S. government agencies | $40,924 | $— | $40,924 | $— |
| State and political subdivisions | 14,890 | — | 14,890 | — |
| U.S. government agency residential mortgage-backed securities | 128,964 | — | 128,964 | — |
| Collateralized mortgage obligations: | | | | |
| Agency | 18,876 | — | 18,876 | — |
| Equities | 2,776 | — | 2,776 | — |
| Available-for-sale securities | $206,430 | $— | $206,430 | $— |

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| | Carrying Amount | Quoted Prices in Active Markets For Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|---|---|---|---|---|
| December 31, 2014 | | | | |
| U.S. government agencies | $21,109 | $— | $21,109 | $— |
| State and political subdivisions | 9,028 | — | 9,028 | — |
| U.S. government agency residential mortgage-backed securities | 99,668 | — | 99,668 | — |
| Collateralized mortgage obligations: | | | | |
| Agency | 38 | — | 38 | — |
| Equities | 2,736 | — | 2,736 | — |
| Collateralized debt obligations: | | | | |
| Single Issue | 762 | — | 762 | — |
| Corporate | 2,030 | — | 2,030 | — |
| Available-for-sale securities | $135,371 | $— | $135,371 | $— |

There were no transfers between Level 1 and Level 2 during the first nine months of 2015 and all of 2014.

Assets and Liabilities Measured at Fair Value on a Recurring Basis Using Significant Unobservable Inputs

The following table reconciles the beginning and ending balances of the assets of the Company that are measured at fair value on a recurring basis using significant unobservable inputs. There currently are no liabilities of the Company that are measured at fair value on a recurring basis using significant unobservable inputs.

| | Securities Available for Sale CDOs | |
|---|---|---|
| | 2015 | 2014 |
| Beginning balance, January 1 | $— | $169 |
| Transfers into Level 3 | — | — |
| Total gains or losses (realized/unrealized) included in earnings | | |
| Sales | — | (169) |
| Security impairment | — | — |
| Payment received | — | — |
| Other changes in fair value | — | — |
| Included in other comprehensive income | — | — |
| Ending Balance, September 30 | $— | $— |

For the period ended September 30, 2015, the Company did not have any assets measured at fair value on a recurring basis using significant unobservable inputs.

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Assets Measured at Fair Value on a Non-Recurring Basis
The following table summarizes, by measurement hierarchy, financial assets of the Company that are measured at fair value on a non-recurring basis.

| | Carrying Amount | Quoted Prices in Active Markets For Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|---|---|---|---|---|
| September 30, 2015 | | | | |
| Impaired loans | | | | |
| CRE - construction, land & development | $151 | $— | $— | $151 |
| OREO property | | | | |
| CRE - construction, land & development | 3,585 | — | — | 3,585 |
| CRE - all other | | | | |
| Owner occupied | 455 | — | — | 455 |
| Non-owner occupied | 1,461 | — | — | 1,461 |
| 1-4 family residential | | | | |
| Senior lien | 169 | — | — | 169 |

| | Carrying Amount | Quoted Prices in Active Markets For Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|---|---|---|---|---|
| December 31, 2014 | | | | |
| Impaired loans | | | | |
| CRE - all other | | | | |
| Owner occupied | $184 | $— | $— | $184 |
| Non-owner occupied | 542 | — | — | 542 |
| 1-4 family residential | | | | |
| Senior lien | 201 | — | — | 201 |
| OREO property | | | | |
| CRE - construction, land & development | 2,823 | — | — | 2,823 |
| CRE - all other | | | | |
| Owner occupied | 488 | — | — | 488 |
| Non-owner occupied | 1,111 | — | — | 1,111 |
| 1-4 family residential | | | | |
| Senior lien | 47 | — | — | 47 |

At the time a loan is considered impaired, it is valued at the lower of cost or fair value. Impaired loans carried at fair value generally receive specific allocations of the allowance for loan losses. For collateral dependent loans, fair value is commonly based on recent real estate appraisals. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach.
Adjustments are routinely made in the appraisal process by the independent appraisers to adjust for differences between the comparable sales and income data available. Such adjustments are usually significant and typically result in a Level 3 classification of the inputs for determining fair value. Non-real estate collateral may be valued using an appraisal, net book value per the borrower’s financial statements, or aging reports, adjusted or discounted based on

management's historical knowledge, changes in market conditions from the time of the valuation, and management's expertise and knowledge of the client and client's business, resulting in a Level 3 fair value classification. Impaired loans are evaluated on a quarterly basis for additional impairment and adjusted accordingly.

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Impaired loans had a carrying amount of $0.2 million at September 30, 2015, with no specific loan loss allocation and no effect on the provision for loan losses for the nine month period. In 2014 impaired loans had a carrying amount of $0.9 million with a specific loan loss allocation of $0.5 million during 2014, resulting in an additional provision for loan losses of $0.5 million for the year ended December 31, 2014. The majority of the Bank's impaired loans are collateralized by real estate.

Assets acquired through or instead of loan foreclosure are initially recorded at fair value less costs to sell when acquired, establishing a new cost basis. Any write-downs in the carrying value of a property at the time of acquisition are charged against the allowance for loan losses. These assets are subsequently accounted for at lower of cost or fair value less estimated costs to sell. Management periodically reviews the carrying value of other real estate owned. Any write-downs of the properties subsequent to acquisition, as well as gains or losses on disposition and income or expense from the operations of other real estate owned, are recognized in operating results in the period they are realized. Fair value is commonly based on recent real estate appraisals. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the independent appraisers to adjust for differences between the comparable sales and income data available. Such adjustments are usually significant and typically result in a Level 3 classification of the inputs for determining fair value.

OREO properties measured at fair value, less costs to sell, had a net carrying amount of $5.7 million which is made up of the outstanding balance of $7.5 million, net of a valuation allowance of $1.8 million at September 30, 2015. This compares to 2014 when OREO properties with an outstanding balance of $6.0 million was written down to a fair value of $4.5 million.

The following table presents quantitative information about Level 3 fair value measurements for financial instruments measured at fair value on a non-recurring basis at September 30, 2015 and December 31, 2014:

| September 30, 2015 | Fair Value | Valuation Technique | Unobservable Inputs | Range (Weighted Average) |
|---|---|---|---|---|
| Impaired loans | | Sales comparison approach | Adjustment for differences between comparable sales | |
| CRE - construction, land & development | $151 | | | 10% - 55% (49%) |
| OREO property | | | | |
| CRE - construction, land & development | 3,585 | | | 5% - 70% (22%) |
| CRE - all other | | | | |
| Owner occupied | 455 | | | 5% - 50% (15%) |
| Non-owner occupied | 1,461 | | | 5% - 50% (17%) |
| 1-4 family residential | | | | |
| Senior lien | 169 | | | 6% - 55% (39%) |

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| December 31, 2014 | Fair Value | Valuation Technique | Unobservable Inputs | Range (Weighted Average) |
|---|---|---|---|---|
| Impaired loans | | Sales comparison approach | Adjustment for differences between comparable sales | |
| CRE - all other | | | | |
| Owner occupied | $184 | | | 10% - 55% (19%) |
| Non-owner occupied | 542 | | | 10% - 55% (11%) |
| 1-4 family residential | | | | |
| Senior lien | 201 | | | 10% - 60% (57%) |
| OREO property | | | | |
| CRE - construction, land & development | $2,823 | | | 5% - 70% (25%) |
| CRE - all other | | | | |
| Owner occupied | 488 | | | 15% - 55% (21%) |
| Non-owner occupied | 1,111 | | | 5% - 50% (20%) |
| 1-4 family residential | | | | |
| Senior lien | 47 | | | 6% - 55% (38%) |

The estimated fair values of the Company’s financial instruments are as follows:

| | | Fair Value measurements at September 30, 2015 Using | | | |
|---|---|---|---|---|---|
| | Carrying Value | Level 1 | Level 2 | Level 3 | Total |
| Financial assets | | | | | |
| Cash and cash equivalents | $45,686 | $45,686 | $— | $— | $45,686 |
| Securities | 206,430 | — | 206,430 | — | 206,430 |
| Restricted securities | 8,271 | — | — | — | NA |
| Loans held for sale | 214 | — | 230 | — | 230 |
| Net loans | 603,515 | — | — | 610,593 | 610,593 |
| Accrued interest receivable | 2,796 | — | 742 | 2,054 | 2,796 |
| Financial liabilities | | | | | |
| Deposits | $709,535 | $— | $709,884 | $— | $709,884 |
| Federal funds purchased and securities sold under agreements to repurchase | 18,869 | — | 18,869 | — | 18,869 |
| Federal Home Loan Bank advances | 105,000 | — | 105,421 | — | 105,421 |
| Subordinated debentures | 20,620 | — | — | 12,655 | 12,655 |
| Series B mandatory redeemable preferred stock | 268 | — | 274 | — | 274 |
| Accrued interest payable | 286 | — | 274 | 12 | 286 |

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| | | Fair Value measurements at December 31, 2014 Using | | | |
|---|---|---|---|---|---|
| | Carrying Value | Level 1 | Level 2 | Level 3 | Total |
| Financial assets | | | | | |
| Cash and cash equivalents | $49,167 | $44,167 | $5,000 | $— | $49,167 |
| Securities | 135,371 | — | 135,371 | — | 135,371 |
| Restricted securities | 6,102 | — | — | — | NA |
| Loans held for sale | 364 | — | 379 | — | 379 |
| Net loans | 545,219 | — | — | 553,447 | 553,447 |
| Accrued interest receivable | 2,417 | — | 336 | 2,081 | 2,417 |
| Financial liabilities | | | | | |
| Deposits | $698,824 | $— | $699,471 | $— | $699,471 |
| Federal funds purchased and securities sold under agreements to repurchase | 26,691 | — | 26,691 | — | 26,691 |
| Federal Home Loan Bank advances | 20,000 | — | 20,546 | — | 20,546 |
| Notes payable | 10,250 | — | — | 10,264 | 10,264 |
| Subordinated debentures | 20,620 | — | — | 13,851 | 13,851 |
| Series B mandatory redeemable preferred stock | 268 | — | 268 | — | 268 |
| Accrued interest payable | 5,142 | — | 369 | 4,773 | 5,142 |

Other assets and liabilities of the Company that are not defined as financial instruments are not included in the above disclosures, such as property and equipment. In addition, nonfinancial instruments typically not recognized in financial statements nevertheless may have value but are not included in the above disclosures. These include, among other items, the estimated earning potential of core deposit accounts, the earnings potential of loan servicing rights, the earnings potential of the trust operations, customer goodwill and similar items.

The methods and assumptions, not previously presented, used to estimate fair values are described as follows:

(a) Cash and Cash Equivalents

The carrying amounts of cash and short-term instruments approximate fair values and are classified as either Level 1 or Level 2. As of September 30, 2015 and December 31, 2014; $45.7 million and $44.2 million was classified as Level 1.

(b) Restricted securities

It is not practical to determine the fair value of restricted securities due to the restrictions placed on its transferability.

(c) Loans

Fair values of loans, excluding loans held for sale, are estimated as follows: Fair values for loans are estimated using discounted cash flow analyses, using interest rates currently being offered for loans with similar terms to borrowers of similar credit quality resulting in a Level 3 classification. Impaired loans are valued at the lower of cost or fair value as described previously. The methods utilized to estimate the fair value of loans do not necessarily represent an exit price.

The fair value of loans held for sale is estimated based upon binding contracts and quotes from third party investors resulting in a Level 2 classification.

(d) Deposits

The fair values disclosed for demand deposits (e.g., interest and non-interest checking, passbook savings, and certain types of money market accounts) are, by definition, equal to the amount payable on demand at the reporting date (i.e., their carrying amount) resulting in a Level 2. Fair values for fixed rate certificates of deposit are estimated using a discounted cash flows calculation that applies interest rates currently being offered on certificates to a schedule of aggregated expected monthly maturities on time deposits resulting in a Level 2 classification.

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(e) Short-term Borrowings
The carrying amounts of federal funds purchased, borrowings under repurchase agreements, and other short-term borrowings, generally maturing within ninety days, approximate their fair values resulting in a Level 2 classification.
(f) Other Borrowings
The fair values of the Company's long-term borrowings are estimated using discounted cash flow analyses based on the current borrowing rates for similar types of borrowing arrangements resulting in a Level 2 classification.
The fair values of the Company's Subordinated Debentures are estimated using discounted cash flow analyses based on the current borrowing rates for similar types of borrowing arrangements resulting in a Level 3 classification.
(g) Accrued Interest Receivable/Payable
The carrying amounts of accrued interest approximate fair value resulting in a Level 2 or Level 3 classification which is consistent with the underlying asset/liability they are associated with.
(h) Off-balance Sheet Instruments
Fair values for off-balance sheet, credit-related financial instruments are based on fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the counterparties' credit standing. The fair value of commitments is not material.
Note 6. Borrowed Funds and Debt Obligations
The scheduled maturities of advances from the FHLB at September 30, 2015 and December 31, 2014 are as follows:

| Year | September 30, 2015 | | | December 31, 2014 | | |
|---|---|---|---|---|---|---|
| | Average Interest Rate | | Amount | Average Interest Rate | | Amount |
| 2015 | 0.18 | % | 85,000 | — | % | — |
| 2016 | 1.66 | | 15,000 | 1.66 | | 15,000 |
| 2017 | — | | — | — | | — |
| 2018 | 3.64 | | 5,000 | 3.64 | | 5,000 |
| | 0.56 | | $105,000 | 2.16 | | $20,000 |

At September 30, 2015 and December 31, 2014 no FHLB advances had any call provisions. The Company had no variable rate advances at September 30, 2015 and year-end 2014. The advances are at fixed rates ranging from 0.18% to 3.64% for the month ended September 30, 2015 and 1.66% to 3.64% at year-end 2014.
Notes payable consisted of the following for the periods ending at September 30, 2015 and December 31, 2014:

| | September 30, 2015 | December 31, 2014 |
|---|---|---|
| Term note ($250) from MB Financial; interest due quarterly at the 90-day LIBOR plus 2.95% with a floor of 6.50% at year-end 2014; secured by 100% of the stock of Centrue Bank. The balance was settled on March 31, 2015. | $— | $250 |
| Subordinated debt note ($10,000) from MB Financial; interest due quarterly at the 90-day LIBOR plus 2.95%, which was 3.19% at December 31, 2014. The balance was settled on March 31, 2015. | $— | $10,000 |
| | $— | $10,250 |

During the nine month period ended September 30, 2015, in connection with the Company completing a $76.0 million recapitalization event on March 31, 2015, a settlement of obligations involving MB Financial was reached in which the Company recognized a gain of $1.8 million representing the difference between the fair value of the consideration issued in the settlement transaction and the carrying value of the amounts due MB Financial. As a result, the gain has been included as ‘‘Gain on

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extinguishment of debt'' within income from continuing operations in the accompanying Consolidated Statements of Income (Loss) for the period ended September 30, 2015. See Note 1 for additional disclosure related to the recapitalization event.

As of December 31, 2014, the Company had $10.3 million outstanding per a loan agreement dated March 31, 2008.

Note 7. Income Taxes

In accordance with current income tax accounting guidance, the Company assessed whether a valuation allowance should be established against their deferred tax assets (DTAs) based on consideration of all available evidence using a “more likely than not” standard. The most significant portions of the deductible temporary differences relate to (1) net operating loss carryforwards and (2) the allowance for loan losses.

In assessing the need for a valuation allowance, both the positive and negative evidence about the realization of DTAs were evaluated. The ultimate realization of DTAs is based on the Company’s ability to carryback net operating losses to prior tax periods, tax planning strategies that are prudent and feasible, the reversal of deductible temporary differences that can be offset by taxable temporary differences and future taxable income.

After evaluating all of the factors previously summarized and considering the weight of the positive evidence compared to the negative evidence, the Company has determined a full valuation adjustment was necessary as of September 30, 2015 and December 31, 2014.

Below is a summary of items included in the deferred tax inventory as of September 30, 2015 and December 31, 2014:

| | September 30, 2015 | | December 31, 2014 | |
|---|---|---|---|---|
| Deferred tax assets | | | | |
| Allowance for loan losses | $3,268 | | $3,107 | |
| Deferred compensation, other | 77 | | 104 | |
| Stock based expense | 130 | | 130 | |
| Net operating loss carryforwards | 35,204 | | 36,955 | |
| Deferred tax credits | 696 | | 697 | |
| OREO valuation allowance | 1,102 | | 1,080 | |
| Donation carryforward | 232 | | 232 | |
| Capital loss carryforward | — | | 4 | |
| Other | 45 | | 45 | |
| Total deferred tax assets | 40,754 | | 42,354 | |
| Deferred tax liabilities | | | | |
| Depreciation | $(50 | ) | $(41 | ) |
| Adjustments arising from acquisitions | (227 | ) | (502 | ) |
| Mortgage servicing rights | (844 | ) | (872 | ) |
| Securities available-for-sale | (101 | ) | (166 | ) |
| Federal Home Loan Bank dividend received in stock | (450 | ) | (451 | ) |
| Deferred loan fees & costs | (397 | ) | (373 | ) |
| Prepaid expenses | (190 | ) | (190 | ) |
| Total deferred tax liabilities | (2,259 | ) | (2,595 | ) |
| Valuation allowance | (38,495 | ) | (39,759 | ) |
| Net deferred tax assets | $— | | $— | |

Note 8. Share Based Compensation

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, restricted stock 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, 19,000 shares of the Company's unissued common stock had been reserved and were available for issuance upon the exercise of options and rights granted under the 2003 Option Plan. The granted options have an exercise period of seven to ten years from the date of grant.

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In May 2015, the Company adopted the 2015 Stock Compensation Plan. Under the 2015 Stock Compensation Plan nonqualified options, incentive stock options, restricted stock 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 compensation committee. A total of 430,000 shares have been made available under this plan.

No options or restricted stock were granted or exercised for the nine months ended September 30, 2015 and none were granted or exercised for the year ended December 31, 2014.

There was no compensation cost charged against income for the stock options portion of the equity incentive plans for the nine months ended September 30, 2015 and for the year ended December 31, 2014.

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 prior to its deregistration. 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.

There were no options granted for the nine months ended September 30, 2015 and the year ended December 31, 2014.

A status summary of the option plan as of September 30, 2015 and changes during the period ended on that date are presented below:

| | Shares | Weighted-Average Exercise Price | Weighted-Average Remaining Contractual Life | Aggregate Intrinsic Value |
|---|---|---|---|---|
| Outstanding at January 1, 2015 | 6,063 | $447.19 | | |
| Granted | — | — | | |
| Exercised | — | — | | |
| Forfeited | (2,575) | 556.00 | | |
| Outstanding at end of period | 3,488 | $366.87 | 0.6 years | $— |
| Vested or expected to vest | 3,488 | $366.87 | 0.6 years | $— |
| Options exercisable at period end | 3,488 | $366.87 | 0.6 years | $— |

Options outstanding at September 30, 2015 and year-end 2014 were as follows:

| | Outstanding | | Exercisable | |
|---|---|---|---|---|
| Range of Exercise Prices | Number | Weighted Average Remaining Contractual Life | Number | Weighted Average Exercise Price |
| September 30, 2015 | | | | |
| $157.20 - $390.00 | 2,160 | 0.4 years | 2,160 | $228.33 |
| 416.40 - 558.90 | — | 0.0 years | — | — |
| 570.90 - 699.30 | 1,328 | 0.9 years | 1,328 | 592.20 |
| | 3,488 | 0.6 years | 3,488 | $366.87 |
| December 31, 2014: | | | | |
| $157.20 - $390.00 | 2,160 | 1.2 years | 2,160 | $228.33 |
| 416.40 - 558.90 | 2,077 | 0.2 years | 2,077 | 543.29 |

| | | | | |
|---|---|---|---|---|
| 570.90 - 699.30 | 1,826 | 1.6 years | 1,826 | 596.78 |
| | 6,063 | 1.0 year | 6,063 | $447.19 |

As of September 30, 2015 and December 31, 2014, there was no unrecognized compensation cost related to non-vested stock options granted under the 2003 Option Plan.

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Note 9. Regulatory Matters

The Company and Centrue Bank are subject to regulatory capital requirements administered by federal and state banking agencies that involve the quantitative measure of their assets, liabilities, and certain off-balance-sheet items, as calculated under regulatory accounting practices. Quantitative measures established by regulations to ensure capital adequacy require the Company and Centrue Bank to maintain minimum amounts and ratios (set forth in the table below) of total, Tier 1 capital and Common Equity Tier 1 capital (as defined in the regulations) to risk-weighted assets (as defined in the regulations), and, for the Bank, Tier 1 capital (as defined in the regulations) to average assets (as defined in the regulations). Failure to meet minimum capital requirements may cause regulatory bodies to initiate certain discretionary and/or mandatory actions that, if undertaken, may have a direct material effect on our financial statements. The Company, as a financial holding company, is required to be “adequately capitalized” in the capital categories shown in the table below. As of September 30, 2015, the Company is "adequately capitalized." As of September 30, 2015, Centrue Bank met all capital adequacy requirements to which they were subject, including the guidelines to be considered “well capitalized.”

On July 2, 2013, the Federal Reserve Board and the FDIC approved rules that implement the “Basel III” regulatory capital reforms, as well as certain changes required by the Dodd-Frank Act. The rules include a common equity Tier 1 capital conservation buffer of 2.5% of risk-weighted assets, which is in addition to the Tier 1 and Tier 2 risk-based capital requirements. The capital conservation buffer will be phased in over four years beginning on January 1, 2016, with a maximum buffer of 0.625% of risk-weighted assets for 2016, 1.25% for 2017, 1.875% for 2018, and 2.5% for 2019 and thereafter. Failure to maintain the required capital conservation buffer will result in limitations on capital distributions and on discretionary bonuses to executive officers.

| | Actual | | | To Be Adequately Capitalized | | | To Be Well Capitalized Under Prompt Corrective Action Provisions | |
|---|---|---|---|---|---|---|---|---|
| | Amount | Ratio | | Amount | Ratio | | Amount | Ratio |
| As of September 30, 2015 | | | | | | | | |
| Total capital (to risk-weighted assets) | | | | | | | | |
| Centrue Financial | $113,922 | 15.7 | % | $58,027 | 8.0 | % | N/A | N/A |
| Centrue Bank | 112,249 | 15.5 | | 57,929 | 8.0 | | 72,411 | 10.0 |
| Common equity tier I (to risk-weighted assets) | | | | | | | | |
| Centrue Financial | $82,883 | 11.4 | | $32,640 | 4.5 | | N/A | N/A |
| Centrue Bank | 103,846 | 14.3 | | 32,585 | 4.5 | | 47,067 | 6.5 |
| Tier I capital (to risk-weighted assets) | | | | | | | | |
| Centrue Financial | $105,519 | 14.6 | | $43,521 | 6.0 | | N/A | N/A |
| Centrue Bank | 103,846 | 14.3 | | 43,447 | 6.0 | | 57,929 | 8.0 |
| Tier I leverage ratio (to average assets) | | | | | | | | |
| Centrue Financial | $105,519 | 11.5 | | $41,334 | 4.5 | | N/A | N/A |
| Centrue Bank | 103,846 | 11.3 | | 41,305 | 4.5 | | 45,894 | 5.0 |

| | Actual | | | To Be Adequately Capitalized | | | To Be Well Capitalized Under Prompt Corrective Action Provisions | |
|---|---|---|---|---|---|---|---|---|
| | Amount | Ratio | | Amount | Ratio | | Amount | Ratio |
| As of December 31, 2014 | | | | | | | | |
| Total capital (to risk-weighted assets) | | | | | | | | |
| Centrue Financial | $57,829 | 9.6 | % | $47,991 | 8.0 | % | N/A | N/A |

| | | | | | | |
|---|---|---|---|---|---|---|
| Centrue Bank | 70,717 | 11.8 | 47,792 | 8.0 | 59,740 | 10.0 |
| Tier I capital (to risk-weighted assets) | | | | | | |
| Centrue Financial | $41,118 | 6.9 | $23,995 | 4.0 | N/A | N/A |
| Centrue Bank | 63,243 | 10.6 | 23,896 | 4.0 | 35,844 | 6.0 |
| Tier I leverage ratio (to average assets) | | | | | | |
| Centrue Financial | $41,118 | 4.9 | $33,345 | 4.0 | N/A | N/A |
| Centrue Bank | 63,243 | 7.6 | 33,231 | 4.0 | 41,539 | 5.0 |

In December 2009, the Company and the Bank entered into a written agreement (the "Agreement") with the Federal Reserve-Chicago and the Illinois Department of Financial and Professional Regulation ("IDFPR"). The Agreement is based on the findings of the Federal Reserve-Chicago and the IDFPR during an examination that commenced in June 2009 (the "Examination"). Since the completion of the Examination, the boards of directors of the Company and the Bank have aggressively taken steps to address the findings of the Examination. The Company and the Bank have taken an active role in working with the Federal Reserve Board and the IDFPR to improve the condition of the Bank and have addressed the items included in the Agreement.

Under the terms of the Agreement, the Bank must prepare and submit written plans and/or reports to the regulators that address the following items: strengthening the Bank's credit risk management practices; improving loan underwriting and loan administration; improving asset quality by enhancing the Bank's position on problem loans through repayment, additional collateral or other means; reviewing and revising as necessary the Bank's allowance for loan and lease losses policy; maintaining sufficient capital at the Bank; implementing an earnings plan and comprehensive budget to improve and sustain the Bank's earnings; and improving the Bank's liquidity position and funds management practices. While the Agreement remains in place, the Company and the Bank may not pay dividends and the Company may not increase debt or redeem any shares of its stock without the prior written consent of the regulators. Further, the Bank will comply with applicable laws and regulations. The Company and the Bank are in compliance with all the requirements specified in the Agreement.

The Company and the Bank believe that the proactive steps that have been taken by the board of directors and by management will help the Company and the Bank address the Agreement and the concerns leading to the Agreement.

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

The following management discussion and analysis (“MD&A”) is intended to address the significant factors affecting the Company’s results of operations and financial condition for the nine months ended September 30, 2015 as compared to the same period in 2014. 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. 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 MD&A should be read in conjunction with the consolidated financial statements of the Company, and the accompanying notes thereto. Actual results could differ from those estimates. All financial information in the following tables is displayed in thousands (000s), except per share data.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with GAAP 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 registration statement filed with the SEC on October 15, 2015.

Securities: Securities are classified as available-for-sale when the Company may decide to sell those securities due to changes in market interest rates, liquidity needs, changes in yields on alternative investments, and for other reasons. They are carried at fair value with unrealized gains and losses, net of taxes, reported in other comprehensive income. All of the Company’s securities are classified as available-for-sale. For all securities, we obtain fair value measurements from an independent pricing service. The fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, live trading levels, trade execution data, market consensus prepayment speeds, credit information and the bond’s terms and conditions, among other things. Due to the limited nature of the market for certain securities, the fair value and potential sale proceeds could be materially different in the event of a sale.

Realized securities gains or losses are reported in securities gains (losses), net in the Consolidated Statements of Income. The cost of securities sold is based on the specific identification method. Declines in the fair value of available for sale securities below their amortized cost are evaluated to determine whether the loss is temporary or other-than-temporary. If the Company (a) has the intent to sell a debt security or (b) is more likely than not will be required to sell the debt security before its anticipated recovery, then the Company recognizes the entire unrealized loss in earnings as an other-than-temporary loss. If neither of these conditions are met, the Company evaluates whether a credit loss exists. The impairment is separated into (a) the amount of the total impairment related to the credit loss and (b) the amount of total impairment related to all other factors. The amount of the total other-than-temporary impairment related to the credit loss is recognized in earnings and the amount related to all other factors is recognized in other comprehensive income.

The Company also evaluates whether the decline in fair value of an equity security is temporary or other-than-temporary. In determining whether an unrealized loss on an equity security is temporary or other-than-temporary, management considers various factors including the magnitude and duration of the impairment, the financial condition and near-term prospects of the issuer, and the intent and ability of the Company to hold the equity security to forecasted recovery.

Allowance for Loan Losses: The allowance for loan losses is a reserve established through a provision for probable loan losses charged to expense, which represents management's estimate of probable credit losses inherent in the loan portfolio. Estimating the amount of the allowance for loan losses requires significant judgment and the use of estimates related to the amount and timing of expected future cash flows on impaired loans, estimated losses on pools of homogeneous loans based on historical loss experience, and consideration of current economic trends and conditions, all of which may be susceptible to significant change. Loan losses are charged off against the allowance, while recoveries of amounts previously charged off are credited to the allowance. A provision for loan losses is charged to operations based on management's periodic evaluation of the factors previously mentioned, as well as other pertinent factors.

The allowance for loan losses is based on an estimation computed pursuant to the requirements of Financial Accounting Standards Board guidance and rules stating that the analysis of the allowance for loan losses consists of three components:

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- Specific Component. The specific credit allocation component is based on an analysis of individual impaired loans over a fixed-dollar amount where the internal credit rating is at or below a predetermined classification for which the recorded investment in the loan exceeds its fair value. The fair value of the loan is determined based on either the present value of expected future cash flows discounted at the loan's effective interest rate, the market price of the loan, or, if the loan is collateral dependent, the fair value of the underlying collateral less cost of sale. These analyses involve a high degree of judgment in estimating the amount of loss associated with specific loans, including estimating the amount and timing of future cash flows and collateral values;
- Historical Loss Component. The historical loss component is mathematically based using a modified loss migration analysis that examines historical loan loss experience for each loan category. The loss migration is performed quarterly and loss factors are updated regularly based on actual experience. The general portfolio allocation element of the allowance for loan losses also includes consideration of the amounts necessary for concentrations and changes in portfolio mix and volume. The methodology utilized by management to calculate the historical loss portion of the allowance adequacy analysis is based on historical losses. This historical loss period is based on a weighted twelve-quarter average (3 years); and
- Qualitative Component. The qualitative component requires qualitative judgment and estimates reserves based on general economic conditions as well as specific economic factors believed to be relevant to the markets in which the Company operates. The process for determining the allowance (which management believes adequately considers all of the potential factors which might possibly result in credit losses) includes subjective elements and, therefore, may be susceptible to significant change.

To the extent actual outcomes differs from management estimates, additional provision for credit losses could be required that could adversely affect the Company's earnings or financial position in future periods.

Other Real Estate Owned: Other real estate owned includes properties acquired in partial or total satisfaction of certain loans. Properties are recorded at fair value less costs to sell when acquired, establishing a new cost basis. Any write-downs in the carrying value of a property at the time of acquisition are charged against the allowance for loan losses. Management periodically reviews the carrying value of other real estate owned. Any write-downs of the properties subsequent to acquisition, as well as gains or losses on disposition and income or expense from the operations of other real estate owned, are recognized in operating results in the period they are realized.

General

Centrue Financial Corporation is a bank holding company organized under the laws of the State of Delaware. The Company provides a full range of products and services to individual and corporate customers extending from the far western and southern suburbs of the Chicago metropolitan area across Central Illinois down to the metropolitan St. Louis area. These products and services include demand, time, and savings deposits; lending; mortgage banking, brokerage, asset management, and trust services. 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, including banks, thrifts and credit unions, as well as nonfinancial institutions providing financial services. Additionally, the Company and its subsidiary, Centrue Bank, are subject to regulations of certain regulatory agencies and undergo periodic examinations by those regulatory agencies.

## Results of Operations

### Net Income (Loss)

Net income for the three months ended September 30, 2015 equaled $1.1 million or $0.11 per common diluted share as compared to net income of $0.6 million or $(1.41) per common diluted share in the third quarter of 2014. For the first nine months of 2015, the Company had net income of $4.0 million or $3.68 per common diluted share as compared to net income of $1.5 million or $(5.68) per common diluted share for the same period in 2014.

The results for the first nine months of 2015 were positively impacted by a $1.8 million gain on extinguishment of debt, representing the difference between the fair value of the consideration issued in the settlement transaction and the carrying value of the amounts due MB Financial in connection with the settlement of obligations. During the first nine months of 2014, the Company recorded a $2.3 million provision for loan losses offset by a $0.8 million gain on sale of other assets.

### Net Interest Income/ Margin

Net interest income is the difference between income earned on interest-earning assets and the interest expense incurred for the funding sources used to finance these assets. Changes in net interest income generally occur due to fluctuations in the volume of earning assets and paying liabilities and rates earned and paid, respectively, on those assets and liabilities. The net yield on total interest-earning assets, also referred to as net interest margin, represents net interest income divided by average interest-earning assets. Net interest margin measures how efficiently the Company uses its earning assets and underlying capital. The Company’s long-term objective is to manage those assets and liabilities to provide the largest possible amount of income while balancing interest rate, credit, liquidity and capital risks. For purposes of this discussion, both net interest income and margin have been adjusted to a fully tax equivalent basis for certain tax-exempt securities and loans.

Fully tax equivalent net interest income for the third quarter 2015 totaled $6.8 million, representing an increase of $0.7 million or 10.63% compared to $6.1 million for the same period in 2014. This increase in income is primarily due to an increase in interest earning assets and a reduction in the cost of funds.

The net interest margin was 3.34% for the third quarter of 2015, representing an increase of 1 basis point from the 3.33% recorded at the third quarter of 2014. The improvement in the net interest margin is being driven by the addition of new earnings assets, decreasing cost of funds and the reduction in nonperforming loans.

Fully tax equivalent net interest income for the nine months ended September 30, 2015 totaled $19.3 million, representing an increase of $1.1 million or 5.87% compared to $18.2 million earned during the same period in 2014. The net interest margin was 3.42% for the nine months ended September 30, 2015, representing an increase of 11 basis points from 3.31% recorded in the same period of 2014. The increase of net interest income and the net interest margin was driven by the same factors impacting the third quarter.

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AVERAGE BALANCE SHEET
AND ANALYSIS OF NET INTEREST INCOME

| | Three Months Ended September 30, | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2015 | | | 2014 | | | | | |
| | Average Balance | Interest/Income Expense | Average Rate | Average Balance | Interest/Income Expense | Average Rate | Change due to: Volume | Rate | Net |
| ASSETS | | | | | | | | | |
| Interest-earning assets | | | | | | | | | |
| Interest-earning deposits | $2,011 | $ 16 | 3.16 % | $3,534 | $ 27 | 3.03 % | $(9 ) | $(2 ) | $(11 ) |
| Securities | | | | | | | | | |
| Taxable[1] | 196,193 | 794 | 1.61 | 138,243 | 543 | 1.56 | 262 | (11 ) | 251 |
| Exempt from federal income taxes[1][2] | 7,145 | 70 | 3.89 | 6,412 | 94 | 5.82 | 64 | (88 ) | (24 ) |
| Total securities (tax equivalent) | 203,338 | 864 | 1.69 | 144,655 | 637 | 1.75 | 326 | (99 ) | 227 |
| Federal funds sold | 620 | 4 | 2.56 | 5,620 | 11 | 0.78 | (1 ) | (6 ) | (7 ) |
| Loans[3][4][5] | | | | | | | | | |
| Commercial | 104,347 | 1,062 | 4.04 | 87,540 | 920 | 4.17 | 221 | (79 ) | 142 |
| Real estate | 490,627 | 5,368 | 4.34 | 485,036 | 5,341 | 4.37 | 147 | (120 ) | 27 |
| Installment and other | 2,911 | 48 | 6.54 | 2,908 | 48 | 6.55 | 7 | (7 ) | — |
| Gross loans (tax equivalent) | 597,885 | 6,478 | 4.3 | 575,484 | 6,309 | 4.35 | 375 | (206 ) | 169 |
| Total interest-earnings assets | 803,854 | 7,362 | 3.63 | 729,293 | 6,984 | 3.80 | 691 | (313 ) | 378 |
| Noninterest-earning assets | | | | | | | | | |
| Cash and cash equivalents | 46,200 | | | 71,664 | | | | | |
| Premises and equipment, net | 22,341 | | | 22,939 | | | | | |
| Other assets | 47,308 | | | 55,718 | | | | | |
| Total nonearning assets | 115,849 | | | 150,321 | | | | | |
| Total assets | $919,703 | | | $879,614 | | | | | |
| LIABILITIES & STOCKHOLDERS' EQUITY | | | | | | | | | |
| Interest-bearing liabilities | | | | | | | | | |
| NOW accounts | 131,685 | 30 | 0.09 | 130,939 | 35 | 0.11 | 1 | (6 ) | (5 ) |
| Money market accounts | 119,833 | 54 | 0.18 | 124,349 | 61 | 0.19 | (2 ) | (5 ) | (7 ) |
| Savings deposits | 124,089 | 3 | 0.01 | 117,409 | 3 | 0.01 | — | — | — |
| Time deposits | 193,727 | 229 | 0.47 | 241,833 | 399 | 0.65 | (78 ) | (92 ) | (170 ) |
| Federal funds purchased and repurchase | | | | | | | | | |
| Agreements | 18,510 | 13 | 0.28 | 18,398 | 14 | 0.30 | — | (1 ) | (1 ) |
| Advances from FHLB | 75,000 | 138 | 0.73 | 33,913 | 117 | 1.37 | 99 | (78 ) | 21 |
| Notes payable | 20,888 | 132 | 2.51 | 31,138 | 242 | 3.08 | (38 ) | (72 ) | (110 ) |
| Total interest-bearing liabilities | 683,732 | 599 | 0.35 | 697,979 | 871 | 0.50 | (18 ) | (254 ) | (272 ) |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Noninterest-bearing liabilities | | | | | | | | | |
| Noninterest-bearing deposits | 147,363 | | | 135,746 | | | | | |
| Other liabilities | 5,114 | | | 9,471 | | | | | |
| Total noninterest-bearing liabilities | 152,477 | | | 145,217 | | | | | |
| Stockholders' equity | 83,494 | | | 36,418 | | | | | |
| Total liabilities and stockholders' equity | $919,703 | | | $879,614 | | | | | |
| Net interest income (tax equivalent) | | $6,763 | | | $6,113 | | $709 | $(59) | $650 |
| Net interest income (tax equivalent) | | | | | | | | | |
| to total earning assets | | | 3.34 % | | | 3.33 % | | | |
| Interest-bearing liabilities to earning assets | | | 85.06 % | | | 95.71 % | | | |

(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 tax exempt securities and loans are reflected on a tax equivalent basis based upon a statutory federal income tax
rate of 34%.

(3) In 2015 there was $10 in tax equivalent interest included in gross loans and $12 in 2014.

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

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

(6) Average balances are derived from daily balances.

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AVERAGE BALANCE SHEET
AND ANALYSIS OF NET INTEREST INCOME

| | Nine Months Ended September 30, | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2015 | | | 2014 | | | | | |
| | Average Balance | Interest/Income Expense | Average Rate | Average Balance | Interest/Income Expense | Average Rate | Change due to: Volume | Rate | Net |
| ASSETS | | | | | | | | | |
| Interest-earning assets | | | | | | | | | |
| Interest-earning deposits | $2,983 | $ 51 | 2.29 % | $3,490 | $ 66 | 2.53 % | $(2 ) | $(13 ) | $(15 ) |
| Securities | | | | | | | | | |
| Taxable(1) | 168,089 | 2,020 | 1.61 | 145,564 | 1,766 | 1.62 | 291 | (37 ) | 254 |
| Exempt from federal income taxes(1)(2) | 5,905 | 185 | 4.19 | 6,505 | 284 | 5.84 | 67 | (166 ) | (99 ) |
| Total securities (tax equivalent) | 173,994 | 2,205 | 1.69 | 152,069 | 2,050 | 1.80 | 358 | (203 ) | 155 |
| Federal funds sold | 2,543 | 16 | 0.84 | 5,620 | 32 | 0.76 | (16 ) | — | (16 ) |
| Loans(3)(4)(5) | | | | | | | | | |
| Commercial | 101,279 | 3,087 | 4.08 | 94,393 | 2,929 | 4.15 | 274 | (116 ) | 158 |
| Real estate | 471,568 | 15,664 | 4.44 | 477,517 | 15,757 | 4.41 | (73 ) | (20 ) | (93 ) |
| Installment and other | 2,932 | 132 | 6.02 | 2,714 | 125 | 6.16 | 8 | (1 ) | 7 |
| Gross loans (tax equivalent) | 575,779 | 18,883 | 4.38 | 574,624 | 18,811 | 4.38 | 209 | (137 ) | 72 |
| Total interest-earnings assets | 755,299 | 21,155 | 3.74 | 735,803 | 20,959 | 3.81 | 549 | (353 ) | 196 |
| Noninterest-earning assets | | | | | | | | | |
| Cash and cash equivalents | 46,262 | | | 61,487 | | | | | |
| Premises and equipment, net | 22,446 | | | 23,018 | | | | | |
| Other assets | 48,528 | | | 56,834 | | | | | |
| Total nonearning assets | 117,236 | | | 141,339 | | | | | |
| Total assets | $872,535 | | | $877,142 | | | | | |
| LIABILITIES & STOCKHOLDERS' EQUITY | | | | | | | | | |
| Interest-bearing liabilities | | | | | | | | | |
| NOW accounts | 118,842 | 67 | 0.08 | 117,505 | 75 | 0.09 | 4 | (12 ) | (8 ) |
| Money market accounts | 119,721 | 159 | 0.18 | 122,584 | 178 | 0.19 | 1 | (20 ) | (19 ) |
| Savings deposits | 122,587 | 10 | 0.01 | 118,267 | 9 | 0.01 | — | 1 | 1 |
| Time deposits | 197,760 | 704 | 0.48 | 256,457 | 1,375 | 0.72 | (239 ) | (432 ) | (671 ) |
| Federal funds purchased and repurchase | | | | | | | | | |
| Agreements | 17,856 | 37 | 0.28 | 17,515 | 39 | 0.30 | 2 | (4 ) | (2 ) |
| Advances from FHLB | 49,737 | 368 | 0.99 | 28,407 | 340 | 1.60 | 238 | (210 ) | 28 |
| Notes payable | 24,230 | 509 | 2.81 | 31,138 | 713 | 3.06 | (160 ) | (44 ) | (204 ) |
| Total interest-bearing liabilities | 650,733 | 1,854 | 0.38 | 691,873 | 2,729 | 0.53 | (154 ) | (721 ) | (875 ) |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Noninterest-bearing liabilities | | | | | | | | | |
| Noninterest-bearing deposits | 148,838 | | | 139,395 | | | | | |
| Other liabilities | 6,804 | | | 9,673 | | | | | |
| Total noninterest-bearing liabilities | 155,642 | | | 149,068 | | | | | |
| Stockholders' equity | 66,160 | | | 36,201 | | | | | |
| Total liabilities and stockholders' equity | $872,535 | | | 877,142 | | | | | |
| Net interest income (tax equivalent) | | $19,301 | | | $18,230 | | $(2,023) | $(247) | $(2,270) |
| Net interest income (tax equivalent) | | | | | | | | | |
| to total earning assets | | | 3.42 % | | | 3.31 % | | | |
| Interest-bearing liabilities to earning assets | | | 86.16 % | | | 94.03 % | | | |

(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 tax exempt securities and loans are reflected on a tax equivalent basis based upon a statutory federal income tax rate of 34%.

(3) In 2015 there was $46 in tax equivalent interest included in gross loans and $44 in 2014.

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

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

(6) Average balances are derived from daily balances.

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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.

There was no provision for loan losses for the third quarter 2015 compared to $0.7 million for the third quarter 2014. As for the first nine months of 2015, the Company did not record a provision for loans losses in comparison to $2.3 million for the first nine months of 2014. The lack of need for a provision charge during the period was driven by the following factors:

- No material migrations of performing loans to nonperforming status from year-end 2014 to September 30, 2015;
- Charge-offs during the period were offset by recoveries, resulting in net recoveries for the first nine months;
- Asset quality significantly improved from the prior year as a result of bulk asset sale and successful troubled loan workout strategies;
- Continued stabilization of collateral values.

Management continues to update collateral values and evaluate the level of specific allocations for impaired loans. As impaired loans have moved through the liquidation process, many of the previously established specific allocations have been charged off.

Noninterest Income

Noninterest income consists of a wide variety of fee-based revenues, including bank-related service charges on deposits, mortgage revenues and increases in cash surrender value on bank-owned life insurance. Noninterest income totaled $3.2 million for the three months ended September 30, 2015, compared to $3.2 million for the same period in 2014. Excluding gains related to the sale of OREO, securities and other irregularly occurring income, noninterest income decreased by $0.1 million or 3.9%. This $0.1 million decrease was primarily due to a decline in service charge income and mortgage banking income.

For the nine months ended September 30, 2015, noninterest income was flat at $9.8 million in comparison to the same time period in 2014. Excluding the above referenced irregularly occurring items, the 2015 period saw a decrease of $0.5 million or 6.5% in noninterest income compared to the same period in 2014.

Noninterest Expense

Noninterest expense is comprised primarily of compensation and employee benefits, occupancy and other operating expense. Total noninterest expense for the third quarter of 2015 was $8.8 million, compared to $8.0 million recorded during the same period in 2014. Excluding OREO valuation adjustments and other irregularly occurring items from both periods, noninterest expense levels increased by $0.2 million, or 2.6%. This $0.2 million increase was largely recognized in the salary and benefits category but was offset by a substantial decrease in the FDIC insurance costs.

For the nine month period ended September 30, 2015, noninterest income was $25.0 million, compared to $24.2 million during the same period in the prior year. Excluding OREO valuation adjustments and other irregularly occurring items, noninterest expense increased by $0.5 million or 2.2% . The primary reason for this $0.5 million increase was attributed to the same reasons as stated above.

Applicable Income Taxes

The Company recorded an immaterial tax expense for the nine months ended September 30, 2015 despite having a full valuation allowance on its deferred tax assets. This was due to estimated Alternative Minimum Tax due on taxable income that could not be offset with net operating loss carry-forwards or credits per IRS guidelines. Excluding this expense, no tax expense or benefit was recorded for the nine months ended September 30, 2015 and for the same period in 2014.

## Financial Condition

### General

Following are highlights of the September 30, 2015 balance sheet when compared to December 31, 2014:

Securities. The primary strategic objective of the Company’s $206.4 million securities - available-for-sale from September 30, 2015, which excludes restricted securities, is to minimize interest rate risk, maintain sufficient liquidity, and maximize return. In managing the securities portfolio, the Company minimizes any credit risk and avoids investments in sophisticated and complex investment products. The portfolio includes several callable agency debentures, adjustable rate mortgage pass-throughs, municipal bonds and collateralized mortgage obligations. Collateralized mortgage obligations currently owned are guaranteed by Fannie Mae, Freddie Mac or Ginnie Mae. The Company does not have any securities classified as trading or held-to-maturity.

The Company’s financial planning anticipates income streams generated by the securities portfolio based on normal maturity and reinvestment. Securities classified as available-for-sale, carried at fair value, were $206.4 million at September 30, 2015 compared to $135.4 million at December 31, 2014. The Company also holds Federal Reserve Board and Federal Home Loan Bank stock which are classified as restricted securities of $8.3 million at September 30, 2015 and $6.1 million at December 31, 2014.

Loans. Total loans, including loans held for sale, equaled $612.1 million, representing an increase of $58.5 million, or 10.57% from December 31, 2014. The net increase from year-end 2014 was related to a combination of new loan growth and normal seasonal line draws. Competition for new commercial loan opportunities and loan renewals continues to be strong and pressures loan yields.

Deposits. Total deposits equaled $709.5 million at September 30, 2015 compared to $698.8 million recorded at December 31, 2014. The September 30, 2015 deposit balance represents an increase of $10.7 million or 1.53% from December 31, 2014. The net increase from year-end 2014 was largely related to initiatives aimed at deepening deposit relationships with loan customers and a general increase in deposits from existing account holders as noncore and brokered time deposits matured and were not replaced.

### Nonperforming Assets

The Company's financial statements are prepared on the accrual basis of accounting, including the recognition of interest income on its loan portfolio, unless a loan is placed on nonaccrual status. Loans are placed on nonaccrual status when there are serious doubts regarding the collectibility of all principal and interest due under the terms of the loans. If a loan is placed on nonaccrual status, the loan does not generate current period income for the Company and any amounts received are generally applied first to principal and then to interest. It is the policy of the Company not to renegotiate the terms of a loan because of a delinquent status. Rather, a loan is generally transferred to nonaccrual status if it is not in the process of collection and is delinquent in payment of either principal or interest beyond 90 days.

The classification of a loan as nonaccrual does not necessarily indicate that the principal is uncollectible, in whole or in part. The Bank makes a determination as to collectibility on a case-by-case basis and considers both the adequacy of the collateral and the other resources of the borrower in determining the steps to be taken to collect nonaccrual loans. The final determination as to the steps taken is made based upon the specific facts of each situation. Alternatives that are typically considered to collect nonaccrual loans are foreclosure, collection under guarantees, loan restructuring, or judicial collection actions.

Each of the Company's commercial loans is assigned a rating based upon an internally developed grading system. A separate credit administration department also reviews grade assignments on a quarterly basis. Management continuously monitors nonperforming, impaired, and past due loans in an effort to prevent further deterioration of these loans. The Company uses an independent third-party for loan review of new and existing loans.

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The following table sets forth a summary nonperforming assets:

| | September 30, 2015 | | December 31, 2014 | |
|---|---|---|---|---|
| Nonaccrual loans (including TDRs) | $6,010 | | $7,749 | |
| TDRs still accruing interest | 25 | | — | |
| Loans 90 days past due and still accruing interest | — | | — | |
| Total nonperforming loans | $6,035 | | $7,749 | |
| Other real estate owned | 9,755 | | 10,256 | |
| Total nonperforming assets | $15,790 | | $18,005 | |
| | | | | |
| Nonperforming loans to total end of period loans | 0.99 | % | 1.40 | % |
| Nonperforming assets to total end of period loans | 2.58 | | 3.25 | |
| Nonperforming assets to total end of period assets | 1.67 | | 2.20 | |

The Company’s level of nonperforming assets has declined significantly over the past two years mainly due to the sale of $35.2 million of troubled assets through the bulk asset sale completed on December 5, 2014 which included the sale of $9.5 million in nonaccrual loans and $7.7 million in OREO. Total nonperforming assets declined $2.2 million to $15.8 million, or 1.67% of total assets, at September 30, 2015 from $18.0 million at December 31, 2014. Total nonperforming assets included $0.03 million in accruing troubled debt restructures, $9.8 million of foreclosed assets and repossessed real estate, and $6.0 million of nonaccrual loans compared to $10.3 million of foreclosed assets and $7.7 million of nonaccrual loans at December 31, 2014.

Nonperforming Loans

Nonperforming loans (nonaccrual, 90 days past due and troubled debt restructures) decreased $1.7 million from December 31, 2014 to September 30, 2015, largely due to successful workout asset sale strategies.

The level of nonperforming loans to end of period loans was 0.99% as of September 30, 2015 as compared to 1.40% as of December 31, 2014. As a result of the decrease in the nonperforming loans, the allowance to nonperforming loan coverage ratio increased to 139.24% for the period ended September 30, 2015 from 102.99% for the year ended December 31, 2014.

Other Potential Problem Loans

The Company has other potential problem loans that are currently performing, but where some concerns exist regarding the nature of the borrowers’ projects in our current economic environment. As of September 30, 2015, management identified $0.1 million of loans that are currently performing but due to the economic environment facing these borrowers were classified by management as impaired. Impaired loans that are performing account for 1.51% of the loans deemed impaired during 2015. Excluding nonperforming loans and loans that management has classified as impaired, there are other potential problem loans that totaled $10.4 million at September 30, 2015 as compared to $8.5 million at December 31, 2014. The classification of these loans, however, does not imply that management expects losses on each of these loans, but believes that a higher level of scrutiny and closer monitoring is prudent under the circumstances. Such classifications relate to specific concerns for each individual borrower and do not relate to any concentration risk common to all loans in this group.

The Company proactively reviews loans for potential impairment regardless of the payment or performance status. This approach results in some relationships being classified as impaired but still performing.

Allowance for Loan Losses

At September 30, 2015, the allowance for loan losses was $8.4 million, or 1.37% of total loans, as compared to $8.0 million, or 1.44% of total loans, at December 31, 2014. The Company recorded no provision to the allowance for loan losses for the nine months ended September 30, 2015 largely due to net recoveries of $0.4 million, a decrease in levels of nonperforming loans, and stabilizing collateral values on troubled loans. Management believes we are recognizing losses in our portfolio through provisions and charge-offs as credit developments warrant.

Liquidity

The Company manages its liquidity position with the objective of maintaining sufficient funds to respond to the needs of depositors and borrowers and to take advantage of earnings enhancement opportunities. In addition to the normal inflow of funds from core-deposit growth together with repayments and maturities of loans and investments, the Company utilizes other short-term funding sources such as brokered time deposits, securities sold under agreements to repurchase, overnight federal funds purchased from correspondent banks and the acceptance of short-term deposits from public entities, and Federal Home Loan Bank advances.

The Company monitors and manages its liquidity position on several bases, which vary depending upon the time period. As the time period is expanded, other data is factored in, including estimated loan funding requirements, estimated loan payoffs, investment portfolio maturities or calls, and anticipated depository buildups or runoffs.

The Company classifies all of its securities as available-for-sale, thereby maintaining significant liquidity. The Company’s liquidity position is further enhanced by structuring its loan portfolio interest payments as monthly and by the significant representation of retail credit and residential mortgage loans in the Company’s loan portfolio, resulting in a steady stream of loan repayments. In managing its investment portfolio, the Company provides for staggered maturities so that cash flows are provided as such investments mature.

The Company’s cash flows are comprised of three classifications: cash flows from operating activities, cash flows from investing activities, and cash flows from financing activities. Cash flows provided by financing activities offset by cash flows used in operating activities and investing activities resulted in a net decrease in cash and cash equivalents of $3.5 million from December 31, 2014 to September 30, 2015.

For the period ended September 30, 2015, the Company experienced a positive net cash flow of $129.0 million in financing activities primarily due to the net proceeds received from the issuance of common stock as part of the March 31, 2015 recapitalization and a net increase of $76.5 million in borrowings. In contrast, net cash outflows of $136.4 million were used by investing activities due to the purchase of available for sale securities and an overall increase in net loans. Net cash provided by operating activities was $3.9 million.

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Contractual Obligations, Commitments, Contingencies, and Off-Balance Sheet Financial Instruments
The Company has entered into contractual obligations and commitments and off-balance sheet financial instruments. The following tables summarize the Company’s contractual cash obligations and other commitments and off balance sheet instruments as of September 30, 2015:

| | Payments Due by Period | | | | |
|---|---|---|---|---|---|
| | Within 1 Year | 1-3 Years | 4-5 Years | After 5 Years | Total |
| Contractual Obligations | | | | | |
| Certificates of deposit | $145,722 | $44,325 | $6,482 | $— | $196,529 |
| Operating leases | 276 | 101 | — | — | 377 |
| Series B mandatory redeemable preferred stock | — | 268 | — | — | 268 |
| Subordinated debentures | — | — | — | 20,620 | 20,620 |
| FHLB advances | 100,000 | 5,000 | — | — | 105,000 |
| Total contractual cash obligations | $245,998 | $49,694 | $6,482 | $20,620 | $322,794 |

Some financial instruments, such as loan commitments, credit lines, letters of credit, and overdraft protection, are issued to meet customer financing needs. These are agreements to provide credit or to support the credit of others, as long as conditions established in the contract are met, and usually have expiration dates. Commitments may expire without being used. Off-balance sheet risk to credit loss exists up to the face amount of these instruments, although material losses are not anticipated. The same credit policies are used to make such commitments as are used for loans, often including obtaining collateral at exercise of the commitment. At September 30, 2015, the Company had $133.0 million in outstanding loan commitments including outstanding commitments for various lines of credit and $2.6 million of standby letters of credit.

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

Capital Resources

Stockholders' Equity

Stockholders' equity at September 30, 2015 was $83.7 million, an increase of $53.4 million from $30.3 million at December 31, 2014. The change in stockholders’ equity during 2015 was largely the result of a recapitalization through the issuance of 6.3 million shares of Centrue common stock with aggregate gross proceeds of $76.0 million and net proceeds of $69.0 million after issuance costs.

Capital Measurements

As reflected in the following table, the Bank was considered “well-capitalized” under regulatory defined capital ratios as of September 30, 2015. See Note 10 to the Unaudited Consolidated Financial Statements for additional disclosure on the capital threshold levels:

| | Actual | | To Be Adequately Capitalized | | To Be Well Capitalized Under Prompt Corrective Action Provisions | |
|---|---|---|---|---|---|---|
| | Amount | Ratio | Amount | Ratio | Amount | Ratio |
| As of September 30, 2015 | | | | | | |
| Total capital (to risk-weighted assets) | | | | | | |
| Centrue Financial | $113,922 | 15.7 % | $58,027 | 8.0 % | N/A | N/A |
| Centrue Bank | 112,249 | 15.5 | 57,929 | 8.0 | 72,411 | 10.0 |
| Common equity tier I (to risk-weighted assets) | | | | | | |
| Centrue Financial | $82,883 | 11.4 | $32,640 | 4.5 | N/A | N/A |
| Centrue Bank | 103,846 | 14.3 | 32,585 | 4.5 | 47,067 | 6.5 |
| Tier I capital (to risk-weighted assets) | | | | | | |
| Centrue Financial | $105,519 | 14.6 | $43,521 | 6.0 | N/A | N/A |
| Centrue Bank | 103,846 | 14.3 | 43,447 | 6.0 | 57,929 | 8.0 |
| Tier I leverage ratio (to average assets) | | | | | | |
| Centrue Financial | $105,519 | 11.5 | $41,334 | 4.5 | N/A | N/A |
| Centrue Bank | 103,846 | 11.3 | 41,305 | 4.5 | 45,894 | 5.0 |

Recent Accounting Developments

See Note 1 to the Unaudited Consolidated Financial Statements for information concerning recent accounting developments.

Safe Harbor Statement Under the Private Securities Litigation Reform Act of 1995

This report contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Act of 1934 as amended. The Company intends such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 and is including this statement for purposes of these safe harbor provisions. Forward-looking statements, which are based on certain assumptions and describe future plans, strategies, and expectations of the Company, are generally identified by the use of words such as "believe," "expect," "intend," "anticipate," "estimate," "project," “planned” or “potential” or similar expressions.

In connection with the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, the Company is hereby identifying important factors that could effect the Company’s financial performance and could cause the Company’s actual results for future periods to differ materially from any opinions or statements expressed with respect to future periods in any forward-looking statements.

Among the factors that could have an impact on the Company's ability to achieve operating results and the growth plan goals are as follows:

- management's ability to reduce and effectively manage interest rate risk and the impact of interest rates in general on the volatility of the Company's net interest income;
- fluctuations in the value of the Company's investment securities;
- the Company's ability to ultimately collect on any downgraded loan relationships;

- the Company’s ability to respond and adapt to economic conditions in our geographic market;
- the Company’s ability to adapt successfully to technological changes to compete effectively in the marketplace;
- credit risks and risks from concentrations (by geographic area and by industry) within the Company’s loan portfolio and individual large loans;
- volatility of rate sensitive deposits;
- operational risks, including data processing system failures or fraud;
- asset/liability matching risks and liquidity risks;
- the ability to successfully acquire low cost deposits or funding;
- the ability to successfully execute strategies to increase noninterest income;
- the ability to successfully grow non-commercial real estate loans;
- the ability of the Company to continue to realize cost savings and revenue generation opportunities in connection with the synergies of centralizing operations;
- the ability to adopt and implement new regulatory requirements as dictated by the SEC, FASB or other rule-making bodies which govern our industry;
- changes in the general economic or industry conditions, nationally or in the communities in which the Company conducts business;
- the Company’s ability to raise additional capital, if available, to sustain growth or operating results;
- the Company’s ability to dispose of other real estate owned (“OREO”) at reasonable values;
- the Company's reliance on third parties for information such as appraisal values, credit scores, and IT capabilities.

(TABLE AMOUNTS IN THOUSANDS, EXCEPT SHARE DATA)

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Sensitivity Management

The Company performs a net interest income analysis as part of its asset/liability management practices. The net interest income analysis measures the change in net interest income in the event of hypothetical changes in interest rates. This analysis assesses the risk of changes in net interest income in the event of a sudden and sustained 100, 200 and 300 basis point increase in market interest rates or a 100 basis point decrease in market rates. The interest rates scenarios are used for analytical purposes and do not necessarily represent management’s view of future market movements. The tables below present the Company's projected changes in net interest income for the various rate shock levels at September 30, 2015 and December 31, 2014, respectively:

| | Change in Net Interest Income Over One Year Horizon | | | |
|---|---|---|---|---|
| | September 30, 2015 | | December 31, 2014 | |
| | Change | | Change | |
| | $ | % | $ | % |
| +300 bp | $62 | 0.23 % | $1,561 | 6.53 % |
| +200 bp | 17 | 0.06 | 978 | 4.09 |
| +100 bp | 52 | 0.19 | 499 | 2.09 |
| Base | — | — | — | — |
| - 100 bp | (923 ) | (3.43 ) | (1,091 ) | (4.56 ) |

As shown above, the effect of an immediate 200 basis point increase in interest rates as of September 30, 2015 would increase the Company’s net interest income by $0.02 million or 0.1%. The effect of an immediate 100 basis point decrease in rates would decrease the Company’s net interest income by $(0.9) million or (3.4)%.

## Item 4. Controls and Procedures

As of the end of the period covered by this report, the Company carried out an evaluation under the supervision and with the participation of the Company’s management, including the Company’s Chief Executive Officer and Chief Financial Officer, of the Company’s disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Securities and Exchange Act of 1934, as amended). Based on this evaluation, the Company’s Chief Executive Officer and Chief Financial Officer concluded that the Company’s disclosure controls and procedures were effective in timely alerting them to material information relating to the Company required to be included in the Company’s periodic filings with the Securities and Exchange Commission. It should be noted that in designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. The Company has designed its disclosure controls and procedures to reach a level of reasonable assurance of achieving the desired control objectives and, based on the evaluation described above, the Company’s Chief Executive Officer and Chief Financial Officer concluded that the Company’s disclosure controls and procedures were effective at reaching that level of reasonable assurance.

There was no change in the Company’s internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended) during the Company’s most recently completed fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting.

## PART II - OTHER INFORMATION

### Item 1. Legal Proceedings

In the normal course of business the Company may be involved in various legal proceedings from time to time. The Company does not believe it is currently involved in any claim or action the ultimate disposition of which would have a material adverse affect on the Company's financial statements.

### Item 1A. Risk Factors

The Company did not experience any material changes in the Risk Factors during the Company's most recently completed fiscal quarter. For specific information about the risks facing the Company refer to the Company's registration statement filed with the SEC on October 15, 2015.

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

None.

### Item 3. Defaults Upon Senior Securities

None.

### Item 4. Mine Safety Disclosures

None.

### Item 5. Other Information

None.

### Item 6. Exhibits

Exhibits:

| | |
|---|---|
| 31.1 | Certification of Kurt R. Stevenson, President and Chief Executive Officer, required by Rule 13a - 14(a). |
| 31.2 | Certification of Daniel R. Kadolph, Executive Vice President and Chief Financial Officer required by Rule 13a - 14(a). |
| 32.1 | Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, from the Company's President and Chief Executive Officer. |
| 32.2 | Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, from the Company's Executive Vice President and Chief Financial Officer. |
| 101 | Interactive data files pursuant to Rule 405 of Regulation S-T: (i) Consolidated Balance Sheets as of September 30, 2015 and December 31, 2014; (ii) Consolidated Statements of Operations for the three and nine months ended September 30, 2015 and September 30, 2014; (iii) Consolidated Statements of Comprehensive Income for the three and nine months ended September 30, 2015 and September 30, 2014; (iv) Consolidated Statements of Cash Flows for the nine months ended September 30, 2015 and September 30, 2014; and (v) Notes to Unaudited Consolidated Financial Statements. |

SIGNATURES

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

| | | |
|---|---|---|
| | CENTRUE FINANCIAL CORPORATION | |
| Date: November 13, 2015 | By: | /s/ Kurt R. Stevenson<br>Kurt R. Stevenson<br>President and Chief Executive Officer |
| | CENTRUE FINANCIAL CORPORATION | |
| Date: November 13, 2015 | By: | /s/ Daniel R. Kadolph<br>Daniel R. Kadolph<br>Executive Vice President and Chief Financial Officer |

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