UNIONBANCORP INC
Form S-4/A
October 03, 2006

As filed with the Securities and Exchange Commission on October 3, 2006

Registration No. 333-137013

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Pre-Effective Amendment
No. 1 To
Form S-4
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933
UNIONBANCORP, INC.
(Exact name of registrant as specified in its charter)
6022
(Primary Standard Industrial Classification Code Number)

Delaware	**36-3145350**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*

122 West Madison Street, Ottawa, Illinois 61350, (815) 431-2720
(Address, including zip code and telephone number, including area code, of registrant s principal executive offices)
Scott A. Yeoman, President and Chief Executive Officer
UnionBancorp, Inc.
122 West Madison Street
Ottawa, Illinois 61350
(815) 431-2720
(name, address, including zip code, and telephone number, including area code, of agent for service)
With copies to:

Theodore L. Eissfeldt, Esq. **Joseph B. Hemker, Esq.** **Timothy E. Kraepel, Esq.** **Howard & Howard Attorneys PC** **One Technology Plaza, Suite 600** **211 Fulton Street** **Peoria, Illinois 61602-1350** **Phone: (309) 672-1483** **Fax: (309) 672-1568**	**John E. Freechack, Esq.** **Karyn L. Doerfler, Esq.** **Barack Ferrazzano Kirschbaum Perlman & Nagelberg LLP** **333 West Wacker Drive, Suite 2700** **Chicago, Illinois 60606** **Phone: (312) 984-3100** **Fax: (312) 984-3150**

Approximate date of commencement of proposed sale of securities to the public: As soon as practicable after this Registration Statement becomes effective and all other conditions to the proposed merger described herein have been satisfied or waived.

If the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. o

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o ____________

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o ____________

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered(1)	Proposed Maximum Offering Price Per Share(2)	Proposed Maximum Aggregate Offering Price(2)	Amount of Registration Fee
Common stock, $1.00 par value	2,698,655 shares	$23.60	$53,073,544	$5,679

(1) Represents the estimated maximum number of shares to be issued pursuant to the agreement and plan of merger dated as of June 30, 2006, between UnionBancorp, Inc., a Delaware corporation, and Centrue Financial Corporation, a Delaware corporation.

(2) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(f) of Regulation C under the Securities Act of 1933, as amended.

(3) The registration fee was previously paid to the Commission.

DELAYING AMENDMENT: The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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Proxy Statement for the Special Meeting of Stockholders of UnionBancorp, Inc.	**Proxy Statement for the Special Meeting of Stockholders of Centrue Financial Corporation**

Prospectus of UnionBancorp, Inc. In Connection With an Offering of Up to 2,698,655 Shares of its Common Stock

Merger Proposed Your Vote is Very Important

The boards of directors of UnionBancorp, Inc. and Centrue Financial Corporation have approved a merger agreement that would result in a tax-free merger of UnionBancorp with Centrue Financial, with the combined entity adopting the name Centrue Financial Corporation.

In the transaction, Centrue Financial stockholders will be entitled to receive 1.2 shares of UnionBancorp common stock for each share of Centrue Financial common stock they own. As a result of the fixed exchange ratio, the value of the stock consideration that Centrue Financial stockholders will receive in the merger will fluctuate as the price of UnionBancorp common stock changes. We encourage you to read this document carefully and, if you are a Centrue Financial stockholder, to obtain current market price quotations for UnionBancorp common stock.

UnionBancorp common stock is traded on the NASDAQ Global Market under the symbol UBCD. The closing price of UnionBancorp common stock on September 26, 2006, was $19.31.

To complete this merger we must obtain the necessary government approvals and the approvals of a majority of the stockholders of each of our companies. Each of us will hold a special meeting of our stockholders to vote on this merger proposal. **Your vote is very important.** Whether or not you plan to attend your stockholder meeting, please take the time to vote by completing and mailing the enclosed proxy card to us. If you date and mail your proxy card without indicating how you want to vote, your proxy will be counted as a vote **FOR** the merger. If you do not return your card, or if you do not instruct your broker how to vote any shares held for you in your broker s name, the effect will be a vote against this merger.

The dates, times and places of the meetings are as follows:

For UnionBancorp stockholders:	**For Centrue Financial stockholders:**
Offices of McDonnell	Offices of McDonnell
Investment Management, LLC	Investment Management, LLC
1515 West 22nd Street,	1515 West 22nd Street,
11th Floor	11th Floor
Oak Brook, Illinois	Oak Brook, Illinois
November 9, 2006,	November 9, 2006,
9:00 a.m., local time	10:00 a.m., local time

This joint proxy statement-prospectus gives you detailed information about the merger we are proposing, and it includes our merger agreement as an appendix. You can also obtain information about our companies from publicly available documents we have filed with the Securities and Exchange Commission. We encourage you to read this entire document carefully.

For a description of the significant considerations in connection with the merger and related matters described in this document, *see* Risk Factors beginning on page 21.

We enthusiastically support this combination and join with the other members of our boards of directors in recommending that you vote in favor of the merger.

Scott A Yeoman	Thomas A. Daiber
President and Chief Executive Officer	President and Chief Executive Officer
UnionBancorp, Inc.	Centrue Financial Corporation

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the securities to be issued under this joint proxy statement-prospectus or determined if this joint proxy statement-prospectus is accurate or adequate. Any representation to the contrary is a criminal offense.

The securities we are offering through this document are not savings or deposit accounts or other obligations of any bank or non-bank subsidiary of either of our companies, and they are not insured by the Federal Deposit Insurance Corporation, the Bank Insurance Fund or any other governmental agency.

Joint proxy statement-prospectus dated October 3, 2006,
and first mailed to stockholders on October 10, 2006

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UnionBancorp, Inc.
122 West Madison Street
Ottawa, Illinois 61350
NOTICE OF SPECIAL MEETING OF STOCKHOLDERS
To Be Held On November 9, 2006

A special meeting of the stockholders of UnionBancorp, Inc., a Delaware corporation, will be held at the offices of McDonnell Investment Management, LLC, 1515 West 22nd Street, 11th Floor, Oak Brook, Illinois, on November 9, 2006, 9:00 a.m., local time, for the following purposes:

1. To consider and vote upon a proposal to adopt the Agreement and Plan of Merger dated as of June 30, 2006, between UnionBancorp, Inc., a Delaware corporation, and Centrue Financial Corporation, a Delaware corporation, and approve the transactions it contemplates, including the merger of Centrue Financial with UnionBancorp and the adoption of an amended and restated certificate of incorporation attached as Exhibit A to the merger agreement.

2. To transact such other business as may properly be brought before the special meeting, or any adjournments or postponements of the special meeting.

The close of business on September 22, 2006, has been fixed as the record date for determining those stockholders entitled to vote at the special meeting and any adjournments or postponements of the special meeting. Accordingly, only stockholders of record on that date are entitled to notice of, and to vote at, the special meeting and any adjournments or postponements of the special meeting.

By Order of the Board of Directors,

Scott A. Yeoman
President and Chief Executive Officer

October 10, 2006

YOUR VOTE IS VERY IMPORTANT

Whether or not you plan to attend the special meeting in person, please take the time to vote by completing and mailing the enclosed proxy card in the enclosed postage-paid envelope. If you attend the special meeting, you may still vote in person if you wish, even if you have previously returned your proxy card.

Your board of directors unanimously recommends that you vote FOR adoption of the merger agreement and approval of the transactions it contemplates.

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Centrue Financial Corporation
303 Fountains Parkway
Fairview Heights, Illinois 60208

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

To Be Held On November 9, 2006

A special meeting of the stockholders of Centrue Financial Corporation, a Delaware corporation, will be held at the offices of McDonnell Investment Management, LLC, 1515 West 22nd Street, 11th Floor, Oak Brook, Illinois, on November 9, 2006, 10:00 a.m., local time, for the following purposes:

1. To consider and vote upon a proposal to adopt the Agreement and Plan of Merger dated as of June 30, 2006, between UnionBancorp, Inc., a Delaware corporation, and Centrue Financial Corporation, a Delaware corporation, and approve the transactions it contemplates, including the merger of Centrue Financial with UnionBancorp.

2. To transact such other business as may properly be brought before the special meeting, or any adjournments or postponements of the special meeting.

The close of business on September 22, 2006, has been fixed as the record date for determining those stockholders entitled to vote at the special meeting and any adjournments or postponements of the special meeting. Accordingly, only stockholders of record on that date are entitled to notice of, and to vote at, the special meeting and any adjournments or postponements of the special meeting.

By Order of the Board of Directors,

Thomas A. Daiber
President and Chief Executive Officer

October 10, 2006

YOUR VOTE IS VERY IMPORTANT

Whether or not you plan to attend the special meeting in person, please take the time to vote by completing and mailing the enclosed proxy card in the enclosed postage-paid envelope. If you attend the special meeting, you may still vote in person if you wish, even if you have previously returned your proxy card.

Your board of directors unanimously recommends that you vote FOR adoption of the merger agreement and approval of the transactions it contemplates.

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HOW TO OBTAIN ADDITIONAL INFORMATION

This joint proxy statement-prospectus incorporates business and financial information about UnionBancorp and Centrue Financial that is not included in or delivered with this document. This information is described on page 164 under Where You Can Find More Information. You can obtain free copies of this information by writing or calling:

UnionBancorp, Inc.
122 West Madison Street
Ottawa, Illinois 61350
Attention: Suzanne Fechter, Secretary
Telephone: (815) 431-2815

Centrue Financial Corporation
303 Fountains Parkway
Fairview Heights, Illinois 60208
Attention: Thomas A. Daiber, Acting Secretary
Telephone: (618) 624-1323

To obtain timely delivery of the documents, you must request the information by November 2, 2006.

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QUESTIONS AND ANSWERS ABOUT THE MERGER

Q: What am I being asked to vote on?

A: UnionBancorp stockholders and Centrue Financial stockholders are being asked to adopt a merger agreement that will result in the merger of Centrue Financial with and into UnionBancorp and to approve that merger. By approving the merger, UnionBancorp stockholders will also be approving the adoption of an amended and restated certificate of incorporation attached as Exhibit A to the merger agreement.

Q: Why do UnionBancorp and Centrue Financial want to merge?

A: UnionBancorp and Centrue Financial believe that the proposed merger will provide each of its stockholders with substantial benefits and will further each of the companies strategic growth plans. As a larger company, the combined entity can provide the capital and resources that the company s combined subsidiary bank needs to compete effectively and to offer a broader array of products and services to better serve its banking customers.

Q: What will happen to Centrue Financial and UnionBancorp as a result of the Merger?

A. If the merger is completed, Centrue Financial will merge with and into UnionBancorp with UnionBancorp being the surviving entity in the merger. The combined entity will operate under the name Centrue Financial Corporation and its shares will be traded on the NASDAQ Global Market under the symbol TRUE.

Q: What will I receive for my shares of Centrue?

A: Stockholders of Centrue Financial will be entitled to receive 1.2 shares of UnionBancorp common stock for each share of Centrue Financial common stock that you own at the effective time of the merger. Fractional shares will not be issued in the merger. Instead of fractional shares, Centrue Financial stockholders will receive cash in an amount determined as described in this joint proxy statement-prospectus.

Q: What will happen to my shares of UnionBancorp?

A: All shares of UnionBancorp will remain outstanding.

Q: Will the value of the merger consideration fluctuate?

A: Yes. Because the exchange ratio of 1.2 shares of UnionBancorp common stock per share of Centrue Financial common stock is fixed, the value of the stock consideration will fluctuate as the price of UnionBancorp common stock changes. You should obtain current market price quotations for UnionBancorp common stock to determine the current value of the stock consideration.

Q: How do I exchange my Centrue Financial stock certificates?

A: If the merger is approved and consummated, after the merger is effective, the exchange agent, Computershare Shareholder Services, Inc., will send to you a letter of transmittal, which will include instructions on where to surrender your stock certificates for exchange.

Q: What do the UnionBancorp board of directors and the Centrue Financial board of directors recommend?

A:

Each of the boards of directors of UnionBancorp and Centrue Financial recommend and encourage their respective stockholders to vote **FOR** approval of the merger agreement and the transactions it contemplates.

Q: Who must approve the proposals at the special meeting?

A: Holders of a majority of the outstanding voting shares of each of Centrue Financial and UnionBancorp as of their respective record dates must adopt the merger agreement and approve the transactions it contemplates.

Q: **When and where will the special meetings take place?**

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A: The UnionBancorp special meeting will be held on November 9, 2006, at 9:00 a.m., local time, at the offices of McDonnell Investment Management, LLC, 1515 West 22nd Street, 11th Floor, Oak Brook, Illinois.

The Centrue Financial special meeting will be held on November 9, 2006, at 10:00 a.m., local time, at the offices of McDonnell Investment Management, LLC, 1515 West 22nd Street, 11th Floor, Oak Brook, Illinois.

Q. Who can vote at the special meetings?

A. You can vote at the UnionBancorp special meeting if you owned shares of UnionBancorp common stock at the close of business on September 22, 2006, the record date for the UnionBancorp special meeting.

You can vote at the Centrue Financial special meeting if you owned shares of Centrue Financial common stock at the close of business on September 22, 2006, the record date for the Centrue Financial special meeting.

Q: What do I need to do now?

A: After reviewing this document, submit your proxy by sending a completed proxy card. By submitting your proxy, you authorize the individuals named in it to represent you and vote your shares at the special meeting in accordance with your instructions.

Your proxy vote is important. Whether or not you plan to attend the special meeting, please submit your proxy promptly in the enclosed envelope.

Q: If my shares are held in street name by my broker, will my broker vote my shares for me?

A: Your broker will vote your shares only if you instruct your broker on how to vote. Your broker will send you directions on how to do this.

Q: How will my shares be voted if I return a blank proxy card?

A: If you sign and date your proxy card but do not indicate how you want to vote, your proxies will be counted as a vote **FOR** the proposals identified in this document and in the discretion of the persons named as proxies in any other matters properly presented at the special meeting.

Q: What will be the effect if I do not vote?

A: Your failure to vote will have the same effect **as if you voted against** approval of the merger agreement and the transactions it contemplates.

Q: Can I vote my shares in person?

A: Yes, if your shares are registered in your own name, you may attend the special meeting and vote your shares in person. However, we recommend that you sign, date and promptly mail the enclosed proxy card.

Q: Can I change my mind and revoke my proxy?

A: Yes, you may revoke your proxy and change your vote at any time before the polls close at the special meeting by following the instructions in this document.

Q: What if I oppose the merger? Do I have appraisal rights?

A: No. Appraisal rights are not available under the Delaware General Corporation Law.

Q: Who can answer my questions?

A: You should contact:

UnionBancorp, Inc.
122 West Madison Street
Ottawa, Illinois 61350
Attention: Kurt R. Stevenson
Telephone: (815) 431-2811

Centrue Financial Corporation
303 Fountains Parkway
Fairview Heights, Illinois 60208
Attention: Thomas A. Daiber
Telephone: (618) 624-1323

Q: Is the merger expected to be taxable to me?

A: In general, the exchange of your Centrue Financial common stock solely for UnionBancorp common stock will not cause you to recognize any taxable gain or loss for federal income tax purposes. However, you will have to recognize taxable income or gain in connection with cash received in lieu of any fractional shares of common stock of the combined company.

Each of UnionBancorp s and Centrue Financial s respective obligations to complete the merger is conditioned upon receipt of an opinion about the federal income tax treatment of the merger. The opinion will not bind the Internal Revenue Service, which could take a different view. To review in greater detail the tax consequences to Centrue Financial stockholders, see Description of Transaction United States Federal Income Tax Consequences of the Merger, beginning on page 29. You should consult your own tax advisor for a full understanding of the tax consequences to you of the merger.

Q: When do you expect the merger to be completed?

A: We are working to complete the merger as quickly as possible. If approved by the UnionBancorp and Centrue Financial stockholders, we anticipate closing the merger in the fourth quarter of 2006. However, it is possible that factors outside our control could require us to complete the merger at a later time or not complete it at all.

SUMMARY

This brief summary highlights selected information from this joint proxy statement-prospectus and does not contain all of the information that is important to you. We urge you to carefully read this entire document and the other documents we refer to in this document. These will give you a more complete description of the transaction we are proposing. For more information about our two companies, see Where You Can Find More Information. We have included page references in this summary to direct you to other places in this joint proxy statement-prospectus where you can find a more complete description of the topics we have summarized.

General

This joint proxy statement-prospectus relates to the proposed merger of Centrue Financial with and into UnionBancorp. UnionBancorp and Centrue Financial believe that the merger will enhance stockholder value by allowing Centrue Financial and UnionBancorp stockholders to own stock in a combined company with significantly greater capital and resources than either company standing alone. The merger also creates a combined company that will possess a significantly greater geographic presence than either Centrue Financial or UnionBancorp on a stand-alone basis and will allow the development of enhanced and more competitive products and services.

The Companies

(pages 80 and 120)

UnionBancorp, Inc.
122 West Madison Street
Ottawa, Illinois 61350
(815) 431-2720

UnionBancorp, a Delaware corporation, is a bank holding company with a subsidiary bank, UnionBank, headquartered in Ottawa, Illinois with 19 locations in 9 counties throughout northern and central Illinois. At June 30, 2006, UnionBancorp reported, on a consolidated basis, total assets of approximately $657 million, deposits of approximately $523 million and stockholders equity of approximately $65 million.

Centrue Financial Corporation
303 Fountains Parkway
Fairview Heights, Illinois 60208
Telephone: (618) 624-1323

Centrue Financial, a Delaware corporation, is a financial holding company with a subsidiary bank, Centrue Bank, headquartered in Kankakee, Illinois. Centrue Financial operates 20 locations in 9 counties ranging from northeast Illinois to the metropolitan St. Louis area. At June 30, 2006, Centrue Financial reported, on a consolidated basis, total assets of approximately $634.5 million, deposits of approximately $462.3 million and stockholders equity of approximately $43.3 million.

Special Meetings

(pages 24 and 25)

UnionBancorp stockholders. A special meeting of UnionBancorp stockholders will be held on November 9, 2006, at 9:00 a.m., local time, at the offices of McDonnell Investment Management, LLC, 1515 West 22nd Street, 11th Floor, Oak Brook, Illinois. At the special meeting, stockholders will be asked:

- to adopt the merger agreement and approve the transactions it contemplates; and
- to act on other matters that may properly be submitted to a vote at the meeting.

Centrue Financial stockholders. A special meeting of Centrue Financial stockholders will be held on November 9, 2006, at 10:00 a.m., local time, at the offices of McDonnell Investment Management, LLC, 1515 West 22nd Street, 11th Floor, Oak Brook, IL. At the special meeting, stockholders will be asked:

to adopt the merger agreement and approve the transactions it contemplates; and

to act on other matters that may properly be submitted to a vote at the meeting.

Record Date; Vote Required

(pages 24 and 25)

UnionBancorp stockholders. You may vote at the meeting of UnionBancorp s stockholders if you owned UnionBancorp common stock at the close of business on September 22, 2006. You can cast one vote for each share of UnionBancorp common stock that you owned at that time. To adopt the merger agreement and approve the transactions it contemplates, the holders of a majority of the outstanding voting shares of UnionBancorp as of the record date must vote in favor of doing so. You may vote your shares in person by attending the meeting or by mailing us your proxy if you are unable to or do not wish to attend. You can revoke your proxy at any time before UnionBancorp takes a vote at the meeting by submitting a written notice revoking the proxy or a later-dated proxy to the secretary of UnionBancorp, or by attending the meeting and voting in person.

Centrue Financial stockholders. You may vote at the meeting of Centrue Financial s stockholders if you owned Centrue Financial common stock at the close of business on September 22, 2006. You can cast one vote for each share of Centrue Financial common stock that you owned at that time. To adopt the merger agreement and approve the transactions it contemplates, the holders of a majority of the outstanding voting shares of Centrue Financial as of the record date must vote in favor of doing so. You may vote your shares in person by attending the meeting or by mailing us your proxy if you are unable to or do not wish to attend. You can revoke your proxy at any time before Centrue Financial takes a vote at the meeting by submitting a written notice revoking the proxy or a later-dated proxy to the secretary of Centrue Financial, or by attending the meeting and voting in person.

Authority to Adjourn Special Meeting to Solicit Additional Proxies

(pages 25 and 27)

Each of UnionBancorp and Centrue Financial is asking its stockholders to grant full authority for their respective special meetings to be adjourned, if necessary, to permit solicitation of additional proxies to approve the transactions proposed by this joint proxy statement-prospectus.

Appraisal Rights

(pages 25 and 27)

Delaware law does not provide you with dissenters appraisal rights in the merger.

Recommendation to Stockholders

(pages 25 and 27)

UnionBancorp stockholders. UnionBancorp s board of directors believes that the merger agreement and the merger are fair to its stockholders and in their best interests, and unanimously recommends that their vote **FOR** the proposal to adopt the merger agreement and approve the transactions it contemplates.

Centrue Financial stockholders. Centrue Financial s board of directors believes that the merger agreement and the merger are fair to its stockholders and in their best interests, and unanimously recommends that its stockholders vote **FOR** the proposal to adopt the merger agreement and approve the transactions it contemplates.

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Share Ownership of Directors

(pages 116 and 155)

UnionBancorp stockholders. On the record date, UnionBancorp s directors owned 675,502 shares, or approximately 17.6% of the outstanding shares of UnionBancorp common stock. UnionBancorp s directors have agreed to vote their shares to approve the merger agreement and the transactions it contemplates. However, because they own only approximately 17.6% of the outstanding shares of UnionBancorp common stock, there is no assurance that the proposal will be approved.

Centrue Financial stockholders. On the record date, Centrue Financial s directors owned 213,117 shares, or approximately 9.5% of the outstanding shares of Centrue Financial common stock. Centrue Financial s directors have agreed to vote their shares to approve the merger agreement and the transactions it contemplates. However, because they own only approximately 9.5% of the outstanding shares of Centrue Financial common stock, there is no assurance that the proposal will be approved.

The Merger

(page 27)

We have attached a copy of the merger agreement to this document as Appendix A. Please read the merger agreement. It is the legal document that governs the merger.

We propose a combination in which Centrue Financial will merge with and into UnionBancorp. The combined entity will continue under the name Centrue Financial Corporation and its shares will be traded on the NASDAQ Global Market under the symbol TRUE. The combined company s main office will be located in Ottawa, Illinois. We expect to complete the merger in the fourth quarter of 2006, although delays could occur.

At the same time or immediately following the merger, we also intend to merge Centrue Bank into UnionBank. The resulting institution will be an Illinois chartered commercial bank headquartered in Ottawa, Illinois, which will operate under the name Centrue Bank.

What You Will Receive in the Merger

(page 27)

UnionBancorp stockholders. You will not need to surrender your stock certificates. Each of your shares of UnionBancorp common stock will remain outstanding, and will represent shares of common stock of the combined company.

Centrue Financial stockholders. Each of your shares of Centrue Financial common stock will automatically become the right to receive 1.2 shares of UnionBancorp common stock. The total number of shares you will have the right to receive will be equal to the number of shares of Centrue Financial common stock you own multiplied by 1.2. For example, if you hold 100 shares of Centrue Financial common stock, you will be entitled to receive 120 shares (100 x 1.2) of UnionBancorp common stock. Based on the $19.31 closing price of UnionBancorp common stock on September 26, 2006, the value of 1.2 shares of UnionBancorp common stock was $23.17, and the total value of the merger consideration was approximately $52.1 million. However, because the exchange ratio is fixed, the market value of the shares of UnionBancorp common stock you will receive in the merger will fluctuate from time to time, causing the total value of the merger consideration to fluctuate.

Each share of UnionBancorp common stock will include all rights that are attached to or inherent in the then-outstanding shares of UnionBancorp common stock. See Effect of the Merger on Rights of Stockholders.

The number of shares of UnionBancorp common stock Centrue Financial stockholders will receive in the merger is subject to adjustments for reorganizations, recapitalizations, stock dividends and similar events that occur before the merger is completed. None of those adjustments would alter the value of the exchange ratio.

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You will need to surrender your Centrue Financial common stock certificates to receive new certificates representing common stock of the combined company. However, this will not be necessary until you receive written instructions, which will occur on or around the time of the merger.

UnionBancorp will not issue any fractional shares. Instead, Centrue Financial stockholders will receive cash in lieu of any fractional shares of common stock of the combined company owed to them in exchange for their shares of Centrue Financial common stock. The amount of cash for any fractional shares will be based on the average closing prices of UnionBancorp common stock for the five trading days immediately following the completion of the merger.

Exchange of Stock Certificates

(page 28)

On or shortly after the effective date of the merger, Centrue Financial stockholders will receive a letter and instructions on how to surrender their stock certificates representing Centrue Financial common stock in exchange for stock certificates of the combined company. You must carefully review and complete these materials and return them as instructed along with your Centrue Financial common stock certificates. **Please do not send any stock certificates to the exchange agent, UnionBancorp or Centrue Financial until you receive these instructions.**

Effect of the Merger on Options (page 28)

In the merger, each stock option to buy Centrue Financial common stock that is outstanding immediately before completing the merger will become an option to buy UnionBancorp common stock and will continue to be governed by the terms of the original plans under which they were issued, except that all options that were not previously exercisable will become immediately exercisable (excluding those issued in connection with the merger). The number of shares of UnionBancorp common stock subject to each of these converted stock options, as well as the exercise price of these stock options, will be adjusted to reflect the exchange ratio applicable in the merger.

The merger agreement provides that, except for options issued in connection with the merger, options to purchase UnionBancorp common stock will become immediately exercisable upon the merger becoming effective.

Ownership After the Merger

(page 27)

Based on the exchange ratio contained in the merger agreement, upon completion of the merger, UnionBancorp will issue 2,698,655 shares of its common stock to Centrue Financial stockholders. Based on these numbers, after the merger, existing UnionBancorp stockholders would own approximately 58.1%, and former Centrue Financial stockholders would own approximately 41.9%, of the outstanding shares of common stock of the combined company.

Effective Time of the Merger

(page 29)

The merger will become final when a certificate of merger is filed with the Secretary of State of the State of Delaware. If our stockholders approve the merger at their special meetings, and if UnionBancorp obtains all required regulatory approvals, we anticipate that the merger will be completed in fourth quarter of 2006, although delays could occur.

We cannot assure you that we can obtain the necessary stockholder and regulatory approvals or that the other conditions to completion of the merger can or will be satisfied.

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Federal Income Tax Consequences

(page 29)

For federal income tax purposes, the exchange of shares of Centrue Financial common stock for shares of UnionBancorp common stock generally will not cause the holders of Centrue Financial common stock to recognize any gain or loss. Holders of Centrue Financial common stock, however, will recognize income, gain or loss in connection with any cash received to redeem any fractional share interest.

Tax matters can be complicated, and the tax consequences of the merger to you will depend on your particular tax situation. We urge you to consult your tax advisor to determine the tax consequences of the merger to you.

Reasons for the Merger

(pages 36 and 37)

Each of our boards of directors believes the merger will enhance stockholder value by permitting the combined company to expand its presence in northern and central Illinois.

We expect the merger to strengthen our position as a competitor in the financial services business as a result of our increased resources and the availability of enhanced and more competitive products and services.

You can find a more detailed discussion of the background of the merger and UnionBancorp s and Centrue Financial s reasons for the merger in this document under Description of Transaction Background of the Merger beginning on page 32, UnionBancorp s Reasons for the Merger and Board Recommendation beginning on page 36 and Centrue Financial s Reasons for the Merger and Board Recommendation beginning on page 37.

The discussion of our reasons for the merger includes forward-looking statements about possible or assumed future results of our operations and the performance of the combined company after the merger. For a discussion of factors that could affect these future results, *see* A Warning About Forward-Looking Statements on page 22.

Opinion of Financial Advisors

(pages 39 and 48)

UnionBancorp stockholders. Sandler O Neill & Partners, L.P. has delivered a written opinion to the UnionBancorp board of directors that, as of June 30, 2006, the exchange ratio is fair to the holders of UnionBancorp common stock from a financial point of view. We have attached this opinion to this document as Appendix B. You should read this opinion completely to understand the procedures followed, matters considered and limitations on the reviews undertaken by Sandler O Neill in providing its opinion.

Centrue Financial stockholders. Keefe Bruyette & Woods, Inc. has delivered a written opinion to the Centrue Financial board of directors that, as of June 30, 2006, the exchange ratio is fair to the holders of Centrue Financial common stock from a financial point of view. We have attached this opinion to this document as Appendix C. You should read this opinion completely to understand the procedures followed, matters considered and limitations on the reviews undertaken by Keefe Bruyette in providing its opinion.

Conditions to Completion of the Merger

(page 58)

The completion of the merger depends on a number of conditions being met. Subject to exceptions described in the merger agreement, these include:

- accuracy of the respective representations and warranties of UnionBancorp and Centrue Financial in the merger agreement;

compliance in all material respects by each of UnionBancorp and Centrue Financial with their respective covenants and agreements in the merger agreement;

approval of regulatory authorities;

approval of the merger agreement by each company s stockholders;

receipt by each of us of an opinion from UnionBancorp s accountants that, for federal income tax purposes, Centrue Financial stockholders who exchange their shares for shares of common stock of the combined company will not recognize any gain or loss as a result of the merger, except in connection with the payment of cash instead of fractional shares (this opinion will be subject to various limitations and we recommend that you read the more detailed description of tax consequences provided in this document beginning on page 29); and

the absence of any injunction or legal restraint blocking the merger, or of any proceedings by a government body trying to block the merger.

A party to the merger agreement could choose to complete the merger even though a condition to its obligation has not been satisfied, as long as the law allows it to do so. We cannot be certain when or if the conditions to the merger will be satisfied or waived, or that the merger will be completed.

Termination and Termination Fees

(page 60)

The parties can mutually agree at any time to terminate the merger agreement without completing the merger. Also, either party can decide, without the consent of the other, to terminate the merger agreement if the merger has not been completed by March 1, 2007, unless the failure to complete the merger by that time is due to a violation of the merger agreement by the party that wants to terminate the merger agreement. Also, the termination date can be extended for up to ninety days if the sole reason that the closing has not occurred is due to the fact that the regulatory approvals have not been received.

In addition, either UnionBancorp or Centrue Financial can terminate the merger agreement if the conditions to its respective obligation to complete the merger have not been satisfied or if the board of directors for either UnionBancorp or Centrue Financial determines a competing takeover proposal from a third party is superior to the merger (provided certain notice requirements have been satisfied).

Either UnionBancorp or Centrue Financial may be required to pay the other party a termination fee if the merger agreement is terminated due to certain circumstances outlined in the merger agreement. For a discussion of these conditions and fees, *see* Description of Transaction Termination and Termination Fees.

Waiver and Amendment

(page 62)

UnionBancorp and Centrue Financial may jointly amend the merger agreement and either party may waive its right to require the other party to adhere to any term or condition of the merger agreement. However, neither may do so after our stockholders approve the merger, if the amendment or waiver would materially and adversely affect the rights of UnionBancorp or Centrue Financial stockholders.

Regulatory Approvals

(page 62)

We cannot complete the merger unless we obtain the prior approval (or waiver of such approval) by the Federal Reserve Board and the Illinois Department of Financial and Professional Regulation. Once the Federal Reserve Board approves or waives approval of the merger, we have to wait anywhere from 15 to 30 days before we can complete the merger, during which time the U.S. Department of Justice can challenge the merger on antitrust grounds.

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We have filed all of the required waiver requests, applications or notices with the Federal Reserve Board and the Illinois Department of Financial and Professional Regulation.

We have also filed applications with the Illinois Department of Financial and Professional Regulation and the FDIC for approval of the merger of the subsidiary banks, UnionBank and Centrue Bank.

Management and Operations After the Merger

(page 62)

The present management groups of both companies will share the responsibility of managing the combined company after the completion of the merger. The board of directors of the combined company will be comprised of ten members, five from UnionBancorp and five from Centrue Financial.

Following the merger, Dennis J. McDonnell will be chairman of the board of directors, Thomas A. Daiber will be President and Chief Executive Officer, Scott A. Yeoman will be Chief Operating Officer and Kurt R. Stevenson will be Chief Financial Officer of the combined company.

Interests of Certain Persons in the Merger

(page 64)

Some of our directors and officers have interests in the merger that differ from, or are in addition to, their interests as stockholders in our companies. These interests exist because of employment agreements that certain officers of our companies have and rights that the directors and officers have under some of our benefit plans. These employment agreements and plans will provide the officers with severance benefits if their current employment status changes as a result of the merger, except that both of our companies have agreed to amend or replace most of these employment agreements prior to the completion of our merger to provide that the merger will not require the payment of severance benefits if the merger is completed.

The members of our boards of directors knew about these additional interests and considered them when they approved the merger agreement and the transactions it contemplates.

Accounting Treatment

(page 68)

The merger will be accounted for as a purchase transaction in accordance with U.S. generally accepted accounting principles.

Expenses

(page 68)

Each of UnionBancorp and Centrue Financial will pay its own expenses in connection with the merger, including filing, registration and application fees, printing fees and fees and expenses of its own financial or other consultants, accountants and counsel.

Material Differences in the Rights of Stockholders

(page 69)

Both Centrue Financial and UnionBancorp are incorporated in and governed by Delaware law. Upon our completion of the merger, Centrue Financial stockholders will become stockholders of the combined company and their rights will be governed by the combined company s certificate of incorporation and by-laws, which are, except as noted in this document, the currently effective certificate of incorporation and by-laws of UnionBancorp. There are material differences between the rights of the stockholders of UnionBancorp and Centrue Financial, which we describe in this document. By approving the merger, UnionBancorp s stockholders are approving the adoption of an amended and restated certificate of incorporation attached as Exhibit A to the merger agreement.

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Comparative Market Prices of Common Stock

(pages 9 and 10)

Shares of UnionBancorp common stock are traded on the NASDAQ Global Market (formerly, the NASDAQ National Market) under the symbol UBCD. On June 30, 2006, the last trading day before we announced the merger, the last reported trading price of UnionBancorp common stock was $20.05 per share. On September 26, 2006, the last reported trading price of UnionBancorp common stock was $19.31 per share. We can make no prediction or guarantee at what price UnionBancorp common stock will trade after the completion of the merger.

Shares of Centrue Financial common stock are also traded on the NASDAQ Global Market under the symbol TRUE. On June 30, 2006, the last trading day before we announced the merger, the last reported trading price of Centrue Financial common stock was $22.91 per share. On September 26, 2006, the last reported trading price of Centrue Financial common stock was $22.81 per share.

Comparative Per Share Data

The following table presents comparative historical per share data of UnionBancorp and Centrue Financial and unaudited pro forma per share data that reflect the combination of Centrue with and into UnionBancorp using the purchase method of accounting. The historical financial data of Centrue Financial for the year ended December 31, 2005 has been adjusted for the retrospective adoption of Statements of Financial Accounting Standard No. 123R, Share-Based Payment (SFAS 123R) as described in their Quarterly Reports on Form 10-Q for the three months ended March 31, 2006 and for the six months ended June 30, 2006.

The information listed as equivalent pro forma for Centrue Financial was obtained by multiplying the pro forma amounts for UnionBancorp by the exchange ratio of 1.2.

We expect that we will incur merger and integration charges as a result of combining our companies. We also anticipate that the merger will provide the combined company with financial benefits that include reduced operating expenses and the opportunity to earn more revenue. The pro forma information, while helpful in illustrating the financial characteristics of the combined company under one set of assumptions, does not reflect these expenses or benefits and, accordingly, does not attempt to predict or suggest future results. It also does not necessarily reflect what the historical results of the combined company would have actually been had our companies been combined as of the dates or for the periods presented.

UnionBancorp

	As of and for the Six Months Ended June 30, 2006	Year Ended December 31, 2005
Historical:		
Net income basic	$ 0.75	$ 1.01
Net income diluted	0.74	0.99
Cash dividends declared	0.24	0.44
Book value	17.31	17.23
Pro forma combined:		
Net income basic	$ 0.52	1.02
Net income diluted	0.51	1.01
Cash dividends declared	0.13	0.27
Book value	18.57	

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Centrue

	As of and for the Six Months Ended June 30, 2006	Year Ended December 31, 2005
Historical:		
Net income basic	$ 0.73	$ 1.74
Net income diluted	0.72	1.73
Cash dividends declared		
Book value	19.38	19.05
Equivalent pro forma combined:		
Net income basic	$ 0.62	1.22
Net income diluted	0.61	1.21
Cash dividends declared	0.16	0.32
Book value	22.28	

Market Price Information

UnionBancorp common stock is traded on the NASDAQ Global Market under the symbol UBCD. Centrue Financial common stock is traded on the NASDAQ Global Market under the symbol TRUE. On June 30, 2006, the last trading day before public announcement of the execution of the merger agreement, and September 26, 2006, the most recent practicable date prior to the mailing of this document, the market prices of each of UnionBancorp and Centrue Financial common stock and the equivalent price per share of UnionBancorp common stock giving effect to the merger, were as follows:

	Closing Sales Price		
	UnionBancorp	Centrue Financial	Equivalent Price Per Share of UnionBancorp Common Stock
Price per share June 30, 2006	$ 20.05	$ 22.91	$ 24.06
September 26, 2006	$ 19.31	$ 22.81	$ 23.17

The Equivalent Price Per Share of UnionBancorp at each specified date in the above table represents the product achieved when the closing sales price of a share of UnionBancorp common stock on that date is multiplied by the exchange ratio of 1.2.

The market price of UnionBancorp common stock will likely fluctuate between the date of this document and the date on which the merger is completed and after the merger. Because the exchange ratio of 1.2 is fixed, the value of the merger consideration will fluctuate as the price of UnionBancorp common stock changes. Stockholders should obtain current market price quotations for shares of UnionBancorp common stock prior to making any decisions with respect to the merger. In addition, the value of the shares of the combined company s common stock that Centrue Financial stockholders will receive in the merger may increase or decrease after the merger.

By voting to adopt the merger agreement and approve the transactions it contemplates, Centrue Financial stockholders will be choosing to invest in the combined UnionBancorp/ Centrue Financial, because they will receive UnionBancorp common stock in exchange for their shares of Centrue Financial common stock. An investment in the combined company s common stock involves significant risk. In addition to the other information included in this joint proxy statement-prospectus, including the matters addressed in A Warning About Forwarding-Looking Statements beginning on page 22, Centrue Financial and UnionBancorp stockholders should carefully consider the matters described below in Risk Factors beginning on page 21 when determining whether to adopt the merger agreement and approve the transactions it contemplates.

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Historical Market Prices and Dividend Information

UnionBancorp. UnionBancorp s common stock is traded on the NASDAQ Global Market under the symbol UBCD. The following table sets forth, for the calendar quarter indicated, the high and low closing market prices per share of UnionBancorp common stock as reported on the NASDAQ Global Market and the dividends per share of UnionBancorp common stock:

Quarter Ended	High	Low	Dividends Declared
Year-to-date 2006:			
Third quarter (through September 26, 2006)	$ 20.17	$ 17.44	$ 0.12
Second quarter	21.12	19.44	0.12
First quarter	21.48	20.12	0.12
2005:			
Fourth quarter	22.00	20.25	0.11
Third quarter	21.98	20.68	0.11
Second quarter	22.00	20.10	0.11
First quarter	21.78	20.55	0.10
2004:			
Fourth quarter	21.94	20.29	0.10
Third quarter	20.88	19.20	0.10
Second quarter	23.00	19.25	0.10
First quarter	22.23	21.00	0.09

The timing and amount of future dividends on shares of UnionBancorp common stock will depend upon earnings, cash requirements, the financial condition of UnionBancorp and its subsidiaries, applicable government regulations and other factors deemed relevant by UnionBancorp s board of directors.

Centrue Financial. Centrue Financial s common stock is traded on the NASDAQ Global Market under the symbol TRUE. Prior to February 25, 2005, Centrue Financial s common stock traded on the American Stock Exchange under the symbol CFF. The following table sets forth, for the calendar quarter indicated, the high and low closing market prices per share of Centrue Financial common stock as reported on the NASDAQ Global Market or the American Stock Exchange, as applicable, and the dividends per share of Centrue Financial common stock:

Quarter Ended	High	Low	Dividends Declared
Year-to-date 2006:			
Third quarter (through September 26, 2006)	$ 24.20	$ 22.26	$
Second quarter	25.78	22.91	
First quarter	27.03	25.50	
2005:			
Fourth quarter	27.44	25.70	
Third quarter	27.00	25.60	
Second quarter	27.51	25.60	
First quarter	28.78	27.50	
2004:			
Fourth quarter	28.21	27.15	
Third quarter	28.05	27.30	
Second quarter	28.01	25.76	

First quarter	28.24	27.45	0.075

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In April of 2004, Centrue Financial s board of directors voted to eliminate its quarterly dividend. Any decision to reinstate dividends, and the timing and amount of future dividends on shares of Centrue Financial common stock will depend upon earnings, cash requirements, the financial condition of Centrue Financial and its subsidiaries, applicable government regulations and other factors deemed relevant by Centrue Financial s board of directors.

Unaudited Pro Forma Financial Data

The following unaudited pro forma condensed consolidated financial information is based on the historical financial statements of UnionBancorp and Centrue Financial and has been prepared to illustrate the effects of the merger of Centrue Financial with and into UnionBancorp. The unaudited pro forma condensed consolidated statement of financial condition as of June 30, 2006 and the unaudited pro forma condensed consolidated statements of operations for the six months ended June 30, 2006 and for the year ended December 31, 2005 give effect to this merger, accounted for under the purchase method of accounting.

The unaudited pro forma condensed consolidated statement of operations for the six months ended June 30, 2006 has been derived from the unaudited interim financial statements of UnionBancorp and Centrue Financial included or incorporated by reference in this joint proxy statement-prospectus. The unaudited pro forma condensed consolidated statement of operations for the year ended December 31, 2005 is based on the audited financial statements of UnionBancorp and Centrue Financial included or incorporated by reference in this joint proxy statement-prospectus. The historical financial data of Centrue Financial for the year ended December 31, 2005 have been adjusted for the retrospective adoption of SFAS 123R as described in their 2006 quarterly filings. These unaudited pro forma condensed consolidated statements of operations give effect to the transaction as if it has been consummated as of January 1, 2005. The unaudited pro forma condensed consolidated financial statements do not give effect to any anticipated cost savings or revenue enhancements in connection with the transaction.

The unaudited pro forma condensed consolidated financial statements should be considered together with the historical financial statements of UnionBancorp and Centrue Financial, including the respective notes to those statements, included or incorporated by reference in this joint proxy statement-prospectus. The pro forma information is based on certain assumptions described in the accompanying Notes to Unaudited Pro Forma Condensed Consolidated Financial Information and does not necessarily indicate the consolidated financial position or the results of operations in the future or the consolidated financial position or the results of operations that would have been realized had the merger transaction been consummated during the periods or as of the date for which the pro forma information is presented.

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COMBINED COMPANY PRO FORMA FINANCIAL INFORMATION

Consolidated Statement of Financial Condition as of June 30, 2006

	Historical			Mark to Market and Transaction Adjustments		
	Union Bancorp	Centrue Financial	Pro Forma Before Entries	Debit	Credit	Pro Forma After Entries
	(In thousands, except per share data)					
ASSETS						
Cash and cash equivalents	$ 30,265	$ 14,856	$ 45,121		3,060(e)(f)	$ 42,061
Certificates of deposits		50	50			50
Securities available-for-sale	182,914	121,175	304,089			304,089
Loans	403,455	442,609	846,064		2,160(g)	
					1,000(h)	842,904
Allowance for loan losses	(6,848)	(4,294)	(11,142)			(11,142)
Net loans	396,607	438,315	834,922			831,762
Cash surrender value of life insurance	15,775	9,647	25,422			25,422
Mortgage servicing rights	2,373	1,054	3,427			3,427
Premises and equipment, net	13,789	22,678	36,467		2,606(i)	33,861
Goodwill	6,963	14,362	21,325	29,259(a)	14,362(j)	36,222
Intangible assets, net	446	1,779	2,225	7,539(b)	1,779(j)	7,985
Other real estate	1,390	38	1,428			1,428
Other assets	6,309	10,549	16,858		205(m)	16,653
Total assets	$ 656,831	$ 634,503	$ 1,291,334			$ 1,302,960
LIABILITIES AND STOCKHOLDERS EQUITY						
Liabilities						
Deposits						
Non-interest-bearing	$ 56,119	$ 65,526	$ 121,645			$ 121,645
Interest-bearing	466,576	396,752	863,328		83(k)	863,411
Total deposits	522,695	462,278	984,973			985,056
Federal funds purchased and securities sold under	7,297	29,612	36,909			36,909

agreements to repurchase						
Advances from the Federal Home Loan Bank	46,700	74,465	121,165	17(c)		121,148
Notes payable	8,824	1,088	9,912			9,912
Trust preferred		20,000	20,000			20,000
Series B mandatory redeemable preferred stock	831		831			831
Other liabilities	5,180	3,790	8,970			8,970
Total liabilities	591,527	591,233	1,182,760			1,182,826
Stockholders equity						
Convertible preferred stock	500		500			500
Common stock	4,698	42	4,740	42(d)	2,699(l)	7,397
Surplus	23,381	30,895	54,276	30,895(d)	53,139(l)	76,520
Retained earnings	50,775	49,023	99,798	50,031(d)(e)		49,767
Accumulated other comprehensive income	(1,204)	(2,586)	(3,790)		2,586(d)	(1,204)
	78,150	77,374	155,524			132,980
Treasury stock, at cost	(12,846)	(34,104)	(46,950)		34,104(d)	(12,846)
Total stockholders equity	65,304	43,270	108,574			120,134
Total liabilities and stockholders equity	$ 656,831	$ 634,503	$ 1,291,334			$ 1,302,960
Number of common shares outstanding	3,742,751	2,232,889			2,698,655(l)	6,441,406
Total book value per common share	$ 17.31	$ 19.38				$ 18.57
Tangible book value per common share	$ 15.33	$ 12.15				$ 11.71

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Estimates and assumptions for mark to market and transaction adjustments. Actual adjustments will be determined at the transaction date and could differ significantly from this illustration.

(a) Goodwill   Estimated goodwill related to the transaction as total consideration in excess of net assets acquired.

(b) Core Deposit Intangible   Estimated core deposit intangible asset at approximately 3% of Centrue Financial s deposits, excluding time deposits. Core deposit intangible to be amortized over 10 years using the double declining method.

		Amortization
Year 1	$	1,508
Year 2		1,206
Year 3		965
Year 4		772
Year 5		618
Year 6		494
Year 7		494
Year 8		494
Year 9		494
Year 10		494
	$	7,539

(c) FHLB Advances Fair Value Adjustment   Estimated fair value adjustment on FHLB advances. To be amortized over the average life of the debt on a level yield basis.

(d) Elimination of Centrue Financial equity.

(e) The following pro forma merger costs are expected by UnionBancorp:

Professional fees (legal, accounting)	$	325
Investment banking fees		200
Proxy printing		75
Less: estimated tax benefits		(101)
UnionBancorp costs to be capitalized	$	499
Employment severance and stay bonuses	$	350
Acceleration of stock option vesting		210
Supplies		150
System contract buy-out		66
System accelerated depreciation		606
Marketing and other merger costs		225
Less: estimated tax benefits		(634)
UnionBancorp costs to be expensed	$	973

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(f) The following pro forma merger costs are expected by Centrue Financial:

Professional fees (legal, accounting)	$	350
Investment banking fees		100
Employment contract termination, severance and stay bonuses		1,667
Acceleration of stock option vesting and restricted stock vesting		838
System contract buy-out		1,800
System accelerated depreciation		233
Marketing and other merger costs		150
Less: estimated tax benefits		(1,896)
Centrue Financial costs to be expensed	$	3,242

(g) Loan Fair Value Adjustment Estimated loan fair value adjustment. To be accreted over the average life of the portfolio on a level yield basis.

(h) Loan Cash Flow Adjustment Estimated cash flow adjustment for purchased problem loans.

(i) Premises Fair Value Adjustment Estimated premises fair value adjustment to be accreted over 39 years on a straight-line basis.

(j) Elimination of Centrue Financial s existing goodwill and intangible assets.

(k) Time Deposit Fair Value Adjustment Estimated time deposit fair value adjustment to be accreted over the average life of the time deposit portfolio on a level yield basis.

(l) Pro forma outstanding shares of Centrue Financial		2,232,889
UnionBancorp shares to be issued for phantom stock		15,990
		2,248,879
Fixed exchange ratio per merger Agreement		1.20
Total UnionBancorp shares to be issued		2,698,655
Fair value of UnionBancorp stock	$	20.10
Fair value of stock consideration	$	54,243
Centrue Financial stock options outstanding		225,217
Fixed exchange ratio per merger Agreement		1.20
UnionBancorp options to be granted		270,260
Per share fair value of UnionBancorp options granted	$	4.99
Fair value of stock options consideration	$	1,349
Total consideration	$	55,592
Net assets of acquired corporation per historical financial statements	$	43,270
Transaction costs UnionBancorp		(499)(e)
Transaction costs Centrue Financial		(3,242)(f)

Centrue Financial APIC credit from accelerating options		838 (f)
Purchase accounting adjustments, net		(14,034)
Pro forma net assets to be acquired		26,333
Total goodwill	$	29,259

(m) Net impact of deferred tax entries for mark to market and transaction adjustments.

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COMBINED COMPANY PRO FORMA FINANCIAL INFORMATION

Consolidated Statement of Operations for the Six Months Ended June 30, 2006

	Historical			Mark to Market and Transaction Adjustments		
	Union Bancorp	Centrue Financial	Pro Forma Before Entries	Debit	Credit	Pro Forma After Entries
	(In thousands, except per share data)					
Interest income						
Loans	$ 14,349	$ 14,286	$ 28,635		540(i)	$ 29,175
Securities	4,444	2,573	7,017			7,017
Federal funds sold and other	66	91	157			157
Total interest income	18,859	16,950	35,809			36,349
Interest expense						
Deposits	7,324	5,543	12,867	42(a)		12,909
Federal funds purchased and repurchase agreements	123	469	592			592
Advances for the Federal Home Loan Bank	938	1,032	1,970		4(j)	1,966
Series B mandatory redeemable preferred stock	25		25			25
Trust preferred		838	838			838
Notes payable and other	315	30	345			345
Total interest expense	8,725	7,912	16,637			16,675
Net interest income before provision for loan losses	10,134	9,038	19,172			19,674
Provision for loan losses	(1,100)	150	(950)			(950)
Net interest income after provision for loan losses	11,234	8,888	20,122			20,624
Noninterest income						
Service charges	935	2,799	3,734			3,734
Trust income	418	19	437			437
Mortgage banking income	527	179	706			706
Insurance and brokerage commissions and fees	793	36	829			829
Bank Owned Life Insurance (BOLI)	277	182	459			459
Securities (losses) gains, net	(88)	4	(84)			(84)
Gain on sale of other assets	(9)	588	579			579
Other income	604	163	767			767

Total noninterest income	3,457	3,970	7,427			7,427
Noninterest expense						
Salaries and employee benefits	5,955	5,868	11,823	560(b)		12,383
Occupancy, net	789	946	1,735			1,735
Furniture and equipment	1,033	544	1,577	672(c)	26(k)	2,223
Marketing	209	200	409	125(d)		534
Supplies and printing	162	341	503	150(e)		653
Telephone	235	213	448			448
Other real estate owned	8	24	32			32
Amortization of intangible assets	87	143	230	754(f)		984
Other expenses	1,985	2,389	4,374	100(g)		4,474
Total noninterest expense	10,463	10,668	21,131			23,466
Income before taxes	4,228	2,190	6,418			4,585
Income taxes	1,288	570	1,858	220(h)	928(h)	1,150
Net income	$ 2,940	$ 1,620	$ 4,560			$ 3,435
Net income for common stockholders	$ 2,836	$ 1,620	$ 4,456			$ 3,331
Basic earnings per common share	$ 0.75	$ 0.73				$ 0.52
Diluted earnings per common share	$ 0.74	$ 0.72				$ 0.51
Basic weighted average common shares outstanding	3,764,516	2,227,133				6,463,171
Diluted weighted average common shares outstanding	3,809,813	2,235,540				6,508,468

(a) Represents the adjustment to record the amortization of the fair value adjustment on acquired time deposits over their expected life. It is estimated that there will be no impact after the first year.

(b) Represents the employment severance, stay bonuses and acceleration of stock option vesting for UnionBancorp.

(c) Represents the systems contract buy-out and systems accelerated depreciation for UnionBancorp.

(d) Represents estimated marketing and other merger expense for UnionBancorp.

(e) Represents the estimated expense related to supplies for UnionBancorp.

(f) Represents the adjustment to record the amortization of the fair value adjustment on acquired core deposits using the double declining method amortized over 10 years.

(g) Represents estimated miscellaneous expense for UnionBancorp.

(h) Represents the impact of the above adjustments to income at 38.6%.

(i) Represents the adjustment to record the accretion of the fair value adjustment on acquired loans over their expected life.

(j) Represents the adjustment to record the amortization of the fair value adjustment on acquired FHLB advances over their expected life.

(k) Represents the adjustment to record the accretion of the fair value adjustment on acquired premises and equipment over their expected life.

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COMBINED COMPANY PRO FORMA FINANCIAL INFORMATION

Consolidated Statement of Operations for the Twelve Months Ended December 31, 2005

	Historical			Mark to Market and Transaction Adjustments		
	Union Bancorp	Centrue Financial	Pro Forma Before Entries	Debit	Credit	Pro Forma After Entries
	(In thousands, except per share data)					
Interest income						
Loans	$ 27,251	$ 26,759	$ 54,010		1,080(i)	$ 55,090
Securities	7,324	4,962	12,286			12,286
Federal funds sold and other	122	375	497			497
Total interest income	34,697	32,096	66,793			67,873
Interest expense						
Deposits	10,910	9,463	20,373	83(a)		20,456
Federal funds purchased and repurchase agreements	197	363	560			560
Advances for the Federal Home Loan Bank	2,128	1,654	3,782		9(j)	3,773
Series B mandatory redeemable preferred stock	50		50			50
Trust preferred		1,379	1,379			1,379
Notes payable and other	427	204	631			631
Total interest expense	13,712	13,063	26,775			26,849
Net interest income before provision for loan losses	20,985	19,033	40,018			41,024
Provision for loan losses	250	651	901			901
Net interest income after provision for loan losses	20,735	18,382	39,117			40,123
Noninterest income						
Service charges	1,996	5,350	7,346			7,346
Trust income	811	36	847			847
Mortgage banking income	1,350	220	1,570			1,570
Insurance and brokerage commissions and fees	1,818	110	1,928			1,928
Bank Owned Life Insurance (BOLI)	545	355	900			900
Securities (losses) gains, net	(79)	183	104			104
Gain on sale of other assets	4	580	584			584
Other income	1,157	391	1,548			1,548

Total noninterest income	7,602	7,225	14,827			14,827
Noninterest expense						
Salaries and employee benefits	13,789	10,838	24,627	560(b)		25,187
Occupancy, net	1,571	1,638	3,209			3,209
Furniture and equipment	1,935	1,751	3,686	672(c)	52(k)	4,306
Marketing	496	391	887	125(d)		1,012
Supplies and printing	359	575	934	150(e)		1,084
Telephone	430	369	799			799
Other real estate owned	59	102	161			161
Amortization of intangible assets	170	276	446	1,508(f)		1,954
Other expenses	4,156	4,097	8,253	100(g)		8,353
Total noninterest expense	22,965	20,037	43,002			46,065
Income before taxes	5,372	5,570	10,942			8,885
Income taxes	1,199	1,486	2,685	440(h)	1,234(h)	1,891
Net income	$ 4,173	$ 4,084	$ 8,257			$ 6,994
Net income for common stockholders	$ 3,966	$ 4,084	$ 8,050			$ 6,787
Basic earnings per common share	$ 1.01	$ 1.74				$ 1.02
Diluted earnings per common share	$ 0.99	$ 1.73				$ 1.01
Basic weighted average common shares outstanding	3,943,741	2,345,971				6,642,396
Diluted weighted average common shares outstanding	4,002,908	2,355,384				6,701,563

(a) Represents the adjustment to record the amortization of the fair value adjustment on acquired time deposits over their expected life. It is estimated that there will be no impact after the first year.

(b) Represents the employment severance, stay bonuses and acceleration of stock option vesting for UnionBancorp.

(c) Represents the systems contract buy-out and systems accelerated depreciation for UnionBancorp.

(d) Represents estimated marketing and other merger expense for UnionBancorp.

(e) Represents the estimated expense related to supplies for UnionBancorp.

(f) Represents the adjustment to record the amortization of the fair value adjustment on acquired core deposits using the double declining method amortized over 10 years.

(g) Represents estimated miscellaneous expense for UnionBancorp.

(h) Represents the impact of the above adjustments to income at 38.6%.

(i) Represents the adjustment to record the accretion of the fair value adjustment on acquired loans over their expected life.

(j) Represents the adjustment to record the amortization of the fair value adjustment on acquired FHLB advances over their expected life.

(k) Represents the adjustment to record the accretion of the fair value adjustment on acquired premises and equipment over their expected life.

Selected Historical Financial Data

The following tables present selected consolidated financial data as of June 30, 2005, and 2006, and for the six-month periods then ended, and as of December 31, 2001, 2002, 2003, 2004 and 2005 for each of the five years then ended, for each of UnionBancorp and Centrue Financial. The information for UnionBancorp is based on the historical financial information that is contained in reports UnionBancorp has previously filed with the Securities and Exchange Commission, which can be found in its Form 10-Q for the quarter ended June 30, 2006 and its Form 10-Q for the quarter ended June 30, 2005, and its Annual Report on Form 10-K for the year ended December 31, 2005. The information for Centrue Financial is based on the historical financial information that is included with this proxy statement-prospectus beginning on page F-46 and that is contained in reports Centrue Financial has previously filed with the Securities and Exchange Commission, which can be found in its Form 10-Q for the quarter ended June 30, 2006 and its Form 10-Q for the quarter ended June 30, 2005. Effective January 1, 2006, Centrue Financial adopted SFAS 123R. SFAS 123R requires that the grant date fair value of equity awards to employees be recognized as compensation expense over the period during which an employee is required to provide service in exchange for such award. Centrue Financial elected to adopt SFAS 123R using modified retrospective application, which requires the restatement of prior period financial information based on the amounts previously included in the pro forma disclosures for those periods required prior to the adoption of SFAS 123R. As a result, the prior period selected historical financial information of Centrue Financial presented below has been restated accordingly. In addition, the historical financial information for Centrue Financial for the year ended December 31, 2005, which is included in this proxy statement beginning on page F-45, and related disclosure in the Management s Discussion and Analysis for the year ended December 31, 2005 beginning on page 123, have been restated in accordance with the retrospective adoption of SFAS 123R. See the notes to Centrue Financial s historical financial statements included with this proxy statement-prospectus for a more detailed description of the adoption of SFAS 123R. UnionBancorp elected to adopt SFAS 123R using the modified prospective transition method, which does not require restatement of prior period financial information. See Where You Can Find More Information on page 164.

You should read the following tables in conjunction with the consolidated financial statements described above.

Historical results do not necessarily indicate the results that you can expect for any future period. We believe that we have included all adjustments (which include only normal recurring adjustments) necessary to arrive at a fair presentation of our interim results of operations. Results for the interim period ended June 30, 2006, do not necessarily indicate the results that you can expect for the year as a whole.

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UNIONBANCORP SELECTED HISTORICAL FINANCIAL DATA

	Six Months Ended June 30,		Years Ended December 31,				
	2006	2005	2005	2004	2003	2002	2001
	(Unaudited)		(Dollars in thousands, except per share data)				
Statement of Income Data							
Interest income	$ 18,859	$ 16,687	$ 34,697	$ 34,912	$ 41,086	$ 45,509	$ 53,829
Interest expense	8,725	6,322	13,712	13.250	15.961	20.186	29,385
Net interest income	10,134	10,365	20,985	21,662	25,125	25,323	24,444
Provision for loan losses	(1,100)	100	250	1,924	8,236	3,574	4,161
Net interest income after provision for loan losses	11,234	10,265	20,735	19,738	16,889	21,749	20,283
Noninterest income	3,457	3,881	7,602	14,102	13,719	12,455	11,920
Noninterest expense	10,463	11,173	22,965	26,981	28,607	29,026	26,212
Income before income taxes	4,228	2,973	5,372	6,859	2,001	5,178	5,991
Provision (benefit) for income taxes	1,288	627	1,199	2,056	(129)	1,134	1,537
Net income	$ 2,940	$ 2,346	$ 4,173	$ 4,803	$ 2,130	$ 4,044	$ 4,454
Net income on common stock	$ 2,836	$ 2,242	$ 3,966	$ 4,596	S1,937	$ 3,787	$ 4,197
Per Share Data							
Basic earnings per common share	$ 0.75	$ 0.56	$ 1.01	$ 1.14	$ 0.48	$ 0.95	$ 1.06
Diluted earnings per common share	0.74	0.55	0.99	1.12	0.48	0.94	1.05
Cash dividends on common stock	0.12	0.11	0.44	0.40	0.35	0.31	0.27
	31.66%	39.12%	43.39%	35.10%	74.39%	32.59%	25.59%

Dividend payout ratio for common stock							
Book value per common stock	$ 17,31	$ 17.40	$ 17.23	$ 17.30	$ 16.77	$ 16.97	$ 15.91
Basic weighted average common shares outstanding	3,764,516	4,021,216	3,943,741	4,033,608	3,997,464	3,979,750	3,974,205
Diluted weighted average common share outstanding	3,809,813	4,083,477	4,002,908	4,109,999	4,069,220	4,027,441	4,008,867
Period-end common shares outstanding	3,742,751	3,923,018	3,806,876	4,032,144	4,026,850	3,980,946	3,979,056
Balance Sheet Data							
Securities	$ 182,914	$ 192,593	$ 196,440	$ 191,661	$ 252,248	$ 227,229	$ 186,282
Loans	403,455	404,462	417,525	419,275	476,812	483,229	504,968
Allowance for loan losses	6,848	9,159	8,362	9,732	9,011	6,450	6,295
Total assets	656,831	655,424	676,222	669,546	793,422	791,616	784,307
Total deposits	522,695	521,200	543,841	512,477	638,032	641,958	612,144
Stockholders equity	65,304	68,749	66,075	70,247	68,047	68,064	63,814
Earnings Performance Data							
Return on average total assets	0.89%	0.71%	0.63%	0.65%	0.28%	0.53%	0.59%
Return on average stockholders equity	9.03	6.73	6.06	7.06	3.16	6.11	7.04
Net interest margin ratio	3.44	3.56	3.56	3.34	3.65	3.74	3.64
Efficiency ratio(1)	74.70	75.81	77.78	82.90	72.25	71.73	68.14
Asset Quality Ratios							
Nonperforming assets to total end of period assets	0.64%	0.68%	0.62%	0.69%	1.10%	0.80%	1.44%
Nonperforming loans to total end of period loans	0.70	0.95	0.96	1.00	1.78	0.99	1.76

Net loan charge-offs to total average loans	0.10	0.16	0.39	0.23	1.18	0.70	0.85
Allowance for loan losses to total loans	1.70	2.26	2.00	2.32	1.89	1.33	1.25
Allowance for loan losses to nonperforming loans	244.05	238.83	208.84	231.60	106.30	135.50	70.93
Capital Ratios							
Average equity to average assets	9.87%	10.49%	10.39%	9.27%	8.87%	8.71%	8.37%
Total capital to risk adjusted assets	13.69	14.26	13.33	14.30	12.15	11.84	11.66
Tier 1 leverage ratio	9.38	9.42	9.03	9.54	7.60	7.48	7.54

(1) Calculated as noninterest expense less amortization of intangibles and expenses related to other real estate owned divided by the sum of net interest income before provisions for loan losses and total noninterest income excluding securities gains and losses and gains on sale of assets.

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CENTRUE FINANCIAL SELECTED HISTORICAL FINANCIAL DATA

	Six Months Ended June 30,		Years Ended December 31,				
	2006	2005	2005	2004	2003	2002	2001
	(Dollars in Thousands, except per share data)						
Selected Financial Condition Data:							
Total assets	$ 634,503	$ 639,784	$ 641,523	$ 611,983	$ 609,465	$ 546,390	$ 490,281
Loans, net, including loans held for sale	438,315	430,853	436,841	419,379	426,043	384,517	394,744
Investment securities held-to-maturity(1)	50	50	50	149	942	1,143	1,554
Investment securities available-for-sale	121,175	124,052	125,190	124,763	87,712	82,638	46,391
Deposits	462,278	513,922	507,916	495,777	496,257	431,964	415,279
Total borrowings	125,165	75,715	65,737	49,661	54,396	59,700	30,000
Trust preferred securities	20,000	20,000	20,000	20,000	10,000	10,000	
Stockholders equity	43,270	44,182	43,103	43,306	45,697	41,093	41,192
Shares outstanding(3)	2,232,889	2,366,939	2,262,939	2,380,666	2,606,022	2,331,762	2,432,716
For the period:							
Net interest income after provision for loan losses	$ 8,888	$ 9,081	$ 18,382	$ 17,548	$ 11,358	$ 12,037	$ 13,528
Net income	1,620	1,907	4,084	4,626	1,035	2,229	3,256
Per common share(3)**:**							
Book value per share outstanding	$ 19.38	$ 18.93	$ 19.05	$ 18.19	$ 17.54	$ 17.62	$ 16.93
Tangible book value per share outstanding(2)	12.17	12.36	11.85	12.21	12.69	15.80	15.11
Basic earnings per share	.73	.80	1.74	1.86	0.49	.94	1.34
Diluted earnings per share	.72	.80	1.73	1.85	0.49	.93	1.31
Financial ratios:							
	6.82%	7.00%	6.72%	7.08%	7.50%	7.52%	8.40%

Stockholders equity to total assets							
Non-performing assets to total assets	.49%	1.16%	0.86%	1.64%	1.00%	2.03%	0.45%
Net charge-offs to average loans	.08%	.12%	0.44%	0.77%	1.53%	0.01%	0.02%
Net interest margin	3.29%	3.52%	3.41%	3.42%	3.16%	3.22%	3.16%
Efficiency ratio(5)	78.45%	76.15%	75.75%	68.47%	74.80%	65.43%	71.03%
Return on average assets	.60%	.62%	0.65%	0.76%	0.19%	0.42%	0.69%
Return on average stockholders equity	8.73%	8.88%	9.28%	10.37%	3.04%	5.41%	8.18%
Average equity to average assets	6.81%	6.99%	6.96%	7.31%	6.33%	7.70%	8.41%
Dividend payout ratio(4)				4.03%	61.22%	15.51%	8.96%

(1) Includes certificates of deposit.

(2) Calculated by subtracting goodwill and other intangible assets from stockholders equity.

(3) All share and per share information for years prior to 2003 have been restated for the 2 for 1 stock split in October 2003.

(4) Calculated by dividing dividends per share by earnings per share.

(5) Calculated by net interest income plus noninterest income excluding securities gains divided by noninterest expense.

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RISK FACTORS

By voting in favor of the merger, you will be choosing to invest in the common stock of a combined UnionBancorp and Centrue Financial. In addition to the information contained elsewhere in this joint proxy statement-prospectus or incorporated in this joint proxy statement-prospectus by reference, you should carefully consider the following factors in making your decision as to how to vote on the merger.

The exchange ratio is fixed and will not be adjusted to reflect changes in UnionBancorp s stock value prior to the effective time of the merger.

The merger agreement provides that each share of Centrue Financial common stock will be converted into the right to receive 1.2 shares of UnionBancorp common stock. The exchange ratio of 1.2 shares of UnionBancorp stock per share of Centrue Financial stock is fixed and will not be adjusted to reflect any changes in the value of UnionBancorp common stock between the date of the merger agreement and the effective time of the merger. As a result, the value of the merger consideration to be paid to Centrue Financial s stockholders will not be known at the time of the Centrue Financial special meeting, and you will not know when you vote the exact value of the shares of UnionBancorp common stock that you will receive. You are urged to obtain current market price quotations for UnionBancorp common stock prior to voting on the merger.

Moreover, the value of the combined company s common stock may also rise or fall after the merger. Stock price changes may result from a variety of factors, including completion of the merger, general market and economic conditions, changes in our respective businesses, operations and prospects and regulatory considerations. Many of these factors are beyond the combined company s control, and it is possible that the market value of the combined company s common stock at the time of the merger and afterward may be substantially higher or lower than current market value.

The interests of certain management officials may be different from those of other stockholders.

Thomas A. Daiber, the President and Chief Executive Officer of Centrue Financial, Scott A. Yeoman, the President and Chief Executive Officer of UnionBancorp, and Kurt R. Stevenson, the Chief Financial Officer of UnionBancorp, have entered into employment agreements in connection with the merger. We anticipate that other senior officers will enter into employment agreements that are substantially similar to those of Messrs. Daiber, Yeoman, and Stevenson. In addition, five of the members of UnionBancorp s current board of directors and five of the members of Centrue Financial s board of directors will together serve as the entire board of directors of the combined company after the completion of the merger. Following the merger, they will also serve on the board of the combined bank subsidiary, and receive payments for their service. Accordingly, our directors and some of our executive officers may have interests in the merger that are different from, or in addition to, yours. See Description of Transaction Interests of Certain Persons in the Merger.

Difficulties in combining the operations of Centrue Financial and UnionBancorp may prevent the combined company from achieving the expected benefits from its acquisition.

The combined company may not be able to achieve fully the strategic objectives and operating efficiencies it hopes to achieve in the merger. The success of the merger will depend on a number of factors, including the combined company s ability to:

- integrate the operations of Centrue Financial and UnionBancorp;
- maintain existing relationships with depositors so as to minimize withdrawals of deposits after the merger;
- maintain and enhance existing relationships with borrowers so as to limit unanticipated losses from loans of Centrue Financial and UnionBancorp;
- control the incremental non-interest expense so as to maintain overall operating efficiencies;

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- retain and attract qualified personnel; and
- compete effectively in the communities served by Centrue Financial and UnionBancorp and in nearby communities.

Your interest will be diluted by the merger.

After the merger, Centrue Financial s stockholders will own less than a majority of the outstanding voting stock of the combined company and could therefore, for matters requiring a majority vote, be outvoted by the existing and continuing UnionBancorp stockholders if they all voted together as a group on any such issue that is presented to the combined company s stockholders. UnionBancorp s stockholders will own approximately 58.1% of the combined company s outstanding voting stock, but the President and Chief Executive Officer of the combined company and five of the combined company s ten-member board of directors will be individuals who formerly served as directors of Centrue Financial. Neither group of stockholders will have the same control over the combined company as they currently have over their respective companies.

In addition, there will be no restrictions in the combined company s governing documents relating to the ability of any person or group of persons to acquire common stock of the combined company. Accordingly, your interests may be diluted further to the extent that any person or group is able to consolidate ownership.

Obtaining required approvals and satisfying closing conditions may delay or prevent completion of the merger.

Completion of the merger is conditioned upon the receipt of all material governmental authorizations, consents, orders and approvals. UnionBancorp and Centrue Financial intend to pursue all required approvals in accordance with the merger agreement. No assurance can be given that the required consents and approvals will be obtained or that the required conditions to closing will be satisfied, and, if all such consents and approvals are obtained and the conditions are satisfied, no assurance can be given as to the terms, conditions and timing of the approvals or that they will satisfy the terms of the merger agreement. See Description of Transaction Conditions for the Completion of the Merger for a discussion of the conditions to the completion of the merger and Description of Transaction Regulatory Approvals for a description of the regulatory approvals necessary in connection with the merger.

These factors could contribute to the combined company not achieving the expected benefits from the merger within the desired time frames, if at all.

A WARNING ABOUT FORWARD-LOOKING STATEMENTS

We have each made forward-looking statements in this document (and in documents to which we refer you in this document) that are subject to risks and uncertainties. These forward-looking statements include information about possible or assumed future results of our operations or the performance of the combined company after the merger is completed. When we use any of the words believes, expects, anticipates, estimates or similar expressions, we are making forward-looking statements. These statements are based on UnionBancorp s and Centrue Financial s respective management s existing expectations, which in turn are based on information that is currently available to them and on the current economic, regulatory and competitive environment, including factors such as the strength of the U.S. and local economies; federal, state and local laws, regulations and policies; interest rates and regulatory policies; and expectations as to competitors and customers. Many possible events or factors, including changes from current conditions in the factors mentioned above, could affect the future financial results and performance of each of our companies and the combined company after the merger and could cause those results or performance to differ materially from those expressed in our forward-looking statements.

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In addition to the factors listed above and the risks discussed in the Risk Factors section of this joint proxy statement-prospectus, factors that could have a material adverse effect on our operations and future prospects include, but are not limited to, the following:

- the economic impact of past and any future terrorist threats and attacks, acts of war or threats thereof and the response of the United States to any such threats and attacks;
- technological changes implemented by us and by other parties, including third party vendors, which may be more difficult or more expensive than anticipated or which may have unforeseen consequences to us and our customers;
- the availability of capital to fund the expansion of the combined business; and
- other factors referenced in this joint proxy statement-prospectus or the documents incorporated by reference.

These risks and uncertainties should be considered in evaluating forward-looking statements and undue reliance should not be placed on such statements.

Any forward-looking earnings estimates included in this joint proxy statement-prospectus have not been examined or compiled by either of our independent public accountants, nor have either of our independent accountants applied any procedures to our estimates. Accordingly, our accountants do not express an opinion or any other form of assurance on them. The forward-looking statements included in this joint proxy statement-prospectus are made only as of the date of this joint proxy statement-prospectus. Further information concerning UnionBancorp and its business, including additional factors that could materially affect UnionBancorp s financial results, is included in UnionBancorp s filings with the Securities and Exchange Commission. Further information concerning Centrue Financial and its business, including additional factors that could materially affect Centrue Financial s financial results, is included in Centrue Financial s filings with the Securities and Exchange Commission.

INTRODUCTION

UnionBancorp is furnishing this joint proxy statement-prospectus to holders of UnionBancorp common stock, $1.00 par value per share, in connection with the proxy solicitation by UnionBancorp s board of directors. UnionBancorp s board of directors will use the proxies at the special meeting of stockholders of UnionBancorp to be held on November 9, 2006, and at any adjournments or postponements of the meeting.

Centrue Financial is furnishing this joint proxy statement-prospectus to holders of Centrue Financial common stock, $0.01 par value per share, in connection with the proxy solicitation by Centrue Financial s board of directors. Centrue Financial s board of directors will use the proxies at the special meeting of stockholders of Centrue Financial to be held on November 9, 2006, and at any adjournments or postponements of the meeting.

Our stockholders will be asked at their respective special meetings to vote to adopt the Agreement and Plan of Merger, dated as of June 30, 2006, between UnionBancorp and Centrue Financial, and to approve the transactions it contemplates. Under the merger agreement, Centrue Financial will merge with and into UnionBancorp. In the merger of Centrue Financial with and into UnionBancorp, each of the outstanding shares of Centrue Financial common stock will be converted into 1.2 shares of UnionBancorp common stock. Centrue Financial stockholders will receive cash instead of any fractional shares. By approving the merger, UnionBancorp stockholders are also approving the adoption of an amended and restated certificate of incorporation attached as Exhibit A to the merger agreement.

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UNIONBANCORP SPECIAL MEETING

Date, Place, Time and Purpose

The special meeting of UnionBancorp s stockholders will be held at the offices of McDonnell Investment Management, LLC, 1515 West 22nd Street, 11th Floor, Oak Brook, Illinois, at 9:00 a.m. local time, on November 9, 2006. At the special meeting, holders of UnionBancorp common stock will be asked to vote upon a proposal to adopt the merger agreement and to approve the transactions it contemplates.

Record Date, Voting Rights, Required Vote and Revocability of Proxies

The UnionBancorp board fixed the close of business on September 22, 2006, as the record date for determining those UnionBancorp stockholders who are entitled to notice of and to vote at the special meeting. Only holders of UnionBancorp common stock of record on the books of UnionBancorp at the close of business on the record date have the right to receive notice of and to vote at the special meeting. On the record date, there were 3,742,851 shares of UnionBancorp common stock issued and outstanding, held by approximately 402 holders of record.

At the special meeting, UnionBancorp stockholders will have one vote for each share of UnionBancorp common stock owned on the record date. The holders of a majority of the outstanding shares of UnionBancorp common stock entitled to vote at the special meeting must be present for a quorum to exist at the special meeting.

To determine if a quorum is present, UnionBancorp intends to count the following:

- shares of UnionBancorp common stock present at the special meeting either in person or by proxy; and
- shares of UnionBancorp common stock for which it has received signed proxies, but with respect to which holders of shares have abstained on any matter.

Approval of the merger agreement requires the affirmative vote of holders of a majority of the outstanding shares of UnionBancorp common stock.

Brokers who hold shares in street name for customers who are the beneficial owners of such shares may not give a proxy to vote those shares without specific instructions from their customers. Any abstention, non-voting share or broker non-vote will have the same effect as a vote against the approval of the merger agreement.

Properly executed proxies that UnionBancorp receives before the vote at the special meeting that are not revoked will be voted in accordance with the instructions indicated on the proxies. If no instructions are indicated, these proxies will be voted **FOR** the proposal to adopt the merger agreement and to approve the transactions it contemplates, **FOR** any resolution to adjourn the special meeting, if necessary, to solicit additional proxies, and the proxy holder may vote the proxy in its discretion as to any other matter that may properly come before the special meeting.

A UnionBancorp stockholder who has given a proxy solicited by the UnionBancorp board may revoke it at any time prior to its exercise at the special meeting by:

- giving written notice of revocation to the secretary of UnionBancorp;
- properly submitting to UnionBancorp a duly executed proxy bearing a later date; or
- attending the special meeting and voting in person.

All written notices of revocation and other communications with respect to revocation of proxies should be sent to: UnionBancorp, Inc., 122 West Madison Street, Ottawa, Illinois 61350, Attention: Suzanne Fechter, Secretary.

On the record date, UnionBancorp s directors owned 675,502 shares, or approximately 17.6% of the outstanding shares, of UnionBancorp common stock. These individuals have agreed to vote their shares in favor of adopting the merger agreement and approving the transactions it contemplates. However, because they hold only 17.6% of the voting power, adoption of the merger agreement and approval of the merger is not assured.

Solicitation of Proxies

Directors, officers and employees of UnionBancorp may solicit proxies by regular or electronic mail, in person or by telephone or facsimile. They will receive no additional compensation for these services. UnionBancorp may make arrangements with brokerage firms and other custodians, nominees and fiduciaries, if any, for the forwarding of solicitation materials to the beneficial owners of UnionBancorp common stock held of record by such persons. UnionBancorp will reimburse any brokers, custodians, nominees and fiduciaries for the reasonable out-of-pocket expenses incurred by them for their services. UnionBancorp will bear all expenses associated with the printing and mailing of this joint proxy statement-prospectus to its stockholders, as provided in the merger agreement. See Description of Transaction Expenses.

Authority to Adjourn Special Meeting to Solicit Additional Proxies

UnionBancorp is asking its stockholders to grant full authority for the special meeting to be adjourned, if necessary, to permit solicitation of additional proxies to approve the transactions proposed by this joint proxy statement-prospectus.

Appraisal Rights

UnionBancorp s stockholders do not have the right under Delaware law, UnionBancorp s governing documents, or any other statute to demand appraisal of their shares and obtain cash in an amount equal to the fair value of their shares of UnionBancorp common stock.

Recommendation of UnionBancorp s Board

The UnionBancorp board has unanimously approved the merger agreement and the transactions it contemplates and believes that the proposal to adopt the merger agreement and approve the transactions it contemplates are in the best interests of UnionBancorp and its stockholders. The UnionBancorp board unanimously recommends that the UnionBancorp stockholders vote **FOR** adoption of the merger agreement and approval of the transactions it contemplates and **FOR** any resolution to adjourn the special meeting, if necessary, to solicit additional proxies. See Description of Transaction UnionBancorp s Reasons for the Merger and Board Recommendation.

CENTRUE FINANCIAL SPECIAL MEETING

Date, Place, Time and Purpose

The special meeting of Centrue Financial s stockholders will be held at the offices of McDonnell Investment Management, LLC, 1515 West 22nd Street, 11th Floor, Oak Brook, Illinois, at 10:00 a.m. local time, on November 9, 2006. At the special meeting, holders of Centrue Financial common stock will be asked to vote upon a proposal to adopt the merger agreement and to approve the transactions it contemplates.

Record Date, Voting Rights, Required Vote and Revocability of Proxies

The Centrue Financial board fixed the close of business on September 22, 2006, as the record date for determining those Centrue Financial stockholders who are entitled to notice of and to vote at the special meeting. Only holders of Centrue Financial common stock of record on the books of Centrue Financial at the close of business on the record date have the right to receive notice of and to vote at the special meeting. On the record date, there were 2,232,889 shares of Centrue Financial common stock issued and outstanding, held by approximately 746 holders of record.

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At the special meeting, Centrue Financial stockholders will have one vote for each share of Centrue Financial common stock owned on the record date. The holders of a majority of the outstanding shares of Centrue Financial common stock entitled to vote at the special meeting must be present for a quorum to exist at the special meeting.

To determine if a quorum is present, Centrue Financial intends to count the following:

shares of Centrue Financial common stock present at the special meeting either in person or by proxy; and

shares of Centrue Financial common stock for which it has received signed proxies, but with respect to which holders of shares have abstained on any matter.

Approval of the merger agreement requires the affirmative vote of holders of a majority of the outstanding shares of Centrue Financial common stock.

Brokers who hold shares in street name for customers who are the beneficial owners of such shares may not give a proxy to vote those shares without specific instructions from their customers. Any abstention, non-voting share or broker non-vote will have the same effect as a vote against the approval of the merger agreement.

Properly executed proxies that Centrue Financial receives before the vote at the special meeting that are not revoked will be voted in accordance with the instructions indicated on the proxies. If no instructions are indicated, these proxies will be voted **FOR** the proposal to adopt the merger agreement and to approve the transactions it contemplates, **FOR** any resolution to adjourn the special meeting, if necessary, to solicit additional proxies, and the proxy holder may vote the proxy in its discretion as to any other matter that may properly come before the special meeting.

A Centrue Financial stockholder who has given a proxy solicited by the Centrue Financial board may revoke it at any time prior to its exercise at the special meeting by:

giving written notice of revocation to the secretary of Centrue Financial;

properly submitting to Centrue Financial a duly executed proxy bearing a later date; or

attending the special meeting and voting in person.

All written notices of revocation and other communications with respect to revocation of proxies should be sent to: Centrue Financial Corporation, 303 Fountains Parkway, Fairview Heights, Illinois 60208, Attention: Thomas A. Daiber, Acting Secretary.

On the record date, Centrue Financial s directors owned 213,117 shares, or approximately 9.5% of the outstanding shares, of Centrue Financial common stock. These individuals have agreed to vote their shares in favor of adopting the merger agreement and approving the transactions it contemplates. However, because they hold only 9.5% of the voting power, adoption of the merger agreement and approval of the merger is not assured.

Solicitation of Proxies

Directors, officers and employees of Centrue Financial may solicit proxies by regular or electronic mail, in person or by telephone or facsimile. They will receive no additional compensation for these services. Centrue Financial has retained Morrow & Company to assist, as necessary, in the solicitation of proxies, for a fee estimated to be approximately $5,000, plus reasonable out-of-pocket expenses. Centrue Financial may make arrangements with brokerage firms and other custodians, nominees and fiduciaries, if any, for the forwarding of solicitation materials to the beneficial owners of Centrue Financial common stock held of record by such persons. Centrue Financial will reimburse any brokers, custodians, nominees and fiduciaries for the reasonable out-of-pocket expenses incurred by them for their services. Centrue Financial will bear all expenses associated with the printing and mailing of this joint proxy statement-prospectus to its stockholders, as provided in the merger agreement. See Description of Transaction Expenses.

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Authority to Adjourn Special Meeting to Solicit Additional Proxies

Centrue Financial is asking its stockholders to grant full authority for the special meeting to be adjourned, if necessary, to permit solicitation of additional proxies to approve the transactions proposed by this joint proxy statement-prospectus.

Appraisal Rights

Centrue Financial s stockholders do not have the right under Delaware law, Centrue Financial s governing documents, or any other statute to demand appraisal of their shares and obtain cash in an amount equal to the fair value of their shares of Centrue Financial common stock.

Recommendation of Centrue Financial s Board

The Centrue Financial board has unanimously approved the merger agreement and the transactions it contemplates and believes that the proposal to adopt the merger agreement and approve the transactions it contemplates are in the best interests of Centrue Financial and its stockholders. The Centrue Financial board unanimously recommends that the Centrue Financial stockholders vote ***FOR*** *adoption of the merger agreement and approval of the transactions it contemplates and* ***FOR*** *any resolution to adjourn the special meeting, if necessary, to solicit additional proxies. See Description of Transaction Centrue Financial s Reasons for the Merger and Board Recommendation.*

DESCRIPTION OF TRANSACTION

The following information describes material aspects of the merger and related transactions. This description does not provide a complete description of all the terms and conditions of the merger agreement. It is qualified in its entirety by the Appendices to this document, including the merger agreement, which is attached as Appendix A to this joint proxy statement-prospectus and which is incorporated into this joint proxy statement-prospectus by reference. We urge you to read the Appendices in their entirety.

General

The merger agreement provides for the merger of Centrue Financial with and into UnionBancorp. At the time the merger becomes effective, each share of Centrue Financial common stock then issued and outstanding will be converted into and exchanged for the right to receive 1.2 shares of UnionBancorp common stock. By approving the merger, UnionBancorp stockholders are also approving the adoption of an amended and restated certificate of incorporation attached as Exhibit A to the merger agreement.

No fractional shares of UnionBancorp common stock will be issued to Centrue Financial s stockholders. Rather, UnionBancorp will redeem any of these fractional interests for cash in an amount equal to the average of the closing sale prices of UnionBancorp common stock for the five trading days immediately following the completion of the merger. No interest will be paid or accrued on cash payable to holders of Centrue Financial common stock in lieu of fractional shares. No stockholder of Centrue Financial will be entitled to dividends, voting rights or any other rights as a stockholder of UnionBancorp in respect of any fractional shares.

On their respective record dates, UnionBancorp had 3,742,851 shares of common stock issued and outstanding and Centrue Financial had 2,232,889 shares of common stock issued and outstanding. Based on the exchange ratio contained in the merger agreement, on completion of the merger, UnionBancorp will issue 2,698,655 shares of its common stock to former Centrue Financial stockholders. After the merger, former Centrue Financial stockholders would own approximately 41.9% of the outstanding shares of common stock of the combined company.

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Fluctuation in UnionBancorp Stock Price. Because the exchange ratio of 1.2 shares of UnionBancorp common stock is fixed, the value of the merger consideration will fluctuate as the price of UnionBancorp common stock changes. Share prices cannot be accurately predicted. The following table illustrates the effective value of the merger consideration to be received on a per share basis under varying prices of UnionBancorp common stock:

Price of UnionBancorp Common Stock	Value of Stock Consideration to be Received in the Merger	
$18.75	$	22.50
$19.00	$	22.80
$19.25	$	23.10
$19.50	$	23.40
$19.75	$	23.70
$20.00	$	24.00
$20.25	$	24.30
$20.50	$	24.60
$20.75	$	24.90
$21.00	$	25.20
$21.25	$	25.50

You should obtain current market price quotations for UnionBancorp common stock to determine the current value of the merger consideration. Based on the $19.31 closing price of UnionBancorp common stock on September 26, 2006, the total value of the merger consideration to Centrue Financial stockholders is $52.1 million (2,698,655 shares, multiplied by $19.31).

Treatment of Centrue Financial Stock Options and Restricted Stock

Upon completion of the merger, each outstanding option to acquire Centrue Financial common stock will be converted into an option to acquire that number of whole shares of the combined company s common stock equal to the product of the number of shares of Centrue Financial common stock that were subject to the original Centrue Financial stock option multiplied by the exchange ratio at a per share exercise price equal to the exercise price per share of the original Centrue Financial stock option divided by the exchange ratio (subject to certain rounding adjustments set forth in the merger agreement). As soon as practicable following the completion of the merger, the combined company intends to file a registration statement to register the issuance of the shares of the combined company s common stock to be issued upon exercise of the converted Centrue Financial stock options.

Centrue Financial has issued 12,400 shares of common stock as restricted stock under its stock incentive plan. When the merger is completed, each share of restricted stock will vest and will become free of all restrictions, and each of these shares will be converted into the right to receive 1.2 shares of UnionBancorp common stock.

Surrender of Stock Certificates

Shortly after the merger, all Centrue Financial stockholders will receive a letter of transmittal, together with a return envelope. The letter of transmittal will include instructions for the surrender and exchange of certificates representing Centrue Financial common stock in exchange for the combined company s common stock. Computershare Shareholder Services, Inc. will serve as the exchange agent in the process. A letter of transmittal will be deemed properly completed only if signed and accompanied by stock certificates representing all shares of Centrue Financial common stock or an appropriate guarantee of delivery of the certificates.

Please do not send any certificates to the exchange agent, Centrue Financial or UnionBancorp until you receive a letter of transmittal and instructions.

Until you surrender your Centrue Financial stock certificates for exchange after completion of the merger, you will not be paid dividends or other distributions declared after the merger with respect to any of the combined company s common stock into which your Centrue Financial shares have been converted. When Centrue Financial stock certificates are surrendered, we will pay to the surrendering holder any of his or her respective unpaid dividends or other distributions, without interest. After the completion of the merger, no further transfers of Centrue Financial common stock will be permitted. Centrue Financial stock certificates presented for transfer after the completion of the merger will be canceled and exchanged for common stock of the combined company.

None of the exchange agent, UnionBancorp, Centrue Financial or any other person will be liable to any former holder of Centrue Financial common stock for any amount properly delivered to a public official pursuant to applicable abandoned property, escheat or similar laws.

If a certificate for Centrue Financial common stock has been lost, stolen or destroyed, the exchange agent will issue the consideration properly payable under the merger agreement upon compliance by the holder of Centrue Financial common stock with the conditions reasonably imposed by the exchange agent. These conditions will include a requirement that the stockholder provide a lost instruments indemnity bond in form, substance and amount reasonably satisfactory to the exchange agent and us.

Effective Time of the Merger

Subject to the conditions to each party s obligations to complete the merger, the merger will become effective when a certificate of merger reflecting the merger is filed with the Secretary of State of the State of Delaware. Unless we agree otherwise, each party will use reasonable efforts to cause the merger to become effective 10 business days after the later to occur of:

- the receipt of all required regulatory approvals and the expiration of all statutory waiting periods relating to the approvals; and
- the satisfaction or waiver of all of the conditions to closing.

We anticipate that the merger will become effective in the fourth quarter of 2006; however, delays could occur.

We cannot assure you that the necessary stockholder and regulatory approvals of the merger will be obtained or that other conditions precedent to the merger can or will be satisfied. Either party s board of directors may terminate the merger agreement if the merger is not completed by March 1, 2007, unless it is not completed because of the failure by the party seeking termination to comply fully with its obligations under the merger agreement, except that, in general, the termination date can be extended for up to ninety days if the sole reason that the closing has not occurred is due to the fact that (1) the regulatory approvals have not been received, or (2) the Registration Statement has not become effective. *See* Conditions to Completion of the Merger and Termination and Termination Fees.

United States Federal Income Tax Consequences of the Merger

The following is a summary of the material United States federal income tax consequences of the merger generally applicable to Centrue Financial stockholders. This discussion assumes you hold your shares of Centrue Financial common stock as capital assets within the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended, or the Code, and does not address all aspects of United States federal income taxation that may be relevant to you in light of your particular circumstances or if you are subject to special rules, such as rules relating to:

- stockholders who are not citizens or residents of the United States;
- financial institutions;

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- tax-exempt organizations;
- insurance companies;
- dealers in securities or currencies;
- traders in securities that elect to use a mark-to-market method of accounting;
- stockholders who acquired their shares of Centrue Financial common stock pursuant to the exercise of employee stock options or otherwise acquired shares as compensation; and
- stockholders who hold their shares of Centrue Financial common stock as part of a hedge, straddle or other risk reduction, constructive sale or conversion transaction.

In addition, this summary does not address any state, local or foreign tax consequences of the merger that may apply. The following discussion is based on the Code, existing and proposed regulations promulgated under the Code, published Internal Revenue Service rulings and court decisions, all as in effect as of the date hereof, and all of which are subject to change, possibly with retroactive effect. Any such change could affect the continuing validity of this discussion.

Tax Opinion of Crowe Chizek and Company LLC. It is a condition of the merger, that both UnionBancorp and Centrue Financial have received an opinion from UnionBancorp s accountants that, for federal income tax purposes, Centrue Financial stockholders who exchange their shares for shares of common stock of the combined company will not recognize any gain or loss as a result of the merger, except in connection with the payment of cash instead of fractional shares. We have obtained the opinion of Crowe Chizek and Company LLC (Crowe Chizek) as to the expected federal income tax consequences of the merger, a copy of which is attached as an exhibit to the Registration Statement. Subject to the conditions, qualifications, representations and assumptions contained in this document and in the tax opinion, Crowe Chizek s opinion provides the following conclusions:

- The acquisition by UnionBancorp of substantially all of the assets of Centrue Financial in exchange for shares of UnionBancorp common stock and the assumption of liabilities of UnionBancorp and of Centrue Financial pursuant to the merger will constitute a reorganization within the meaning of Section 368(a) of the Code.
- UnionBancorp and Centrue Financial will each be a party to a reorganization within the meaning of Section 368(b) of the Code.
- No gain or loss will be recognized by either UnionBancorp or Centrue Financial as a result of the merger.
- No gain or loss will be recognized by the stockholders of Centrue Financial as a result of the exchange of Centrue Financial common stock for UnionBancorp common stock pursuant to the merger. Assuming that the UnionBancorp common stock is a capital asset in the hands of the respective Centrue Financial stockholders and has been held for more than one year, any gain or loss recognized as a result of the receipt of cash in lieu of a fractional share will be a capital gain or loss equal to the difference between the cash received and that portion of the holder s tax basis in the Centrue Financial common stock allocable to the fractional share.
- The tax basis of UnionBancorp common stock to be received by the stockholders of Centrue Financial will be the same as the tax basis of the Centrue Financial common stock surrendered in exchange therefor (reduced by any amount allocable to a fractional share interest for which cash is received).
- The holding period of the UnionBancorp common stock to be received by stockholders of Centrue Financial will include the holding period of the Centrue Financial common stock surrendered in exchange therefore on the date of the exchange.

The tax opinion is based on the Code, Treasury Regulations issued under the Code by the Internal Revenue Service, judicial decisions and administrative pronouncements of the Internal Revenue Service, all existing and in effect on the date of this joint proxy statement-prospectus and all of which are subject to

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change at any time, possibly retroactively. Any such change could have a material impact on the conclusions reached in the tax opinion. The tax opinion represents only Crowe Chizek s best judgment as to the expected federal income tax consequences of the merger and is not binding on the Internal Revenue Service or the courts. The Internal Revenue Service may challenge the conclusions stated in the tax opinion or positions taken by stockholders on their income tax returns. Stockholders of Centrue Financial may incur the cost and expense of defending positions taken by them with respect to the merger. A successful challenge by the Internal Revenue Service could have material adverse consequences to the parties to the merger, including stockholders of Centrue Financial.

In rendering the tax opinion, Crowe Chizek has relied as to factual matters solely on the continuing accuracy of the following:

the description of the facts relating to the merger contained in the merger agreement and this joint proxy statement-prospectus;

the factual representations and warranties contained in the merger agreement and this joint proxy statement-prospectus and related documents and agreements; and

factual matters addressed by representations made by executive officers of UnionBancorp and Centrue Financial, as further described in the tax opinion.

Events occurring after the date of the tax opinion could alter the facts upon which the opinion is based. In such case, the conclusions reached in the tax opinion and in this summary could be materially impacted.

The conditions relating to the receipt of the tax opinion may be waived by both of us, although neither of us currently intends to do so. If the condition relating to the receipt of the tax opinion were waived and the material federal income tax consequences of the merger were substantially different from those described in this joint proxy statement-prospectus, we would each resolicit the approval of our respective stockholders prior to completing the merger.

Backup Withholding. Unless you provide a taxpayer identification number (social security number or employer identification number) and certify, among other things, that such number is correct, or you provide proof of an applicable exemption from backup withholding, the exchange agent will be required to withhold 28% of any cash payable to Centrue Financial stockholders in connection with the merger. Any amount so withheld under the backup withholding rules is not an additional tax and will be allowed as a refund or credit against your United States federal income tax liability, provided that you furnish the required information to the Internal Revenue Service. Centrue Financial stockholders should complete and sign the substitute Form W-9 that will be included as part of the transmittal letter that accompanies the election form to provide the information and certification necessary to avoid backup withholding, unless an applicable exception exists and is established in a manner that is satisfactory to the exchange agent.

Centrue Financial stockholders will be required to retain records pertaining to the merger and will be required to file a statement with your United States federal income tax return for the taxable year in which the merger takes place that sets forth certain facts relating to the merger, including your basis in your Centrue Financial common stock that you surrender in connection with the merger and the fair market value of the UnionBancorp common stock that you receive in connection with the merger. In addition, pursuant to the American Jobs Creation Act of 2004, Centrue Financial, or UnionBancorp as Centrue Financial s successor, will be required to provide to the Internal Revenue Service and Centrue Financial stockholders information with respect to the merger, including information regarding your identity (and the identities of other Centrue Financial stockholders) and the fair market value of UnionBancorp common stock received by you (and by each other Centrue Financial stockholder) in the merger.

The foregoing discussion is not intended to be a complete analysis or description of all potential federal income tax consequences of the merger. In addition, the discussion does not address tax consequences that may vary with, or are contingent on, your individual circumstances. Moreover, the discussion does not address any non-income tax or any foreign, state, or local tax consequences of the merger. Accordingly, you are strongly urged to consult with your own tax advisor to determine the particular federal, state, local and foreign income

and other tax consequences to you of the merger.

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Background of the Merger

The boards of directors of each of Centrue Financial and UnionBancorp have regularly reviewed the business strategies of their respective companies in light of general conditions in the banking industry, local competitive and economic conditions, the results of operations and future prospects, legislative changes and other developments affecting the banking industry generally and each of their respective companies specifically.

The Centrue Financial board of directors also has considered from time to time the possible benefits of strategic business combinations with other comparably-sized financial institutions, including other bank holding companies, as a part of its ongoing evaluation of available methods to increase stockholder value, to strengthen its franchise through expansion of its existing service area and to solidify its market position in existing markets. Following a series of strategic planning meetings in early 2003, the focus of the institution became to seek to transform Centrue Financial into the premier financial institution in the central Illinois markets between Chicago and St. Louis. To this end, the senior management of Centrue Financial has from time to time had informal discussions with senior management of other financial institutions regarding potential business combinations.

As a part of these discussions and the implementation of Centrue Financial s strategic plan, representatives of each of Centrue Financial and UnionBancorp, together with a significant individual stockholder of UnionBancorp, had an informal conversation and information-sharing meeting regarding a very preliminary exploration of the possibility of merging the two franchises. A follow-up meeting was held in the Fall of 2003 following Centrue Financial s acquisition of Aviston Financial Corporation and the related retention of Thomas A. Daiber as Chief Executive Officer. Although the parties recognized that potential synergies could be reached given UnionBancorp s expressed desire to move their franchise toward Chicago and build a full-service financial institution, the parties did not make any further effort to pursue a transaction at that time. This decision was based in part on the need for UnionBancorp to address asset quality and earnings issues that had arisen in the early 2000s and to implement a cohesive long-term strategy, including focusing on the retention of a strong management team. In addition, the parties agreed that there was a need on the part of Centrue Financial s new management team to integrate operations following the Aviston acquisition prior to undertaking a strategic transaction of this nature, as well as to focus on asset quality and earnings issues.

Centrue Financial s board of directors continued to evaluate business combinations, undertaking the acquisition of two smaller financial institutions located in central Illinois, and also continued to explore the availability of additional opportunities that would enhance stockholder value. In April 2005, Centrue Financial received an unsolicited, non-binding expression of interest from senior management of an Illinois financial institution, which included an offer to purchase Centrue Financial for cash and stock consideration. Over a series of meetings conducted during May 2005, Centrue Financial, together with a financial advisor, analyzed the expression of interest, and the parties conducted mutual due diligence. Following review and discussion among the parties, the negotiations were terminated due to relative valuation issues and to an inability of the parties to reach agreement on threshold issues such as management and director integration.

Following UnionBancorp s employment of Scott A. Yeoman as Chief Executive Officer in June 2005, Mr. Yeoman met with Mr. Daiber and with the retiring Chief Executive Officer of UnionBancorp, and the parties met again in November 2005, along with the Chief Financial Officers of each institution. At that time, the parties entered into a confidentiality agreement to facilitate the exchange of information. Although the parties again informally discussed the desirability of a proposed affiliation, these discussions did not progress, primarily because UnionBancorp s board was in the midst of consideration of UnionBancorp s strategic direction, and UnionBancorp was also in the midst of a reduction in force.

In the Fall of 2005, Centrue Financial received an unsolicited, non-binding expression of interest from a financial institution located in the St. Louis metropolitan area regarding an offer to acquire Centrue Financial in a cash and stock transaction. Representatives of each company met with one another to discuss the desired synergies resulting from the proposed acquisition, and the parties, including a new financial advisor to Centrue Financial, conducted mutual due diligence. Following this process and after discussions among the respective

parties regarding transaction terms, discussions, were terminated due to, among other things, uncertainty with respect to the combined company s ability to generate acceptable earnings.

The board of directors in November 2005 again considered its strategic alternatives, and agreed to further evaluate Centrue Financial s strategic plan. In January 2006, Centrue Financial conducted an informal market check, with its financial advisor contacting approximately 8-10 financial institutions, including UnionBancorp, that Centrue Financial felt might have a strategic or financial interest in the potential acquisition of Centrue Financial at a market premium. The board of directors of Centrue Financial determined as a result of this market check that the timing did not seem appropriate to sell the company, but that it might be willing to consider strategic combinations structured as a merger of equals. In reaching this conclusion, the Centrue Financial board considered that a merger of equals would, if completed, likely be completed at a value that would not represent an immediate premium over Centrue Financial s then current market value, while its previous considerations of sale transactions had contemplated that Centrue Financial stockholders would receive such a premium. However, the board noted that at no time had any prior discussions or the informal market check indicated that a sale transaction at an acceptable value would be achievable. In addition, in making its decision to focus on a merger of equals transaction, the board noted that the evaluation of the price to be paid to Centrue Financial stockholders would be able to be evaluated over a long-term horizon, which would give the board flexibility to evaluate transactions that would support its overall corporate strategy and that may, if proper synergies were achieved, result in increases in stockholder value in the long term. When Mr. Yeoman again contacted Mr. Daiber in January, 2006 to discuss an affiliation structured as a merger of equals, the parties began in earnest to discuss the proposed structure and financial terms of such a transaction. At a UnionBancorp board meeting held on March 16, 2006, Dennis J. McDonnell, chairman of UnionBancorp, reported on conversations he had had with Centrue Financial and discussed similarities between the organizations and advantages to be gained in a merger of equals.

As a result of discussions held in April, 2006 among representatives of each company, including a significant individual stockholder of UnionBancorp, the parties agreed to move forward with the consideration of a possible transaction in which Centrue Financial would combine with UnionBancorp, with the combined company retaining the name Centrue Financial Corporation. In the combination, it was proposed that UnionBancorp would issue stock to Centrue Financial s stockholders, with an exchange ratio based on an approximation of market-to-market value preceding the date of announcement of the transaction. It was also proposed that the combined company would have a board of directors comprised of ten members, five from each constituent company, with equal representation on committees of the board. The senior management team was proposed to consist of Mr. Daiber as Chief Executive Officer, Mr. Yeoman as Chief Operating Officer, and Kurt R. Stevenson, the current Chief Financial Officer of UnionBancorp, as the Chief Financial Officer. Through a series of meetings and conversations held in late April 2006, the parties developed a framework for the financial terms and management integration, and expressed a mutual interest in pursuing a transaction. The discussions among the parties included the consideration of the possible advantages of a combination, including the fact that each of the franchises had little geographic overlap and represented the opportunity to extend the combined market share over a larger portion of central Illinois, with a possible long term goal of ultimately expanding into the Chicago metropolitan area. At a meeting of UnionBancorp s board on April 25, 2006, Mr. McDonnell apprised the entire UnionBancorp board of the above discussions and after discussion among the board members, the UnionBancorp board unanimously agreed that UnionBancorp should continue conversations with Centrue Financial. Mr. McDonnell sent a letter to Centrue Financial dated May 18, 2006 setting forth the proposed material terms of a possible merger of equals transaction between UnionBancorp and Centrue Financial.

At a meeting of Centrue Financial s board held on May 24, 2006, the directors approved moving forward with the consideration a possible merger, and authorized management to proceed with mutual due diligence. In addition, the directors authorized management to contact prospective investment bankers, including Centrue Financial s most recent financial advisor, and ask the bankers to give presentations with respect to the proposed transaction. UnionBancorp and Centrue Financial met and had discussions several times over the ensuing days to organize the due diligence process and to discuss organization, vision and strategy for the

combined institution. In addition, the parties discussed with their respective counsel the alternative structures for a merger of equals transaction.

A meeting of UnionBancorp s board was held on May 25, 2006 which was attended by all of UnionBancorp s directors, UnionBancorp s Chief Financial Officer, Kurt R. Stevenson, and representatives of UnionBancorp s attorneys, Howard & Howard Attorneys P.C. At the meeting, Mr. McDonnell updated the board on the negotiations with Centrue. Representatives of Howard & Howard discussed in detail with the board members their fiduciary duties in connection with merger transactions and answered questions from the board. A possible timeline was also discussed should events move forward including the due diligence process and the timing of the preparation of a definitive agreement. Messrs. Yeoman and Stevenson recommended that the company engage Sandler O Neill & Partners, L.P. to act as independent financial advisors to assist management in a possible merger of equals transaction with Centrue Financial, based on UnionBancorp s previous experience with Sandler O Neill and Sandler O Neill s reputation and expertise in the financial services industry. After discussion and by unanimous vote, the Board authorized management to engage Sandler O Neill as financial advisor to UnionBancorp. UnionBancorp formally engaged Sandler O Neill by letter dated May 25, 2006.

On June 1, 2006, the audit committee of Centrue Financial s board of directors met, with participation from the remaining board members and legal counsel, Barack Ferrazzano, to interview the investment bankers to represent Centrue Financial in connection with the transaction. Following the presentations offered at the meeting, the audit committee selected Keefe Bruyette & Woods, Inc. to represent Centrue Financial as the investment banker on the transaction, based in part on their experience with merger of equals transactions. Keefe Bruyette was directed to begin its financial analysis of the transaction, and to engage in discussions with UnionBancorp s financial advisors, Sandler O Neill & Partners, to assess whether any modification to the proposed exchange ratio was appropriate. At the conclusion of the meeting, the audit committee directed Barack Ferrazzano to prepare a definitive merger agreement to be presented to UnionBancorp s counsel.

Beginning June 2, 2006, additional meetings were held between Centrue Financial, UnionBancorp and their financial advisors to discuss each organization s respective financial performance, personnel and business plans. The parties also discussed how the two organizations would combine in a merger of equals, and how the transaction and resulting company would be structured. Due diligence began June 5, 2006, and continued through the following week. Over this period, Sandler O Neill and Keefe Bruyette continued discussions with respect to the exchange ratio, and Sandler O Neill recommended to Keefe Bruyette a fixed exchange ratio of 1.2 shares of UnionBancorp common stock for each share of Centrue Financial common stock, with this ratio based on the previously discussed market-to-market methodology. Keefe Bruyette reported to Centrue Financial that UnionBancorp was not receptive to a modification of the exchange ratio methodology.

On June 12, 2006, UnionBancorp held a board meeting which was attended by all but one of its directors, Mr. Stevenson, Chief Financial Officer, and representatives of Howard & Howard and Sandler O Neill. The meeting was called to update the board on the status of negotiations and due diligence. Mr. Yeoman advised that he and Mr. Stevenson met twice with Mr. Daiber prior to the commencement of the due diligence process. The meetings ended on a positive note with all parties agreeing that there would be synergies in a combined organization. Also discussed were preliminary organizational chart items, line of business structure and centralized operations and support functions. Mr. Yeoman discussed the diligence process and reviewed the findings identified by the due diligence team. Representatives of Sandler O Neill then discussed the exchange ratio analysis projecting a 1.20x exchange ratio and their pro forma contribution analysis as of March 31, 2006 supporting a merger of equals transaction. The board briefly discussed a timeline of events should the companies move forward and the prospective need to offer employment contracts to key individuals to ensure the successful integration of the two companies.

On June 13, 2006, Centrue Financial s board of directors held a meeting that included the participation of Keefe Bruyette and Barack Ferrazzano. At this meeting, the Centrue Financial board reviewed the strategic alliance process to date, a summary of the merger-of-equals transaction proposal, and a financial analysis presented by Keefe Bruyette of Centrue Financial, UnionBancorp and the proposed transaction. Management provided the board of directors with the initial due diligence report, which included a discussion of the loan

review, financial and related areas, insurance and benefit plans, premises and equipment, retail overview, trust and brokerage activities, regulatory matters and personnel. In addition, Barack Ferrazzano delivered its initial legal due diligence report, including addressing securities, contract and benefit matters. The meeting also included a detailed discussion by counsel of the terms of the proposed merger agreement and employment agreements to be entered into with key management personnel of the combined company. Barack Ferrazzano also reviewed with the board its fiduciary obligations and the legal standards applicable to a decision by the board to approve the merger agreement and related transaction and recommend their approval to stockholders. At the conclusion of the meeting, counsel was requested to deliver the agreement to UnionBancorp s counsel and to negotiate a definitive agreement. Barack Ferrazzano delivered the draft agreement to Howard & Howard, counsel for UnionBancorp, later that afternoon.

Management of Centrue Financial and UnionBancorp, along with their respective financial advisors, continued to have discussions regarding the proposed exchange ratio. The two management teams also discussed other key issues such as transaction structure, management, integration risk, systems compatibility and other transitional issues. These discussions continued through June 2006. Concurrently, Barack Ferrazzano and Howard & Howard negotiated, with input from their respective clients, the terms of the merger agreement and related documents, including proposed employment agreements for the top and lower-tier management personnel. Throughout this time period, the boards of directors of Centrue Financial and UnionBancorp were kept advised of the progress made and the issues under discussion. In addition, the Centrue Financial board of directors met on June 21 and June 22 to engage in additional discussions regarding the terms of the proposed transaction, including discussion of the status of the merger agreement and the status of conversations among the parties relating to employment agreement terms and management integration matters.

UnionBancorp s board met on June 22, 2006. Mr. Stevenson, representatives of Howard & Howard, representatives of UnionBancorp s independent auditor, Crowe Chizek and Company LLC, and representatives of Sandler O Neill were also in attendance. Based on the current draft of the merger agreement, a representative of Howard & Howard discussed legal issues associated with the merger agreement and the board s fiduciary duties in considering the merger agreement and answered questions from the board. Messrs. Yeoman and Stevenson presented an assessment of the benefits and risks associated with the proposed merger and provided an overview of Centrue Financial including a historical review and branch location descriptions. The scope and outcome of the due diligence investigation was discussed and board members were provided with executive overviews from the line of business managers who were directly involved in the due diligence process. Discussions also included a review of integration strategies and the proposed organizational chart. Representatives of Sandler O Neill provided a detailed discussion of the analysis of the proposed merger and also answered questions from the board.

On June 26, 2006, Mr. Daiber and an independent director of Centrue Financial met with Mr. Yeoman, an independent director of UnionBancorp and the Chairman of the Board of UnionBancorp, to discuss further specifics with respect to the employment and compensation arrangements, including final identification of the parties who would enter into employment agreements and the compensation and benefit levels for those individuals. The parties continued discussions on these matters as well as board structure over the next several days, while counsel for the respective parties worked to finalize the merger agreement and other documentation, including the disclosure schedules delivered in connection with the merger agreement.

On June 30, 2006, the Centrue Financial board of directors held a special meeting to consider the negotiated terms of the transaction. The meeting included extensive discussion of the proposed transaction, the merger agreement and updated explanatory materials similar to those previously reviewed by the Centrue Financial board at the June 13, 2006 meeting. Barack Ferrazzano again reviewed with the board its fiduciary duties and other legal considerations involved in a decision to approve the contemplated transactions. Keefe Bruyette reviewed the financial terms of the transaction, provided a financial analysis of the proposed transaction and orally expressed an opinion that the exchange ratio was fair to Centrue Financial s stockholders from a financial point of view. Keefe Bruyette confirmed this oral opinion in writing by letter dated June 30, 2006. At the conclusion of this portion of the meeting, the Centrue Financial board determined

that the proposed merger of equals with UnionBancorp was in the best interests of its stockholders and unanimously approved the merger agreement and related transactions.

UnionBancorp also held a special meeting on June 30, 2006 to consider and vote on the proposed merger agreement and the transactions related to the merger agreement. Mr. Stevenson, representatives of Howard & Howard, representatives of Crowe Chizek, and representatives of Sandler O Neill were also in attendance. Mr. Yeoman began by summarizing the activities which had taken place since the last meeting of the board relating to discussions between representatives of UnionBancorp and representatives of Centrue Financial. He also summarized the results of due diligence investigations. A representative of Howard & Howard again discussed the fiduciary duties of the board in considering the merger agreement and reviewed the terms of the merger agreement, voting agreement, employment agreements, and other matters. Finally, Sandler O Neill reviewed the financial terms of the transaction, provided a financial analysis of the proposed transaction and orally expressed an opinion that the exchange ratio was fair to UnionBancorp s stockholders from a financial point of view, which Sandler O Neill subsequently confirmed in writing by letter dated June 30, 2006. After extensive discussion, UnionBancorp s board determined that the proposed merger of equals with Centrue Financial was in the best interests of its stockholders and unanimously approved the merger agreement and related transactions.

The merger agreement was signed by both Centrue Financial and UnionBancorp after the closing of stock markets on June 30, 2006, and was publicly announced on June 30, 2006.

UnionBancorp s Reasons for the Merger and Board Recommendation

The UnionBancorp board believes that the merger is fair to, and in the best interests of, UnionBancorp and the UnionBancorp stockholders. Accordingly, the UnionBancorp board has unanimously approved the merger agreement and unanimously recommends that the UnionBancorp stockholders vote FOR the adoption of the merger agreement.

The UnionBancorp board believes that the consummation of the merger presents a unique opportunity to combine with one of central Illinois leading community banking franchises to create an even stronger Illinois community banking franchise with an enhanced geographic presence and product development capabilities.

In reaching its decision to approve the merger agreement, the UnionBancorp board consulted with UnionBancorp s management, as well as with its financial and legal advisors, and considered a variety of factors, including the following:

- the fact that the exchange ratio represented an at-market transaction based on the ratio of the market price of Centrue Financial common stock to the market price of UnionBancorp common stock, which the UnionBancorp board believed presented a unique and attractive opportunity, and that the exchange ratio would be fixed thereby reducing the risk that the transaction would become dilutive to UnionBancorp s stockholders;

- the potential cost saving opportunities and the related potential positive impact on the combined company s earnings, including, specifically, the elimination of UnionBancorp s current need to upgrade its operating platform by converting to the operating platform currently in use at Centrue Financial;

- the opportunities for revenue enhancements through the development of more extensive product offerings, including cash management and private banking, by a combined company with significantly greater resources than either standing alone, and the ability to leverage UnionBancorp s asset management business over a larger franchise;

- the opportunity to build greater brand recognition and awareness;

- the governance arrangements with respect to the combined company post-merger, including the fact that Mr. McDonnell would serve as Chairman of the combined company, Mr. Yeoman would serve as Chief Operating Officer, and Mr. Stevenson would serve as Chief Financial Officer, as well as, the proposed composition of the board of directors;

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the belief of UnionBancorp s senior management that the managements and employees of Centrue Financial and UnionBancorp possess complementary skills and expertise and the potential advantages of a larger institution when pursuing, or seeking to retain, production and management talent;

the benefit and convenience to the combined company s customers resulting from the greater number of retail banking outlets spread over a broader geographic area that would become available to them for the conduct of their banking business, as well as the increased penetration of the northern, central and southwestern Illinois markets;

the opportunity to leverage UnionBancorp s recent success in centralization, standardization, and consolidation of non-sales related operations across Centrue Financial s diverse operations platforms, thereby enhancing revenue-generating activities in all branch locations;

the complementary nature and similarities in the markets served by Centrue Financial and UnionBancorp;

Centrue Financial s community banking philosophy, and stated commitment to local decision-making, and involvement by its leaders in the communities that it serves;

the tax-free nature of the transaction due to the all-stock consideration to be utilized in the merger;

the competence, experience, and integrity of Centrue Financial s senior officers;

the growing accounting, legal and regulatory compliance costs for publicly-traded institutions and the ability to spread such costs over a significantly larger revenue base;

the increasingly high costs of product development and technology and the probability that such costs are likely to continue to increase in the future;

the belief that, following the merger, the combined entity will be well-positioned to continue to grow through possible future acquisitions or expansions while at the same time increasing its attractiveness as a possible merger candidate; and correspondingly, the ability to make strategic divestitures from time-to-time which should have a reduced impact on a larger-sized institution;

the opinion of Sandler O Neill that, as of June 30, 2006, the exchange ratio in the merger was fair from a financial point of view to UnionBancorp stockholders (see Fairness Opinion of UnionBancorp s Financial Advisor);

the anticipated increase in the liquidity of the combined company s stock resulting from a significantly expanded stockholder base and the potential increase in interest from institutional investors and securities analysis; and

the likelihood that the merger will be approved by the appropriate regulatory authorities in a timely manner (see Regulatory Approvals).

The foregoing discussion of the information and factors considered by the UnionBancorp board is not intended to be exhaustive, but includes all material factors considered by the UnionBancorp board. In reaching its determination to approve and recommend the merger, the UnionBancorp board did not assign any relative or specific weights to the foregoing factors, and individual directors may have given differing weights to different factors. The UnionBancorp board is unanimous in its recommendation that UnionBancorp stockholders vote for approval and adoption of the merger agreement.

Centrue Financial s Reasons for the Merger and Board Recommendation

The Centrue Financial board of directors believes that the merger is fair to, and in the best interests of, Centrue Financial and its stockholders. Accordingly, the Centrue Financial board has unanimously approved the merger agreement and unanimously recommends that its stockholders vote ***FOR*** *the approval of the merger agreement and the transactions it contemplates.*

Centrue Financial s board has concluded that the proposed merger offers stockholders an extremely attractive opportunity to achieve the board s strategic business objectives. These objectives included increasing stockholder value and growing the size of the business to one of the premier financial institutions in central Illinois.

In deciding to approve the merger agreement and the transactions it contemplates, Centrue Financial s board consulted with management, as well as its legal counsel and financial advisors, and considered numerous factors, including the following:

information with respect to the businesses, earnings, operations, financial condition, prospects, capital levels and asset quality of Centrue Financial and UnionBancorp, both individually and as a combined company; in particular, the Centrue Financial board focused on the strategic fit of the business lines and the operating philosophies of the two institutions;

the perceived risks and uncertainties attendant to Centrue Financial s execution of its strategic growth plans as an independent banking organization, including the need to hire and retain management personnel, including a Chief Financial Officer, in order to support and enhance future growth;

the fact that the merger would combine two solid and emerging banking franchises to create a $1.3 billion bank that would have a top 50 deposit share in Illinois;

the consistency of the merger with Centrue Financial s long-term strategic vision to seek profitable future expansion in the far southern and southwestern Chicago suburbs, providing the foundation for advancement into both the Chicago metropolitan and St. Louis metropolitan areas, leading to continued growth in overall stockholder value;

the complementary nature of the businesses of Centrue Financial and UnionBancorp and the anticipated improved stability of the combined company s business and earnings in varying economic and market climates relative to Centrue Financial on a stand-alone basis;

the combination of the significant management talent of both organizations, which would provide for operational synergies and efficiencies;

the belief of Centrue Financial s senior management and the Centrue Financial board that the two companies share a common vision with respect to delivering financial performance and stockholder value and that their executive officers and employees possess complementary skills and expertise;

the advantages of a combination with an institution such as UnionBancorp that already has a significant market share in the northern central Illinois markets and the opportunities for increased efficiencies and significant cost savings resulting from a combination with UnionBancorp s current organization, resulting in increased profitability of the combined entity over time, as compared to a possible combination without a similar market presence;

the fact that the combined company would continue to be publicly held following the merger, providing the combined company s stockholders with continued access to a public trading market, and that stockholders would be expected to have increased liquidity for their shares as a result of the higher market capitalization of the combined company;

the fact that the market capitalization of the combined institution, as compared with Centrue Financial s market capitalization as a stand-alone entity, was expected to provide the company with increased access to capital markets to finance the combined company s capital requirements, and in addition would provide for enhanced market visibility;

the fact that the higher market capitalization of the combined company was expected to enhance the attractiveness of the company s stock going forward, which would make the stock more attractive as consideration to be used in future acquisition opportunities that may allow for increased stockholder value;

the current and prospective economic and competitive environments facing Centrue Financial and other financial institutions, characterized by intensifying competition from both banks and nonbank financial service organizations, and the growing costs associated with regulatory compliance in the industry;

the belief that the market value of UnionBancorp s common stock prior to the execution of the merger agreement offered favorable prospects for future appreciation as a result of the proposed merger and other strategic initiatives that would be implemented by the combined company;

the belief that the merger would result in stockholders of Centrue Financial receiving stock in a high quality combined company that should benefit stockholders through enhanced operating efficiencies and better penetration of commercial and consumer banking markets in Illinois;

the belief that, while no assurances could be given, the business and financial advantages contemplated in connection with the merger were likely to be achieved within a reasonable time frame, particularly in light of the fact that the organizations have transition experience due to recent successfully completed acquisitions, divestitures, charter consolidations and/or data processing conversions;

the opinion of Keefe Bruyette that, as of June 30, 2006, the exchange ratio offered in the merger was fair from a financial point of view to Centrue Financial s stockholders (see Fairness Opinion of Centrue Financial s Financial Advisor); and

the likelihood that the merger will be approved by the relevant bank regulatory authorities (see Regulatory Approval).

The above discussion of the information and factors considered by the Centrue Financial board is not intended to be exhaustive, but includes the material factors they considered. In arriving at its determination to approve the merger agreement and the transactions it contemplates, and recommend that the Centrue Financial stockholders vote to approve them, the Centrue Financial board did not assign any relative or specific weights to the above factors, and individual directors may have given differing weights to different factors. The Centrue Financial board unanimously recommends that its shareholders vote to approve the merger agreement and the related transactions.

Fairness Opinion of UnionBancorp s Financial Advisor

By letter dated May 25, 2006, UnionBancorp retained Sandler O Neill to act as its financial advisor in connection with a possible business combination with Centrue Financial. Sandler O Neill is a nationally recognized investment banking firm whose principal business specialty is financial institutions. In the ordinary course of its investment banking business, Sandler O Neill is regularly engaged in the valuation of financial institutions and their securities in connection with mergers and acquisitions and other corporate transactions.

Sandler O Neill acted as financial advisor to UnionBancorp in connection with the proposed transaction. At the June 30, 2006 meeting at which UnionBancorp s board considered and approved the merger agreement, Sandler O Neill delivered to the board its oral opinion, that, as of such date, the exchange ratio was fair to UnionBancorp and UnionBancorp s shareholders from a financial point of view. **The full text of Sandler O Neill s opinion is attached as Appendix B to this joint proxy statement/ prospectus. The opinion outlines the procedures followed, assumptions made, matters considered and qualifications and limitations on the review undertaken by Sandler O Neill in rendering its opinion. The description of the opinion set forth below is qualified in its entirety by reference to the opinion. Sandler O Neill urges UnionBancorp s shareholders to read the entire opinion carefully in connection with their consideration of the proposed merger.**

Sandler O Neill s opinion speaks only as of the date of the opinion. The opinion was directed to UnionBancorp s board and is directed only to the fairness of the Centrue exchange ratio to UnionBancorp and UnionBancorp s shareholders from a financial point of view. It does not address the underlying business decision of UnionBancorp to engage in the merger or any other aspect of the merger and is not a recommendation to any UnionBancorp shareholder as to how such shareholder should vote at the special

meeting with respect to the merger or any other matter.

In connection with rendering its June 30, 2006 opinion, Sandler O Neill reviewed and considered, among other things:

- the merger agreement;
- certain publicly available financial statements and other historical financial information of UnionBancorp that they deemed relevant;
- certain publicly available financial statements and other historical financial information of Centrue Financial that they deemed relevant;
- earnings per share estimates for UnionBancorp for the years ending December 31, 2006 through 2009 as provided by, and reviewed with, senior management of UnionBancorp;
- internal financial projections for Centrue Financial for the years ending December 31, 2006 through 2008 provided by and reviewed with senior management of Centrue Financial and as reviewed with and adjusted by senior management of UnionBancorp and estimated financial projections for the year ended December 31, 2009 as discussed with senior management of UnionBancorp;
- the pro forma financial impact of the Merger on UnionBancorp, based on assumptions relating to transaction expenses, purchase accounting adjustments and cost savings determined by the senior management of UnionBancorp;
- the publicly reported historical price and trading activity for UnionBancorp s and Centrue Financial s common stock, including a comparison of certain financial and stock market information for UnionBancorp and Centrue Financial and similar publicly available information for certain other companies the securities of which are publicly traded;
- to the extent publicly available, the financial terms of certain recent merger of equals type business combinations in the commercial banking industry;
- the current market environment generally and the banking environment in particular; and
- such other information, financial studies, analyses and investigations and financial, economic and market criteria as they considered relevant.

Sandler O Neill also discussed with certain members of senior management of UnionBancorp the business, financial condition, results of operations and prospects of UnionBancorp and held similar discussions with certain members of senior management of Centrue Financial regarding the business, financial condition, results of operations and prospects of Centrue Financial.

In performing its reviews and analyses and in rendering its opinion, Sandler O Neill relied upon the accuracy and completeness of all the financial and other information that was available to them from public sources or that was provided to Sandler O Neill by UnionBancorp or Centrue Financial or their respective representatives and have assumed such accuracy and completeness for purposes of such reviews and analysis and in rendering its opinion. Sandler O Neill further relied on the assurances of the managements of each UnionBancorp and Centrue Financial that they are not aware of any facts or circumstances that would make any of such information inaccurate or misleading. Sandler O Neill was not asked to undertake, and did not undertake, an independent verification of any such information and Sandler O Neill assumes no responsibility or liability for the accuracy or completeness thereof. Sandler O Neill did not make an independent evaluation or appraisal of the specific assets, the collateral securing the assets or the liabilities (contingent or otherwise) of UnionBancorp or Centrue Financial or any of their subsidiaries, or the collectibility of any such assets, nor was Sandler O Neill furnished with any such evaluations or appraisals. Sandler O Neill did not make an independent evaluation of the adequacy of the allowance for loan losses of UnionBancorp or Centrue Financial nor has Sandler O Neill reviewed any individual credit files relating to UnionBancorp or Centrue Financial. Sandler O Neill assumed, with UnionBancorp s consent, that the respective allowances for loan losses for both UnionBancorp and Centrue Financial were adequate to cover such losses.

With respect to the earnings estimates for UnionBancorp and Centrue Financial reviewed with the managements of UnionBancorp and Centrue Financial respectively and used by Sandler O Neill in its analyses, UnionBancorp s and Centrue Financial s managements confirmed to Sandler O Neill that they reflected the best currently available estimates and judgments of the respective managements of the respective future financial performances of UnionBancorp and Centrue Financial, respectively. With respect to the projections of transaction expenses and cost savings determined by and reviewed with the senior management of UnionBancorp, such senior management confirmed to Sandler O Neill that they reflected the best currently available estimates and judgments of such senior management and Sandler O Neill assumed that such performances would be achieved. Sandler O Neill expressed no opinion as to such financial projections or the assumptions on which they were based. Sandler O Neill also assumed that there has been no material change in UnionBancorp s and Centrue Financial s assets, financial condition, results of operations, business or prospects since the date of the most recent financial statements made available to Sandler O Neill. Sandler O Neill assumed in all respects material to its analysis that UnionBancorp and Centrue Financial would remain as going concerns for all periods relevant to Sandler O Neill s analyses, that all of the representations and warranties contained in the Agreement and all related agreements were true and correct, that each party to the agreements will perform all of the covenants required to be performed by such party under the agreements, that the conditions precedent in the agreements are not waived and that the Merger will be a tax-free reorganization for federal income tax purposes. Finally, with Union s consent, Sandler O Neill relied upon the advice UnionBancorp received from its legal, accounting and tax advisors as to all legal, accounting and tax matters relating to the Merger and the other transactions contemplated by the Agreement.

Sandler O Neill s opinion was necessarily based upon financial, economic, market and other conditions as they existed on, and could be evaluated as of, the date of its opinion. Events occurring after the date of its opinion could materially affect Sandler O Neill s opinion. Sandler O Neill has not undertaken to update, revise, reaffirm or withdraw its opinion or otherwise comment upon events occurring after the date of its opinion. Sandler O Neill expressed no opinion as to what the value of UnionBancorp s common stock will be when it is issued to Centrue Financial s shareholders pursuant to the Agreement or the prices at which UnionBancorp s and Centrue Financial s common stock may trade at any time.

In rendering its June 30, 2006 opinion, Sandler O Neill performed a variety of financial analyses. The following is a summary of the material analyses performed by Sandler O Neill, but is not a complete description of all the analyses underlying Sandler O Neill s opinion. The summary includes information presented in tabular format. **In order to fully understand the financial analyses, these tables must be read together with the accompanying text. The tables alone do not constitute a complete description of the financial analyses.** The preparation of a fairness opinion is a complex process involving subjective judgments as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances. The process, therefore, is not necessarily susceptible to a partial analysis or summary description. Sandler O Neill believes that its analyses must be considered as a whole and that selecting portions of the factors and analyses to be considered without considering all factors and analyses, or attempting to ascribe relative weights to some or all such factors and analyses, could create an incomplete view of the evaluation process underlying its opinion. Also, no company included in Sandler O Neill s comparative analyses described below is identical to UnionBancorp or Centrue Financial and no transaction is identical to those described in the registration statement. Accordingly, an analysis of comparable companies or transactions involves complex considerations and judgments concerning differences in financial and operating characteristics of the companies and other factors that could affect the public trading values or merger transaction values, as the case may be, of UnionBancorp and Centrue Financial and the companies to which they are being compared.

In performing its analyses, Sandler O Neill also made numerous assumptions with respect to industry performance, business and economic conditions and various other matters, many of which cannot be predicted and are beyond the control of UnionBancorp, Centrue Financial and Sandler O Neill. The analyses performed by Sandler O Neill are not necessarily indicative of actual values or future results, which may be significantly more or less favorable than suggested by such analyses. Sandler O Neill prepared its analyses solely for purposes of rendering its opinion and provided such analyses to the UnionBancorp board at the board s

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June 30, 2006 meeting. Estimates on the values of companies do not purport to be appraisals or necessarily reflect the prices at which companies or their securities may actually be sold. Such estimates are inherently subject to uncertainty and actual values may be materially different.

Summary of Proposal. Sandler O Neill reviewed the financial terms of the proposed transaction. Using a fixed exchange ratio of 1.20 share of UnionBancorp common stock for each share of Centrue Financial common stock and based upon 3,742,651 common shares outstanding, 301,675 options outstanding at a weighted-average exercise price of $15.74 for UnionBancorp, and 2,238,164 common shares outstanding and 204,800 options outstanding at a weighted-average exercise price of $25.28 for Centrue Financial. Sandler O Neill calculated the following pro forma ownership ratios:

Pro Forma Ownership

	UnionBancorp	Centrue Financial
Diluted Ownership(1)	58.7%	41.3%

(1) Based on the estimated dilutive impact of options.

Based upon the closing price of UnionBancorp s common stock on June 29, 2006 of $20.10, Sandler O Neill calculated implied consideration of $24.12 per Centrue Financial share. Based upon financial information for Centrue Financial for the twelve months ended March 31, 2006, Sandler O Neill calculated the following ratios:

Transaction Ratios

Transaction price/last 12 months earnings per share	14.4x(1)
Transaction price/tangible book value per share	125.5%
Transaction price/stated book value per share	201.7%
Tangible book premium/core deposits(2)	6.2%
Premium to market price(3)	5.3%

(1) Excludes $80,000 non-recurring loss.

(2) Assumes 74.7% of Centrue Financial s deposits are core deposits.

(3) Based on Centrue Financial s closing price of $22.91 as of June 29, 2006.

For the purposes of Sandler O Neill s analyses, earnings per share were based on fully diluted earnings per share. The aggregate transaction value was approximately $55.1 million, based upon the share and option information for Centrue Financial noted above.

Contribution Analysis. Sandler O Neill reviewed the relative contributions to be made by UnionBancorp and Centrue Financial to the combined institution based on the financial information of both companies as of March 31, 2006. This analysis indicated that the implied contributions to the combined entity were as follows:

	Contribution Analysis UnionBancorp	Centrue Financial
Assets	51.4%	48.6%
Net loans	48.1%	51.9%
Core deposits(1)	45.7%	54.3%
Tangible equity	68.4%	31.6%

Last 12 months net income(2)	52.6%	47.4%
Budgeted 2006 net income(3)(4)	58.6%	41.4%
Budgeted 2007 net income(4)	59.0%	41.0%
Pro forma diluted ownership(5)	58.7%	41.3%

(1) For Centrue Financial, assumes 74.7% of deposits are core deposits. For UnionBancorp assumes 61.6% of deposits are core deposits.

(2) For Centrue Financial, last twelve months net income excludes $80,000 of non-recurring loss. For UnionBancorp, it excludes $800,000 of negative provision.

(3) For UnionBancorp, estimated 2006 net income excludes $800,000 of negative provision.

(4) Based upon internal financial projections produced by respective management teams of Centrue Financial and UnionBancorp.

(5) Based upon the 1.20 exchange ratio.

Analysis of Selected Merger of Equals Transactions. Sandler O Neill reviewed 14 merger of equals transactions from across the nation announced from January 1, 2001 through June 29, 2006 involving commercial banks with transaction values less than $1.0 billion. Sandler O Neill reviewed the relative levels of pro forma ownership, pro forma board room representation including board chairman, the composition of the pro forma management team, the relative asset contribution, relative earnings contribution of the merging parties and the market premium offered to the acquired party. The median results were compared with the proposed merger and are displayed in the table below:

	Merger of Equals Median (Surviving Entity Non-Surviving Entity)	UnionBancorp-Centrue Financial
Board representation	50.0%-50.0%	50.0%-50.0%
Pro forma ownership(1)	51.7%-48.3%	58.7%-41.3%
Asset contribution	54.8%-45.2%	51.4%-48.6%
Earnings contribution(2)	52.7%-47.3%	52.6%-47.4%
Market premium	22.3%	5.3%

(1) Based upon diluted pro forma ownership for UnionBancorp/ Centrue Financial.

(2) Based upon last twelve months net income as of 3/31/06. Relative earnings contribution projected to be 51.1%-48.9% and 51.2%-48.8% in 2006 and 2007 respectively for UnionBancorp and Centrue Financial.

Comparable Company Analysis. Sandler O Neill used publicly available information to perform a comparison of selected financial and market trading information for UnionBancorp and Centrue Financial.

Sandler O Neill used publicly available information to compare selected financial and market trading information for UnionBancorp, Centrue Financial and a group of financial institutions selected by Sandler O Neill (the Peer Group). The Peer Group consisted of the following publicly traded commercial banks headquartered in the Midwest (1) with total assets between $550 million and $725 million:

Alerus Financial Corporation
Baraboo Bancorporation, Incorporated
Community Bank Shares of Indiana, Inc.
DCB Financial Corp
Fentura Financial, Inc.
First Banking Center, Inc.
ISB Financial Corporation
Kentucky Bancshares, Inc.
Landmark Bancorp, Inc.
MidWestOne Financial Group, Inc.
NB&T Financial Group, Inc.
O.A.K. Financial Corporation

First Business Financial Services, Inc.	Team Financial, Inc.
Foresight Financial Group, Inc.	Tower Financial Corporation

(1) Midwest region defined with the following states: Illinois, Indiana, Iowa, Kansas, Kentucky, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, Wisconsin

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The analysis compared publicly available financial information for UnionBancorp, Centrue Financial and the high, low, mean, and median financial and market trading data for the Peer Group as of and for the twelve months ended March 31, 2006. The table below sets forth the data for UnionBancorp, Centrue Financial and the median data for the Peer Group as of and for the twelve months ended March 31, 2006, with pricing data as of June 29, 2006.

Comparable Group Analysis

	Peer Group Median	Centrue Financial	UnionBancorp
Total Assets *(in millions)*	$ 663.8	$ 626.3	$ 661.7
Tangible Equity/ Tangible Assets	7.62%	4.38%	8.85%
Intangible Assets/ Total Equity	6.52%	37.76%	11.40%
Net Loans/ Total Assets	74.42%	68.69%	60.32%
Gross Loans/ Total Deposits	91.54%	88.18%	76.59%
Total Borrowings/ Total Assets	11.11%	10.61%	9.14%
Non-performing Assets/ Assets	0.33%	0.70%	0.50%
Loan Loss Reserve/ Gross Loans	1.22%	1.02%	1.85%
Net Interest Margin	3.71%	3.34%	3.55%
Non-interest Income/ Average Assets	0.97%	1.14%	1.13%
Fees/ Revenues	20.24%	27.84%	26.47%
Non-interest Expense/ Average Assets	2.86%	3.24%	3.40%
Efficiency Ratio	66.23%	78.90%	79.36%
Return on Average Assets	0.99%	0.60%	0.73%
Return on Average Equity	10.72%	8.68%	7.16%
EPS CAGR (2001-Last Twelve Months)	10.31%	5.43%	2.78%
Price/ Book Value	159.73%	119.20%	115.08%
Price/ Tangible Book Value	171.36%	191.52%	129.89%
Price/ Last Twelve Months EPS	14.43x	13.97%	17.03%
Price/ Last Twelve Months Core EPS	14.53x	13.69%	18.26%
Dividend Payout Ratio	26.98%	0.00%	38.14%
Dividend Yield	1.86%	0.00%	2.24%
Market Capitalization *(in millions)*	$ 72.9	$ 51.1	$ 75.2

Net Present Value Analysis. Sandler O Neill performed an analysis that estimated the net present value per share of Centrue Financial common stock through December 31, 2009 under various circumstances and assuming that Centrue Financial performs in accordance with management s financial projections and forecasted growth for the years ended December 31, 2006, 2007 and 2008 and the estimated financial projections for 2009 as discussed with senior management of UnionBancorp. To approximate the terminal value of Centrue Financial common stock at December 31, 2009, Sandler O Neill applied price to last twelve months earnings per share multiples of 14.0x to 18.0x and multiples of tangible book value ranging from 125% to 200%. The terminal values were then discounted to present values using different discount rates ranging from 9.0% to 15.0% chosen to reflect different assumptions regarding required rates of return of holders or prospective buyers of Centrue Financial common stock. In addition, the terminal value of Centrue Financial s common stock at December 31, 2009 was calculated using the same range of price to last twelve months earnings multiples (14.0x to 18.0x) applied to a range of discounts and premiums to management s projections. The range applied to the projected net income was 25% under projections to 25% over projections, using a discount rate of 12.10% for the tabular analysis. As illustrated in the following tables, this analysis indicated an imputed range of values per share for Centrue Financial common stock of $20.95 to $32.50 when applying the price to earnings multiples to the matched financial projections, $17.18 to $36.82 when applying

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the price to earnings multiples to the -25% to +25% projection range, and $15.33 to $29.58 when applying multiples of tangible book value to the matched financial projections.

Present Value Per Share Based on Price/ Earnings; Net Present Value for the Period Ending 12/31/2009.

Discount Rate	14.0x	15.0x	16.0x	17.0x	18.0x
9.0%	$ 25.27	$ 27.08	$ 28.88	$ 30.69	$ 32.50
10.0	24.48	26.23	27.98	29.72	31.47
11.0	23.72	25.41	27.10	28.80	30.49
12.0	22.98	24.62	26.27	27.91	29.55
13.0	22.28	23.87	25.46	27.05	28.64
14.0	21.60	23.15	24.69	26.23	27.77
15.0	20.95	22.45	23.95	25.44	26.94

Present Value Per Share Based on Price/ Earnings; Net Present Value for the Period Ending 12/31/2009.

Projections Variance	14.0x	15.0x	16.0x	17.0x	18.0x
(25.0)%	$ 17.18	$ 18.41	$ 19.64	$ 20.87	$ 22.09
(20.0)	18.33	19.64	20.95	22.26	23.57
(15.0)	19.47	20.87	22.26	23.65	25.04
(10.0)	20.62	22.09	23.57	25.04	26.51
(5.0)	21.77	23.32	24.87	26.43	27.98
0.0	22.91	24.55	26.18	27.82	29.46
5.0	24.06	25.78	27.49	29.21	30.93
10.0	25.20	27.00	28.80	30.60	32.40
15.0	26.35	28.23	30.11	31.99	33.88
20.0	27.49	29.46	31.42	33.38	35.35
25.0	28.64	30.68	32.73	34.78	36.82

Discount Rate	125%	150%	175%	200%
9.0%	$ 18.49	$ 22.18	$ 25.88	$ 29.58
10.0	17.91	21.49	25.07	28.65
11.0	17.35	20.82	24.29	27.76
12.0	16.81	20.17	23.54	26.90
13.0	16.30	19.56	22.81	26.07
14.0	15.80	18.96	22.12	25.28
15.0	15.33	18.39	21.46	24.52

Sandler O Neill also performed an analysis that estimated the net present value per share of UnionBancorp common stock through December 31, 2009 under various circumstances and assuming that UnionBancorp performs in accordance with management s financial projections for the years ended December 31, 2006, 2007, 2008 and 2009. To approximate the terminal value of UnionBancorp common stock at December 31, 2009, Sandler O Neill applied price to last twelve months earnings per share multiples of 14.0x to 18.0x and multiples of tangible book value ranging from 125% to 200%. The terminal values were then discounted to present values using different discount rates ranging from 9.0% to 15.0% chosen to reflect different assumptions regarding required rates of return of holders or prospective buyers of UnionBancorp common stock. In addition, the terminal value of UnionBancorp s common stock at

December 31, 2009 was calculated using the same range of price to last twelve months earnings multiples (14.0x to 18.0x) applied to a range of discounts and premiums to management s projections. The range applied to the projected net income was 25% under projections to 25% over projections, using a discount rate of 12.10% for the tabular analysis. As illustrated in the following tables, this analysis indicated an imputed range of values per share for UnionBancorp common stock of $16.55 to $24.93 when applying the price/earnings multiples to the matched financial projections, $13.95 to $27.90 when applying the price/earnings multiples to the -25% to +25% projection range, and $16.36 to 30.16 when applying multiples of tangible book value to the matched financial projections.

Present Value Per Share Based on Price/ Earnings; Net Present Value for the Period Ending 12/31/2009.

Discount Rate	**14.0x**	**15.0x**	**16.0x**	**17.0x**	**18.0x**
9.0%	$ 19.80	$ 21.08	$ 22.36	$ 23.65	$ 24.93
10.0	19.20	20.44	21.69	22.93	24.17
11.0	18.63	19.83	21.03	22.24	23.44
12.0	18.08	19.24	20.41	21.57	22.74
13.0	17.55	18.68	19.81	20.94	22.07
14.0	17.04	18.13	19.23	20.32	21.42
15.0	16.55	17.61	18.67	19.73	20.80

Present Value Per Share Based on Price/ Earnings; Net Present Value for the Period Ending 12/31/2009.

Projections Variance	**14.0x**	**15.0x**	**16.0x**	**17.0x**	**18.0x**
(25.0)%	$ 13.95	$ 14.83	$ 15.70	$ 16.57	$ 17.44
(20.0)	14.77	15.70	16.63	17.56	18.49
(15.0)	15.58	16.57	17.56	18.54	19.53
(10.0)	16.40	17.44	18.49	19.53	20.58
(5.0)	17.21	18.31	19.42	20.52	21.62
0.0	18.02	19.18	20.35	21.51	22.67
5.0	18.84	20.06	21.28	22.50	23.72
10.0	19.65	20.93	22.21	23.48	24.76
15.0	20.46	21.80	23.13	24.47	25.81
20.0	21.28	22.67	24.06	25.46	26.85
25.0	22.09	23.54	24.99	26.45	27.90

Present Value Per Share Based on Tangible Book Value; Net Present Value for the Period Ending 12/31/2009.

Discount Rate	**125%**	**150%**	**175%**	**200%**
9.0%	$ 19.57	$ 23.10	$ 26.63	$ 30.16
10.0	18.98	22.40	25.82	29.23
11.0	18.41	21.72	25.04	28.35
12.0	17.87	21.08	24.29	27.50
13.0	17.34	20.46	23.57	26.68
14.0	16.84	19.86	22.88	25.89
15.0	16.36	19.28	22.21	25.14

In connection with its analyses, Sandler O Neill considered and discussed with the UnionBancorp board how the present value analyses would be affected by changes in the underlying assumptions. Sandler O Neill noted that the net present value analysis is a widely used valuation methodology, but the results of such methodology are highly dependent upon the numerous assumptions that must be made, and the results thereof are not necessarily indicative of actual values or future results.

Stock Trading History. Sandler O Neill reviewed the history of the reported trading prices and volume of Centrue Financial s and UnionBancorp s common stock and the relationship between the movements in the price of Centrue Financial s and UnionBancorp s common stock and the movements in the prices of the Standard & Poor s 500 Index, the NASDAQ Bank Index, the Standard & Poor s Bank Index and the median performance of the Peer Group. The composition of the Peer Group is discussed under the relevant section under Comparable Company Analysis above.

Sandler O Neill analyzed Centrue Financial s and UnionBancorp s common stock for the one year period ended June 28, 2006. During this period, Centrue Financial s common stock generally underperformed UnionBancorp, the indices and the Peer Group to which it was compared. During this same period, UnionBancorp s common stock generally performed in-line with the Peer Group and outperformed Centrue Financial and the indices to which it was compared.

One Year Stock Performance

	Beginning Index Value June 28, 2005	**Ending Index Value June 28, 2006**
Centrue Financial	100.00%	88.94%
UnionBancorp	100.00	95.13
The Peer Group	100.00	109.21
S&P 500 Index	100.00	103.70
NASDAQ Bank Index	100.00	102.63
S&P Bank Index	100.00	103.21

Sandler O Neill analyzed Centrue Financial s and UnionBancorp s common stock for the three year period ended June 28, 2006. During this period, Centrue Financial s common stock generally underperformed UnionBancorp and the Peer Group, and generally outperformed the indices and to which it was compared. During this same period, UnionBancorp s common stock generally outperformed Centrue Financial, the Peer Group and the indices to which it was compared.

Three Year Stock Performance

	Beginning Index Value June 28, 2003	**Ending Index Value June 28, 2006**
Centrue Financial	100.00%	98.54%
UnionBancorp	100.00	100.75
The Peer Group	100.00	134.58
S&P 500 Index	100.00	127.64
NASDAQ Bank Index	100.00	127.18
S&P Bank Index	100.00	127.14

Pro Forma Merger Analysis. Sandler O Neill analyzed certain potential pro forma effects of the merger, assuming the following: (1) the merger closes on December 31, 2006; (2) 100.0% of Centrue Financial shares are exchanged for Merger Sub common stock at a fixed exchange ratio of 1.20 and 100% of UnionBancorp shares are exchanged for Merger Sub common stock at a fixed exchange ratio of 1.00; (3) Centrue Financial s 2006, 2007, and 2008 financial and growth projections; (4) UnionBancorp s 2006, 2007, 2008, and 2009 financial projections; (6) purchase accounting adjustments, charges and transaction costs associated with the merger and cost savings determined by the senior managements of UnionBancorp and Centrue Financial. The analyses indicated that for the year ending December 31, 2007 (the first full year of combined operations), the merger would be accretive to UnionBancorp s projected earnings per share and, at December 31, 2006 (the assumed closing date of the merger) the merger would be dilutive to UnionBancorp s tangible book value per share. The actual results achieved by the combined company may vary from projected results and the variations may be material.

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UnionBancorp has paid Sandler O Neill an initial retainer of $25,000 as well as a fairness opinion fee in connection with the delivery of its opinion of $100,000 and will pay Sandler O Neill an additional fee of $75,000 upon the closing of the transaction. UnionBancorp has also agreed to reimburse certain of Sandler O Neill s reasonable out-of-pocket expenses incurred in connection with its engagement and to indemnify Sandler O Neill and its affiliates and their respective partners, directors, officers, employees, agents, and controlling persons against certain expenses and liabilities, including liabilities under securities laws.

In the ordinary course of its business as a broker-dealer, Sandler O Neill may purchase securities from and sell securities to UnionBancorp and Centrue Financial and their respective affiliates. Sandler O Neill may also actively trade the debt and/or equity securities of UnionBancorp or Centrue Financial or their respective affiliates for its own account and for the accounts of its customers and, accordingly, may at any time hold a long or short position in such securities.

Fairness Opinion of Centrue Financial s Financial Advisor

In May 2006, the Centrue Financial board of directors retained Keefe Bruyette as its financial advisor in connection with Centrue Financial s consideration of a possible merger transaction with a third party and to render an opinion with respect to the fairness from a financial point of view of the consideration to be received by Centrue Financial s stockholders. As Centrue Financial s financial advisor, Keefe Bruyette assisted Centrue Financial in analyzing UnionBancorp s proposal and negotiating certain terms of the merger included in the merger agreement. In connection with Keefe Bruyette s engagement, Centrue Financial asked Keefe Bruyette to evaluate the fairness of the merger consideration to Centrue Financial s stockholders from a financial point of view. On June 13, 2006, Keefe Bruyette delivered its preliminary oral opinion to Centrue Financial s board of directors that, as of June 13, 2006, and based upon and subject to various matters set forth in that opinion, the merger consideration was fair to Centrue Financial s stockholders from a financial point of view. On June 30, 2006, Keefe Bruyette delivered its final oral opinion to Centrue Financial s board of directors, subsequently confirmed in writing, that as of June 30, 2006, and based upon and subject to various matters set forth in that opinion, the merger consideration was fair to Centrue Financial s stockholders from a financial point of view.

With Keefe Bruyette s consent, the full text of Keefe Bruyette s opinion, dated June 30, 2006, which sets forth a description of the procedures followed, assumptions made, matters considered and limits on the review undertaken in connection with such opinion, is attached to this document as *Appendix C* and is incorporated herein by reference. Centrue Financial stockholders are urged to read the opinion in its entirety. Keefe Bruyette s opinion is directed to Centrue Financial s board of directors and relates only to the fairness of the consideration provided in the merger agreement from a financial point of view and does not address any other aspect of the proposed merger or any related transaction, and does not constitute a recommendation to any stockholder as to how such a stockholder should vote with respect to the merger or any other matter. The following summary of the opinion is qualified in its entirety by reference to the full text of the opinion. This summary does not purport to be a complete description of the analysis performed by Keefe Bruyette and should not be construed independent of the other information considered by Keefe Bruyette in rendering its opinion. Selecting portions of Keefe Bruyette s analysis or isolating certain aspects of the comparable transactions without considering all analyses and factors could create an incomplete or potentially misleading view of the evaluation process.

In rendering its opinion, Keefe Bruyette reviewed, analyzed and relied upon the following material relating to the financial and operating condition of Centrue Financial and UnionBancorp:

a draft of the merger agreement;

historical financial and other information concerning UnionBancorp, including UnionBancorp s annual reports to stockholders and annual reports on Form 10-K for the three fiscal years ended December 31, 2005, and certain quarterly reports on Form 10-Q;

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historical financial and other information concerning Centrue Financial, including annual reports to stockholders and annual reports on Form 10-K for the three fiscal years ended December 31, 2005, and certain quarterly reports on Form 10-Q;

discussions with senior management of Centrue Financial and UnionBancorp with respect to their past and current business operations, regulatory matters, financial condition and future prospects;

earnings per share estimates for Centrue Financial for the years ending December 31, 2006, 2007 and 2008, as prepared by management and discussed with Centrue Financial management;

earnings per share estimates for UnionBancorp for the years ending December 31, 2006, 2007 and 2008, as prepared by management and discussed with UnionBancorp management;

historical stock prices and trading volumes of the common stock of Centrue Financial and UnionBancorp;

the pro forma financial impact of the merger on UnionBancorp and Centrue Financial, based on assumptions relating to transaction expenses, purchase accounting adjustments, cost savings and other synergies determined by the senior management of UnionBancorp and Centrue Financial;

certain publicly available information of other financial institutions that Keefe Bruyette deemed comparable or otherwise relevant to its inquiry, and a comparison of Centrue Financial and UnionBancorp from a financial point of view with certain of those institutions;

financial terms of certain recent business combinations in the banking industry that Keefe Bruyette deemed comparable or otherwise relevant to its inquiry; and

other financial studies, analyses and investigations and such other information as Keefe Bruyette deemed appropriate to enable it to render its opinion.

Keefe Bruyette also considered such financial and other factors as it deemed appropriate under the circumstances and took into account its assessment of general economic, market and financial conditions and its experience in similar transactions, as well as its experience in securities valuation and its knowledge of financial institutions, including banks, bank holding companies, thrifts and other financial services companies generally. Keefe Bruyette s opinion was based upon conditions as they existed on the date of the opinion and could only be evaluated as of such date thereof. In addition, the opinion was based upon information made available to Keefe Bruyette through the date of its opinion. The analyses performed by Keefe Bruyette are not necessarily indicative of actual value or future results, which may be significantly more or less favorable than suggested by such analyses and do not purport to be appraisals or reflect the prices at which a business may be sold.

In conducting its review and arriving at its opinion, Keefe Bruyette relied upon and assumed the accuracy and completeness of all of the financial and other information provided to it or publicly available, and Keefe Bruyette did not attempt to verify such information independently. Keefe Bruyette relied upon the management of Centrue Financial as to the reasonableness and achievability of the financial and operating forecasts (and the assumptions and bases therefor) provided to Keefe Bruyette and assumed that such forecasts reflected the best available estimates and judgments of Centrue Financial and UnionBancorp s management and that such forecasts would be realized in the amounts and in the time periods estimated by management. Keefe Bruyette also assumed, without independent verification, that Centrue Financial s aggregate allowance for loan losses is adequate to cover such losses. Keefe Bruyette did not make or obtain any evaluations or appraisals of the property of Centrue Financial or UnionBancorp, nor did Keefe Bruyette examine any individual loan credit files.

For purposes of rendering its opinion, Keefe Bruyette assumed that, in all respects material to its analyses:

the merger will be completed substantially in accordance with the terms set forth in the merger agreement;

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the representations and warranties of each party in the merger agreement and in all related documents and instruments referred to in the merger agreement are true and correct;

each party to the merger agreement and all related documents will perform all of the covenants and agreements required to be performed by such party under such documents;

all conditions to the completion of the merger will be satisfied without any waivers; and

in the course of obtaining the necessary regulatory, contractual, or other consents or approvals for the merger, no restrictions, including any divestiture requirements or amendments or modifications, will be imposed that will have a material adverse effect on the future results of operations or financial condition of Centrue Financial, UnionBancorp or the combined entity, as the case may be, or the contemplated benefits of the merger.

The following summary contains the material financial analyses employed by Keefe Bruyette in connection with providing its opinion, including summaries relating to the consideration structure and transaction overview, selected comparable public company analysis for Centrue Financial and UnionBancorp, a pro forma merger analysis, selected merger transactions comparison and discounted cash flow analysis. For purposes of such analyses, the financial information used by Keefe Bruyette for Centrue Financial and UnionBancorp and the comparable companies was as of, and for the quarter and twelve months ended, March 31, 2006, and market price information was as of June 27, 2006, unless otherwise noted. This summary does not purport to be a complete description of all analyses employed by Keefe Bruyette.

Transaction Overview. In providing an overview of the merger, Keefe Bruyette noted that each Centrue Financial stockholder would be receiving $24.06 per share (based on the closing price of UnionBancorp common stock on June 27, 2006) or an implied total consideration of $54.3 million (based on the number of Centrue Financial common shares outstanding on June 27, 2006 of 2,233,939, and an additional 6,789 shares representing 36,800 options based on the treasury method plus an additional 14,750 restricted shares from the management retention program).

Keefe Bruyette calculated the following multiples:

Transaction Multiples Centrue Financial (Data as of 3/31/2006)

Premium/ Market price	4.8%(1)
Price/ Last 12 months earnings per share ($1.64)	14.7x
Price/2006 estimated earnings per share ($1.75)	13.8x
Price/2007 estimated earnings per share ($2.10)	11.5x
Price/ Book value per share ($19.22)	125%
Price/ Tangible book value per share ($11.96)	201%
Tangible premium/ Core deposits	6.6%

(1) Based on Centrue Financial s stock price as of June 27, 2006.

Comparable Public Company Analysis. Keefe Bruyette compared the financial and market performances of Centrue Financial and UnionBancorp to a standalone peer group and a pro forma peer group. Keefe Bruyette reviewed various financial measures, including earnings performance, operating efficiency, capital adequacy and asset quality, and various measures of market performance, including: price to last twelve months operating earnings, price to forward estimated earnings, price to book values, price to tangible book values, core deposit premium, dividend payout ratio and dividend yield. Keefe Bruyette uses these measurements to determine relative value of the respective companies within the financial services industry.

The set of comparable companies selected as Centrue Financial and UnionBancorp s standalone peers was comprised of 13 select public banks located in Iowa, Illinois, Indiana, Missouri and Wisconsin with total

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assets between $500 million and $1 billion. These companies are listed as follows, along with the state in which each is headquartered:

Princeton National Bancorp, Inc. (IL)
First Mid-Illinois Bancshares, Inc. (IL)
Ames National Corporation (IA)
Home Federal Bancorp (IN)
Tri City Bankshares Corporation (WI)
Monroe Bancorp (IN)
Northern States Financial Corp. (IL)
Community Bank Shares of IN, Inc. (IN)
MidWestOne Financial Group, Inc. (IA)
First Business Financial Services, Inc. (WI)
Foresight Financial Group, Inc. (IL)
Tower Financial Corporation (IN)
PSB Holdings, Inc. (WI)

The set of comparable companies selected as pro forma peers for the combined entity was comprised of 23 select public banks located in the Midwest with total assets between $900 million and $2 billion. These companies are listed as follows, along with the state in which each is headquartered:

Macatawa Bank Corporation (MI)
Mercantile Bank Corporation (MI)
MainSource Financial Group, Inc. (IN)
Peoples Bancorp Inc. (OH)
Farmers Capital Bank Corporation (KY)
Lakeland Financial Corporation (IN)
MBT Financial Corporation (MI)
Main Street Trust, Inc. (IL)
Merchants and Manufacturers Bancorp (WI)
S.Y. Bancorp, Inc. (KY)
West Bancorporation, Inc. (IA)
Enterprise Financial Services Corp (MO)
Oak Hill Financial, Inc. (OH)
Exchange National Bancshares (MO)
Mercantile Bancorp, Inc. (IL)
Baylake Corp. (WI)
Horizon Bancorp (IN)
QCR Holdings, Inc. (IL)
Camco Financial Corporation (OH)
Firstbank Corporation (MI)
German American Bancorp, Inc (IN)
Bank of Kentucky Financial Corp. (KY)
Princeton National Bancorp, Inc. (IL)

The following table compares various financial condition measures of Centrue Financial and UnionBancorp to their standalone peer group and pro forma peer group:

Financial Condition Measures	Centrue Financial	Union Bancorp	Standalone Peer Group Median	Pro Forma Company	Pro Forma Peer Group Median
Assets (millions)	$ 626	$ 662	$ 708	$ 1,347	$ 1,258
Loans/ Deposits	88.18%	76.59%	94.95%	82.17%	94.94%
Tangible equity/ Tangible assets	4.38	8.85	7.30	6.46	6.68
Operating EPS CAGR 02 05	24.85	4.75	4.99	NA	6.69
Operating return on average assets	0.43	0.67(1)	0.73	0.84(2)	1.02
Operating return on average equity	6.24	6.90(1)	8.34	9.15(2)	11.57
Net interest margin	3.35	3.46	3.42	3.40	3.46
Efficiency ratio	81.93	74.70	67.08	73.64	62.81

Note: Data as of the three months ended March 31, 2006. Pro forma company data as of close, December 31, 2006.

(1) Removed negative $800,000 pre-tax loan loss provision in 2006Q1 to normalize UnionBancorp s earnings.

(2) Pro forma transaction as of year end 2007.

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The following table compares various capital and asset quality measures of Centrue Financial and UnionBancorp to their standalone peer group and pro forma peer group:

Capital and Asset Quality Measures	Centrue Financial	Union Bancorp	Standalone Peer Group Median	Pro Forma Company	Pro Forma Peer Group Median
Leverage ratio	7.06%	9.18%	8.64%	7.90%	8.40%
Tier 1 capital ratio	10.44	12.20	11.02	11.11	10.48
Total capital ratio	12.72	13.50	11.96	12.36	11.74
NPAs/ Loans & OREO	1.00	0.82	0.59	0.91	0.72
Loan loss reserves/ NPAs	101.8	226.0	183.2	155.5	153.0
Loan loss reserves/ Gross loans	1.02	1.85	1.13	1.42	1.17
Net charge-offs/ Average loans	0.12	0.05	0.04	0.02	0.08
Loan loss provision/ Net charge-offs	58.59	NM	143.27	NM	101.65

Note: Data as of the three months ended March 31, 2006. Pro forma company data as of close, December 31, 2006.

Keefe Bruyette also compared the market performance ratios of the standalone peer group and pro forma peer group on June 27, 2006 to Centrue Financial s and UnionBancorp s market ratios.

Market Performance Ratio	Centrue Financial	Union Bancorp	Standalone Peer Group Median	Pro Forma Peer Group Median
Price to:				
Last 12 months operating EPS	14.0x	16.8x	17.5x	14.8x
2006 estimated earnings per share	13.1x(1)	14.9x(1)	16.2x	14.1x
2007 estimated earnings per share	11.0x(1)	13.7x(1)	15.2x	12.8x
Book value per share	119%	116%	156%	163%
Tangible book value per share	192%	131%	158%	224%
Core deposit premium	5.8%	4.6%	7.1%	11.5%
Dividend payout ratio	0.0%	28.6%	33.3%	38.6%
Dividend yield	0.0%	2.4%	2.7%	2.9%
Average daily volume (1 month)	479	1,326	1,833	11,153

(1) Earnings estimates from management projections.

Implied Exchange Ratio Analysis. Keefe Bruyette performed an implied exchange ratio analysis by comparing the historical relationship between the market prices of Centrue Financial and UnionBancorp. The following table lists the average of this ratio over various periods and compares the percentage premium that these averages represents over an exchange ratio of 1.20 (based on the closing price of UnionBancorp common stock on June 27, 2006 of $20.05).

Implied Exchange

	Ratio	Premium to 1.20x
3-Year average	1.28x	7.0%
Last 12 months average	1.24x	3.2%
Last 6 months average	1.24x	3.1%
Last 90 days average	1.22x	1.9%
Last 30 days average	1.20x	(0.4)%

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Contribution Analysis. Keefe Bruyette analyzed the relative contribution of each of Centrue Financial and UnionBancorp to certain pro forma balance sheet and income statement items of the combined entity. Keefe Bruyette compared the relative contribution of balance sheet and income statement items with the estimated pro forma ownership percentage Centrue Financial stockholders would represent in UnionBancorp pro forma. The results of Keefe Bruyette s analysis are set forth in the following.

Category	UnionBancorp	Centrue Financial
Assets	51.4	48.6
Gross loans	48.3	51.7
Deposits	51.9	48.1
Core deposits	46.8	53.2
Equity	60.2	39.8
Tangible equity	68.2	31.8
2005 earnings	48.8	51.2
5/31/06 YTD earnings	65.0	35.0
5/31/06 YTD adjusted earnings(1)	59.5	40.5
2006 budgeted earnings	56.8	43.2
2007 budgeted earnings	54.4	45.6
Ownership at transaction consideration mix	58.6	41.4

Note: All earnings are GAAP basis. Does not include purchase accounting adjustments.

(1) UnionBancorp net income adjusted to exclude negative $800,000 pre-tax loan loss provision in first quarter of 2006.

Pro Forma Merger Analysis. Keefe Bruyette performed a pro forma financial analysis for the merger. Assumptions regarding the core deposit intangible amortization, earnings, fair market value adjustments and cost savings were used to calculate the projected financial impact that the merger would have on certain pro forma financial results of Centrue Financial and UnionBancorp stockholders. The following assumptions were made:

2.7 million shares of UnionBancorp common stock issued as stock consideration, based on the number of shares of Centrue Financial common stock outstanding as of June 27, 2006, including shares underlying restricted stock units but excluding shares underlying stock options;

UnionBancorp 2006 and 2007 GAAP earnings per share of $1.34 and $1.46 per UnionBancorp management;

Centrue Financial 2006 and 2007 GAAP earnings per share of $1.75 and $2.10 per Centrue Financial management;

Cost savings of 9.3% of the combined entity s projected non-interest expense; 64% of cost saves achieved in 2007 and 100% achieved in 2008;

Transaction related expenses of $2.7 million after-tax;

Core deposit intangibles equal to 3% of Centrue Financial s core deposits totaling $7.6 million of intangibles, taxed at 35%, amortized using straight-line over 10 years;

$2.8 million in net asset (held-to-maturity and available-for-sale securities) adjustments resulting in $360,000 in after tax GAAP amortization income in 2007 and 2008.

Keefe Bruyette also calculated the year end 2007 and 2008 projected pro forma GAAP and cash earnings per share accretion/(dilution) to UnionBancorp and Centrue Financial, while including the purchase accounting fair market value adjustments estimated by Centrue Financial management.

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	Centrue Financial Accretion	UnionBancorp Accretion
2007 GAAP EPS accretion	4.79%	25.05%
2007 Cash EPS accretion	4.35	23.25
2008 GAAP EPS accretion	6.76	37.18
2008 Cash EPS accretion	6.21	35.19

Keefe Bruyette analyzed the pro forma capital impact to UnionBancorp arising from the Centrue Financial merger, while including purchase accounting fair market value adjustments estimated by Centrue Financial management.

Year Ended December 31,	2007	2008
Leverage ratio	8.33%	9.09%
Tier 1 capital ratio	11.70	12.30
Total capital ratio	12.95	13.55
Tangible equity/ Tangible assets	6.97	7.47

Keefe Bruyette also calculated the year end 2007 and 2008 projected pro forma book and tangible book value accretion/(dilution) to UnionBancorp and Centrue Financial, while including the purchase accounting fair market value adjustments estimated by Centrue Financial management.

UnionBancorp Pro Forma Impact For the Year Ended December 31,	2007	2008
Book value	7.69%	10.15%
Tangible book value	(13.60)	(9.11)

Centrue Financial Pro Forma Impact for the Year Ended December 31,	2007	2008
Book value	7.43%	5.19%
Tangible book value	12.94	9.52

Comparable Acquisitions Analysis. Keefe Bruyette analyzed a group of select bank and thrift merger of equals transactions. The analysis compared the announced deal value of these transactions relative to the last twelve months earnings, estimated earnings, stated book value, stated tangible book value, core deposit premium, and one month market premium. The information analyzed was compiled by Keefe Bruyette from internal sources as well as from a data firm that monitors and publishes transaction summaries and descriptions of mergers and acquisitions in the financial services industry.

The merger transaction group included 10 bank and thrift mergers with transaction values ranging from approximately $173.4 million to $1.9 billion announced between October 28, 1991 and June 27, 2006 which were selected based on their merger of equals characteristics.

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Merger Transaction Comparables

Acquiror	Acquiree
UNB Corporation	BancFirst Ohio Corp. (Zanesville, OH)
MB Financial, Inc.	MidCity Financial Corporation (Chicago, IL)
Chemical Financial Corporation	Shoreline Financial Corporation (Benton Harbor, MI)
National Commerce Bancorp	CCB Financial Corporation (Durham, NC)
Santa Barbara Bancorp	Pacific Capital Bancorp (Salinas, CA)
First Hawaiian Inc.	Bank of the West (San Francisco, CA)
Citizens Bancshares Inc.	Mid Am, Inc. (Bowling Green, OH)
Associated Banc-Corp	First Financial Corporation (Stevens Point, WI)(1)
Southern National Corporation	BB&T Financial Corporation (Wilson, NC)
Comerica Incorporated	Manufacturers National Corporation (Detroit, MI)

(1) Indicates thrift transaction.

The following table compares information derived by Keefe Bruyette with respect to the selected transactions and transaction multiples as of their announcement dates. For purposes of this analysis, transaction multiples from the UnionBancorp/ Centrue Financial merger were derived from the assumed $24.06 per Centrue Financial share transaction price for Centrue Financial and from other financial data primarily determined as of March 31, 2006.

	Centrue Financial/ UnionBancorp	Comparable Merger Average
Transaction Price to:		
Last 12 months earnings per share	14.7x	15.6x
Estimated forward earning per share	13.8x	13.8x
Book value per share	125%	225%
Tangible book value per share	201%	244%
Tangible Transaction Premium to:		
Core deposits	6.6%	15.7%
Stock price (1 month prior to announcement)	4.8%(1)	7.8%
Combined cost savings (% of non-interest expense)	9.3%	10.3%

(1) Based on Centrue Financial stock price as of June 27, 2006 close.

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Keefe Bruyette compared the average relative contribution of the comparable transactions to the contribution of Centrue Financial and UnionBancorp to certain pro forma balance sheet and income statement items of the combined entity. Keefe Bruyette also analyzed the net income and equity accretion/(dilution) percentage of the comparable transactions relative to each parties pro forma ownership.

	UnionBancorp	Centrue Financial	Acquiror Average	Acquiree Average
Contribution:				
Ownership	58.6%	41.4%	52.2%	47.8%
Assets	51.4	48.6	50.7	49.3
Loans	48.3	51.7	51.0	49.0
Equity	60.2(1)	39.8(1)	51.1	48.9
Net income	48.8	51.2	51.0	49.0
Accretion/(dilution):				
Equity	(1.5)	1.5	1.1	(1.1)
Net income	9.9	(9.9)	1.2	(1.2)

(1) Based on 2005 actual net income.

No company or transaction used as a comparison in the above analysis is identical to Centrue Financial or the merger. Accordingly, a review of these results is not solely mathematical. Rather, it involves complex considerations and judgments concerning differences in financial and operating characteristics of the companies and transactions examined.

Discounted Cash Flow and Terminal Value Analysis. Keefe Bruyette estimated the present value of Centrue Financial s common stock based on continued independence and Centrue Financial s stake in the combined entity by calculating the present value of Centrue Financial s projected cash flows and the projected cash flows of the combined entity. Keefe Bruyette s analysis assumes that excess capital above a 6.0% tangible equity/tangible assets ratio represents free cash flow available for dividends. For purposes of this analysis, Keefe Bruyette applied a discount rate of 14.0%. Keefe Bruyette relied on financial projections provided by Centrue Financial s management and UnionBancorp s management and assumed terminal values of 14 times projected forward earnings. The analysis resulted in an estimated standalone value of $51.0 million or $22.73 per share representing continued independence, and an estimated pro forma value of $68.1 million or $30.18 per share representing Centrue Financial s portion of the combined entity.

Keefe Bruyette also ran sensitivity analysis on the discounted cash flows using terminal values of 12 to 16 times projected forward earnings. In the standalone scenario for Centrue Financial the three other variables used were discount rates ranging from 13.0% to 15.0%, cost savings ranging from 0.0% to 4.0% and tangible equity/tangible asset targets ranging from 5.0% to 7.0%. The analysis resulted in the standalone values for Centrue Financial ranging from $36.3 million to $69.4 million. In the pro forma scenario for the combined entity the three other variables used were discount rates ranging from 13.0% to 15.0%, cost savings ranging from 7.0% to 11.0% and tangible equity/tangible asset targets ranging from 5.5% to 7.5%. The analysis resulted in values for Centrue Financial s portion of the combined entity ranging from $51.1 million to $78.6 million.

Keefe Bruyette stated that the discounted cash flow present value analysis is widely used valuation methodology, but noted that it relies on numerous assumptions including asset and earnings growth rates, terminal values and discount rates. The analysis did not purport to be indicative of the actual values or expected values of Centrue Financial common stock or the common stock of the combined entity.

Keefe Bruyette was selected to act as Centrue Financial s financial advisor based upon its qualifications, expertise and reputation. Keefe Bruyette specializes in rendering a range of investment banking services to financial services companies and regularly engages in the valuation of banking businesses and their securities in connection with mergers and acquisitions, negotiated underwritings, competitive biddings, secondary distributions of listed and unlisted securities, private placements and valuations for estate, corporate and other purposes.

As specialists in the securities of banking companies, Keefe Bruyette has experience in, and knowledge of, the valuation of banking enterprises. In the ordinary course of its business as a broker-dealer, Keefe Bruyette may, from time to time, purchase securities from, and sell securities to, Centrue Financial and UnionBancorp. As a market maker in securities, Keefe Bruyette may from time to time have a long or short position in, and buy or sell, equity securities of Centrue Financial and UnionBancorp for Keefe Bruyette s own account and for the accounts of its customers.

In May 2006, Centrue Financial executed an engagement letter with Keefe Bruyette relating to the services to be provided by Keefe Bruyette in connection with the merger. Centrue Financial agreed to pay Keefe Bruyette a fee of $100,000 concurrently with the delivery of Keefe Bruyette s opinion (the Opinion Fee). Centrue Financial also has agreed to reimburse Keefe Bruyette for certain reasonable out-of-pocket expenses incurred in connection with its engagement and to indemnify Keefe Bruyette and Keefe Bruyette s affiliates and their respective directors, officers, employees, agents and controlling persons against certain expenses and liabilities, including liability under the federal securities laws.

Conduct of Business Pending the Merger and Certain Covenants

Under the merger agreement, UnionBancorp and Centrue Financial have each agreed to certain restrictions on their activities until the merger is completed or the merger agreement is terminated. In general, we are required to conduct our operations in the ordinary course of business. The following is a summary of the more significant restrictions and obligations imposed upon us. Subject to the exceptions set forth in the merger agreement, UnionBancorp and Centrue Financial must:

- not issue any additional shares of stock;
- confer with each other on material operational matters;
- make loans only in accordance with sound credit practices and on arms-length terms and obtain the consent of the other before making any new loans greater than $3,000,000;
- cause our respective allowances for loan and lease losses to be adequate in all material respects;
- file, on a timely basis, all required regulatory filings; and
- not take any action that would cause a breach of any of our representation and warranties.

We have also agreed to provide the other with certain documents before the closing date, including:

- interim financial statements; and
- reasonable notice of any fact or condition creating a breach of the merger agreement.

Centrue Financial has agreed that it will not encourage any third-party proposals to acquire Centrue Financial and will not participate in negotiations regarding a proposal to acquire Centrue Financial. However, Centrue Financial may provide information and negotiate with a third party if Centrue Financial s board of directors determines that failure to do so would be inconsistent with its fiduciary duties. Centrue Financial is required under the merger agreement to provide UnionBancorp notice of any proposal it receives to acquire Centrue Financial.

Correspondingly, UnionBancorp has agreed that it will not encourage any third-party proposals to acquire UnionBancorp and will not participate in negotiations regarding a proposal to acquire UnionBancorp. However, UnionBancorp may provide information and negotiate with a third party if UnionBancorp s board of directors determines that failure to do so would be inconsistent with its fiduciary duties. UnionBancorp is required under the merger agreement to provide Centrue Financial notice of any proposal it receives to acquire UnionBancorp.

In addition, both parties have agreed:

to use all reasonable efforts and to cooperate in the preparation and filing of all applications, notices and documents required to obtain regulatory approval and/or consents from governmental authorities for the merger and the merger agreement;

to use reasonable and diligent good faith efforts to satisfy the conditions required to close the merger and to complete the merger as soon as practicable;

that neither will intentionally act in a manner that would cause a breach of the merger agreement or that would cause a representation made in the merger agreement to become untrue;

to provide the other party with reasonable access to information under the condition that the information be kept confidential; and

to coordinate publicity of the transactions contemplated by the merger agreement with the media and their respective stockholders.

Centrue Financial has agreed to file all applications and notices to obtain the necessary regulatory approvals for the transactions contemplated by the merger agreement.

Each of us has agreed to cooperate with the other in connection with obtaining the requisite regulatory and Securities and Exchange Commission approvals.

The foregoing is an outline of the types of covenants made by UnionBancorp and Centrue Financial contained in the merger agreement, a copy of which is included at Appendix A. You should carefully review the entire agreement and in particular Articles 6, 7 and 8, containing the detailed covenants of the parties.

Conditions to Completion of the Merger

Each of UnionBancorp and Centrue Financial is required to complete the merger only after the satisfaction of various conditions. UnionBancorp is only required to complete the merger if the following conditions are satisfied:

Centrue Financial s representations and warranties in the merger agreement must be accurate as of the date of the merger agreement and as of the date the merger becomes effective, except for any untrue or incorrect representations and warranties that do not have a material adverse effect on Centrue Financial on a consolidated basis or on UnionBancorp s rights under the merger agreement;

Centrue Financial must have performed and complied with all of its covenants and obligations under the merger agreement, except where any non-performance or non-compliance would not have a material adverse effect on Centrue Financial on a consolidated basis or on UnionBancorp s rights under the merger agreement;

all proceedings to be taken by Centrue Financial in connection with the merger, and all documents relating to these proceedings, must be reasonably satisfactory in form and substance to counsel for UnionBancorp;

the merger agreement and the transactions it contemplates must have been approved by UnionBancorp s and Centrue Financial s stockholders;

there must not be pending any proceeding involving any challenge to, or seeking damages or other relief in connection with, the merger, or that may have the effect of preventing, delaying, making illegal or otherwise interfering with the merger, in either case that would reasonably be expected to have a material adverse effect on Centrue Financial or its stockholders or on UnionBancorp s rights under the merger agreement;

there must not have been since the date of the merger agreement any event or occurrence that would be reasonably likely to have a material adverse effect on Centrue Financial or any of its subsidiaries;

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all consents and approvals required in connection with the merger must have been obtained (except to the extent that the failure to obtain such consents or approvals would not have a material adverse effect);

the completion of the merger must not conflict with or result in a violation of any applicable laws or legal requirements;

the Securities and Exchange Commission must have declared the registration statement registering the shares of UnionBancorp common stock to be issued to Centrue Financial s stockholders in the merger, of which this joint proxy statement-prospectus is a part, effective under the Securities Act of 1933, as amended;

an opinion from Sandler O Neill & Partners, L.P. to the effect that the merger is fair to UnionBancorp s stockholders from a financial point of view must have been received and not withdrawn;

the employment agreements between each of Thomas A. Daiber, Scott A. Yeoman and Kurt R. Stevenson and UnionBancorp must be in full force and effect; and

the written opinion as to the tax-free nature of the merger must have been received.

Centrue Financial is only required to complete the merger if the following conditions are satisfied:

UnionBancorp s representations and warranties in the merger agreement must be accurate as of the date of the merger agreement and as of the date the merger becomes effective, except for any untrue or incorrect representations and warranties that do not have a material adverse effect on UnionBancorp on a consolidated basis or on Centrue Financial s rights under the merger agreement;

UnionBancorp must have performed and complied with all of its covenants and obligations under the merger agreement, except where any non-performance or non-compliance would not have a material adverse effect on UnionBancorp on a consolidated basis or on Centrue Financial s rights under the merger agreement;

all proceedings to be taken by UnionBancorp in connection with the merger, and all documents relating to these proceedings, must be reasonably satisfactory in form and substance to counsel for Centrue Financial;

the merger agreement and the transactions it contemplates must have been approved by UnionBancorp s and Centrue Financial s stockholders;

there must not be pending any proceeding involving any challenge to, or seeking damages or other relief in connection with, the merger, or that may have the effect of preventing, delaying, making illegal or otherwise interfering with the merger, in either case that would reasonably be expected to have a material adverse effect on UnionBancorp or its stockholders or on Centrue Financial s rights under the merger agreement;

there must not have been since the date of the merger agreement any event or occurrence that would be reasonably likely to have a material adverse effect on UnionBancorp or any of its subsidiaries;

all consents and approvals required in connection with the merger must have been obtained (except to the extent that the failure to obtain such consents or approvals would not have a material adverse effect);

the completion of the merger must not conflict with or result in a violation of any applicable laws or legal requirements;

the Securities and Exchange Commission must have declared the registration statement registering the shares of UnionBancorp common stock to be issued to Centrue Financial s stockholders in the merger effective under the

Securities Act;

- an opinion from Keefe Bruyette & Woods, Inc. to the effect that the merger is fair to Centrue Financial s stockholders from a financial point of view must have been received and not withdrawn;

- the employment agreements between each of Thomas A. Daiber, Scott A. Yeoman and Kurt R. Stevenson and UnionBancorp must be in full force and effect; and

- the written opinion as to the tax-free nature of the merger must have been received.

Neither party can be certain as to when or if all of the conditions to the merger can or will be satisfied or waived by the party permitted to do so. If the merger is not completed by March 1, 2007 or such later date as the parties may agree, either of our boards of directors may terminate the merger agreement and abandon the merger; provided, however, that the party responsible for a condition not being met prior to March 1, 2007 or such later date as the parties may agree, may not terminate the merger agreement if the merger is not completed by March 1, 2007 or such later date as the parties may agree. See Description of Transaction Waiver, Amendment and Termination.

The foregoing is an outline of the types of conditions precedent to the obligations of UnionBancorp and Centrue Financial contained in the merger agreement, a copy of which is included at Appendix A. You should carefully review the entire agreement and in particular Articles 9 and 10, containing the detailed conditions to each party s obligation to close.

Termination and Termination Fees

Ability to Terminate the Merger Agreement. At any time before the merger becomes effective, the boards of directors of Centrue Financial and UnionBancorp may mutually agree to terminate the merger agreement. In addition, the merger agreement may be terminated as follows:

- by UnionBancorp, if any of the conditions to its obligation to complete the merger, as described above, has not been satisfied or has become impossible, and UnionBancorp has not waived the condition;

- by Centrue Financial, if any of the conditions to its obligation to consummate the merger, as described above, has not been satisfied or has become impossible, and Centrue Financial has not waived the condition;

- by either UnionBancorp or Centrue Financial, if the closing of the merger has not occurred, other than through the failure of the party seeking to terminate the merger agreement to perform any of its required obligations under the merger agreement, by March 1, 2007 or such later date as the parties may agree, except that, in general, the termination date can be extended for up to ninety days if the sole reason that the closing has not occurred is due to the fact that the regulatory approvals have not been received;

- by Centrue Financial, but subject to the special termination fee described below, if Centrue Financial receives an acquisition proposal that is determined by the Centrue Financial board of directors to be on terms that are more favorable to the stockholders of Centrue Financial than the merger, and prior written notice, together with a summary of the terms of, and the identity of the person making, the proposal are provided to UnionBancorp (a Superior Centrue Financial Proposal); and

- by UnionBancorp, but subject to the special termination fee described below, if UnionBancorp receives an acquisition proposal that is determined by the UnionBancorp board of directors to be on terms that are more favorable to the stockholders of UnionBancorp than the merger, and prior written notice, together with a summary of the terms of, and the identity of the person making, the proposal are provided to Centrue Financial (a Superior UnionBancorp Proposal).

Effect of Termination. If the merger is terminated, the merger agreement will become void and have no effect, except that certain provisions of the merger agreement, including those relating to the obligation to pay expenses and maintain the confidentiality of certain information obtained in connection with the merger and the merger agreement, will survive, and except that either party may be required to make certain payments upon termination as described below.

Centrue Financial Termination Payments.

If the merger agreement is terminated by UnionBancorp because Centrue Financial has not satisfied its conditions or the closing has not occurred by March 1, 2007 and, in either case, Centrue Financial knowingly breached its covenants, agreements, representations or warranties under the merger agreement (unless such breach is a result of the failure by UnionBancorp to perform and comply with any of its obligations) then, provided UnionBancorp is in compliance with its obligations under the merger agreement, Centrue Financial must pay $2,700,000 to UnionBancorp. (Notwithstanding the foregoing, the termination date can be extended for up to ninety days if the sole reason that the closing has not occurred is due to the fact that the regulatory approvals have not been received.)

If the merger agreement is terminated by Centrue Financial or UnionBancorp because Centrue Financial s stockholders fail to approve the merger (a Centrue Financial Stockholder Termination); then, provided UnionBancorp is in compliance with its obligations under the merger agreement, Centrue Financial must pay $500,000 to UnionBancorp.

In addition to the $500,000 payment described above (if any), if there is a Centrue Financial Stockholder Termination and, within twelve months after such Centrue Financial Stockholder Termination, Centrue Financial enters into an agreement with any party other than UnionBancorp providing for the acquisition of Centrue Financial, then, provided UnionBancorp was in compliance with its obligations under the merger agreement, Centrue Financial must pay $2,200,000 to UnionBancorp.

If Centrue Financial terminates the merger agreement as a result of a Superior Centrue Financial Proposal, then Centrue Financial must pay $2,700,000 to UnionBancorp.

UnionBancorp Termination Payments.

If the merger agreement is terminated by Centrue Financial because UnionBancorp has not satisfied its conditions or the closing has not occurred by March 1, 2007 and, in either case, UnionBancorp knowingly breached its covenants, agreements, representations or warranties under the merger agreement (unless such breach is a result of the failure by Centrue Financial to perform and comply with any of its obligations) then, provided Centrue Financial is in compliance with its obligations under the merger agreement, UnionBancorp must pay $2,700,000 to Centrue Financial. (Notwithstanding the foregoing, the termination date can be extended for up to ninety days if the sole reason that the closing has not occurred is due to the fact that the regulatory approvals have not been received.)

If the merger agreement is terminated by UnionBancorp or Centrue Financial because UnionBancorp s stockholders fail to approve the merger (a UnionBancorp Stockholder Termination); then, provided Centrue Financial is in compliance with its obligations under the merger agreement, UnionBancorp must pay $500,000 to Centrue Financial.

In addition to the $500,000 payment described above (if any), if there is a UnionBancorp Stockholder Termination and, within twelve months after such UnionBancorp Stockholder Termination, UnionBancorp enters into an agreement with any party other than Centrue Financial providing for the acquisition of UnionBancorp, then, provided Centrue Financial was in compliance with its obligations under the merger agreement, UnionBancorp must pay $2,200,000 to Centrue Financial.

If UnionBancorp terminates the merger agreement as a result of a Superior UnionBancorp Proposal, then UnionBancorp must pay $2,700,000 to Centrue Financial.

The foregoing is an outline of the termination provisions contained in the merger agreement, a copy of which is included at Appendix A. You should carefully review the entire agreement and in particular Article 11, containing the detailed termination provisions.

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Waiver and Amendment

To the extent permitted by law, our boards of directors may agree in writing to amend the merger agreement, whether before or after our stockholders have approved the merger agreement. However, no amendment agreed to after the merger agreement has been approved by our stockholders may materially and adversely affect the rights of UnionBancorp s or Centrue Financial s stockholders. In addition, before or at the time the merger becomes effective, either UnionBancorp or Centrue Financial, or both, may waive any default in the performance of any term of the merger agreement by the other or may waive or extend the time for the compliance or fulfillment by the other of any of its obligations under the merger agreement. Either of UnionBancorp or Centrue Financial may also waive any of the conditions precedent to their respective obligations under the merger agreement, unless a violation of any law or governmental regulation would result. To be effective, a waiver must be in writing and signed by one of UnionBancorp s or Centrue Financial s duly authorized officers.

Regulatory Approvals

It is a condition to the completion of the merger that the parties receive all necessary regulatory approvals of the merger. Neither UnionBancorp nor Centrue Financial is aware of any material governmental approvals or actions that are required to complete the merger, except as described below. If any other approval or action is required, UnionBancorp will also seek this approval or action.

As a result of the merger, UnionBancorp will own directly all of the outstanding stock of Centrue Bank. UnionBancorp intends to merge Centrue Bank with and into UnionBank simultaneous with the merger between UnionBancorp and Centrue Financial. The merger of Centrue Financial into UnionBancorp is subject to the prior approval or waiver of such approval by the Board of Governors of the Federal Reserve (the Federal Reserve) and the merger of Centrue Bank with and into UnionBank is subject to the prior approval of the Federal Reserve and the Illinois Department of Financial and Professional Regulation (the DFPR).

On July 28, 2006, UnionBank filed applications with the Federal Reserve and the DFPR for prior approval of the merger of Centrue Bank and UnionBank. It is expected that both the Federal Reserve and the DFPR will approve the merger of Centrue Bank and UnionBank in the 4th calendar quarter of 2006. On August 31, 2006, UnionBancorp received a waiver of the requirement for filing an application for approval of the merger under the federal Bank Holding Company Act from the Federal Reserve.

The merger may not be completed until 30 days following the date of the Federal Reserve approval, although the U.S. Department of Justice may reduce that period to 15 days. During this period, the U.S. Department of Justice is given the opportunity to challenge the transaction on antitrust grounds. The commencement of any antitrust action would stay the effectiveness of the approval of the agencies, unless a court of competent jurisdiction specifically ordered otherwise.

We are not aware of any other regulatory approvals required for completion of the merger, and there can be no assurance that any approvals will be obtained. The approval of any application merely implies the satisfaction of regulatory criteria for approval, which does not include review of the merger from the standpoint of the adequacy of the consideration to be received by Centrue Financial stockholders.

There can be no assurances that the requisite regulatory approvals or waivers will be received in a timely manner, in which event the consummation of the merger may be delayed. If the merger is not consummated on or before May 30, 2007, either UnionBancorp or Centrue Financial may terminate the merger agreement. We can give you no assurance as to the receipt or timing of these approvals or waivers.

Management and Operations After the Merger

We specifically negotiated and named in the merger agreement those individuals who will serve as the combined company s directors and executive officers following the merger.

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Directors of the Combined Company

The following persons will serve as the directors of the combined company after the merger:

Directors of Combined UnionBancorp/ Centrue Financial

(UnionBancorp Designees)	*(Centrue Financial Designees)*
Dennis J. McDonnell *	Thomas A. Daiber
Scott C. Sullivan	Mark L. Smith
Richard J. Berry	Randall E. Ganim
Walter E. Breipohl	Michael A. Griffith
John A. Shinkle	Michael J. Hejna

* Chairman of the board of the directors.

The following table contains biographical information on UnionBancorp s director designees for the combined company after the merger:

Name (Age)	UnionBancorp Director Since	Position with UnionBancorp and Principal Occupation
Dennis J. McDonnell (Age 64)	2000	Chairman of the Board and Director of UnionBancorp; Chairman, McDonnell Investment Management, LLC
Scott C. Sullivan (Age 51)	1996	Director of UnionBancorp; Attorney, Williams & McCarthy
Richard J. Berry (Age 54)	1985	Director of UnionBancorp; Attorney, Myers, Berry, O Conor & Kuzma, Ltd.
Walter E. Breipohl (Age 53)	1993	Director of UnionBancorp; Broker/Owner, Kaszynski-Breipohl Realtors
John A. Shinkle (Age 54)	1997	Director of UnionBancorp; Senior Vice President, Stifel Nicolaus & Company, Inc.

The following table contains biographical information on Centrue Financial s director designees for the combined company after the merger:

Name (Age)	Centrue Financial Director Since	Position with Centrue Financial and Principal Occupation
Thomas A. Daiber (Age 48)	2003	Director of Centrue Financial; President and Chief Executive Officer of Centrue Financial since 2003
Mark L. Smith (Age 56)	2001	Director or Centrue Financial; President of Smith, Koelling, Dykstra and Ohm, P.C.
Randall E. Ganim (Age 52)	2006	Director of Centrue Financial; Founder and President of Ganim, Meder, Childers & Hoering, P.C.
Michael A. Griffith (Age 47)	2002	Chairman of the Board and Director of Centrue Financial; Founder and Chief Executive Officer of Aptuit, Inc.
Michael J. Hejna (Age 52)	2003	

	Director of Centrue Financial; President and Chief Executive Officer of Gundaker Commercial Group, Inc.

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Executive Officers of the Combined Company

The following persons will serve as executive officers of the combined company after the merger:

Executive Officers of Combined UnionBancorp/ Centrue

Thomas A. Daiber	President and Chief Executive Officer
Scott A. Yeoman	Chief Operating Officer
Kurt R. Stevenson	Chief Financial Officer

*Thomas A. Daiber, 48***,** was named President and Chief Executive Officer of Centrue Financial and Chief Executive Officer of Centrue Bank in October of 2003. Prior to joining Centrue Financial, Mr. Daiber had served as Chairman, President and Chief Executive Officer of Aviston Financial Corporation and Chairman and Chief Executive Officer of the State Bank of Aviston, headquartered in Aviston, Illinois, from October, 2002 to October, 2003. Mr. Daiber served as Allegiant Bancorp, Inc. s Chief Financial Officer from May, 1999 until March, 2003. Mr. Daiber was employed by Allegiant Bancorp in St. Louis, Missouri beginning in March, 1997 and served as its Director of Internal Auditing prior to becoming Chief Financial Officer.

Scott A. Yeoman, 48, was named President and Chief Executive Officer of UnionBancorp in June of 2005. Prior to joining UnionBancorp, Mr. Yeoman served as the President and Chief Executive Officer of Associated Bank Lakeshore, a subsidiary of Associated Banc Corp, in Manitowoc, Wisconsin from 1998 through 2004. Mr. Yeoman joined the organization with over 20 years of commercial banking experience.

Kurt R. Stevenson, 39, was promoted to Senior Executive Vice President and Chief Financial Officer in the first quarter of 2006. He had previously served as UnionBancorp s Senior Vice President and Chief Financial Officer since 2003. Prior to that, Mr. Stevenson served as UnionBancorp s Vice President and Chief Financial Officer since June of 2000. Also in 2000 and 2001, Mr. Stevenson served on the Board of Directors of UnionFinancial Services, Inc., prior to its integration with UnionTrust Corporation. Before stepping into his new role, he had been acting as UnionBancorp s Vice President and Controller since 1996 and had served in various operational capacities since joining the organization. In 2002, Mr. Stevenson was also named Cashier of UnionBank, in addition to his corporate responsibilities. He first started employment with the Ottawa National Bank in 1987 and, subsequently, began work with UnionBancorp following the acquisition of Ottawa National Bank by UnionBancorp in 1991.

See Where You Can Find More Information. For additional information regarding the interests of certain persons in the merger, see Description of Transaction Interests of Certain Persons in the Merger.

Interests of Certain Persons in the Merger

General. Some members of our respective management and boards of directors may be deemed to have interests in the merger that are in addition to their interests as stockholders generally. The board of directors of each of UnionBancorp and Centrue Financial were aware of these interests and considered them, together with the other matters described in this joint proxy statement-prospectus, in adopting the merger agreement and approving the merger.

Stay Bonuses. The merger agreement allows UnionBancorp and Centrue Financial to pay special stay bonuses to employees of UnionBancorp or Centrue Financial who enter into a Stay Bonus Agreement in a form that is mutually agreed upon by UnionBancorp and Centrue Financial. UnionBancorp may also make new grants of employee stock options to employees of UnionBancorp or Centrue Financial, as mutually agreed upon. UnionBancorp and Centrue Financial implemented this stay bonus program (a) to help maintain their respective franchises in the event the proposed merger is not completed, (b) to deliver value to the combined company and (c) to minimize the likelihood that valued employees would leave immediately prior to or shortly after the closing of the merger.

Existing UnionBancorp Employment Agreements. UnionBancorp has change of control agreements with a number of its senior officers, including Scott A. Yeoman, who serves as President and Chief Executive Officer of UnionBancorp and Kurt R. Stevenson, who serves as Chief Financial Officer of UnionBancorp. The

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agreements provide that if, within two years after a change of control occurs, the executive s employment is terminated without good cause or the executive voluntarily terminates employment with good reason, then the executive shall receive a cash payment equal to two times the executive s salary. In Mr. Yeoman s case, if, at any time during the two year period, he obtains employment, payments will be reduced by the amount of compensation being earned in the new position. The pending merger of Centrue Financial and UnionBancorp would constitute a change of control for purposes of these agreements, which could entitle the respective executive to the severance amount in the event his employment later terminates. However, Mr. Yeoman and Mr. Stevenson have each entered into an employment agreement with UnionBancorp, which will become effective upon the completion of the merger, and the agreement contains a provision stating that the existing employment agreement with UnionBancorp will terminate when the new agreement becomes effective. These new employment agreements are described further below.

Existing Centrue Financial Employment Agreements. Centrue Financial has employment agreements with a number of its senior officers, including Thomas A. Daiber, who serves as President and Chief Executive Officer of Centrue Financial. The agreement provides that Mr. Daiber will receive a severance payment if his employment terminates under certain circumstances after a change of control of Centrue Financial. The pending merger of Centrue Financial and UnionBancorp would constitute a change of control for purposes of his agreement, which could result in his being entitled to the severance amount in the event his employment later terminates. Mr. Daiber has entered into an employment agreement with UnionBancorp, which will become effective upon the completion of the merger. The agreement contains a provision stating that the existing employment agreement with Centrue Financial will terminate when the new agreement becomes effective. This new employment agreement is described further below.

New Employment Agreements with Thomas A. Daiber, Scott A. Yeoman and Kurt R. Stevenson. UnionBancorp has entered into employment agreements with Thomas A. Daiber, Scott A. Yeoman and Kurt R. Stevenson. These agreements will become effective as of the effective time of the merger. Except as described below, each agreement is substantially identical. Initially the agreements are effective for a three-year term. On the second anniversary of the agreements effective date, the term will be extended an additional day so that the term is always one year, unless either party gives written notice of non-renewal to the other party. The agreements provide for annual base salary of not less than $290,000 for Mr. Daiber, $220,000 for Mr. Yeoman and $170,000 for Mr. Stevenson. The executives will have the opportunity to receive annual performance bonuses of up to 50% of base salary in the case of Mr. Daiber and Mr. Yeoman and up to 30% of base salary in the case of Mr. Stevenson. The agreements provide for the award of incentive stock options to each executive on July 7, 2006. Mr. Daiber is being awarded options to purchase 10,417 shares of Centrue Financial stock, which will convert into the right to purchase 12,500 shares of UnionBancorp stock after the merger. Mr. Yeoman is being awarded options to purchase 10,000 shares of UnionBancorp stock and Mr. Stevenson is being awarded options to purchase 7,500 shares of UnionBancorp stock. One-fifth of the options will become exercisable on the first anniversary of the employment agreements and an additional one-fifth will become exercisable on each successive anniversary. The options shall become fully exercisable upon a change of control, other than the merger of Centrue Financial and UnionBancorp, the executive s death, disability, termination of executive s employment by the employer without cause, or the executive s termination of employment due to a constructive discharge. Each executive will be entitled to not less than twenty-three days of paid time off as well as benefits at least as favorable to the benefits provided to all other employees of UnionBancorp and UnionBank.

Each agreement provides that in the event of a termination of the executive s employment by UnionBancorp without cause or by the executive due to constructive discharge prior to the end of the term of the agreement, the executive will be entitled to certain severance benefits including payments of the executive s annual compensation for the greater of twenty-four months or the remaining period left in the employment agreement s term. Annual compensation is the executive s base salary plus the performance bonus for the most recent performance period. The executive would also be entitled to receive reimbursement for premiums the executive pays for the continuation of medical benefits for the executive and the executive s dependents. During the twelve months following a change of control of UnionBancorp other than the merger of Centrue Financial and UnionBancorp, if the executive voluntarily terminates his employment due to

constructive discharge or if UnionBancorp terminates the executive s employment for any reason other than cause, the executive will be entitled to receive a lump sum payment equal to three times the executive s annual compensation, which is the sum of the executive s base salary and the performance bonus for the most recent performance period, plus reimbursement for premiums the executive pays for the continuation of medical benefits for the executive and the executive s dependents.

The employment agreements include customary provisions prohibiting the executive from competing with UnionBancorp and other activities that would be harmful to UnionBancorp. Payments under the employment agreements will be reduced to the extent necessary to prevent any portion of the payments from being treated as a nondeductible excess parachute payment under the federal tax laws.

New Employment Agreements with Senior Officers. UnionBancorp and Centrue Financial are entering into additional employment agreements with up to twelve additional senior officers of Centrue Financial and UnionBancorp. These agreements will become effective as of the effective time of the merger. Except as described below, each agreement is substantially identical. Initially the agreements are effective for a one-year term. On the first anniversary of the date the agreements become effective, the term will be extended an additional year, unless either party gives written notice of non-renewal to the other party. The agreements specify a minimum annual base salary for each senior officer ranging from $100,000 to $135,000. Each senior officer will have the opportunity to receive annual performance bonuses of up to 25% of base salary. The agreements provide for the award of incentive stock options to each senior officer on July 7, 2006. Taking into account the adjustment to the number of shares subject to stock options that will occur as a result of the merger of Centrue Financial with UnionBancorp, a total 73,000 shares will be subject to options awarded to these senior officers. One-fifth of the options will become exercisable on the first anniversary of the effective date of the merger and an additional one-fifth will become exercisable on each successive anniversary. The options shall become fully exercisable upon a change of control of UnionBancorp other than the merger of Centrue Financial with UnionBancorp, the senior officer s death, disability, termination of senior officer s employment by the employer without cause, or, during the first twelve months the agreements are effective, the senior officer s termination of employment due to a constructive discharge. Each senior officer will be entitled to not less than twenty-three days of paid time off as well as benefits at least as favorable to the benefits provided to all other employees of UnionBancorp and UnionBank.

Each agreement provides that in the event of a termination of the senior officer s employment by UnionBancorp without cause during such period, during the first twelve months of the agreement, or by the senior officer due to constructive discharge during such period, the senior officer will be entitled to certain severance benefits including payments of the senior officer s annual compensation for twelve months. Annual compensation is the senior officer s base salary and the performance bonus for the most recent performance period. The senior officer would also be entitled to receive reimbursement for premiums the senior officer pays for the continuation of medical benefits for the senior officer and the senior officer s dependents. During the twelve months following a change of control of UnionBancorp, not including the merger of Centrue Financial and UnionBancorp, if the senior officer voluntarily terminates his employment due to constructive discharge or if UnionBancorp terminates the senior officer s employment for any reason other than cause, the senior officer will be entitled to receive a lump sum payment equal to the senior officer s annual compensation, which is the sum of the senior officer s base salary and the performance bonus for the most recent performance period, plus reimbursement for premiums the senior officer pays for the continuation of medical benefits for the senior officer and the senior officer s dependents.

The employment agreements include customary provisions prohibiting the senior officer from competing with UnionBancorp and other activities that would be harmful to UnionBancorp. Payments under the employment agreements will be reduced to the extent necessary to prevent any portion of the payments from being treated as a nondeductible excess parachute payment under the federal tax laws.

Treatment of Centrue Financial Stock Options. The Centrue Financial stock option plan and the stock option agreements with plan participants provide that all options that were not previously exercisable will become immediately exercisable upon a change of control. The merger of Centrue Financial and UnionBancorp will constitute a change of control under the Centrue Financial stock option plan. Accordingly,

the options to purchase 88,700 shares of Centrue Financial common stock which are currently not exercisable will become exercisable no later than the effective date of the merger. The options awarded to executives and senior officers pursuant to the employment agreements described above will not become exercisable as a result of the merger. Centrue Financial stock options will be converted into UnionBancorp stock options in the merger, with the number of shares and exercise price adjusted for the exchange ratio.

Treatment of UnionBancorp Stock Options. The merger agreement provides that options to purchase UnionBancorp common stock will become immediately exercisable upon the merger becoming effective. Accordingly, the options to purchase 91,131 shares of UnionBancorp common stock which are currently not exercisable will become exercisable no later than the effective date of the merger. The options awarded to executives and senior officers pursuant to the employment agreements described above will not become exercisable as a result of the merger.

Director s Deferred Compensation Plan. Each of Centrue Financial s independent directors participates in the Centrue Financial Non-Employee Directors Deferred Compensation Plan pursuant to which such directors have been allocated shares of Centrue Financial common stock in connection with their services. At the effective time of the merger, each director participant will become vested in all shares allocated to him under the plan, and these shares will be converted into shares of UnionBancorp common stock at the 1.2 exchange ratio. As of the date of this document, 15,990 shares of Centrue Financial common stock have been allocated under the plan, and it is expected that an aggregate of 2,375 additional shares will be allocated per fiscal quarter to the director participants.

Indemnification for Directors and Officers; Insurance. UnionBancorp has agreed to honor for at least six years from the effective date of the merger all of Centrue Financial s obligations with respect to indemnification currently provided by Centrue Financial in its certificate of incorporation or bylaws in favor of the current and former officers and directors with respect to matters occurring prior to the effective time. In addition, UnionBancorp has agreed to acquire and maintain for a period of six years extended coverage of acts or omissions occurring at or prior to the effective time with respect to those persons who are currently covered by Centrue Financial s director and officer liability policies of insurance on terms that are substantially similar to those contained in the director and officer liability policies in effect on the date of the merger agreement.

Consulting Agreement. Effective July 25, 2006, Centrue Bank entered into a consulting agreement with UnionBank, whereby UnionBank has agreed to consult and advise Centrue Bank with respect to the preparation and maintenance of certain of Centrue Bank s accounting, tax and financial reports, including Centrue Bank s general ledger system. UnionBank receives an hourly fee of $75.00 plus out of pocket expenses in connection with the engagement and has been indemnified by Centrue Bank against any liabilities incurred by UnionBank as a result of the engagement.

Additional Agreements

UnionBancorp Voting Agreement. Each of the directors of Centrue Financial has entered into a voting agreement with UnionBancorp. Under this agreement, these stockholders have agreed to vote their respective shares of Centrue Financial common stock:

- in favor of the merger and the transactions contemplated by the merger agreement;
- against any merger with Centrue Financial by a party other than UnionBancorp;
- against any action or agreement that would result in a material breach of any term or any other obligation of Centrue Financial under the merger agreement; and
- against any action or agreement which would impede or interfere with the transactions contemplated by the merger agreement.

Furthermore, each of these stockholders has also agreed not to solicit, initiate or encourage any inquiries or proposals for a merger or other business combination involving Centrue Financial. The shares subject to the voting agreement represent approximately 9.5% of the outstanding shares of Centrue Financial

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common stock on the record date. The voting agreement will terminate upon the earlier of the consummation of the merger or termination of the merger agreement in accordance with its terms.

Centrue Financial Voting Agreement. Each of the directors of UnionBancorp has entered into a voting agreement with Centrue Financial. Under this agreement, these stockholders have agreed to vote their respective shares of UnionBancorp common stock:

- in favor of the merger and the transactions contemplated by the merger agreement;
- against any merger with UnionBancorp by a party other than Centrue Financial;
- against any action or agreement that would result in a material breach of any term or any other obligation of UnionBancorp under the merger agreement; and
- against any action or agreement which would impede or interfere with the transactions contemplated by the merger agreement.

Furthermore, each of these stockholders has also agreed not to solicit, initiate or encourage any inquiries or proposals for a merger or other business combination involving UnionBancorp. The shares subject to the voting agreement represent approximately 17.6% of the outstanding shares of UnionBancorp common stock on the record date. The voting agreement will terminate upon the earlier of the consummation of the merger or termination of the merger agreement in accordance with its terms.

Accounting Treatment

The merger will be accounted for using the purchase method of accounting under U.S. generally accepted accounting principles. Under this method of accounting, UnionBancorp will record the assets acquired and liabilities assumed of Centrue Financial at their fair market values. Any difference between the purchase price and the fair market value of the net tangible and identifiable intangible assets and liabilities is recorded as goodwill, which, in accordance with Statement of Financial Accounting Standard No. 142, will not be amortized for financial accounting purposes, but will be evaluated annually for impairment.

Expenses

Each of UnionBancorp and Centrue Financial will pay its own expenses in connection with the merger, including filing, registration and application fees, printing fees and fees and expenses of its own financial or other consultants, accountants and counsel. UnionBancorp is responsible for the payment of the expenses for the tax opinion to be rendered in connection with the merger.

Resales of UnionBancorp Common Stock

UnionBancorp common stock to be issued to Centrue Financial stockholders in the merger will be registered under the Securities Act. All shares of UnionBancorp common stock received by Centrue Financial stockholders in the merger will be freely transferable after the merger by persons who are not considered to be affiliates of either UnionBancorp or Centrue Financial. These affiliates would generally include any persons or entities who control, are controlled by or are under common control with either Centrue Financial or UnionBancorp at the time of the special meeting (generally, executive officers, directors and 10% or greater stockholders).

Rule 145 promulgated under the Securities Act restricts the sale of UnionBancorp common stock received in the merger by affiliates of Centrue Financial and certain of their family members and related entities. Under the rule, until the first anniversary of the effective date of the merger, affiliates of Centrue Financial may publicly resell the UnionBancorp common stock they receive in the merger, but only within certain limitations as to the amount of UnionBancorp common stock they can sell in any three-month period and as to the manner of sale. After this first anniversary, affiliates of Centrue Financial who are not affiliates of UnionBancorp may resell their shares without restriction. UnionBancorp must continue to satisfy its reporting requirements under the Securities Exchange Act of 1934, as amended, for affiliates to continue to be able to resell under Rule 145 the shares of UnionBancorp common stock they received in the merger.

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Affiliates would also be permitted to resell UnionBancorp common stock received in the merger pursuant to an effective registration statement under the Securities Act or an available exemption from the registration requirements. This joint proxy statement-prospectus does not cover any resales of UnionBancorp common stock received by persons who may be deemed to be affiliates of Centrue Financial.

EFFECT OF THE MERGER ON RIGHTS OF STOCKHOLDERS

General

UnionBancorp is a Delaware corporation governed by Delaware law and UnionBancorp s certificate of incorporation and bylaws. Centrue Financial is a Delaware corporation governed by Delaware law and Centrue Financial s certificate of incorporation and bylaws.

In the merger, stockholders of Centrue Financial will receive shares of UnionBancorp common stock that will include all rights attaching to shares of UnionBancorp common stock. By approving the merger, UnionBancorp stockholders are also approving the adoption of an amended and restated certificate of incorporation attached as Exhibit A to the merger agreement, the provisions of which are discussed below.

There are significant differences between the rights of UnionBancorp s stockholders and the rights of Centrue Financial s stockholders. The following is a summary of the principal differences between those rights.

The following summary is not intended to be complete and is qualified in its entirety by reference to the Delaware General Corporation Law, as well as UnionBancorp s certificate of incorporation and bylaws and Centrue Financial s certificate of incorporation and bylaws.

Anti-Takeover Provisions Generally

UnionBancorp s certificate of incorporation and bylaws contain provisions designed to assist UnionBancorp s board of directors in playing a role in any attempt by a group or person to acquire control of UnionBancorp. These provisions are intended to enable UnionBancorp s board of directors to protect the interests of UnionBancorp and its stockholders under certain circumstances. Aided by these provisions, UnionBancorp may determine that a sale of control is in the best interests of UnionBancorp s stockholders or will enhance the board s ability to maximize the value to be received by the stockholders upon a sale of control of UnionBancorp.

Although UnionBancorp s management believes that these provisions are beneficial to UnionBancorp s stockholders, they may also tend to discourage some takeover bids. As a result, UnionBancorp s stockholders may be deprived of opportunities to sell some or all of their shares at prices that represent a premium over prevailing market prices. On the other hand, defeating undesirable acquisition offers can be a very expensive and time-consuming process. To the extent that these provisions discourage undesirable proposals, UnionBancorp may be able to avoid those expenditures of time and money.

These provisions may also discourage open market purchases of UnionBancorp common stock by a company that may desire to acquire UnionBancorp. Those purchases may increase the market price of UnionBancorp common stock temporarily and enable stockholders to sell their shares at a price higher than they might otherwise obtain. In addition, these provisions may decrease the market price of UnionBancorp common stock by making the stock less attractive to persons who invest in securities in anticipation of price increases from potential acquisition attempts. The provisions may also make it more difficult and time consuming for a potential acquirer to obtain control of UnionBancorp through replacing the board of directors and management. Furthermore, the provisions may make it more difficult for UnionBancorp s stockholders to replace the board of directors or management, even if a majority of the stockholders believe that replacing the board of directors or management is in the best interests of UnionBancorp. Because of these factors, these provisions may tend to perpetuate the incumbent board of directors and management.

Authorized Capital Stock

UnionBancorp. Under UnionBancorp s current certificate of incorporation, it is authorized to issue 10,000,000 shares of common stock, $1.00 par value per share, and 200,000 shares of preferred stock, no par value per share. As of September 22, 2006, 3,742,851 shares of UnionBancorp common stock were issued, including 955,142 shares that are held by UnionBancorp as treasury shares. 2,762.24 shares of UnionBancorp Series A convertible preferred stock and 831 shares of Series B preferred stock are issued and outstanding. If the merger is approved, as part of the merger, UnionBancorp s certificate of incorporation will be amended and restated as more fully described below to, among other things and to increase the number of authorized shares of common stock from 10,000,000 up to 15,000,000. The increase in the number of authorized common shares will give the board of the combined company greater flexibility to declare common stock splits or stock dividends when considered desirable and still leave sufficient shares available for issuance in connection with future acquisitions, financings, and for other general corporate purposes.

The ability of the board to issue additional shares of common stock without additional stockholder approval may be deemed to have an anti-takeover effect. The combined company could use the additional shares of common stock to oppose a hostile takeover attempt or to delay or prevent changes of control or changes in or removal of its management. Any issuance of additional shares also could have the effect of diluting the earnings per share and book value per share of the outstanding shares of the combined company s common stock as well as stock ownership and voting rights of stockholders.

Under UnionBancorp s certificate of incorporation, UnionBancorp s board of directors is authorized to issue preferred stock from time to time in one or more series, subject to applicable provisions of law. The board of directors is authorized to fix the designations, voting powers, preferences and relative participating, optional and other special rights qualifications, limitations or restrictions of such shares. In the event of a proposed merger, tender offer or other attempt to gain control of UnionBancorp that the board of directors does not approve, it may be possible for the board of directors to authorize the issuance of a series of preferred stock with rights and preferences that would impede the completion of such a transaction. Under the current certificate of incorporation, UnionBancorp s board of directors designated 2,765 shares of UnionBancorp preferred stock as Series A Convertible Preferred Stock (2,762.24 shares outstanding), 1,092 shares as Series B Preferred Stock (831 of which are outstanding), and 4,500 shares as Series C Junior Participating Preferred Stock (none of which are outstanding). The 2,762.24 shares of Series A Convertible Preferred Stock that are outstanding, are currently convertible into 172,140 shares of UnionBancorp common stock.

Centrue Financial. Centrue Financial is authorized to issue 5,500,000 shares of common stock, $0.01 par value per share, and 500,000 shares of preferred stock, $0.01 par value per share. As of September 22, 2006, 2,232,889 shares of Centrue Financial common stock were issued and outstanding, and 1,967,411 shares were held by Centrue Financial as treasury shares. No shares of Centrue Financial preferred stock are issued and outstanding.

Centrue Financial s board of directors has substantially the same powers with respect to the issuance of preferred stock as does UnionBancorp s board of directors. Under a certificate of designation, 3,500 shares of Centrue Financial preferred stock have been designated as Series A Junior Participating preferred stock. These shares are reserved for issuance under the Centrue Financial rights plan. See Rights Plan below.

Voting Rights

UnionBancorp. Generally, holders of UnionBancorp common stock are entitled to one vote per share on all matters submitted to a vote of stockholders.

As stated above, UnionBancorp s board of directors is authorized to issue up to 200,000 shares of preferred stock and may designate various characteristics and rights of UnionBancorp preferred stock including, among other things, the voting powers of such series. UnionBancorp s board of directors may also authorize the conversion of shares of other classes of UnionBancorp preferred stock into any number of shares of UnionBancorp common stock and thus dilute the voting power of the outstanding shares of UnionBancorp common stock. Therefore, subject to the board s fiduciary duties, UnionBancorp could issue convertible preferred stock with the purpose or effect of deterring or preventing a takeover of UnionBancorp.

The holders of each share of Series A Preferred Stock are not entitled to vote, except as required by law or to approve the authorization or issuance of any shares of any class or series of stock ranking senior to or on parity with such Series A Preferred Stock in respect of dividends and distributions upon the dissolution, liquidation or winding up of UnionBancorp. Where the Series A Preferred Stockholders vote to approve such issuance or authorization of new shares, the holders of Series A Preferred Stock shall vote as a class. In addition, holders of Series A Preferred Stock have full voting rights (a) if two dividend payments on such shares have accrued but remain unpaid; (b) upon conversion of the preferred shares into shares of common stock; or (c) if the holders of common stock vote on a proposal to merge or otherwise enter a transaction with a third party where UnionBancorp is not the surviving entity.

The holder of each share of Series B Preferred Stock are not entitled to vote except as required by law. Holders of shares of Series B Preferred Stock are entitled to vote, as a class, to approve the authorization or issuance of any shares of any class or series of stock ranking senior to, or on parity with the Series B Preferred Stock in respect of dividends and distribution upon the dissolution, liquidation or winding up of UnionBancorp.

UnionBancorp s certificate of incorporation does not provide for cumulative voting rights in the election of directors. Thus, the owners of a majority of the shares of common stock outstanding may elect all of the directors up for election in any given year, if they choose to do so, and the owners of the balance of such shares would not be able to elect any directors.

Centrue Financial. Generally, holders of Centrue Financial common stock are entitled to one vote per share on all matters submitted to a vote of stockholders. However, Centrue Financial s certificate of incorporation provides that in no event will any record owner of any outstanding Centrue Financial common stock that is beneficially owned, directly or indirectly, by any person who beneficially owns more than 10% of the then-outstanding shares of common stock, be entitled or permitted to any vote in respect of the shares held in excess of 10%. This limit does not inhibit any person from soliciting or voting proxies from other beneficial owners for more than 10% of the common stock. This provision may be enforced by Centrue Financial s board of directors to limit the voting rights of persons owning more than 10% of Centrue Financial s common stock, and thus could be used in a proxy contest or other solicitation to defeat a proposal that is desired by a majority of the stockholders.

As stated above, Centrue Financial s board of directors is authorized to issue up to 500,000 shares of preferred stock and may designate various characteristics and rights of Centrue Financial preferred stock, including voting and conversion rights. Centrue Financial s board of directors may also authorize the conversion of shares of other classes of Centrue Financial preferred stock into any number of shares of Centrue Financial common stock and thus dilute the voting power of the outstanding shares of Centrue Financial common stock. Therefore, subject to the board s fiduciary duties, Centrue Financial could issue convertible preferred stock with the purpose or effect of deterring or preventing a takeover of Centrue Financial.

Centrue Financial s certificate of incorporation also does not provide for cumulative voting rights in the election of directors.

Classification of Board of Directors

UnionBancorp. UnionBancorp s certificate of incorporation provides for the division of its board of directors into three classes of approximately equal size. UnionBancorp s directors are elected for three-year terms, and the terms of office of approximately one-third of the members of the classified board of directors expire each year. This board classification may make it more difficult for a stockholder to acquire immediate control of UnionBancorp and remove management by means of a proxy contest. Because the terms of approximately one-third of the incumbent directors expire each year, at least two annual elections would be necessary for stockholders to replace a majority of UnionBancorp s directors, while a majority of directors of a non-classified board could be replaced in one annual meeting.

Centrue Financial. Centrue Financial s certificate of incorporation also provides for a classified board, with the same effects.

Size of the Board of Directors; Vacancies; Removal

UnionBancorp. UnionBancorp s certificate of incorporation provide that the size of the board of directors shall consist of fifteen directors but may be increased or decreased by the affirmative vote of the holders of at least 70% of all shares of UnionBancorp then entitled to vote in the election of directors, or by a two-thirds vote of the directors then in office. The certificate of incorporation and bylaws also provide that any vacancy occurring on the board of directors may be filled for the remainder of the unexpired term by a majority vote of the directors then in office even though less than a quorum of the board of directors.

As noted above, under the Delaware General Corporation Law, if a board is classified, a director may be removed only for cause unless the certificate of incorporation provides otherwise. UnionBancorp s certificate of incorporation and bylaws provide that a director may be removed only for cause and only by the affirmative vote of at least 70% of the outstanding shares of capital stock of UnionBancorp entitled to vote generally in the election of directors, subject to the right of any holders of preferred stock to elect directors. UnionBancorp s certificate of incorporation does not contain a definition of cause. The purpose of this provision is to prevent a majority stockholder from circumventing the classified board system by removing directors and filling the vacancies with new individuals selected by that stockholder. This provision may have the effect of impeding efforts to gain control of the board of directors by anyone who obtains a controlling interest in UnionBancorp s common stock.

Centrue Financial. Centrue Financial s certificate of incorporation and bylaws contain provisions that may impede changes in majority control of the board of directors. Centrue Financial s bylaws provide that the size of the board of directors may be increased or decreased only by a majority vote of the whole board or by a vote of holders of at least 80% of the shares eligible to be voted at a duly constituted meeting of stockholders called for such purpose. The bylaws also provide that any vacancy occurring in the number of directors may be filled for the remainder of the unexpired term by a majority vote of the directors then in office.

As discussed above, under the Delaware General Corporation Law, members of a classified board of directors may only be removed for cause, unless the certificate of incorporation provides otherwise. Centrue Financial s certificate of incorporation provides that a director may only be removed for cause, and then only by the affirmative vote of holders of at least 80% of the shares eligible to vote. Centrue Financial s certificate of incorporation does not include a definition of cause. This provision has the same effect as the comparable provision in UnionBancorp s certificate of incorporation.

Stockholder Nominations and Proposals

UnionBancorp. Under UnionBancorp s bylaws, the only business that may be conducted at an annual meeting of stockholders is the business brought before the meeting by the board of directors or by any stockholder who is entitled to vote and who complies with the notice procedures set forth in UnionBancorp s bylaws. For business to be brought before an annual meeting by a stockholder, the stockholder must have given timely notice in writing to the secretary of UnionBancorp. To be timely, a stockholder s notice must be given to the secretary of UnionBancorp not less than 30 days prior to the anniversary date of the previous year s meeting.

UnionBancorp s bylaws provide that nominations for election to UnionBancorp s board of directors may be made only by a majority of the Corporate Governance and Nominating Committee of the Board, or if there is no such committee at the time, by a majority of the board, or by any stockholder entitled to vote for the election of directors who complies with the notice procedures set forth in the bylaws. The stockholder s notice must set forth, as to each person the stockholder proposes to nominate for election or re-election as a director, such person s name, address, qualifications, beneficial ownership of UnionBancorp stock, any other information relating to such person required to be disclosed on Schedule 13D pursuant to Regulation 13D-G under the Securities Exchange Act of 1934, as amended (the Exchange Act), in connection with the acquisition of stock, and pursuant to Regulation 14A under the Exchange Act, in connection with the solicitation of proxies with respect to nominees for election of directors and, as to the stockholder giving the notice, and any other beneficial stockholders known by such stockholder to support such nominees his or her name and address, and the class and number of shares of UnionBancorp s capital stock owned by such stockholder.

Centrue Financial. Under Centrue Financial s bylaws, the only business that may be conducted at an annual meeting of stockholders is the business brought before the meeting by the board of directors or by any stockholder who is entitled to vote and who complies with the notice procedures set forth in Centrue Financial s bylaws. For business to be brought before an annual meeting by a stockholder, the stockholder must have given timely notice in writing to the secretary of Centrue Financial. To be timely, a stockholder s notice must be delivered or mailed and received at the principal executive offices of Centrue Financial not less than 30 days prior to the date of the meeting; provided, however, that in the event that less than 40 days notice or prior public disclosure of the meeting date is given or made to stockholders, such notice by the stockholder to be timely must be delivered no later than 10 days after the earlier of the date of the notice of the meeting or public disclosure of the date of the meeting.

A stockholder s notice to the secretary must set forth as to each matter the stockholder proposes to bring before the annual meeting:

- a brief description of the matter the stockholder desires to present;
- the name and record address of the stockholder who proposed the matter;
- the class and number of shares of Centrue Financial s capital stock that are beneficially owned by the stockholder; and
- any material interest of the stockholder in the matter.

Centrue Financial s bylaws provide that nominations for election to Centrue Financial s board of directors may be made only by the board of directors or by any stockholder entitled to vote for the election of directors who complies with the notice procedures set forth in the bylaws and described above. The stockholder s notice must set forth, as to each person the stockholder proposes to nominate for election or re-election as a director, such person s name and qualifications and, as to the stockholder giving the notice, his or her name and address, and the class and number of shares of Centrue Financial s capital stock owned by the nominated stockholder.

Special Meetings of Stockholders

UnionBancorp. UnionBancorp s bylaws provide that special meetings may be called at any time by at least $66\frac{2}{3}\%$ of the board of directors then in office. Stockholders are not authorized to call special meetings.

Centrue Financial. Centrue Financial s certificate of incorporation and bylaws provide that a special meeting of stockholders may be called only by a resolution of the board of directors adopted by a majority of the total number of directors Centrue Financial would have if there were no vacancies. Stockholders are not authorized to call special meetings.

Action by Written Consent

UnionBancorp. UnionBancorp s certificate of incorporation prohibits its stockholders from taking action by written consent. This prohibition could be used to delay the taking of any action requiring stockholder approval which is not approved by the board of directors, whether or not a majority of the stockholders believes such action may be desirable.

Centrue Financial. Centrue Financial s certificate of incorporation also prohibits its stockholders from taking action by written consent.

Dividends

UnionBancorp. UnionBancorp s ability to pay dividends on its common stock is governed by Delaware corporate law. Under Delaware corporate law, unless there are restrictions in the corporation s certificate of incorporation, dividends may be declared from the corporation s surplus, or if there is no surplus, from its net profits for the fiscal year in which the dividend is declared and the preceding years. Dividends may not be declared, however, if the corporation s capital is less than the amount of all capital represented by the issued and outstanding stock of all classes having a preference upon the distribution of assets. In addition, UnionBancorp s ability to pay dividends on its common stock is subject to the rights of holders of Series A Convertible Preferred Stock to annual cumulative dividends of $75.00 per share and to the rights of holders of Series B Preferred Stock to annual cumulative dividends of $60.00 per share.

Centrue Financial. Generally, Centrue Financial s ability to pay dividends is also governed by Delaware corporate law. Centrue Financial stockholders are entitled to dividends as and when declared by the board of directors. In April of 2004, Centrue Financial s board of directors voted to eliminate its quarterly dividend. The reinstatement and declaration of dividends by the Centrue Financial board of directors is discretionary, and depends on Centrue Financial s earnings and financial condition, regulatory limitations, tax considerations and other factors, including limitations imposed by the terms of Centrue Financial s outstanding junior subordinated debentures.

Centrue Financial issued approximately $10.3 million of these debentures in April of 2002 to Kankakee Capital Trust I, which contemporaneously issued $10.0 million of preferred securities to MM Community Funding III, Ltd. in a private placement. In April of 2004, Centrue Financial issued approximately $10.3 million of additional debentures to Centrue Statutory Trust II, which contemporaneously issued $10.0 million of preferred securities to First Tennessee Bank National Association in a private placement. All of the common stock of Kankakee Capital Trust I and Centrue Statutory Trust II is owned by Centrue Financial and the debentures are the only assets of the trusts. When the debentures mature, the preferred securities must be redeemed. The debentures issued to Kankakee Capital Trust I mature on April 7, 2032, and the debenture issued to Centrue Statutory Trust II mature on April 22, 2034. The debentures and preferred securities pay interest and dividends, respectively, quarterly. Under the terms of the debentures, Centrue Financial may be prohibited, under certain circumstances, from paying dividends on shares of its common stock. None of these circumstances currently exist.

Evaluation of Proposals

UnionBancorp. UnionBancorp s certificate of incorporation and bylaws do not include any provisions regarding the board of directors evaluation of tender or exchange offers, business combinations or sales of the assets of UnionBancorp.

Centrue Financial. Centrue Financial s certificate of incorporation provides that the board, when evaluating any offer by another person to: (a) make a tender or exchange offer for any equity security; (b) merge or consolidate Centrue Financial with another corporation or entity; or (c) purchase or otherwise acquire all or substantially all of the properties and assets of Centrue Financial, may, in connection with the exercise of its judgment in determining what is in the best interests of Centrue Financial and its stockholders, give consideration to all relevant factors, including the social and economic effect of acceptance of the offer on Centrue Financial s present and future employees and those of its subsidiaries, on the communities in which Centrue Financial and its subsidiaries operate or are located, on the ability of Centrue Financial to fulfill its corporate objectives and on the ability of its subsidiary financial institution to fulfill its objectives under applicable rules and regulations.

Special Voting Requirements; Business Combinations

UnionBancorp. UnionBancorp s certificate of incorporation requires that any merger or consolidation of UnionBancorp into another company, sale of all or substantially all of UnionBancorp s assets, or dissolution of UnionBancorp must be approved by the holders of at least 70% of the outstanding shares entitled to vote, unless such merger, sale or dissolution is approved by a majority vote of outstanding shares and the action has been approved by two-thirds of all directors, or unless the provision is applicable to a merger or consolidation of UnionBancorp with another corporation of which UnionBancorp is the owner of at least 80% of the outstanding shares of each class of stock.

In addition, UnionBancorp s certificate of incorporation expressly adopted Section 203(d) of the Delaware General Corporation Law which prohibits UnionBancorp from engaging in a business combination, as defined by the Delaware General Corporation Law, with an interested stockholder, defined as a person who owns, directly or indirectly, 15% or more of UnionBancorp voting stock, for a three year period from the date the person became an interested stockholder, referred to as the acquisition date, unless:

prior to the acquisition date the UnionBancorp board approved the business combination or the transaction that resulted in the stockholder becoming an interested stockholder;

upon completion of the transaction in which the stockholder became an interested stockholder, the stockholder owns at least 85% of UnionBancorp s voting stock, excluding stock held by officers and directors and employee stock plans in which the participants do not have the right to determine confidentially whether shares held by the plan will be tendered in an exchange offer or a tender offer; or

on or after the acquisition date, the business combination is approved by the UnionBancorp board and by the UnionBancorp stockholders, at a meeting duly called for that purpose, provided that stockholders owning at least two-thirds of UnionBancorp s voting stock approve the business combination. When determining whether this two-thirds vote requirement has been satisfied, voting stock held by the interested stockholder is not included.

Upon approval of the merger, UnionBancorp s amended and restated certificate of incorporation will no longer include a provision expressly adopting Section 203(d) of the Delaware General Corporation Law, however, such statute will nevertheless apply as provided therein.

Centrue Financial. Centrue Financial is also subject to Section 203(d) of the Delaware General Corporation Law.

Centrue Financial s certificate of incorporation requires that certain business combinations between Centrue Financial (or any majority-owned subsidiary) and a 10% or more stockholder either:

be approved by holders of at least 80% of the total number of outstanding voting shares, voting as a single class, of Centrue;

be approved by at least two-thirds of the continuing board of directors, meaning persons serving prior to the 10% stockholder becoming a 10% stockholder, and be approved by holders of a majority of the total number of outstanding voting shares; or

meet certain price conditions, and be approved by holders of a majority of the total number of outstanding voting shares.

Amendment of Governing Documents

UnionBancorp. Generally, UnionBancorp may amend it certificate of incorporation in the manner permitted by Delaware law. The Delaware General Corporation law provides that amendments to a corporation s certificate must be approved by holders of a majority of the issued and outstanding shares of a corporation s voting stock. However, amending certain provisions of UnionBancorp s certificate of incorporation, relating to the powers and composition of the board of directors and the stockholder vote required to amend the certificate of incorporation or approve certain business combinations requires the affirmative vote of 70% of the outstanding shares, unless the amendment of such provision is approved by a majority vote of outstanding shares and the action has been approved by two-thirds of all directors, or unless the provision is applicable to a merger or consolidation of UnionBancorp with another corporation of which UnionBancorp is the owner at least 80% of the outstanding shares of each class of stock.

UnionBancorp s bylaws provide that they may be amended only in the manner provided for in the certificate of incorporation. Upon approval of the merger, UnionBancorp s amended and restated certificate of

incorporation will authorize the amendment of UnionBancorp s bylaws by a majority of the board of directors. UnionBancorp s bylaws provide that the bylaws may be amended in either of the following ways:

- by holders of 66^{2}/3% of the outstanding shares of stock of UnionBancorp; or
- by a vote of a majority of the board of directors.

Centrue Financial. Centrue Financial s certificate of incorporation may be amended in the manner prescribed by the Delaware General Corporation Law unless a proposed amendment is approved by a resolution of less than two-thirds of the number of directors, in which case the amendment must be approved by holders of at least 80% of the then-outstanding shares.

Centrue Financial s bylaws may be amended by a majority vote of the board of directors or the affirmative vote of holders of at least 80% of the then-outstanding shares.

Limitations on Director Liability

UnionBancorp. The certificate of incorporation of UnionBancorp provides that no director will be liable to UnionBancorp or its stockholders for monetary damages for breach of fiduciary duty as a director, except:

- for any breach of the director s duty of loyalty to UnionBancorp or its stockholders;
- for acts or omissions not in good faith that involve intentional misconduct or knowing violation of the law;
- under Section 174 of the Delaware General Corporation Law, which relates to unlawful payment of dividends or unlawful stock purchase or redemption and expressly sets forth a negligence standard with respect to such liability; and
- for any transaction from which the director derived any improper benefit.

Centrue Financial. Centrue Financial s certificate of incorporation provides that a director will not be personally liable to Centrue Financial or its stockholders for any breach of fiduciary duty as a director, except for liability:

- for any breach of the director s duty of loyalty;
- for acts or omissions not in good faith or involving intentional misconduct or a knowing violation of law;
- under Section 174 of the Delaware General Corporation Law, which relates to unlawful payment of dividends or unlawful stock purchase or redemption and expressly sets forth a negligence standard with respect to such liability; and
- for any transaction from which the director derived an improper personal benefit.

If the Delaware General Corporation Law is amended to further limit or eliminate the personal liability of directors, then the liability of directors of Centrue Financial will be limited or eliminated to the fullest extent permitted by the Delaware General Corporation Law as so amended.

Indemnification

UnionBancorp. UnionBancorp s bylaws provide indemnification generally consistent with Delaware Law. Under Delaware law, a Delaware corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation) by reason of the fact that he or she is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, against expenses (including attorneys fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him or her in connection with such action, suit or proceeding if he or she acted in good faith and in a manner he or

she reasonably believed to be in or not opposed to the best interests of the corporation, and with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful.

UnionBancorp s certificate of incorporation provides that UnionBancorp must indemnify all persons who it may indemnify pursuant to Section 145 of the Delaware General Corporation Law to the fullest extent permitted thereby.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers or persons controlling UnionBancorp under the provisions described above, UnionBancorp has been informed that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

Centrue Financial. The certificate of incorporation of Centrue Financial provides that Centrue Financial must indemnify, to the fullest extent permitted by the Delaware General Corporation Law, but subject to the limits of federal law applicable to bank holding companies, any person made or threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he is or was a director or officer of Centrue Financial or is or was serving at Centrue Financial s request as a director, officer, employee or agent of another corporation or other enterprise, against liabilities and expenses reasonably incurred or paid by such person in connection with any such action, suit or proceeding.

Centrue Financial may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of Centrue Financial or another corporation or enterprise against any expense or loss, whether or not Centrue Financial would have the power to indemnify such person under the Delaware General Corporation Law.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers or persons controlling Centrue Financial under the provisions described above, Centrue Financial has been informed that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

Dissenters Rights

UnionBancorp and Centrue. Under Section 262 of the Delaware General Corporation Law, stockholders of a Delaware corporation generally are entitled to dissent from a merger or consolidation and receive payment in cash of the fair value of their stock, as determined by the Delaware Court of Chancery. However, dissenters rights are not granted under Delaware law with respect to any transaction involving the sale, lease or exchange of substantially all of the assets of a corporation. In addition, dissenters rights are not available in certain circumstances with respect to shares of stock that are listed on a national securities exchange, such as the shares of UnionBancorp or Centrue Financial common stock. Neither UnionBancorp s nor Centrue Financial s certificate of incorporation and bylaws provide for any additional dissenters rights.

Rights Plan

UnionBancorp. UnionBancorp s Rights Agreement expired on August 4, 2006.

Centrue Financial. The board of directors of Centrue Financial adopted a Rights Plan in 1999 which created one preferred share purchase right that is attached to each share of Centrue Financial common stock. Each right entitles the holder, under certain limited circumstances, to purchase from Centrue Financial one one-thousandth of a share of Series A Junior Participating preferred stock of Centrue Financial at a price of $95.00.

Until the earlier to occur of: (a) 10 days following a public announcement that a person or group of affiliated persons (with certain exceptions, an acquiring person) has acquired beneficial ownership of 15% or more of the outstanding shares of common stock; or (b) 10 business days (or such later date as may be determined by action of the board of directors prior to such time as any person or group of affiliated persons becomes an acquiring person) following the commencement of, or announcement of an intention to make, a tender offer or exchange offer the completion of which would result in the beneficial ownership by a person or group of 15% or more of the outstanding shares of common stock (the earlier of such dates being called the distribution date), the rights will be evidenced, with respect to any common stock certificate outstanding as of the record date, by that common stock certificate together with a summary of rights.

The rights are not exercisable until the distribution date. The rights will expire on May 11, 2009, unless the expiration date is advanced or extended or unless the rights are earlier redeemed or exchanged by Centrue Financial.

Because of the nature of the preferred stock s dividend, liquidation and voting rights, the value of the one one-thousandth interest in a share of preferred stock purchasable upon exercise of each right should approximate the value of one share of common stock.

If any person or group of affiliated or associated persons becomes an acquiring person, each holder of a right, other than rights beneficially owned by the acquiring person (which will thereupon become void), will thereafter have the right to receive upon exercise of a right and the payment of $95.00 per right, that number of shares of common stock having a market value of $190.00.

If after a person or group has become an acquiring person Centrue Financial is acquired in a merger or other business combination transaction or 50% or more of its consolidated assets or earning power are sold, proper provisions will be made so that each holder of a right (other than rights beneficially owned by an acquiring person, which will become void) will thereafter have the right to receive upon the exercise of a right and the payment of $95.00 per right, that number of shares of common stock of the person with whom Centrue Financial has engaged in the foregoing transaction (or its parent) that at the time of such transaction have a market value of $190.00.

At any time after any person or group becomes an acquiring person and prior to the earlier of one of the events described in the previous paragraph or the acquisition by this acquiring person of 50% or more of the outstanding shares of common stock, the board of directors of Centrue Financial may exchange the rights (other than rights owned by acquiring person, which will become void), in whole or in part, for shares of common stock or preferred stock (or a series of Centrue Financial s preferred stock having equivalent rights, preferences and privileges), at an exchange ratio of one share of common stock, or a fractional share of preferred stock (or other preferred stock) equivalent in value thereto, per right.

With certain exceptions, no adjustment in the purchase price will be required until cumulative adjustments require an adjustment of at least 1% in the purchase price. No fractional shares of preferred stock or common stock will be issued (other than fractions of preferred stock that are integral multiples of one one-thousandth of a share of preferred stock, which may, at the election of Centrue Financial, be evidenced by depositary receipts), and in lieu thereof an adjustment in cash will be made based on the current market price of the preferred stock or the common stock.

At any time prior to the time an acquiring person becomes such, the board of directors of Centrue Financial may redeem the rights in whole, but not in part, at a price of $0.01 per right (the redemption price). Immediately upon any redemption of the rights, the right to exercise the rights will terminate and the only right of the holders of rights will be to receive the redemption price.

For so long as the rights are then redeemable, Centrue Financial may, except with respect to the redemption price, amend the rights agreement in any manner. After the rights are no longer redeemable, Centrue Financial may, except with respect to the redemption price, amend the rights agreement in any manner that does not adversely affect the interests of holders of the rights.

Until a right is exercised or exchanged, the holder thereof, as such, will have no rights as a stockholder of Centrue Financial, including, without limitation, the right to vote or to receive dividends. Centrue Financial amended its right agreement immediately prior to the execution of the merger agreement in order to specifically exclude the merger from the terms of Centrue Financial s rights plan.

Summary of Amendments to UnionBancorp s Certificate of Incorporation

General. By approving the merger agreement, UnionBancorp stockholders will also be approving and adopting the certificate of incorporation attached as Exhibit A to the merger agreement which provides for the following amendments to UnionBancorp s current certificate of incorporation:

a change in UnionBancorp s corporate name from UnionBancorp, Inc. to Centrue Financial Corporation;

an increase in the number of authorized shares of UnionBancorp common stock from 10 million to 15 million;

elimination of subsection (ii) of Article VI s requirement that certain amendments to the bylaws be approved by a supermajority vote of the stockholders; and

elimination of Article XV of the certificate of incorporation which expressly adopted Section 203 of the Delaware General Corporation Law concerning business combinations with interested persons, which was described in detail above.

Change in Corporate Name. By approving the merger agreement, UnionBancorp s board of directors has approved a proposal to change UnionBancorp s corporate name to Centrue Financial Corporation. Following the merger, the combined company will work on transforming the combined company (including its subsidiary bank) into the premier financial institution in the northern and central Illinois markets between Chicago and St. Louis. If the merger is approved and the name is changed, the combined company will also change the name of UnionBank to Centrue Bank.

Increase in Authorized Common Stock. UnionBancorp is currently authorized to issue 10 million shares of common stock. As of September 22, 2006, the record date for the special meeting:

3,742,851 shares of UnionBancorp common stock were issued and outstanding;

385,214 shares of UnionBancorp common stock were reserved for issuance under UnionBancorp s stock incentive plans;

2,698,655 shares of UnionBancorp common stock were reserved for issuance to Centrue Financial s stockholders upon completion of the merger; and

955,142 shares were held in the treasury of UnionBancorp.

Following the completion of the merger, 6,441,506 shares will be issued and outstanding, 385,214 shares will be reserved for issuance pursuant to UnionBancorp s stock incentive plans, and 955,142 shares will be held in treasury. UnionBancorp also intends to reserve a sufficient number of shares for issuance upon exercise of the 204,800 Centrue Financial options currently outstanding. An increase in the number of authorized shares of UnionBancorp common stock is therefore not necessary so that UnionBancorp will have a sufficient number of shares available for issuance upon completion of the merger.

The UnionBancorp board believes that the authorization of additional shares of UnionBancorp common stock is advisable to provide the combined company with the flexibility to issue additional shares of common stock through stock splits and stock dividends in appropriate circumstances, and to take advantage of opportunities to issue stock to raise additional capital to fund possible acquisitions or for other purposes. Currently there are no plans, understandings, agreements or arrangement concerning the issuance of additional shares of common stock, except for the shares to be issued (1) as a result of the merger and (2) upon the exercise of stock options.

Uncommitted authorized but unissued shares of the combined company s common stock may be issued from time to time to those persons and for consideration as the board of directors as then-comprised may determine, and holders of then-outstanding shares of common stock of the combined company may or may not be given the opportunity to vote with respect to the issuance, depending upon the nature of any transaction, applicable law, NASDAQ s rules and regulations and the judgment of the combined company s board regarding the submission of the issuance to a vote of the stockholders of the combined company.

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Elimination of Subsection (ii) of Article VI and Article XV. Currently, subsection (ii) of Article VI of UnionBancorp s certificate of incorporation requires the affirmative vote of the holders of at least seventy percent of all shares of the corporation to amend Article II, Section 5 of the bylaws (referenced section does not exist), Sections 1, 2, and 3, of Article III (concerning Place of Meetings, Annual Meetings , and Notice, respectively), and Section 1 of Article VIII (concerning Records). The board believes that the provisions requiring a supermajority vote of the stockholders to amend these bylaws sections are not necessary.

Likewise, the UnionBancorp board has proposed the elimination of Article XV of the certificate of incorporation which expressly adopts Section 203 of the Delaware General Corporation Law, which is described in detail above. Because UnionBancorp s common stock is traded on the NASDAQ Global Market, by the terms of Section 203 itself, the statute applies to UnionBancorp. Therefore, the UnionBancorp board has determined that a provision expressly opting in to Section 203 is no longer necessary.

BUSINESS OF UNIONBANCORP

General

UnionBancorp, a Delaware corporation, is a regional financial services organization based in Ottawa, Illinois, which wholly-owns one bank subsidiary. UnionBancorp serves customers at nineteen locations from the far western suburbs of the Chicago metropolitan area across central and northern Illinois, and offers banking, trust, insurance, investment and electronic services and products.

UnionBancorp originally was formed in 1982 as the bank holding company for UnionBank, an Illinois state bank with its main office located in Streator, Illinois. UnionBancorp s operating strategy is to provide customers with the business sophistication and breadth of products of a regional financial services company, while retaining the special attention to personal service and the local appeal of a community establishment. In each of UnionBancorp s nineteen locations, customers have access to a wide range of products and services aimed at meeting the demands of a diverse market base. Geographically, UnionBancorp serves the financial needs of contiguous counties located in north central Illinois. In recent years, UnionBancorp has expanded its activities from north central Illinois into markets surrounding the Chicago metropolitan area, as well as into additional areas of northern Illinois. UnionBank offers a wide range of commercial and retail lending services to businesses and individuals, including, but not limited to, commercial business loans, commercial and residential real estate construction and mortgage loans, loan participations, consumer loans, revolving lines of credit and letters of credit.

UnionBank makes direct and indirect installment loans to consumers and commercial customers, originates and services residential mortgages and handles the secondary marketing of those mortgages. Agricultural loans also play a role in UnionBancorp s overall lending portfolio, although most of this lending activity is based in the north central portion of UnionBancorp s market area. UnionBank also offers a full range of depository services including traditional savings, checking and money market accounts. Credit and debit cards, as well as home banking and bill pay options, target those customers who seek the convenience of electronic services. UnionBank s financial services division provides a variety of additional financial solutions, namely trust and asset management alternatives, a full line of personal and commercial insurance products and personalized investment options. UnionBancorp continues to devote special attention to these financial services areas, as the demands of customers steadily move towards non-traditional financial offerings.

At June 30, 2006, UnionBancorp reported, on a consolidated basis, total assets of approximately $657 million, deposits of approximately $523 million and stockholders equity of approximately $65 million. UnionBancorp s address is 122 West Madison Street, Ottawa, Illinois 61350 and its telephone number is (815) 431-2720.

Properties

At June 30, 2006, UnionBancorp operated 19 offices in Illinois. The principal offices of UnionBancorp are located in Ottawa, Illinois. All of UnionBancorp s offices are owned by UnionBank and are not subject to any mortgage or material encumbrance, with the exception of two offices that are leased and are located in LaSalle County. UnionBancorp believes that its current facilities are adequate for its existing business.

Affiliate	Markets Served	Property/Type Location
UnionBancorp		Administrative Office: Ottawa, IL
UnionBank	Bureau, DeKalb, Grundy, Jo Daviess, Kane, Kendall, LaSalle, Livingston and Whiteside Counties	Main Office: Streator, IL Sixteen banking offices and three non-banking offices located in markets served.

In addition to the banking locations listed above, UnionBank owns twenty automated teller machines, some of which are housed within banking offices and some of which are independently located.

At June 30, 2006, the properties and equipment of UnionBancorp had an aggregate net book value of approximately $13.8 million.

Management s Discussion and Analysis

Comparison of Operating Results for the Years Ended December 31, 2005, 2004, and 2003.

The following discussion provides an analysis of the results of operations and financial condition of UnionBancorp and subsidiary for the three years ended December 31, 2005. Management s discussion and analysis (MD&A) should be read in conjunction with Selected Consolidated Financial Data, the consolidated financial statements of UnionBancorp, and the accompanying notes thereto. Unless otherwise stated, all earnings per share data included in this section and throughout the remainder of this discussion are presented on a fully diluted basis. All financial information is in thousands (000 s), except per share data.

Critical Accounting Policies and Estimates. Note 1 to our Consolidated Financial Statements for the year ended December 31, 2005 contains a summary of our significant accounting policies. Various elements of our accounting policies, by their nature, are inherently subject to estimation techniques, valuation assumptions and other subjective assessments. Our policy with respect to the methodologies used to determine the allowance for loan losses is our most critical accounting policy. The policy is important to the presentation of our financial condition and results of operations, and it involves a higher decree of complexity and requires management to make difficult and subjective judgments, which often require assumptions or estimates about highly uncertain matters. The use of different judgments, assumptions and estimates could result in material differences in our results of operations or financial condition.

The following is a description of our critical accounting policy and an explanation of the methods and assumptions underlying its application.

Allowance for Loan Losses: The allowance for loan losses 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. The loan portfolio also represents the largest asset type on the consolidated balance sheet. 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 (FASB) Statement No. 5, Accounting for Contingencies and FASB Statements Nos. 114 and 118, Accounting by Creditors for Impairment of a Loan, the analysis of the allowance for loan losses consists of three components: (i) specific credit allocation established for expected losses resulting from analysis developed through specific credit allocations on individual loans for which the recorded investment in the loan exceeds its fair value; (ii) general portfolio allocation based on historical loan

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loss experience for each loan category; and (iii) subjective reserves based on general economic conditions as well as specific economic factors in markets in which UnionBancorp operates.

The specific credit allocation component of the allowances for loan losses is based on an analysis of individual loans and historical loss experience for each loan category. The specific credit allocations are based on regular analysis of all loans over a fixed-dollar amount where the internal credit rating is at or below a predetermined classification. 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.

The general portfolio allocation component of the allowance for loan losses is determined statistically using a loss analysis that examines historical loan loss experience. The loss analysis 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.

There are many factors affecting the allowance for loan losses; some are quantitative while others require qualitative judgment. 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 Union s earnings or financial position in future periods.

General

UnionBancorp is a bank holding company organized under the laws of the State of Delaware. UnionBancorp derives most of its revenues and income from the banking operations of its bank subsidiary, but also derives revenue from the Financial Services Division of its bank subsidiary. UnionBancorp provides a full range of services to individual and corporate customers located in the north central and northwest Illinois areas. These services include demand, time, and savings deposits; lending; mortgage banking; insurance products; brokerage services; asset management; and trust services. UnionBancorp is subject to competition from other financial institutions, including banks, thrifts and credits unions, as well as nonfinancial institutions providing financial services. Additionally, UnionBancorp and UnionBank are subject to regulations of certain regulatory agencies and undergo periodic examinations by those regulatory agencies.

Results of Operations

Net Income

2005 compared to 2004. Net income equaled $4,173 or $0.99 per diluted share for the year ended December 31, 2005 as compared to net income of $4,803 or $1.12 per diluted share for the year ended December 31, 2004. This represents a 13.1% decrease in net income and an 11.6% decrease in diluted per share earnings in the current fiscal year over fiscal 2004.

Union s annual results were lower in 2005 versus 2004 due to the $1,700 net gain on sale (after allocating a portion of the intangible assets and goodwill, taxes and applicable expenses) associated with Union s divestiture of five western Illinois sales and service center locations recorded in the third quarter of 2004. Also contributing to the change were volume related decreases in net interest income and other fee based revenue largely related to the sale of the West region. Positively impacted earnings were decreases in the provision for loan losses due to continued improvement in asset quality levels and volume related decreases in noninterest expense categories due to the sale of the West region.

Return on average assets was 0.63% for the year ended December 31, 2005 compared to 0.65% for the same period in 2004. Return on average stockholders equity was 6.06% for the year ended December 31, 2005 compared to 7.06% for the same period in 2004.

2004 compared to 2003. Net income equaled $4,803 or $1.12 per diluted share for the year ended December 31, 2004 as compared to net income of $2,130 or $0.48 per diluted share for the year ended December 31, 2003. This represents a 125.5% increase in net income and a 133.3% increase in diluted per share earnings in the current fiscal year over fiscal 2003.

Union s annual results were positively impacted by the net gain on sale (after allocating a portion of the intangible assets and goodwill, taxes and applicable expenses) and volume related decreases in most noninterest expense categories as a result of the sale of the West region. Also contributing to the improvement in net income was a decrease in the provision for loan losses and gains taken in as a result of the sale of its credit card portfolio and one additional branch office. These positive variances were partially offset by decreases in mortgage banking revenue due to the slowdown in refinancing opportunities and volume related decreases in net interest income and other fee based revenue due to the sale of the West region s branches.

Return on average assets was 0.65% for the year ended December 31, 2004 compared to 0.28% for the same period in 2003. Return on average stockholders equity was 7.06% for the year ended December 31, 2004 compared to 3.16% for the same period in 2003.

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 UnionBancorp uses its earning assets and underlying capital. Union 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.

2005 compared to 2004. Net interest income, on a tax equivalent basis, was $21,587 for the year ended December 31, 2005, compared with $22,376 earned during the same period in 2004. This represented a decrease of $789 or 3.5%. The decrease in net interest income is attributable to the year-over-year reduction of income earned on interest earning assets totaling $328 combined with the year-over-year increase of interest expense paid on interest bearing liabilities totaling $461.

The $328 reduction in interest income resulted from a decrease of $3,748 related to volume partially offset by $3,420 improvement due to rates. The majority of the change in interest income was related to a decline in the average loan balance caused by the sale of the West region as well as the loan portfolio declining due to normal paydowns, softening of loan demand, and exiting of high-balance, high-risk credits from portfolio. This loss in volume overcame a 44 basis point increase in yields earned on average loans.

The $461 increase in interest expense resulted from an increase of $2,055 associated with rate partially offset by a $1,594 decrease due to volume. The majority of the change was attributable to a 34 basis point increase in rates paid on deposits due to the higher interest rate environment. This increase was slightly offset by the lower expense caused by a decline in average deposit balances related to the sale of the West region s branches.

The net interest margin increased 22 basis points to 3.56% for the year ended December 31, 2005 from 3.34% during the same period in 2004. The increase resulted primarily from the result of the overall rising interest rate environment and a more disciplined approach to pricing.

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2004 compared to 2003. Net interest income, on a tax equivalent basis, was $22,376 for the year ended December 31, 2004, compared with $26,066 earned during the same period in 2003. This represented a decrease of $3,690 or 14.2%. The decrease in net interest income is attributable to the year-over-year reduction of income earned on interest earning assets totaling $6,336 exceeding the year-over-year reduction of interest expense paid on interest bearing liabilities totaling $2,646.

The $6,336 reduction in interest income resulted from decreases of $3,756 related to rate and $2,580 due to volume. The majority of the change in interest income was related to a 60 basis point decline in yields earned on average loans as competitive pricing on new and refinanced loans put downward pressure on loan yields. Also contributing to the decrease was a decline in average loan balances due to the sale of the West region.

The $2,646 reduction in interest expense resulted from decreases of $1,633 associated with rate and $1,013 associated with volume. The majority of the change was attributable to a reduction in rates paid on time deposits due to the repricing of maturing time deposits at a lower rate. Also contributing to the decrease was a decline in average loan balances due to the sale of the West region.

The net interest margin decreased 31 basis points to 3.34% for the year ended December 31, 2004 from 3.65% during the same period in 2003. The decline resulted primarily from a decrease in yields earned on average loans as competitive pricing on new and refinanced loans, as well as the repricing of variable rate loans in a relative lower interest rate environment, put downward pressure on loan yields.

The following table sets forth for each category of interest-earning assets and interest-bearing liabilities the average amounts outstanding, the interest earned or paid on such amounts, and the average rate paid during 2004, 2003 and 2002. The table also sets forth the average rate earned on all interest-earning assets, the average rate paid on all interest-bearing liabilities, and the net yield on average interest-earning assets for the same period. 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.

AVERAGE BALANCE SHEET
AND ANALYSIS OF NET INTEREST INCOME

	For the Years Ended December 31,								
	2005			2004			2003		
	Average Balance	Interest Income/ Expense	Average Rate	Average Balance	Interest Income/ Expense	Average Rate	Average Balance	Interest Income/ Expense	Average Rate
ASSETS									
Interest-earning assets									
Interest-earning deposits	$ 147	$ 7	4.65%	$ 137	$ 2	1.46%	$ 237	$ 5	2.11%
Securities(1)									
Taxable	169,468	6,331	3.73	192,835	5,925	3.06	196,195	6,805	3.47
Nontaxable(2)	21,076	1,504	7.14	26,066	1,848	7.07	31,239	2,323	7.44
Total securities (tax equivalent)	190,544	7,835	4.11	218,901	7,773	3.54	227,434	9,128	4.01
Federal funds sold	3,785	115	3.23	3,433	46	1.39	4,442	50	1.13
Loans(3)(4)									
Commercial	117,571	8,131	6.92	130,436	7,467	5.71	133,543	8,148	6.10
Real estate	277,267	17,640	6.36	286,280	17,499	6.10	303,777	20,373	6.71
Installment and other	16,945	1,571	9.27	30,889	2,840	9.17	45,023	4,259	9.46
Gross loans (tax equivalent)	411,783	27,342	6.64	447,605	27,806	6.20	482,343	32,780	6.80
Total interest-earning assets	606,259	35,299	5.82	670,076	35,627	5.30	714,456	41,963	5.87
Noninterest-earning assets									
Cash and cash equivalents	18,874			21,497			21,735		
	13,782			15,533			14,923		

Premises and equipment, net									
Other assets	24,138			24,879			30,604		
Total non-interest-earning assets	56,794			61,909			67,262		
Total assets	$ 663,053			$ 731,985			$ 781,718		
LIABILITIES AND STOCKHOLDERS EQUITY									
Interest-bearing liabilities									
NOW accounts	$ 72,722	$ 915	1.26%	$ 57,887	$ 319	0.55%	$ 53,917	$ 295	0.55%
Money market accounts	59,160	1,080	1.83	94,074	1,166	1.24	109,700	1,544	1.41
Savings deposits	42,122	212	0.50	47,337	265	0.56	49,334	373	0.76
Time $100,000 and over	148,238	4,522	3.05	148,701	3,836	2.57	157,824	4,703	2.98
Other time deposits	136,745	4,181	3.06	156,198	4,323	2.76	174,921	5,538	3.17
Federal funds purchased and repurchase agreements	6,243	197	3.16	5,099	98	1.92	6,776	122	1.80
Advances from FHLB	54,571	2,128	3.91	70,359	2,887	4.09	70,019	2,997	4.28
Notes payable	9,176	477	5.20	8,033	357	4.43	7,912	325	4.11
Total interest-bearing liabilities	528,977	13,712	2.59	587,688	13,251	2.25	630,403	15,897	2.52
Noninterest-bearing liabilities									
Non-interest-bearing deposits	61,040			71,912			74,855		
Other liabilities	4,133			4,503			7,084		
Total non-interest-bearing liabilities	65,173			76,415			81,939		
Stockholders equity	68,903			67,882			69,376		
Total liabilities and stockholders equity	$ 663,053			$ 731,985			$ 781,718		
Net interest income (tax equivalent)		$ 21,587			$ 22,376			$ 26,066	

Net interest income (tax equivalent) to total earning assets	3.56%	3.34%	3.65%
Interest-bearing liabilities to earning assets	87.25%	87.70%	88.24%

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

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

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

(4) Overdraft loans are excluded in the average balances.

Union s net interest income is affected by changes in the amount and mix of interest-earning assets and interest-bearing liabilities, referred to as volume change. It is also affected by changes in yields earned on interest-earning assets and rates paid on interest-bearing deposits and other borrowed funds referred to as rate change. The following table reflects the changes in net interest income stemming from changes in interest rates and from asset and liability volume, including mix. Any variance attributable jointly to volume and rate changes is allocated to the volume and rate variances in proportion to the relationship of the absolute dollar amount of the change in each.

RATE/ VOLUME ANALYSIS OF NET INTEREST INCOME

	For the Years Ended December 31,					
	2005 Compared to 2004			2004 Compared to 2003		
	Change Due to			Change Due to		
	Volume	Rate	Net	Volume	Rate	Net
Interest income:						
Interest-earning deposits	$	$ 5	$ 5	$ (2)	$ (1)	$ (3)
Investment securities:						
Taxable	(778)	1,184	406	(110)	(770)	(880)
Nontaxable	(310)	(34)	(344)	(219)	(256)	(475)
Federal funds sold	5	65	69	(14)	10	(2)
Loans	(2,664)	2,200	(464)	(2,235)	(2,739)	(4,974)
Total interest income	(3,748)	3,420	(328)	(2,580)	(3,756)	(6,334)
Interest expense:						
NOW accounts	99	497	596	24		24
Money market accounts	(524)	438	(86)	(205)	(173)	(378)
Savings deposits	(27)	(26)	(53)	(14)	(94)	(108)
Time, $100,000 and over	(12)	698	686	(256)	(611)	(867)
Other time	(576)	434	(142)	(550)	(665)	(1,215)
Federal funds purchased and repurchase agreements	26	73	99	(32)	8	(24)
Advances from FHLB	(634)	(125)	(759)	15	(125)	(110)
AG & Comm Participations						

Notes payable	54	66	120	5	27	32
Total interest expense	(1,594)	2,055	461	(1,013)	(1,633)	(2,646)
Net interest income	$ (2,154)	$ 1,365	$ (789)	$ (1,567)	$ (2,123)	$ (3,690)

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

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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.

2005 compared to 2004. The 2005 provision for loan losses charged to operating expense totaled $250, a decrease of $1,674 in comparison to the $1,924 recorded during the same period for 2004. The decrease in the provision for loan losses was due to the continued improvement in the management of the nonperforming and action/watch list loans from year-end 2004 to year-end 2005, including improved problem asset identification. Furthermore, this was positively impacted by loan resolutions, either through charge-off of nonbankable assets or through successful workout strategies that were executed throughout 2005. Net charge-offs for the year ended December 31, 2005 were $1,620 compared with $1,029 in the same period of 2004. Annualized net charge-offs increased to 0.39% of average loans for 2005 compared to 0.23% in the same period in 2004.

Management remains watchful of credit quality issues. Should the economic climate deteriorate from current levels, borrowers may experience difficulty, and the level of nonperforming loans, charge-offs and delinquencies could rise and require further increases in the provision.

2004 compared to 2003. The 2004 provision for loan losses charged to operating expense totaled $1,924, a decrease of $6,312 in comparison to the $8,236 recorded during the same period for 2003. The decrease in the provision for loan losses was due to an improvement in nonperforming and action/watch list loans from year-end 2003 to year-end 2004, as well as resolutions, either through charge-off of nonbankable assets or through successful workout strategies that were executed throughout 2004. Union s 2003 provisions were largely attributable to the deterioration of two impaired commercial credits identified in Union s 10-Q report filed for the quarter ended June 20, 2003. As a result of the deterioration of these two loan relationships, UnionBancorp specifically provided $3,500 to its allowance for loan losses during the third quarter of 2003 for the losses incurred on these two credits. Net charge-offs for the year ended December 31, 2004 were $1,029 compared with $5,675 in the same period of 2003. Annualized net charge-offs decreased to 0.23% of average loans for 2004 compared to 1.18% in the same period in 2003.

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

NONINTEREST INCOME

	Years Ended December 31,		
	2005	**2004**	**2003**
	(Dollars in thousands)		
Service charges	$ 1,996	$ 2,866	$ 3,090
Merchant fee income		56	60
Trust income	811	740	701
Mortgage banking income	1,350	2,020	3,947
Insurance commissions and fees	1,818	2,234	2,318
Bank owned life insurance (BOLI)	545	573	681
Securities gains (losses), net	(79)	123	281
Gain on sale of assets	4	4,263	
Other income	1,157	1,227	2,141
Total noninterest income	$ 7,602	$ 14,102	$ 13,719

2005 compared to 2004. Noninterest income totaled $7,602 for the year ended December 31, 2005, as compared to $14,102 for the same timeframe in 2004. This represented a decrease of $6,500 or 46.1% in 2005 over the prior period. Excluding net securities gains and the gains on sale of branches and Union s credit card portfolio, noninterest income shows a year-over-year decrease of $2,039 or 21.0%.

Excluding net securities gains and gains on sale of the branches and the credit card portfolio, the decrease in noninterest income was related to a $670 decline in mortgage banking income, an $870 decrease in service charges and $416 decline in insurance commissions. Decreases in service charges and other fee based revenue were largely due to volume associated with the sale of the West region s branches in 2004. The decrease in insurance commission fees was due to account retention issues and lower than anticipated new account production. The remaining categories remained relatively stable with only slight year-over-year changes.

Mortgage banking income, which includes gains generated from the sale of loans and net servicing revenue (after amortization of mortgage servicing rights), was lower in 2005 due to a decrease in mortgage origination volume slightly offset by an increase in revenue generated by the servicing rights portfolio due to the slowdown in refinancing activity.

2004 compared to 2003. Noninterest income totaled $14,102 for the year ended December 31, 2004, as compared to $13,719 for the same timeframe in 2003. This represented an increase of $383 or 2.8% in 2004 over the prior period. Excluding net securities gains and the gains on sale of the West region, Union s credit card portfolio and Blandinsville, noninterest income shows a year-over-year decrease of $3,722 or 27.7%.

Excluding net securities gains and gains on sale of the West region, Blandinsville and the credit card portfolio, the majority of the change to noninterest income was related to a $1,927 decline in mortgage banking income. Mortgage banking income, which includes gains generated from the sale of loans and net servicing revenue (after amortization of mortgage servicing rights), was lower in 2004 due to a decrease in mortgage origination volume partially offset by an increase in revenue generated by the servicing rights portfolio due to the slowdown in refinancing activity.

Also contributing to the change was a decrease in merchant fee income due to the sale of the credit card portfolio and volume related decreases in service charges, nsf fees, and other fee based revenue related to the sale of the West region. The remaining categories remained relatively stable with only slight year-over-year changes.

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

NONINTEREST EXPENSE

	Years Ended December 31,		
	2005	**2004**	**2003**
	(Dollars in thousands)		
Salaries and employee benefits	$ 13,789	$ 15,410	$ 16,020
Occupancy expense, net	1,571	2,461	2,138
Furniture and equipment expenses	1,935	2,215	2,094
Marketing	496	615	709
Supplies and printing	359	435	541
Telephone	430	546	874
Other real estate expense	59	8	178
Amortization of intangible assets	170	337	247
Other expense	4,156	4,954	5,806
Total noninterest expense	$ 22,965	$ 26,981	$ 28,607

2005 compared to 2004. Noninterest expense totaled $22,965 for the year ended December 31, 2005, as compared to $26,981 for the same timeframe in 2004. This represented a decrease of $4,016 or 14.9% in 2005 from 2004. Approximately 40% of the improvement in noninterest expense levels was due to $1,621 in cost

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savings from salaries and employee benefits expense related to the sale of the West region s branches. Also contributing to the change were volume related decreases in occupancy expense of $890, furniture and equipment of $280 and other expense of $798 related to the branch sales in 2004.

2004 compared to 2003. Noninterest expense totaled $26,981 for the year ended December 31, 2004, as compared to $28,607 for the same timeframe in 2003. This represented a decrease of $1,626 or 5.7% in 2004 from 2003. A majority of the savings in noninterest expense was due to $724 in cost savings associated with the divestiture of the credit card portfolio (included in other expenses) and a $610 decline in salaries and employee benefits expense due to the sale of the West region and other reductions in staffing levels. Also contributing to the change were decreases in telephone costs related to the reduction of the number of data lines utilized in Union s infrastructure and savings in other real estate expense related to the resolution of certain other real estate properties.

These cost savings were partially offset by increases in occupancy and equipment expense related to a full year of expenses from our Yorkville branch that was opened in December of 2003 and the write-down of one of Union s sales and service center buildings in association with its anticipated closing. The remaining categories remained relatively stable with only slight year-over-year changes.

Applicable Income Taxes. Income tax expense for the periods included benefits for tax-exempt income, tax-advantaged investments and general business tax credits offset by the effect of nondeductible expenses. The following table shows Union s income before income taxes, as well as applicable income taxes and the effective tax rate for each of the past three years:

	Years Ended December 31,		
	2005	**2004**	**2003**
Income before income taxes	$ 5,372	$ 6,859	$ 2,001
Applicable income taxes	1,199	2,056	(129)
Effective tax rates	22.3%	30.0%	(6.45)%

UnionBancorp recorded income tax expense of $1,199 and $2,056 for 2005 and 2004, respectively. Effective tax rates equaled 22.3% and 30.0% respectively, for such periods. During the second quarter of 2005, UnionBancorp recorded a $251 reduction in state income taxes due to the receipt of a tax refund related to amended tax returns outstanding from prior years. Excluding this refund, the effective tax rate would have been 27.0%.

Union s effective tax rate was lower than statutory rates due to several factors. First, UnionBancorp derives interest income from municipal securities and loans, which are exempt from federal tax and certain U.S. government agency securities, which are exempt from Illinois State tax. Second, the level of tax-exempt income has increased as a percentage of taxable income. Third, state income taxes were lower due to a refund from amended tax returns for prior years. Finally, UnionBancorp has reduced tax expense through various tax planning initiatives.

Preferred Stock Dividends. UnionBancorp paid $207 of preferred stock dividends in 2005, $207 of preferred stock dividends in 2004 and $193 of preferred stock dividends in 2003.

Interest Rate Sensitivity Management

The business of UnionBancorp and the composition of its balance sheet consist of investments in interest-earning assets (primarily loans and securities) which are primarily funded by interest-bearing liabilities (deposits and borrowings). All of the financial instruments of UnionBancorp are for other than trading purposes. Such financial instruments have varying levels of sensitivity to changes in market rates of interest. The operating income and net income of UnionBank depends, to a substantial extent, on rate differentials, i.e., the differences between the income UnionBank receives from loans, securities, and other earning assets and the interest expense they pay to obtain deposits and other liabilities. These rates are highly sensitive to many factors that are beyond the control of UnionBank, including general economic conditions and the policies of various governmental and regulatory authorities.

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UnionBancorp measures its overall interest rate sensitivity through a net interest income analysis. 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 to 200 basis point increase in market interest rates or a 100 to 200 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 Union s projected changes in net interest income for 2005 and 2004 for the various rate shock levels.

	Net Interest Income		
December 31, 2005	**Amount**	**Change**	**Change**
	(Dollars in thousands)		
+200 bp	$ 23,043	$ 959	4.34%
+100 bp	22,629	545	2.47
Base	22,084		
100 bp	21,314	(770)	(3.49)
200 bp	19,744	(2,340)	(10.59)

Based on Union s model at December 31, 2005, the effect of an immediate 200 basis point increase in interest rates would increase Union s net interest income by 4.34% or approximately $959. The effect of an immediate 200 basis point decrease in rates would decrease Union s net interest income by $2,340 or 10.59%.

	Net Interest Income		
December 31, 2004	**Amount**	**Change**	**Change**
	(Dollars in thousands)		
+200 bp	$ 21,070	$ 996	4.96%
+100 bp	20,635	560	2.79
Base	20,074		
100 bp	19,048	(1,026)	(5.11)
200 bp	17,559	(2,516)	(12.53)

Based on Union s model at December 31, 2004, the effect of an immediate 200 basis point increase in interest rates would increase Union s net interest income by 4.96% or approximately $996. However, if this had been presented the impact of a 200 basis point reduction would have been a decrease of $2,516 or 12.53% to net interest income.

Financial Condition

General. As of December 31, 2005, UnionBancorp had total assets of $676,222, gross loans of $417,525, total deposits of $543,841, and total stockholders equity of $66,075. Total assets as of December 31, 2005 increased by $6,676 or 1.0% from year-end 2004. Total gross loans as of December 31, 2005 decreased $1,750 or 0.4% from year-end 2004. Total deposits as of December 31, 2005 increased by $31,364 or 6.1% from year-end 2004.

Loans and Asset Quality. UnionBancorp offers a broad range of products, including agribusiness, commercial, residential, and installment loans, designed to meet the credit needs of its borrowers. Union s loans are diversified by borrower and industry group.

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The following table describes the composition of loans by major categories outstanding:

LOAN PORTFOLIO

	Aggregate Principal Amount December 31,				
	2005	**2004**	**2003**	**2002**	**2001**
	(Dollars in Thousands)				
Commercial	$ 91,537	$ 91,941	$ 105,767	$ 100,189	$ 107,382
Agricultural	26,694	28,718	33,766	36,467	40,563
Real estate:					
Commercial mortgages	126,503	129,597	134,985	147,253	150,878
Construction	68,508	38,882	30,674	24,486	23,676
Agricultural	33,033	30,601	37,092	34,688	34,611
1-4 family mortgages	57,920	77,566	94,163	87,411	94,368
Installment	12,747	21,502	37,415	49,949	50,961
Other	583	468	2,950	2,786	2,529
Total loans	417,525	419,275	476,812	483,229	504,968
Allowance for loan losses	(8,362)	(9,732)	(9,011)	(6,450)	(6,295)
Loans, net	$ 409,163	$ 409,543	$ 467,801	$ 476,779	$ 498,673

	Aggregate Principal Amount Percentage of Total Loan Portfolio December 31,				
	2005	**2004**	**2003**	**2002**	**2001**
Commercial	21.92%	21.93%	22.18%	20.73%	21.27%
Agricultural	6.39	6.85	7.08	7.55	8.03
Real estate:					
Commercial mortgages	30.31	30.91	28.31	30.47	29.88
Construction	16.41	9.27	6.43	5.07	4.69
Agricultural	7.91	7.30	7.78	7.18	6.85
1-4 family mortgages	13.87	18.50	19.75	18.08	18.69
Installment	3.05	5.13	7.85	10.34	10.09
Other loans	0.14	0.11	0.62	0.58	0.50
Gross loans	100.00%	100.00%	100.00%	100.00%	100.00%

As of December 31, 2005 and 2004, commitments of UnionBank (and its predecessors) under standby letters of credit and unused lines of credit totaled approximately $87,510 and $94,346, respectively.

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Stated loan maturities (including rate loans reset to market interest rates) of the total loan portfolio, net of unearned income, at December 31, 2005 were as follows:

STATED LOAN MATURITIES(1)

	Within 1 Year	1 to 5 Years	After 5 Years	Total
		(Dollars in thousands)		
Commercial	$ 76,006	$ 14,475	$ 1,056	$ 91,537
Agricultural	20,624	5,880	190	26,694
Real estate	153,568	114,406	18,178	286,152
Installment	6,036	7,010	96	13,142
Total	$ 256,234	$ 141,771	$ 19,520	$ 417,525

(1) Maturities based upon contractual maturity dates

The maturities presented above are based upon contractual maturities. Many of these loans are made on a short-term basis with the possibility of renewal at time of maturity. All loans, however, are reviewed on a continuous basis for creditworthiness.

Rate sensitivities of the total loan portfolio, net of unearned income, at December 31, 2005 were as follows:

LOAN REPRICING

	Within 1 Year	1 to 5 Years	After 5 Years	Total
		(Dollars in thousands)		
Fixed rate	$ 54,226	$ 54,933	$ 15,501	$ 124,660
Variable rate	201,334	86,135	2,314	289,783
Nonaccrual	674	703	1,705	3,082
Total	$ 256,234	$ 141,771	$ 19,520	$ 417,525

Nonperforming Assets. Union 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. Amounts received on nonaccrual loans generally are applied first to principal and then to interest after all principal has been collected. It is the policy of UnionBancorp 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. Loans which are 90 days delinquent but are well secured and in the process of collection are not included in nonperforming assets. Other nonperforming assets consist of real estate acquired through loan foreclosures or other workout situations and other assets acquired through repossessions.

The classification of a loan as nonaccrual does not necessarily indicate that the principal is uncollectible, in whole or in part. UnionBank makes a determination as to collectibility on a case-by-case basis. UnionBank 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 Union s loans is assigned a rating based upon an internally developed grading system. A separate credit administration department also reviews grade assignments on an ongoing basis. Management continuously monitors nonperforming, impaired, and past due loans to prevent further deterioration of these loans.

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UnionBancorp has an independent loan review function which is separate from the lending function and is responsible for the review of new and existing loans.

The following table sets forth a summary of nonperforming assets:

NONPERFORMING ASSETS

	December 31,				
	2005	**2004**	**2003**	**2002**	**2001**
	(Dollars in thousands)				
Nonaccrual loans	$ 3,082	$ 3,649	$ 8,149	$ 3,931	$ 7,259
Loans 90 days past due and still accruing interest	922	553	328	829	1,616
Total nonperforming loans	4,004	4,202	8,477	4,760	8,875
Other real estate owned	203	420	227	1,557	1,886
Total nonperforming assets	$ 4,207	$ 4,622	$ 8,704	$ 6,317	$ 10,761
Nonperforming loans to total loans	0.96%	1.00%	1.78%	0.99%	1.76%
Nonperforming assets to total loans	1.01	1.10	1.83	1.31	2.13
Nonperforming assets to total assets	0.62	0.69	1.10	0.80	1.44

The level of nonperforming loans at December 31, 2005 decreased to $4,004 versus the $4,202 that existed as of December 31, 2004. The level of nonperforming loans to total end of period loans was 0.96% at December 31, 2005, as compared to 1.00% at December 31, 2004. The reserve coverage ratio (allowance to nonperforming loans) was reported at 208.84% as of December 31, 2005 as compared to 231.6% as of December 31, 2004.

Subsequent to December 31, 2005, a loan relationship that was classified as impaired as of year end paid off. The loan relationship had an outstanding balance of $4,400 and Union s allowance for loan loss calculation had a specific reserve allocation of $1,500 on this relationship as of year end.

Other Potential Problem Loans. UnionBancorp has other potential problem loans that are currently performing and do not meet the criteria for impairment, but where some concern exists. Excluding nonperforming loans and loans that management has classified as impaired, these other potential problem loans totaled $2,879 at December 31, 2005 as compared to $4,570 at December 31, 2004. The classification of these loans, however, does not imply that management expects losses on each of these loans. Rather, management believes that a higher level of scrutiny and close 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 following table sets forth a summary of other real estate owned and other collateral acquired at December 31, 2005:

OTHER REAL ESTATE OWNED

	Number of Parcels	Net Book Carrying Value
	(Dollars in thousands)	
Developed property	1	$ 47
Vacant land or unsold lots	2	156
Total other real estate owned	3	$ 203

Allowance for Loan Losses. At December 31, 2005, the allowance for loan losses was $8,362 or 2.00% of total loans as compared to $9,732 or 2.32% at December 31, 2004. In originating loans, UnionBancorp recognizes that credit losses will be experienced and the risk of loss will vary with, among other things: general economic conditions; the type of loan being made; the creditworthiness of the borrower over the term of the

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loan; and, in the case of a collateralized loan, the quality of the collateral for such a loan. The allowance for loan losses represents Union s estimate of the allowance necessary to provide for probable incurred losses in the loan portfolio. In making this determination, UnionBancorp analyzes the ultimate collectibility of the loans in its portfolio, feedback provided by internal loan staff, the independent loan review function, and information provided by examinations performed by regulatory agencies. UnionBancorp makes an ongoing evaluation as to the adequacy of the allowance for loan losses.

On a quarterly basis, management reviews the adequacy of the allowance for loan losses. Commercial credits are graded by the loan officers and the loan review function validates the officers grades. In the event that the loan review function downgrades the loan, it is included in the allowance analysis at the lower grade. The grading system is in compliance with the regulatory classifications and the allowance is allocated to the loans based on the regulatory grading, except in instances where there are known differences (i.e., collateral value is nominal, etc.). To establish the appropriate level of the allowance, a sample of loans (including impaired and nonperforming loans) are reviewed and classified as to potential loss exposure.

Based on an estimation computed pursuant to the requirements of Financial Accounting Standards Board (FASB) Statement No. 5, Accounting for Contingencies, and FASB Statements Nos. 114 and 118, Accounting by Creditors for Impairment of a Loan, the analysis of the allowance for loan losses consists of three components: (i) specific credit allocation established for expected losses resulting from analysis developed through specific credit allocations on individual loans for which the recorded investment in the loan exceeds its fair value; (ii) general portfolio allocation based on historical loan loss experience for each loan category; and (iii) subjective reserves based on general economic conditions as well as specific economic factors in the markets in which UnionBancorp operates.

The specific credit allocation component of the allowance for loan losses is based on a regular analysis of loans over a fixed-dollar amount where the internal credit rating is at or below a predetermined classification. 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.

The general portfolio allocation component of the allowance for loan losses is determined statistically using a loss analysis that examines historical loan loss experience. The loss analysis 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 allowance for loan losses is based on estimates, and ultimate losses will vary from current estimates. These estimates are reviewed quarterly, and as adjustments, either positive or negative, become necessary, a corresponding increase or decrease is made in the provision for loan losses. The composition of the loan portfolio has not significantly changed since year-end 2003. The methodology used to determine the adequacy of the allowance for loan losses is consistent with prior years, and there were no reallocations.

Management remains watchful of credit quality issues. Should the economic climate deteriorate from current levels, borrowers may experience difficulty, and the level of nonperforming loans, charge-offs and delinquencies could rise and require further increases in the provision.

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The following table presents a detailed analysis of Union s allowance for loan losses:

ALLOWANCE FOR LOAN LOSSES

	December 31,				
	2005	2004	2003	2002	2001
	(Dollars in thousands)				
Beginning balance	$ 9,732	$ 9,011	$ 6,450	$ 6,295	$ 6,414
Charge-offs:					
Commercial	342	1,497	4,791	2,561	3,202
Real estate mortgages	1,611	389	626	683	977
Installment and other loans	367	578	812	634	496
Total charge-offs	2,320	2,464	6,229	3,878	4,675
Recoveries:					
Commercial	394	1,021	415	354	312
Real estate mortgages	208	230	46	41	10
Installment and other loans	98	184	93	64	73
Total recoveries	700	1,435	554	459	395
Net charge-offs	1,620	1,029	5,675	3,419	4,280
Provision for loan losses	250	1,924	8,236	3,574	4,161
Reduction due to sale of loans		174			
Ending balance	$ 8,362	$ 9,732	$ 9,011	$ 6,450	$ 6,295
Period end total loans	$ 417,525	$ 419,275	$ 476,812	$ 483,229	$ 504,968
Average loans	$ 411,783	$ 447,605	$ 482,343	$ 490,360	$ 504,648
Ratio of net charge-offs to average loans	0.39%	0.23%	1.18%	0.70%	0.85%
Ratio of provision for loan losses to average loans	0.06	0.43	1.71	0.73	0.82
Ratio of allowance for loan losses to ending total loans	2.00	2.32	1.89	1.33	1.25
Ratio of allowance for loan losses to total nonperforming loans	208.84	231.60	106.30	135.50	70.93
Ratio of allowance at end of period to average loans	2.03	2.17	1.87	1.32	1.25

The following table sets forth an allocation of the allowance for loan losses among the various loan categories:

ALLOCATION OF THE ALLOWANCE FOR LOAN LOSSES

	December 31,									
	2005		2004		2003		2002		2001	
	Amount	Loan Category to Gross Loans	Amount	Loan Category to Gross Loans	Amount	Loan Category to Gross Loans	Amount	Loan Category to Gross Loans	Amount	Loan Category to Gross Loans
	(Dollars in thousands)									
Commercial	$ 7,386	28.32%	$ 6,035	28.78%	$ 4,935	29.26%	$ 2,863	28.28%	$ 3,499	29.30%
Real estate	773	68.49	3,311	65.98	2,846	62.27	2,110	60.80	1,786	60.11
Installment and other loans	203	3.19	386	5.24	593	8.47	719	10.92	537	10.59
Unallocated					637		758		473	
Total	$ 8,362	100.00%	$ 9,732	100.00%	$ 9,011	100.00%	$ 6,450	100.00%	$ 6,295	100.00%

In years prior to 2004, management considered the unallocated portion of the allowance necessary to allow for inherent subjective reserves that are needed based on general economic conditions and specific economic factors. Since 2004, management has included the subjective portion of the allowance as a part of the allocation process to the respective loan categories. Management does not deem this process to be a change in methodology, but rather a refinement in their loan loss calculation. Management believes that there would be no change in the balance of the allowance for loan losses if this approach was used in all of the years presented.

Securities Activities. Union s consolidated securities portfolio, which represented 31.4% of Union s average earning asset base as of December 31, 2005, as compared to 32.7% as of December 31, 2004, is managed to minimize interest rate risk, maintain sufficient liquidity, and maximize return. The portfolio includes several callable agency debentures, adjustable rate mortgage pass-throughs, and collateralized mortgage obligations. Corporate bonds consist of investment grade obligations of public corporations. Equity securities consist of Federal Reserve stock, Federal Home Loan Bank stock, and trust preferred stock. Union 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 $196,440 at December 31, 2005 compared to $191,661 at December 31, 2004. UnionBancorp does not have any securities classified as trading or held-to-maturity.

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The following table describes the composition of securities by major category and maturity:

SECURITIES PORTFOLIO

	December 31,					
	2005		**2004**		**2003**	
	Amount	**% of Portfolio**	**Amount**	**% of Portfolio**	**Amount**	**% of Portfolio**
			(Dollars in thousands)			
Available-for-Sale						
U.S. government agencies and corporations	30,857	15.71	20,924	10.92	30,270	12.00
U.S. government agency mortgage backed securities	101,022	51.42	117,500	61.30	158,305	62.76
States and political subdivisions	18,400	9.37	24,647	12.86	29,723	11.78
Collateralized mortgage obligations	20,938	10.66	2,486	1.30	5,972	2.37
Corporate bonds	6,907	3.52	8,239	4.30	10,598	4.20
Other securities	18,316	9.32	17,865	9.32	17,380	6.89
Total	$ 196,440	100.00%	$ 191,661	100.00%	$ 252,248	100.00%

The following table sets forth the contractual, callable or estimated maturities and yields of the debt securities portfolio as of December 31, 2005. Mortgage backed and collateralized mortgage obligation securities are included at estimated maturity.

MATURITY SCHEDULE

	Maturing								
	Within 1 Year		**After 1 but Within 5 Years**		**After 5 but Within 10 Years**		**After 10 Years**		
	Amount	**Yield**	**Amount**	**Yield**	**Amount**	**Yield**	**Amount**	**Yield**	**Total Amount**
					(Dollars in thousands)				
Available-for-Sale									
U.S. government agencies and corporations	$ 3,737	4.114%	$ 24,247	4.090%	$ 2,873	4.900%	$	%	$ 30,857
U.S. government agency mortgage backed securities	221	7.952	911	5.939	6,253	5.276	93,637	4.138	101,022
	2,722	6.527	9,088	6.694	5,163	7.309	1,427	7.586	18,400

States and political subdivisions(1)									
Collateralized mortgage obligations			173	4.116			20,765	5.517	20,938
Corporate bonds			6,907	5.653				6,907	
Total	$ 6,680		$ 41,326		$ 14,289		$ 115,829		$ 178,124

(1) Rates on obligations of states and political subdivisions have been adjusted to tax equivalent yields using a 34% income tax rate

Deposit Activities. Deposits are attracted through the offering of a broad variety of deposit instruments, including checking accounts, money market accounts, regular savings accounts, term certificate accounts (including jumbo certificates in denominations of $100,000 or more), and retirement savings plans. Union s

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average balance of total deposits was $520,027 for 2005, representing a decrease of $56,082 or 9.7% compared with the average balance of total deposits for 2004.

The following table sets forth certain information regarding UnionBank s average deposits:

AVERAGE DEPOSITS

	For the Years Ended December 31,								
	2005			2004			2003		
	Average Amount	% of Total	Average Rate Paid	Average Amount	% of Total	Average Rate Paid	Average Amount	% of Total	Average Rate Paid
	(Dollars in thousands)								
Non-interest-bearing demand deposits	$ 61,040	11.74%	%	$ 71,912	12.48%	%	$ 74,855	12.06%	%
Savings accounts	42,122	8.10	0.50	47,337	8.22	0.56	49,334	7.95	0.76
Interest-bearing demand deposits	131,882	25.36	1.51	151,961	26.38	0.98	163,617	26.37	1.12
Time, less than $100,000	136,745	26.30	3.06	156,198	27.11	2.76	174,921	28.19	3.17
Time, $100,000 or more	148,238	28.50	3.05	148,701	25.81	2.57	157,824	25.43	2.98
Total deposits	$ 520,027	100.00%	2.10%	$ 576,109	100.00%	1.72%	$ 620,551	100.00%	2.01%

As of December 31, 2005, average time deposits over $100,000 represented 28.5% of total average deposits, compared with 25.8% of total average deposits as of December 31, 2004. Union s large denomination time deposits are generally from customers within the local market areas of its subsidiary bank and provide a greater degree of stability than is typically associated with brokered deposit customers with limited business relationships.

The following table sets forth the remaining maturities for time deposits of $100,000 or more at December 31, 2005:

TIME DEPOSITS OF $100,000 OR MORE

	(Dollars in thousands)	
Maturity Range		
Three months or less	$	60,256
Over three months through six months		30,823
Over six months through twelve months		36,871
Over twelve months		34,378
Total	$	162,328

Return on Equity and Assets. The following table presents various ratios for Union:

RETURN ON EQUITY AND ASSETS

	For the Years Ended December 31,		
	2005	2004	2003
Return on average assets	0.63%	0.65%	0.28%
Return on average equity	6.06	7.06	3.16
Average equity to average assets	10.39	9.27	8.87
Dividend payout ratio for common stock	43.39	36.42	74.39

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Liquidity

UnionBancorp 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, UnionBancorp 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.

UnionBancorp 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.

UnionBancorp classifies all of its securities as available-for-sale, thereby maintaining significant liquidity. Union 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 Union s loan portfolio, resulting in a steady stream of loan repayments. In managing its investment portfolio, UnionBancorp provides for staggered maturities so that cash flows are provided as such investments mature.

Union 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 used in investing activities offset by those provided by operating activities and financing activities, resulted in a net increase in cash and cash equivalents of $1,556 from December 31, 2004 to December 31, 2005.

During 2005, UnionBancorp experienced net cash inflows of $3,104 in financing activities primarily due to an increase in deposits and $8,289 from operating activities due to proceeds from net loans sales and net income. In contrast, net cash outflows of $9,837 were used in investing activities due to purchases of securities.

UnionBank s securities portfolio, federal funds sold, and cash and due from bank deposit balances serve as the primary sources of liquidity for Union. At December 31, 2005, 33.4% of UnionBank s interest-bearing liabilities were in the form of time deposits of $100,000 and over. Management believes these deposits to be a stable source of funds. However, if a large number of these time deposits matured at approximately the same time and were not renewed, UnionBank s liquidity could be adversely affected. Currently, the maturities of UnionBank s large time deposits are spread throughout the year, with 37.1% maturing in the first quarter of 2006, 19.0% maturing in the second quarter of 2006, 22.7% maturing in the third and fourth quarters of 2006, and the remaining 21.2% maturing thereafter. UnionBank monitors those maturities in an effort to minimize any adverse effect on liquidity.

Union s borrowings included notes payable at December 31, 2005 in the principal amount of $9,200 payable to Union s principal correspondent bank and $268 payable to individuals related to the purchase of the Howard Marshall Agency. The note to Union s principal correspondent bank is renewable annually, requires quarterly interest payments, and is collateralized by Union s stock in the Bank. The note related to the purchase of the Howard Marshall Agency requires monthly principal and interest payments.

Union s principal source of funds for repayment of the indebtedness is dividends from UnionBank. At December 31, 2005, approximately $2,500 was available for dividends without regulatory approval.

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Contractual Obligations, Commitments, Contingencies, and Off-Balance Sheet Financial Instruments

UnionBancorp has entered into contractual obligations and commitments and off-balance sheet financial instruments. The following tables summarize Union s contractual cash obligations and other commitments and off-balance sheet instruments as of December 31, 2005:

	Payments Due by Period				
	Within 1 Year	**1-3 Years**	**4-5 Years**	**After 5 Years**	**Total**
Contractual Obligations					
Short-term debt	$ 9,200	$	$	$	$ 9,200
Long-term debt		268			268
Certificates of deposit	227,895	65,303	15,057	2,750	311,005
Operating leases	107	214	172	13	506
Severance payments	253				253
Series B Mandatory redeemable preferred stock		831			831
FHLB Advances	8,300	23,500	10,200	8,000	50,000
Total contractual cash obligations	$ 245,755	$ 90,116	$ 25,429	$ 10,763	$ 372,063

	Amount of Commitment Expiration per Period				
	Within 1 Year	**1-3 Years**	**4-5 Years**	**After 5 Years**	**Total**
Off-Balance Sheet Financial Instruments					
Lines of credit	$ 58,741	$ 2,451	$ 1,670	$ 16,582	$ 79,444
Standby letters of credit	7,444	622			8,066
Total commercial commitments	$ 66,185	$ 3,073	$ 1,670	$ 16,582	$ 87,510

Capital Resources

Stockholders Equity. UnionBancorp is committed to managing capital for maximum shareholder benefit and maintaining strong protection for depositors and creditors. Stockholders equity at December 31, 2005 was $66,075, a decrease of $4,172 or 5.9%, from December 31, 2004. The stockholders equity decrease was largely the result of the purchase of $5,739 in treasury stock and dividends paid to shareholders offset partially by 2005 net income. Average equity as a percentage of average assets was 10.39% at December 31, 2005, compared to 9.27% at December 31, 2004. Book value per common share equaled $17.23 at December 31, 2005, a decrease from $17.30 reported at the end of 2004.

Stock Repurchase Programs. On May 2, 2003, the Board of Directors approved a stock repurchase plan whereby UnionBancorp may repurchase from time to time up to 5% of its outstanding shares of common stock in the open market or in private transactions over an 18 month period. On September 23, 2004, the Board of Directors extended Union s stock repurchase program through May 2, 2006. On July 5, 2005, UnionBancorp announced the approval of a new program to commence at the conclusion of the previously authorized repurchase program. Under the terms of the plan, UnionBancorp is able to repurchase, from time to time, up to 5% of its outstanding shares of common stock in the open market or in private transactions. Purchases are dependent upon market conditions and the availability of shares. The extension of the repurchase program enables UnionBancorp to optimize its use of capital relative to other investment alternatives and benefits both UnionBancorp and the shareholders by enhancing earnings per share and return on equity. As of December 31, 2005, UnionBancorp has repurchased 268,754 shares at a weighted average cost of $21.35.

Capital Measurements. UnionBank is expected to meet a minimum risk-based capital to risk-weighted assets ratio of 8%, of which at least one-half (or 4%) must be in the form of Tier 1 (core) capital. The remaining one-half (or 4%) may be in the form of Tier 1 (core) or Tier 2 (supplementary) capital. The amount of loan loss allowance that may be included in capital is limited to 1.25% of risk-weighted assets. The ratio of Tier 1 (core) and the combined amount of Tier 1 (core) and Tier 2 (supplementary) capital to risk-weighted assets for UnionBancorp was 12.1% and 13.3%, respectively, at December 31, 2005. UnionBancorp is currently, and expects to continue to be, in compliance with these guidelines.

As of December 31, 2005, the Tier 2 risk-based capital was comprised of $6,266 in allowance for loan losses (limited to 1.25% of risk-weighted assets). The Series A Preferred Stock is convertible into common stock, subject to certain adjustments intended to offset the amount of losses incurred by UnionBancorp upon the post-closing sale of certain securities acquired in conjunction with the 1996 acquisition of Prairie.

The following table sets forth an analysis of Union s capital ratios:

RISK-BASED CAPITAL RATIOS

	December 31,			Minimum Capital Ratios	Well Capitalized Ratios
	2005	2004	2003		
	(Dollars in thousands)				
Tier 1 risk-based capital	$ 60,546	$ 63,347	$ 59,851		
Tier 2 risk-based capital	6,266	6,067	7,790		
Total capital	66,812	69,414	67,641		
Risk-weighted assets	501,342	485,325	556,729		
Capital ratios					
Tier 1 risk-based capital	12.1%	13.0%	10.8%	4.0%	6.0%
Tier 2 risk-based capital	13.3	14.3	12.2	8.0	10.0
Leverage ratio	9.0	9.5	7.7	4.0	5.0

Impact of Inflation, Changing Prices, and Monetary Policies

The financial statements and related financial data concerning UnionBancorp have been prepared in accordance with accounting principles generally accepted in the United States of America which require the measurement of financial position and operating results in terms of historical dollars without considering changes in the relative purchasing power of money over time due to inflation. The primary effect of inflation on the operations of UnionBancorp is reflected in increased operating costs. Unlike most industrial companies, virtually all of the assets and liabilities of a financial institution are monetary in nature. As a result, changes in interest rates have a more significant effect on the performance of a financial institution than do the effects of changes in the general rate of inflation and changes in prices. Interest rates do not necessarily move in the same direction or in the same magnitude as the prices of goods and services. Interest rates are highly sensitive to many factors which are beyond the control of Union, including the influence of domestic and foreign economic conditions and the monetary and fiscal policies of the United States government and federal agencies, particularly the FRB.

Comparison of Operating Results for the Three and Six Month Periods Ended June 30, 2006 and 2005.

The following discussion provides an analysis of the UnionBancorp and subsidiary results of operations and financial condition for the three and six months ended June 30, 2006 as compared to the same period in 2005. Management s discussion and analysis (MD&A) should be read in conjunction with the consolidated financial statements and accompanying notes presented elsewhere in this report as well as UnionBancorp s 2005 Annual Report on Form 10-K. Annualized results of operations during the three and six months ended June 30, 2006 are not necessarily indicative of results to be expected for the full year of 2006. Unless otherwise stated, all earnings per share data included in this section and throughout the remainder of this discussion are presented on a diluted basis. All financial information is in thousands (000 s), except per share data.

Second Quarter Highlights

Earnings per share were unchanged compared to the second quarter of 2005.

UnionBancorp s earnings were positively impacted by a $300 negative provision for loan losses largely based on continued improvements in the quality of the loan portfolio, which was partially offset by a loss on sale of securities of $88 in order to better position the securities portfolio. Excluding these items, net income for the quarter would have equaled $1,163 or $0.29 per diluted share.

The second quarter of 2005 results were positively impacted by a $251 reduction in state income taxes and $90 of interest received due to the receipt of a tax refund related to amended tax returns outstanding from prior years. Excluding these items, net income for the second quarter of 2005 would have equaled $1,076 or $0.25 per diluted share.

Due to the flat yield curve, the net interest margin decreased to 3.37% during the second quarter of 2006 as compared with 3.59% for the same period in 2005 and 3.50% in the first quarter of 2006.

The loan portfolio decreased to $403.5 million as compared to $417.5 million at December 31, 2005. Of this decrease in balances, approximately $7.7 million or 55% was related to the pay-off of action list credits refinanced with a competitor.

The level of nonperforming loans to end of period loans totaled 0.70% as of June 30, 2006 compared to 0.95% at June 30, 2005 and 0.96% on December 31, 2005.

Net charge-offs for the second quarter of 2006 were 0.09% of average loans as compared to 0.19% for the same period 2005.

UnionBancorp s Board of Directors approved the payment of a $0.12 quarterly cash dividend on UnionBancorp s common stock, marking the 85th consecutive quarter of dividends paid to stockholders.

Results of Operations

<u>*Net Income*</u>

Net income equaled $1,294 or $0.33 per diluted share for the three months ended June 30, 2006, versus $1,382 or $0.33 per diluted share for the same period in 2005. For the six months ended June 30, 2006 net income equaled $2,940 or $0.74 per diluted share compared to $2,346 or $0.55 per diluted share earned in the same period during 2005.

UnionBancorp s quarterly results were positively impacted by a negative provision of $300 to the allowance for loan losses. This action was largely based on continued improvements in the quality of the loan portfolio, favorable loan loss experience and management s beliefs regarding the probability and estimations of future losses inherent in the loan portfolio. Additionally, quarterly earnings were assisted by continued management of noninterest expense levels led to decreased expense levels, and fewer FTE s drove salary and benefit costs lower and lower accounting and professional fees. These items were partially offset by increased interest expense due to higher rates and an adverse shift in the deposit base from lower paying core deposit accounts to higher paying time deposit accounts. Also contributing to the change in earnings were decreases in revenue generated from the mortgage banking division and insurance and brokerage product lines due to lower production volumes.

Return on average assets was 0.79% for the second quarter of 2006 compared to 0.83% for the same period in 2005. Return on average assets was 0.89% for the six month period ended June 30, 2006 compared to 0.71% for the same period in 2005.

Return on average stockholders equity was 7.93% for the second quarter of 2006 compared to 7.94% for the same period in 2005. Return on average stockholder s equity was 9.03% for the six month period ended June 30, 2006 compared to 6.73% for the same period in 2005.

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 the 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 UnionBancorp uses its earning assets and underlying capital. UnionBancorp 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.

Net interest income, on a tax equivalent basis, was $5,078 for the three months ended June 30, 2006, compared with $5,438 earned during the same three-month period in 2005. This represented a decrease of $360 or 6.6% from the prior year period. The change in net interest income is attributable to the increase in interest expense paid on interest bearing liabilities totaling $1,260 partially offset by an increase in interest income earned on interest earning assets totaling $900.

The $900 increase in interest income resulted from an increase of $976 due to rate partially offset by a decrease of $76 due to volume. The majority of the change in interest income was related to the increases in rates experienced from the loan and investment portfolios. Additionally, the volume within the security portfolio was $7,049 higher for the second quarter of 2006 as compared to the same period in 2005. These increases were slightly offset by lower volume in the loan portfolio.

The $1,260 increase in interest expense resulted from increases of $1,182 associated with rate and $78 associated with volume. The majority of the change was attributable to a 107 basis point increase in rates paid on time deposits, a 114 basis point increase in rates paid on money market accounts and a 68 basis point increase in rates paid on NOW accounts.

The net interest margin decreased 22 basis points to 3.37% in the second quarter 2006 as compared with 3.57% for the same period in 2005. The expectation of a flat yield curve is likely to maintain pressure on margins for the remainder of 2006.

Net interest income, on a tax equivalent basis, for the six months ended June 30, 2006 totaled $10,392, representing a decrease of $289 or 2.7% compared to the $10,681 earned during the same period in 2005. Net interest income decreased largely due to the increase in interest expense paid on interest bearing liabilities totaling $2,403 exceeding the increase in the interest income earned on interest-earning assets totaling $2,114. The net interest margin for the first six months of 2006 decreased 12 basis points to 3.44% compared to 3.56% for the same period in 2005.

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

AVERAGE BALANCE SHEET
AND ANALYSIS OF NET INTEREST INCOME

For the Three Months Ended June 30,

	2006			**2005**			**Change Due to:**		
	Average Balance	**Interest Income/ Expense**	**Average Rate**	**Average Balance**	**Interest Income/ Expense**	**Average Rate**	**Volume**	**Rate**	**Net**
ASSETS									
Interest-earning assets									
Interest-earning deposits Securities(1)	$ 211	$ 3	5.70%	$ 158	$ 3	7.62%	$ 1	$ (1)	$
Taxable	175,260	2,030	4.64	164,510	1,484	3.61	102	443	545
Non-taxable(2)	18,317	318	6.99	22,018	399	7.27	(29)	(51)	(80)
Total securities (tax equivalent)	193,577	2,345	4.86	186,528	1,880	4.04	73	392	465
Federal funds sold	2,960	39	5.69	6,424	44	2.93	(34)	29	(5)
Loans(3)(4)									
Commercial	111,997	1,981	7.09	119,364	2,018	6.79	(126)	89	(37)
Real estate	284,843	4,986	7.02	276,962	4,338	6.29	126	522	648
Installment and other	10,364	246	9.52	17,963	417	9.31	(116)	(55)	(171)
Gross loans (tax equivalent)	407,204	7,213	7.10	414,289	6,773	6.56	(116)	556	440
Total interest-earning assets	603,952	9,603	6.38	607,399	8,703	5.75	(76)	976	900
Noninterest-earning assets									
Cash and cash equivalents	17,735			19,889					

Premises and equipment, net	13,740	13,818
Other assets	23,285	23,975
Total nonearning assets	54,760	57,682
Total assets	$ 658,712	$ 665,081

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	For the Three Months Ended June 30,								
	2006			2005					
	Average Balance	Interest Income/ Expense	Average Rate	Average Balance	Interest Income/ Expense	Average Rate	Change Due to: Volume	Rate	Net
LIABILITIES AND STOCKHOLDERS EQUITY									
Interest-bearing liabilities									
NOW accounts	$ 69,410	$ 314	1.82%	$ 71,981	$ 204	1.14%	$ (7)	$ 118	$ 111
Money market accounts	52,834	360	2.73	58,944	234	1.59	(26)	152	126
Savings deposits	37,050	68	0.74	44,028	51	0.46	(9)	26	17
Time deposits	308,770	3,103	4.03	282,356	2,082	2.96	210	811	1,021
Federal funds purchased and repurchase agreements	3,955	51	5.17	4,921	37	3.02	(8)	22	14
Advances from FHLB	47,074	455	3.88	57,430	550	3.87	(96)	1	(95)
Notes payable and other	9,668	174	7.18	8,660	107	4.96	14	52	66
Total interest-bearing liabilities	528,761	4,525	3.43	528,320	3,265	2.48	78	1,182	1,260
Noninterest-bearing liabilities									
Noninterest-bearing deposits	59,659			63,049					
Other liabilities	4,843			3,860					
Total noninterest-bearing liabilities	64,502			66,909					
Stockholders equity	65,449			69,852					
Total liabilities and stockholders equity	$ 658,712			$ 665,081					
Net interest income (tax equivalent)		$ 5,078			$ 5,438		$ (154)	$ (206)	$ (360)
Net interest income (tax equivalent) to total earning assets			3.37%			3.59%			

Interest-bearing liabilities to earning assets	87.55%	86.98%

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

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

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

(4) Overdraft loans are excluded in the average balances.

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AVERAGE BALANCE SHEET
AND ANALYSIS OF NET INTEREST INCOME

For the Six Months Ended June 30,

	2006			2005			Change Due to:		
	Average Balance	Interest Income/ Expense	Average Rate	Average Balance	Interest Income/ Expense	Average Rate	Volume	Rate	Net
ASSETS									
Interest-earning assets									
Interest-earning deposits	$ 231	$ 7	6.11%	$ 143	$ 3	4.23%	$ 2	$ 2	$ 4
Securities(1)									
Taxable	178,249	4,025	4.54	163,438	2,909	3.59	283	828	1,111
Non-taxable(2)	18,173	645	7.17	22,186	790	7.18	(58)	(86)	(144)
Total securities (tax equivalent)	196,422	4,663	4.79	185,624	3,696	4.02	225	742	967
Federal funds sold	2,263	52	5.26	4,051	53	2.79	(32)	35	3
Loans(3)(4)									
Commercial	115,016	4,042	7.09	119,533	3,866	6.53	(149)	325	176
Real estate	284,405	9,820	6.96	277,207	8,517	6.20	228	1,075	1,303
Installment and other	11,173	526	9.49	19,169	865	9.10	(375)	36	(339)
Gross loans (tax equivalent)	410,594	14,388	7.07	415,909	13,248	6.43	(296)	1,436	1,140
Total interest-earning assets	609,510	19,117	6.32	605,727	17,003	5.66	(101)	2,215	2,114
Noninterest-earning assets									
Cash and cash equivalents	18,126			18,729					
Premises and equipment, net	13,791			13,630					
Other assets	23,624			23,919					
Total nonearning assets	55,541			56,278					
Total assets	$ 665,051			$ 662,005					

LIABILITIES AND STOCKHOLDERS EQUITY									
Interest-bearing liabilities									
NOW accounts	$ 69,702	$ 596	1.73%	$ 71,272	$ 369	1.04%	$ (8)	$ 236	$ 228
Money market accounts	54,305	709	2.63	58,554	448	1.54	(35)	296	261
Savings deposits	37,790	122	0.65	43,661	113	0.52	(17)	26	9
Time deposits	308,490	5,897	3.85	279,146	3,960	2.86	451	1,486	1,937
Federal funds purchased and repurchase agreements	4,977	123	4.98	7,993	111	2.80	(52)	64	12
Advances from FHLB	48,205	938	3.92	58,812	1,133	3.90	(202)	6	(196)
Notes payable and other	10,356	340	6.62	8,102	188	4.68	61	91	152
Total interest-bearing liabilities	533,825	8,725	3.30	527,540	6,322	2.42	198	2,205	2,403
Noninterest-bearing liabilities									
Noninterest-bearing deposits	60,689			60,211					
Other liabilities	4,903			3,946					
Total noninterest-bearing liabilities	65,592			64,157					
Stockholders equity	65,634			70,308					
Total liabilities and stockholders equity	$ 665,051			$ 662,005					
Net interest income (tax equivalent)		$ 10,392			$ 10,681		$ (299)	$ 10	$ (289)
Net interest income (tax equivalent) to total earning assets			3.44%			3.56%			
Interest-bearing liabilities to earning assets	87.58%			87.09%					

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

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

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

(4) Overdraft loans are excluded in the average balances.

Provision for Loan Losses. UnionBancorp recorded a negative provision of $300 to the allowance for loan losses for the second quarter of 2006 which is a decrease of $300 from the $0 recorded during the same period a year ago. A negative $1,100 provision for the loan losses was charged to operation expense for the six months ended June 30, 2006 which was a decrease of $1,200 from $100 recorded during the same period a year ago. The decrease in the provision was largely based on continued improvements in the quality of the loan portfolio, favorable loan loss experience and management s beliefs regarding the probability and estimations of future losses inherent in the loan portfolio. Nonperforming loans decreased $1,029 from $3,835 as of June 30, 2005 to $2,806 as of June 30, 2006. In comparison to December 31, 2005, nonperforming loans decreased $1,198 from $4,004.

Net charge-offs for the second quarter of 2006 were $358 compared with $789 for the comparable period in 2005. Annualized net charge-offs were 0.09% of average loans for the second quarter of 2006 compared with 0.19% of average loans for same period in 2005. Net charge-off for the six months ended June 30, 2006 were $414 compared with $673 for the comparable period in 2005. Annualized net charge-offs also decreased to 0.10% of average loans for the six months ended June 30, 2006 compared to 0.16% in the same period in 2005. See Nonperforming Assets and Other Potential Problem Loans for further information.

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.

Management remains watchful of credit quality issues. Should the economic climate deteriorate from current levels, borrowers may experience difficulty, and the level of nonperforming loans, charge-offs and delinquencies could rise and require further increases in the provision.

Noninterest Income. Noninterest income consists of a wide variety of fee-based revenues from bank-related service charges on deposits and mortgage revenues. Also included in this category are revenues generated by UnionBancorp s insurance, brokerage, trust and asset management product lines as well as increases in cash surrender value on bank-owned life insurance.

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The following table summarizes UnionBancorp s noninterest income:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
Service charges	$ 495	$ 525	$ 935	$ 1,008
Trust income	199	187	418	402
Mortgage banking income	281	364	527	704
Insurance commissions and fees	414	472	793	893
Bank owned life insurance	137	135	277	269
Securities gains (losses), net	(88)		(88)	
Gain on the sale of assets	(9)	1	(9)	3
Other income	268	347	604	602
	$ 1,697	$ 2,031	$ 3,457	$ 3,881

Noninterest income totaled $1,697 for the three months ended June 30, 2006, compared to $2,031 for the same period in 2005. Exclusive of the net gains on sale of assets and net securities gains for both periods, noninterest income equaled $1,794 for the three months ended June 30, 2006, compared to $2,030 for the same period in 2005. This represented a decrease of $236 or 11.6%. The quarter-over-quarter decrease was primarily attributable to a production level decrease in revenue generated from the mortgage banking division, lower brokerage and insurance revenue and losses related to investment activity.

Noninterest income totaled $3,457 for the six months ended June 30, 2006, compared to $3,881 for the same time frame in 2005. Excluding all net gains on sale of assets and net securities gains for both periods, noninterest income decreased $324 or 8.4%. The change was largely reflective of the same items discussed regarding the second quarter.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
Salaries and employee benefits	$ 2,910	$ 3,366	$ 5,955	$ 6,842
Occupancy expense, net	346	385	789	779
Furniture and equipment expense	521	461	1,033	885
Marketing	98	128	209	224
Supplies and printing	65	86	162	163
Telephone	118	106	235	213
Other real estate owned expense	2	29	8	34
Amortization of intangible assets	43	43	87	87
Other expenses	1,026	1,023	1,985	1,946
	$ 5,129	$ 5,627	$ 10,463	$ 11,173

Noninterest expense totaled $5,129 for the three months ended June 30, 2006, as compared to $5,627 for the same period in 2005. This represented a decrease of $498 or 8.9%. This improvement in noninterest expense was primarily due to the reduction of salary and benefit costs, and lower accounting and professional fees. These savings were offset by a modest increase in furniture and fixture expense.

Noninterest expense totaled $10,463 for the six months ended June 30, 2006, decreasing by $710 or 6.4% from the same period in 2005. The change was largely reflective of the same items discussed regarding the second quarter.

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Applicable Income Taxes. Income tax expense for the periods included benefits for tax-exempt income, tax-advantaged investments and general business tax credits offset by the effect of nondeductible expenses. The following table shows UnionBancorp s income before income taxes, as well as applicable income taxes and the effective tax rate for the three and six months ended June 30, 2006 and 2005.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	**2005**	**2006**	**2005**
Income before income taxes	$ 1,819	$ 1,684	$ 4,228	$ 2,973
Applicable income taxes	525	302	1,288	627
Effective tax rates	28.9%	17.9%	30.5%	21.1%

UnionBancorp recorded an income tax expense of $525 and of $302 for the three months ended June 30, 2006 and 2005, respectively. Effective tax rates equaled 28.9% and 17.9% respectively, for such periods. During the second quarter of 2005, UnionBancorp recorded a $251 reduction in state income taxes due to the receipt of a tax refund related to amended returns outstanding from prior years. Excluding this refund, the effective tax rate would have been 32.8% for that period.

Income tax expense for the periods included benefits for tax-exempt income, tax-advantaged investments and general business tax credits offset by the effect of nondeductible expenses. UnionBancorp s effective tax rate was lower than statutory rates due to UnionBancorp deriving interest income from municipal securities and loans, which are exempt from federal tax and certain U.S. government agency securities, which are exempt from Illinois State tax. Additionally, UnionBancorp has reduced tax expense through various tax planning initiatives.

UnionBancorp recorded income tax expense of $1,288 and $627 for the six months ended June 30, 2006 and 2005, respectively. Effective tax rates equaled 30.5% and 21.1% respectively, for such periods.

Preferred Stock Dividends. UnionBancorp paid $52 in preferred stock dividends for the three months ended June 30, 2006 and 2005, respectively. UnionBancorp paid $104 in preferred stock dividends for the six months ended June 30, 2006 and 2005, respectively.

Interest Rate Sensitivity Management

The business of UnionBancorp and the composition of its balance sheet consist of investments in interest-earning assets (primarily loans and securities) which are primarily funded by interest-bearing liabilities (deposits and borrowings). All of the financial instruments of UnionBancorp are for other than trading purposes. Such financial instruments have varying levels of sensitivity to changes in market rates of interest. The operating income and net income of UnionBank depends, to a substantial extent, on rate differentials, i.e., the differences between the income UnionBank receives from loans, securities, and other earning assets and the interest expense they pay to obtain deposits and other liabilities. These rates are highly sensitive to many factors that are beyond the control of UnionBank, including general economic conditions and the policies of various governmental and regulatory authorities.

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UnionBancorp measures its overall interest rate sensitivity through a net interest income analysis. 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 to 200 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 UnionBancorp s projected changes in net interest income for the various rate shock levels at June 30, 2006 and December 31, 2005, respectively:

	June 30, 2006		
	Net Interest Income		
	Amount	Change	Change
	(Dollars in thousands)		
+200 bp	$ 23,116	$ 347	1.52%
+100 bp	23,013	244	1.07
Base	22,769		
-100 bp	22,412	(357)	(1.57)
-200 bp	21,339	(1,430)	(6.28)

Based upon UnionBancorp s model at June 30, 2006, the effect of an immediate 200 basis point increase in interest rates would increase UnionBancorp s net interest income by $347 or 1.52%. The effect of an immediate 200 basis point decrease in rates would decrease UnionBancorp s net interest income by $1,430 or 6.28%.

	December 31, 2005		
	Net Interest Income		
	Amount	Change	Change
	(Dollars in thousands)		
+200 bp	$ 23,043	$ 959	4.34%
+100 bp	22,629	545	2.47
Base	22,084		
-100 bp	21,314	(770)	(3.49)
-200 bp	19,744	(2,340)	(10.59)

Based upon UnionBancorp s model at December 31, 2005, the effect of an immediate 200 basis point increase in interest rates would increase UnionBancorp s net interest income by $959 or 4.34%. The effect of an immediate 200 basis point decrease in rates would decrease UnionBancorp s net interest income by $2,340 or 10.59%.

Financial Condition

General. As of June 30, 2006, UnionBancorp had total assets of $656,831, total gross loans of $403,455, total deposits of $522,695 and total stockholders equity of $65,304. Total assets decreased by $19,391 or 2.9% from year-end 2005. Total gross loans decreased by $14,070 or 3.4% from year-end 2005. Total deposits declined by $21,146 or 3.9% from year-end 2005.

Nonperforming Assets. UnionBancorp 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. Amounts received on nonaccrual loans generally are applied first to principal and then to interest after all principal has been collected. It is the policy of UnionBancorp 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. Loans that are 90 days delinquent but are well secured and in the process of collection are not included in nonperforming assets. Other nonperforming assets consist of real estate acquired through loan foreclosures or other workout situations and other assets acquired through repossessions.

The classification of a loan as nonaccrual does not necessarily indicate that the principal is uncollectible, in whole or in part. UnionBank makes a determination as to collectibility on a case-by-case basis. UnionBank 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 UnionBancorp s loans is assigned a rating based upon an internally developed grading system. A separate credit administration department also reviews grade assignments on an ongoing basis. Management continuously monitors nonperforming, impaired, and past due loans to prevent further deterioration of these loans. UnionBancorp has an independent loan review function which is separate from the lending function and is responsible for the review of new and existing loans.

The following table summarizes nonperforming assets and loans past due 90 days or more and still accruing for the previous five quarters.

	2006		**2005**		
	Jun 30,	**Mar 31,**	**Dec 31,**	**Sept 30,**	**Jun 30,**
Non-accrual loans	$ 2,289	$ 2,785	$ 3,082	$ 2,397	$ 3,217
Loans 90 days past due and still accruing interest	517	567	922	1,329	618
Total nonperforming loans	2,806	3,352	4,004	3,726	3,835
Other real estate owned	1,390	536	203	194	669
Total nonperforming assets	$ 4.196	$ 3,888	$ 4,207	$ 3,920	$ 4,504
Nonperforming loans to total end of period loans	0.70%	0.82%	0.96%	0.92%	0.95%
Nonperforming assets to total end of period loans	1.04	0.96	1.01	0.97	1.11
Nonperforming assets to total end of period assets	0.64	0.59	0.62	0.59	0.68

The level of nonperforming loans at June 30, 2006 decreased to $2,806 versus the $4,004 that existed as of December 31, 2005 and from $3,835 at June 30, 2005. The level of nonperforming loans to total end of period loans was 0.70% at June 30, 2006, as compared to 0.96% at December 31, 2005 and 0.95% at June 30, 2005. The reserve coverage ratio (allowance to nonperforming loans) was reported at 244.05% as of June 30, 2006 as compared to 208.84% as of December 31, 2005 and 238.83% as of June 30, 2005.

Other Potential Problem Loans. UnionBancorp has other potential problem loans that are currently performing, but where some concerns exist as to the ability of the borrower to comply with present loan repayment terms. Excluding nonperforming loans and loans that management has classified as impaired, these other potential problem loans totaled $1,218 at June 30, 2006, as compared to $6,857 at June 30, 2005 and $2,879 at December 31, 2005. 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 close 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.

Allowance for Loan Losses. At June 30, 2006, the allowance for loan losses was $6,848 or 1.70% of total loans as compared to $8,362 or 2.00% at December 31, 2005, and $9,159 or 2.26% at June 30, 2005. The decrease in the allowance was largely based on continued improvements in the quality of the loan portfolio, favorable loan loss experience and management s beliefs regarding the probability and estimations of future losses inherent in the loan portfolio. In originating loans, UnionBancorp recognizes that credit losses will be experienced and the risk of loss will vary with, among other things, general economic conditions; the type of loan being made; the creditworthiness of the borrower over the term of the loan; and, in the case of a collateralized loan, the quality of the collateral for such a loan. The allowance for loan losses represents UnionBancorp s estimate of the allowance necessary to provide for probable incurred losses in the loan portfolio. In making this determination, UnionBancorp analyzes the ultimate collectibility of the loans in its portfolio, incorporating feedback provided by internal loan staff, the independent loan review function, and information provided by examinations performed by regulatory agencies. UnionBancorp makes an ongoing evaluation as to the adequacy of the allowance for loan losses.

On a quarterly basis, management reviews the adequacy of the allowance for loan losses. Commercial credits are graded by the loan officers and the Loan Review function validates the officers grades. In the event that the loan review function downgrades the loan, it is included in the allowance analysis at the lower grade. The grading system is in compliance with the regulatory classifications and the allowance is allocated to the loans based on the regulatory grading, except in instances where there are known differences (i.e., collateral value is nominal, etc.). To establish the appropriate level of the allowance, a sample of loans (including impaired and nonperforming loans) are reviewed and classified as to potential loss exposure.

Based on an estimation computed pursuant to the requirements of Financial Accounting Standards Board (FASB) Statement No. 5, Accounting for Contingencies, and FASB Statements Nos. 114 and 118, Accounting by Creditors for Impairment of a Loan, the analysis of the allowance for loan losses consists of three components: (i) specific credit allocation established for expected losses resulting from analysis developed through specific credit allocations on individual loans for which the recorded investment in the loan exceeds its fair value; (ii) general portfolio allocation based on historical loan loss experience for each loan category; and (iii) subjective reserves based on general economic conditions as well as specific economic factors in the markets in which UnionBancorp operates.

The specific credit allocation component of the allowance for loan losses is based on a regular analysis of loans over a fixed-dollar amount where the internal credit rating is at or below a predetermined classification. 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.

The general portfolio allocation component of the allowance for loan losses is determined statistically using a loss migration analysis that examines historical loan loss experience. The loss migration analysis 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 allowance for loan losses is based on estimates, and ultimate losses will vary from current estimates. These estimates are reviewed monthly, and as adjustments, either positive or negative, become necessary, a corresponding increase or decrease is made in the provision for loan losses. The composition of the loan portfolio has not significantly changed since year-end 2004. The methodology used to determine the adequacy of the allowance for loan losses is consistent with prior years, and there were no reallocations.

Management remains watchful of credit quality issues. Should the economic climate deteriorate from current levels, borrowers may experience difficulty, and the level of nonperforming loans, charge-offs and delinquencies could rise and require further increases in the provision.

Liquidity

UnionBancorp 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, UnionBancorp 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.

UnionBancorp 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

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requirements, estimated loan payoffs, investment portfolio maturities or calls, and anticipated depository buildups or runoffs.

UnionBancorp classifies all of its securities as available-for-sale, thereby maintaining significant liquidity. UnionBancorp 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 UnionBancorp s loan portfolio, resulting in a steady stream of loan repayments. In managing its investment portfolio, UnionBancorp provides for staggered maturities so that cash flows are provided as such investments mature.

UnionBancorp 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 operating activities and investing activities offset by those used in financing activities, resulted in a net increase in cash and cash equivalents of $5,907 from December 31, 2005 to June 30, 2006.

During the first six months of 2006, UnionBancorp experienced net cash in flows of $3,931 in operating activities due to negative provision and net income and $16,854 in investing activities largely due to the decrease in net loans and securities. In contrast, net cash outflow of $14,878 in financing activities primarily due to a decrease in deposits and borrowed funds.

Contractual Obligations, Commitments, Contingencies, and Off-Balance Sheet Financial Instruments

UnionBancorp has entered into contractual obligations and commitments and off-balance sheet financial instruments. The following tables summarize UnionBancorp s contractual cash obligations and other commitments and off balance sheet instruments as of June 30, 2006.

	Payments Due by Period				
Contractual Obligations	**Within 1 Year**	**1-3 Years**	**4-5 Years**	**After 5 Years**	**Total**
Short-term debt	$ 8,824	$	$	$	$ 8,824
Long-term debt		224			224
Certificates of Deposit	233,681	70,547	618	2,526	307,372
Series B Mandatory redeemable Preferred stock		831			831
FHLB Advances	10,100	20,400	16,200		46,700
Total contractual cash obligations	$ 252,605	$ 92,002	$ 16,818	$ 2,526	$ 363,951

	Amount of Commitment Expiration per Period				
Off-Balance Sheet Financial Instruments	**Within 1 Year**	**1-3 Years**	**4-5 Years**	**After 5 Years**	**Total**
Lines of credit	$ 89,058	$ 4,130	$ 1,287	$ 16,714	$ 111,189
Standby letters of credit	7,764	792			8,556
Total commercial commitments	$ 96,822	$ 4,922	$ 1,287	$ 16,714	$ 119,745

Capital Resources

Stockholders Equity. UnionBancorp is committed to managing capital for maximum shareholder benefit and maintaining strong protection for depositors and creditors. Stockholders equity at June 30, 2006 was $65,304, a decrease of $771 or 1.2%, from December 31, 2005. The decrease in stockholders equity was the result of the dividends paid to shareholders and a decrease in accumulated other comprehensive income partially offset by net income for the period. Average quarterly equity as a percentage of average quarterly assets was 9.94% at June 30, 2006, compared to 10.39% at December 31, 2005. Book value per common share equaled $17.31 at June 30, 2006 compared to $17.23 at December 31, 2005.

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Stock Repurchase. On May 2, 2003, the Board of Directors approved a stock repurchase plan whereby UnionBancorp may repurchase from time to time up to 5% of its outstanding shares of common stock in the open market or in private transactions over an 18 month period. On September 23, 2004, the Board of Directors extended UnionBancorp s stock repurchase program through May 2, 2006. On June 16, 2005, the Board of Directors amended the repurchase plan to enable UnionBancorp to acquire an additional 5% of its outstanding shares of common stock in the open market or in private transactions. On March 16, 2006, the Board of Directors approved an additional 5% stock repurchase program that begins when the existing plan is completed. Under the revised plan, UnionBancorp can repurchase approximately 188,000 shares of its outstanding shares of common stock. Under the terms of the plan, UnionBancorp is able to repurchase, from time to time, up to 5% of its outstanding shares of common stock in the open market or in private transactions. Purchases are dependent upon market conditions and the availability of shares. The extension of the repurchase program enables UnionBancorp to optimize its use of capital relative to other investment alternatives and benefits both UnionBancorp and the shareholders by enhancing earnings per share and return on equity. During the quarter ending June 30, 2006, no shares were repurchased and to date, UnionBancorp has repurchased 364,879 shares at a weighted average cost of $21.16.

Capital Measurements. UnionBancorp is expected to meet a minimum risk-based capital to risk-weighted assets ratio of 8%, of which at least one-half (or 4%) must be in the form of Tier 1 (core) capital. The remaining one-half (or 4%) may be in the form of Tier 1 (core) or Tier 2 (supplementary) capital. The amount of loan loss allowance that may be included in capital is limited to 1.25% of risk-weighted assets. The ratio of Tier 1 (core) and the combined amount of Tier 1 (core) and Tier 2 (supplementary) capital to risk-weighted assets for UnionBancorp was 12.4% and 13.7%, respectively, at June 30, 2006. UnionBancorp is currently, and expects to continue to be, in compliance with these guidelines.

The following table sets forth an analysis of UnionBancorp s capital ratios:

	June 30, 2006	December 31, 2005	December 31, 2004	Minimum Capital Ratios	Well Capitalized Ratios
Tier 1 risk-based capital	$ 61,130	$ 60,546	$ 63,347		
Tier 2 risk-based capital	6,144	6,266	6,067		
Total capital	67,274	66,812	69,414		
Risk-weighted assets	491,503	501,342	485,325		
Capital ratios					
Tier 1 risk-based capital	12.4%	12.1%	13.0%	4.00%	6.00%
Tier 2 risk-based capital	13.7	13.3	14.3	8.00	10.00
Leverage ratio	9.4	9.0	9.5	4.00	5.00

Impact of Inflation, Changing Prices, and Monetary Policies

The financial statements and related financial data concerning UnionBancorp have been prepared in accordance with U.S. generally accepted accounting principles which require the measurement of financial position and operating results in terms of historical dollars without considering changes in the relative purchasing power of money over time due to inflation. The primary effect of inflation on the operations of UnionBancorp is reflected in increased operating costs. Unlike most industrial companies, virtually all of the assets and liabilities of a financial institution are monetary in nature. As a result, changes in interest rates have a more significant effect on the performance of a financial institution than do the effects of changes in the general rate of inflation and changes in prices. Interest rates do not necessarily move in the same direction or in the same magnitude as the prices of goods and services. Interest rates are highly sensitive to many factors which are beyond the control of Union, including the influence of domestic and foreign economic conditions and the monetary and fiscal policies of the United States government and federal agencies, particularly the Federal Reserve Board.

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Recent Regulatory and Accounting Developments

In February, 2006, the FASB issued SFAS No. 155, *Accounting for Certain Hybrid Financial Instruments An Amendment of FASB Statement No. 133 and 140 (SFAS 155).* SFAS 155 simplifies the accounting for certain hybrid financial instruments that contain an embedded derivative that otherwise would have required bifurcation. SFAS 155 also eliminates the interim guidance in FASB Statement No. 133, which provides that beneficial interest in securitized financial assets are not subject to the provisions of FASB Statement No. 133. SFAS 155 is effective for all financial instruments acquired or issued after the beginning of an entity s first fiscal year that begins after September 15, 2006, which for UnionBancorp will be as of the beginning of fiscal 2007. UnionBancorp does not believe that the adoption of SFAS 155 will have a significant effect on its financial statements as UnionBancorp does not have any hybrid financial instruments at this time.

In March, 2006, the FASB issued SFAS No. 156, *Accounting for Servicing of Financial Assets An Amendment of FASB Statement No. 140 (SFAS 156).* SFAS 156 requires that all separately recognized servicing assets and servicing liabilities be initially measured at fair value, if practicable. The statement permits, but does not require, the subsequent measurement of servicing assets and servicing liabilities at fair value. SFAS 156 is effective as of the beginning of the entity s first fiscal year that begins after September 15, 2006. UnionBancorp is currently evaluating any potential impact of the adoption of this SFAS.

In June, 2006, the FASB issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes An interpretation of FASB No. 109* (FIN 48). FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The Interpretation is effective for fiscal years beginning after December 15, 2006. UnionBancorp is currently evaluating the impact of the adoption of FIN 48, with respect to its results of operations, financial position and liquidity.

Legal Proceedings

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

Changes in and Disagreements with Accountants

None.

Quantitative and Qualitative Disclosures about Market Risk

Please refer to the discussion under the caption Interest Rate Sensitivity Management contained in the Section entitled Business of UnionBancorp Management s Discussion and Analysis.

Security Ownership of Certain Beneficial Owners and Management

The following table sets forth certain information with respect to the beneficial ownership of UnionBancorp common stock at September 22, 2006, by each person known by UnionBancorp to be the beneficial owner of more than 5% of the outstanding common stock, by each of UnionBancorp s current directors, executive officer, and by all of UnionBancorp s current directors and executive officers as a group.

The following table is based on information supplied to UnionBancorp by the directors, officers and stockholders described above. UnionBancorp has determined beneficial ownership in accordance with the rules of the Securities and Exchange Commission. Shares of common stock subject to options that are either currently exercisable or exercisable within 60 days of September 22, 2006 are treated as outstanding and beneficially owned by the option holder for the purpose of computing the percentage ownership of the option holder. However, these shares are not treated as outstanding for the purpose of computing the percentage ownership of any other person. The table lists applicable percentage ownership based on 3,742,851 shares outstanding as of September 22, 2006. Unless otherwise indicated, the address for each person listed below is 122 W. Madison Street, Ottawa, Illinois 61350.

Name of Individual or Number of Individuals in Group	Amount and Nature of Beneficial Ownership(1)(2)	Percent of Class
5% Stockholders		
UnionBank, as Trustee for the UnionBancorp, Inc. Employee Stock Ownership Plan (ESOP)	304,732(3)	8.1%
Wayne W. Whalen 333 W. Wacker Drive, Suite 2100 Chicago, Illinois 60606	851,951(4)	22.3%
Jeffrey L. Gendell 55 Railroad Avenue, 1st Floor Greenwich, Connecticut 06830	371,300(5)	9.9%
Directors		
Richard J. Berry	53,529(6)	1.4%
Walter E. Breipohl	41,829	1.1%
Robert J. Doty	24,484	*
Dennis J. McDonnell	670,658(7)	17.4%
I.J. Reinhardt, Jr.	35,800(8)	1.0%
John A. Shinkle	28,540(9)	*
Scott C. Sullivan	34,468(10)	*
John A. Trainor	45,964(11)	1.2%
Scott A. Yeoman	13,300	*
Other Named Executive Officers		
Robert L. Davidson	5,733(12)	*
Kurt R. Stevenson	21,419(13)	*
All directors and executive officers as a group (11 persons)	975,724(14)	24.2%

* Indicates less than one percent.

(1) The information contained in this column is based upon information furnished to us by the persons named above and the members of the designated group. Amounts reported include shares held directly as well as shares which are held in retirement accounts and shares held by members of the named individuals families or held by trusts

of which the named individual is a trustee or substantial beneficiary, with respect to which shares the respective individual may be deemed to have sole or shared voting and/or investment power. The nature of beneficial ownership for shares shown in this column is sole voting and investment power, except as set forth in the footnotes below. Inclusion of shares shall not constitute an admission of beneficial ownership or voting and investment power over included shares.

(2) Amounts shown include shares obtainable as of September 22, 2006 (or obtainable within 60 days of September 22, 2006) through the exercise of options to purchase shares of common stock granted under UnionBancorp s stock option plans as follows: Mr. Berry 24,000 shares; Mr. Breipohl 24,000 shares; Mr. Doty 21,500 shares; Mr. McDonnell 21,500 shares; Mr. Reinhardt 23,500 shares; Mr. Shinkle 21,500 shares; Mr. Sullivan 21,500 shares; Mr. Trainor 23,500 shares; Mr. Davidson 100 shares; and Mr. Stevenson 14,662 shares. Option holders have the sole power to exercise their respective options and would also be entitled to exercise sole voting and investment power over the shares issued upon the exercise of such options.

(3) All of the shares held by the employee stock ownership plan are allocated to particular participants accounts and the employee stock ownership plan trustee has shared voting and no investment power over such shares.

(4) Includes shares held by Mr. Whalen s wife, Paula Wolff, Mr. Whalen s children, the WPW Family Foundation and WPW Associates, L.P., a family limited partnership, with shared voting and investment power over such shares. The amount above also includes approximately 86,070 shares which are issuable upon the conversion of 1,381 shares of UnionBancorp, Inc. convertible preferred stock held by Mr. Whalen.

(5) Jeffrey L. Gendell (Gendell) filed a Schedule 13G/ A dated February 14, 2006 reporting that as of December 31, 2005 Gendell, along with certain affiliates (Tontine Financial Partners, L.P. and Tontine Management, L.L.C.), collectively beneficially owned 371,300 shares of common stock, with sole voting and investment power over such shares. Gendell is located at 55 Railroad Avenue, 1st Floor, Greenwich, Connecticut 06830.

(6) Includes 11,100 shares held in trusts for which Mr. Berry is a co-trustee, over which shares Mr. Berry has shared voting and investment power.

(7) Includes shares held jointly by Mr. McDonnell and his wife over which voting and dispositive power is shared. Also includes shares held in trust for which Mr. McDonnell is trustee. The amount above also includes approximately 86,070 shares which are issuable upon the conversion of 1,381 shares of UnionBancorp, Inc. convertible preferred stock held by Mr. McDonnell. Mr. McDonnell s address is 815 Jackson Avenue, River Forest, Illinois 60305.

(8) Includes 6,000 shares held by Mr. Reinhardt jointly with his spouse, over which shares Mr. Reinhardt has shared voting and investment power.

(9) Includes 400 shares held by members of Mr. Shinkle s family. Mr. Shinkle has no voting or investment power over 100 of such shares and has shared voting and investment power over the remaining 300 shares. Also includes 4,061 shares held in trust for which Mr. Shinkle serves as trustee. Mr. Shinkle also has voting and investment power over 1,500 shares held in an investment club.

(10) Includes 1,687 shares held by Mr. Sullivan jointly with his spouse and 1,000 shares held by members of Mr. Sullivan s family, over which shares Mr. Sullivan has shared voting and investment power.

(11) Includes 8,515 shares held solely by Mr. Trainor s spouse, over which shares Mr. Trainor has no voting or investment power.

(12) Includes 2,633 shares allocated to Mr. Davidson under the employee stock ownership plan.

(13)

Includes 425 shares held by Mr. Stevenson jointly with his spouse, over which shares Mr. Stevenson has shared voting and investment power. Also includes 642 shares held by Mr. Stevenson in his 401(k) plan and 5,690 shares allocated to Mr. Stevenson under the employee stock ownership plan.

(14) Footnotes (2) and (6) through (13) are incorporated herein.

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Executive Compensation

Summary Compensation. The following table shows the compensation earned last year for Mr. Yeoman and for the last three fiscal years for Mr. Stevenson:

SUMMARY COMPENSATION TABLE

		Annual Compensation			Long Term Compensation			
					Awards		Payouts	
Name and Principal Position	Year	Salary ($)	Bonus ($)	Other Annual Compensation ($)(4)	Restricted Stock Award(s) ($)	Securities Underlying Options/ SARs (#)(1)	LTIP Payouts ($)	All Other Compensation ($)
Scott A. Yeoman(2) President and Chief Executive Officer	2005	$ 120,859	$ 44,000			10,000		$ 351(2)
Kurt R. Stevenson(3)	2005	$ 144,500	$ 28,900			5,000		$ 10,749(3)
Senior Executive	2004	$ 137,500	$ 22,688					$ 9,235(3)
Vice President and Chief Financial Officer	2003	$ 110,000	$ 16,500					$ 6,040(3)

(1) All options vest 50% in the 4th and 5th years on or about the anniversary of the date of grant.

(2) UnionBancorp was not required to disclose Mr. Yeoman s salary information with respect to his compensation prior to 2005.

(3) Represents the dollar value of allocations under our employee stock ownership plan in the amount of $3,836 for 2005, $4,409 for 2004 and $2,354 for 2003, premiums for split dollar life insurance of $225 for 2005, $206 for 2004 and $155 for 2003 and $6,687 of 401(k) employer contributions for 2005, $4,620 for 2004 and $3,531 for 2003.

(4) Perquisites that do not exceed the lower of $50,000 or 10% of salary and bonus in the aggregate in any year for a named executive officer are not disclosed in the table in accordance with Securities and Exchange Commission rules.

Stock Option Information. The following table sets forth certain information concerning the number and value of stock options granted in the last fiscal year to Messrs. Yeoman and Stevenson:

OPTION GRANTS IN LAST FISCAL YEAR

Individual Grants

Potential Realizable Value at Assumed Annual

(a)	(b)	(c)	(d)	(e)	(f)	(g)
					Rates of Stock Price Appreciation for Option Term	
Name	Options Granted (#)(1)	% of Total Options Granted to Employees in Fiscal Year	Exercise or Base Price ($/Sh)	Expiration Date	5% ($)	10% ($)
Scott A. Yeoman	10,000(2)	33%	$ 20.30	06/16/15	$ 127,666	$ 323,530
Kurt R. Stevenson	5,000(2)	17%	$ 20.30	06/16/15	$ 63,833	$ 161,765

(1) All options vest 50% in the 4th and 5th years on or about the anniversary of the date of grant.

(2) Represents qualified options granted on June 16, 2005.

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The following table sets forth certain information concerning the exercisable and nonexercisable stock options at December 31, 2005 held by Messrs. Yeoman and Stevenson:

AGGREGATED OPTION EXERCISES IN LAST FISCAL YEAR AND FISCAL YEAR-END OPTIONS VALUES

			Number of Securities Underlying Unexercised Options at FY-End (#)		Value of Unexercised In-the- Money Options at FY-End ($)(1)	
Name (#)	Shares Acquired on Exercise (#)	Value Realized($)	Exercisable	Unexercisable	Exercisable	Unexercisable
Scott A. Yeoman				10,000	$	$ 10,000
Kurt R. Stevenson			6,944	7,718	$ 51,315	$ 24,824

(1) The dollar amounts under these columns are the result of theoretical calculations at 5% and 10% rates under applicable Securities and Exchange Commission rules and, therefore, are not intended to forecast possible future appreciation, if any, in the common stock.

Director Compensation

Each UnionBancorp non-employee director was paid a fee of $1,000 for each board meeting attended and $250 for each committee meeting attended. In addition, each non-employee director was paid an annual retainer of $2,500, and the audit committee chairman was paid an additional annual retainer of $1,000. Each of UnionBancorp s non-employee directors may also receive an annual grant of options to purchase shares of common stock under the UnionBancorp, Inc. 2003 Stock Option Plan. The UnionBancorp, Inc. 2003 Stock Option Plan provides for annual formula grants to each of UnionBancorp s directors of options to purchase shares of common stock with an exercise price of not less than 100% of the then current market price of the common stock on the date of the grant. Such options become exercisable over five years. During 2005, each UnionBancorp non-employee director was granted options to purchase 2,500 shares of common stock at a price of $21.15 per share. The options vest pro rata over a five year period and terminate on December 15, 2015.

Employee Benefit Plans

Employee Stock Ownership Plan. UnionBancorp s Employee Stock Ownership Plan covers all full-time employees who have completed six months of service and have attained the minimum age of twenty and one-half years. Vesting in the plan is based on years of service. A participant is fully vested after seven years of credited service. As of September 22, 2006, the plan owned 310,020 shares of UnionBancorp common stock. All shares held by the plan have been allocated to plan participants.

401(k) Plan. Effective January 1, 1999, UnionBancorp established a 401(k) salary reduction plan covering substantially all employees. Eligible employees may elect to make tax deferred contributions within IRS guidelines. UnionBancorp contributes to all eligible parties; under the provisions of its safe harbor plan.

Stock Option Plans. In April 1993, UnionBancorp adopted the UnionBancorp 1993 Stock Option Plan (the 1993 Option Plan). A total of 490,206 shares were issued pursuant to stock options issued to employees and outside directors under the 1993 Option Plan. The 1993 Option Plan was terminated on April 12, 2003.

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

In April 2003, UnionBancorp adopted the UnionBancorp 2003 Stock Option Plan (the 2003 Option Plan). Under the 2003 Option Plan, nonqualified options, incentive stock options, and/or stock appreciation rights may be granted to employees and outside directors of UnionBancorp and its subsidiary to purchase the UnionBancorp common stock at an exercise price to be determined by the 2003 Option Plan s administrative committee. Pursuant to the 2003 Option Plan, 200,000 shares of UnionBancorp s unissued common stock have been reserved and are authorized for issuance upon the exercise of options and rights granted under the 2003 Option Plan. The options have an exercise period of ten years from the date of grant. There are 92,500 shares available to grant under the 2003 Option Plan.

Transactions with Management

Several of UnionBancorp s directors and executive officers (including their affiliates, families and companies in which they are principal owners, officers or directors) were loan customers of, and had other transactions with, UnionBancorp and its subsidiaries in the ordinary course of business. These loans and lines of credit were made in the ordinary course of business on substantially the same terms, including interest rates and collateral, as those prevailing at the time for transactions with other persons and did not involve more than the normal risk of collectibility or present other unfavorable features. During 2005, UnionBancorp paid approximately $94,579 to the law firm of Myers, Berry, O Conor & Kuzma, Ltd. for legal services. Richard J. Berry, a director of UnionBancorp, is a principal of that firm.

Financial and other information relating to UnionBancorp is set forth in UnionBancorp s Quarterly Report on Form 10-Q for the quarter ended June 30, 2006, UnionBancorp s 2005 Annual Report on Form 10-K, UnionBancorp s Proxy Statement for its 2006 annual meeting filed with the Securities and Exchange Commission on March 24, 2006, and UnionBancorp s Current Reports on Form 8-K filed during 2006, copies of which may be obtained from UnionBancorp as indicated under Where You Can Find More Information on page 164.

BUSINESS OF CENTRUE FINANCIAL

General

Centrue Financial, a Delaware corporation, is a financial holding company registered under the Bank Holding Company Act of 1956. At June 30, 2006, Centrue Financial had consolidated assets of $634.5 million, deposits of $462.3 million and stockholders equity of $43.3 million. Centrue Financial s primary business activity is acting as the holding company for Centrue Bank, a state chartered commercial bank. Beginning on February 25, 2005, Centrue Financial s common stock has been listed on the Nasdaq National Market System under the symbol TRUE. Prior to February 25, 2005, it was traded on the American Stock Exchange under the symbol CFF . On October 9, 2003, Centrue Financial acquired Aviston Financial Corporation. At the time of the acquisition, Aviston Financial had approximately $96.5 million in total assets. Subsequent to the acquisition, the remaining corporation changed its name to Centrue Financial Corporation. On March 5, 2004, Centrue Financial acquired Parish Bank and Trust Company in Momence Illinois, a community bank with approximately $21 million in total assets. On April 8, 2005, Centrue Financial acquired Illinois Community Bancorp, Inc., a bank holding company in Effingham, Illinois with approximately $30 million in total assets. Centrue Financial also opened a new branch in the growing Fairview Heights market in May 2005 and has announced plans to continue to open additional branches in and near its current markets over the next few years. In March 2006, Centrue Financial relocated its headquarters to Fairview Heights, Illinois.

Centrue Bank was initially chartered as an Illinois state savings and loan association in 1885. Centrue Bank converted to a federally chartered savings and loan association in 1937 and changed its name to Kankakee Federal Savings Bank in connection with its conversion to stock form in 1992. Centrue Bank changed its name to KFS Bank, F.S.B., as of December 1, 2002. Upon the acquisition of Aviston Financial in October 2003, Centrue Bank merged into the State Bank of Aviston, became a state chartered commercial bank and changed its name to Centrue Bank. Centrue Bank has one subsidiary, Centrue Service Corp., and its wholly-owned subsidiary, Centrue Insurance Agency, Inc., which engage in the business of providing securities brokerage services and insurance and annuity products to its customers. It is anticipated that

Centrue Service Corp. and Centrue Insurance Agency, Inc. will be dissolved in connection with the merger of Centrue Bank and UnionBank.

Centrue Financial s focus is to serve residential and small businesses from south suburban Chicago, Illinois, to metropolitan St. Louis, Missouri with a wide array of financial services. Centrue Financial is principally engaged in originating commercial business, commercial real estate, mortgage, consumer, multi-family, and construction loans, and attracting deposits from the general public. Centrue Financial also offers debit card services, on-line banking and bill payment services and, on an agency basis through Centrue Service Corp. and a relationship with a third party, securities brokerage services and insurance and annuity products to Centrue Financial s customers.

Since 2003, Centrue Financial has recruited new management, strengthened its policies and procedures and worked to clean up inherited asset quality issues. In addition to the Aviston, Parish and Illinois Community Bank transactions, Centrue Financial has opened new branches in Bradley, Dwight and Fairview Heights, Illinois as well as a loan production office in Plainfield, Illinois to broaden its geographic presence. Centrue Financial has recruited experienced bankers to generate new business and add depth to the management team. Management continues to emphasize providing excellent customer service while striving to meet its growth objectives and profitability goals. Centrue Financial is organized into four geographic regions, each led by its own regional president and management team. Each regional president has responsibility for staffing, loans, deposits and pricing in his or her respective region. Also, certain operational and decision making activities have been transferred to the regional level in order to improve efficiency, competitiveness and overall customer service. Centralized operations, including accounting, remain at Centrue Financial s former headquarters in Kankakee. Management believes this organizational structure has allowed Centrue Financial to maintain its community focus, and improve customer service and efficiency, while growing Centrue Financial s asset base.

Centrue Financial s executive offices are located at 303 Fountains Parkway, Fairview Heights, Illinois 62208 and its telephone number at that address is (618) 624-1323.

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Properties

The following table sets forth information concerning the main office and each branch office of Centrue Bank. At June 30, 2006, Centrue Financial s premises had an aggregate net book value of approximately $22.7 million.

Location	Year Opened(1)	Owned or Leased	Lease Expiration Date
Main Office			
310 S. Schuyler Avenue Kankakee, Illinois	1958	Owned	N/A
Full Service Branches			
Main Street and U.S. 45 Ashkum, Illinois	1977	Owned	N/A
101 S. Page Street Aviston, Illinois	2003	Owned	N/A
680 S. Main Street Bourbonnais, Illinois	1974	Owned	N/A
980 N. Kinzie Avenue Bradley, Illinois	1998	Owned	N/A
180 N. Front Street Braidwood, Illinois	1998	Leased	July 24, 2010
1001 S. Neil Street Champaign, Illinois	1992	Owned	N/A
100 S. Broadway Coal City, Illinois	1998	Leased	July 24, 2010
660 S. Broadway Coal City, Illinois	1998	Owned	N/A
1275 E. Division Street Diamond, Illinois	1998	Owned	N/A
317 W. Waupansie Street Dwight, Illinois	2003	Leased	November 30, 2009
302 W. Mazon Avenue Dwight, Illinois	1987	Owned	N/A
1300 N. Keller Dive Effingham, Illinois	2005	Owned	N/A
303 Fountains Parkway Fairview Heights, Illinois	2005	Owned	N/A
654 N. Park Road Herscher, Illinois	1998	Owned	N/A
310 Section Line Road Manteno, Illinois	1975	Owned	N/A
29 N. Dixie Highway Momence, Illinois	2004	Owned	N/A
122 Gladiolus Ave Momence, Illinois	2004	Owned	N/A
18001 Main Street St. Rose, Illinois	2003	Owned	N/A
1708 S. Philo Road Urbana, Illinois	1998	Owned	N/A

Loan Production Office			
24001 West Lockport Suite A Plainfield, Illinois	2005	Leased	September 30, 2011(2)

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(1) Year opened refers to the year in which the current facility opened or was acquired.

(2) Centrue Financial has the option to cancel this lease on September 30, 2008.

Management s Discussion and Analysis

Comparison of Operating Results for the Years Ended December 31, 2005, 2004, and 2003

Overview

Centrue Financial is the holding company for Centrue Bank. All references to Centrue Financial in the following discussion include Centrue Bank and Centrue Bank s wholly-owned service corporation, Centrue Service Corporation (CSC), unless indicated otherwise. In October 2003, Kankakee Bancorp, Inc. merged with Aviston Financial Corporation and subsequent to the merger, the remaining corporation changed its name to Centrue Financial Corporation. At the time of the merger, Aviston Financial had approximately $96.5 million in total assets. The subsidiary banks were merged to form Centrue Bank, a state-chartered commercial bank. On March 5, 2004, Centrue Financial acquired Parish Bank and Trust Co. located in Momence, Illinois. At the time of the acquisition, Parish had approximately $21 million in total assets. On April 8, 2005, Centrue Financial acquired Illinois Community Bancorp, Inc., located in Effingham, Illinois. At the time of the acquisition, Illinois Community had approximately $29.9 million in total assets. Centrue Financial also opened a new branch in the growing Fairview Heights market in May 2005 and has announced plans to open additional branches in the St. Louis Metro East area over the next few years.

Centrue Financial completed its second full year as Centrue Financial in 2005. Since the 2003 merger, a new experienced management team has been assembled by Thomas A. Daiber, who joined Centrue Financial as CEO during the merger. Virtually every senior officer position has been filled with a new executive. During 2005, Centrue Financial made significant progress in cleaning up the asset quality issues it inherited in 2003 and has reduced nonperforming loans by 66% from its peak in June 2004. Through the addition of a Chief Credit Officer and implementation of sound lending policies and practices, Centrue Financial s asset quality has continued to improve. Following the expected liquidation of two large nonperforming assets in 2006, management expects Centrue Financial s asset quality measurements to be at peer group levels.

While operating as one significant business unit, Centrue Financial has a regional president for each of its four operating regions that has responsibility for managing the daily activity within each respective market. Management believes that customer service is enhanced through its practice of empowering its employees to make decisions while serving the customer. Centrue Financial continues to work to improve its operational efficiency and profitability while continuing to implement its previously announced strategy to expand within its markets and surrounding communities. During 2005, Centrue Financial entered two new markets and significantly expanded its presence in a third. As a result, the staffing level of Centrue Financial increased by thirty four full time equivalents during the year primarily due to the addition of the staff at the acquired Effingham location and due to staffing of the new Fairview Heights branch as well as the new loan production office in Plainfield. We also added management depth during 2005 with the addition of an experienced Chief Operating Officer and new managers for the mortgage, consumer lending, operations and compliance departments.

Net income decreased 11.7% to $4.1 million in 2005 compared to record income of $4.6 million in 2004. The results for 2005 included costs associated with a data processing conversion, expenses related to stock options, the opening of the new Fairview Heights branch, the acquisition and integration of Illinois Community Bank in Effingham and other merger and acquisition activity. Assets grew 4.8% from $611.9 million at the end of 2004 to $641.5 million at the end of 2005.

Centrue Financial has had an aggressive capital management plan over the last four years. As part of this strategy, Centrue Financial made open market purchases of its own stock totaling 1,045,335 common shares of stock at a total cost of $23.8 million. Centrue Financial repurchased 167,224 common shares at a total cost of $3.2 million ($19.15 per share) in 2002, 466,540 shares of stock at a total cost of $9.3 million ($19.95 per share) in 2003, 232,706 shares of stock at a total cost of $6.5 million ($27.99 per share) in 2004 and an additional 178,865 shares of stock at a total cost of $4.8 million ($26.93 per share) in 2005. Centrue Financial

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executed a 2 for 1 stock split in the form of a dividend during October of 2003. All references in this discussion to the prices and number of shares have been adjusted for this split. In addition, Centrue Financial is continuously evaluating balance sheet opportunities to augment and leverage its capital base to maximize stockholders return on equity. Centrue Financial will continue to evaluate opportunities in 2006 in an effort to enhance earnings.

Centrue Financial s results of operations are dependent primarily on net interest income, which is the difference, or spread , between the interest income earned on its loans and investments and its cost of funds, consisting of interest paid on its deposits and on borrowed funds. Centrue Financial s operating expenses principally consist of employee compensation and benefits, occupancy, marketing and other general and administrative expenses. Centrue Financial s results of operations are also significantly affected by general economic and competitive conditions, particularly changes in market interest rates, government policies and actions of regulatory authorities.

Mission and Goals

Centrue Financial s mission is to be the premier bank serving the communities between Chicago, Illinois and St. Louis, Missouri with a return on equity within the upper quartile of our peer group. Our regional banking philosophy is to support and empower our employees to provide superior customer service.

In seeking to accomplish this mission, management has adopted a business strategy designed to accomplish a number of goals, including:

- increase return on equity and increase stockholders value;
- maintain Centrue Bank s capital at a level that exceeds regulatory requirements;
- attain a high level of asset quality;
- manage Centrue Financial s exposure to changes in market interest rates;
- maximize Centrue Financial s net interest margin; and
- to the extent available, take advantage of loan and deposit growth opportunities in Centrue Financial s principal market areas.

Centrue Financial has attempted to achieve these goals by focusing on a number of areas, including:

- management of Centrue Financial s capital to enhance stockholders value;
- employment of experienced and dedicated officers and employees;
- enhancement of controls over asset quality by employment of a chief credit officer and credit administration staff;
- installation of an incentive compensation program for every employee based upon attainment of Company and individual objectives;
- implementation of a sales management process to deepen existing customer relationships and to attract new customers from within our markets;
- investment in new technology and item processing services to improve delivery of services to customers;
- establishment of regional banking centers with a local regional president;
- expansion of Centrue Financial s geographic presence through strategic acquisitions and de novo branches;

the origination of commercial real estate, consumer, commercial business, and, multi-family and construction loans;

forming strategic alliances for ancillary banking services such as trust, brokerage and credit card services designed to enhance product offerings for customers while increasing efficiency;

providing high quality service to enhance customer loyalty; and

offering a variety of financial products and services to serve as comprehensively as practicable the financial needs of families and community businesses in its market areas.

Critical Accounting Policies

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

Allowance for Loan Losses The allowance for loan losses is a material estimate that is particularly susceptible to significant changes in the near term and is established through a provision for loan losses. The allowance is based upon past loan experience and other factors which, in management s judgment, deserve current recognition in estimating loan losses. The evaluation includes a review of all loans on which full collectibility may not be reasonably assured. Other factors considered by management include the size and character of the loan portfolio, concentrations of loans to specific borrowers or industries, existing economic conditions and historical losses on each portfolio category. In connection with the determination of the allowance for loan losses, management obtains independent appraisals for significant properties, which collateralize loans. Management believes it uses the best information available to make such determinations. If circumstances differ substantially from the assumptions used in making determinations, future adjustments to the allowance for loan losses may be necessary and results of operations could be affected. While Centrue Financial believes it has established its existing allowance for loan loses in conformity with accounting principles generally accepted in the United States of America, there can be no assurance that regulators, in reviewing Centrue Bank s loan portfolio, will not request an increase in the allowance for loan losses. Because future events affecting borrowers and collateral cannot be predicted with certainty, there can be no assurance that increases to the allowance will be necessary if loan quality deteriorates.

Goodwill Costs in excess of the estimated fair value of identified net assets acquired through purchase transactions are recorded as an asset by Centrue Financial. This amount was originally amortized into expense on a straight-line basis assuming a life of twenty years. Effective January 1, 2002, Centrue Financial ceased amortization in accordance with newly adopted accounting standards generally accepted in the United States of America. Centrue Financial performed an initial impairment assessment as of January 1, 2002 and annual impairment assessments as of September 30. No impairment of goodwill was identified as a result of these tests. In making these impairment assessments, management must make subjective assumptions regarding the fair value of Centrue Financial s assets and liabilities. It is possible that these judgments may change over time as market conditions or Company strategies change, and these changes may cause Centrue Financial to record impairment charges to adjust the goodwill to its estimated fair value.

Real Estate Held for Sale Real estate held for sale is recorded at the property s fair value less estimated cost to sell at the date of foreclosure (cost). Initial valuation adjustments, if any, are charged against the allowance for loan losses. Property is evaluated to ensure the recorded amount is supported by its current fair value. Subsequent declines in estimated fair value are charged to expense when incurred.

Mortgage Servicing Rights Centrue Financial recognizes as a separate asset the rights to service mortgage loans for others. The value of mortgage servicing rights is amortized in relation to the servicing revenue expected to be earned. Mortgage servicing rights are periodically evaluated for impairment based

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upon the fair value of those rights. Estimating the fair value of the mortgage servicing rights involves judgment, particularly of estimated prepayments speeds of the underlying mortgages serviced. Net income could be affected if management s assumptions and estimates differ from actual prepayments.

Deferred Income Taxes Deferred income tax assets and liabilities are computed for differences between the financial statement and tax basis of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Deferred tax assets are also recognized for operating loss and tax credit carryforwards. Valuation allowances are established when necessary to reduce deferred tax assets to an amount expected to be realized. Income tax expense is the tax payable or refundable for the period plus or minus the change during the period in deferred tax assets and liabilities.

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

Economic Climate

During 2005, interest rates continued to rise at a rapid pace. For the second straight year, the Federal Open Market Committee (the FOMC) increased the federal funds target 200 basis points from 2.25% at the beginning of the year, up to 4.25% at the end of the year. Additionally, the Wall Street Journal prime rate increased from 5.25% to 7.25% by the end of 2005. In January 2006, the FOMC increased the federal funds rate an additional 25 basis points, which in turn caused a 25 basis point increase in the prime rate. The federal funds rate is the rate at which financial institutions borrow from each other, while the prime rate is one of the rates at which banks lend money to their customers. Of Centrue Financial s commercial loans at December 31, 2005, approximately 36.9% are tied to the prime rate and immediately reprice. The increase in rates should continue to have a positive impact on Centrue Bank s ability to generate interest income on commercial loans, however, the increase in rates also places pressure on interest bearing liabilities. At the beginning of 2006, the slope of the U.S. Treasury yield curve has flattened and is slightly inverted. Centrue Financial expects to continue to see net interest margin pressure due to the fact that long-term rates have remained largely unchanged while short-term rates have increased 200 basis points during 2005.

Results of Operations

Centrue Financial s results of operations depend primarily on the level of its net interest and non-interest income and its control of operating expenses. Net interest income depends upon the volume of interest-earning assets and interest-bearing liabilities and the interest rate earned from or paid on them.

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Net Interest Income Analysis. The following table presents for the periods indicated the total dollar amount of interest income from average interest-earning assets and resultant yields, as well as the interest expense on average interest-bearing liabilities, expressed both in dollars and rates. All average balances are monthly average balances. Non-accruing loans have been included in the table as loans carrying a zero yield.

	Year Ended December 31, 2005			Year Ended December 31, 2004			Year Ended December 31, 2003		
	Average Outstanding Balance	Interest Earned/ Paid	Yield/ Rate	Average Outstanding Balance	Interest Earned/ Paid	Yield/ Rate	Average Outstanding Balance	Interest Earned/ Paid	Yield/ Rate
	(Dollars in thousands)								
Interest-earning assets:									
Loans receivable(1)	$ 434,367	$ 26,857	6.18%	$ 433,406	$ 24,955	5.76%	$ 366,305	$ 23,523	6.42%
Investment securities(2)	123,863	5,240	4.23%	108,825	4,424	4.07%	75,088	3,554	4.73%
Other interest-earning assets	7,340	198	2.70%	12,037	119	0.99%	49,296	313	0.63%
FHLB stock	4,181	177	4.23%	3,462	214	6.18%	2,929	195	6.66%
Total interest-earning assets	569,751	32,472	5.70%	557,730	29,712	5.33%	493,618	27,585	5.59%
Other assets	62,318			52,308			45,080		
Total assets	$ 632,069			$ 610,038			$ 538,698		
Interest-bearing liabilities:									
Time deposits	$ 253,847	7,499	2.95%	$ 261,473	6,467	2.47%	$ 243,629	7,564	3.10%
Savings deposits	94,206	644	0.68%	90,580	560	0.62%	78,450	860	1.10%
Interest Bearing Demand deposits	93,934	1,321	1.41%	92,698	780	0.84%	83,001	792	0.95%
Total interest bearing deposits	441,987	9,464	2.14%	444,751	7,807	1.76%	405,080	9,216	2.28%
Borrowings	79,820	3,600	4.51%	63,991	2,843	4.44%	62,115	2,780	4.48%
Total interest-bearing liabilities	521,807	13,064	2.50%	508,742	10,650	2.09%	467,195	11,996	2.57%
Non-interest bearing demand	62,785			52,654			33,719		

deposits									
Other liabilities	3,448			4,039			3,700		
Total liabilities	588,040			565,435			504,614		
Stockholders equity	44,029			44,603			34,084		
Total liabilities and stockholders equity	$ 632,069			$ 610,038			$ 538,698		
Net interest income		$ 19,408			$ 19,062			$ 15,589	
Net interest rate spread			3.20%			3.24%			3.02%
Net earning assets	$ 47,944			$ 48,988			$ 26,424		
Net yield on average interest-earning assets (net interest margin)			3.41%			3.42%			3.16%
Average interest-earning assets to average interest-bearing liabilities		109.19%			109.63%			105.66%	

(1) Calculated on a tax-equivalent basis assuming a 35% tax rate, including loans held for sale, and net of deferred loan fees, loan discounts, loans in process and the allowance for loan losses. Includes net loan fees of $447, $276, and $142 for 2005, 2004, and 2003, respectively.

(2) Calculated on a tax-equivalent basis assuming a 35% tax rate.

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The following schedule presents the dollar amount of changes in interest income and interest expense for major components of interest-earning assets and interest-bearing liabilities. It distinguishes between the increase related to higher outstanding balances and that due to the levels of interest rates. For each category of interest-earning assets and interest-bearing liabilities, information is provided on changes attributable to: (i) changes in volume (i.e., changes in volume multiplied by old rate) and (ii) changes in rate (i.e., changes in rate multiplied by old volume).

For purposes of this table, changes attributable to both rate and volume, which cannot be segregated, have been allocated proportionately to the change due to volume and the change due to rate.

	Year Ended December 31, 2005 vs. 2004			Year Ended December 31, 2004 vs. 2003		
	Increase (Decrease) Due to		Total Increase (Decrease)	Increase (Decrease) Due to		Total Increase (Decrease)
	Volume	Rate		Volume	Rate	
	(Dollars in thousands)					
Interest earning assets:						
Loans receivable	$ 30	$ 1,872	$ 1,902	$ 4,024	$ (2,595)	$ 1,429
Investment securities	631	185	816	1,425	(555)	870
Other interest-earning assets	(38)	117	79	(315)	124	(191)
Federal Home Loan Bank stock	39	(76)	(37)	33	(14)	19
Total interest-earning assets	$ 662	$ 2,098	$ 2,760	$ 5,167	$ (3,040)	$ 2,127
Interest bearing liabilities:						
Certificate accounts	$ (194)	$ 1,226	$ 1,032	$ 530	$ (1,627)	$ (1,097)
Savings deposits	23	61	84	118	(418)	(300)
Interest Bearing Deposits	9	532	541	87	(99)	(12)
Borrowings	678	79	757	83	(20)	63
Total interest-bearing liabilities	$ 516	$ 1,898	$ 2,414	$ 818	$ (2,164)	$ (1,346)
Net interest income			$ 346			$ 3,473

Comparison of Operating Results for 2005 to 2004

General. Net income was $4.1 million, or $1.73 per share (diluted), for the year ended December 31, 2005 compared to $4.6 million, or $1.85 per share (diluted), for the year ended December 31, 2004. The 11.7% decrease in net income occurred primarily due to an increase in noninterest expenses of $2.9 million, partially offset by increases in net interest income of $285,000, noninterest income of $1.2 million, as well as decreases in the provision for loan losses of $549,000 and income tax expense of $337,000. The results for 2005 included costs associated with a data processing conversion, expenses related to stock options, the opening of the new Fairview Heights branch, the acquisition and integration of Illinois Community Bank in Effingham and other merger and acquisition activity.

Net Interest Income. Tax equivalent net interest income was $19.4 million for the year ended December 31, 2005, an increase of $346,000, or 1.5%, compared to 2004. Tax equivalent net interest income increased primarily due to an increase in interest income of $2.8 million or 9.2%, partially offset by an increase in interest expense of $2.4 million or 22.7%. The increase in interest income resulted from an increase in the average balance of interest-earning assets of

$12.0 million as well as an increase of 37 basis points in the average rate of interest on interest earning assets. The increase in interest expense resulted primarily from an increase in the average rate of interest on interest-bearing liabilities of 41 basis points, as well as an increase in the average balance of interest-bearing liabilities of $13.1 million. During 2005 the FOMC increased interest rates by 200 basis points. This increase raised short-term interest rates as well as the prime rate which was the primary driving force in the increase in the rates for both the interest earning assets and the interest bearing liabilities.

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Interest Income. Tax equivalent interest income totaled $32.5 million for 2005, an increase of $2.8 million or 9.3%, as compared to $29.7 million for 2004. This resulted from a $12.0 million increase in average interest-earning assets from $557.7 million during 2004 to $569.7 million during 2005, as well as an increase in the yield earned on interest-earning assets from 5.33% during 2004 to 5.70% during 2005.

Tax equivalent interest on loans was $26.9 million for 2005, an increase of $1.9 million, or 7.6%, as compared to 2004. This was primarily attributable to an increase in the yield on loans from 5.76% during 2004 to 6.18% during 2005, as well as an increase of $961,000 in average outstanding loans. The increase in yields on loans resulted from an increase in overall interest rates, including the prime rate which resulted in loans repricing to higher interest rates during 2005.

Tax equivalent interest earned on investment securities and other interest-earning assets and dividends on Federal Home Loan Bank of Chicago (FHLB) stock totaled $5.6 million for 2005, compared to $4.8 million for 2004. This represented an increase of 18.0% during 2005. The increase was primarily due to a rise in average yield on these assets from 3.83% in 2004 to 4.15% in 2005, as well as an increase in the average balance of these assets from $124.3 million in 2004 to $135.4 million in 2005. The overall increase in average yields was primarily due to variable rate securities repricing due to increases in overall interest rates.

Interest Expense. Interest expense was $13.1 million for 2005, $2.4 million or 22.7% more than in 2004. This was due to an increase in average rates to 2.50% for 2005 from 2.09% for 2004, as well as an increase of $13.1 million in the average balance of interest-bearing liabilities to $521.8 million for 2005 compared to $508.7 million for 2004.

During 2005, average interest bearing deposits decreased by $2.8 million, to $442.0 million for 2005, compared to $444.8 million for 2004. The rate paid on interest bearing deposits increased 38 basis points to 2.14% from 1.76%. The increase in the average cost of deposits was due to the higher interest rate environment, partially offset by a continued focus by Centrue Financial to shift to lower yielding deposits. Certificate of deposit accounts decreased $7.6 million from 2004 to 2005 and the ratio of certificate of deposit accounts to total interest bearing deposits decreased from 58.8% in 2004 to 57.4% in 2005. The decrease in average balances was primarily due to the focus by Centrue Financial to reduce higher yielding deposits, partially offset by balances acquired in the Illinois Community acquisition that occurred in April of 2005.

Interest expense on borrowings was $3.6 million for 2005, $757,000 or 26.6% more than in 2004. The increase in interest expense on borrowings was primarily due to an increase in average balances of $15.8 million from $64.0 million in 2004 to $79.8 million in 2005, as well as an increase in the average rate of 7 basis points from 4.44% in 2004 to 4.51% in 2005. The increase in the average balance was primarily due to an increase in the average balance of customer repurchase agreements of $9.8 million.

Provision for Loan Losses. Centrue Financial recorded a $651,000 provision for loan losses during 2005 compared to a $1.2 million provision during 2004. Charge-offs during 2005 decreased to $2.7 million from $3.6 million during 2004. Recoveries during 2005 increased to $822,000 from $295,000 in 2004. The ratio of net charge-offs to average outstanding loans dropped to 0.44% in 2005 from 0.77% in 2004. The decrease in the provision for loan losses was primarily due to a decrease in nonperforming loans as well as lower net charge-offs. The new management team has worked diligently over the past two years to reduce the level of nonperforming loans. This effort has resulted in the reduction of net charge offs and nonperforming loans in 2005. Management has implemented a new asset quality program in an effort to ensure that Centrue Financial is adequately reserved for loan losses. In line with the improvements garnered as a result of the asset quality program, it was determined that Centrue Financial could lower the provision for loan losses for 2005.

The allowance for loan losses is maintained at a level believed adequate by management to absorb probable losses in the loan portfolio. Management s methodology to determine the adequacy of the allowance for loan losses considers specific credit reviews, past loan loss experience, current economic conditions and trends, and the volume, growth and composition of the loan portfolio. Based upon Centrue Financial s quarterly analysis of the adequacy of the allowance for loan losses, considering remaining collateral of loans with more than a normal degree of risk, historical loan loss percentages and economic conditions, it is management s belief that the $4.5 million allowance for loan losses at December 31, 2005 was adequate.

However, there can be no assurance that the allowance for loan losses will be adequate to cover all future losses.

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

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

The following is a summary of certain asset quality information at December 31, 2005 and 2004:

	December 31,	
	2005	**2004**
	(Dollars in thousands)	
Total loans	$ 441,327	$ 424,854
Total assets	641,523	611,983
Allowance for loan losses	4,486	5,475
Net loan charge-offs	1,895	3,352
Nonperforming loans	3,823	6,991
Nonperforming assets	5,532	10,035
Net loan charge-offs as a percentage of average loans	0.44%	0.77%
Nonperforming assets to total assets	0.86%	1.64%
Allowance for loan losses to gross loans	1.02%	1.29%
Allowance for loan losses to nonperforming loans	117.34%	78.31%

The Company will continue to report and monitor the adequacy of the allowance for loan losses based on management s analysis of its loan portfolio and general economic conditions.

Noninterest Income. Noninterest income increased $1.2 million for 2005 to $7.2 million, compared to $6.0 million for 2004. The 20.3% increase in noninterest income was the result of an increase of $1.5 million in fee income, offset by decreases of $283,000 in gain on sales of loans and a $127,000 decrease in gain on sale of real estate held for sale. The increase in fee income during 2005 was the result of the implementation of a new overdraft protection program that began in June of 2004. The decrease in the gain on sale of loans was primarily due to a lower volume of loan originations during 2005, including loans that the Company sold during 2004 in order to reduce interest rate risk in the mortgage loan portfolio. Additionally, the 2004 results included a gain on the sale of the credit card portfolio of $127,000. The gain on sale of loans for 2005 was primarily generated from new mortgage loan originations.

Noninterest Expenses. Noninterest expenses were $20.0 million for 2005, as compared to $17.1 million for 2004. This represented an increase of $2.9 million or 17.1%. The increase in noninterest expenses primarily resulted from increases in compensation and benefits of $1.9 million, occupancy expenses of $203,000, furniture and equipment of $381,000, legal and professional fees of $184,000 and other expenses of $268,000.

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The acquisition of Illinois Community contributed increases of $411,000 in compensation and benefits, $93,000 in occupancy expense, $73,000 in furniture and equipment expense and $231,000 in other expense. The remaining $1.5 million increase in compensation and benefits was primarily due to the addition of key personnel, the addition of personnel upon the opening of the Fairview Heights location, as well as merit increases from 2004 to 2005. The remaining $110,000 increase in occupancy expense was primarily due to the opening of the Fairview Heights, Illinois office. The remaining $308,000 increase in furniture and equipment was primarily due to the write-down of $420,000 of fixed assets and prepaid expenses related to the Company s former data processing system which became obsolete after the conversion to Jack Henry and Associates Silverlake system in June of 2005, partially offset by reduced furniture and equipment expenses for the remaining portion of the year. Legal and professional fees increased primarily due to the Company s merger and acquisition activity.

Income Taxes. Income tax expense was $1.5 million for 2005, as compared to $1.8 million for 2004. The Company s effective tax rate was 26.7% for 2005 and 28.3% for 2004. These decreases were the result of the decrease in pre-tax income, as well as an increase in non-taxable income resulting from an increase in municipal investment income. A summary of the significant tax components is provided in Note 12 of the Notes to Consolidated Financial Statements included with the historical financial statements of Centrue Financial beginning on page F-46.

Comparison of Operating Results for 2004 to 2003

General. Net income was $4.6 million, or $1.85 per share (diluted), for 2004 compared to $1.0 million, or $0.49 per share (diluted), for 2003. The 346.9% increase in net income occurred primarily due to an increase in net interest income of $3.3 million, a decrease of $2.9 million in provision for loan losses, and an increase in noninterest income of $301,000 offset by an increase in noninterest expenses of $1.2 million, as well as an increase in income taxes of $1.7 million.

Net Interest Income. Net interest income was $18.7 million for 2004, an increase of $3.3 million, or 21.1%, during 2004 compared to 2003. Net interest income increased primarily due to an increase in interest income of $1.9 million or 7.0% as well as a decrease in interest expense of $1.3 million or 11.2%. The increase in interest income resulted from an increase in the average balance of interest-earning assets of $64.1 million, partially offset by a decrease of 26 basis points in the average rate of interest on interest earning assets. The decrease in interest expense resulted primarily from the decrease in the average rate of interest on interest-bearing liabilities of 48 basis points, which was partially offset by an increase in the average balance of interest-bearing liabilities of $41.5 million. During 2004, the interest rate environment shifted higher beginning at the end of the second quarter of the year and continued higher throughout the end of 2004. This increase raised short-term interest rates as well as the prime rate and had a positive effect on net interest income during the second half of 2004.

Interest Income. Tax equivalent interest income totaled $29.7 million for 2004, an increase of $2.1 million or 7.7%, as compared to $27.6 million for 2003. This resulted from a $64.1 million increase in average interest-earning assets from $493.6 million during 2003 to $557.7 million during 2004, partially offset by a decrease in the yield earned on interest-earning assets from 5.59% during 2003 to 5.33% during 2004.

Tax equivalent interest on loans was $25.0 million for 2004, an increase of $1.5 million, or 6.1%, as compared to 2003. This was primarily attributable to an increase of $67.1 million in average outstanding loans as well as a decrease in the yield on loans from 6.42% during 2003 to 5.76% during 2004. The decrease in yields on loans resulted from loans repricing to lower interest rates during 2003 and early 2004.

Tax equivalent interest earned on investment securities and other interest-earning assets and dividends on FHLB stock totaled $4.8 million for 2004, compared to $4.1 million for 2003. This represented an increase of 17.2% during 2004. This was primarily due to an increase in average yield on these assets from 3.19% in 2003 to 3.83% in 2004, which was partially offset by a decrease in the average balance of these assets from $127.3 million in 2003 to $124.3 million in 2004. The overall increase in average yields was primarily due to Centrue Financial shifting lower yielding federal funds sold to higher yielding investment securities.

Interest Expense. Interest expense was $10.7 million for 2004, $1.3 million or 11.2% less than in 2003. This was due to a decrease in average rates to 2.09% for 2004 from 2.57% for 2003, which was partially offset by an increase of $41.5 million in the average balance of interest-bearing liabilities to $508.7 million for 2004 compared to $467.2 million for 2003.

During 2004, average interest bearing deposits increased by $39.7 million, to $444.8 million for 2004, compared to $405.1 million for 2003. The rate paid on interest bearing deposits decreased 52 basis points to 1.76% from 2.28%. The decrease in the average cost of deposits was due to the lower interest rate environment as well as a continued focus by Centrue Financial to shift to lower yielding deposits. The increase in average balances was primarily due to the Aviston Financial merger that occurred in October of 2003 and the Parish acquisition that occurred in March of 2004.

During both 2004 and 2003, $2.8 million of Centrue Financial s interest expense related to borrowings. While interest expense on borrowed funds remained constant, the average balance of borrowed funds increased$1.9 million from $62.1 million in 2003 to $64.0 million in 2004. The increase in the average balance was partially offset by a decrease of four basis points in the average interest rate on borrowed funds to 4.44% in 2004 from 4.48% in 2003.

Provision for Loan Losses. Centrue Financial recorded a $1.2 million provision for loan losses during 2004 compared to a $4.1 million provision during 2003. Charge-offs during 2004 decreased to $3.6 million from $6.2 million during 2003. Recoveries during 2004 decreased to $295,000 from $632,000 in 2003. The ratio of net charge-offs to average outstanding loans was 0.77% in 2004 and 1.53% in 2003. The decrease in the provision for loan losses was primarily due to the higher amount of net charge-offs taken during 2003 compared to 2004. The majority of the charge-offs taken in 2004 had previously been reserved for during 2003 and prior years.

Noninterest Income. Noninterest income increased $301,000 for 2004 to $6.0 million, compared to $5.7 million for 2003. The 5.3% increase in noninterest income was the result of an increase of $1.5 million in fee income, offset by decreases of $385,000 in gain on sales of loans, $478,000 in gain on sale of branch, and a $247,000 decrease in other income. The increase in fee income during 2004 was the result of an overall restructuring of fees to be more competitive with other local banks as well as the implementation of a new overdraft protection program that began in June of 2004. The decrease in the gain on sale of loans was primarily due to the large amount of mortgage refinancing that took place in 2003 as a result of the low interest rate environment. The gain on sale of loans for 2004 was primarily generated from new mortgage loan originations. The gain on sale of branch in 2003 was due to Centrue Financial selling a branch in Hoopeston, Illinois. The decrease in other income was due to several immaterial changes.

Noninterest Expenses. Noninterest expenses were $17.1 million for 2004, as compared to $15.9 million for 2003. This represented an increase of $1.2 million or 7.4%. The increase in noninterest expenses primarily resulted from increases in compensation and benefits of $645,000, furniture and equipment of $425,000, and other expenses of $201,000. These increases were partially offset by a decrease in legal and professional fees of $224,000. The increases in compensation and benefits, furniture and equipment, and other expenses were primarily due to additional personnel and locations resulting from the Aviston Financial merger which occurred in October 2003. Legal and professional fees decreased due to legal costs incurred in 2003 relating to Centrue Financial s name change and fees relating to merger and acquisition activity which were not allowed to be capitalized.

Income Taxes. Income tax expense was $1.8 million for 2004, as compared to $106,000 for 2003. Centrue Financial s effective tax rate was 28.3% for 2004 and 9.3% for 2003. These increases were the result of the increase in pre-tax income, partially offset by an increase in non-taxable income resulting from an increase in municipal investment income as well as the reduction in the valuation allowance for deferred taxes. The valuation allowance for deferred taxes was reduced due to the Companies belief that net operating losses for state income taxes will be realized prior to their expiration date.

Financial Condition. Total assets increased by $29.6 million or 4.8% to $641.5 million at December 31, 2005, from $611.9 million at December 31, 2004. The increase in total assets was due primarily to the

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acquisition of Illinois Community Bank with specific increases in cash and cash equivalents of $5.0 million, net loans of $9.6 million, loans held for sale of $8.0 million, office properties and equipment of $4.3 million and, goodwill of $2.0 million, offset by a decrease in real estate held for sale of $1.3 million.

Lending Activities

General. The principal lending activity of Centrue Financial is to offer financial services to our commercial, consumer and residential customers located in our primary market areas. These financial services include 1-4 family residential, multi-family, commercial business, commercial real estate, consumer loans and all types of construction loans. In addition, to increase overall profitability and to diversify our portfolio, we continue to focus our loan growth rate on commercial and commercial real estate lending which will move us to be more in line with our commercial banking peers. From time to time, Centrue Financial has also utilized loan purchases to supplement loan originations.

Net loans increased by $9.5 million or 2.3% to $428.5 million at December 31, 2005 from $419.0 million at December 31, 2004. Loans held for sale increased to $8.4 million at December 31, 2005 from $416,000 at December 31, 2004. The increase in net loans and loans held for sale was primarily attributable to the acquisition of Illinois Community as well as new loan originations, partially offset by paydowns on previously existing loans. During the last few years, Centrue Financial has re-focused its loan efforts on the commercial portfolio and as a result experienced a high volume of commercial related loan originations. Centrue Financial expects to continue to focus on increasing the commercial and commercial real estate loan portfolio during 2006.

Loan Composition. The following table provides information concerning the composition of Centrue Financial s loan portfolio in dollar amounts and in percentages (before deductions for deferred fees and discounts and allowances for loan losses) as of the dates indicated. Loans held for sale are included in one-to-four family real estate loans.

	December 31,									
	2005		2004		2003		2002		2001	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
	(Dollars in thousands)									
Real Estate Loans:										
One-to-four family	$ 170,803	38.68%	$ 175,640	41.32%	$ 212,578	48.97%	$ 228,623	58.39%	$ 247,435	62.20%
Multi-family	8,274	1.88	15,655	3.68	16,461	3.79	13,672	3.49	11,983	3.01
Commercial	131,365	29.75	101,516	23.88	77,142	17.77	56,589	14.45	48,543	12.20
Construction and Development	34,274	7.76	28,731	6.76	26,173	6.03	20,243	5.17	19,884	5.00
Total real estate loans	344,716	78.07	321,542	75.64	332,354	76.56	319,127	81.50	327,845	82.41
Commercial loans	57,864	13.10	61,090	14.37	58,235	13.42	33,301	8.51	31,255	7.86

Consumer Loans:										
Home equity	30,138	6.83	28,188	6.63	24,305	5.60	22,560	5.76	18,407	4.63
All other consumer	8,853	2.00	14,303	3.36	19,185	4.42	16,558	4.23	20,288	5.10
Total consumer loans	38,991	8.83	42,491	9.99	43,490	10.02	39,118	9.99	38,695	9.73
Total loans	441,571	100.00%	425,123	100.00%	434,079	100.00%	391,546	100.00%	397,795	100.00%
Less:										
Deferred fees and discounts	244		269		565		505		470	
Allowance for loan losses	4,486		5,475		7,471		6,524		2,582	
Total loans, net	$ 436,841		$ 419,379		$ 426,043		$ 384,517		$ 394,743	

As of December 31, 2005, the total amount of loans due after December 31, 2005 which had predetermined interest rates was $271.6 million, while the total amount of loans due after such date which had floating or adjustable interest rates was $170.0 million.

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As a state chartered commercial bank, the amount of loans Centrue Bank is permitted to make to any one borrower is generally limited to 25% of Centrue Bank s unimpaired capital and surplus. At December 31, 2005, Centrue Bank s regulatory loan-to-one borrower limit was $12.1 million. Additionally, as part of Centrue Bank s loan policy and strategic plan Centrue Bank sets guidelines on the percentage of each type of loan for the loan s portfolio. The concentrations of loans by type are regularly reviewed by the chief credit officer and by the loan committee. As of December 31, 2005, Centrue Bank did not have any concentrations in loan types that are not already disclosed.

Investment Activities

Investment securities available-for-sale increased $427,000 to $125.2 million at December 31, 2005 compared to $124.8 million at December 31, 2004.

The composition and maturities of the investment securities portfolio at December 31, 2005, are indicated in the following table, at amortized cost which excludes unrealized gains (losses) on securities available for sale.

	At December 31, 2005									
	Less Than 1 Year Amount	**Yield**	**1 to 5 Years Amount**	**Yield**	**5 to 10 Years Amount**	**Yield**	**Over 10 Years Amount**	**Yield**	**Total Amount**	**Yield**
	(Dollars in thousands)									
Securities available for sale										
U.S. Treasury and government agency securities	$ 2,563	4.17%	$ 75,362	4.17%	$	%	$	%	$ 77,925	4.17%
Municipal bonds	1,015	3.63	6,079	3.30	16,399	3.17			23,493	3.18
Corporate bonds			2,060	4.26					2,060	4.26
Mortgage backed securities	63	8.00	3,147	4.21	1,349	4.96	14,653	5.42	19,212	5.15
Mutual funds and equity securities	779	4.62							779	4.62
Other securities							4,250	5.34	4,250	5.34
Total	$ 4,420	3.77%	$ 86,648	4.11%	$ 17,748	3.17%	$ 18,903	5.19%	$ 127,719	4.18%

Office properties and equipment increased $4.3 million to $22.6 million at December 31, 2005 compared to $18.3 million at December 31, 2004. The increase was primarily attributable to the acquisition of Illinois Community as well as the completion of construction of a new branch office in Fairview Heights, Illinois, and various equipment upgrades.

Goodwill increased $2.0 million to $14.4 million at December 31, 2005 compared to $12.4 million at December 31, 2004. The increase in goodwill was a result of the purchase of Illinois Community and represented the full amount of goodwill created in the transaction. Accounting for goodwill and the measurement of impairment is discussed in more detail in Note 1 of the Notes to Consolidated Financial Statements included beginning on page F-46.

Real estate held for sale decreased $1.3 million to $1.7 million at December 31, 2005 compared to $3.0 million at December 31, 2004. The decrease in real estate held for sale was primarily attributable to the sale of a portion of Centrue Financial s largest real estate owned property. Additionally, the amount of loans transferred to real estate held for sale decreased from $3.3 million in 2004 to $1.2 million in 2005.

Deposits

Deposits increased by $12.1 million or 2.4% to $507.9 million at December 31, 2005, from $495.8 million at December 31, 2004. During 2004, Centrue Financial also began a sweep repurchase program which totaled $8.6 million at the end of 2004 and increased to $16.3 million at the end of 2005. While not considered deposits, the sweep repurchase program allows business customers to sweep their funds to interest bearing accounts while maintaining collateralized balances. The balances for the sweep repurchase program are included in short-term borrowings. During 2004 and 2005, Centrue Financial attempted to reduce higher rate interest-bearing liabilities in the face of intense competition in the various markets in which Centrue Financial operates and was able to increase checking and sweep accounts and decrease certificate of deposit accounts. In 2006, Centrue Financial will continue to look for ways to reduce its overall cost of funds, including pursuing lower rate deposits.

The following table sets forth the composition of deposits and the percentage of each category to total deposits for the periods presented.

	December 31, 2005		December 31, 2004	
	Amount	**Percent**	**Amount**	**Percent**
	(Dollars in thousands)			
Noninterest bearing demand deposits	$ 67,982	13.38%	$ 53,919	10.88%
Interest bearing demand deposits	41,081	8.09	48,495	9.78
Savings and money market deposits	143,922	28.34	134,876	27.20
Time deposits $100,000 or more	73,017	14.37	61,274	12.36
Time deposits less than $100,000	181,914	35.82	197,213	39.78
Total deposits	$ 507,916	100.00%	$ 495,777	100.00%

Borrowings

Centrue Financial utilizes borrowings primarily for three purposes. The first is to leverage Centrue Financial s capital in order to generate additional net interest income. The second is the management of short term cash requirements. The third is to assist in funding acquisitions of other financial institutions. The decision to borrow money to leverage capital is based on several factors, including the current asset/liability mix, the regulatory capital position of Centrue Bank and the adequacy of available interest rate spreads subject to the limits established by Centrue Financial. Borrowings for leveraging purposes are derived from securities sold under agreements to repurchase and advances from the FHLB. Borrowings related to short term cash management are in the form of advances from the FHLB, customer repurchase agreements, and as required, federal funds purchased. As a member of the FHLB, Centrue Bank is authorized to apply for advances from the FHLB. Each FHLB credit program has its own interest rate, which may be fixed or variable, and range of maturities. The FHLB may prescribe the acceptable uses for these advances, as well as limitations on the size of the advances and repayment provisions. Borrowings related to funding acquisitions are in the form of notes payable from other financial institutions. Generally, these borrowings are short-term in nature.

Short-term borrowings increased $12.8 million from $14.2 million in 2004 to $27.0 million in 2005. Short-term borrowings consist of overnight advances from the FHLB, customer sweep repurchase agreements, and federal funds purchased. The increase was due to an increase of $7.8 million of customer repurchase agreements and an increase in short-term FHLB borrowings of $10.7 million, partially offset by a $3.5 million decrease of federal funds purchased.

Long-term borrowings increased $3.2 million from $55.5 million in 2004 to $58.7 million in 2005. Long-term borrowings consist of advances from the FHLB, notes payable, funds from securities sold under agreements to repurchase and junior subordinated debt owed to unconsolidated trusts (trust preferred securities). The increase in long-term borrowings was primarily due to an increase in borrowings from the FHLB of $12.6 million, partially offset by securities sold under agreements to repurchase which decreased $9.2 million.

Stockholders equity on a per share basis increased by 4.7% from $18.19 at December 31, 2004, to $19.05 at December 31, 2005. Total stockholders equity decreased by $203,000 or 0.5% to $43.1 million at December 31, 2005. The decrease in stockholders equity was due mainly to common stock repurchases and a decrease in unrealized gains on available-for-sale securities. During 2005, Centrue Financial repurchased 178,865 shares of common stock at a total cost of approximately $4.8 million.

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Asset Quality

Centrue Financial s asset quality management program, particularly with regard to loans, is designed to analyze potential risk elements and to support the growth of a profitable and high quality loan portfolio. The existing loan portfolio is monitored in a number of ways, including through Centrue Financial s loan rating system. The loan rating system is also used to determine the adequacy of the allowance for loan losses. Centrue Financial s loan analysis process proactively identifies, monitors and works with borrowers for whom there are indications of future repayment difficulties.

Centrue Financial s lending philosophy is to invest in loans in the communities served by its banking offices so it can effectively monitor and control risk. The majority of the loan portfolio is comprised of retail loans and loans to small-to-midsize businesses. The loan portfolio does not include any loans to foreign countries.

Non-performing assets include foreclosed assets, loans that have been placed on non-accrual status, loans 90 days or more past due that continue to accrue interest and restructured troubled debt. During the year ended December 31, 2005, total non-performing assets decreased by $4.4 million, or 44.5%, to $5.6 million from $10.0 million at December 31, 2004. The decrease in nonperforming assets was mainly attributable to significant efforts over the past two years which resulted in the final resolution of several long-standing nonperforming loans.

The following table represents the amount of loans that were on non-accrual, past due 90 days and still accruing and forgone interest for each of the last five fiscal years.

	December 31,				
	2005	**2004**	**2003**	**2002**	**2001**
	(Dollars in thousands)				
Non-accrual loans	$ 3,823	$ 6,769	$ 3,248	$ 6,834	$ 730
Loans past due 90 days and still accruing		222	2,232	3,439	391
Real estate held for sale	1,709	3,002	319	316	469
Troubled debt restructurings	35	42	281	480	611
Total nonperforming	$ 5,567	$ 10,035	$ 6,080	$ 11,069	$ 2,201
Interest income recognized on non-accrual loans and troubled debt restructurings			$ 199	$ 70	
Foregone interest on non-accrual loans	$ 341	$ 520	$ 525	$ 387	$ 33

Centrue Financial recognized large loan loss provisions of approximately 1% of total loans in both 2003 and 2002 on a group of commercial real estate and real estate development loans that were made in previous years. During 2003, Centrue Financial adopted a new loan policy and implemented new loan approval, documentation and monitoring processes. Centrue Financial also recruited and employed an experienced commercial lending team including three new regional presidents, each of whom is an experienced commercial lender, as well as three other seasoned commercial lenders. In 2004, Centrue Financial recruited a Chief Credit Officer to strengthen our monitoring of credit quality and the overall loan portfolio. His duties include responsibility for all credit administration activities and to oversee an independent review of new and existing loans in the portfolio. Centrue Financial management performs a quarterly analysis of the adequacy of the allowance for loan losses. Management classifies problem loans into one of four categories: Special Mention, Substandard, Doubtful, and Loss. During the year ended December 31, 2005, total adversely classified loans decreased by $8.8 million to $10.6 million from $19.4 million at December 31, 2004. This decrease was due in part to Centrue Financial s implementation of an ongoing comprehensive loan review, as well as the adoption and implementation of a new comprehensive loan policy that has identified problem loans in a more timely manner. The new program was designed to assist management in focusing collection efforts in problem areas and is expected to continue to result in lower charge-offs. Classified loans began decreasing in 2004 and decreased dramatically during 2005. Centrue Financial will continue to work to reduce the volume of classified loans in 2006.

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Certain loans may require frequent management attention and are reviewed on a monthly or more frequent basis. Although payments on these loans may be current or less than 90 days past due, the borrowers presently have or have had a history of financial difficulties and management has a concern as to the borrowers ability to comply with the present loan payment terms. Management believes such loans present more than the normal risk of collectibility. As such, these loans may result in classification at some future point in time as nonperforming. At December 31, 2005, such loans amounted to approximately $9.7 million, as compared to $12.4 million at December 31, 2004.

Analysis of Allowance for Loan Losses. The following table sets forth an analysis of Centrue Financial s allowance for loan losses.

	Year Ended December 31,				
	2005	**2004**	**2003**	**2002**	**2001**
	(Dollars in thousands)				
Balance at beginning of period	$ 5,475	$ 7,471	$ 6,524	$ 2,582	$ 2,156
Charge-offs:					
One-to-four family	158			2	
Commercial real estate	143	1,333	1,134		28
Consumer	1,028	235	144	79	61
Commercial business	1,388	2,079	4,964		14
	2,717	3,647	6,242	81	103
Recoveries:					
One-to-four family	8	14			
Commercial real estate	451	110	583		1
Consumer	97	16	46	22	24
Commercial business	266	155	3	11	1
	822	295	632	33	26
Net charge-offs	(1,895)	(3,352)	(5,610)	(48)	(77)
Additions charged to operations	651	1,200	4,122	3,990	503
Additions through acquisitions	255	156	2,435		
Balance at end of period	$ 4,486	$ 5,475	$ 7,471	$ 6,524	$ 2,582
Ratio of net charge-offs during the period to average loans outstanding during the period	0.44%	0.77%	1.53%	0.01%	0.02%
Ratio of net charge-offs during the period to average non-performing assets	41.52%	31.63%	110.06%	0.75%	3.07%

The balance in the allowance for loan losses and the related amount charged to operations is based upon periodic evaluations of the loan portfolio by management. These evaluations consider several factors including, but not limited to, general economic conditions, loan portfolio composition, prior loan loss experience, and management s estimate of future potential losses.

Beginning in 2003, Centrue Financial undertook a comprehensive review of its loan procedures and implemented a new comprehensive loan policy. This process indicated the need for additional allocations of commercial related loans during 2004. During 2005, Centrue Financial again reviewed how it specifically allocated the allowance and made adjustments based upon its review of specific loans. The allowance for loan losses is a material estimate that is particularly susceptible to significant changes in the near term and is established through a provision for loan losses. The allowance is based upon past loan experience and other factors which, in management s judgment, deserve current recognition in estimating loan losses. The evaluation includes a review of all loans on which full collectibility may not be reasonably assured. Other

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factors considered by management include the size and character of the loan portfolio, concentrations of loans to specific borrowers or industries, existing economic conditions and historical losses on each portfolio category. In connection with the determination of the allowance for loan losses, management obtains independent appraisals for significant properties, which collateralize loans. Management establishes historical loss percentages and evaluates problem loans and adjusts allocations as necessary. Management believes it uses the best information available to make such determinations. If circumstances differ substantially from the assumptions used in making determinations, future adjustments to the allowance for loan losses may be necessary and results of operations could be affected. While Centrue Financial believes it has established its existing allowance for loan loses in conformity with accounting principles generally accepted in the United States of America, there can be no assurance that regulators, in reviewing Centrue Bank s loan portfolio, will not request an increase in the allowance for loan losses. Because future events affecting borrowers and collateral cannot be predicted with certainty, there can be no assurance that increases to the allowance will not be necessary if loan quality deteriorates. The following table represents the allocation of the allowance for loan losses by loan category.

	December 31,									
	2005		2004		2003		2002		2001	
	Amount	Percent of Each Category to Total Loans	Amount	Percent of Each Category to Total Loans	Amount	Percent of Each Category to Total Loans	Amount	Percent of Each Category to Total Loans	Amount	Percent of Each Category to Total Loans
	(Dollars in thousands)									
One-to-four family	$ 711	38.68%	$ 581	41.32%	$ 1,012	48.97%	$ 224	58.39%	$ 157	62.20%
Multi-family	220	1.88	76	3.68	197	3.79	7	3.49	6	3.01
Commercial real estate	1,139	29.75	1,877	23.88	2,455	17.77	3,212	14.45	933	12.20
Construction and development	728	7.76	284	6.76	1,673	6.03	1,403	5.17	532	5.00
Commercial	1,269	13.10	2,194	14.37	1,454	13.42	1,434	8.51	729	7.86
Consumer	310	8.83	348	9.99	336	10.02	244	9.99	225	9.73
Unallocated	109		114		344					
Total	$ 4,486	100.00%	$ 5,474	100.00%	$ 7,471	100.00%	$ 6,524	100.00%	$ 2,582	100.00%

Asset/ Liability Management

In an attempt to manage its exposure to changes in interest rates, management closely monitors Centrue Financial s interest rate risk. Centrue Bank has a funds management committee that consists of the Chief Executive Officer, Chief Operating Officer, a Regional President, the Corporate Controller and Centrue Bank Controller. The committee meets monthly and reviews Centrue Bank s interest rate risk position and evaluates its current asset/liability pricing and strategies. The committee adjusts pricing and strategies as needed and makes recommendations to Centrue Bank s board of directors regarding significant changes in strategy. In addition, on a quarterly basis, the board reviews the

Bank s asset/liability position, including simulations of the effect on the Bank s capital of various interest rate scenarios.

Centrue Financial s exposure to market risk is reviewed on a regular basis by the funds management committee. Interest rate risk is the potential of economic losses due to future interest rate changes. These economic losses can be reflected as a loss of future net interest income and/or a loss of current fair market values. The Funds Management Committee generally uses three types of analysis in measuring and reviewing Centrue Financial s interest rate sensitivity. These are Static GAP analysis, Dynamic Gap Analysis and Economic Value of Equity (EVE).

The Static GAP analysis consists of examining the matching of assets and liabilities and the extent to which such assets and liabilities are interest rate sensitive and by monitoring an institution s interest rate sensitivity gap. An asset or liability is said to be interest rate sensitive within a specific time period if it will mature or reprice within that time period. The interest rate sensitivity gap is defined as the difference between

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the amount of interest-earning assets anticipated, based upon certain assumptions, to mature or reprice within a specific time period and the amount of interest-bearing liabilities anticipated, based upon certain assumptions, to mature or reprice within that same time period. A gap is considered positive when the amount of interest rate sensitive assets exceeds the amount of interest rate sensitive liabilities. A gap is considered negative when the amount of interest rate sensitive liabilities exceeds the amount of interest rate sensitive liabilities. During a period of rising interest rates, a positive gap would tend to result in an increase in net interest income while a negative gap would tend to adversely affect net interest income. During a period of falling interest rates, a positive gap would tend to adversely affect net interest income while a negative gap would tend to result in an increase in net interest income.

The following condensed GAP report summarizing Centrue Financial s interest rate sensitivity sets forth the interest rate sensitivity of Centrue Bank s assets and liabilities at December 31, 2005. Except as stated below, the amounts of assets and liabilities shown which reprice or mature during a particular period are determined in accordance with the earlier of the term to repricing or maturity of the asset or liability. Based on Centrue Financial s historical trends, interest bearing demand deposits, money market deposits, and savings deposits have been proven to be a very stable source of funds, even through interest rate fluctuations. Accordingly, Centrue Financial management believes these deposits are not 100% rate sensitive within the three months or less time frame. As a result, interest bearing demand and savings deposits have been allocated between the five repricing categories as follows: three months or less 20%, after three through twelve months 20%, after one through three years 20%, after three through five years 20%, and after five years 20%. Money market deposits have been allocated between the categories as follows: after three through twelve months 50% and after one through three years 50%. Certificate accounts are assumed to reprice at the date of contractual maturity.

	Maturing or Repricing					
	1-3 Months	4 Months to One Year	Over 1-3 Years	Over 3-5 Years	Over 5 Years	Total
	Amount	Amount	Amount	Amount	Amount	Amount
Fixed rate one-to-four family (including commercial real estate and construction loans)	$ 7,911	$ 9,750	$ 29,055	$ 39,915	$ 122,192	$ 208,823
Adjustable rate one-to-four family (including commercial real estate and construction loans)	34,020	24,074	28,756	8,893	5,876	101,619
Construction & Development	28,269	1,079	1,107	1,590	2,229	34,274
Commercial business loans	20,194	8,898	12,135	8,801	7,836	57,864
Consumer loans	24,510	2,080	4,557	7,268	576	38,991
Investment securities and other	14,427	3,829	37,218	44,703	25,013	125,190
Federal Funds Sold, interest bearing due from banks, money market funds, and certificates of deposit	4,692	50				4,742
Total interest-earning assets	134,023	49,760	112,828	111,170	163,722	571,503

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	Maturing or Repricing					
	1-3 Months	4 Months to One Year	Over 1-3 Years	Over 3-5 Years	Over 5 Years	Total
	Amount	Amount	Amount	Amount	Amount	Amount
Savings deposits	17,627	17,627	17,627	17,627	17,626	88,134
Now and money market	8,216	36,110	36,110	8,216	8,217	96,869
Certificates under $100,000	39,485	69,290	64,180	8,959		181,914
Certificates of $100,000 or more	34,533	24,834	11,779	1,871		73,017
Borrowings	47,314	17,000	7,500		3,223	75,037
Total interest-bearing liabilities	147,175	164,861	137,196	36,673	29,066	514,971
Interest-earning assets less interest-bearing liabilities	$ (13,152)	$ (115,101)	$ (24,368)	$ 74,497	$ 134,656	$ 56,532
Cumulative interest-rate sensitivity gap	$ (13,152)	$ (128,253)	$ (152,621)	$ (78,124)	$ 56,532	
Cumulative interest-rate gap as a percentage of assets	(2.05)%	(20.00)%	(23.80)%	(12.18)%	8.81%	

Certain shortcomings are inherent in the method of analysis presented in the foregoing table. For example, although certain assets and liabilities may have similar maturities or periods to repricing, they may react in different degrees to changes in market interest rates. Also, the interest rates on certain types of assets and liabilities may fluctuate in advance of changes in market interest rates, while interest rates on other types may lag behind changes in market rates. Additionally, certain assets, such as ARMs, have features which restrict changes in interest rates on a short-term basis and over the life of the asset. Further, in the event of a change in interest rates, prepayment and early withdrawal levels could deviate significantly from those assumed in calculating the table. Finally, the ability of many borrowers to service their adjustable-rate debt may decrease in the event of an interest rate increase.

The dynamic interest rate risk analysis calculates risk to net interest income under three different scenarios, including flat, upward and downward rate shifts. The analysis assumes that rates change over a 12 month time frame. The analysis calculates net interest spread, net interest margin, loan to deposit, cost of funds, ratio of earning assets and capital. The model assumes that as principal runs off, principal is reinvested into the same category. Other assumptions which are varied include: loan rates, investment yields and growth rates. This is accomplished using a simulation model. Modeling techniques encompass contractual maturity, prepayment assumptions covering interest rate increases and decreases and index-driven repricing characteristics. The model projects changes in net interest income over a one-year period should interest rates rise, fall or remain constant. These effects are analyzed assuming interest rate increases or decreases of 100, 200 and 300 basis points. The model also incorporates key assumptions involving Centrue Financial s ability to control and direct deposit rates, particularly on non-maturity categories. As of December 31, 2005, the simulation model indicated that over a twelve month horizon if interest rates were to increase 100 basis points, net income would increase $303,000. If interest rates were to decrease 100 basis points, net income would decrease $220,000.

The economic value of equity calculation uses information about Centrue Financial s assets, liabilities and off-balance sheet items, market interest rate levels and assumptions about the behavior of the assets and liabilities, to calculate Centrue Financial s equity value. The economic value of equity is the market value of assets minus the market value of liabilities, adjusted for off-balance sheet items divided by the market value of assets. The economic value of equity is then subjected to immediate and permanent upward changes of 300 basis points in market interest rate levels, in 100 basis point increments, and a downward change of 100 basis points. The resulting changes in equity value and net interest income at each increment are

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measured against pre-determined, minimum EVE ratios for each incremental rate change, as approved by the board in the interest rate risk policy.

The following table presents Centrue Bank s EVE ratios for the various rate change levels at December 31, 2005 and 2004:

	EVE Ratios	
Changes in Interest Rates	**2005**	**2004**
300 basis point rise	7.60%	7.54%
200 basis point rise	7.43%	7.88%
100 basis point rise	7.33%	8.06%
Base rate scenario	6.86%	7.91%
100 basis point decline	5.24%	6.60%

The preceding table indicates that at December 31, 2005, in the event of an immediate and permanent 100 basis point increase in prevailing market interest rates, Centrue Bank s EVE ratio, would be expected to increase and that in the event of an immediate and permanent decrease in prevailing market interest rates, Centrue Bank s EVE ratio would be expected to decrease.

At December 31, 2005, the EVE increases in a rising rate scenario because Centrue Financial is asset sensitive and would have more interest earning assets repricing than interest-bearing liabilities. This effect is increased by periodic and lifetime limits on changes in rate on most adjustable-rate, interest-earning assets. The EVE decreases in a falling rate scenario because of the limits on Centrue Financial s ability to decrease rates on some of its deposit sources, such as money market accounts and NOW accounts, and by the ability of borrowers to repay loans ahead of schedule and refinance at lower rates.

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

In managing its asset/liability mix, Centrue Financial, at times, depending on the relationship between long-term and short-term interest rates, market conditions and consumer preferences, may place somewhat greater emphasis on maximizing its net interest margin than on better matching the interest rate sensitivity of its assets and liabilities in an effort to improve its net income. While Centrue Financial does have some exposure to changing interest rates, management believes that Centrue Financial is positioned to protect earnings throughout changing interest rate environments and that Centrue Financial s market risk is reasonable at this time.

Centrue Financial currently does not enter into derivative financial instruments, including futures, forwards, interest rate risk swaps, option contracts, or other financial instruments with similar characteristics and Centrue Financial has no market risk sensitive instruments held for trading purposes. However, Centrue Financial is party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers such as commitments to extend credit and letters of credit. Commitments to extend credit and letters of credit are not recorded as an asset by Centrue Financial until the commitment is accepted and funded or the letter of credit is exercised.

Liquidity and Capital Resources

Centrue Financial s primary sources of funds are deposits, proceeds from principal and interest payments on loans and on investment securities. While maturities and scheduled amortization of loans and investment securities are a predictable source of funds, deposit flows and mortgage loan prepayments are greatly

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influenced by general interest rates, economic conditions and competition. In a period of declining interest rates, mortgage loan prepayments generally increase. As a result, the proceeds from mortgage loan prepayments are invested in lower yielding loans or other investments which have the effect of reducing interest income. In a period of rising interest rates, mortgage loan prepayments generally decrease and the proceeds from such prepayments are invested in higher yielding loans or investments which would have the effect of increasing interest income.

Centrue Financial s liquidity, represented by cash and cash equivalents, is a result of its operating, investing and financing activities. The primary investing activities of Centrue Financial are the origination of loans, the purchase of investment securities, and, to a lesser extent, the purchase of loans and loan participations. Centrue Financial manages the investing activities primarily by investing in or selling loans and investment securities. During 2005, Centrue Financial acquired Illinois Community. This transaction was an investing activity that was not part of the day to day operations of Centrue Financial. All other transactions such as the purchase of fixed assets and the reinvestment of investment security maturities are common activities of Centrue Financial.

Centrue Financial s investing activities have a direct correlation to the financing activities. Factors that influence Centrue Financial s financing activities involve the collection of deposits and advances and repayments of borrowings. Centrue Financial has the ability to borrow funds from the FHLB. Additionally, Centrue Financial has approximately $20 million available on a line of credit from a third party financial institution. The issuance or purchase of stock also has a direct effect on Centrue Financial s financing activities. Additional financing activities that Centrue Financial may engage in include the purchase and issuance of common stock, as well as, the payment of dividends on common stock. During 2005, Centrue Financial repurchased 178,865 shares of its common stock.

Centrue Financial maintains a certain level of cash and other liquid assets to fund normal volumes of loan commitments, deposit withdrawals and other obligations. The following table summarizes significant contractual obligations and other commitments at December 31, 2005 (in thousands):

Years Ended December 31,	Time Deposits	Long-Term Borrowings(1)	Total
2006	$ 167,991	$ 16,341	$ 184,332
2007	61,937	31,449	93,386
2008	14,172	156	14,328
2009	5,101	10,165	15,266
2010	5,730	174	5,904
thereafter		438	438
Total	$ 254,931	$ 58,723	$ 313,654
Financial instruments whose contract amounts represent credit risk:			
Commitment to originate loans			$ 3,787
Commitments to extend credit			56,873
Standby letters of credit			4,508
Total			$ 378,822

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

Centrue Financial s most liquid assets are cash, cash in banks and highly liquid, short-term investments. The levels of these assets are dependent on Centrue Financial s operating, financing, lending and investing activities during any given period. Securities available-for-sale may also be utilized to meet liquidity needs. At December 31, 2005 and 2004, these liquid assets totaled $18.3 million and $13.3 million, respectively.

Liquidity management for Centrue Financial is both a daily and long-term function of Centrue Financial s management strategy. Excess funds are generally invested in short-term investments such as federal funds. In the event that Centrue Financial should require funds beyond its ability to generate them internally, additional sources of funds are available, including FHLB advances. At December 31, 2005, Centrue Financial had outstanding long-term borrowings totaling $58.7 million, of which $37.5 million were advances from the FHLB, $20.0 million were junior subordinated debt owed to unconsolidated trusts, and $1.2 million were funds from notes payable.

At December 31, 2005, Centrue Financial had outstanding commitments to originate mortgage loans of $3.8 million, of which 95% were at fixed interest rates. These commitments provided that the loans would be secured by properties located, for the most part, in Centrue Financial s primary market areas. Centrue Financial anticipates that it will have sufficient funds available to meet its current loan commitments. Certificates of deposit that were scheduled to mature in one year or less from December 31, 2005, totaled $168.0 million. Based upon the historically stable nature of Centrue Financial s deposit base, management believes that a significant portion of such deposits will remain with Centrue Financial. Centrue Financial also had unused lines of credit provided to customers of $56.9 million at December 31, 2005.

At December 31, 2005, Centrue Financial and Bank met all capital requirements as set by federal and state regulatory agencies. See Note 13 of the Notes to Consolidated Financial Statements and the discussion of Centrue Financial s financial condition above.

Dividends

The Federal Reserve Board s policy is that a bank holding company should pay cash dividends only to the extent that its net income for the past year is sufficient to cover both the cash dividends and a rate of earnings retention that is consistent with the holding company s capital needs, asset quality and overall financial condition, and that it is inappropriate for a bank holding company experiencing serious financial problems to borrow funds to pay dividends. Furthermore, under certain circumstances, the Federal Reserve Board may prohibit a bank holding company from paying any dividends if a bank subsidiary of the holding company is classified under prompt corrective action as undercapitalized .

Centrue Financial s primary source for cash dividends is the dividends received from our subsidiary bank. Centrue Bank is subject to various regulatory policies and requirements relating to the payment of dividends, including requirements to maintain capital above regulatory minimums. Centrue Bank, in general, may not pay dividends in excess of its net profits. Centrue Bank declared and paid dividends totaling $10.4 million, $2.5 million and $1.9 million to Centrue Financial, its sole stockholder, during 2005, 2004 and 2003, respectively.

Cash dividends in the total amount of $.075 and $.30 per share were paid by Centrue Financial during 2004 and 2003, respectively. Centrue Financial discontinued payment of its quarterly cash dividend in 2004 in an effort to focus on the repurchase of shares, as well as to strengthen the capital of Centrue Financial for possible future acquisitions. The payment of future dividends, if any, will depend primarily upon Centrue Financial s earnings, financial condition and need for funds, as well as restrictions imposed by regulatory authorities regarding dividend payments and net worth requirements.

Comparison of Operating Results for the Three and Six Months Periods Ended June 30, 2006 and 2005.

Financial Condition

Centrue Financial s total assets were $634.5 million at June 30, 2006, a decrease of $7.0 million or 1.1%, from $641.5 million at December 31, 2005. Fluctuations in asset accounts were represented by an increase in net loans of $6.7 million and decreases in cash and cash equivalents of $3.4 million, investment securities of $4.0 million, loans held for sale of $5.2 million and real estate held for sale of $1.7 million.

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Net loans increased $6.7 million or 1.6% to $435.2 million from $428.5 million. Loan growth was partially offset by the payoff of a $4.0 million commercial credit which Centrue Financial decided not to renew under the previous terms of the note due to changes in the borrower s financial condition and strategic plans and a $2.6 million payoff of a purchased loan participation.

Cash and cash equivalents decreased $3.4 million and investment securities decreased $4.0 million, both of which were a result of meeting short-term liquidity needs. Loans held for sale declined $5.2 million as $4.8 million of loans were transferred to the regular mortgage loan portfolio. The decrease in real estate held for sale of $1.7 million was primarily due to the sale Centrue Financial s largest real estate owned property.

Deposits decreased $45.6 million to $462.3 million from $507.9 million at December 31, 2005. The net decrease in deposits was primarily attributable to a $43.6 million reduction in certificates of deposit over $100,000 as a result of a strategy of not being as aggressive in bidding on the renewal of these deposits in light of the availability of lower wholesale funding rates from other funding sources.

Partially compensating for the deposit decline were increases in total borrowings of $39.4 million. This increase included gains in customer repurchase agreements, a deposit alternative, which increased $10.7 million and increases in total borrowings from the Federal Home Loan Bank of Chicago (FHLB) of $26.2 million.

Stockholders equity increased slightly from $43.1 million to $43.3 million. There were 2,232,889 shares of common stock outstanding at June 30, 2006, compared to 2,262,939 shares at December 31, 2005. Equity per share of common stock increased by $0.33 to $19.38 at June 30, 2006 from $19.05 at December 31, 2005.

Asset Quality

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

Table 1

	June 30 2006	December 31 2005	Change
	(Dollars in thousands)		
Non-accruing loans	$ 3,048	$ 3,823	$ (775)
Accruing loans delinquent 90 days or more			
Total nonperforming loans	3,048	3,823	(775)
Foreclosed assets	38	1,709	(1,671)
Troubled debt restructuring	44	35	(2)
Total nonperforming assets	$ 3,130	$ 5,567	$ (2,448)
Allowance for loan losses to total loans	.97%	1.02%	
Allowance for loan losses to nonperforming loans	140.88%	117.33%	
Nonperforming loans to total loans	.69%	0.88%	
Nonperforming assets to total loans and foreclosed property	.71%	1.28%	
Nonperforming assets to total assets	.49%	0.87%	

Nonperforming loans decreased $775,000 from the end of 2005, while foreclosed assets decreased $1.7 million. The decline in the total nonperforming loans marks the 8th consecutive quarterly decline and it is attributable to Centrue Financial s implementation of an ongoing comprehensive loan review as well as the adoption and implementation of a new loan policy that identifies problem loans in a timelier manner.

Management is in various stages of workout or liquidation with the remaining nonperforming loans. The drop in foreclosed assets came primarily from the sale of Centrue Financial s largest real estate owned property.

One measure of the adequacy of the allowance for loan losses is the ratio of the allowance for loan losses to total loans. The ratio of the allowance for loan losses to total loans was .97% and 1.02% at June 30, 2006 and December 31, 2005, respectively. The ratio of the allowance for loan losses to non-performing loans increased to 140.88% at June 30, 2006 compared to 117.33% at December 31, 2005. The increase in this ratio, which excludes foreclosed assets and restructured troubled debt, was the result of the $775,000 decrease in nonperforming loans.

Centrue Financial s Chief Credit Officer joined Centrue Financial in 2004 to strengthen the monitoring of credit quality and improve the credit quality of the overall loan portfolio. His duties include responsibility for all credit administration activities and to oversee an independent review of new and existing loans in the portfolio. Centrue Financial management performs a quarterly analysis of the adequacy of the allowance for loan losses. Problem loans are classified into one of four categories: Special Mention, Substandard, Doubtful, and Loss. Centrue Financial s implementation of an ongoing comprehensive loan review, as well as the adoption and implementation of a new comprehensive loan policy has assisted management in identifying problem loans in a timely manner. The new program was designed to facilitate the focus of collection efforts in problem areas which should result in lower charge-offs. Classified loans began decreasing in 2004 and decreased dramatically during 2005 and the first half of 2006. Centrue Financial will continue to work to reduce the volume of classified loans through the remainder of 2006.

Centrue Financial recognized charge offs in the amount of $298,000 and $626,000 during the second quarter and first six-months of 2006 and $797,000 and $874,000 for the second quarter and first six-months of 2005. Centrue Financial had recoveries of $84,000 and $284,000 for the second quarter and first six-months of 2006 and $187,000 and $379,000 for the second quarter and first six-months of 2005. The provision for loan losses was $75,000 and $150,000 for the second quarter and first six months of 2006, compared to $251,000 and $501,000 for the second quarter and first six months of 2005.

The allowance for loan losses is maintained at a level believed adequate by management to absorb probable losses in the loan portfolio. Management s methodology to determine the adequacy of the allowance for loan losses considers specific credit reviews, past loan loss experience, current economic conditions and trends, and the volume, growth and composition of the loan portfolio. Based upon Centrue Financial s quarterly analysis of the adequacy of the allowance for loan losses, considering remaining collateral of loans with more than a normal degree of risk, historical loan loss percentages and economic conditions, it is management s belief that the allowance for loan losses at June 30, 2006 was adequate. However, there can be no assurance that the allowance for loan losses will be adequate to cover all losses.

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

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

Critical Accounting Policies

In the ordinary course of business, Centrue Financial has made a number of estimates and assumptions relating to the reporting of results of operations and financial condition in preparing its financial statements in conformity with accounting principles generally accepted in the United States of America. See, Comparison of Operating Results for the Years Ended December 31, 2005, 2004, and 2003-Critical Accounting Policies for a discussion of Centrue Financial s most critical accounting policies.

Stock Compensation Plans. In January 2006, Centrue Financial adopted Financial Accounting Standards Board Statement No. 123R (revised 2004), Share-Based Payment (SFAS 123R) which amends SFAS 123, Accounting for Stock-Based Compensation, and supersedes APB Opinion No. 25, Accounting for Stock Issued to Employees. SFAS 123R requires new, modified and unvested share-based payment transactions with employees to be measured at fair value and recognized as compensation expense over the vesting period. The fair value of each option award is estimated using a Black-Scholes option valuation model that requires Centrue Financial to develop estimates for assumptions used in the model. The Black-Scholes valuation model uses the following assumptions: expected volatility, expected term of option, risk-free interest rate and dividend yield. Expected volatility estimates are developed by Centrue Financial based on historical volatility of Centrue Financial s stock. Centrue Financial uses historical data to estimate the expected term of the options. The risk-free interest rate for periods within the expected life of the option is based on the U.S. Treasury yield in effect at the grant date. The dividend yield represents the expected dividends on Centrue Financial stock.

Results of Operations

Second Quarter and Six Months Ended June 30, 2006 and 2005

For the second quarter ended June 30, 2006, net income increased to $938,000 from $720,000 for the same period in 2005. Net income for the six months ended June 30, 2006 decreased to $1.6 million from $1.9 million for the same period in 2005. Return on average assets for the second quarter and first six months of 2006 was 0.60% and 0.51% compared to 0.45% and 0.60% for 2005. Return on average equity for the second quarter and first six months of 2006 was 8.73% and 7.55%, compared to 6.72% and 8.90% for 2005.

With the adoption of Statement of Financial Accounting Standards No. 123R beginning in 2006, Centrue Financial elected to use the modified retrospective method of application which requires the restatement of earnings for prior periods. Accordingly, the results for the second quarter and first six months of 2005 were restated to include additional compensation expense of $185,000 and $234,000, respectively. Net income for the second quarter and first six months of 2005 was decreased by $133,000 and $182,000, respectively as a result of this restatement.

The second quarter of 2005 operating results included non-recurring expenses of $666,000 ($0.22 per share, after tax). The non-recurring expenses included $464,000 of fixed asset and prepaid expense write downs and other conversion costs that were incurred from Centrue Financial s core processing system conversion. Management converted its systems to Jack Henry & Associates Silverlake data processing system which allowed Centrue Financial to expand its products and improve delivery of services to its customer base. The non-recurring expenses also included $202,000 of professional fees due to a terminated transaction associated with Centrue Financial s merger and acquisition activity.

Net interest income for the three month and six month periods decreased $553,000 and $544,000 from 2005. Interest income increased by $545,000 and $1.6 million for the three month and six month periods. The net interest margin for the second quarter of 2006 decreased to 3.15% compared to 3.49% on a tax equivalent basis for 2005. For the six month periods, the net interest margin decreased to 3.29% compared to 3.52% on a tax equivalent basis for 2005.

For the second quarter of 2006, tax equivalent interest income increased $557,000, to $8.6 million (see Table 2). The increase was primarily attributable to an increase in interest rates that was partially offset by a decrease in average earning assets. Average earning assets decreased $8.6 million to $564.4 million from $573.1 million in 2005. The average tax equivalent rate earned on earning assets increased 48 basis points to

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6.13% from 5.65%. The decrease in the average balance of interest-earning assets was primarily due to a decline in average loans of $6.0 million. Influencing this decline was the payoff of a $4.0 million commercial credit which Centrue Financial decided not to renew under the previous terms of the note due to changes in the borrower s financial condition and strategic plans and a $2.6 million payoff of a purchased loan participation. The increase in the yield earned on interest-earning assets was due to the rising interest rate environment which has seen multiple increases in the federal funds rate and prime lending rates over the past several months.

Interest expense in the second quarter increased $1.1 million to $4.2 million from $3.1 million in 2005. The increase was primarily attributable to a rising interest rate environment as the rates paid on deposits increased during the period. This increase was partially offset by a decline in average interest bearing liabilities of $10.1 million to $513.6 million from $523.7 for the second quarter of 2005. The rise in rates also led to a shift in deposits away from the Savings category to the Demand and NOW account categories as customers migrated their deposits to higher rate NOW accounts. As illustrated in Table 2, the rate paid on interest bearing liabilities increased 90 basis points to 3.27% from 2.37% in 2005.

The second quarter net interest margin dropped from 3.49% in 2005 to 3.15% in 2006. This compression occurred as the rates paid on interest bearing liabilities increased faster than the yield on loans and investments. Centrue Financial s loan and investment rate increases tend to lag deposit and borrowing rates in an increasing rate environment. A flat yield curve has also contributed to this margin decline.

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Table 2

NET INTEREST INCOME ANALYSIS (UNAUDITED)
CENTRUE FINANCIAL CORPORATION AND SUBSIDIARIES

	Three Months Ended June 30,					
	2006			2005		
	Average Outstanding Balance	Interest Earned/ Paid	Yield/ Rate	Average Outstanding Balance	Interest Earned/ Paid	Yield/ Rate
	(Dollars in thousands)					
Interest-earning assets:						
Loans receivable(1)(3)	$ 435,355	$ 7,239	6.67%	$ 441,340	$ 6,703	6.09%
Investments securities(2)(3)	121,969	1,344	4.42%	123,754	1,297	4.20%
Other interest-earning assets	2,677	8	1.10%	3,641	15	1.65%
FHLB stock	4,445	37	3.37%	4,322	56	5.20%
Total interest-earning assets	564,446	8,628	6.13%	573,057	8,071	5.65%
Other assets	62,890			64,184		
Total assets	$ 627,336			$ 637,241		
Interest-bearing liabilities:						
Certificate accounts	$ 225,987	$ 2,007	3.56%	$ 246,650	$ 1,728	2.81%
Savings deposits	81,738	136	0.67%	101,424	182	0.72%
Demand and NOW deposits	103,467	628	2.43%	89,597	263	1.18%
Borrowings	102,374	1,417	5.53%	86,009	917	4.28%
Total interest-bearing liabilities	513,566	4,188	3.27%	523,680	3,090	2.37%
Non-interest bearing demand deposits	66,777			65,453		
Other liabilities	4,000			5,258		
Total liabilities	584,343			594,391		
Stockholders equity	42,993			42,850		
Total liabilities and stockholders equity	$ 627,336			$ 637,241		
Net interest income(3)		$ 4,440			$ 4,981	
Net interest rate spread			2.86%			3.28%
Net earning assets	$ 50,880			$ 49,377		
Net yield on average interest-earning assets (net interest margin)			3.15%			3.49%

Average interest-earning assets to average interest-bearing liabilities	109.91%	109.43%

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

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

(3) Presented on a fully tax-equivalent basis, assuming a combined Federal and State tax rate of 38.7%.

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Table 3

NET INTEREST INCOME ANALYSIS (UNAUDITED)
CENTRUE FINANCIAL CORPORATION AND SUBSIDIARIES

	Six Months Ended June 30					
	2006			2005		
	Average Outstanding Balance	Interest Earned/ Paid	Yield/ Rate	Average Outstanding Balance	Interest Earned/ Paid	Yield/ Rate
	(Dollars in thousands)					
Interest-earning assets:						
Loans receivable(1)(3)	$ 436,646	$ 14,353	6.63%	$ 430,025	$ 12,908	6.05%
Investments securities(2)(3)	122,806	2,700	4.43%	121,271	2,534	4.21%
Other interest-earning assets	2,540	15	1.19%	3,009	23	1.54%
FHLB stock	4,442	76	3.45%	3,969	105	5.34%
Total interest-earning assets	566,434	17,144	6.10%	558,274	15,570	5.62%
Other assets	63,534			60,995		
Total assets	$ 629,968			$ 619,269		
Interest-bearing liabilities:						
Certificate accounts	$ 236,917	$ 4,105	3.49%	$ 245,209	$ 3,304	2.72%
Savings deposits	83,334	276	0.67%	95,107	315	0.67%
Demand and NOW deposits	101,947	1,162	2.30%	89,040	481	1.09%
Borrowings	93,821	2,369	5.09%	81,013	1,714	4.27%
Total interest-bearing liabilities	516,019	7,912	3.09%	510,369	5,814	2.30%
Non-interest bearing demand deposits	66,788			61,756		
Other liabilities	4,246			3,856		
Total liabilities	587,053			575,981		
Stockholders equity	42,915			43,288		
Total liabilities and stockholders equity	$ 629,968			$ 619,269		
Net interest income(3)		$ 9,232			$ 9,756	
Net interest rate spread			3.01%			3.32%
Net earning assets	$ 50,415			$ 47,905		
Net yield on average interest-earning assets (net interest margin)			3.29%			3.52%

Average interest-earning assets to average interest-bearing liabilities	109.77%	109.39%

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

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

(3) Presented on a fully tax-equivalent basis, assuming a combined Federal and State tax rate of 38.7%.

For the six months ended June 30, 2006, tax equivalent interest income increased $1.6 million, to $17.1 million (see Table 3). The increase was attributable to an increase in interest rates and volume. Average

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earning assets increased $8.1 million to $566.4 million from $558.3 million in 2005. The average tax equivalent rate earned on earning assets increased 48 basis points to 6.10% from 5.62%. The increase in the average balance of interest-earning assets was primarily due to the growth in loans. The increase in the yield earned on interest-earning assets was due to the rising interest rate environment which has seen multiple increases in the federal funds rate and prime lending rates over the past several months.

Interest expense during the first half of the year increased $2.1 million to $7.9 million from $5.8 million in 2005. The increase was a combination of higher rates being paid on virtually all funding sources combined with an increase of $5.7 million in the average interest-bearing liabilities. The rate paid on interest bearing liabilities increased 79 basis points to 3.09% from 2.30% in 2005. The $5.7 million increase in average interest-bearing liabilities was a combination of lower base line deposits being offset by growth in borrowings. The increase in the average rate on interest-bearing liabilities resulted from a generally rising interest rate environment and the need to remain competitive with local competition.

The provision for loan losses was $75,000 and $150,000 for the second quarter and first six months of 2006, compared to $251,000 and $501,000 for the second quarter and first six months of 2005.

Table 4

	Three Months Ended June 30		Change	
	2006	**2005**	**Amount**	**Percent**
		(Dollars in thousands)		
Noninterest income:				
Fee income	$ 1,632	$ 1,330	$ 302	22.7%
Net gain (loss) on sale of real estate held for sale	181	(8)	189	n/m
Net gain on sale of loans	324	158	166	105.1
Increase in cash surrender value of life insurance contracts	90	87	3	3.4
Other	100	140	(40)	(28.6)
Total	$ 2,327	$ 1,707	$ 620	36.3%

(n/m = not meaningful)

Noninterest income was $2.3 million for the three months ended June 30, 2006 as compared to $1.7 million for the same period in 2005. The increase in noninterest income was primarily driven by an increase in fee income of $302,000, net gains on the sale of loans of $166,000 and a net gain on the sale of real estate of $189,000. Fee income increased primarily from overdraft fee increases during the quarter while the gain on sale of real estate came from the disposition of a major real estate holding. The increase in the net gain on the sale of loans came from higher mortgage production in the quarter.

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Table 5

	Three Months Ended June 30		Change	
	2006	2005	Amount	Percent
	(Dollars in thousands)			
Noninterest expense:				
Compensation and benefits	$ 2,736	$ 2,688	$ 48	1.8%
Occupancy, net	483	391	92	23.5
Furniture and equipment	262	803	(541)	(67.4)
Advertising	110	80	30	37.5
Data processing	462	160	302	188.8
Telephone and postage	220	153	67	43.8
Amortization of Intangibles	71	72	(1)	(1.4)
Legal and professional fees	191	319	(128)	(40.1)
Other	773	791	(18)	(2.3)
Total	$ 5,308	$ 5,457	$ (149)	(2.7)%

Total noninterest expenses decreased $149,000, from the comparable 2005 period. Compensation and benefits increased $48,000, primarily from normal merit increases offset by a decrease of FTEs from 199 in the second quarter of 2005 to 187 for the second quarter of 2006 and the restatement of compensation expense for 2005. Furniture and equipment expense in 2005 was unusually high as a result of a one-time write-down of $420,000 from fixed assets and prepaid expenses related to Centrue Financial s former data processing system. The system became obsolete with the conversion to the Jack Henry & Associates Silverlake system in June of 2005. This change also drove the increase in data processing fees of $302,000 as the delivery of data processing services was converted from an in-house system to an outsourced system in June 2005. This new system has improved Centrue Financial s efficient use of technology, along with providing improved service to customers. A portion of the increased data processing expense was offset by fewer FTEs in the operations area. Legal and professional fees in 2005 included $202,000 of fees from a terminated transaction associated with Centrue Financial s merger and acquisition activity.

Table 6

	Six Months Ended June 30		Change	
	2006	2005	Amount	Percent
	(Dollars in Thousands)			
Noninterest income:				
Fee income	$ 2,799	$ 2,429	$ 370	15.2%
Net gain on sale of securities	4	183	(179)	(97.8)
Net gain (loss) on sale of real estate held for sale	157	(6)	163	n/m
Net gain on sale of loans	431	289	142	49.1
Increase in cash surrender value of life insurance contracts	182	178	4	2.2

Other	397	198	199	100.5
Total	$ 3,970	$ 3,271	$ 699	21.4%

Noninterest income was $4.0 million for the six-months ended June 30, 2006, compared to $3.3 million for the same period in 2005. The increase in noninterest income was primarily driven by an increase in fee income, up $370,000, net gains on the sale of loans, up $142,000 and a net gain on the sale of real estate, up $163,000. These gains were somewhat offset by a decline in the sale of securities of $179,000. Fee income increased primarily from overdraft fee increases during the period while the gain on sale of real estate came from the disposition of a major real estate holding. The increase in the net gain on the sale of loans came from higher mortgage production in the period. Fewer securities sales led to the decline in gains on the sale of securities.

Table 7

	Six Months Ended June 30		Change	
	2006	**2005**	**Amount**	**Percent**
	(Dollars in thousands)			
Noninterest expense:				
Compensation and benefits	$ 5,868	$ 5,024	$ 844	16.8%
Occupancy, net	946	778	168	21.6
Furniture and equipment	544	1,133	(589)	(52.0)
Advertising	200	160	40	25.0
Data processing	806	318	488	153.5
Telephone and postage	372	324	48	14.8
Amortization of Intangibles	143	133	10	7.5
Legal and professional fees	353	461	(108)	(23.4)
Other	1,436	1,450	(14)	(1.0)
Total	$ 10,668	$ 9,781	$ 887	9.1%

Noninterest expense was $10.7 million for the six months ended June 30, 2006. This compares to $9.8 million for the same period in 2005. Major factors in this change were compensation and benefits which increased $844,000, occupancy expenses which increased $168,000, data processing which increased $488,000 and furniture and equipment expenses which decreased $589,000. Compensation and benefits increases can be tied to the opening of the new Fairview Heights office at the end of May 2005, as well as the addition of several new officers in the later half of 2005, including a new Chief Operating Officer and new managers for the mortgage, compliance, consumer lending and operations areas, all to add further depth to Centrue Financial s management team.

Furniture and equipment decreased because 2005 included a write-down of $420,000 of fixed assets and prepaid expenses related to Centrue Financial s former data processing system which became obsolete after the data processing conversion in June 2005 and a shift to an outsourced delivery of data processing services. That shift drove higher costs in the data processing expense category. Occupancy expenses increased primarily due to the opening of the new Fairview Heights branch, as well as a loan production office in Plainfield. Legal and professional fees in 2005 included $202,000 of fees from a terminated transaction associated with Centrue Financial s merger and acquisition activity.

Income tax expense increased $174,000 for the second quarter ended June 30, 2006 while it declined by $94,000 for the six month period. The effective income tax rate for the second quarter increased to 27.2% in 2006 from 19.6% in 2005. The increased effective rate was a function of a higher portion of taxable income being taxed at the highest marginal tax rate. The decrease in income tax expense for the six month period was due to lower pretax income at a nearly even effective tax rate.

Capital Resources

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

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Quantitative measures established by regulation to ensure capital adequacy require Centrue Financial and Centrue Bank subsidiary to maintain minimum amounts and ratios (set forth in the table below) of Tier 1 capital (as defined by the regulations) to average assets (as defined) and Total and Tier I capital (as defined) to risk-weighted assets (as defined). Management believes, as of June 30, 2006, that Centrue Financial and Centrue Bank meet all capital adequacy requirements to which they are subject.

As of June 30, 2006, the most recent notification from Centrue Bank s primary regulators, categorized Centrue Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, Centrue Bank must maintain minimum total risk-based, Tier I risk-based and Tier I leverage ratios as set forth in the Table 8 below. There are no conditions or events since that notification that management believes have changed Centrue Bank s category.

Table 8

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
	(Dollars in thousands)					
As of June 30, 2006:						
Tier 1 Capital to Average Assets						
Centrue Financial	45,001	7.37%	24,411	4.00%	N/A	
Centrue Bank	45,291	7.49%	24,196	4.00%	30,245	5.00%
Tier I Capital to Risk Weighted Assets						
Centrue Financial	45,001	10.64%	16,919	4.00%	N/A	
Centrue Bank	45,291	10.85%	16,703	4.00%	25,055	6.00%
Total Capital to Risk Weighted Assets						
Centrue Financial	54,010	12.77%	33,837	8.00%	N/A	
Centrue Bank	49,585	11.87%	33,406	8.00%	41,758	10.00%
As of December 31, 2005:						
Tier 1 Capital to Average Assets						
Centrue Financial	43,261	6.93%	24,967	4.00%	N/A	
Centrue Bank	43,773	7.08%	24,733	4.00%	30,917	5.00%
Tier I Capital to Risk Weighted Assets						
Centrue Financial	43,261	10.25%	16,796	4.00%	N/A	
Centrue Bank	43,773	10.49%	16,696	4.00%	25,044	6.00%
Total Capital to Risk Weighted Assets						
Centrue Financial	52,882	12.53%	33,593	8.00%	N/A	
Centrue Bank	48,259	11.56%	33,391	8.00%	41,739	10.00%

Legal Proceedings

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

Changes in and Disagreements with Accountants

None.

Quantitative and Qualitative Disclosures about Market Risk

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

In managing its asset/liability mix, Centrue Financial, at times, depending on the relationship between long-term and short-term interest rates, market conditions and consumer preferences, may place somewhat greater emphasis on maximizing its net interest margin than on better matching the interest rate sensitivity of its assets and liabilities in an effort to improve its net income. While Centrue Financial does have some exposure to changing interest rates, management believes that Centrue Financial is positioned to protect earnings throughout changing interest rate environments.

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

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

The Funds Management Committee generally uses three types of analysis in measuring and reviewing Centrue Financial s interest rate sensitivity. These are Static GAP analysis, Dynamic Gap Analysis and EVE. The Static GAP analysis measures assets and liabilities as they reprice in various time periods.

The economic value of equity calculation uses information about Centrue Financial s assets, liabilities and off-balance sheet items, market interest rate levels and assumptions about the behavior of the assets and liabilities, to calculate Centrue Financial s equity value. The economic value of equity is the market value of assets minus the market value of liabilities, adjusted for off-balance sheet items divided by the market value of assets. The economic value of equity is then subjected to immediate and permanent upward changes of 300 basis points in market interest rate levels and a downward change of 200 basis points, in 100 basis point increments. The resulting changes in equity value and net interest income at each increment are measured against pre-determined, minimum EVE ratios for each incremental rate change, as approved by the board in the interest rate risk policy.

The following table presents Centrue Bank s EVE ratios for the various rate change levels at June 30, 2006 and December 31, 2005:

	EVE Ratios	
Changes in Interest Rates	**June 30, 2006**	**December 31, 2005**
300 basis point rise	7.92%	7.60%
200 basis point rise	8.07%	7.43%
100 basis point rise	7.99%	7.33%
Base rate scenario	7.41%	6.86%
100 basis point decline	6.04%	5.24%
200 basis point decline	4.48%	3.60%

The preceding table indicates that in the event of an immediate and permanent increase in prevailing market interest rates, Centrue Bank s EVE ratio, would be expected to increase and that in the event of an

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immediate and permanent decrease in prevailing market interest rates, Centrue Bank s EVE ratio would be expected to decrease.

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

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

Security Ownership of Certain Beneficial Owners and Management

The following table sets forth information as of September 22, 2006, regarding share ownership of:

- those persons or entities known by us to beneficially own more than five percent of our common stock;
- each director, nominee and each executive officer named in the summary compensation table; and
- all directors and executive officers as a group.

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The nature of beneficial ownership for shares listed in this table is sole voting and investment power, except as set forth in the footnotes to the table.

Beneficial Owner	Shares Beneficially Owned(1)	Percent of Class
5% Stockholders		
Private Capital Management(2) 8889 Pelican Bay Blvd., Suite 500 Naples, Florida 34108	230,319	10.3%
Jeffrey L. Gendell(3) Tontine Financial Partners, L.P. Tontine Management, L.L.C. 55 Railroad Avenue, 1st Floor Greenwich, Connecticut 06830	220,771	9.9%
Leon A. Felman(4) 25 West Brentmoor Park Clayton, Missouri 63105	136,647	6.1%
Directors and Nominees		
Thomas A. Daiber(5)	87,625	3.8%
Randall E. Ganim(6)	6,000	*
Michael A. Griffith(7)	67,000	2.9%
Michael J. Hejna(8)	25,792	1.1%
Mark L. Smith(9)	26,700	1.2%
Named Executive Officers		
Carol S. Hoekstra(10)	29,632	1.3%
Michael A. O Gorman(11)	7,500	*
Directors and executive officers of Centrue Financial as a group (7 persons)(12)	250,054	10.5%

* Less than 1.0%

(1) Amounts reported include shares held directly, including shares subject to options granted under our stock incentive plan which are exercisable within sixty days of September 22, 2006, as well as shares which are held in retirement accounts and shares held by members of the named individuals families or held by trusts of which the named individual is a trustee or substantial beneficiary, with respect to which shares the respective director may be deemed to have sole or shared voting and/or investment power. Inclusion of shares shall not constitute an admission of beneficial ownership or voting or investment power over included shares. The nature of beneficial ownership for shares listed in this table is sole voting and investment power, except as set forth in the following footnotes.

(2) This information is as reported to the Securities and Exchange Commission on a Schedule 13-G filed on February 14, 2006. According to the filing by Private Capital Management (PCM), PCM s Chief Executive Officer and President each exercise shared dispositive and shared voting power with respect to shares held by PCM s clients and managed by PCM, but they disclaim beneficial ownership for the shares held by PCM s clients and disclaim the existence of a group.

(3) This information is as reported to the Securities and Exchange Commission on a Schedule 13F-HR filed on February 13, 2006.

(4) This information is as reported to the Securities and Exchange Commission on a Schedule 13-G filed on February 10, 2006.

(5) The amount reported includes 14,140 shares held jointly with his spouse and 1,200 shares held in an individual retirement account for the benefit of his spouse, with respect to which Mr. Daiber shares

voting and investment power, and 6,250 shares of restricted stock, with respect to which 2,000 shares will become fully vested in October 2006 and the remainder of which will vest at the effective time of the merger. The reported amount also includes 2,145.89 shares held in the 401(k) plan over which Mr. Daiber has sole voting and investment power and 47,000 shares subject to options, 18,000 of which are presently exercisable and 29,000 of which will become exercisable at the effective time of the merger. The reported amount does not include 10,417 shares subject to options, which are not presently exercisable and which will not become exercisable as a result of the merger.

(6) The amount reported includes 1,000 held jointly with Mr. Ganim s spouse, and 5,000 shares subject to options, which are presently exercisable. The reported amount does not include 231 shares of phantom stock credited to his account pursuant to the Centrue Financial Corporation Non-Employee Directors Deferred Fee Plan.

(7) The amount reported includes 45,000 shares subject to options, which are presently exercisable, 3,250 shares of restricted stock and 16,000 shares held jointly with his spouse, with respect to which Mr. Griffith shares voting and investment power. The amount reported does not include 5,227 shares of phantom stock credited to his account pursuant to the Centrue Financial Corporation Non-Employee Directors Deferred Fee Plan.

(8) The amount reported includes 10,792 shares held jointly with Mr. Hejna s spouse with respect to which he shares voting and investment power and 15,000 shares subject to options, which are presently exercisable. The amount reported does not include 5,621 shares of phantom stock credited to his account pursuant to the Centrue Financial Corporation Non-Employee Directors Deferred Fee Plan.

(9) The amount reported includes 400 shares owned by Mr. Smith s spouse, over which he has no voting or investment power, 1,410 shares with respect to which he has shared voting and investment power and 3,200 shares held in a trust in which Mr. Smith serves as trustee with respect to which he has sole voting and investment power. However, he does not have any financial interest over those shares and disclaims any beneficial interest. In addition, the amount reported includes 20,000 shares subject to options, which are presently exercisable. The amount does not include 4,911 shares of phantom stock credited to his account pursuant to the Centrue Financial Corporation Non-Employee Directors Deferred Fee Plan.

(10) The amount reported includes 182 shares owned directly by Ms. Hoekstra s spouse, over which she has no voting or investment power, 7,642 shares held in the 401(k) plan for the benefit of Ms. Hoekstra and over which Ms. Hoekstra has sole voting and investment power and 11,483 shares held in the 401(k) plan for the benefit of Ms. Hoekstra s spouse over which Ms. Hoekstra has no voting or investment power. Additionally, it includes 50 shares of restricted stock and 7,000 shares subject to options, 3,400 which are presently exercisable and 3,600 of which will become exercisable at the effective time of the merger.

(11) The amount reported includes 7,500 shares subject to options, 2,500 of which are currently exercisable and 5,000 of which will become exercisable at the effective time of the merger. The amount reported does not include 4,167 shares subject to options, which are not presently exercisable and which will not become exercisable as a result of the merger.

(12) This amount includes shares held directly, including 146,500 shares subject to options which are deemed to be exercisable, as well as shares allocated to participant accounts under the 401(k) plan, shares held in retirement accounts and shares held by certain members of the named individuals families or held by trusts of which the named individual is a trustee or substantial beneficiary, with respect to which shares the respective directors and officers may be deemed to have sole or shared voting and investment power.

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Executive Compensation

Summary Compensation. The following table sets forth information regarding compensation paid or accrued to Centrue Financial s Chief Executive Officer and to each of the other most highly compensated executive officers of Centrue Financial and Centrue Bank whose aggregate salary and bonus exceeded $100,000 for 2005.

SUMMARY COMPENSATION TABLE

		Annual Compensation			Long Term Compensation Awards		
(a) Name and Principal Position	(b) Fiscal Year Ended December 31st	(c) Salary(6)	(d) Bonus(7)	(e) Other Annual Compensation	(f) Restricted Stock Awards	(g) Securities Underlying Options/ SARs	(i) All Other Compensation
Thomas A Daiber(1)	2005	$ 275,000	$ 49,775	$	$ 14,100(9)	12,000	$ 5,688(11)
President and Chief Executive of Centrue	2004	253,846	62,500	17,892(8)		15,000	6,150(12)
Financial, Officer Chief Executive Officer of Centrue Bank	2003	53,846		4,910(8)	324,500(10)	20,000	
Carol S. Hoekstra(2)	2005	$ 135,000	$ 12,150	$	$ 2,820(9)	1,000	$ 6,097(11)
Senior Vice President of	2004	135,000	29,531			1,000	14,340(12)
Centrue Bank	2003	131,121	35,190		2,950(10)	5,000	17,736(13)
Michael O Gorman(3)	2005	$ 125,654	$ 16,876	$	$	2,500	$ 935(11)
North Region President of Centrue Bank	2004	106,482	7,563			5,000	
William R. Britt(4) President and Chief Operating Officer of Centrue Bank	2005	$ 115,885	$ 16,200	$	$	14,500	$ 57,784(14)
James M. Lindstrom(5)	2005	$ 190,000	$ 51,025	$	$ 14,100(9)	10,000	$ 5,574(11)
Former Chief Financial	2004	177,308	54,688			13,500	3,942(12)
Officer of Centrue Financial and Centrue Bank	2003	83,462	50,000		177,000(10)	15,000	

(1) Mr. Daiber became Centrue Financial s President and Chief Executive Officer in October, 2003.

(2) Ms. Hoekstra was named as Executive Vice President and interim Chief Operating Officer of Centrue Financial and Centrue Bank in February, 2003 and served in those capacities until being asked to temporarily serve as Regional President of Centrue Bank in December, 2003. In January, 2004, following the recruitment of a Regional President, Ms. Hoekstra resumed her normal duties as Senior Vice President.

(3) Mr. O Gorman became the North Region President of Centrue Bank in January, 2004.

(4) Mr. Britt was hired in July, 2005 as Centrue Bank s President and Chief Operating Officer and he served in that capacity until August, 2006. He passed away due to an illness in September, 2006.

(5) Mr. Lindstrom served as Chief Financial Officer of Centrue Financial from July, 2003 until his resignation in February, 2006. From May to July, 2003, he served as a consultant and was paid $25,900 in connection with his consulting services.

(6) Includes amounts deferred under Centrue Financial s 401(k) plan.

(7) Each Bonus is reported for the year it is earned and each bonus is actually paid in the following year.

(8) The amount reported for Mr. Daiber in 2004 represents $12,392 for an automobile allowance and $5,500 for housing expenses, while the amount reported in 2003 represents $2,710 for an automobile allowance and $2,200 for housing expenses.

(9) Represents restricted shares of common stock awarded on January 18, 2005. The dollar amount shown is equal to the product of the number of shares of restricted common stock granted multiplied by $28.20, the closing price of the common stock as reported by Nasdaq on January 18, 2005, the date of grant. This valuation does not take into account any diminution in value that results from the restrictions

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applicable to such common stock. From and after the date of issuance, holders of the restricted common stock are entitled to vote such common stock and receive dividends at the same rate applicable to unrestricted shares of common stock. The restricted stock vests in two equal installments on April 8, 2005 and April 8, 2006.

(10) Represents restricted shares of common stock awarded on October 30, 2003. The dollar amount shown is equal to the product of the number of shares of restricted common stock granted multiplied by $29.50, the closing price of the common stock as reported by the American Stock Exchange on October 29, 2003, the date of grant. This valuation does not take into account any diminution in value that results from the restrictions applicable to such common stock. From and after the date of issuance, holders of the restricted common stock are entitled to vote such common stock and receive dividends at the same rate applicable to unrestricted shares of common stock. Generally, the restricted stock vests in five equal installments on the five anniversaries following the date of grant.

(11) Represents contributions made under Centrue Financial s 401(k) plan and Centrue Bank s retirement plan. The dollar amounts of the 401(k) contributions and allocations were $5,688 for Mr. Daiber, $5,624 for Ms. Hoekstra, $935 for Mr. O Gorman and $5,574 for Mr. Lindstrom. Also included are life insurance premiums paid for the benefit of Ms. Hoekstra.

(12) Represents contributions made under the 401(k) plan and Centrue Bank s retirement plan. The dollar amounts of the 401(k) contributions and allocations were $6,150 for Mr. Daiber, $1,340 for Ms. Hoekstra and $3,942 for Mr. Lindstrom. The dollar amounts of the contributions and allocations under the retirement plan were $12,560 for Ms. Hoekstra. Also included are life insurance premiums paid for the benefit of Ms. Hoekstra.

(13) Represents contributions made under Centrue Bank s retirement plan and the cost to Centrue of share allocations made under its Employee Stock Ownership Plan, which has since been merged into the 401(k) plan. The dollar amounts of these contributions and allocations were $12,514 and $5,035 for Ms. Hoekstra. Also included are life insurance premiums paid for the benefit of Ms. Hoekstra.

(14) Represents temporary living expenses paid for Mr. Britt in the amount of $5,550, realtor fees of $24,144, moving expenses of $12,825, reimbursement of taxes of $13,647 and contributions made under the 401(k) plan of $1,618.

Stock Option Information. The following table sets forth information concerning the number and value of stock options granted in the last fiscal year to the individuals named above in the summary compensation table:

OPTION GRANTS IN LAST FISCAL YEAR

(a)	(b)	(c)	(d)	(e)	(f)	(g)
					Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term	
Name	**Options Granted**	**% of Total Options Granted to Employees in Fiscal Year**	**Exercise or Base Price ($/Sh)**	**Expiration Date**	**5%**	**10%**
Thomas A. Daiber	12,000	20.7%	$ 27.00	12-29-12	$ 340,200	$ 356,400
Carol S. Hoekstra	1,000	0.2%	$ 27.00	12-29-12	$ 28,350	$ 29,700
Michael A. O Gorman	2,500	4.3%	$ 26.09	9-1-12	$ 68,475	$ 71,725

William R. Britt	14,500	25.0%	$	25.95	7-8-12	$ 394,980	$ 413,830
James M. Lindstrom	10,000	17.2%	$	27.00	12-29- 12(1)	$ 283,500	$ 297,000

(1) Mr. Lindstrom s options awarded in 2005 will expire on May 10, 2006, three months after the date of his resignation, and will not be exercisable.

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The following table sets forth certain information concerning stock options exercised in 2005 and the number and value of stock options at December 31, 2005 held by the named executive officers.

AGGREGATED OPTION/ SAR EXERCISES IN LAST FISCAL YEAR AND FY-END OPTION/ SAR VALUES

1(a)	(b)	(c)	(d) Number of Securities Underlying Unexercised Options/SARs at FY-End		(e) Value of Unexercised In-the-Money Options/SARs at FY-End	
Name	Shares Acquired on Exercise	Value Realized	Exercisable	Unexercisable	Exercisable	Unexercisable
Thomas A. Daiber			11,000	36,000	$ 1,440	$ 2,160
Carol S. Hoekstra			2,200	4,800	$ 360	$ 540
Michael A. O Gorman			1,000	6,500	$ 850	
William R. Britt				14,500		$ 6,960
James M. Lindstrom			8,700	29,800	$ 48,600	

401(k) Savings Plan

Centrue Bank sponsors a qualified, tax-exempt pension plan qualifying under section 401(k) of the Internal Revenue Code. Virtually all employees are eligible to participate after meeting certain age and service requirements. Eligible employees are permitted to contribute 1% to 50% of their compensation to the 401(k) plan. Pursuant to the plan, Centrue Bank matches 50% of a participant s deferral into the 401(k) plan limited up to 3% of each participant s salary. Participants can choose between several different investment options under the 401(k) plan, including shares of Centrue Financial common stock.

The total contributions under the 401(k) plan, including profit sharing contributions, by Centrue Financial to the named executive officers are reflected in the Summary Compensation Table above.

Stock Incentive Plans

1992 Stock Option Plan. In 1992, Centrue Financial adopted an incentive stock option plan for the benefit of directors, officers, and employees of Centrue Financial and Centrue Bank. The plan was approved by stockholders and provided for the issuance of incentive stock options, nonqualified stock options, restricted stock and stock appreciation rights. The total number of shares reserved under the plan was 350,000, all of which have been granted, although some grants remain outstanding and have not yet been exercised.

2003 Stock Incentive Plan. In 2003, Centrue Financial adopted a new incentive stock option plan for the benefit of its directors, officers, and employees. This plan provides for the issuance of incentive stock options, nonqualified stock options, restricted stock and stock appreciation rights. The stockholders approved the plan in 2003 and 233,000 shares were originally reserved for issuance under the plan. In 2004, the stockholders approved an increase in the amount to 400,000 shares. Centrue Financial s board believed this increase was necessary because of the board s increased emphasis on the use of equity based compensation for its employees and directors and also for use in conjunction with potential futures mergers and acquisitions.

In 2005, Centrue Financial awarded stock options to purchase an aggregate of 58,000 shares of Centrue Financial common stock to fifteen employees. Additionally, in 2005, each independent director received options to purchase 5,000 shares of Centrue Financial common stock. In 2005, Centrue Financial also awarded an aggregate of 2,200 shares of restricted shares, at a market price of $28.20 per share, to seven management level employees of the bank. The restricted shares in equal installments on April 8, 2005 and 2006. The stock options and restricted shares awarded to the named executive officers during 2005 are included in the tables above.

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Employment Agreements

Employment Agreement between Centrue Financial and Thomas A. Daiber. In December 2004, Centrue Financial entered into an employment agreement with Thomas A. Daiber, as President and Chief Executive Officer of Centrue Financial and Centrue Bank. In December 2005, the Executive Committee reviewed Mr. Daiber s salary and overall compensation for 2005. Based upon the financial performance of Centrue Financial and a peer analysis, the committee increased Mr. Daiber s salary to $290,000 which may be maintained or increased during the terms of the agreement in accordance with Centrue Financial s established management compensation policies and plans. The agreement provides for a term of three years and will automatically be extended for one additional year on each anniversary of the effective date, unless either party provides written notice of non-renewal at least 30 days prior to such anniversary of the effective date.

The agreement also provides for an annual performance bonus (up to 50% of the base salary for the applicable year) and participation in all plans and benefits generally accorded to senior executives, including pension, profit-sharing, supplemental retirement, incentive compensation and group life medical, as well as other perquisites extended to similarly situated senior executives.

If Mr. Daiber s employment is terminated without cause, as defined in the employment agreement, Centrue Financial will be obligated to pay an amount equal to three times 125% of his then-current annual base salary and to provide health insurance during the continuation period under federal employee benefit laws. In the event of a constructive discharge, as defined in the agreements, Mr. Daiber has the right to terminate his employment and receive the same severance as if he had been terminated without cause. In general, he will be deemed to be constructively discharged if: (i) he is removed from his position; (ii) he is relocated, without his consent, to a location more than 50 miles from the main office of Centrue Financial; or (iii) Centrue Financial commits a material breach of its obligations under the agreement.

Under the agreement, if Mr. Daiber voluntarily terminates his employment with Centrue Financial, Centrue Financial will only be obligated to pay his salary and benefits accrued through the effective date of termination, plus any expense reimbursements incurred prior to termination and properly submitted in accordance with the agreement. If Centrue Financial terminates Mr. Daiber for cause, Centrue Financial s only obligation under the agreements is to pay his salary and benefits accrued through the effective date of termination.

If, during the one-year period following a change of control of Centrue Financial, Mr. Daiber voluntarily terminates his employment or if his employment is involuntarily terminated, then he will be entitled to the same cash payment and benefits he would be entitled to if terminated by Centrue Financial without cause.

Additionally, the agreement includes a covenant limiting Mr. Daiber s ability to compete with Centrue Financial, Centrue Bank or their subsidiaries within in an area encompassing a 25-mile radius of the counties in which they operate for a period of one year following termination of employment.

Employment Agreements between Centrue Bank and Carol S. Hoekstra, Ricky R. Parks, and Michael A. O Gorman. Centrue Bank has also entered into employment agreements with Carol S. Hoekstra, as a Senior Vice President of Centrue Bank, Ricky R. Parks, as President of the South Region of the Bank, and Michael A. O Gorman, as the President of the North Region of Centrue Bank. The agreements provide for an annual base salary of $135,000 for each executive, which may be maintained or increased during the terms of the agreements in accordance with Centrue Bank s established management compensation policies and plans. The agreements will expire on December 31, 2006, unless terminated earlier by either party upon 30 days prior written notice.

The agreements also provide for annual performance bonuses (up to 25% of their respective base salaries for the applicable year) and participation in all plans and benefits generally accorded to senior executives, including pension, profit-sharing, supplemental retirement, incentive compensation and group life medical, as well as other perquisites extended to similarly situated senior executives.

If the executives employment is terminated without cause, Centrue Bank will be obligated to pay an amount equal to her or his then-current annual base salary and to provide health insurance for twelve months following termination of employment. In the event of a constructive discharge, as defined in the agreements, they will have the right to terminate their employment and receive the same severance as if they had been terminated without cause. In general, they will be deemed to be constructively discharged if: (i) they are removed from their positions; (ii) there is a substantial diminution in their responsibilities; (iii) they are relocated without their consent to a location more than 50 miles from: in Ms. Hoekstra s and Mr. O Gorman s case Centrue Bank s Kankakee office, and, in Mr. Parks case, its Fairview Heights office; or (iv) Centrue Bank commits a material breach of its obligations under the agreements.

Under the agreements, if the executives voluntarily terminate their employment with Centrue Bank, Centrue Bank will only be obligated to pay their salaries and benefits accrued through the effective date of termination, plus any expense reimbursements incurred prior to termination and properly submitted in accordance with the agreement. If Centrue Bank terminates them for cause, Centrue Bank s only obligation under the agreements is to pay their salaries and benefits accrued through the effective date of termination.

If the executives voluntarily terminate their employment during the six month period following a change of control of Centrue Bank or their employment is involuntarily terminated during the one-year period following a change of control of Centrue Bank, then they will be entitled to receive a cash payment equal to their then-current annual base salary and health insurance for twelve months following termination.

Additionally, the agreements include a covenant limiting the executives ability to compete with Centrue Financial, Centrue Bank or their subsidiaries within a 25-mile radius of the counties in which they operate for a period of one year following termination of employment.

Director Compensation

Each director of Centrue Financial is also currently a director of Centrue Bank. In 2005, non-employee directors earned $2,500 for every regularly scheduled Centrue Financial board and stockholder meeting attended and $500 for each committee meeting attended. Each non-employee director also earned $2,000 for each Centrue Bank board meeting attended and $500 for each committee meeting attended. Additionally, each non-employee director earned $1,000 for each ad hoc and telephonic board meeting attended and $1,000 for each loan committee meeting attended. The Chairman of the Board received a retainer of $18,750 per calendar quarter and the Chairman of the Audit Committee received a retainer of $10,000 per calendar quarter. After each annual meeting of stockholders, each independent director also receives options to purchase 5,000 shares of common stock pursuant to the 2003 Stock Incentive Plan.

Pursuant to the Centrue Financial Corporation Non-Employee Directors Deferred Fee Plan, a director may elect to receive his or her director fees either in cash on a quarterly basis with no deferral of income, or to defer receipt of all or a portion of such compensation until a time following termination of such director s service on the board or age sixty-five (65). Amounts deferred are converted into phantom stock units with each such unit representing a share of our common stock plus any dividends. Distributions of amounts credited under the director s account may be made in shares of our common stock or, at the election of the participating director, in cash. During 2005, Mr. Griffith deferred $50,000, Mr. Smith deferred $45,500, and Mr. Hejna deferred $80,000 of their director fees pursuant to the plan and at December 31, 2005, the aggregate liability for the deferred fees with respect to all participating directors was $268,233. Mr. Hejna serves as our independent board member on the loan committee and his deferred fees included $35,000 from loan committee meetings for which he is compensated $1,000 for each meeting attended.

Transactions with Management

Directors and officers of Centrue Financial and Centrue Bank, and their associates, were customers of and had banking transactions with Centrue Financial and Centrue Bank during 2005 and additional transactions may be expected to take place in the future. All loans by Centrue Bank to its senior officers and directors are subject to the rules and regulations of the Illinois Department of Financial & Professional Regulation, the Federal Deposit Insurance Corporation and the Securities and Exchange Commission. A commercial bank is generally prohibited from making loans to its senior officers and directors at favorable rates or on terms not comparable to those prevailing to the general public. All outstanding loans, commitments

to loan, transactions in repurchase agreements and certificates of deposit and depository relationships, in the opinion of management, were made in the ordinary course of business, on substantially the same terms, including interest rates and collateral as those prevailing at the time for comparable transactions with other persons and did not involve more than the normal risk of collectibility or present other unfavorable features.

Financial and other information relating to Centrue Financial is set forth in Centrue Financial s Quarterly Report on Form 10-Q for the quarter ended June 30, 2006, Centrue Financial s Annual Report on Form 10-K, Centrue Financial s Proxy Statement for its 2006 annual meeting filed with the Securities and Exchange Commission on March 23, 2006, and Centrue Financial s Current Reports on Form 8-K filed during 2006, copies of which may be obtained from Centrue Financial as indicated under Where You Can Find More Information on page 164.

OTHER MATTERS

As of the date of this joint proxy statement-prospectus, each of our board s knows of no matters that will be presented for consideration at our respective special meetings other than as described in this joint proxy statement-prospectus. However, if any other matters properly come before the UnionBancorp or Centrue Financial special meeting or any adjournment or postponement of the special meeting and are voted upon, the enclosed joint proxy statement-prospectus will be deemed to confer authority to vote for adjournment to solicit additional votes and discretionary authority on the individuals named as proxies to vote the shares represented by such proxy as to any such matters.

STOCKHOLDER PROPOSALS

UnionBancorp expects to hold its next annual meeting of stockholders in April, 2007, after the merger. Under the rules of the Securities and Exchange Commission, proposals of UnionBancorp stockholders intended to be presented at that meeting and included in UnionBancorp s proxy statement must be received by UnionBancorp at its principal executive offices at UnionBancorp, Inc., 122 West Madison Street, Ottawa, Illinois 61350, no later than November 24, 2006. It is not currently anticipated that Centrue Financial will hold its annual meeting in 2007, unless the merger has not been completed or the merger agreement has been terminated.

EXPERTS

The consolidated financial statements of UnionBancorp and its subsidiaries are included in this joint proxy statement-prospectus and in the registration statement in reliance upon the reports of Crowe Chizek and Company LLC, independent accountants, to the extent and for the periods indicated in their report, included herein and in the registration statement and upon the authority of said firm as experts in accounting and auditing.

The consolidated financial statements of Centrue Financial and its subsidiaries are included in this joint proxy statement-prospectus and in the registration statement in reliance upon the reports of McGladrey & Pullen, LLP independent accountants, to the extent and for the periods indicated in their report, included herein and in the registration statement and upon the authority of said firm as experts in accounting and auditing.

CERTAIN OPINIONS

The legality of the UnionBancorp common stock to be issued as a result of the merger will be passed upon for UnionBancorp by Howard & Howard Attorneys PC., 321 Liberty Street, Suite 200, Peoria, Illinois 61602.

Crowe Chizek and Company LLC has delivered an opinion concerning material federal income tax consequences of the Merger. See Description of Transaction Material Federal Income Tax Consequences of the Merger.

WHERE YOU CAN FIND MORE INFORMATION

We each file annual, quarterly and current reports and other information with the Securities and Exchange Commission under the Securities Exchange Act. You may read and copy this information at the Public Reference Room at the Securities and Exchange Commission at 450 100 F Street, N.E., Room 1580, Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the Securities and Exchange Commission at 1-800-SEC-0330. The Securities and Exchange Commission maintains an internet site that contains reports, proxy and information statements and other information about issuers that file electronically with the Securities and Exchange Commission. The address of that site is http://www.sec.gov.

UnionBancorp filed a registration statement with the Securities and Exchange Commission under the Securities Act relating to the UnionBancorp common stock offered to Centrue Financial stockholders. The registration statement contains additional information about UnionBancorp and the UnionBancorp common stock. The Securities and Exchange Commission allows UnionBancorp to omit certain information included in the registration statement from this joint proxy statement-prospectus. The registration statement may be inspected and copied at the Securities and Exchange Commission s public reference facilities described above. The registration statement is also available on the Securities and Exchange Commission s internet site.

All information contained in this joint proxy statement-prospectus with respect to UnionBancorp was supplied by UnionBancorp, and all information contained in this joint proxy statement-prospectus with respect to Centrue Financial was supplied by Centrue.

PLEASE NOTE

We have not authorized anyone to provide you with any information other than the information included in this document and the documents to which we refer you. If someone provides you with other information, please do not rely on it as being authorized by us.

This joint proxy statement-prospectus has been prepared as of October 3, 2006. You should not assume that the information contained in this document is accurate as of any date other than that date, and neither the mailing to you of this document nor the issuance to you of shares of common stock of UnionBancorp will create any implication to the contrary. However, if there is a material change to information requiring the filing of a post-effective amendment with the Securities and Exchange Commission, you will receive an updated document and your proxy will be resolicited.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS OF UNIONBANCORP, INC. AND SUBSIDIARIES

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UNIONBANCORP, INC. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED BALANCE SHEETS
June 30, 2006 and December 31, 2005

	June 30, 2006	December 31, 2005
	(In thousands, except share data)	
ASSETS		
Cash and cash equivalents	$ 30,265	$ 24,358
Securities available-for-sale	182,914	196,440
Loans	403,455	417,525
Allowance for loan losses	(6,848)	(8,362)
Net loans	396,607	409,163
Cash surrender value of life insurance	15,775	15,498
Mortgage servicing rights	2,373	2,533
Premises and equipment, net	13,789	13,908
Goodwill	6,963	6,963
Intangible assets, net	446	533
Other real estate	1,390	203
Other assets	6,309	6,623
Total assets	$ 656,831	$ 676,222
LIABILITIES AND STOCKHOLDERS EQUITY		
Liabilities		
Deposits		
Non-interest-bearing	$ 56,119	$ 57,832
Interest-bearing	466,576	486,009
Total deposits	522,695	543,841
Federal funds purchased and securities sold under agreements to repurchase	7,297	612
Advances from the Federal Home Loan Bank	46,700	50,000
Notes payable	8,824	9,468
Series B mandatory redeemable preferred stock	831	831
Other liabilities	5,180	5,395
Total liabilities	591,527	610,147
Stockholders equity		
Preferred stock; 200,000 shares authorized; none issued		
Series A convertible preferred stock; 2,765 shares authorized, 2,762.24 shares outstanding (aggregate liquidation preference of $2,762)	500	500
Series C preferred stock; 4,500 shares authorized; none issued		
	4,698	4,684

Common stock, $1 par value; 10,000,000 shares authorized; 4,697,893 shares issued at June 30, 2006 and 4,684,393 shares issued at December 31, 2005		
Additional paid-in capital	23,381	23,167
Retained earnings	50,775	48,837
Accumulated other comprehensive income	(1,204)	95
	78,150	77,283
Treasury stock, at cost; 955,142 shares at June 30, 2006 and 877,517 at December 31, 2005	(12,846)	(11,208)
Total stockholders equity	65,304	66,075
Total liabilities and stockholders equity	$ 656,831	$ 676,222

See Accompanying Notes to Unaudited Financial Statements

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UNIONBANCORP, INC. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
Three and Six Months Ended June 30, 2006 and 2005

	Three Months Ended June 30		Six Months Ended June 30,	
	2006	**2005**	**2006**	**2005**
	(In thousands, except per share data)			
Interest income				
Loans	$ 7,194	$ 6,751	$ 14,349	$ 13,201
Securities				
Taxable	2,027	1,481	4,018	2,906
Exempt from federal income taxes	210	263	426	521
Federal funds sold and other	45	50	66	59
Total interest income	9,476	8,545	18,859	16,687
Interest expense				
Deposits	3,845	2,571	7,324	4,890
Federal funds purchased and securities sold under agreements to repurchase	51	37	123	111
Advances from the Federal Home Loan Bank	455	550	938	1,133
Series B mandatory redeemable preferred stock	13	13	25	25
Notes payable	161	94	315	163
Total interest expense	4,525	3,265	8,725	6,322
Net interest income	4,951	5,280	10,134	10,365
Provision for loan losses	(300)		(1,100)	100
Net interest income after provision for loan losses	5,251	5,280	11,234	10,265
Noninterest income				
Service charges	495	525	935	1,008
Trust income	199	187	418	402
Mortgage banking income	281	364	527	704
Insurance commissions and fees	414	472	793	893
Banked owned life insurance	137	135	277	269
Securities gains, net	(88)		(88)	
Gain on sale of assets, net	(9)	1	(9)	3
Other income	268	347	604	602
	1,697	2,031	3,457	3,881
Noninterest expenses				
Salaries and employee benefits	2,910	3,366	5,955	6,842
Occupancy expense, net	346	385	789	779
Furniture and equipment expense	521	461	1,033	885
Marketing	98	128	209	224
Supplies and printing	65	86	162	163

Telephone	118	106	235	213
Other real estate owned expense	2	29	8	34
Amortization of intangible assets	43	43	87	87
Other expenses	1,026	1,023	1,985	1,946
	5,129	5,627	10,463	11,173
Income before income taxes	1,819	1,684	4,228	2,973
Income taxes	525	302	1,288	627
Net income	1,294	1,382	2,940	2,346
Preferred stock dividends	52	52	104	104
Net income for common stockholders	$ 1,242	$ 1,330	$ 2,836	$ 2,242
Basic earnings per common share	$ 0.33	$ 0.33	$ 0.75	$ 0.56
Diluted earnings per common share	$ 0.33	$ 0.33	$ 0.74	$ 0.55
Total comprehensive income	$ 351	$ 1,521	$ 1,641	$ 2,060

See Accompanying Notes to Unaudited Financial Statements

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UNIONBANCORP, INC. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
Six Months Ended June 30, 2006 and 2005

	Six Months Ended June 30, 2006	Six Months Ended June 30, 2005
	(In thousands)	
Cash flows from operating activities		
Net income	$ 2,940	$ 2,346
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	931	855
Amortization of intangible assets	87	87
Amortization of mortgage servicing rights	160	91
Amortization of bond premiums, net	244	584
Stock Option Expense	68	
Federal Home Loan Bank stock dividend	(47)	(109)
Provision for loan losses	(1,100)	100
Provision for deferred income taxes	(310)	466
Net change in BOLI	(277)	(269)
Net change in OREO	(2)	
(Gain) loss on sale of assets	9	(3)
Loss on sale of securities	88	
Gain on sale of loans	(353)	(540)
Gain on sale of real estate acquired in settlement of loans		(7)
Proceeds from sales of loans held for sale	27,395	22,927
Origination of loans held for sale	(25,796)	(20,710)
Change in assets and liabilities		
(Increase) in other assets	577	(178)
Increase in other liabilities	569	124
Net cash provided by operating activities	5,183	5,764
Cash flows from investing activities		
Securities available-for-sale		
Proceeds from maturities and paydowns	19,554	27,795
Proceeds from sales	16,594	
Purchases	(25,012)	(29,757)
Purchase of loans	(19,513)	(3,275)
Net decrease in loans	30,618	15,429
Purchase of premises and equipment	(758)	(1,327)
Sale of branch	(6,054)	
Proceeds from sale of real estate acquired in settlement of loans	173	67
Net cash provided by (used in) investing activities	15,602	8,932
Cash flows from financing activities		
Net increase (decrease) in deposits	(15,138)	8,723
	6,685	(8,044)

Net increase (decrease) in federal funds purchased and securities sold under agreements to repurchase		
Payments on notes payable	(2,045)	(542)
Proceeds from notes payable	1,400	3,085
Net increase in other borrowed funds		11
Net decrease in advances from the Federal Home Loan Bank	(3,300)	(5,800)
Dividends on common stock	(898)	(878)
Dividends on preferred stock	(104)	(104)
Proceeds from exercise of stock options	160	420
Purchase of treasury stock	(1,638)	(2,997)
Net cash provided by financing activities	(14,878)	(6,126)
Net increase in cash and cash equivalents	5,907	8,570
Cash and cash equivalents		
Beginning of period	24,358	22,802
End of period	$ 30,265	$ 31,372
Supplemental disclosures of cash flow information		
Cash payments for		
Interest	$ 4,575	$ 6,129
Income taxes	861	643
Transfers from loans to other real estate owned	1,307	310

See Accompanying Notes to Unaudited Financial Statements

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UNIONBANCORP, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(In Thousands, Except Per Share Data)

Note 1. Summary of Significant Accounting Policies

The accompanying unaudited interim consolidated financial statements of UnionBancorp, Inc. and subsidiary (Union) have been prepared in accordance with U.S. generally accepted accounting principles and with the rules and regulations of the Securities and Exchange Commission for interim financial reporting. Accordingly, they do not include all of the information and footnotes required for complete financial statements. In the opinion of management, all normal and recurring adjustments which are necessary to fairly present the results for the interim periods presented have been included. The preparation of financial statements requires management to make estimates and assumptions that affect the recorded amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates. For further information with respect to significant accounting policies followed by Union in the preparation of its consolidated financial statements, refer to Union s Annual Report on Form 10-K for the year ended December 31, 2005. The annualized results of operations during the three and six months ended June 30, 2006 are not necessarily indicative of the results expected for the year ending December 31, 2006. All financial information is in thousands (000 s), except per share data.

Note 2. Earnings Per Share

Basic earnings per share for the three and six months ended June 30, 2006 and 2005 were computed by dividing net income by the weighted average number of shares outstanding. Diluted earnings per share for the three and six months ended June 30, 2006 and 2005 were computed by dividing net income by the weighted average number of shares outstanding, adjusted for the dilutive effect of the stock options. Computations for basic and diluted earnings per share are provided below:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	**2005**	**2006**	**2005**
Basic Earnings Per Common Share				
Net income available to common shareholders	$ 1,242	$ 1,330	$ 2,836	$ 2,242
Weighted average common shares outstanding	3,743	3,993	3,765	4,021
Basic Earnings Per Common Share	$ 0.33	$ 0.33	$ 0.75	$ 0.56
Diluted Earnings Per Common Share				
Weighted average common shares outstanding	3,743	3,993	3,765	4,021
Add: dilutive effect of assumed exercised stock options	44	62	45	62
Weighted average common and dilutive Potential shares outstanding	3,787	4,055	3,810	4,083
Diluted Earnings Per Common Share	$ 0.33	$ 0.33	$ 0.74	$ 0.55

There were approximately 60,000 and 40,000 options outstanding at June 30, 2006 and 2005, respectively, that were not included in the computation of diluted earnings per share because the options exercise prices were greater than the average market price of the common stock and were, therefore, antidilutive.

Note 3. Securities

Union s consolidated securities portfolio, which represented 32.1% of Union s 2006 second quarter average earning asset base, is managed to minimize interest rate risk, maintain sufficient liquidity, and maximize return. The portfolio includes several callable agency debentures, adjustable rate mortgage pass-

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UNIONBANCORP, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

throughs, and collateralized mortgage obligations. Corporate bonds consist of investment grade obligations of public corporations. Equity securities consist of Federal Reserve stock, Federal Home Loan Bank stock, and trust preferred stock. Securities classified as available-for-sale, carried at fair value, were $182,914 at June 30, 2006 compared to $196,440 at December 31, 2005. Union does not have any securities classified as trading or held-to-maturity.

The following table describes the fair value, gross unrealized gains and losses of securities available-for-sale at June 30, 2006 and December 31, 2005, respectively:

	June 30, 2006		
	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses
U.S. government agencies	$ 40,418	$	$ (795)
States and political subdivisions	19,177	258	(110)
U.S. government mortgage-backed securities	75,374	203	(1,082)
Collateralized mortgage obligations	23,777		(479)
Equity securities	17,363	95	(33)
Corporate	6,805	14	(37)
	$ 182,914	$ 570	$ (2,536)

	December 31, 2005		
	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses
U.S. government agencies	30,857	8	(364)
States and political subdivisions	18,400	424	(16)
U.S. government mortgage-backed securities	101,022	854	(675)
Collateralized mortgage obligations	20,938	21	(157)
Equity securities	18,316	54	(49)
Corporate	6,907	62	(7)
	$ 196,440	$ 1,423	$ (1,268)

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UNIONBANCORP, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 4. Loans and Allowance for Loan Losses

Union offers a broad range of products, including agribusiness, commercial, residential, and installment loans, designed to meet the credit needs of its borrowers. Union concentrates its lending activity in the geographic market areas that it serves, generally lending to consumers and small to mid-sized businesses from which deposits are garnered in the same market areas. As a result, Union strives to maintain a loan portfolio that is diverse in terms of loan type, industry, borrower and geographic concentrations. The following table describes the composition of loans by major categories outstanding as of June 30, 2006 and December 31, 2005, respectively:

	June 30, 2006		December 31, 2005	
	$	%	$	%
Commercial	$ 84,711	21.00%	$ 91,537	21.92%
Agricultural	21,178	5.25	26,694	6.39
Real estate:				
Commercial mortgages	130,942	32.46	126,503	30.31
Construction	75,424	18.69	68,508	16.41
Agricultural	27,590	6.84	33,033	7.91
1-4 family mortgages	52,876	13.11	57,920	13.87
Installment	9,531	2.36	12,747	3.05
Other	1,203	0.30	583	0.14
Total loans	403,455	100.00%	417,525	100.00%
Allowance for loan losses	(6,848)		(8,362)	
Loans, net	$ 396,607		$ 409,163	

The following table presents data on impaired loans:

	June 30, 2006	December 31, 2005
Impaired loans for which an allowance has been provided	$ 6,455	$ 12,585
Impaired loans for which no allowance has been provided	3,955	563
Total loans determined to be impaired	$ 10,410	$ 13,148
Allowance for loan loss for impaired loans included in the allowance for loan losses	$ 2,571	$ 3,913

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UNIONBANCORP, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

In originating loans, Union recognizes that credit losses will be experienced and the risk of loss will vary with, among other things, current economic conditions; the type of loan being made; the creditworthiness of the borrower over the term of the loan; and in the case of a collateralized loan, the quality of the collateral for such loan. The allowance for loan losses represents Union s estimate of the allowance necessary to provide for probable incurred losses in the loan portfolio. In making this determination, Union analyzes the ultimate collectibility of the loans in its portfolio, incorporating feedback provided by internal loan staff, the independent loan review function and information provided by examinations performed by regulatory agencies. Union makes an ongoing evaluation as to the adequacy of the allowance for loan losses. Transactions in the allowance for loan losses for the three and six months ended June 30, 2006 and 2005 are summarized below:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	**2005**	**2006**	**2005**
Beginning balance	$ 7,506	$ 9,948	$ 8,362	$ 9,732
Charge-offs:				
Commercial	203	464	223	464
Real estate mortgages	414	419	482	425
Installment and other loans	34	82	73	279
Total charge-offs	651	965	778	1,168
Recoveries:				
Commercial	120	10	135	302
Real estate mortgages	168	122	209	138
Installment and other loans	5	44	20	55
Total recoveries	293	176	364	495
Net charge-offs	358	789	414	673
Provision for loan losses	(300)	0	(1,100)	100
Ending balance	$ 6,848	$ 9,159	$ 6,848	$ 9,159
Period end total loans, net of unearned interest	$ 403,455	$ 404,462	$ 403,455	$ 404,462
Average loans	$ 407,360	$ 414,289	$ 410,780	$ 415,909
Ratio of net charge-offs to average loans	0.09%	0.19%	0.10%	0.16%
Ratio of provision for loan losses to average loans	(0.07)%	0.00%	(0.27)%	0.02%
Ratio of allowance for loan losses to ending total loans	1.70%	2.26%	1.70%	2.26%
Ratio of allowance for loan losses to total nonperforming loans	244.05%	238.83%	244.05%	238.83%
Ratio of allowance at end of period to average loans	1.68%	2.21%	1.67%	2.20%

Note 5. Stock Option Plans

In April 1993, Union adopted the UnionBancorp 1993 Stock Option Plan (the 1993 Option Plan). A total of 490,206 shares were issued pursuant to stock options issued to employees and outside directors under this plan. The 1993 Stock Option Plan was terminated on April 12, 2003.

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UNIONBANCORP, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

In April 2003, Union adopted the UnionBancorp 2003 Stock Option Plan (the 2003 Option Plan). Under the 2003 Option Plan, nonqualified options, incentive stock options, and/or stock appreciation rights may be granted to employees and outside directors of Union and its subsidiaries to purchase Union s common stock at an exercise price to be determined by the 2003 Option Plan s administrative committee. Pursuant to the 2003 Option Plan, 200,000 shares of Union s unissued common stock have been reserved and are available for issuance upon the exercise of options and rights granted under the 2003 Option Plan. The options have an exercise period of ten years from the date of grant. There are 110,000 shares available to grant under this plan.

A summary of the status of the option plans as of June 30, 2006, and changes during the quarter ended on those dates is presented below:

	June 30, 2006		
	Shares		Weighted-Average Exercise Price
Outstanding at beginning of quarter	301,675	$	15.74
Granted			
Exercised	(13,500)		8.09
Forfeited	(21,811)		15.96
Outstanding at end of quarter	266,364	$	16.11
Options exercisable at quarter end	175,233	$	14.08
Weighted-average fair value of options granted during the quarter		$	

Options outstanding at June 30, 2006 and December 31, 2005 were as follows:

	June 30, 2006			
	Outstanding		Exercisable	
Range of Exercise Prices	Number	Weighted Average Remaining Contractual Life	Number	Weighted Average Exercise Price

$ 7.25 - $ 9.75	9,000	0.7 years	9,000	$ 9.75
11.25 - 13.00	59,681	3.9 years	59,681	11.64
13.88 - 18.50	112,683	4.5 years	94,552	14.94
20.30 - 23.29	85,000	8.6 years	12,000	22.78
	266,364	5.6 years	175,233	$ 14.08

UNIONBANCORP, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	December 31, 2005			
	Outstanding		Exercisable	
Range of Exercise Prices	Number	Weighted Average Remaining Contractual Life	Number	Weighted Average Exercise Price
$ 7.25 - $ 9.75	22,300	0.7 years	22,300	$ 8.69
11.25 - 13.00	62,681	4.5 years	54,855	11.63
13.88 - 18.50	126,694	5.0 years	98,356	15.04
20.30 - 23.29	90,000	9.2 years	12,000	22.78
	301,675	5.8 years	187,511	$ 13.78

The intrinsic value for stock options is calculated based on the exercise price of the underlying awards and the market price of our common stock as of the reporting date. The intrinsic value of options exercised during the second quarter of 2006 and 2005 was $174 and $308. Union recorded $68 in stock compensation expense during the six months ended June 30, 2006 to salaries and employee benefits.

The fair value of each stock option granted is estimated using the Black-Scholes based stock option valuation model. This model requires the input of subjective assumptions that will usually have a significant impact on the fair value estimate. Expected volatilities are based on historical volatility of Union s stock, and other factors. Expected dividends are based on dividend trends and the market price of Union s stock price at grant. Union uses historical data to estimate option exercises and employee terminations within the valuation model. The risk-free rate for periods within the contractual life of the options is bases on the U.S. Treasury yield curves in effect at the time of grant. There were no grants during the six months ended June 30, 2006 and 2005.

Union elected to adopt the modified prospective application method as provided by SFAS 123R, and, accordingly Union recorded compensation costs as the requisite service rendered for the unvested portion of previously issued awards that remain outstanding at the initial date of adoption and any awards issued, modified, repurchased, or cancelled after the effective date of SFAS 123R.

Prior to January 1, 2006, Union accounted for share-based compensation to employees in accordance with Accounting Principles Board Opinion (APB) No. 25, *Accounting for Stock Issued to Employees,* and related interpretations. Union also followed the disclosure requirements of SFAS 123, *Accounting for Stock-Based Compensation* . No stock-based compensation was recognized on employee stock options in the consolidated statement of income before January 1, 2006. Accordingly, financial statement amounts for the prior periods presented in this Form 10-Q have not been restated to reflect the fair value method of expensing share-based compensation.

SFAS 123R requires the recognition of stock based compensation for the number of awards that are ultimately expected to vest. As a result, recognized stock option compensation expense was reduced for estimated forfeitures prior to vesting primarily based on historical annual forfeiture rates of approximately three percent. Estimated forfeitures will be reassessed in subsequent periods and may change based on new facts and circumstances. Prior to January 1, 2006, actual forfeitures were accounted for as they occurred for purposes of required pro forma stock compensation disclosures.

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UNIONBANCORP, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Unrecognized stock option compensation expense related to unvested awards (net of estimated forfeitures) for the remainder of 2006 and beyond is estimated as follows:

Year	Expense
July, 2006 - December, 2006	$ 68
2007	67
2008	47
2009	28
Total	$ 210

The following table illustrates the effect on net income and earnings per share if expense was measured using the fair value recognition provisions of SFAS 123R as of June 30, 2005:

	Three Months Ended June 30, 2005	Six Months Ended June 30, 2005
Net income as reported for common stockholders	$ 1,330	$ 2,242
Deduct: stock-based compensation expense determined under fair value based method	27	57
Pro forma net income	$ 1,303	$ 2,185
Basic earnings per common share as reported	$ 0.33	$ 0.56
Pro forma basic earnings per common share	$ 0.33	$ 0.54
Diluted earnings per common share as reported	$ 0.33	$ 0.55
Pro forma diluted earnings per common share	$ 0.32	$ 0.53

Note 6. Contingent Liabilities And Other Matters

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

Note 7. Segment Information

The reportable segments are determined by the products and services offered, primarily distinguished between retail, commercial, treasury, financial services, and operations & other. Loans, and deposits generate the revenues in the commercial segments; deposits, loans, secondary mortgage sales and servicing generates the revenue in the retail segment; investment income generates the revenue in the treasury segment; insurance, brokerage, and trust services generate the revenue in the financial services segment; and holding company services generate the revenue in the operations & other segment.

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UNIONBANCORP, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The accounting policies used with respect to segment reporting are the same as those described in the summary of significant accounting policies set forth in Note 1 on page 4. Segment performance is evaluated using net income. Information reported internally for performance assessment follows.

Three Months Ended June 30, 2006

	Retail Segment	Commercial Segment	Treasury Segment	Financial Services	Other Operations	Consolidated Totals
Net interest income (loss)	$ 1,926	$ 3,126	$ 86	$ 50	$ (237)	$ 4,951
Other revenue	908	110	(89)	565	203	1,697
Other expense	1,497	523	63	710	1,845	4,638
Noncash items						
Depreciation	200	3		35	210	448
Provision for loan losses	(100)	(200)				(300)
Other intangibles				15	28	43
Net allocations	624	1,256	158	233	(2,271)	
Income tax expense	207	540	(146)	(128)	52	525
Segment profit (loss)	406	1,114	(78)	(250)	102	1,294
Goodwill	2,512	2,631		1,820		6,963
Segment assets	91,575	326,048	209,259	3,575		656,831

Three Months Ended June 30, 2005

	Retail Segment	Commercial Segment	Treasury Segment	Financial Services	Other Operations	Consolidated Totals
Net interest income (loss)	$ 1,886	$ 3,284	$ 43	$ 11	$ 56	$ 5,280
Other revenue	1,026	112		657	236	2,031
Other expense	1,647	1,053	59	671	1,713	5,143
Noncash items						
Depreciation	229	3		39	170	441
Provision for loan losses	190	(190)				
Other intangibles				15	28	43
Net allocations	757	864	120	197	(1,938)	
Income tax expense	28	358	(98)	(63)	77	302
Segment profit (loss)	61	1,308	(38)	(191)	242	1,382
Goodwill	2,512	2,631		1,820		6,963
Segment assets	104,239	311,763	218,152	3,975	27,295	665,424

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UNIONBANCORP, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Six Months Ended June 30, 2006

	Retail Segment	Commercial Segment	Treasury Segment	Financial Services	Other Operations	Consolidated Totals
Net interest income (loss)	$ 3,908	$ 6,389	$ 216	$ 106	$ (485)	$ 10,134
Other revenue	1,758	221	(88)	1,198	368	3,457
Other expense	2,936	1,167	131	1,374	3,837	9,445
Noncash items						
Depreciation	443	6		73	409	931
Provision for loan losses	25	(1,125)				(1,100)
Other intangibles				30	57	87
Net allocations	1,471	2,469	318	466	(4,724)	
Income tax expense	264	1,389	(252)	(215)	102	1,288
Segment profit (loss)	527	2,704	(69)	(424)	202	2,940
Goodwill	2,512	2,613		1,820		6,963
Segment assets	91,575	326,048	209,259	3,575		656,831

Six Months Ended June 30, 2005

	Retail Segment	Commercial Segment	Treasury Segment	Financial Services	Other Operations	Consolidated Totals
Net interest income (loss)	$ 3,620	$ 6,418	$ 177	$ 18	$ 132	$ 10,365
Other revenue	1,976	226		1,290	389	3,881
Other expense	3,188	1,700	117	1,404	3,822	10,231
Noncash items						
Depreciation	454	6		83	312	855
Provision for loan losses	290	(190)				100
Other intangibles				30	57	87
Net allocations	1,541	2,210	231	354	(4,336)	
Income tax expense	35	760	(195)	(162)	189	627
Segment profit (loss)	88	2,158	24	(401)	477	2,346
Goodwill	2,512	2,613		1,820		6,963
Segment assets	104,239	311,763	218,152	3,975	27,295	665,424

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Crowe Chizek and Company LLC
Member Horwath International

Report of Independent Registered Public Accounting Firm

UnionBancorp, Inc.
Ottawa, Illinois

We have audited the accompanying balance sheets of UnionBancorp, Inc. as of December 31, 2005 and 2004, and the related statements of income, stockholders equity, and cash flows for each of the three years in the period ended December 31, 2005. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of UnionBancorp, Inc. at December 31, 2005 and 2004, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2005, in conformity with U.S. generally accepted accounting principles.

Crowe Chizek and Company LLC

Oak Brook, Illinois
February 18, 2006

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UNIONBANCORP, INC.
CONSOLIDATED BALANCE SHEETS
December 31, 2005 and 2004

	2005	2004
	(In thousands, except share and per share data)	
ASSETS		
Cash and cash equivalents	$ 24,358	$ 22,802
Securities available-for-sale	196,440	191,661
Loans	417,525	419,275
Allowance for loan losses	(8,362)	(9,732)
Net loans	409,163	409,543
Cash value of life insurance	15,498	14,953
Mortgage servicing rights	2,533	2,772
Premises and equipment, net	13,908	13,463
Goodwill	6,963	6,963
Intangible assets, net	533	703
Other real estate	203	420
Other assets	6,623	6,266
Total assets	$ 676,222	$ 669,546
LIABILITIES AND STOCKHOLDERS EQUITY		
Liabilities		
Deposits		
Non-interest-bearing	$ 57,832	$ 55,800
Interest-bearing	486,009	456,677
Total deposits	543,841	512,477
Federal funds purchased and securities sold under agreements to repurchase	612	12,722
Federal Home Loan Bank advances	50,000	61,900
Notes payable	9,468	6,629
Series B mandatory redeemable preferred stock	831	831
Other liabilities	5,395	4,740
Total liabilities	610,147	599,299
Stockholders equity		
Preferred stock		
Series A Convertible Preferred Stock (aggregate liquidation preference of 2,762)	500	500
Series C Preferred Stock		
Common stock, $1 par value, 10,000,000 shares authorized; 4,684,393 and 4,640,907 shares issued in 2005 and 2004	4,684	4,641
Surplus	23,167	22,632

Retained earnings		48,837		46,592
Accumulated other comprehensive income		95		1,351
		77,283		75,716
Treasury stock, at cost, 877,517 shares at December 31, 2005 and 608,763 shares at December 31, 2004		(11,208)		(5,469)
Total stockholders equity		66,075		70,247
Total liabilities and stockholders equity	$	676,222	$	669,546

See Accompanying Notes to Consolidated Financial Statements.

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UNIONBANCORP, INC.
CONSOLIDATED STATEMENTS OF INCOME
Years ended December 31, 2005, 2004, and 2003

	2005	2004	2003
	(In thousands, except per share data)		
Interest income			
Loans	$ 27,251	$ 27,718	$ 32,693
Securities			
Taxable	6,331	5,925	6,805
Exempt from federal income taxes	993	1,221	1,533
Federal funds sold and other	122	48	55
Total interest income	34,697	34,912	41,086
Interest expense			
Deposits	10,910	9,909	12,453
Federal funds purchased and securities sold under agreements to repurchase	197	98	122
Advances from the Federal Home Loan Bank	2,128	2,887	2,997
Series B Mandatory Redeemable preferred stock	50	50	64
Notes payable and other	427	306	325
Total interest expense	13,712	13,250	15,961
Net interest income	20,985	21,662	25,125
Provision for loan losses	250	1,924	8,236