

FIRST BUSEY CORP /NV/
Form 10-Q
November 05, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended 9/30/2010

Commission File No. 0-15950

FIRST BUSEY CORPORATION

(Exact name of registrant as specified in its charter)

Nevada
(State or other jurisdiction of
Incorporation or organization)

37-1078406
(I.R.S. Employer Identification No.)

100 W. University Ave.,
Champaign, Illinois
(Address of principal
executive offices)

61820
(Zip Code)

Registrant's telephone number, including area code: **(217) 365-4516**

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

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

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

Large accelerated filer <input type="radio"/>	Accelerated filer <input checked="" type="radio"/>
Non-accelerated filer <input type="radio"/> (Do not check if a smaller reporting company)	Smaller reporting company <input type="radio"/>

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

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

Class	Outstanding at November 5, 2010
Common Stock, \$.001 par value	66,360,892

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

FIRST BUSEY CORPORATION and Subsidiaries

CONSOLIDATED BALANCE SHEETS

September 30, 2010 and December 31, 2009

(Unaudited)

	September 30, 2010	December 31, 2009
	(dollars in thousands)	
Assets		
Cash and due from banks	\$ 222,226	\$ 207,071
Securities available for sale	551,720	569,640
Loans held for sale (fair value 2010 \$52,454; 2009 \$29,736)	51,548	29,153
Loans (net of allowance for loan losses 2010 \$83,098; 2009 \$100,179)	2,383,562	2,663,491
Premises and equipment	74,362	77,528
Goodwill	20,686	20,686
Other intangible assets	20,577	23,644
Cash surrender value of bank owned life insurance	37,107	35,750
Other real estate owned	11,470	17,241
Deferred tax asset, net	58,023	66,496
Other assets	101,932	104,152
Total assets	\$ 3,533,213	\$ 3,814,852
Liabilities and Stockholders Equity		
Liabilities		
Deposits:		
Noninterest bearing	\$ 449,702	\$ 468,230
Interest bearing	2,474,503	2,702,850
Total deposits	\$ 2,924,205	\$ 3,171,080
Securities sold under agreements to repurchase	130,419	142,325
Short-term borrowings	4,000	
Long-term debt	52,576	82,076
Junior subordinated debt owed to unconsolidated trusts	55,000	55,000
Other liabilities	30,446	36,243
Total liabilities	\$ 3,196,646	\$ 3,486,724
Stockholders Equity		
Preferred stock, \$.001 par value, 1,000,000 shares authorized, issued - 2009 series T, 100,000 shares, \$1,000 liquidation value;	\$ 99,558	\$ 99,460
Common stock, \$.001 par value, authorized 200,000,000 shares; issued 68,071,497	68	68
Additional paid-in capital	510,226	510,198
Accumulated deficit	(252,772)	(256,976)
Accumulated other comprehensive income	12,921	8,812
Total stockholders equity before treasury stock and unearned ESOP shares	\$ 370,001	\$ 361,562
Common stock shares held in treasury at cost 1,650,605	(32,183)	(32,183)
Unearned ESOP shares 60,000 shares	(1,251)	(1,251)
Total stockholders equity	\$ 336,567	\$ 328,128
Total liabilities and stockholders equity	\$ 3,533,213	\$ 3,814,852
Common shares outstanding at period end	66,360,892	66,360,892

See accompanying notes to unaudited consolidated financial statements.

FIRST BUSEY CORPORATION and Subsidiaries

CONSOLIDATED STATEMENTS OF OPERATIONS

For the Nine Months Ended September 30, 2010 and 2009

(Unaudited)

	2010		2009	
	(dollars in thousands, except per share amounts)			
Interest income:				
Interest and fees on loans	\$	105,906	\$	122,945
Interest and dividends on investment securities:				
Taxable interest income		10,984		14,980
Non-taxable interest income		2,247		2,546
Dividends		7		10
Total interest income	\$	119,144	\$	140,481
Interest expense:				
Deposits	\$	26,544	\$	48,047
Federal funds purchased and securities sold under agreements to repurchase		440		900
Short-term borrowings		44		1,136
Long-term debt		2,313		3,800
Junior subordinated debt owed to unconsolidated trusts		2,063		2,216
Total interest expense	\$	31,404	\$	56,099
Net interest income	\$	87,740	\$	84,382
Provision for loan losses		31,700		197,500
Net interest income (loss) after provision for loan losses	\$	56,040	\$	(113,118)
Other income:				
Trust fees	\$	10,758	\$	9,620
Commissions and brokers' fees, net		1,309		1,378
Remittance processing		7,116		9,886
Service charges on deposit accounts		8,319		9,168
Other service charges and fees		3,807		3,534
Gain on sales of loans		9,984		9,942
Security gains, net		1,025		140
Other operating income		3,230		6,422
Total other income	\$	45,548	\$	50,090
Other expenses:				
Salaries and wages	\$	30,271	\$	32,376
Employee benefits		7,669		8,186
Net occupancy expense of premises		6,947		7,385
Furniture and equipment expenses		4,602		5,576
Data processing		5,855		5,651
Amortization of intangible assets		3,067		3,271
Regulatory expense		5,302		7,117
Goodwill impairment expense				208,164
OREO expense		1,443		1,236
Other operating expenses		14,766		14,775
Total other expenses	\$	79,922	\$	293,737
Income (loss) before income taxes	\$	21,666	\$	(356,765)
Income taxes		5,742		(61,210)
Net income (loss)	\$	15,924	\$	(295,555)
Preferred stock dividends and discount accretion		3,848		3,086
Net income (loss) available to common shareholders	\$	12,076	\$	(298,641)

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Basic earnings (loss) per common share	\$	0.18	\$	(8.34)
Diluted earnings (loss) per common share	\$	0.18	\$	(8.34)
Dividends declared per share of common stock	\$	0.12	\$	0.36

See accompanying notes to unaudited consolidated financial statements.

FIRST BUSEY CORPORATION and Subsidiaries

CONSOLIDATED STATEMENTS OF OPERATIONS

For the Three Months Ended September 30, 2010 and 2009

(Unaudited)

	2010		2009	
	(dollars in thousands, except per share amounts)			
Interest income:				
Interest and fees on loans	\$	34,326	\$	39,198
Interest and dividends on investment securities:				
Taxable interest income		3,383		4,574
Non-taxable interest income		751		833
Dividends		7		2
Total interest income	\$	38,467	\$	44,607
Interest expense:				
Deposits	\$	7,334	\$	13,732
Federal funds purchased and securities sold under agreements to repurchase		129		272
Short-term borrowings		41		238
Long-term debt		629		1,220
Junior subordinated debt owed to unconsolidated trusts		699		697
Total interest expense	\$	8,832	\$	16,159
Net interest income	\$	29,635	\$	28,448
Provision for loan losses		9,500		140,000
Net interest income (loss) after provision for loan losses	\$	20,135	\$	(111,552)
Other income:				
Trust	\$	3,113	\$	3,067
Commissions and brokers' fees, net		398		431
Remittance processing		2,263		3,251
Service charges on deposit accounts		2,858		3,209
Other service charges and fees		1,304		1,204
Gain on sales of loans		4,104		3,809
Security gains, net		283		65
Other operating income		527		1,433
Total other income	\$	14,850	\$	16,469
Other expenses:				
Salaries and wages	\$	10,537	\$	10,955
Employee benefits		2,487		2,615
Net occupancy expense of premises		2,374		2,414
Furniture and equipment expenses		1,493		1,817
Data processing		2,008		1,989
Amortization of intangible assets		1,022		1,091
Regulatory expense		2,155		2,140
Goodwill impairment expense				208,164
OREO expense		380		846
Other operating expenses		4,586		5,727
Total other expenses	\$	27,042	\$	237,758
Income (loss) before income taxes	\$	7,943	\$	(332,841)
Income taxes		1,921		(50,522)
Net income (loss)	\$	6,022	\$	(282,319)
Preferred stock dividends and discount accretion		1,283		1,356

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Net income (loss) available to common shareholders	\$	4,739	\$	(283,675)
Basic earnings (loss) per share	\$	0.07	\$	(7.92)
Diluted earnings (loss) per share	\$	0.07	\$	(7.92)
Dividends declared per share of common stock	\$	0.04	\$	0.08

See accompanying notes to unaudited consolidated financial statements.

FIRST BUSEY CORPORATION and Subsidiaries

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Nine Months Ended September 30, 2010 and 2009

(Unaudited)

	2010	2009
	(dollars in thousands)	
Cash Flows from Operating Activities		
Net income (loss)	\$ 15,924	\$ (295,555)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Stock-based and non-cash compensation	126	107
Depreciation and amortization	7,798	8,618
Provision for loan losses	31,700	197,500
Goodwill impairment		208,164
Provision for deferred income taxes	5,762	(8,414)
Amortization of security premiums and discounts, net	3,476	3,823
Gain on sales of investment securities, net	(1,025)	(140)
Gain on sales of loans	(9,984)	(9,942)
Net loss on sales of OREO properties	1,224	1,003
Settlement of post retirement benefit liabilities		(2,021)
Increase in cash surrender value of bank owned life insurance	(1,357)	(971)
Increase (decrease) in deferred compensation, net	(10)	3
Change in assets and liabilities:		
Decrease in other assets	2,182	3,391
Decrease in other liabilities	(1,473)	(3,011)
Decrease in interest payable	(4,321)	(4,949)
Decrease (increase) in income taxes receivable		(51,007)
Net cash provided by operating activities before loan originations and sales	\$ 50,022	\$ 46,599
Loans originated for sale	(450,290)	(537,016)
Proceeds from sales of loans	437,879	531,880
Net cash provided by operating activities	\$ 37,611	\$ 41,463
Cash Flows from Investing Activities		
Proceeds from sales of securities classified available for sale	40,886	14,380
Proceeds from maturities of securities classified available for sale	138,891	184,197
Purchase of securities classified available for sale	(157,450)	(149,350)
Decrease in loans	237,785	81,073
Proceeds from sale of premises and equipment	158	574
Proceeds from sale of OREO properties	14,991	6,732
Purchases of premises and equipment	(1,723)	(3,852)
Net cash provided by investing activities	\$ 273,538	\$ 133,754

(continued on next page)

FIRST BUSEY CORPORATION and Subsidiaries

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

For the Nine Months Ended September 30, 2010 and 2009

(Unaudited)

	2010	2009
	(dollars in thousands)	
Cash Flows From Financing Activities		
Net decrease in certificates of deposit	\$ (351,872)	\$ (217,934)
Net increase (decrease) in demand, money market and savings deposits	104,997	(6,106)
Cash dividends paid	(11,713)	(15,102)
Net decrease in Federal funds purchased and securities sold under agreements to repurchase	(11,906)	(24,105)
Proceeds from short-term borrowings	4,000	
Principal payments on short-term borrowings		(83,000)
Principal payments on long-term debt	(29,500)	(14,000)
Proceeds from issuance of common stock		78,160
Proceeds from issuance of CPP preferred stock and warrants		100,000
Net cash used in financing activities	\$ (295,994)	\$ (182,087)
Net increase (decrease) in cash and due from banks	\$ 15,155	\$ (6,870)
Cash and due from banks, beginning	\$ 207,071	\$ 190,113
Cash and due from banks, ending	\$ 222,226	\$ 183,243
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash payments for:		
Interest	\$ 35,725	\$ 61,045
Income taxes	\$ 1,251	
Non-cash investing and financing activities:		
Other real estate acquired in settlement of loans	\$ 10,444	\$ 11,364
Non-cash stock option activity	\$	\$ 22
Dividends accrued	\$ 752	\$ 708

See accompanying notes to unaudited consolidated financial statements

FIRST BUSEY CORPORATION and Subsidiaries

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
	(dollars in thousands)			
Net income (loss)	\$ 6,022	\$ (282,319)	\$ 15,924	\$ (295,555)
Other comprehensive income (loss), before tax:				
Unrealized net gains (losses) on securities:				
Unrealized net holding gains (losses) arising during period	\$ 2,162	\$ 4,002	\$ 7,845	\$ 2,361
Less adjustment for gains included in net income (loss)	(283)	(65)	(1,025)	(140)
Other comprehensive income (loss), before tax	\$ 1,879	\$ 3,937	\$ 6,820	\$ 2,221
Income tax expense (benefit) related to items of other comprehensive income (loss)	747	1,567	2,711	885
Other comprehensive income (loss), net of tax	\$ 1,132	\$ 2,370	\$ 4,109	\$ 1,336
Comprehensive income (loss)	\$ 7,154	\$ (279,949)	\$ 20,033	\$ (294,219)

See accompanying notes to unaudited consolidated financial statements

FIRST BUSEY CORPORATION and Subsidiaries

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Basis of Presentation

The accompanying unaudited consolidated interim financial statements of First Busey Corporation (the Company), a Nevada corporation, have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (SEC) for quarterly reports on Form 10-Q and do not include certain information and footnote disclosures required by U.S. generally accepted accounting principles (U.S. GAAP) for complete annual financial statements. Accordingly, these financial statements should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 2009.

The accompanying consolidated balance sheet as of December 31, 2009, which has been derived from audited financial statements, and the unaudited consolidated interim financial statements have been prepared in accordance with U.S. GAAP and reflect all adjustments that are, in the opinion of management, necessary for the fair presentation of the financial position and results of operations for the periods presented. All such adjustments are of a normal recurring nature. The results of operations for the nine months ended September 30, 2010 are not necessarily indicative of the results that may be expected for the year ending December 31, 2010.

The consolidated financial statements include the accounts of the Company and its subsidiaries. All material intercompany transactions and balances have been eliminated in consolidation. Certain prior year amounts have been reclassified to conform to the current presentation with no effect on net income (loss) or stockholders' equity.

In preparing the accompanying consolidated financial statements, the Company's management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses for the reporting period. Actual results could differ from those estimates. Material estimates which are particularly susceptible to significant change in the near term relate to the fair value of investment securities, the determination of the allowance for loan losses, including valuation of real estate and related loan collateral, and valuation allowance on the deferred tax asset.

The Company has evaluated subsequent events for potential recognition and/or disclosure through the date the consolidated financial statements included in this Annual Report on Form 10-Q were issued. There were no significant subsequent events for the quarter ended September 30, 2010 through the date of these financial statements that warranted adjustment to or disclosure in the consolidated financial statement.

Note 2: Recent Accounting Pronouncements

FASB ASC Topic 310, Receivables: Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses. On July 21, 2010, new authoritative accounting guidance (Accounting Standards Update No. 2010-20) under ASC Topic 310 was issued which requires an entity to provide more information in their disclosures about the credit quality of their financing receivables and the credit reserves held against them. This statement addresses only disclosures and does not change recognition or measurement. The new authoritative accounting guidance under ASC Topic 310 will be effective for the Company's financial statements as of December 31, 2010, as it relates to

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disclosures required as of the end of a reporting period. Disclosures that relate to activity during a reporting period will be required for reporting periods beginning on or after January 1, 2011.

FASB ASC Topic 815, Derivatives and Hedging. New authoritative accounting guidance (Accounting Standards Update No. 2010-11) under ASC Topic 815 clarifies that the only form of an embedded credit derivative that is exempt from embedded derivative bifurcation requirements are those that relate to the subordination of one financial instrument to another. Entities that have contracts containing an embedded credit derivative feature in a form other than such subordination may need to separately account for the embedded credit derivative feature. The provisions of Topic 815 were effective for the Company on July 1, 2010 and did not have a significant impact on the Company's financial statements.

FASB ASC Topic 820-10, Fair Value Measurements and Disclosures – Improving Disclosures About Fair Value Measurements. New authoritative accounting guidance (Accounting Standards Update No. 2010-06) in this update require new disclosures about significant transfers in and out of Level 1 and Level 2 fair value measurements. The amendments also require a reporting entity to provide information about activity for purchases, sales, issuances and settlements in Level 3 fair value measurements and clarify disclosures about the level of disaggregation and disclosures about inputs and valuation techniques. This update became effective for the Company for interim and annual reporting periods beginning after December 15, 2009 and did not have a significant impact on the Company's financial statements.

FASB ASC Topic 860, Transfers and Servicing – Accounting for Transfers of Financial Assets. New authoritative accounting guidance (Accounting Standards Update No. 2009-16) under ASC Topic 860 amends prior guidance to enhance reporting about transfers of financial assets, including securitizations, and where companies have continuing exposure to the risks related to transferred financial assets. ASC Topic 860 eliminates the concept of a qualifying special-purpose entity and changes the requirements for derecognizing financial assets. The provision became effective on January 1, 2010 and did not have a significant impact on the Company's financial statements.

Note 3: Securities

The amortized cost and fair values of securities classified available for sale are summarized as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(dollars in thousands)			
<u>September 30, 2010:</u>				
U.S. Treasury securities	\$ 406	\$ 73	\$	\$ 479
Obligations of U.S. government corporations and agencies	344,264	11,764		356,028
Obligations of states and political subdivisions	78,803	4,312		83,115
Residential mortgage-backed securities	102,877	4,127	(47)	106,957
Corporate debt securities	1,693	74		1,767
	528,043	20,350	(47)	548,346
Mutual funds and other equity securities	2,233	1,141		3,374
	\$ 530,276	\$ 21,491	\$ (47)	\$ 551,720

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(dollars in thousands)			
<u>December 31, 2009:</u>				
U.S. Treasury securities	\$ 710	\$ 72	\$	\$ 782
Obligations of U.S. government corporations and agencies	339,023	7,401	(394)	346,030
Obligations of states and political subdivisions	80,229	2,480	(163)	82,546
Residential mortgage-backed securities	131,229	4,058	(2)	135,285
Corporate debt securities	1,662	63	(4)	1,721
	552,853	14,074	(563)	566,364

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Mutual funds and other equity securities	2,163	1,113	3,276
	\$ 555,016	\$ 15,187	\$ (563) \$ 569,640

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Gains and losses related to sales of securities are summarized as follows:

Three Months Ended September 30,
2010 **2009**
(dollars in thousands)

Gross security gains	\$	283	\$	97
Gross security losses				(32)
Net security gains	\$	283	\$	65

Nine Months Ended September 30,
2010 **2009**
(dollars in thousands)

Gross security gains	\$	1,025	\$	187
Gross security losses				(47)
Net security gains	\$	1,025	\$	140

The following presents information pertaining to securities with gross unrealized losses as of September 30, 2010 and December 31, 2009, aggregated by investment category and length of time that individual securities have been in continuous loss position:

	Less than 12 months Fair	Greater than 12 months Unrealized	Total
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