

FIRST BUSEY CORP /NV/
Form 10-K
March 11, 2011
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

- x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2010

- o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission file number 0-15950

FIRST BUSEY CORPORATION

(Exact name of registrant as specified in its charter)

Nevada

37-1078406

(State or other jurisdiction of incorporation of organization)

(I.R.S. Employer Identification No.)

100 W. University Avenue

Champaign, Illinois 61820

(Address of principal executive offices) (Zip code)

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock (\$.001 par value)	The Nasdaq Global Select Stock Market

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes No

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

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

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The aggregate market value of the voting and non-voting common equity held by non-affiliates on June 30, 2010 was \$243.5 million, determined using a per share closing price for the registrant's common stock on that date of \$4.53, as quoted on The Nasdaq Global Select Market.

As of March 11, 2011, there were 86,596,527 shares of the registrant's common stock, \$0.001 par value, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive Proxy Statement for the 2011 Annual Meeting of Stockholders of First Busey Corporation to be held May 17, 2011, are incorporated by reference in this Form 10-K in response to Part III.

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FIRST BUSEY CORPORATION

Form 10-K Annual Report

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Part I

Item 1. Business

Introduction

First Busey Corporation (First Busey or the Company), a Nevada Corporation, is a \$3.6 billion financial holding company which was initially organized as a bank holding company in 1980. First Busey conducts a broad range of financial services through its banking and non-banking subsidiaries at multiple locations in Illinois, Florida, Indiana and Missouri. First Busey has one wholly-owned bank subsidiary, Busey Bank (the Bank), which has locations in three states. First Busey is headquartered in Champaign, Illinois, and its common stock is traded on The Nasdaq Global Select Market under the symbol BUSE.

Prior to August 2009, the Company had a second bank subsidiary, Busey Bank, N.A., which was headquartered in Fort Myers, Florida. The Company merged Busey Bank, N.A. with and into Busey Bank in August 2009. Following the merger, the Bank continued operations at the former Busey Bank, N.A. southwest Florida locations.

On August 1, 2007, First Busey and Main Street Trust, Inc. (Main Street) completed a merger of equals transaction. Main Street Bank & Trust, Main Street's banking subsidiary, was combined with Busey Bank in November 2007 and Main Street Bank & Trust's trust department was combined with Busey Trust Company in November 2007. In connection with the Main Street merger, First Busey sold the net assets of five banking centers on November 2, 2007, representing approximately 1% of consolidated loans and 3% of consolidated deposits of First Busey at that time.

Business of First Busey

First Busey conducts the business of banking and related services through the Bank, asset management, brokerage and fiduciary services through Busey Wealth Management, Inc. (Busey Wealth Management) and retail payment processing through FirsTech, Inc. (FirsTech).

Busey Bank is an Illinois state-chartered bank organized in 1868 with its headquarters in Champaign, Illinois. Busey Bank has 33 locations in Illinois, seven in southwest Florida and one in Indianapolis, Indiana.

The Bank offers a full range of banking services, including commercial, agricultural and real estate loans, and retail banking services, including accepting customary types of demand and savings deposits, making individual, consumer, installment, first mortgage and second mortgage loans, offering money transfers, safe deposit services, IRA, Keogh and other fiduciary services, automated banking and automated fund transfers.

The Bank's principal sources of income are interest and fees on loans and investments and service fees. Its principal expenses are interest paid on deposits and general operating expenses. The Bank's primary markets are downstate Illinois, southwest Florida, and central Indiana.

The Bank's loan portfolio is comprised primarily of loans in the areas of commercial loans, commercial real estate, residential real estate, and consumer lending. As of December 31, 2010, real estate-mortgage loans (including commercial and residential real estate) made up approximately 73.1% of the Bank's loan portfolio, construction lending comprised approximately 6.5%, commercial loans comprised approximately 18.5%, consumer installments and other loans comprised approximately 1.9%.

Busey Wealth Management, which is headquartered in Champaign, Illinois, provides asset management, brokerage and fiduciary services to individuals, businesses and foundations. It oversaw \$3.5 billion in assets as of December 31, 2010. For individuals, Busey Wealth Management provides financial planning, investment management, retirement planning, brokerage and trust and estate advisory services. For businesses, it provides investment management, business succession planning and employee retirement plan services. For foundations, it provides services such as investment management, investment strategy consulting and fiduciary services.

FirsTech, which has offices in Decatur, Illinois and Clayton, Missouri, offers the following pay processing solutions: walk-in payments processing for payments delivered by customers to retail pay agents; online bill payment solutions for payments made by customers on a billing company's website; customer service payments for payments accepted over the telephone; direct debit services; electronic concentration of payments delivered by the Automated Clearing House network; money management software and credit card networks; and lockbox remittance processing of payments delivered by mail. FirsTech had 3,100 agent locations in 38 states as of December 31, 2010.

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First Busey Corporation has various other subsidiaries that are not significant to the consolidated entity.

See Note 20 in the Notes to the Consolidated Financial Statements for an analysis of segment operations.

Economic Conditions of Markets

We continue to perform well in our Illinois markets, despite an increase in non-performing loans. On a percentage of loan basis, our credit challenges remain within our Indianapolis and southwest Florida markets.

The Illinois markets possess strong industrial, academic and healthcare employment bases that have performed well relative to the rest of the United States. Our primary downstate Illinois markets of Champaign, Macon, McLean and Peoria counties are anchored by several strong, familiar and stable organizations.

Champaign County is home to the University of Illinois – Urbana/Champaign (U of I), the University’s primary campus. U of I has in excess of 42,000 students, and has grown annually over the last decade. Additionally, Champaign County healthcare providers serve a significant area of downstate Illinois and western Indiana. Macon County is home to Archer Daniels Midland (ADM), a Fortune 100 company and one of the largest agricultural processors in the world. ADM’s presence in Macon County supports many derivative businesses in the agricultural processing arena. Additionally, Macon County is home to Millikin University, and its healthcare providers serve a significant role in the market. McLean County is home to State Farm, Country Financial, Illinois State University and Illinois Wesleyan University. State Farm, a Fortune 100 company, is the largest employer in McLean County, and Country Financial and the universities provide additional stability to a growing area of downstate Illinois. Peoria County is home to Caterpillar, a Fortune 100 company, and Bradley University in addition to a large health care presence serving much of the western portion of downstate Illinois. The institutions noted above, coupled with over \$1.5 billion in agricultural output, anchor the communities in which they are located, and have provided a comparatively stable foundation for housing, employment and small business.

Southwest Florida has shown small signs of improvement in areas such as unemployment and home sales. During 2010, in some areas of our Florida market, unemployment percentages decreased and mean home sales prices began to rise for the first time in years. However, we expect it will take southwest Florida a number of years to return to the economic strength it demonstrated just a few years ago.

Competition

The Bank competes actively with national and state banks, savings and loan associations and credit unions for deposits and loans primarily in downstate Illinois (primarily Champaign, Ford, Livingston, Macon, McLean, Peoria, Shelby and Tazewell counties), southwest Florida (primarily Charlotte, Lee and Sarasota counties), and central Indiana (primarily Hamilton and Marion counties). In addition, First Busey and its non-bank subsidiaries compete with other financial institutions, including asset management and trust companies, security broker/dealers, personal loan companies, insurance companies, finance companies, leasing companies, mortgage companies, remittance processing companies, and certain governmental agencies, all of which actively engage in marketing various types of loans, deposit accounts, and other products and

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services. The Bank competes for real estate and other loans primarily on the basis of the interest rates and loan fees it charges, the types of loans it originates and the quality of services it provides to borrowers.

The Bank faces substantial competition in attracting deposits from other commercial banks, savings institutions, money market and mutual funds, credit unions, insurance agencies, brokerage firms, and other investment vehicles. The ability of the Bank to attract and retain deposits depends on its ability to provide investment opportunities that satisfy the requirements of investors as to rate of return, liquidity, risk and other factors. The Bank attracts a significant amount of deposits through its branch offices, primarily from the communities in which those branch offices are located; therefore, competition for those deposits is principally from other commercial banks, savings institutions, and credit unions located in the same communities. The Bank competes for these deposits by offering a variety of deposit accounts at competitive rates, high-quality customer service, convenient business hours, internet banking, and convenient branch locations with interbranch deposit and withdrawal privileges at each.

Based on information obtained from FDIC Summary of Deposits dated June 30, 2010, First Busey ranked in the top ten in total deposits in seven Illinois counties: first in Champaign County; first in Ford County; eighth in Livingston County; second in Macon County; fifth in McLean County; tenth in Peoria County; and second in Shelby County. Customers for banking services are generally influenced by convenience, quality of service, personal contacts, price of services and availability of products. Although the market share of First Busey varies in different markets, First Busey believes that its affiliates effectively compete with other banks, thrifts and financial institutions in their relevant market areas.

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Monetary Policy and Economic Conditions

The earnings of commercial banks and bank holding companies are affected not only by general economic conditions, but also by the policies of various governmental regulatory agencies. In particular, the Federal Reserve regulates money and credit conditions and interest rates in order to influence general economic conditions and interest rates, primarily through open market operations in U.S. government securities, varying the discount rate on member banks and nonmember bank borrowings and setting reserve requirements against bank deposits. Such Federal Reserve policies and acts have a significant influence on overall growth and distribution of bank loans, investments, deposits and related interest rates. The Company cannot accurately predict the effect, if any, such policies and acts may have in the future on our business or earnings.

Supervision, Regulation and Other Factors

General

Financial institutions, their holding companies and their affiliates are extensively regulated under federal and state law. As a result, the growth and earnings performance of First Busey may be affected not only by management decisions and general economic conditions, but also by the requirements of federal and state statutes and by the regulations and policies of various bank regulatory authorities, including the Illinois Department of Financial and Professional Regulation (the "DFPR"), the Board of Governors of the Federal Reserve System (the "Federal Reserve") and the Federal Deposit Insurance Corporation (the "FDIC"). Furthermore, taxation laws administered by the Internal Revenue Service and state taxing authorities, accounting rules developed by the Financial Accounting Standards Board (the "FASB") and securities laws administered by the Securities and Exchange Commission (the "SEC") and state securities authorities have an impact on the business of First Busey. The effect of these statutes, regulations, regulatory policies and accounting rules may be significant, and cannot be predicted with a high degree of certainty.

Federal and state banking laws impose a comprehensive system of supervision, regulation and enforcement on the operations of financial institutions, their holding companies and affiliates that is intended primarily for the protection of the FDIC-insured deposits and depositors of banks, rather than shareholders. These federal and state laws, and the regulations of the bank regulatory authorities issued under them, affect, among other things, the scope of business, the kinds and amounts of investments banks may make, reserve requirements, capital levels relative to operations, the nature and amount of collateral for loans, the establishment of branches, the ability to merge, consolidate and acquire, dealings with insiders and affiliates and the payment of dividends. In addition, turmoil in the credit markets in recent years prompted the enactment of unprecedented legislation that has allowed the U.S. Department of the Treasury (the "Treasury") to make equity capital available to qualifying financial institutions to help restore confidence and stability in the U.S. financial markets, which imposes additional requirements on institutions in which Treasury invests.

The following is a summary of the material elements of the supervisory and regulatory framework applicable to First Busey and the Bank. It does not describe all of the statutes, regulations and regulatory policies that apply, nor does it restate all of the requirements of those that are described. Moreover, Congress recently enacted fundamental reforms to our bank regulatory framework, the majority of which will be implemented over time by various regulatory agencies, making their impact difficult to predict. See "Financial Regulatory Reform" below.

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Financial Regulatory Reform

On July 21, 2010, President Obama signed the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act) into law. The Dodd-Frank Act represents a sweeping reform of the supervisory and regulatory framework applicable to financial institutions and capital markets in the United States, certain aspects of which are described below in more detail. The Dodd-Frank Act creates new federal governmental entities responsible for overseeing different aspects of the U.S. financial services industry, including identifying emerging systemic risks. It also shifts certain authorities and responsibilities among federal financial institution regulators, including the supervision of holding company affiliates and the regulation of consumer financial services and products. In particular, and among other things, the Dodd-Frank Act: creates a Bureau of Consumer Financial Protection authorized to regulate providers of consumer credit, savings, payment and other consumer financial products and services; narrows the scope of federal preemption of state consumer laws enjoyed by national banks and federal savings associations and expands the authority of state attorneys general to bring actions to enforce federal consumer protection legislation; imposes more stringent capital requirements on bank holding companies and subjects certain activities, including interstate mergers and acquisitions, to heightened capital conditions; significantly expands underwriting requirements applicable to loans secured by 1-4 family residential real property; restricts the interchange fees payable on debit card transactions for issuers with \$10 billion in assets or greater; requires the originator of a securitized loan, or the sponsor of a securitization, to retain at least 5% of the credit risk of securitized exposures unless the underlying exposures are qualified residential mortgages or meet certain underwriting standards to be determined by regulation; creates a Financial Stability Oversight Council as part of a regulatory structure for identifying emerging systemic risks and improving interagency cooperation; provides for enhanced regulation of advisers to private funds and of the derivatives markets; enhances oversight of credit rating agencies; and prohibits banking agency requirements tied to credit ratings.

Numerous provisions of the Dodd-Frank Act are required to be implemented through rulemaking by the appropriate federal regulatory agencies over the next few years. It is not clear what form such regulations will ultimately take or if certain provisions of the Dodd-Frank Act will be amended prior to their implementation. Furthermore, while the reforms primarily target systemically important financial service providers, their influence is expected to filter down in varying degrees to smaller institutions over time. As a result, in many respects, the ultimate impact of the Dodd-Frank Act will not be fully known for years, and no current assurance may be given that the Dodd-Frank Act, or any other new legislative changes, will not have a negative impact on the results of operations and financial condition of First Busey and the Bank.

The Increasing Importance of Capital

While capital has historically been one of the key measures of the financial health of both holding companies and depository institutions, its role is becoming fundamentally more important in the wake of the financial crisis. Not only will capital requirements increase, but the type of instruments that constitute capital will also change, and, as a result of the Dodd-Frank Act, after a phase-in period, bank holding companies will have to hold capital under rules as stringent as those for insured depository institutions. Moreover, the actions of the international Basel Committee on Banking Supervision, a committee of central banks and bank supervisors, to reassess the nature and uses of capital in connection with an initiative called Basel III, discussed below, will likely have a significant impact on the capital requirements applicable to U.S. bank holding companies and depository institutions.

Required Capital Levels

As indicated above, the Dodd-Frank Act mandates the Federal Reserve to establish minimum capital levels for bank holding companies on a consolidated basis that are as stringent as those required for insured depository institutions. The components of Tier 1 capital will be restricted to capital instruments that are currently considered to be Tier 1 capital for insured depository institutions. As a result, the proceeds of trust preferred securities will be excluded from Tier 1 capital unless such securities were issued prior to May 19, 2010 by bank holding companies with less than \$15 billion of assets. As First Busey has assets of less than \$15 billion, it will be able to maintain its trust preferred proceeds as

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capital but it will have to comply with new capital mandates in other respects, and it will not be able to raise Tier 1 capital in the future through the issuance of trust preferred securities.

Under current federal regulations, the Bank is subject to, and, after a phase-in period, First Busey will be subject to, the following minimum capital standards: (i) a leverage requirement consisting of a minimum ratio of Tier 1 capital to total assets of 3% for the most highly-rated banks with a minimum requirement of at least 4% for all others; and (ii) a risk-based capital requirement consisting of a minimum ratio of total capital to total risk-weighted assets of 8% and a minimum ratio of Tier 1 capital to total risk-weighted assets of 4%. For this purpose, Tier 1 capital consists primarily of common stock, noncumulative perpetual preferred stock and related surplus less intangible assets (other than certain loan servicing rights and purchased credit card relationships). Total capital consists primarily of Tier 1 capital plus Tier 2 capital, which includes other non-permanent capital items such as certain other debt and equity instruments that do not qualify as Tier 1 capital and a portion of the Bank's allowance for loan losses.

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The capital requirements described above are minimum requirements. Federal law and regulations provide various incentives for banking organizations to maintain regulatory capital at levels in excess of minimum regulatory requirements. For example, a banking organization that is well-capitalized may qualify for exemptions from prior notice or application requirements otherwise applicable to certain types of activities, may qualify for expedited processing of other required notices or applications and may accept brokered deposits. Additionally, one of the criteria that determines a bank holding company's eligibility to operate as a financial holding company (see Acquisitions, Activities and Changes in Control below) is a requirement that all of its depository institution subsidiaries be well-capitalized. Under the Dodd-Frank Act, that requirement is extended such that, as of July 21, 2011, bank holding companies, as well as their depository institution subsidiaries, will have to be well-capitalized in order to operate as financial holding companies. Under the capital regulations of the Federal Reserve, in order to be well-capitalized a banking organization must maintain a ratio of total capital to total risk-weighted assets of 10% or greater, a ratio of Tier 1 capital to total risk-weighted assets of 6% or greater and a ratio of Tier 1 capital to total assets of 5% or greater.

Higher capital levels may also be required if warranted by the particular circumstances or risk profiles of individual banking organizations. For example, the Federal Reserve's capital guidelines contemplate that additional capital may be required to take adequate account of, among other things, interest rate risk, or the risks posed by concentrations of credit, nontraditional activities or securities trading activities. Further, any banking organization experiencing or anticipating significant growth would be expected to maintain capital ratios, including tangible capital positions (*i.e.*, Tier 1 capital less all intangible assets), well above the minimum levels.

It is important to note that certain provisions of the Dodd-Frank Act and Basel III, discussed below, will ultimately establish strengthened capital standards for banks and bank holding companies, will require more capital to be held in the form of common stock and will disallow certain funds from being included in a Tier 1 capital determination. Once fully implemented, these provisions may represent regulatory capital requirements which are meaningfully more stringent than those outlined above.

Prompt Corrective Action

A banking organization's capital plays an important role in connection with regulatory enforcement as well. Federal law provides the federal banking regulators with broad power to take prompt corrective action to resolve the problems of undercapitalized institutions. The extent of the regulators' powers depends on whether the institution in question is adequately capitalized, undercapitalized, significantly undercapitalized or critically undercapitalized, in each case as defined by regulation. Depending upon the capital category to which an institution is assigned, the regulators' corrective powers include: (i) requiring the institution to submit a capital restoration plan; (ii) limiting the institution's asset growth and restricting its activities; (iii) requiring the institution to issue additional capital stock (including additional voting stock) or to be acquired; (iv) restricting transactions between the institution and its affiliates; (v) restricting the interest rate the institution may pay on deposits; (vi) ordering a new election of directors of the institution; (vii) requiring that senior executive officers or directors be dismissed; (viii) prohibiting the institution from accepting deposits from correspondent banks; (ix) requiring the institution to divest certain subsidiaries; (x) prohibiting the payment of principal or interest on subordinated debt; and (xi) ultimately, appointing a receiver for the institution.

As of December 31, 2010, the Bank exceeded its minimum regulatory capital requirements under Federal Reserve capital adequacy guidelines and was well-capitalized, as defined by Federal Reserve regulations. As of December 31, 2010, First Busey had regulatory capital in excess of the Federal Reserve's minimum requirements.

Basel III

The current risk-based capital guidelines that apply to the Bank and will apply to First Busey are based upon the 1988 capital accord of the international Basel Committee on Banking Supervision, a committee of central banks and bank supervisors, as implemented by the U.S. federal banking agencies on an interagency basis. In 2008, the banking agencies collaboratively began to phase-in capital standards based on a second

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capital accord, referred to as Basel II, for large or core international banks (generally defined for U.S. purposes as having total assets of \$250 billion or more or consolidated foreign exposures of \$10 billion or more). Basel II emphasized internal assessment of credit, market and operational risk, as well as supervisory assessment and market discipline in determining minimum capital requirements.

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On September 12, 2010, the Group of Governors and Heads of Supervision, the oversight body of the Basel Committee on Banking Supervision, announced agreement to a strengthened set of capital requirements for banking organizations in the United States and around the world, known as Basel III. The agreement is currently supported by the U.S. federal banking agencies. As agreed to, Basel III is intended to be fully-phased in on a global basis on January 1, 2019. However, the ultimate timing and scope of any U.S. implementation of Basel III remains uncertain. As agreed to, Basel III would require, among other things: (i) an increase in minimum required common equity to 7% of total assets; (ii) an increase in the minimum required amount of Tier 1 capital from the current level of 4% of total assets to 8.5% of total assets; (iii) an increase in the minimum required amount of Total Capital, from the current level of 8% to 10.5%. Each of these increased requirements includes 2.5% attributable to a capital conservation buffer to be phased in from January 2016 until January 1, 2019. The purpose of the conservation buffer is to ensure that banks maintain a buffer of capital that can be used to absorb losses during periods of financial and economic stress. There will also be a required countercyclical buffer to achieve the broader goal of protecting the banking sector from periods of excess aggregate credit growth.

Pursuant to Basel III, certain deductions and prudential filters, including minority interests in financial institutions, mortgage servicing rights and deferred tax assets from timing differences, would be deducted in increasing percentages beginning January 1, 2014, and would be fully deducted from common equity by January 1, 2018. Certain instruments that no longer qualify as Tier 1 capital, such as trust preferred securities, also would be subject to phase-out over a 10-year period beginning January 1, 2013.

The Basel III agreement calls for national jurisdictions to implement the new requirements beginning January 1, 2013. At that time, the U.S. federal banking agencies, including the Federal Reserve, will be expected to have implemented appropriate changes to incorporate the Basel III concepts into U.S. capital adequacy standards. Although the Basel III changes, as implemented in the United States, will likely result in generally higher regulatory capital standards, it is difficult at this time to predict how any new standards will ultimately be applied to First Busey and the Bank.

First Busey

General

First Busey, as the sole shareholder of the Bank, is a bank holding company. As a bank holding company, First Busey is registered with, and is subject to regulation by, the Federal Reserve under the Bank Holding Company Act of 1956, as amended (the BHCA). In accordance with Federal Reserve policy, and as now codified by the Dodd-Frank Act, First Busey is legally obligated to act as a source of financial strength to the Bank and to commit resources to support the Bank in circumstances where First Busey might not otherwise do so. Under the BHCA, First Busey is subject to periodic examination by the Federal Reserve. First Busey is also required to file with the Federal Reserve periodic reports of First Busey's operations and such additional information regarding First Busey and its subsidiaries as the Federal Reserve may require.

Acquisitions, Activities and Change in Control

The primary purpose of a bank holding company is to control and manage banks. The BHCA generally requires the prior approval of the Federal Reserve for any merger involving a bank holding company or any acquisition by a bank holding company of another bank or bank holding company. Subject to certain conditions (including deposit concentration limits established by the BHCA and the Dodd-Frank Act), the Federal Reserve may allow a bank holding company to acquire banks located in any state of the United States. In approving interstate acquisitions, the Federal Reserve is required to give effect to applicable state law limitations on the aggregate amount of deposits that may be held by the acquiring bank holding company and its insured depository institution affiliates in the state in which the target bank is located (provided that those limits do not discriminate against out-of-state depository institutions or their holding companies) and state laws that require that the target bank have been in existence for a minimum period of time (not to exceed five years) before being acquired by an out-of-state bank holding company. Furthermore, in accordance with the Dodd-Frank Act, as of July 21, 2011, bank holding companies must be well-capitalized

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in order to effect interstate mergers or acquisitions. For a discussion of the capital requirements, see The Increasing Importance of Capital above.

The BHCA generally prohibits First Busey from acquiring direct or indirect ownership or control of more than 5% of the voting shares of any company that is not a bank and from engaging in any business other than that of banking, managing and controlling banks or furnishing services to banks and their subsidiaries. This general prohibition is subject to a number of exceptions. The principal exception allows bank holding companies to engage in, and to own shares of companies engaged in, certain businesses found by the Federal Reserve prior to November 11, 1999 to be so closely related to banking ... as to be a proper incident thereto. This authority would permit First Busey to engage in a variety of banking-related businesses, including the ownership and operation of a savings association, or any entity engaged in consumer finance, equipment leasing, the operation of a computer service bureau (including software development), and mortgage banking and brokerage. The BHCA generally does not place territorial restrictions on the domestic activities of non-bank subsidiaries of bank holding companies.

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Additionally, bank holding companies that meet certain eligibility requirements prescribed by the BHCA and elect to operate as financial holding companies may engage in, or own shares in companies engaged in, a wider range of nonbanking activities, including securities and insurance underwriting and sales, merchant banking and any other activity that the Federal Reserve, in consultation with the Secretary of the Treasury, determines by regulation or order is financial in nature or incidental to any such financial activity or that the Federal Reserve determines by order to be complementary to any such financial activity and does not pose a substantial risk to the safety or soundness of depository institutions or the financial system generally. First Busey has elected (and the Federal Reserve has accepted First Busey's election) to operate as a financial holding company.

Federal law also prohibits any person or company from acquiring control of an FDIC-insured depository institution or its holding company without prior notice to the appropriate federal bank regulator. Control is conclusively presumed to exist upon the acquisition of 25% or more of the outstanding voting securities of a bank or bank holding company, but may arise under certain circumstances between 10% and 24.99% ownership.

Capital Requirements

Bank holding companies are required to maintain minimum levels of capital in accordance with Federal Reserve capital adequacy guidelines, as affected by the Dodd-Frank Act and Basel III. For a discussion of capital requirements, see *The Increasing Importance of Capital* above. If capital levels fall below the minimum required levels, a bank holding company, among other things, may be denied approval to acquire or establish additional banks or non-bank businesses.

Emergency Economic Stabilization Act of 2008

Events in the U.S. and global financial markets over the past several years, including the deterioration of the worldwide credit markets, have created significant challenges for financial institutions throughout the country. In response to this crisis affecting the U.S. banking system and financial markets, on October 3, 2008, the U.S. Congress passed, and the President signed into law, the Emergency Economic Stabilization Act of 2008 (the EESA). The EESA authorized the Secretary of the Treasury to implement various temporary emergency programs designed to strengthen the capital positions of financial institutions and stimulate the availability of credit within the U.S. financial system. Financial institutions participating in certain of the programs established under the EESA are required to adopt the Treasury's standards for executive compensation and corporate governance.

The TARP Capital Purchase Program

On October 14, 2008, the Treasury announced that it would provide Tier 1 capital (in the form of perpetual preferred stock) to eligible financial institutions. This program, known as the TARP Capital Purchase Program (the CPP), allocated \$250 billion from the \$700 billion authorized by the EESA to the Treasury for the purchase of senior preferred shares from qualifying financial institutions (the CPP Preferred Stock). Under the program, eligible institutions were able to sell equity interests to the Treasury in amounts equal to between 1% and 3% of the institution's risk-weighted assets. The CPP Preferred Stock is non-voting and pays dividends at the rate of 5% per annum for the first five years and thereafter at a rate of 9% per annum. In conjunction with the purchase of the CPP Preferred Stock, the Treasury received warrants to purchase common stock from the participating public institutions with an aggregate market price equal to 15% of the preferred stock investment. Participating financial institutions are required to adopt the Treasury's standards for executive compensation and corporate governance for the period during which the Treasury holds equity issued under the CPP. These requirements are discussed in more detail in the Compensation Discussion and Analysis section in First Busey's proxy statement, which is incorporated by reference in this Form 10-K.

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Pursuant to the CPP, on March 6, 2009, First Busey entered into a Letter Agreement with Treasury, pursuant to which First Busey issued (i) 100,000 shares of its Series T Preferred Stock and (ii) a warrant to purchase 1,147,666 shares of First Busey's common stock, no par value, for an aggregate purchase price of \$100 million in cash. Since First Busey's participation in the CPP, it has raised additional capital through a public offering of common stock and, as a result of that offering, the number of shares of common stock subject to the warrant have been reduced by 50% to 573,833. First Busey's federal regulators, the Treasury and the Treasury's Office of the Inspector General maintain significant oversight over First Busey as a participating institution, to evaluate how it is using the capital provided and to ensure that it strengthens its efforts to help its borrowers avoid foreclosure, which is one of the core aspects of the EESA.

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Dividend Payments

First Busey's ability to pay dividends to its shareholders may be affected by both general corporate law considerations and policies of the Federal Reserve applicable to bank holding companies. As a Nevada corporation, First Busey is subject to the limitations of Nevada law, which allows First Busey to pay dividends unless, after such dividend, (i) First Busey would not be able to pay its debts as they become due in the usual course of business or (ii) First Busey's total assets would be less than the sum of its total liabilities plus any amount that would be needed, if First Busey were to be dissolved at the time of the dividend payment, to satisfy the preferential rights upon dissolution of shareholders whose rights are superior to the rights of the shareholders receiving the distribution. Additionally, as a bank holding company, First Busey's ability to declare and pay dividends is subject to the guidelines of the Federal Reserve regarding capital adequacy and dividends. The Federal Reserve guidelines generally require First Busey to review the effects of the cash payment of dividends on common stock and other Tier 1 capital instruments (*i.e.*, perpetual preferred stock and trust preferred securities) in light of our earnings, capital adequacy and financial condition. In addition, as a matter of policy, the Federal Reserve has indicated that bank holding companies should not pay dividends on common stock (or make distributions on trust preferred securities) using funds from the CPP. As a general matter, the Federal Reserve indicates that the board of directors of a bank holding company should eliminate, defer or significantly reduce the dividends if: (i) the company's net income available to shareholders for the past four quarters, net of dividends previously paid during that period, is not sufficient to fully fund the dividends; (ii) the prospective rate of earnings retention is inconsistent with the company's capital needs and overall current and prospective financial condition; or (iii) the company will not meet, or is in danger of not meeting, its minimum regulatory capital adequacy ratios. The Federal Reserve also possesses enforcement powers over bank holding companies and their non-bank subsidiaries to prevent or remedy actions that represent unsafe or unsound practices or violations of applicable statutes and regulations. Among these powers is the ability to proscribe the payment of dividends by banks and bank holding companies.

Furthermore, with respect to First Busey's participation in the CPP, the terms of the CPP Preferred Stock provide that no dividends on any common or preferred stock that ranks equal to or junior to the CPP Preferred Stock may be paid unless and until all accrued and unpaid dividends for all past dividend periods on the CPP Preferred Stock have been fully paid.

Federal Securities Regulation

First Busey's common stock is registered with the SEC under the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended (the Exchange Act). Consequently, First Busey is subject to the information, proxy solicitation, insider trading and other restrictions and requirements of the SEC under the Exchange Act.

Corporate Governance

The Dodd-Frank Act addresses many investor protection, corporate governance and executive compensation matters that will affect most U.S. publicly traded companies. The Dodd-Frank Act will increase stockholder influence over boards of directors by requiring companies to give stockholders a non-binding vote on executive compensation and so-called "golden parachute" payments, and authorizing the SEC to promulgate rules that would allow stockholders to nominate and solicit voters for their own candidates using a company's proxy materials. The legislation also directs the Federal Reserve to promulgate rules prohibiting excessive compensation paid to bank holding company executives, regardless of whether the company is publicly traded.

THE BANK

General

Previously, First Busey was the sole shareholder of two depository institutions: (i) Busey Bank, N.A., a national bank chartered by the Office of the Comptroller of the Currency under the National Bank Act, and Busey Bank, an Illinois-chartered bank (the Bank). In August 2009, Busey Bank, N.A. was merged with and into the Bank. Accordingly, the Bank is the surviving depository institution and Busey Bank, N.A. no longer exists.

The deposit accounts of the Bank are insured by the FDIC's Deposit Insurance Fund (DIF) to the maximum extent provided under federal law and FDIC regulations. As an Illinois-chartered FDIC-insured bank, the Bank is subject to the examination, supervision, reporting and enforcement requirements of the DFPR, the chartering authority for Illinois banks, and the FDIC, designated by federal law as the primary federal regulator of insured state banks that, like the Bank, are not members of the Federal Reserve System (non-member banks). The Bank is a member of the Federal Home Loan Bank System, which provides a central credit facility primarily for member institutions.

Deposit Insurance

As an FDIC-insured institution, the Bank is required to pay deposit insurance premium assessments to the FDIC. The FDIC has adopted a risk-based assessment system whereby FDIC-insured depository institutions pay insurance premiums at rates based on their risk classification. An institution's risk classification is assigned based on its capital levels and the level of supervisory concern the institution poses to the regulators.

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On November 12, 2009, the FDIC adopted a final rule that required insured depository institutions to prepay on December 30, 2009, their estimated quarterly risk-based assessments for the fourth quarter of 2009 and for all of 2010, 2011, and 2012. On December 31, 2009, the Bank paid the FDIC \$20.8 million in prepaid assessments. The FDIC determined each institution's prepaid assessment based on the institution's: (i) actual September 30, 2009 assessment base, increased quarterly by a five percent annual growth rate through the fourth quarter of 2012; and (ii) total base assessment rate in effect on September 30, 2009, increased by an annualized three basis points beginning in 2011. The FDIC began to offset prepaid assessments on March 30, 2010, representing payment of the regular quarterly risk-based deposit insurance assessment for the fourth quarter of 2009. Any prepaid assessment not exhausted after collection of the amount due on June 30, 2013, will be returned to the institution.

Amendments to the Federal Deposit Insurance Act also revise the assessment base against which an insured depository institution's deposit insurance premiums paid to the DIF will be calculated. Under the amendments, the assessment base will no longer be the institution's deposit base, but rather its average consolidated total assets less its average tangible equity. This may shift the burden of deposit insurance premiums toward those large depository institutions that rely on funding sources other than U.S. deposits. Additionally, the Dodd-Frank Act makes changes to the minimum designated reserve ratio of the DIF, increasing the minimum from 1.15% to 1.35% of the estimated amount of total insured deposits, and eliminating the requirement that the FDIC pay dividends to depository institutions when the reserve ratio exceeds certain thresholds. The FDIC is given until September 3, 2020 to meet the 1.35 reserve ratio target. Several of these provisions could increase the Bank's FDIC deposit insurance premiums.

The Dodd-Frank Act permanently increases the maximum amount of deposit insurance for banks, savings institutions and credit unions to \$250,000 per insured depositor, retroactive to January 1, 2009. Furthermore, the legislation provides that non-interest bearing transaction accounts have unlimited deposit insurance coverage through December 31, 2013. This temporary unlimited deposit insurance coverage replaces the Transaction Account Guarantee Program (TAGP) that expired on December 31, 2010. It covers all depository institution noninterest-bearing transaction accounts, but not low interest-bearing accounts. Unlike TAGP, there is no special assessment associated with the temporary unlimited insurance coverage, nor may institutions opt-out of the unlimited coverage.

FICO Assessments

The Financing Corporation (FICO) is a mixed-ownership governmental corporation chartered by the former Federal Home Loan Bank Board pursuant to the Competitive Equality Banking Act of 1987 to function as a financing vehicle for the recapitalization of the former Federal Savings and Loan Insurance Corporation. FICO issued 30-year noncallable bonds of approximately \$8.1 billion that mature in 2017 through 2019. FICO's authority to issue bonds ended on December 12, 1991. Since 1996, federal legislation has required that all FDIC-insured depository institutions pay assessments to cover interest payments on FICO's outstanding obligations. These FICO assessments are in addition to amounts assessed by the FDIC for deposit insurance. During the year ended December 31, 2010, the FICO assessment rate was approximately 0.01% of deposits.

Supervisory Assessments

Illinois-chartered banks are required to pay supervisory assessments to the DFPR to fund its operations. The amount of the assessment paid by an Illinois bank to the DFPR is calculated on the basis of the institution's total assets, including consolidated subsidiaries, as reported to the DFPR. During the year ended December 31, 2010, Busey Bank paid supervisory assessments to the DFPR totaling \$0.3 million.

Capital Requirements

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Banks are generally required to maintain capital levels in excess of other businesses. For a discussion of capital requirements, see [The Increasing Importance of Capital](#) above.

Dividend Payments

The primary source of funds for First Busey is dividends from the Bank. Under the Illinois Banking Act, the Bank generally may not pay dividends in excess of its net profits.

The payment of dividends by any financial institution is affected by the requirement to maintain adequate capital pursuant to applicable capital adequacy guidelines and regulations, and a financial institution generally is prohibited from paying any dividends if, following payment thereof, the institution would be undercapitalized. As described above, the Bank exceeded its minimum capital requirements under applicable guidelines as of December 31, 2010. As of December 31, 2010, the Bank was in a retained deficit position and no amount was available to be paid as dividends by the Bank. Until the Bank is out of a retained deficit position, any dividends from the Bank would require approval from the FDIC and the DFPR.

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Insider Transactions

The Bank is subject to certain restrictions imposed by federal law on covered transactions between the Bank and its affiliates. First Busey is an affiliate of the Bank for purposes of these restrictions, and covered transactions subject to the restrictions include extensions of credit to First Busey, investments in the stock or other securities of First Busey and the acceptance of the stock or other securities of First Busey as collateral for loans made by the Bank. The Dodd-Frank Act enhances the requirements for certain transactions with affiliates as of July 21, 2011, including an expansion of the definition of covered transactions and an increase in the amount of time for which collateral requirements regarding covered transactions must be maintained.

Certain limitations and reporting requirements are also placed on extensions of credit by the Bank to its directors and officers, to directors and officers of First Busey, to principal shareholders of First Busey and to related interests of such directors, officers and principal shareholders. In addition, federal law and regulations may affect the terms upon which any person who is a director or officer of First Busey or the Bank or a principal shareholder of First Busey may obtain credit from banks with which the Bank maintains a correspondent relationship.

Safety and Soundness Standards

The federal banking agencies have adopted guidelines that establish operational and managerial standards to promote the safety and soundness of federally insured depository institutions. The guidelines set forth standards for internal controls, information systems, internal audit systems, loan documentation, credit underwriting, interest rate exposure, asset growth, compensation, fees and benefits, asset quality and earnings.

In general, the safety and soundness guidelines prescribe the goals to be achieved in each area, and each institution is responsible for establishing its own procedures to achieve those goals. If an institution fails to comply with any of the standards set forth in the guidelines, the institution's primary federal regulator may require the institution to submit a plan for achieving and maintaining compliance. If an institution fails to submit an acceptable compliance plan, or fails in any material respect to implement a compliance plan that has been accepted by its primary federal regulator, the regulator is required to issue an order directing the institution to cure the deficiency. Until the deficiency cited in the regulator's order is cured, the regulator may restrict the institution's rate of growth, require the institution to increase its capital, restrict the rates the institution pays on deposits or require the institution to take any action the regulator deems appropriate under the circumstances. Noncompliance with the standards established by the safety and soundness guidelines may also constitute grounds for other enforcement action by the federal banking regulators, including cease and desist orders and civil money penalty assessments.

Branching Authority

Illinois banks, such as the Bank, have the authority under Illinois law to establish branches anywhere in the State of Illinois, subject to receipt of all required regulatory approvals.

Federal law permits state and national banks to merge with banks in other states subject to: (i) regulatory approval; (ii) federal and state deposit concentration limits; and (iii) state law limitations requiring the merging bank to have been in existence for a minimum period of time (not to exceed five years) prior to the merger. The establishment of new interstate branches or the acquisition of individual branches of a bank in another state (rather than the acquisition of an out-of-state bank in its entirety) has historically been permitted only in those states the laws of which expressly authorize such expansion. However, the Dodd-Frank Act permits well-capitalized banks to establish branches across state lines without these impediments effective as of the day after its enactment, July 22, 2010.

State Bank Investments and Activities

The Bank generally is permitted to make investments and engage in activities directly or through subsidiaries as authorized by Illinois law. However, under federal law and FDIC regulations, FDIC-insured state banks are prohibited, subject to certain exceptions, from making or retaining equity investments of a type, or in an amount, that are not permissible for a national bank. Federal law and FDIC regulations also prohibit FDIC-insured state banks and their subsidiaries, subject to certain exceptions, from engaging as principal in any activity that is not permitted for a national bank unless the bank meets, and continues to meet, its minimum regulatory capital requirements and the FDIC determines the activity would not pose a significant risk to the deposit insurance fund of which the bank is a member. These restrictions have not had, and are not currently expected to have, a material impact on the operations of the Bank.

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Transaction Account Reserves

Federal Reserve regulations, as presently in effect, require depository institutions to maintain reserves against their transaction accounts (primarily NOW and regular checking accounts), as follows: for transaction accounts aggregating more than \$10.7 million to \$58.8 million, the reserve requirement is 3% of total transaction accounts; and for transaction accounts aggregating in excess of \$58.8 million, the reserve requirement is \$1.443 million plus 10% of the aggregate amount of total transaction accounts in excess of \$58.8 million. The first \$10.7 million of otherwise reservable balances are exempted from the reserve requirements. These reserve requirements are subject to annual adjustment by the Federal Reserve. The Bank is in compliance with the foregoing requirements.

Consumer Financial Services

There are numerous developments in federal and state laws regarding consumer financial products and services that impact the Bank's business. Importantly, the current structure of federal consumer protection regulation applicable to all providers of consumer financial products and services will change on July 21, 2011. In this regard, the Dodd-Frank Act creates a new Consumer Financial Protection Bureau (the Bureau) with extensive powers to supervise and enforce consumer protection laws. The Bureau has broad rule-making authority for a wide range of consumer protection laws that apply to all providers of consumer products and services, including the Bank, as well as the authority to prohibit unfair, deceptive or abusive acts and practices. The Bureau has examination and enforcement authority over providers with more than \$10 billion in assets. Banks and savings institutions with \$10 billion or less in assets, like the Bank, will continue to be examined by their applicable bank regulators. The Dodd-Frank Act also generally weakens the federal preemption available for national banks and federal savings associations, and gives state attorneys general the ability to enforce applicable federal consumer protection laws. It is unclear what changes will be promulgated by the Bureau and what effect, if any, such changes would have on the Bank.

The Dodd-Frank Act contains additional provisions that affect consumer mortgage lending. First, the new law significantly expands underwriting requirements applicable to loans secured by 1-4 residential real property and augments federal law combating predatory lending practices. In addition to numerous new disclosure requirements, the Dodd-Frank Act imposes new standards for mortgage loan originations on all lenders, including banks and savings associations, in an effort to strongly encourage lenders to verify a borrower's ability to repay. Most significantly, the new standards limit the total points and fees that the Bank and/or a broker may charge on conforming and jumbo loans to 3% of the total loan amount. Also, the Dodd-Frank Act, in conjunction with the Federal Reserve's final rule on loan originator compensation effective April 1, 2011, prohibits certain compensation payments to loan originators and prohibits steering consumers to loans not in their interest because it will result in greater compensation for a loan originator. These standards may result in a myriad of new system, pricing and compensation controls in order to ensure compliance and to decrease repurchase requests and foreclosure defenses. In addition, the Dodd-Frank Act generally requires lenders or securitizers to retain an economic interest in the credit risk relating to loans the lender sells and other asset-backed securities that the securitizer issues if the loans have not complied with the ability to repay standards. The risk retention requirement generally will be 5%, but could be increased or decreased by regulation.

Federal and state laws further impact mortgage foreclosures and loan modifications, many of which laws have the effect of delaying or impeding the foreclosure process. Legislation has been introduced in the U.S. Senate that would amend the Bankruptcy Code to permit bankruptcy courts to compel servicers and homeowners to enter mediation before initiating foreclosure. While legislation compelling loan modifications in Chapter 13 bankruptcies was approved by the House in 2010, the legislation was not approved by the Senate, and the requirement was not included in the Dodd-Frank Act or any other legislative or regulatory reforms. The scope, duration and terms of potential future legislation with similar effect continue to be discussed.

Illinois has enacted several laws that impact the timing of foreclosures and encourage loan modification efforts, and there is momentum for further legislation to prevent foreclosures through loss mitigation and ensure that documents submitted to the court are authentic and free from deceit and fraud. Attorney General Lisa Madigan proposed a foreclosure bill in November 2010, which would require banks, among other requirements, to: 1) comply with applicable federal, State, local or contractual loss mitigation program, and if no program results in a

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modification, the bank must review the mortgage under the other programs utilized by the bank; 2) prove that the affiant has personal knowledge of the facts; 3) produce detailed affidavits on efforts to find missing notes; 3) provide a loss mitigation affidavit describing steps a bank took to assess a mortgage loan's eligibility for modification under designated federal programs. Proceedings must be stayed until the court determines that a lender has complied with these requirements. The Bank cannot predict whether such legislation will be passed or the impact, if any, it would have on the Bank's business. In the meantime, the DFPR released a press release on December 14, 2010 seeking voluntary compliance from Illinois lenders and loan servicers to a 9-point affidavit plan to ensure the integrity of foreclosure affidavits.

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The Trust Company

Busey Wealth Management (the Trust Company) is an Illinois corporation that operates under a certificate of authority to exercise trust powers issued by the DFPR. As such, the Trust Company is subject to the examination, supervision, reporting and enforcement requirements established for trust companies by the DFPR. Additionally, because the Trust Company is a wholly-owned subsidiary of First Busey, the Federal Reserve, as the primary federal regulator of First Busey, has the authority to conduct such examinations of the Trust Company as the Federal Reserve deems necessary. The Trust Company is required to maintain capital at the level determined by the DFPR to be necessary for the safe and sound operation of the Trust Company. Like Busey Bank, the Trust Company is required to pay supervisory assessments to the DFPR, which, for the year ended December 31, 2010, were insignificant.

Employees

As of December 31, 2010, First Busey and its subsidiaries had a total of 866 employees (full-time equivalents).

Executive Officers

Following is a description of the business experience for at least the past five years of our executive officers at December 31, 2010.

Van A. Dukeman. Mr. Dukeman, age 52, has served as a Director, Chief Executive Officer and President of First Busey Corporation since August 2007. Effective February 28, 2009 through March 31, 2010, Mr. Dukeman also served as the Chief Executive Officer and President of Busey Bank. Previously, Mr. Dukeman served as a Director, Chief Executive Officer and President of Main Street Trust, Inc. until its merger with First Busey.

Barbara J. Harrington. Mrs. Harrington, age 51, has served as Chief Risk Officer of First Busey Corporation since March 2010; prior to that she served as Chief Financial Officer of First Busey Corporation from March 1999 to March 2010. She served as Controller and Senior Vice President of Busey Bank from December 1994 to March 1999. Mrs. Harrington has served in various financial and accounting positions since joining the organization in 1991.

Leanne C. Kopischke. Mrs. Kopischke, age 45, has served as Chief Information Officer of First Busey Corporation since March 2010. Prior to that, she served as Executive Vice President of Information Systems since the merger with Main Street Trust. Prior to the merger, Mrs. Kopischke served as Executive Vice President of Management Information Systems for Main Street Trust from 2001-2007.

Robert F. Plecki, Jr. Mr. Plecki, age 50, has served as Chief Credit Officer of First Busey Corporation since March 2010; prior to that he served as Executive Vice President of our southwest Florida market since early 2009; prior to that he served as Executive Vice President of our Champaign-Urbana market following the merger with Main Street Trust. Prior to the merger, Mr. Plecki served as President of Main Street Bank & Trust Retail Banking from 2004.

Christopher M. Shroyer. Mr. Shroyer, age 45, has served as President and Chief Executive Officer of Busey Bank since March 2010; prior to that he served as Executive Vice President of our East Region since early 2009; prior to that he served as Executive Vice President of our Decatur market following the merger with Main Street Trust. Prior to the merger, Mr. Shroyer served as Executive Vice President of Main Street Bank & Trust Commercial Banking from 2004.

David B. White. Mr. White, age 59, has served as Chief Financial Officer of First Busey Corporation since March 2010. Prior to that, he served as Chief Operating Officer of First Busey Corporation since August 2007. Previously, Mr. White served as Chief Financial Officer of Main Street Trust, Inc. from 1993 until its merger with First Busey on August 1, 2007.

Securities and Exchange Commission Reporting and Other Information

First Busey's web site address is www.busey.com. We make available on this web site our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments thereto, as reasonably practicable after such reports are filed with the SEC, and in any event, on the same day as such filing with the SEC. Reference to this web site does not constitute incorporation by reference of the information contained on the web site and should not be considered part of this document.

First Busey has adopted a code of ethics applicable to our employees, officers, and directors. The text of this code of ethics may be found under Investor Relations on our website.

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Special Cautionary Note Regarding Forward-Looking Statements

Certain statements contained in or incorporated by reference into this prospectus supplement and the accompanying prospectus that are not historical facts may constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, or the Exchange Act. These forward-looking statements are covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. These statements, which are based on certain assumptions and estimates and describe our future plans, strategies and expectations, can generally be identified by the use of the words may, will, should, could, would, goal, plan, potential, estimate, project, believe, expressions. These forward-looking statements include statements relating to our projected growth, anticipated future financial performance, financial condition, credit quality and management's long-term performance goals, as well as statements relating to the anticipated effects on results of operations and financial condition from expected developments or events, our business and growth strategies and any other statements that are not historical facts.

These forward-looking statements are subject to significant risks, assumptions and uncertainties, and could be affected by many factors. Factors that could have a material adverse effect on our financial condition, results of operations and future prospects can be found in the Risk Factors section of this prospectus supplement, under Item 1A Risk Factors in this Annual Report on Form 10-K and elsewhere in our periodic and current reports filed with the Securities and Exchange Commission, or the SEC. These factors include, but are not limited to, the following:

- the effects of future economic, business and market conditions and changes, domestic and foreign, including seasonality;
- governmental monetary and fiscal policies;
- legislative and regulatory changes, including changes in banking (such as the Dodd-Frank Act), securities and tax laws and regulations and their application by our regulators, and changes in the scope and cost of Federal Deposit Insurance Corporation, or FDIC, insurance and other coverages;
- changes in accounting policies, rules and practices;
- the risks of changes in interest rates on the levels, composition and costs of deposits, loan demand, and the values and liquidity of loan collateral, securities, and other interest sensitive assets and liabilities;
- the failure of assumptions and estimates underlying the establishment of reserves for possible loan losses and other estimates;
- changes in borrowers' credit risks and payment behaviors;
- changes in the availability and cost of credit and capital in the financial markets;
- changes in the prices, values and sales volumes of residential and commercial real estate;
- the effects of competition from a wide variety of local, regional, national and other providers of financial, investment and insurance services;
- the risks of mergers, acquisitions and divestitures, including, without limitation, the related time and costs of implementing such transactions, integrating operations as part of these transactions and possible failures to achieve expected gains, revenue growth and/or expense savings from such transactions;
- changes in technology or products that may be more difficult, costly, or less effective than anticipated;

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- the effects of war or other conflicts, acts of terrorism or other catastrophic events, including hurricanes, storms, droughts, tornados and flooding, that may affect general economic conditions, including agricultural production and demand and prices for agricultural goods and land used for agricultural purposes, generally and in our markets;
- the failure of assumptions and estimates used in our reviews of our loan portfolio, the review of our credit grading methods by an independent firm and our analysis of our capital position;
- the risk that our deferred tax assets could be reduced if estimates of future taxable income from our operations and tax planning strategies are less than currently estimated, and sales of our capital stock and/or other transfers of our capital stock could trigger a reduction in the amount of net operating loss carryforwards that we may be able to utilize for income tax purposes; and
- other factors and risks described under **Risk Factors** herein.

Because of those risks and other uncertainties, our actual future results, performance or achievement, or industry results, may be materially different from the results indicated by these forward-looking statements. In addition, our past results of operations are not necessarily indicative of our future results.

You should not place undue reliance on any forward-looking statements, which speak only as of the dates on which they were made. We are not undertaking an obligation to update these forward-looking statements, even though circumstances may change in the future, except as required under federal securities law. We qualify all of our forward-looking statements by these cautionary statements.

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Item 1A. Risk Factors

This section highlights the risks management believes could adversely affect our financial performance. Additional possible risks that could affect us adversely and cannot be predicted, may arise at any time. Other risks that are immaterial at this time may also have an adverse affect on our future financial condition.

Continued or worsening general economic or business conditions, particularly in downstate Illinois and southwest Florida, where our business is primarily conducted, could have an adverse effect on our business, financial condition and results of operations.

Our business and earnings are directly affected by general business and economic conditions in the United States and, in particular, economic conditions in downstate Illinois and southwest Florida. These conditions include legislative and regulatory changes, short-term and long-term interest rates, inflation, employment rates, real estate values and sales prices and changes in government monetary and fiscal policies, all of which are beyond our control.

Since late 2007, the U.S. economy has generally experienced difficult economic conditions. Southwest Florida, in particular, has suffered particularly hard from these economic conditions and real estate activity and values have been especially harmed in recent years. As a result, we have experienced a deterioration of asset quality in the southwest Florida market over this time period, and have experienced historically high levels of problem assets, including other real estate owned, in that market. A downturn in economic conditions, particularly within our primary market area of downstate Illinois, or a continuation of current depressed economic conditions in southwest Florida, could result in a decrease in demand for our products and services, an increase in loan delinquencies and defaults, high or increased levels of problem assets and foreclosures and reduced wealth management fees resulting from lower asset values. Real estate in southwest Florida pledged as collateral for loans made by us has declined and may continue to decline in value, in turn reducing customers' borrowing power, and reducing the value of assets and collateral associated with our existing loans, and the value of other real estate owned as a result of foreclosures.

If current economic conditions continue or worsen, our business, growth and profitability may suffer. To the extent that our business customers underlying businesses are harmed as a result of the general economic environment, our customers are more likely to default on their loans. In addition, a further deterioration in the national economy, or adverse change in agribusiness and capital goods exports, could materially adversely affect our downstate Illinois markets. These factors could lead to reduced interest income and future additional provisions for loan losses.

Market volatility could have an adverse effect on us.

The capital and credit markets have experienced periods of heightened volatility and disruption in recent years. In some cases, the markets have produced downward pressure on stock prices and credit availability for certain issuers without regard to those issuers' underlying financial condition or performance. If these heightened levels of market disruption and volatility return, we may experience adverse effects, which may be material, on our customers' and our ability to maintain or access capital and on our business, financial condition and results of operations.

Liquidity risks could affect operations and jeopardize our business, financial condition and results of operations.

Liquidity is essential to our business. An inability to raise funds through deposits, borrowings, the sale of loans and other sources could have a substantial negative effect on our liquidity. Our primary sources of funds consist of cash from operations, investment maturities and sales, deposits and funds from sales of capital securities. Additional liquidity is provided by brokered deposits, bank lines of credit, repurchase agreements and the ability to borrow from the Federal Reserve Bank and the Federal Home Loan Bank. Our access to funding sources in amounts adequate to finance or capitalize our activities or on terms that are acceptable to us could be impaired by factors that affect us directly or the financial services industry or economy in general, such as disruptions in the financial markets or negative views and expectations about the prospects for the financial services industry.

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Over the past few years, the financial services industry and the credit markets generally have been materially and adversely affected by significant declines in asset values and by a lack of liquidity. The liquidity issues have been particularly acute for regional and community banks, as many of the larger financial institutions have significantly curtailed their lending to regional and community banks to reduce their exposure to the risks of other banks. In addition, many of the larger correspondent lenders have reduced or even eliminated federal funds lines for their correspondent customers. Furthermore, regional and community banks generally have less access to the capital markets than do the national and super-regional banks because of their smaller size and limited analyst coverage.

Any decline in available funding could adversely impact our ability to originate loans, invest in securities, meet our expenses, pay dividends to our stockholders, or to fulfill obligations such as repaying our borrowings or meeting deposit withdrawal demands, any of which could have a material adverse impact on our liquidity, business, financial condition and results of operations.

The Company's Performance Depends Significantly on the Financial Condition of and the Economic Conditions in the States in which it operates, particularly the State of Illinois.

The largest portion of the Company's customer base is within the State of Illinois whose financial condition is among the most troubled of any in the United States. In January 2011, the State of Illinois passed a bill increasing income taxes for both individuals and corporations. As part of this tax bill, the Company is not allowed to utilize its State of Illinois net operating loss carry forward for four years, with the suspended period being added to the life of the carry forward. Consequently, the Company's tax expense within the State of Illinois will increase in 2011, and the Company will not be able to utilize any of its \$12.2 million, after-tax, State of Illinois net operating loss carry forward for the next four years.

Additionally, the Company is located in markets with significant university and healthcare presence, which rely heavily on state funding and contracts. In February 2011, the State of Illinois issued debt for the primary purpose of supporting its pension obligation, and it is anticipated the State will issue debt later in 2011 for cash flow needs. Currently the State of Illinois is significantly behind on payments to its vendors and government sponsored entities. Further and continued payment lapses by the State of Illinois to its vendors and government sponsored entities may have significant, negative effects on our primary market areas, which could in turn adversely affect our financial condition and results of operations.

Non-performing assets take significant time to resolve and adversely affect our results of operations and financial condition, and could result in further losses in the future.

At December 31, 2010 and 2009, our non-performing loans (which consist of non-accrual loans and loans past due 90 days or more and still accruing loans) totaled \$68.1 million and \$86.3 million, or 2.88% and 3.09% of our loan portfolio, respectively. At December 31, 2010 and 2009, our non-performing assets (which include non-performing loans plus other real estate owned) were \$77.2 million and \$103.5 million, or 2.15% and 2.71% of total assets, respectively. Our non-performing assets adversely affect our net income in various ways. While we pay interest expense to fund non-performing assets, we do not record interest income on non-accrual loans or other real estate owned, thereby adversely affecting our income and returns on assets and equity, and our loan administration costs increase and our efficiency ratio is adversely affected. When we take collateral in foreclosures and similar proceedings, we are required to mark the collateral to its then-fair market value, which, when compared to the outstanding balance of the loan, may result in a loss. These non-performing loans and other real estate owned also increase our risk profile and the capital our regulators believe is appropriate in light of such risks. The resolution of non-performing assets requires significant time commitments from management, which can be detrimental to the performance of their other responsibilities. There is no assurance that we will not experience further increases in non-performing loans in the future, or that our non-performing assets will not result in further losses in the future.

Our allowance for loan losses may be insufficient to absorb actual losses in our loan portfolio.

We establish our allowance for loan losses and maintain it at a level considered adequate by management to absorb probable loan losses based on a continual analysis of our portfolio and market environment. The allowance for loan losses represents our estimate of probable losses in the portfolio at each balance sheet date and is based upon other relevant information available to us. The allowance contains provisions for probable losses that have been identified relating to specific borrowing relationships, as well as probable losses inherent in the loan portfolio and credit undertakings that are not specifically identified. Additions to the allowance for loan losses, which are charged to earnings through the provision for loan losses, are determined based on a variety of factors, including an analysis of the loan portfolio, historical loss experience and an evaluation of current economic conditions in the relevant market areas. The actual amount of loan losses is affected by changes in economic, operating and other conditions within our markets, which may be beyond our control, and such losses may exceed current estimates.

Our allowance for loan losses at December 31, 2010 and 2009 was \$76.0 million and \$100.2 million, respectively. At December 31, 2010 and 2009, our allowance for loan losses as a percentage of total loans was 3.2% and 3.6%, respectively, and as a percentage of total non-performing loans was 111.6% and 116.1%, respectively.

Although management believes that the allowance for loan losses is adequate to absorb losses on any existing loans that may become uncollectible, in light of the current economic environment, there is no guarantee that we will not be required to record additional provisions for loan losses in the future to further supplement the allowance for loan losses, particularly if economic conditions unfold in a manner which differs significantly from what management currently expects, either due to management's decision to do so or requirements by the regulators. Additional provisions to the allowance for loan losses and loan losses in excess of our allowance for loan losses may adversely affect our business, financial condition and results of operations.

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A significant portion of the loans in our portfolio is secured by real estate.

At December 31, 2010, approximately 81.8% of our loans were collateralized by real estate. The market value of real estate can fluctuate significantly in a short period of time as a result of market conditions in the area in which the real estate is located. Adverse changes affecting real estate values and the liquidity of real estate in one or more of our markets could increase the credit risk associated with our loan portfolio, and could result in losses which would adversely affect profitability. These changes have especially affected our southwest Florida market in recent years. Adverse changes in the economy affecting real estate values and liquidity generally and, specifically, in downstate Illinois and especially a continuation or worsening of depressed conditions in southwest Florida, could significantly impair the value of property pledged as collateral on loans and affect our ability to sell the collateral upon foreclosure without a loss or additional losses. Collateral may have to be sold for less than the outstanding balance of the loan which would result in losses.

The effects of mortgage market challenges in recent years, combined with the depressed residential real estate market, have the potential to adversely affect our real estate loan portfolio in several ways, each of which could adversely affect our operating results and/or financial condition. In particular, as of December 31, 2010, approximately 6.5% of our loan portfolio consists of real estate construction loans, which primarily are loans made to home builders and developers. Demand for residential construction loans has been generally depressed in recent years, and a further decrease in demand for the properties constructed by home builders and developers could result in higher delinquencies and greater charge-offs in future periods on loans made to such borrowers. In addition, many Florida real estate markets, especially the markets in southwest Florida, where we have significant operations, declined significantly in value since 2007. The recent market environment has also generally negatively affected the demand for residential real estate loans, which constitute a significant part of our overall portfolio. We believe that we have adequately provided for incurred losses in our southwest Florida operations. However, no assurance is given that our future loan losses and provisions for loan losses will not be higher or that our allowance for loan losses will be sufficient.

Real estate construction, land acquisition and development loans are based upon estimates of costs and values associated with the complete project. These estimates may be inaccurate, and we may be exposed to significant losses on loans for these projects.

Construction, land acquisition, and development loans comprised approximately 6.5% of our total loan portfolio at December 31, 2010, and such lending involves additional risks because funds are advanced upon the security of the project, which is of uncertain value prior to its completion, and costs may exceed realizable values in declining real estate markets. Because of the uncertainties inherent in estimating construction costs and the realizable market value of the completed project and the effects of governmental regulation of real property, it is relatively difficult to evaluate accurately the total funds required to complete a project and the related loan-to-value ratio. As a result, construction loans often involve the disbursement of substantial funds with repayment dependent, in part, on the success of the ultimate project and the ability of the borrower to sell or lease the property, rather than the ability of the borrower or guarantor to repay principal and interest. If our appraisal of the value of the completed project proves to be overstated or market values or rental rates decline, we may have inadequate security for the repayment of the loan upon completion of construction of the project. If we are forced to foreclose on a project prior to or at completion due to a default, there can be no assurance that we will be able to recover all of the unpaid balance of, and accrued interest on, the loan as well as related foreclosure and holding costs. In addition, we may be required to fund additional amounts to complete the project and may have to hold the property for an unspecified period of time while we attempt to dispose of it.

Commercial and industrial loans make up a significant portion of our loan portfolio.

Commercial and industrial loans were \$439.4 million, or approximately 18.5% of our total loan portfolio, as of December 31, 2010. Our commercial loans are primarily made based on the identified cash flow of the borrower and secondarily on the underlying collateral provided by

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the borrower. Most often, this collateral is accounts receivable, inventory, machinery or real estate. Credit support provided by the borrower for most of these loans and the probability of repayment is based on the liquidation of the pledged collateral and enforcement of a personal guarantee, if any exists. Whenever possible, we require a personal guarantee on commercial loans. As a result, in the case of loans secured by accounts receivable, the availability of funds for the repayment of these loans may be substantially dependent on the ability of the borrower to collect amounts due from its customers. The collateral securing other loans may depreciate over time, may be difficult to appraise and may fluctuate in value based on the success of the business. Due to the larger average size of each commercial loan as compared with other loans such as residential loans, as well as collateral that is generally less readily-marketable, losses incurred on a small number of commercial loans could have a material adverse impact on our financial condition and results of operations.

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Credit risk cannot be eliminated.

There are risks in making any loan, including risks inherent in dealing with individual borrowers, risks of nonpayment, risks resulting from uncertainties as to the future value of collateral and cash flows available to service debt and risks resulting from economic and market conditions. We attempt to reduce our credit risk through loan application approval procedures, monitoring the concentration of loans within specific industries and geographic location, and periodic independent reviews of outstanding loans by our loan review and audit departments as well as external parties. However, while such procedures should reduce our risks, they cannot be expected to completely eliminate our credit risks. If the overall economic climate in the United States, generally, and our market areas, specifically, fails to improve, or even if it does, our borrowers may experience difficulties in repaying their loans, and the level of nonperforming loans, charge-offs and delinquencies could rise and require further increases in the provision for loan losses, which would cause our net income and return on equity to decrease.

Our business is subject to interest rate risk, and variations in interest rates may harm our financial performance.

Our earnings and profitability depend significantly on our net interest income. Net interest income represents the difference between interest income and fees earned on interest-earning assets and interest expense incurred on interest-bearing liabilities. In the event that interest paid on deposits and borrowings increases faster than the interest earned on loans and investments, there may be a negative impact on our net interest income. Changes in interest rates could also adversely affect the income of certain components of our noninterest income. An increase in interest rates may also affect our customers' ability to make payments on their loans, which could in turn increase loan losses. In addition, higher interest rates could also increase our costs of deposits and borrowed funds. We are unable to predict or control fluctuations in market interest rates, which are affected by the economy as well as fiscal and monetary policies.

We are required to maintain capital to meet regulatory requirements, and if we fail to maintain sufficient capital, whether due to losses, an inability to raise additional capital or otherwise, our financial condition, liquidity and results of operations, as well as our ability to maintain regulatory compliance, would be adversely affected.

First Busey Corporation, Busey Bank and Busey Wealth Management must meet regulatory capital requirements and maintain sufficient liquidity. We also face significant capital and other regulatory requirements as a financial institution and a participant in the TARP Capital Purchase Program. Our ability to raise additional capital, when and if needed, will depend on conditions in the capital markets, economic conditions and a number of other factors, including investor perceptions regarding the banking industry and market condition, and governmental activities, many of which are outside our control, and on our financial condition and performance. Accordingly, no assurances can be made that we will be able to raise additional capital if needed or on terms acceptable to us. If we fail to meet these capital and other regulatory requirements, our financial condition, liquidity and results of operations would be materially and adversely affected.

Our failure to continue to maintain capital ratios in excess of the amounts necessary to be considered well capitalized for bank regulatory purposes could affect customer confidence, our ability to grow, our costs of funds and FDIC insurance costs, our ability to pay dividends on common and preferred stock and to make distributions on our trust preferred securities, our ability to make acquisitions, and our business, results of operations and financial condition. As of December 31, 2010, we had \$73.7 million of brokered deposits, which represents 2.5% of our total deposits. Under FDIC rules, if Busey Bank ceases to meet the requirements to be considered a well capitalized institution for bank regulatory purposes, the interest rates that it pays on deposits and its ability to accept, renew or rollover deposits, particularly brokered deposits, may be restricted.

We face the risk of possible future goodwill impairment.

Because of a significant decline in our market capitalization during 2009, our goodwill related to our banking operations was determined to be fully impaired and we recorded an impairment charge of \$208.2 million. We performed a valuation analysis of our remaining goodwill, \$20.7 million related to Busey Wealth Management and FirsTech, as of December 31, 2010 and the first step of our goodwill analysis indicated no impairment existed. We will be required to perform additional goodwill impairment assessments on no less than an annual basis, and perhaps more frequently, which could result in further goodwill impairment charges. Any future goodwill impairment charge we are required to take could have a material adverse effect on our results of operations by reducing our net income or increasing our net losses in the periods that we recognize an impairment charge.

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Issuances or sales of common stock or other equity securities could result in an ownership change as defined for U.S. federal income tax purposes. If an ownership change were to occur, we could realize a loss of a portion of our U.S. federal and state deferred tax assets, including certain built-in losses that have not been recognized for tax purposes, as a result of the operation of Section 382 of the Internal Revenue Code of 1986, as amended. The amount of the permanent loss would be determined by the annual limitation period and the carryforward period (generally up to 20 years for U.S. federal net operating losses). Any resulting loss could have a material adverse effect on our results of operations and financial condition.

While we did establish a valuation allowance against certain state net operating loss carryforwards of \$2.6 million, we did not establish a valuation allowance against our U.S. federal or Illinois deferred tax assets as of December 31, 2010, as we believed that it was more-likely-than-not that all of these assets would be realized. An important element in our analysis was that we do not believe we have had an ownership change under Section 382 of the Internal Revenue Code of 1986, as amended, or the Code. Section 382 imposes restrictions on the use of a corporation's net operating losses, certain recognized built-in losses and other carry-overs after an ownership change occurs. An ownership change generally occurs if the aggregate percentage ownership of the stock of the corporation held by one or more 5% shareholders increases by more than 50 percentage points over the aggregate of such shareholders' lowest percentage ownership during the testing period, which is generally the three-year period ending on the transaction date. Upon an ownership change, a corporation generally is subject to an annual limitation on its utilization of pre-ownership change losses, including certain recognized built-in losses, equal to the value of the stock of the corporation immediately before the ownership change (subject to certain adjustments), multiplied by the long-term tax-exempt rate. A number of special rules apply to calculating this annual limit. The annual limitation is increased each year to the extent that there is an unused limitation in a prior year. Because U.S. federal net operating losses generally may be carried forward for up to 20 years, the annual limitation may effectively provide a cap on the cumulative amount of pre-ownership change losses, including certain recognized built-in losses that may be utilized. Such pre-ownership change losses in excess of the cap may be lost. In addition, if an ownership change were to occur, it is possible that the limitations imposed on our ability to use pre-ownership change losses and certain recognized built-in losses could cause a net increase in our U.S. federal income tax liability and U.S. federal income taxes to be paid earlier than otherwise would be paid if such limitations were not in effect.

The relevant calculations under Section 382 are technical and highly complex and depend on changes in percentage stock ownership among stockholders. If an ownership change were to occur, through the shares of common stock or otherwise, we currently believe that any limitations imposed on our use of pre-transaction losses by Section 382 will not significantly affect our ability to use such losses. In some circumstances, however, issuances or sales of our stock (including certain transactions involving our stock that are outside of our control) could result in an ownership change under Section 382. An ownership change could occur if, due to the sale or issuance of additional common stock, the aggregate ownership of one or more persons treated as 5% shareholders were to increase by more than 50 percentage points over such shareholders' lowest percentage ownership during the relevant testing period. There are currently no restrictions on the transfer of our stock that would discourage or prevent transactions that could cause an ownership change, although we may adopt such restrictions in the future. In addition, we have not obtained, and currently do not plan to obtain, a ruling from the Internal Revenue Service regarding our conclusion as to whether an ownership change has occurred and we are subject to limitations on our pre-ownership change losses and recognized built-in losses. Furthermore, we may decide in the future that it is necessary or in our interest to take certain actions that could result in an ownership change. Therefore, no assurance can be provided as to whether an ownership change has occurred or will occur in the future. As of December 31, 2010, our net deferred tax asset reflected on our balance sheet was approximately \$64.2 million. If an ownership change were to occur, it is possible that we could permanently lose the ability to realize a portion of this asset, resulting in reduction to our total stockholders' equity. This could also decrease Busey Bank's regulatory capital.

We have a significant deferred tax asset and cannot assure it will be fully realized.

We had net deferred tax assets of \$64.2 million as of December 31, 2010. Other than the valuation allowance against certain state net operating loss carryforwards, we did not establish a valuation allowance against our net deferred tax assets as of December 31, 2010, as we believe that it is more-likely-than-not that all of these assets will be realized. In evaluating the need for a valuation allowance, we estimated future taxable income based on management forecasts and tax planning strategies that may be available to us. This process required significant judgment by

management about matters that are by nature uncertain.

If future events differ significantly from our current forecasts, we may need to establish a valuation allowance, which would have a material adverse effect on our results of operations and financial condition. In addition, a significant portion of the net deferred tax asset relates to a tax-effected \$50.7 net operating loss carryforward and a tax-effected \$29.9 million built-in loss related to book and tax differences in the loan loss provision as of December 31, 2010, the utilization of which may be further limited in the event of certain material changes in our ownership.

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Legislative and regulatory actions taken now or in the future may increase our costs and impact our business, governance structure, financial condition or results of operations.

The Company and the Bank are subject to extensive regulation by multiple regulatory bodies. These regulations may affect the manner and terms of delivery of our services. If we do not comply with governmental regulations, we may be subject to fines, penalties, lawsuits or material restrictions on our businesses in the jurisdiction where the violation occurred, which may adversely affect our business operations. Changes in these regulations can significantly affect the services that we provide as well as our costs of compliance with such regulations. In addition, adverse publicity and damage to our reputation arising from the failure or perceived failure to comply with legal, regulatory or contractual requirements could affect our ability to attract and retain customers.

Current economic conditions, particularly in the financial markets, have resulted in government regulatory agencies and political bodies placing increased focus and scrutiny on the financial services industry. The U.S. government has intervened on an unprecedented scale by temporarily enhancing the liquidity support available to financial institutions, establishing a commercial paper funding facility, temporarily guaranteeing money market funds and certain types of debt issuances and increasing insurance on bank deposits.

These programs have subjected financial institutions to additional restrictions, oversight and costs. In addition, new proposals for legislation continue to be introduced in the U.S. Congress that could further substantially increase regulation of the financial services industry, impose restrictions on the operations and general ability of firms within the industry to conduct business consistent with historical practices, including in the areas of compensation, interest rates, financial product offerings and disclosures, and have an effect on bankruptcy proceedings with respect to consumer residential real estate mortgages, among other things. Federal and state regulatory agencies also frequently adopt changes to their regulations or change the manner in which existing regulations are applied.

In recent years, regulatory oversight and enforcement have increased substantially, imposing additional costs and increasing the potential risks associated with our operations. If these regulatory trends continue, they could adversely affect our business and, in turn, our consolidated results of operations.

Monetary policies and regulations of the Federal Reserve could adversely affect our business, financial condition and results of operations.

In addition to being affected by general economic conditions, our earnings and growth are affected by the policies of the Federal Reserve. An important function of the Federal Reserve is to regulate the money supply and credit conditions. Among the instruments used by the Federal Reserve to implement these objectives are open market operations in U.S. government securities, adjustments of the discount rate and changes in reserve requirements against bank deposits. These instruments are used in varying combinations to influence overall economic growth and the distribution of credit, bank loans, investments and deposits. Their use also affects interest rates charged on loans or paid on deposits.

The monetary policies and regulations of the Federal Reserve have had a significant effect on the operating results of commercial banks in the past and are expected to continue to do so in the future. The effects of such policies upon our business, financial condition and results of operations cannot be predicted.

Legislative and regulatory reforms applicable to the financial services industry may, if enacted or adopted, have a significant impact on our business, financial condition and results of operations.

On July 21, 2010, the Dodd-Frank Act was signed into law, which significantly changes the regulation of financial institutions and the financial services industry. The Dodd-Frank Act, together with the regulations to be developed thereunder, includes provisions affecting large and small financial institutions alike, including several provisions that will affect how community banks, thrifts and small bank and thrift holding companies will be regulated in the future.

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The Dodd-Frank Act, among other things, imposes new capital requirements on bank holding companies; changes the base for FDIC insurance assessments to a bank's average consolidated total assets minus average tangible equity, rather than upon its deposit base, and permanently raises the current standard deposit insurance limit to \$250,000; and expands the FDIC's authority to raise insurance premiums. The legislation also calls for the FDIC to raise the ratio of reserves to deposits from 1.15% to 1.35% for deposit insurance purposes by September 30, 2020 and to offset the effect of increased assessments on insured depository institutions with assets of less than \$10 billion. The Dodd-Frank Act also authorizes the Federal Reserve to limit interchange fees payable on debit card transactions, establishes the Bureau of Consumer Financial Protection as an independent entity within the Federal Reserve, which will have broad rulemaking, supervisory and enforcement authority over consumer financial products and services, including deposit products, residential mortgages, home-equity loans and credit cards, and contains provisions on mortgage-related matters, such as steering incentives, determinations as to a borrower's ability to repay and prepayment penalties. The Dodd-Frank Act also includes provisions that affect corporate governance and executive compensation at all publicly-traded companies.

The Collins Amendment to the Dodd-Frank Act, among other things, eliminates certain trust preferred securities from Tier 1 capital, but certain trust preferred securities issued prior to May 19, 2010 by bank holding companies with total consolidated assets of \$15 billion or less will continue to be includible in Tier 1 capital. This provision also requires the federal banking agencies to establish minimum leverage and risk-based capital requirements that will apply to both insured banks and their holding companies. Regulations implementing the Collins Amendment must be issued within 18 months of July 21, 2010.

These provisions, or any other aspects of current or proposed regulatory or legislative changes to laws applicable to the financial industry, if enacted or adopted, may impact the profitability of our business activities or change certain of our business practices, including the ability to offer new products, obtain financing, attract deposits, make loans, and achieve satisfactory interest spreads, and could expose us to additional costs, including increased compliance costs. These changes also may require us to invest significant management attention and resources to make any necessary changes to operations in order to comply, and could therefore also materially and adversely affect our business, financial condition and results of operations. Our management is actively reviewing the provisions of the Dodd-Frank Act, many of which are to be phased-in over the next several months and years, and assessing its probable impact on our operations. However, the ultimate effect of the Dodd-Frank Act on the financial services industry in general, and us in particular, is uncertain at this time.

The U.S. Congress has also recently adopted additional consumer protection laws such as the Credit Card Accountability Responsibility and Disclosure Act of 2009, and the Federal Reserve has adopted numerous new regulations addressing banks' credit card, overdraft and mortgage lending practices. Additional consumer protection legislation and regulatory activity is anticipated in the near future.

Such proposals and legislation, if finally adopted, would change banking laws and our operating environment and that of our subsidiaries in substantial and unpredictable ways. We cannot determine whether such proposals and legislation will be adopted, or the ultimate effect that such proposals and legislation, if enacted, or regulations issued to implement the same, would have upon our business, financial condition or results of operations.

Our strategy of pursuing acquisitions exposes us to financial, execution and operational risks that could negatively affect us.

We have historically pursued a strategy of supplementing organic growth by acquiring other financial institutions in our market areas and in nearby markets that will help us fulfill our strategic objectives and enhance our earnings. If we are successful in our efforts to solidify our capital position and aggressively and proactively address any problems in our loan portfolio, we may supplement organic growth through acquisitions, possibly through FDIC-assisted transactions involving acquisitions of failed depository institutions. There are risks associated with an acquisition strategy, however, including the following:

- We are exposed to potential asset and credit quality risks and unknown or contingent liabilities of the banks or businesses we acquire. If these issues or liabilities exceed our estimates, our earnings and financial condition may be materially and adversely affected.

- Prices at which acquisitions can be made fluctuate with market conditions. We have experienced times during which acquisitions could not be made in specific markets at prices our management considered acceptable and expect that we will experience this condition in the future in one or more markets.

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- The acquisition of other entities generally requires integration of systems, procedures and personnel of the acquired entity in order to make the transaction economically feasible. This integration process is complicated and time consuming and can also be disruptive to the customers of the acquired business. If the integration process is not conducted successfully and with minimal effect on the acquired business and its customers, we may not realize the anticipated economic benefits of particular acquisitions within the expected time frame, and we may lose customers or employees of the acquired business. We may also experience greater than anticipated customer losses even if the integration process is successful.
- To finance an acquisition, we may borrow funds, thereby increasing our leverage and diminishing our liquidity, or issue capital stock to the sellers in an acquisition or to third parties to raise capital, which could dilute the interests of our existing stockholders.
- We may be unsuccessful in realizing the anticipated benefits from any future acquisitions.

Changes in future rules applicable to TARP recipients could adversely affect our business, financial condition and results of operations.

On March 6, 2009, we issued \$100 million of our Fixed Rate Cumulative Perpetual Preferred Stock, Series T, or the Series T Preferred Stock, to the U.S. Treasury pursuant to the TARP Capital Purchase Program. The rules and policies applicable to recipients of capital under the TARP Capital Purchase Program have evolved since we first elected to participate in the program and their scope, timing and effect may continue to evolve in the future. Any redemption of the securities sold to the U.S. Treasury to avoid these restrictions would require prior Federal Reserve and U.S. Treasury approval. Based on guidelines issued by the Federal Reserve, institutions seeking to redeem TARP Capital Purchase Program preferred stock must demonstrate an ability to access the long-term debt markets, successfully demonstrate access to public equity markets and meet a number of additional requirements and considerations before such institutions can redeem any securities sold to the U.S. Treasury.

Our ability to attract and retain management and key personnel may affect future growth and earnings and legislation imposing new compensation restrictions could adversely affect our ability to do so.

Much of our success and growth has been influenced strongly by our ability to attract and retain management experienced in banking and financial services and familiar with the communities in our market areas. Our ability to retain executive officers, the current management teams, lending and retail banking officers, and administrative staff of our subsidiaries will continue to be important to the successful implementation of our strategy. It is also critical to be able to attract and retain qualified staff with the appropriate level of experience and knowledge about our market areas to implement our community-based operating strategy. The unexpected loss of services of key personnel, or the inability to recruit and retain qualified personnel in the future, could have an adverse effect on our business, financial condition, and results of operation.

Further, we are subject to extensive restrictions on our ability to pay retention awards, bonuses and other incentive compensation during the period in which we have any outstanding securities held by the U.S. Treasury that were issued under TARP. Many of the restrictions are not limited to our senior executives and cover other employees whose contributions to revenue and performance can be significant. The limitations may adversely affect our ability to recruit and retain these key employees in addition to our senior executive officers, especially if we are competing for talent against institutions that are not subject to the same restrictions. The Federal Reserve and the FDIC have issued guidelines with respect to certain compensation practices of financial institutions and additional compensation related restrictions are expected to be implemented under the requirements of the Dodd-Frank Act. These rules may make it more difficult to attract and retain the people we need to

operate our businesses and limit our ability to promote our objectives through our compensation and incentive programs.

Our wealth management business may be negatively impacted by changes in economic and market conditions.

Our wealth management business may be negatively impacted by changes in general economic conditions and the conditions in the financial and securities markets, including the values of assets held under management. Our management contracts generally provide for fees payable for wealth management services based on the market value of assets under management. Because most of our contracts provide for a fee based on market values of securities, declines in securities prices will have an adverse effect on our results of operations from this business. As a result of market declines and reductions in the value of our customers' wealth management accounts, we may lose wealth management customers, including those who are also banking customers.

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We face strong competition from financial services companies and other companies that offer banking and wealth management services, which could harm our business.

We currently conduct our banking operations primarily in downstate Illinois and southwest Florida. In addition, we currently offer fiduciary and wealth management services through Busey Wealth Management, which is headquartered in Champaign, Illinois, and accounts for a significant portion of our noninterest income. Many competitors offer the same, or a wider variety of, banking and wealth management services within our market areas. These competitors include national banks, regional banks and other community banks. We also face competition from many other types of financial institutions, including savings and loan institutions, finance companies, brokerage firms, insurance companies, credit unions, mortgage banks and other financial intermediaries. In addition, a number of out-of-state financial intermediaries have opened production offices or otherwise solicit deposits in our market areas. Increased competition in our markets may result in reduced loans, deposits and commissions and brokers' fees, as well as reduced net interest margin and profitability. Ultimately, we may not be able to compete successfully against current and future competitors. If we are unable to attract and retain banking and wealth management customers, we may be unable to grow our loan and deposit portfolios and our commissions and brokers' fees, and our business, results of operations and financial condition may be adversely affected.

We rely heavily on information systems to service customers.

An interruption in or breach in security of our information systems may result in a loss of customer business and reduced earnings. We utilize and rely heavily on communications and information systems in every aspect of our business. Any failure of these systems could result in disruptions in our customer service management, management information, deposit, loan, or other systems. While we have procedures in place to prevent or limit the effects of a failure, interruption, or security breach of our information systems, there can be no guarantee that any such failures, interruptions or security breaches will not occur or, if they do occur, that they will be adequately addressed. The occurrence of any failures, interruptions of service or security breaches of our information systems could damage our reputation, result in a loss of customer business, subject us to additional regulatory scrutiny, or expose us to civil litigation and possible financial liability, any of which could have an adverse effect on our financial condition and results of operation.

We are also dependent on third-party service providers for data processing and other information processing systems that support our day-to-day banking, investment, and trust activities that are integral to our banking relationships with our customers. Any disruption in the services provided by these third parties could have an adverse effect on our operations and our ability to meet our customers' needs.

We are subject to certain operational risks, including, but not limited to, customer or employee fraud and data processing system failures and errors.

Employee errors and misconduct could subject us to financial losses or regulatory sanctions and seriously harm our reputation. Misconduct by our employees could include hiding unauthorized activities from us, improper or unauthorized activities on behalf of our customers or improper use of confidential information. It is not always possible to prevent employee errors and misconduct, and the precautions we take to prevent and detect this activity may not be effective in all cases. Employee errors could also subject us to financial claims for negligence.

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We maintain a system of internal controls and insurance coverage to mitigate operational risks, including data processing system failures and errors and customer or employee fraud. Should our internal controls fail to prevent or detect an occurrence, or if any resulting loss is not insured or exceeds applicable insurance limits, it could have a material adverse effect on our business, results of operations and financial condition.

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Adverse weather affecting the markets we serve could hurt our business and prospects for growth.

We conduct a significant portion of our business in downstate Illinois. Downstate Illinois is a highly agricultural area and therefore the economy can be greatly affected by severe weather conditions, including droughts, storms, tornados and flooding. Unfavorable weather conditions may decrease agricultural productivity or could result in damage to our branch locations or the property of our customers, all of which could adversely affect the local economy. An adverse effect on the economy of downstate Illinois could negatively affect our profitability.

The southwest Florida market is at risk of hurricanes and related flooding and wind damage, which may cause damage to our assets and those of our customers. Hurricane damage could adversely affect our financial condition in a number of ways. Damage caused to a branch location could result in temporary closure and inconvenience to customers which could result in loss of customers and business. A hurricane could also affect the local economy and impact customers' ability to meet loan repayment terms and adversely affect our financial condition. Furthermore, hurricane-related damage could significantly reduce the values of collateral pledged as security against loans made by us. Insurance may not be available or sufficient to cover weather-related damage.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

First Busey's headquarters are located 100 West University Avenue, Champaign, Illinois. Busey Bank and Busey Wealth Management headquarters are also located at 100 West University Avenue, Champaign, Illinois. FirsTech headquarters are located at 130 North Water Street, Decatur, Illinois. These facilities, which are owned by the Company, house the executive and primary administrative offices of the respective entity. The Company also owns or leases other facilities within its primary market areas of downstate Illinois, Indianapolis, Indiana and southwest Florida.

First Busey and its subsidiaries own or lease all of the real property and/or buildings on which each respective entity is located. The Company considers its properties to be suitable and adequate for its present needs.

Item 3. Legal Proceedings

As part of the ordinary course of business, First Busey and its subsidiaries are parties to litigation that is incidental to their regular business activities.

There is no material pending litigation in which First Busey or any of its subsidiaries is involved or of which any of their property is the subject. Furthermore, there is no pending legal proceeding that is adverse to First Busey in which any director, officer or affiliate of First Busey, or any associate of any such director or officer, is a party, or has a material interest.

Item 4. Removed and Reserved

Table of Contents**Part II****Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities***Common Stock Prices and Dividends*

The following table presents for the periods indicated the high and low sale price for First Busey common stock as reported on The Nasdaq Global Select Market.

Market Prices of Common Stock	2010		2009	
	High	Low	High	Low
First Quarter	\$ 4.81	\$ 3.38	\$ 18.29	\$ 6.00
Second Quarter	\$ 5.56	\$ 3.93	\$ 10.00	\$ 6.92
Third Quarter	\$ 4.94	\$ 4.04	\$ 7.54	\$ 4.11
Fourth Quarter	\$ 4.98	\$ 4.21	\$ 4.85	\$ 3.00

During 2010 and 2009, First Busey declared cash dividends per share of common stock as follows:

	2010	2009
January	\$.04	\$.20
May / April	\$.04	\$.08
July	\$.04	\$.08
October	\$.04	\$.04

The Company's Board of Directors and management are currently committed to continuing to pay regular cash dividends; however, no guarantee can be given to future dividends as they are dependent on regulatory restrictions, future earnings, capital requirements and financial condition of the Company and its subsidiaries. As discussed above, First Busey is a participant in the Treasury's Capital Purchase Program. The terms of the participation place certain restrictions on the Company's ability to pay dividends on its common stock. First, no dividends on First Busey's common stock can be paid unless all accrued dividends on Treasury's senior preferred stock have been paid in full. Second, until the third anniversary of the date of Treasury's investment, First Busey may not increase the dividends paid on its common stock beyond its most recent quarterly dividend, prior to participation date of March 6, 2009, of \$0.20 per share without first obtaining the consent of Treasury.

For a discussion of restrictions on dividends, please see the discussion of dividend restrictions under Item 1. Business Supervision, Regulation and Other Factors on pages 6-15.

As of March 11, 2011, First Busey Corporation had 86,596,527 shares of common stock outstanding held by 1,414 holders of record.

Stock Repurchases

There were no purchases made by or on behalf of First Busey of shares of its common stock during the year ended December 31, 2010.

On January 22, 2008, First Busey announced that its board of directors had authorized the repurchase of 1 million shares of common stock. First Busey's repurchase plan has no expiration date and is active until all the shares are repurchased or action by the board of directors. As of December 31, 2010, under the Company's stock repurchase plan, 895,655 shares remained authorized for repurchase. However, because of First Busey's participation in Treasury's Capital Purchase Program, it will not be permitted to repurchase any shares of its common stock, other than in connection with benefit plans consistent with past practice, until such time as Treasury no longer holds any equity securities in the Company. Accordingly, First Busey does not anticipate repurchasing any shares of its common stock in the near future.

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Performance Graph

The following table compares First Busey's performance, as measured by the change in price of its common stock plus reinvested dividends, with the NASDAQ Composite Index and the SNL-Midwestern Banks Index for the five years ended December 31, 2010.

**First Busey Corporation
Stock Price Performance**

Index	12/31/06	12/31/07	12/31/08	12/31/09	12/31/10
First Busey Corporation	113.74	101.63	97.77	21.89	27.42
NASDAQ Composite	110.39	122.15	73.32	106.57	125.91
SNL Midwest Bank Index	115.59	90.09	59.27	50.23	62.37

The banks in the SNL-Midwestern Banks Index represent all publicly traded banks, thrifts or financial service companies located in Iowa, Illinois, Indiana, Kansas, Kentucky, Michigan, Minnesota, Missouri, North Dakota, Nebraska, Ohio, South Dakota and Wisconsin.

Table of Contents**Item 6. Selected Financial Data****Selected Consolidated Financial Information**

The following selected financial data for each of the five years in the period ended December 31, 2010, have been derived from First Busey's audited consolidated financial statements and the results of operations for each of the three years in the period ended December 31, 2010, which appear elsewhere in this report. This financial data should be read in conjunction with the financial statements and the related notes thereto appearing in this annual report.

	2010	2009	2008	2007(9)	2006
	(dollars in thousands, except per share data)				
Balance Sheet Items					
Securities available for sale	\$ 599,459	\$ 569,640	\$ 632,671	\$ 589,542	\$ 355,384
Gross loans, including loans held for sale	2,368,777	2,792,823	3,257,581	3,053,225	1,956,927
Allowance for loan losses	76,038	100,179	98,671	42,560	23,588
Total assets	3,605,003	3,814,852	4,460,093	4,192,925	2,509,514
Tangible assets	3,564,761	3,770,522	4,203,225	3,912,438	2,451,382
Total deposits	2,916,366	3,171,080	3,506,693	3,207,198	2,014,839
Short-term debt(1)	138,982	142,325	265,980	213,642	79,770
Long-term debt	43,159	82,076	134,493	150,910	156,650
Junior subordinated debt owed to unconsolidated trusts	55,000	55,000	55,000	55,000	55,000
Stockholders' equity	420,505	328,128	454,817	529,697	185,274
Common stockholders' equity	288,643	228,128	454,817	529,697	185,274
Tangible common stockholders' equity(2)	256,174	193,077	197,949	249,210	127,142
Results of Operations					
Interest and dividend income	\$ 156,183	\$ 184,510	\$ 220,347	\$ 201,903	\$ 146,366
Interest expense	39,032	70,109	97,148	100,405	69,851
Net interest income	117,151	114,401	123,199	101,498	76,515
Provision for loan losses	42,000	251,500	98,250	14,475	1,300
Net income (loss)(3)	18,060	(327,880)	(37,947)	31,477	28,888
Per Share Data					
Diluted earnings	\$ 0.27	\$ (7.85)	\$ (1.06)	\$ 1.13	\$ 1.35
Cash dividends	0.16	0.40	0.80	0.77	0.64
Book value(4)	3.65	3.45	12.70	14.58	8.64
Tangible book value(5)	3.14	2.78	5.53	6.86	5.93
Closing stock price	4.70	3.89	18.24	19.86	23.05
Other Information					
Return on average assets	0.49%	(7.75)%	(0.89)%	0.99%	1.23%
Return on average common equity	7.75%	(86.96)%	(7.39)%	9.89%	16.52%
Net interest margin(6)	3.58%	3.05%	3.34%	3.60%	3.64%
Equity to assets ratio(7)	11.66%	8.92%	12.00%	9.98%	7.46%
Dividend payout ratio(8)	58.79%	N/A	N/A	61.15%	47.29%

(1) Includes Federal funds purchased, securities sold under agreements to repurchase, and short-term borrowings.

(2) Common equity less tax effected goodwill and intangibles.

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- (3) Available to common stockholders.
- (4) Total common equity divided by shares outstanding as of period end.
- (5) Total common equity less goodwill and intangibles divided by shares outstanding as of period end.
- (6) Tax-equivalent net interest income divided by average earning assets.
- (7) Average common equity divided by average total assets.
- (8) Ratio calculated using only common stock.
- (9) First Busey acquired Main Street Trust on August 1, 2007. Results of operations for these institutions from acquisition date are included in the consolidated results of operations.

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Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following is management's discussion and analysis of the financial condition and results of operations of First Busey and subsidiaries for the years ended December 31, 2010, 2009, and 2008. It should be read in conjunction with Business, Selected Financial Data, the consolidated financial statements and the related notes to the consolidated financial statements and other data included in this Annual Report.

Critical Accounting Estimates

Critical accounting estimates are those that are critical to the portrayal and understanding of First Busey's financial condition and results of operations and require management to make assumptions that are difficult, subjective or complex. These estimates involve judgments, estimates and uncertainties that are susceptible to change. In the event that different assumptions or conditions were to prevail, and depending on the severity of such changes, the possibility of materially different financial condition or results of operations is a reasonable likelihood.

First Busey's significant accounting policies are described in Note 1 in the Notes to the Consolidated Financial Statements. The majority of these accounting policies do not require management to make difficult, subjective or complex judgments or estimates or the variability of the estimates is not material. However, the following policies could be deemed critical:

Fair Value of Investment Securities. Securities are classified as held-to-maturity when First Busey has the ability and management has the positive intent to hold those securities to maturity. Accordingly, they are stated at cost adjusted for amortization of premiums and accretion of discounts. First Busey had no securities classified as held-to-maturity at December 31, 2010 or 2009. Securities are classified as available-for-sale when First Busey may decide to sell those securities due to changes in market interest rates, liquidity needs, changes in yields on alternative investments, and for other reasons. They are carried at fair value with unrealized gains and losses, net of taxes, reported in other comprehensive income. All of First Busey's securities are classified as available-for-sale. For equity securities, unadjusted quoted prices in active markets for identical assets are utilized to determine fair value at the measurement date. For all other securities, we obtain fair value measurements from an independent pricing service. The fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, live trading levels, trade execution data, market consensus prepayment speeds, credit information and the bond's terms and conditions, among other things. Due to the limited nature of the market for certain securities, the fair value and potential sale proceeds could be materially different in the event of a sale.

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

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

Allowance for Loan Losses. First Busey has established an allowance for loan losses which represents its estimate of the probable losses inherent in the loan portfolio as of the date of the financial statements. Management has established an allowance for loan losses which reduces the total loans outstanding by an estimate of uncollectible loans. Loans deemed uncollectible are charged against and reduce the allowance. Periodically, a provision for loan losses is charged to current expense. This provision acts to replenish the allowance for loan losses and to maintain the allowance at a level that management deems adequate.

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To determine the adequacy of the allowance for loan losses, a formal analysis is completed quarterly to assess the risk within the loan portfolio. This assessment is reviewed by senior management of the bank and holding company. The analysis includes review of historical performance, dollar amount and trends of past due loans, dollar amount and trends in non-performing loans, reviews of certain impaired loans, and review of loans identified as sensitive assets. Sensitive assets include non-accrual loans, past-due loans, loans on First Busey's watch loan reports and other loans identified as having probable potential for loss.

The allowance consists of specific and general components. The specific component considers loans that are classified as impaired. For such loans that are classified as impaired, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying amount of that loan. The general component covers non-classified loans and classified loans not considered impaired, and is based on historical loss experience adjusted for qualitative factors. Other adjustments may be made to the allowance for pools of loans after an assessment of internal or external influences on credit quality that are not fully reflected in the historical loss experience.

A loan is considered to be impaired when, based on current information and events, it is probable First Busey will not be able to collect all principal and interest amounts due according to the contractual terms of the loan agreement. When a loan becomes impaired, management generally calculates the impairment based on the present value of expected future cash flows discounted at the loan's effective interest rate. If the loan is collateral dependent, the fair value of the collateral is used to measure the amount of impairment. The amount of impairment and any subsequent changes are recorded through a charge to earnings as an adjustment to the allowance for loan losses. When management considers a loan, or a portion thereof, as uncollectible, it is charged against the allowance for loan losses. Because a significant majority of First Busey's loans are collateral dependent, First Busey has determined the required allowance on these loans based upon the estimated fair value, net of selling costs, of the respective collateral. The required allowance or actual losses on these impaired loans could differ significantly if the ultimate fair value of the collateral is significantly different from the fair value estimates used by First Busey in estimating such potential losses.

Goodwill and Other Intangible Assets. Over the past several years, First Busey has grown in part through mergers and acquisitions accounted for under the purchase method of accounting. Under the purchase method, First Busey is required to allocate the cost of an acquired company to the assets acquired, including identified intangible assets, and liabilities assumed based on their estimated fair values at the date of acquisition. The excess cost over the net assets acquired represents goodwill, which is not subject to periodic amortization.

Customer relationship intangibles are required to be amortized over their estimated useful lives. The method of amortization reflects the pattern in which the economic benefits of the intangible assets are estimated to be consumed or otherwise used up. Since First Busey acquired customer relationships are subject to routine customer attrition, the relationships are more likely to produce greater benefits in the near-term than in the long-term, which typically supports the use of an accelerated method of amortization for the related intangible assets. Management is required to evaluate the useful life of customer relationship intangibles to determine if events or circumstances warrant a change in the estimated life. Should management determine the estimated life of any intangible asset is shorter than originally estimated, First Busey would adjust the amortization of that asset, which could accelerate the recognition of future amortization expense.

Goodwill arising from business combinations represents the value attributable to unidentifiable intangible elements in the business acquired. Goodwill recorded by First Busey in connection with its acquisitions relates to the inherent value in the businesses acquired and this value is dependent upon First Busey's ability to provide quality, cost effective services in a competitive market place. As such, goodwill value is supported ultimately by our stock price and by revenue that is driven by the volume of business transacted. A decline in our stock price or our earnings over sustained periods can lead to impairment of goodwill that could adversely impact earnings in future periods.

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First Busey utilizes a two step valuation approach to test for goodwill impairment. We estimate the fair value of our reporting units as of the measurement date utilizing valuation methodologies including the comparable transactions approach, and the control premium approach. We then compare the estimated fair value of the reporting unit to the current carrying value of the reporting unit to determine if goodwill impairment had occurred as of the measurement date. Based upon our testing as of December 31, 2008, we concluded the goodwill of Busey Bank, N.A., our southwest Florida banking subsidiary, was impaired and we recorded a goodwill impairment charge of \$22.6 million. The Company concluded the goodwill associated with our banking operations was fully impaired at September 30, 2009. Further, we determined there was no impairment of goodwill associated with Busey Wealth Management or FirsTech at December 31, 2010. Due to the current economic conditions, including declines in our stock price, it is possible we will evaluate our goodwill for impairment on a more frequent basis than annually. Future evaluations may result in further impairment.

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Deferred Taxes. We have maintained significant net deferred tax assets for deductible temporary differences, the largest of which relates to the net operating loss carryforward and the allowance for loan losses. For income tax return purposes, only net charge-offs are deductible, not the provision for loan losses. Under generally accepted accounting principles, a valuation allowance is required to be recognized if it is more-likely-than-not that the deferred tax asset will not be realized. The determination of the recoverability of the deferred tax assets is highly subjective and dependent upon judgment concerning management's evaluation of both positive and negative evidence, the forecasts of future income, applicable tax planning strategies, and assessments of the current and future economic and business conditions. We consider both positive and negative evidence regarding the ultimate recoverability of our deferred tax assets. Positive evidence includes the existence of taxes paid in available carry-back years, available tax planning strategies and the probability that taxable income will be generated in future periods, including the current year, while negative evidence includes a cumulative loss over the two prior years and general business and economic trends. We evaluated the recoverability of our net deferred tax asset and established a valuation allowance of \$2.6 million for certain state net operating loss and credit carryforwards that are not expected to be fully realized. Management believes that it is more-likely-than-not that the other deferred tax assets included in the accompanying Consolidated Statements of Financial Condition will be fully realized. We have determined that no valuation allowance is required for any other deferred tax assets as of December 31, 2010, although there is no guarantee that those assets will be recognizable in future periods.

We must assess the likelihood that any deferred tax assets will be realized through the reduction of taxes in future periods and establish a valuation allowance for those assets for which recovery is not more-likely-than not. In making this assessment, we must make judgments and estimates regarding the ability to realize the asset through the future reversal of existing taxable temporary differences, future taxable income, and the possible application of future tax planning strategies. The Company's evaluation gave consideration to the fact that all net operating loss carrybacks have been utilized. Therefore, utilization of net operating loss carryforwards are dependent on implementation of tax strategies and continued profitability.

Table of Contents**Executive Summary****Operating Results**

	Year Ended December 31:		
	2010	2009	2008
Net income (loss):			
Consolidated	\$ 23,230	\$ (323,113)	\$ (37,947)
Busey Bank	21,230	(320,807)	(39,020)
FirsTech	1,821	2,869	2,527
Busey Wealth Management	3,283	2,557	2,540
Consolidated EPS, fully-diluted	\$ 0.27	\$ (7.85)	\$ (1.06)

Operating Performance

Net income for the year ended December 31, 2010 was \$23.2 million and net income available to common stockholders was \$18.1 million, or \$0.27 per fully-diluted common share, compared to a net loss in 2009 of \$323.1 million and a net loss available to common stockholders of \$327.9 million, or \$7.85 per fully-diluted common share.

Significant operating performance items were:

- Net interest margin increased to 3.58% for 2010 as compared to 3.05% for 2009.
- The efficiency ratio for 2010 was 55.91%, an improvement from 63.12% in 2009.
- Total revenue, net of interest expense and security gains, was \$178.9 million in 2010 as compared to \$180.3 million in 2009.
- Core pre-provision, pre-tax profit was \$75.5 million for 2010 compared to \$70.3 million for 2009 (See non-GAAP reconciliation schedule for listing of non-core items).
- FirsTech's net income decreased to \$1.8 million in 2010 from \$2.9 million in 2009. As noted in 2009, this decrease was expected.
- Busey Wealth Management's net income increased to \$3.3 million in 2010 as compared to \$2.6 million in 2009.

Table of Contents**Pre-provision, Pre-tax Non-GAAP Reconciliation**

The following pre-provision, pre-tax (PPPT) non-GAAP reconciliation presents our adjusted PPPT income after items we consider to be either non-recurring or non-persistent, as they were significantly higher or lower due to the significant economic challenges in 2010 and 2009. While certain of these items are non-recurring in nature, such as bank owned life insurance settlement or goodwill impairment, others will continue to occur, but we do not expect them to be at the same levels in future years as they were in 2010 or 2009.

	2010 Total	December 31	Three Months Ended 2010		March 31
			September 30	June 30	
	(dollars in thousands, except per share data)				
Pre-tax, Pre-Provision Profit, GAAP Basis	\$ 74,694	\$ 21,328	\$ 17,443	\$ 15,837	\$ 20,086
Reconciling income items:					
Bank owned life insurance settlement	(300)				(300)
Investments in private equity funds	81			281	(200)
Security gains/ losses	(1,018)	7	(283)		(742)
Reconciling expense items:					
OREO expenses	1,872	429	380	670	393
Gain/loss on sales of OREO	(1,740)	(1,868)	(95)	362	(139)
Other vendor related expenses	1,250		550	700	
Non-accrual prior quarter interest reversals	653	181	381	91	
Adjusted pre-provision, pre-tax profit	\$ 75,492	\$ 20,077	\$ 18,376	\$ 17,941	\$ 19,098

	2009 Total	December 31	Three Months Ended 2009		March 31
			September 30	June 30	
Pre-tax, Pre-Provision Profit (Loss), GAAP Basis	\$ (147,280)	\$ 11,985	\$ (192,841)	\$ 15,770	\$ 17,806
Reconciling income items:					
Bank owned life insurance settlement	(2,021)				(2,021)
Investments in private equity funds	(600)			(1,000)	400
Security gains/ losses	(130)	10	(65)	(54)	(21)
Other	(1,252)	(1,252)			
Reconciling expense items:					
Goodwill impairment	208,164		208,164		
FDIC Assessment	2,200			2,800	(600)
Employee related costs	1,051	527	491		33
OREO expenses	2,761	1,525	846	252	138
Gain/loss on sales of OREO	1,596	593	274	757	(28)
Tax examination results	1,100	700	400		
Asset impairment	2,550	2,470	80		
Non-accrual prior quarter interest reversals	1,251	176	755	320	
Other	920	256	664		
Adjusted pre-provision, pre-tax profit	\$ 70,310	\$ 16,990	\$ 18,768	\$ 18,845	\$ 15,707

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Asset Quality

Our non-performing loans at December 31, 2010 showed improvement as compared to December 31, 2009 levels. We expect continued gradual improvement in our overall asset quality in 2011; however, this is dependent on market specific economic conditions. The key metrics are as follows:

- Non-performing loans decreased to \$68.1 million at December 31, 2010 from \$86.3 million at December 31, 2009.
- Illinois non-performing loans increased to \$38.3 million at December 31, 2010 from \$28 million at December 31, 2009.
- Florida non-performing loans decreased to \$23.8 million at December 31, 2010 from \$40.2 million at December 31, 2009.
- Indiana non-performing loans decreased to \$6.0 million at December 31, 2010 from \$18.1 million at December 31, 2009.
- Loans 30-89 days past due increased to \$23.5 million at December 31, 2010 from \$12.5 million at December 31, 2009. The primary reason for the increase in past dues related to single family residential mortgages, primarily in Illinois. Although we generally experience an increase in single family residential past dues in the fourth quarter, the spike in the fourth quarter of 2010 was higher than fourth quarter of 2009. We believe our loss exposure in single family residential mortgages is limited, however there is no guarantee that they will not be higher than expected.
- Other real estate owned decreased to \$9.2 million at December 31, 2010 from \$17.2 million at December 31, 2009.
- The ratio of non-performing assets to total loans plus other real estate owned decreased to 3.25% from 3.68% at December 31, 2009.
- The ratio of construction and land development loans to total loans decreased to 6.5% at December 31, 2010 from 10.7% at December 31, 2009.
- The allowance for loan losses to non-performing loans ratio decreased to 111.6% at December 31, 2010 from 116.1% at December 31, 2009.
- The allowance for loan losses to total loans ratio declined to 3.21% at December 31, 2010 compared to 3.59% at December 31, 2009.
- Net charge-offs were \$66.1 million in 2010, compared to \$250.0 million in 2009.
- Provision expense in 2010 was \$42.0 million compared to \$251.5 million in 2009.

We continue to believe the peak of our non-performing assets occurred in the quarter ended September 30, 2009. Improving our asset quality metrics will continue to be a high priority until we experience sustained improvement in our market specific economic conditions.

Capital

In December 2010, we completed registered direct offerings of our common stock and Series B convertible preferred stock, together yielding net proceeds of \$84.3 million, increasing our total regulatory capital ratio to 17.55% and our regulatory tier 1 capital and leverage ratios to 16.25% and 11.33%, respectively. In January 2011, we delivered an initiative and the tools to our front line associates in an effort to help spur organic growth. We also believe that the recent capital raise allows us to contemplate external growth opportunities as they become available.

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Results of Operation Three Years Ended December 31, 2010

Net Interest Income

Net interest income is the difference of interest income and fees earned on earning assets less interest expense incurred on interest-bearing liabilities. Interest rate levels and volume fluctuations within earning assets and interest-bearing liabilities impact net interest income. Net interest margin is tax-equivalent net interest income as a percent of average earning assets.

Certain assets with tax favorable treatment are evaluated on a tax-equivalent basis. Tax-equivalent basis assumes a federal income tax rate of 35%. Tax favorable assets generally have lower contractual pre-tax yields than fully taxable assets. A tax-equivalent analysis is performed by adding the tax savings to the earnings on tax favorable assets. After factoring in the tax favorable effects of these assets, the yields may be more appropriately evaluated against alternative earning assets. In addition to yield, various other risks are factored into the evaluation process.

The following table shows the consolidated average balance sheets, detailing the major categories of assets and liabilities, the interest income earned on interest-earning assets, the interest expense paid for the interest-bearing liabilities, and the related interest rates for the periods, or as of the dates, shown. All average information is provided on a daily average basis.

Table of Contents**Average Balance Sheets and Interest Rates**

	Years Ended December 31,								
	Average Balance	2010 Income/ Expense	Yield/ Rate	Average Balance	2009 Income/ Expense	Yield/ Rate	Average Balance	2008 Income/ Expense	Yield/ Rate
(dollars in thousands)									
Assets									
Interest-bearing bank deposits	\$ 155,132	391	0.25%	\$ 58,605	\$ 135	0.23%	\$ 673	\$ 5	0.74%
Federal funds sold			%	279		%	9,835	188	1.91%
Investment securities:									
U.S. Treasuries and Agencies	355,654	9,678	2.72%	374,157	12,840	3.43%	371,738	15,676	4.22%
Obligations of states and political subdivisions(1)	80,975	4,583	5.66%	87,927	5,157	5.87%	96,476	5,797	5.99%
Other securities	126,579	4,275	3.38%	160,320	6,212	3.87%	117,115	5,589	4.77%
Loans (net of unearned discount)(1), (2),(3)	2,609,337	139,231	5.34%	3,138,708	162,338	5.17%	3,163,739	195,480	6.18%
Total interest-earning assets(1)	\$ 3,327,677	\$ 158,158	4.75%	\$ 3,819,996	\$ 186,682	4.89%	\$ 3,759,846	\$ 222,735	5.92%
Cash and due from banks	80,174			82,535			105,655		
Premises and equipment	75,597			80,308			82,033		
Allowance for loan losses	(92,792)			(97,568)			(45,362)		
Other assets	258,175			345,520			380,294		
Total assets	\$ 3,648,831			\$ 4,230,791			\$ 4,282,466		
Liabilities and Stockholders Equity									
Interest-bearing									
transaction deposits	\$ 40,260	\$ 118	0.29%	\$ 31,344	\$ 98	0.31%	\$ 34,703	\$ 269	0.78%
Savings deposits	176,518	386	0.22%	164,912	529	0.32%	155,049	853	0.55%
Money market deposits	1,160,790	5,607	0.48%	1,121,180	8,553	0.76%	1,235,692	18,733	1.52%
Time deposits	1,199,114	26,603	2.22%	1,600,067	50,899	3.18%	1,477,494	61,353	4.15%
Short-term borrowings:									
Federal funds purchased	5		%	2,070	11	0.53%	25,691	578	2.25%
Securities sold under agreements to repurchase	134,207	554	0.41%	149,143	1,082	0.73%	145,972	3,395	2.33%
Other	2,016	86	4.26%	38,904	1,136	2.92%	85,301	2,345	2.75%
Long-term debt	63,860	2,930	4.59%	120,028	4,900	4.08%	136,310	6,134	4.50%
Junior subordinated debt issued to Unconsolidated trusts	55,000	2,748	5.00%	55,000	2,901	5.27%	55,000	3,488	6.34%
Total interest-bearing liabilities	\$ 2,831,769	\$ 39,032	1.38%	\$ 3,282,648	\$ 70,109	2.14%	\$ 3,351,212	\$ 97,148	2.90%
Net interest spread			3.37%			2.75%			3.02%
Demand deposits	450,106			445,842			376,929		
Other liabilities	33,716			42,277			40,525		
Stockholders equity	333,240			460,024			513,800		
Total liabilities and stockholders equity	\$ 3,648,831			\$ 4,230,791			\$ 4,282,466		
Interest income/earning assets(1)	\$ 3,327,677	\$ 158,158	4.75%	\$ 3,819,996	\$ 186,682	4.89%	\$ 3,759,846	\$ 222,735	5.92%
Interest expense/earning assets	\$ 3,327,677	\$ 39,031	1.17%	\$ 3,819,996	\$ 70,109	1.84%	\$ 3,759,846	\$ 97,148	2.58%

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Net interest margin(1)	\$ 119,126	3.58%	\$ 116,573	3.05%	\$ 125,587	3.34%
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(1)On a tax-equivalent basis, assuming a federal income tax rate of 35%.

(2)Non-accrual loans have been included in average loans, net of unearned discount.

(3)Includes loan fee income of \$1.0 million, \$1.0 million and \$3.0 million for 2010, 2009 and 2008, respectively.

Table of Contents**Average Balance Sheets and Interest Rates (continued)**

Changes in Net Interest Income:

	Years Ended December 31, 2010, 2009, and 2008					
	Year 2010 vs. 2009 Change due to(1)			Year 2009 vs. 2008 Change due to(1)		
	Average Volume	Average Yield/Rate	Total Change (dollars in thousands)	Average Volume	Average Yield/Rate	Total Change
Increase (decrease) in interest income:						
Interest-bearing bank deposits	\$ 242	\$ 14	\$ 256	\$ 136	\$ (6)	\$ 130
Federal funds sold				(93)	(95)	(188)
Investment securities:						
U.S. Treasuries and Agencies	(610)	(2,552)	(3,162)	101	(2,937)	(2,836)
Obligations of state and political subdivisions(2)	(398)	(176)	(574)	(519)	(121)	(640)
Other securities	(1,203)	(734)	(1,937)	1,805	(1,182)	623
Loans(2)	(28,109)	5,002	(23,107)	(1,535)	(31,607)	(33,142)
Change in interest income(2)	\$ (30,078)	\$ 1,554	\$ (28,524)	\$ (105)	\$ (35,948)	\$ (36,053)
Increase (decrease) in interest expense:						
Interest-bearing transaction deposits	\$ 26	\$ (6)	\$ 20	\$ (24)	\$ (147)	\$ (171)
Savings deposits	35	(178)	(143)	51	(375)	(324)
Money market deposits	292	(3,238)	(2,946)	(1,600)	(8,580)	(10,180)
Time deposits	(11,006)	(13,290)	(24,296)	4,778	(15,232)	(10,454)
Federal funds purchased	(5)	(6)	(11)	(310)	(257)	(567)
Securities sold under agreements to Repurchase	(100)	(428)	(528)	72	(2,385)	(2,313)
Other short-term borrowings	(1,411)	361	(1,050)	(1,346)	137	(1,209)
Long-term debt	(2,518)	548	(1,970)	(694)	(540)	(1,234)
Junior subordinated debt owed To unconsolidated trusts		(153)	(153)		(587)	(587)
Change in interest expense	\$ (14,687)	\$ (16,390)	\$ (31,077)	\$ 927	\$ (27,966)	\$ (27,039)
Increase (decrease) in net interest income(2)	\$ (15,391)	\$ 17,944	\$ 2,553	\$ (1,031)	\$ (7,983)	\$ (9,014)
Percentage increase (decrease) in net interest Income over prior period						
			2.2%			(7.2)%

(1)Changes due to both rate and volume have been allocated proportionally.

(2)On a tax-equivalent basis, assuming a federal income tax rate of 35%.

Earning Assets, Sources of Funds, and Net Interest Margin

Average earning assets decreased \$492.3 million or 12.9% to \$3.33 billion in 2010 as compared to \$3.82 billion in 2009. This decline in the average balance of earning assets was due primarily to the decrease in loans during 2010 as we worked on strengthening our balance sheet by actively removing under and non-performing loans from our loan portfolio and reducing our exposure to construction and development loans and commercial real estate. Cash and securities increased \$37.1 million which offset a \$529.4 million decline in average loans. Interest-bearing liabilities averaged \$2.83 billion in 2010, a decrease of \$450.9 million from the average balance of \$3.28 billion in 2009. The decrease in interest-bearing liabilities is due to a focus on reducing our non-core funding, which we were able to do through a decrease in our average loans and a continued increase in our average noninterest-bearing deposits during 2010. All increases in average assets and liabilities in 2009 as compared to 2008 were due primarily to the increased liquidity held on our balance sheet during 2009, which was necessary due to the uncertainty surrounding economic conditions that were prevalent.

Interest income, on a tax-equivalent basis, decreased \$28.5 million or 15.3% to \$158.2 million in 2010 from \$186.7 million in 2009. The interest income decline in 2010 primarily related to the decrease in loan volume. Interest income, on a tax-equivalent basis, decreased \$36.1 million or 16.2% to \$186.7 million in 2009 from \$222.7 million in 2008. The interest income decline in 2009 was due primarily to the decline on the overall yield in our loan portfolio as interest rate benchmarks declined significantly during 2009 and we had a high level of average non-accrual loans, which represent earning assets with no yield. Additionally, to maintain an appropriate level of liquidity in light of the economic environment, a significant amount of assets were kept in highly liquid, low interest-bearing accounts during 2009.

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Interest expense decreased during 2010 by \$31.1 million or 44.3% to \$39.0 million from \$70.1 million in 2009. Interest expense decreased during 2009 by \$27.0 million or 27.8% to \$70.1 million from \$97.1 million in 2008. The decrease in interest expense during the past two years was primarily due to the declining deposit and debt interest rate environment present since 2008. Additionally, the unlimited guarantee by the FDIC on noninterest-bearing deposits resulted in an increase in our noninterest-bearing deposits. As our overall loan balances declined during 2010 and 2009, the increased noninterest-bearing deposits allowed us to decrease our non-core funding in the form of reductions in brokered deposits, time deposits, short-term borrowings and long term debt.

Net interest income, on a tax-equivalent basis, increased \$2.6 million or 2.2% in 2010 as compared to 2009. Net interest income, on a tax-equivalent basis, decreased \$9.0 million or 7.2% in 2009 as compared to 2008. Net interest margin, our net interest income expressed as a percentage of average earning assets stated on a tax-equivalent basis, increased to 3.58% in 2010 from 3.05% during 2009 and 3.34% in 2008. The net interest spread, also on a tax-equivalent basis, was 3.37% up from 2.75% in 2009 and 3.02% in 2008. The increase in net interest income and related ratios were primarily due to the reduction of the volume and rate on our interest bearing deposits and a reduction in the amount of non-performing loans in 2010 as compared to 2009 and 2008. As noted above, non-accrual loans are earning assets with no yield. Rates on interest bearing deposits continued to trend down throughout all of 2010 and we have also focused on shifting our deposit mix towards instruments that generally have lower rates.

The net interest margin discussion above is based upon annual results and average balances, which do not fully explain the trends of the net interest margin during the year. During 2008, the net interest margin was higher in the first half of the year than the second half. During 2009, the net interest margin was lower in the first half of the year than the second half. During 2010, the net interest margin showed gradual improvement and ended with the highest quarter in the past three years. The quarterly net interest margins are as follows:

	2010	2009	2008
First Quarter	3.52%	2.89%	3.49%
Second Quarter	3.49%	2.93%	3.48%
Third Quarter	3.64%	3.05%	3.36%
Fourth Quarter	3.68%	3.34%	3.05%

Non-accrual loans and non-core funding significantly impacted our net interest margin in a negative manner starting in the fourth quarter of 2008. As we reduced our non-core funding in the latter half of 2009 and significantly reduced our non-accrual loans in the fourth quarter of 2009, our net interest margin began to show significant positive movement. We continue to experience downward pressure on our yield in interest bearing assets. We have limited ability to improve margin thru funding rate decreases and we believe improvements in margin will be achieved in the short term through investment of our liquid funds at higher yields.

Table of Contents**Other Income**

			As of December 31,				% Change
	2010	2009	% Change (dollars in thousands)	2009	2008		
Trust fees	\$ 14,231	\$ 12,817	11.0%	\$ 12,817	\$ 13,445		-4.7%
Commissions and brokers fees, net	1,756	1,843	-4.7%	1,843	2,764		-33.3%
Remittance processing	9,349	13,032	-28.3%	13,032	12,115		7.6%
Service charges on deposit accounts	11,490	12,358	-7.0%	12,358	12,075		2.3%
Other service charges and fees	5,102	4,728	7.9%	4,728	4,546		4.0%
Gain on sales of loans	16,130	12,379	30.3%	12,379	4,357		184.1%
Security gains, net	1,018	130	NM	130	605		-78.5%
Other	3,677	8,727	-57.9%	8,727	6,550		31.2%
Total other income	\$ 62,753	\$ 66,014	-4.9%	\$ 66,014	\$ 56,557		16.7%

Total other income decreased \$3.3 million in 2010 from 2009 and increased \$9.5 million in 2009 from 2008. The decrease in 2010 was primarily due to a decline in other and remittance processing income, offset by increased gains from sale of loans. The increase in 2009 compared to 2008 was primarily due to increased gains from sales of loans.

Combined wealth management revenue, trust and commissions and brokers fees, net, increased \$1.3 million in 2010 as compared to 2009. The increase was led by increased security market valuation, which increased assets under management and activity. Combined wealth management revenue, trust and commissions and brokers fees, net, declined in 2009 as compared to 2008 due to a reduction in the number of brokers and decline in brokerage transaction volume due to challenging market conditions.

Remittance processing revenue relates to our payment processing company, FirsTech. FirsTech's revenue declined in 2010 due to the reduced activity by a significant cellular phone customer. This decrease was expected; however, we do not anticipate further significant decline in FirsTech's revenue going forward.

Overall, service charges remained steady in 2010 as compared to 2009. New regulation regarding certain charges on deposit accounts may negatively impact the revenue derived from charges on deposit accounts going forward.

Gain on sales of loans increased \$3.8 million in 2010 as compared to 2009 and \$8.0 million in 2009 as compared to 2008. Mortgage interest rates have been very low for a sustained period and we continued to see strong mortgage origination and refinancing activity in 2010 due to continuing lower mortgage rates. In addition, in early 2009, we added a mortgage origination group in our Peoria market. The new origination group and the very low mortgage rates in all of our markets, led to a significant increase in mortgage originations and in the gains from sale of loans in 2009.

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The decrease in other during 2010 was the result of several items. There was an increase in loan servicing asset amortization of \$0.4 million in 2010 over 2009 due to the large volume of refinancing in mortgages. In addition, in the first quarter of 2009, a partial settlement of post retirement obligations relating to our bank owned life insurance resulted in a \$2.0 million, non-taxable, credit to other operating income. During the first quarter of 2010, we had an additional \$0.3 million of income related to our bank owned life insurance that we characterize as nonrecurring. During the second quarter of 2009, a gain of \$1.0 million was recognized on an investment in a private equity fund compared to a loss of \$0.2 million in 2010.

Table of Contents*Other Expenses*

			As of December 31,				
	2010	2009	% Change	2009	2008	% Change	
	(dollars in thousands)						
Compensation expense:							
Salaries and wages	\$ 41,219	\$ 44,519	-7.4%	\$ 44,519	\$ 46,861	-5.0%	
Employee benefits	9,693	9,086	6.7%	9,086	10,699	-15.1%	
Total compensation expense	\$ 50,912	\$ 53,605	-5.0%	\$ 53,605	\$ 57,560	-6.9%	
Net occupancy expense of premises							
	9,135	9,886	-7.6%	9,886	9,600	3.0%	
Furniture and equipment expenses							
	5,962	7,288	-18.2%	7,288	8,232	-11.5%	
Data processing	7,977	7,922	0.7%	7,922	6,855	15.6%	
Amortization of intangible assets							
	4,088	4,361	-6.3%	4,361	4,518	-3.5%	
Regulatory expense	6,978	8,580	-18.7%	8,580	2,174	294.7%	
Goodwill impairment		208,164	NM	208,164	22,601	NM	
OREO expense	1,872	2,761	-32.2%	2,761	2,520	9.6%	
Other operating expenses	18,286	25,128	-27.2%	25,128	20,961	19.9%	
Total other expenses	\$ 105,210	\$ 327,695	-67.9%	\$ 327,695	\$ 135,021	142.7%	
Income taxes							
	\$ 9,464	\$ (75,667)	NM	\$ (75,667)	\$ (15,568)	NM	
Effective rate on income taxes	28.9%	19.0%		19.0%	-29.1%		
Efficiency ratio	55.91%	63.12%		63.12%	59.44%		

Total other expenses decreased \$222.5 million in 2010 from 2009 as the Company recorded a large goodwill impairment in 2009 and continued to tighten expenses while, at the same time, realizing continued efficiencies from the merger with Main Street in 2007.

Overall compensation expense was down in 2010 as compared to 2009 and 2008. The primary reason for the decrease was a reduction in full-time equivalent employees to 866 from 912 and 986 at December 2010, 2009 and 2008, respectively. During 2009 and 2008, we recorded \$2.0 million and \$3.4 million, respectively, in severance and associated benefits that are included in the total compensation expense noted above. The 2009 severance expense was related to further implementation of our post-merger cost structure. The 2008 severance primarily related to plans announced in the fourth quarter of 2008 to restructure our banking operations through management and branch footprint changes.

Additionally, occupancy expenses, and furniture and equipment expenses decreased as we reduced our branch footprint. We continue to evaluate our branch footprint for efficiencies in expenses and improvements in service delivery to our customers.

Data processing expenses increased in 2009 as compared to 2008 as we invested in additional systems and hardware to support online and mobile products and services for our customers. 2010 was consistent with 2009.

Regulatory expenses decreased in 2010 as compared to 2009, primarily because of the FDIC \$2.2 million special assessment we paid in the second quarter of 2009. Regulatory expenses increased significantly during 2009 as compared to 2008 due to an increased assessment rate implemented industry-wide by the FDIC and the special assessment.

Amortization expense decreased slightly in 2010 as compared to 2009 and 2009 as compared to 2008 as we were in our third year of amortization arising from the merger with Main Street. The amortization is on an accelerated basis; thus, barring further acquisitions, we expect amortization expense to continue to gradually decline in the coming years.

We recorded goodwill impairment of \$208.2 million and \$22.6 million during 2009 and 2008, respectively. During 2009, Busey Bank experienced significant operating losses driven primarily by the deterioration in the real estate markets in southwest Florida. The operating losses and the effects of the current economic environment on the valuation of financial institutions and the capital markets had a significant, negative effect on the fair value of Busey Bank. As a result, we recorded \$208.2 million of goodwill impairment in the quarter ended September 30, 2009, including \$204.8 million at Busey Bank and \$3.4 million at the parent company that was related to our banking operations.

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During 2008, the goodwill impairment of \$22.6 million was related to goodwill associated with our then Florida banking subsidiary, Busey Bank, N.A., and was driven by the severe economic downturn experienced in southwest Florida. The difficult southwest Florida economy produced net losses for Busey Bank, N.A. during 2008 and 2007. The significant net losses coupled with the overall decline in valuations in the national markets, led to a fair value estimate for Busey Bank, N.A. significantly less than its pre-impairment book value.

The remaining goodwill of \$20.7 million as of December 31, 2010 relates to FirsTech, our remittance processing subsidiary, and Busey Wealth Management.

Our costs associated with OREO, such as collateral preservation and legal, decreased in 2010 as compared to 2009 due to holding fewer commercial properties throughout 2010. OREO costs increased significantly for 2009 as compared to 2008 as we held a higher concentration of commercial properties in 2009. Under performing commercial properties require a greater expense to carry and operate than residential properties.

Other expenses decreased \$6.8 million in 2010 as compared to 2009. We categorize our OREO gains/losses on sale in other expenses. In 2010, a gain of \$1.7 million was recorded versus a loss in 2009 of \$1.6 million, creating a \$3.3 million decrease in 2010 as compared to 2009. In addition, in 2009 we placed a full valuation allowance on the carryforward tax asset related to Florida and Indiana in the amount of \$2.4 million, due to the uncertainty as to the ability to realize our tax carryforwards in those states. The expense and benefit related to our state franchise taxes is recorded in other expenses. The increase in other expenses for 2009 as compared to 2008 was due to several factors. We had tax adjustments of \$1.1 million related to a regulatory tax examination recorded in other expense in 2009. In addition, the valuation allowance on the carryforward tax asset related to Florida and Indiana of \$2.4 million, as mentioned above. In 2008, our franchise tax benefit was \$1.2 million.

The effective rate on income taxes, or income taxes divided by income (loss) before taxes, was an expense in 2010 as compared to a benefit in 2009 and 2008. The 2010 rate was lower than the statutory rate of approximately 40% due to fairly stable amounts of tax preferred interest income, such as municipal bond interest and bank owned like insurance income, accounting for a greater portion of our taxable income. As taxable income increases, we expect our effective tax rate to increase. The negative effective rate in 2009 and 2008 was primarily due to our pre-tax losses and was further impacted by adjustments for benefits from increased tax favored investments and offset by the impact of nondeductible goodwill impairment. In January 2011, the State of Illinois passed an income tax increase for both individuals and corporations. This will increase our state tax expense in future years.

The efficiency ratio is total other expense, less amortization charges and goodwill impairment, as a percentage of tax-equivalent net interest margin plus other income, less security gains and losses. The efficiency ratio improved in 2010 as compared to 2009 and 2008. The primary reason for the improvement was the increase in net interest income and decrease in expenses, as noted above, partially offset by declining non-interest income. The efficiency ratio increase in 2009 as compared to 2008 is primarily a result of lower net interest income and higher other expenses as noted above. Continued improvement in the efficiency ratio in 2011 will likely be driven by improvements in our net interest margin and non-interest income as opposed to further reductions in costs.

Table of Contents**Balance Sheet December 31, 2010 and December 31, 2009****Significant Balance Sheet Items**

	December 31, 2010	December 31, 2009	% Change
	(dollars in thousands)		
Assets			
Securities available for sale	\$ 599,459	\$ 569,640	5.2%
Loans, including held for sale (net of allowance for loan losses 2010 \$76,038; 2009 \$100,179)	2,292,739	2,692,644	-14.9%
Total assets	\$ 3,605,003	\$ 3,814,852	-5.5%
Liabilities			
Deposits:			
Noninterest-bearing	\$ 460,661	\$ 468,230	-1.6%
Interest-bearing	2,455,705	2,702,850	-9.1%
Total deposits	2,916,366	3,171,080	-8.0%
Securities sold under agreements to repurchase	138,982	142,325	-2.3%
Long-term debt	43,159	82,076	-47.4%
Total liabilities	3,184,498	3,486,724	-8.7%
Stockholders' equity	\$ 420,505	\$ 328,128	28.2%

Our balance sheet shrank by 5.5% during 2010. Overall, assets decreased by \$209.8 million. Net loans, including held for sale declined by \$399.9 million. Net charge-offs of loan balances in 2010 were \$66.1 million. Through the past three years, we have been in a process of removing under and non-performing loans from our loan portfolio. While we believe this approach served us well to get through the recent economic cycle, it is not a sustainable, long-term model for success. In 2011, we plan to implement changes we believe will facilitate growth while continuing to focus on reducing problem loans.

Liabilities decreased \$302.2 million during 2010, which was primarily due to the decline in our asset base. As our loan and security balances declined, we were able to allow high cost funding to mature without replacement. During 2010, interest-bearing deposits declined by \$247.1 million, securities sold under agreements to repurchase declined by \$3.3 million and long-term debt declined by \$38.9 million. Time deposits declined \$410.2 million, including a decline in brokered CDs of \$98.8 million.

Stockholders' equity increased \$92.3 million, primarily as a result of current year earnings and \$84.3 million of preferred and common equity raises, net.

Investment Securities

We have classified all investment securities as securities available-for-sale. These securities are held with the option of their disposal in the foreseeable future to meet investment and liquidity objectives or for other operational needs. Securities available-for-sale are carried at fair value. As of December 31, 2010, the fair value of these securities was \$599.5 million and the amortized cost was \$584.5 million. There were \$16.4 million of gross unrealized gains and \$1.4 million of gross unrealized losses for a net unrealized gain of \$15 million. The unrealized gain, net of tax, of \$9.0 million has been included in stockholders' equity.

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The composition of securities available-for-sale was as follows:

	2010	2009	As of December 31, 2008 (dollars in thousands)	2007	2006
U.S. Treasury securities	\$ 381	\$ 782	\$ 758	\$ 15,170	\$ 17,619
Obligations of U.S. government corporations and agencies	333,135	346,030	408,107	440,221	210,993
Obligations of states and political subdivisions	76,935	82,546	92,194	89,401	85,453
Residential mortgage-backed securities	183,006	135,285	125,218	36,742	25,230
Corporate debt securities	1,499	1,721	3,097	3,661	3,294
Mutual funds and other equity securities	4,503	3,276	3,297	4,347	10,770
Fair value of securities available for sale	\$ 599,459	\$ 569,640	\$ 632,671	\$ 589,542	\$ 353,359
Amortized cost	\$ 584,469	\$ 555,016	\$ 616,349	\$ 582,685	\$ 344,240
Fair value as a percentage of amortized cost	102.56%	102.63%	102.65%	101.18%	102.65%

Busey Bank's portfolio totaled \$588.9 million at December 31, 2010 compared to \$561.4 million at December 31, 2009. The increase in Busey Bank's portfolio during 2010 was due primarily to the investment of funds due to a decrease in loans and having more liquidity on the balance sheet.

Overall, First Busey's portfolio continued to primarily serve a pledging function during 2010 and 2009. Pledged securities totaled \$405.7 million or 67.7%, and \$400.3 million or 70.3% at December 31, 2010 and 2009, respectively.

The maturities, fair values and weighted average yields of debt securities available-for-sale as of December 31, 2010 were:

Investment Securities(1)	Due in 1 year or less		Due after 1 year through 5 years		Due after 5 years through 10 years		Due after 10 years	
	Fair Value	Weighted Average Yield	Fair Value	Weighted Average Yield	Fair Value	Weighted Average Yield	Fair Value	Weighted Average Yield
	(dollars in thousands)							
U.S. Treasury securities	\$	%	\$ 381	1.88%	\$	%	\$	%
Obligations of U.S. government corporations and agencies	76,970	2.88%	249,862	2.45%	6,303	3.57%		%
Obligations of states and political subdivisions (2)	7,331	5.96%	31,812	5.34%	20,676	5.75%	17,116	6.11%
Residential mortgage-backed securities		%	3,524	4.94%	114,640	2.87%	64,842	3.66%
Corporate debt securities	547	4.43%	844	4.80%	108	5.38%		%
Total	\$ 84,848	3.16%	\$ 286,423	2.80%	\$ 141,727	3.33%	\$ 81,958	4.17%

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(1) Excludes mutual funds and other equity securities.

(2) On a tax-equivalent basis, assuming a federal income tax rate of 35% (the effective federal income tax rate as of December 31, 2010).

Overall, the composition of our investment portfolio in 2010 remained relatively consistent with 2009. As a percentage of the total portfolio, only mortgage-backed securities changed significantly, increasing to 31.0% of the portfolio. The increase was a result of other investment classes maturing and investing in new mortgage-backed securities. We consider many factors in determining the composition of our investment portfolio including tax-equivalent yield, credit quality, duration, regulatory and overall portfolio allocation. We have not experienced credit related losses in our investment portfolio and all classes of investments had valuations at December 31, 2010 in excess of their respective cost basis.

Table of Contents**Loan Portfolio**

The composition of our loan portfolio was as follows:

	2010	2009	As of December 31, 2008 (dollars in thousands)	2007	2006
Commercial	\$ 439,393	\$ 494,374	\$ 551,580	\$ 541,698	\$ 263,262
Commercial real estate	1,072,817	1,210,807	1,179,155	976,092	633,057
Real estate construction	154,411	299,754	703,083	680,072	384,894
Retail real estate	657,096	719,557	765,358	801,803	636,772
Retail other	45,060	68,331	58,405	53,360	38,942
Loans	\$ 2,368,777	\$ 2,792,823	\$ 3,257,581	\$ 3,053,225	\$ 1,956,927

Loans, including loans held for sale and deferred loan fees, before allowance for loan losses, decreased 15.2% to \$2.37 billion as of December 31, 2010 from \$2.79 billion at December 31, 2009. The largest decline of \$145.3 million was in real estate construction. The second largest decline was in commercial real estate at \$137.9 million. Over the past three years, we have been in a process of removing under and non-performing loans from our loan portfolio and reducing our exposure to construction and development loans and commercial real estate. Our focus going forward is to grow loans through relationship banking rather than transactional banking. Relationship banking implies a primary banking relationship with the borrower that includes, at minimum, an active deposit banking relationship in addition to the lending relationship.

Geographic distribution of loans was as follows:

	Illinois	December 31, 2010 Florida (dollars in thousands)	Indiana	Total
Commercial	\$ 395,629	\$ 17,523	\$ 26,241	\$ 439,393
Commercial real estate	887,601	140,734	44,482	1,072,817
Real estate construction	108,050	20,104	26,257	154,411
Retail real estate	501,871	141,914	13,311	657,096
Retail other	43,944	958	158	45,060
Total	\$ 1,937,095	\$ 321,233	\$ 110,449	\$ 2,368,777
Less Held for Sale(1)				\$ 49,684
				\$ 2,319,093
Less allowance for loan losses				\$ 76,038
Net Loans				\$ 2,243,055

(1) Loans Held for Sale are included in retail real estate.

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	December 31, 2009				
	Illinois	Florida	Indiana	Total	
	(dollars in thousands)				
Commercial	\$ 439,127	\$ 19,567	\$ 35,680	\$ 494,374	
Commercial real estate	981,672	169,559	59,576	1,210,807	
Real estate construction	167,521	77,227	55,006	299,754	
Retail real estate	539,654	160,061	19,842	719,557	
Retail other	66,260	1,636	435	68,331	
Total	\$ 2,194,234	\$ 428,050	\$ 170,539	\$ 2,792,823	
Less Held for Sale(1)				\$ 29,153	
				\$ 2,763,670	
Less allowance for loan losses				\$ 100,179	
Net Loans				\$ 2,663,491	

(1) Loans Held for Sale are included in retail real estate.

As noted previously, the blend of strong agricultural, manufacturing, academia and healthcare industries prevalent in our downstate Illinois markets anchored the area during the economic challenges over the prior three years. Although our downstate Illinois and Indiana markets have experienced a level of economic distress, they have not experienced it to the level of many other areas, including our southwest Florida market. As southwest Florida's economy is based primarily in tourism and the secondary/retirement residential market, significant declines in discretionary spending brought on by this economic period have caused significant damage to that economy. The challenging economic environment during 2010 and 2009 did not present many opportunities for loan growth. Many credit worthy borrowers either maintained or decreased their leverage due to the uncertainty of the economy; thus, new loan origination opportunities were not significant during 2010 or 2009. In 2011, we will be implementing changes we believe will facilitate growth while continuing to focus on reducing problem loans.

The largest portion of the Company's customer base is within the State of Illinois whose financial condition is among the most troubled of any in the United States. In January 2011, the State of Illinois passed a bill increasing income taxes for both individuals and corporations. Academia and healthcare industries prevalent in our markets rely heavily on state funding and contracts. In February 2011, the State of Illinois issued debt for the primary purpose of supporting its pension obligation, and it is anticipated the State will issue debt later in 2011 for cash flow needs. Currently the State of Illinois is significantly behind on payments to its vendors and government sponsored entities. Further and continued payment lapses by the State of Illinois to its vendors and government sponsored entities may have significant, negative effects on our primary market areas, which could in turn adversely affect our financial condition and results of operations.

We do not have any loans to customers engaged in oil and gas exploration or to foreign companies or governments. Commitments under standby letters of credit, unused lines of credit and other conditionally approved credit lines totaled approximately \$513.7 million and \$563.6 million as of December 31, 2010 and 2009, respectively.

As illustrated by the tables above, we have a concentration of loans within commercial real estate. Generally, these loans are collateralized by assets of the borrowers. The loans are expected to be repaid from cash flows or from proceeds from the sale of selected assets of the borrowers.

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The following table sets forth remaining maturities of selected loans (excluding certain real estate-farmland, real estate-mortgage loans and installment loans to individuals) at December 31, 2010:

	1 Year or Less		1 to 5 Years		Over 5 Years		Total	
	(dollars in thousands)							
Commercial	\$	308,567	\$	112,298	\$	18,528	\$	439,393
Real estate construction		131,866		22,545				154,411
Total	\$	440,433	\$	134,843	\$	18,528	\$	593,804
Interest rate sensitivity of selected loans								
Fixed rate	\$	134,245	\$	88,383	\$	18,528	\$	241,156
Adjustable rate		306,188		46,460				352,648
Total	\$	440,433	\$	134,843	\$	18,528	\$	593,804

Allowance for Loan Losses

The following table shows activity affecting the allowance for loan losses:

	Years ended December 31,									
	2010	2009	2008	2007	2006					
	(dollars in thousands)									
Average loans outstanding during Period	\$	2,609,337	\$	3,138,708	\$	3,163,739	\$	2,405,583	\$	1,832,800
Allowance for loan losses: Balance at beginning of period	\$	100,179	\$	98,671	\$	42,560	\$	23,588	\$	23,190
Loans charged-off:										
Commercial	\$	10,896	\$	7,812	\$	2,035	\$	335	\$	372
Commercial real estate		28,576		41,929		10,909		626		56
Real estate construction		28,268		186,676		18,378		3,207		
Retail real estate		12,751		16,781		11,172		4,924		475
Retail other		552		385		403		252		233
Total charge-offs	\$	81,043	\$	253,582	\$	42,897	\$	9,344	\$	1,136
Recoveries:										
Commercial	\$	185	\$	107	\$	205	\$	684	\$	100
Commercial real estate		2,849		718		6		28		10
Real estate construction		11,241		1,970		10		8		
Retail real estate		513		666		392		90		38
Retail other		114		129		145		184		86
Total recoveries	\$	14,902	\$	3,590	\$	758	\$	994	\$	234
Net loans charged-off	\$	66,141	\$	249,992	\$	42,139	\$	8,350	\$	902
Provision for loan losses	\$	42,000	\$	251,500	\$	98,250	\$	14,475	\$	1,300
Net additions due to acquisition	\$		\$		\$		\$	12,847	\$	
Balance at end of period	\$	76,038	\$	100,179	\$	98,671	\$	42,560	\$	23,588
Ratios:										
Net charge-offs to average loans		2.53%		7.96%		1.33%		0.35%		0.05%
		3.21%		3.59%		3.02%		1.39%		1.21%

Allowance for loan losses to total
loans at period end

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The following table sets forth the allowance for loan losses by loan categories as of December 31 for each of the years indicated:

Commercial	\$	13,840	18.5%	\$	9,824	17.7%	\$	16,707	16.9%	\$	7,552	17.7%	\$	3,147	13.5%
Commercial real estate		32,795	45.3%		38,249	43.4%		35,716	36.2%		13,554	31.9%		7,568	32.4%
Real estate construction		11,903	6.5%		37,490	10.7%		21,296	21.6%		9,443	22.3%		4,602	19.7%
Retail real estate		14,947	27.8%		12,753	25.8%		23,183	23.5%		11,107	26.3%		7,613	32.5%
Retail other		2,553	1.9%		1,440	2.4%		1,769	1.8%		741	1.8%		466	1.9%
Unallocated			NA		423										