

FIRST BUSEY CORP /NV/
Form 10-Q
May 08, 2015

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-Q

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

For the Quarterly Period Ended 3/31/2015

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

Commission File No. 0-15950

FIRST BUSEY CORPORATION

(Exact name of registrant as specified in its charter)

Nevada
(State or other jurisdiction of
incorporation or organization)

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

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

61820
(Zip code)

Registrant's telephone number, including area code: **(217) 365-4544**

N/A

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(Former name, former address and former fiscal year, if changed since last report)

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

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

Class	Outstanding at May 8, 2015
Common Stock, \$.001 par value	86,897,255

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

FIRST BUSEY CORPORATION and Subsidiaries
CONSOLIDATED BALANCE SHEETS
March 31, 2015 and December 31, 2014
(Unaudited)

	March 31, 2015	December 31, 2014
	(dollars in thousands)	
Assets		
Cash and due from banks (interest-bearing 2015 \$340,005; 2014 \$243,769)	\$ 428,936	\$ 339,438
Securities available for sale, at fair value	831,614	759,065
Securities held to maturity, at amortized cost	35,037	2,373
Loans held for sale	18,685	10,400
Loans (net of allowance for loan losses 2015 \$47,652; 2014 \$47,453)	2,418,514	2,357,837
Premises and equipment, net	64,996	63,974
Goodwill	25,510	20,686
Other intangible assets	9,856	6,687
Cash surrender value of bank owned life insurance	42,028	41,470
Deferred tax asset, net	20,446	22,173
Other assets	41,562	41,504
Total assets	\$ 3,937,184	\$ 3,665,607
Liabilities and Stockholders Equity		
Liabilities		
Deposits:		
Noninterest-bearing	\$ 718,738	\$ 666,607
Interest-bearing	2,465,147	2,234,241
Total deposits	\$ 3,183,885	\$ 2,900,848
Securities sold under agreements to repurchase	183,675	198,893
Long-term debt	50,000	50,000
Junior subordinated debt owed to unconsolidated trusts	55,000	55,000
Other liabilities	24,824	27,227
Total liabilities	\$ 3,497,384	\$ 3,231,968
Stockholders Equity		
Series C Preferred stock, \$.001 par value, 72,664 shares authorized, issued and outstanding, \$1,000.00 liquidation value per share	\$ 72,664	\$ 72,664
Common stock, \$.001 par value, authorized 200,000,000 shares; shares issued 88,287,132	88	88
Additional paid-in capital	593,609	593,687
Accumulated deficit	(207,213)	(210,384)
Accumulated other comprehensive income	8,233	5,817
Total stockholders equity before treasury stock	\$ 467,381	\$ 461,872
Common stock shares held in treasury at cost 2015 1,390,690; 2014 1,426,323	(27,581)	(28,233)
Total stockholders equity	\$ 439,800	\$ 433,639
Total liabilities and stockholders equity	\$ 3,937,184	\$ 3,665,607
Common shares outstanding at period end	86,896,442	86,860,809

See accompanying notes to unaudited consolidated financial statements.

FIRST BUSEY CORPORATION and Subsidiaries
CONSOLIDATED STATEMENTS OF INCOME
For the Three Months Ended March 31, 2015 and 2014

(Unaudited)

	2015		2014	
	(dollars in thousands, except per share amounts)			
Interest income:				
Interest and fees on loans	\$	24,166	\$	22,533
Interest and dividends on investment securities:				
Taxable interest income		3,272		2,880
Non-taxable interest income		825		838
Total interest income	\$	28,263	\$	26,251
Interest expense:				
Deposits	\$	1,239	\$	1,362
Securities sold under agreements to repurchase		51		39
Long-term debt		10		
Junior subordinated debt owed to unconsolidated trusts		293		293
Total interest expense	\$	1,593	\$	1,694
Net interest income	\$	26,670	\$	24,557
Provision for loan losses		500		1,000
Net interest income after provision for loan losses	\$	26,170	\$	23,557
Other income:				
Trust fees	\$	5,697	\$	5,617
Commissions and brokers' fees, net		784		671
Remittance processing		2,487		2,350
Service charges on deposit accounts		2,884		2,695
Other service charges and fees		1,584		1,488
Gain on sales of loans		1,426		981
Security gains, net		1		43
Other		1,102		1,141
Total other income	\$	15,965	\$	14,986
Other expense:				
Salaries and wages	\$	14,506	\$	12,249
Employee benefits		2,343		2,893
Net occupancy expense of premises		2,245		2,243
Furniture and equipment expense		1,191		1,204
Data processing		3,549		2,812
Amortization of intangible assets		769		747
Regulatory expense		643		555
Other		5,301		3,915
Total other expense	\$	30,547	\$	26,618
Income before income taxes	\$	11,588	\$	11,925
Income taxes		3,827		4,038
Net income	\$	7,761	\$	7,887
Preferred stock dividends		182		182
Net income available to common stockholders	\$	7,579	\$	7,705
Basic earnings per common share	\$	0.09	\$	0.09
Diluted earnings per common share	\$	0.09	\$	0.09
Dividends declared per share of common stock	\$	0.05	\$	0.04

See accompanying notes to unaudited consolidated financial statements.

FIRST BUSEY CORPORATION and Subsidiaries

CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME

For the Three Months Ended March 31, 2015 and 2014

(Unaudited)

	2015		2014
	(dollars in thousands)		
Net income	\$ 7,761	\$	7,887
Other comprehensive income, before tax:			
Securities available for sale:			
Unrealized net gains on securities:			
Unrealized net holding gains arising during period	\$ 4,031	\$	857
Reclassification adjustment for (gains) included in net income	(1)		(43)
Other comprehensive income, before tax	\$ 4,030	\$	814
Income tax expense related to items of other comprehensive income	1,614		335
Other comprehensive income, net of tax	\$ 2,416	\$	479
Comprehensive income	\$ 10,177	\$	8,366

See accompanying notes to unaudited consolidated financial statements.

FIRST BUSEY CORPORATION and Subsidiaries
CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY

For the Three Months Ended March 31, 2015 and 2014

(Unaudited)

(dollars in thousands, except per share amounts)

	Preferred Stock	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Treasury Stock	Total
Balance, December 31, 2013	\$ 72,664	\$ 88	\$ 593,144	\$ (225,722)	\$ 4,456	\$ (29,266)	\$ 415,364
Net income				7,887			7,887
Other comprehensive income					479		479
Issuance of treasury stock for employee stock purchase plan			(104)			148	44
Net issuance of treasury stock for restricted stock unit vesting and related tax benefit			(135)			125	(10)
Cash dividends common stock at \$0.04 per share				(3,472)			(3,472)
Stock dividend equivalents restricted stock units at \$0.04 per share			35	(35)			
Stock-based employee compensation			224				224
Preferred stock dividends				(182)			(182)
Balance, March 31, 2014	\$ 72,664	\$ 88	\$ 593,164	\$ (221,524)	\$ 4,935	\$ (28,993)	\$ 420,334
Balance, December 31, 2014	\$ 72,664	\$ 88	\$ 593,687	\$ (210,384)	\$ 5,817	\$ (28,233)	\$ 433,639
Net income				7,761			7,761
Other comprehensive income					2,416		2,416
Issuance of treasury stock for employee stock purchase plan			(280)			428	148
Net issuance of treasury stock for restricted stock unit vesting and related tax benefit			(206)			190	(16)
Issuance of treasury stock						34	34
Cash dividends common stock at \$0.05 per share				(4,342)			(4,342)
Stock dividend equivalents restricted stock units at \$0.05 per share			67	(66)			1
Stock-based employee compensation			341				341
Preferred stock dividends				(182)			(182)

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Balance, March 31, 2015	\$	72,664	\$	88	\$	593,609	\$	(207,213)	8,233	\$	(27,581)	\$	439,800
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See accompanying notes to unaudited consolidated financial statements.

FIRST BUSEY CORPORATION and Subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Three Months Ended March 31, 2015 and 2014

(Unaudited)

	2015		2014
	(dollars in thousands)		
Cash Flows from Operating Activities			
Net income	\$	7,761	\$ 7,887
Adjustments to reconcile net income to net cash provided by operating activities:			
Stock-based and non-cash compensation		341	224
Depreciation and amortization		2,163	2,141
Provision for loan losses		500	1,000
Provision for deferred income taxes		119	2,952
Amortization of security premiums and discounts, net		2,165	1,786
Accretion of premiums and discounts on loans, net		(262)	
Net security gains		(1)	(43)
Gain on sales of loans, net		(1,426)	(981)
Net (gain) on disposition of premises and equipment			(2)
Premises and equipment impairment		670	
Increase in cash surrender value of bank owned life insurance		(379)	(393)
Change in assets and liabilities:			
Decrease (increase) in other assets		1,672	(292)
Decrease in other liabilities		(5,155)	(5,288)
Decrease in interest payable		(42)	(76)
Decrease in income taxes receivable		926	82
Net cash provided by operating activities before activities for loans originated for sale	\$	9,052	\$ 8,997
Loans originated for sale		(73,687)	(42,055)
Proceeds from sales of loans		68,576	49,830
Net cash provided by operating activities	\$	3,941	\$ 16,772
Cash Flows from Investing Activities			
Proceeds from sales of securities classified available for sale		7,687	59,125
Proceeds from maturities of securities classified available for sale		56,105	54,582
Proceeds from maturities of securities classified held to maturity		4	
Purchase of securities classified available for sale		(55,383)	(126,159)
Purchase of securities classified held to maturity			(1,026)
Net decrease in loans		44,285	54,417
Proceeds from disposition of premises and equipment		9	2
Proceeds from sale of other real estate owned (OREO) properties		425	575
Purchases of premises and equipment		(1,062)	(596)
Net cash received in acquisitions		12,114	
Net cash provided by investing activities	\$	64,184	\$ 40,920

(continued on next page)

FIRST BUSEY CORPORATION and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

For the Three Months Ended March 31, 2015 and 2014

(Unaudited)

	2015	2014
	(dollars in thousands)	
Cash Flows from Financing Activities		
Net decrease in certificates of deposit	\$ (18,642)	\$ (22,871)
Net increase in demand, money market and savings deposits	59,778	80,906
Cash dividends paid	(4,523)	(3,654)
Value of shares surrendered upon vesting of restricted stock units to cover tax obligations	(22)	(12)
Net decrease in securities sold under agreements to repurchase	(15,218)	(55,110)
Net cash provided by (used in) financing activities	\$ 21,373	\$ (741)
Net increase in cash and due from banks	\$ 89,498	\$ 56,951
Cash and due from banks, beginning	\$ 339,438	\$ 231,603
Cash and due from banks, ending	\$ 428,936	\$ 288,554

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash payments for:		
Interest	\$ 1,635	\$ 1,770
Income taxes	\$ 3,130	\$ 1,100
Non-cash investing and financing activities:		
Other real estate acquired in settlement of loans	\$ 192	\$ 316

See accompanying notes to unaudited consolidated financial statements.

FIRST BUSEY CORPORATION and Subsidiaries

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Basis of Presentation

The accompanying unaudited consolidated interim financial statements of First Busey Corporation (First Busey or the Company), a Nevada corporation, have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (the SEC) for Quarterly Reports on Form 10-Q and do not include certain information and footnote disclosures required by U.S. generally accepted accounting principles (GAAP) for complete annual financial statements. Accordingly, these financial statements should be read in conjunction with the Company s Annual Report on Form 10-K for the year ended December 31, 2014.

The accompanying Consolidated Balance Sheets as of December 31, 2014, which have been derived from audited financial statements, and the unaudited consolidated interim financial statements have been prepared in accordance with GAAP and reflect all adjustments that are, in the opinion of management, necessary for the fair presentation of the financial position and results of operations as of the dates and for the periods presented. All such adjustments are of a normal recurring nature. The results of operations for the three months ended March 31, 2015 are not necessarily indicative of the results that may be expected for the year ending December 31, 2015.

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

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

The Company has evaluated subsequent events for potential recognition and/or disclosure through the date the consolidated financial statements included in this Quarterly Report on Form 10-Q were issued. There were no significant subsequent events for the quarter ended March 31, 2015 through the issuance date of these consolidated financial statements that warranted adjustment to or disclosure in the consolidated financial statements.

Note 2: Acquisitions

On January 8, 2015, First Busey acquired Herget Financial Corp. (Herget Financial), headquartered in Pekin, Illinois and its wholly-owned bank subsidiary, Herget Bank, National Association (Herget Bank). First Busey operated Herget Bank as a separate banking subsidiary from January 9, 2015 until March 13, 2015, when it was merged with Busey Bank. At that time, Herget Bank s three branches in Pekin, Illinois became branches of Busey Bank. The operating results of Herget Financial are included with the Company s results of operations since the date

of acquisition.

The acquisition of Herget Financial allowed First Busey to further increase its presence in the Pekin and greater Peoria market. Additionally, Herget Financial held a dominant deposit market position in its community and offered trust, estate and asset management services, as well as competitive commercial loan and mortgage offerings, all of which complement First Busey's offerings. First Busey acquired 100% of Herget Financial's outstanding common stock for aggregate cash consideration of \$34.1 million which was funded through internal sources. Each shareholder of Herget Financial common stock received \$588.00 per share in cash.

During the first quarter of 2015, expenses related to the acquisition of Herget Financial totaled \$1.0 million. Additionally, during 2014, First Busey incurred \$0.4 million of acquisition expenses related to this transaction. The expenses were comprised primarily of system conversion, restructuring, legal, consulting, regulatory and marketing costs, all of which are reported as a component of other expense in the accompanying unaudited consolidated interim financial statements.

This transaction was accounted for using the acquisition method of accounting and, accordingly, assets acquired, liabilities assumed, and consideration exchanged were recorded at estimated fair values on the date of acquisition. Fair values are subject to refinement for up to one year after the closing date of January 8, 2015 as additional information regarding the closing date fair values becomes available.

The following table provides a preliminary assessment of the assets purchased and liabilities assumed (*dollars in thousands*):

Cash and due from banks	\$	46,214
Securities		111,760
Loans held for sale		1,933
Loans		105,207
Premises and equipment		2,034
Goodwill		4,824
Other intangible assets		3,937
Other assets		2,931
Deposits		241,901
Other liabilities		2,839

The loans acquired in this transaction were recorded at fair value with no carryover of any existing allowance for loan losses. Loans that were not deemed to be credit impaired at acquisition were accounted for under FASB ASC 310-20, *Receivables-Nonrefundable Fees and Other Costs* and were subsequently considered as part of the Company's determination for the adequacy of the allowance for loan losses. Purchased credit-impaired (PCI) loans, loans with evidence of credit quality deterioration, were accounted for under FASB ASC 310-30, *Receivables Loans and Debt Securities Acquired with Deteriorated Credit Quality*. The fair value of the acquired performing loans totaled \$103.7 million and the fair value of the PCI loans totaled \$1.5 million. The other intangible assets acquired in this transaction will be amortized using an accelerated method over 10 years.

Note 3: Recent Accounting Pronouncements

ASU 2014-09, Revenue from Contracts with Customers (Topic 606). ASU 2014-09 outlines a single model for companies to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. ASU 2014-09 will require that companies recognize revenue based on the value of transferred goods or services as they occur in the contract and will also require additional disclosures. The new authoritative guidance will be for reporting periods after December 15, 2016, and the Company is evaluating the effect that ASU 2014-09 will have on its consolidated financial statements and related disclosures.

Note 4: 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. 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.

The amortized cost, unrealized gains and losses and fair values of securities classified as available for sale and held to maturity are summarized as follows:

March 31, 2015:	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
(dollars in thousands)				
Available for sale				
U.S. Treasury securities	\$ 65,182	\$ 748	\$	\$ 65,930
Obligations of U.S. government corporations and agencies	156,404	994	(13)	157,385
Obligations of states and political subdivisions	206,112	3,194	(225)	209,081
Residential mortgage-backed securities	274,279	6,648	(26)	280,901
Corporate debt securities	109,788	1,136	(22)	110,902
Total debt securities	811,765	12,720	(286)	824,199
Mutual funds and other equity securities	6,118	1,297		7,415
Total	\$ 817,883	\$ 14,017	\$ (286)	\$ 831,614
Held to maturity				
Obligations of states and political subdivisions	\$ 34,027	\$ 320	\$ (26)	\$ 34,321
Commercial mortgage-backed securities	1,010	56		1,066
Total	\$ 35,037	\$ 376	\$ (26)	\$ 35,387
December 31, 2014:	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
(dollars in thousands)				
Available for sale				
U.S. Treasury securities	\$ 50,280	\$ 328	\$ (2)	\$ 50,606
Obligations of U.S. government corporations and agencies	166,207	981	(178)	167,010
Obligations of states and political subdivisions	218,250	2,672	(761)	220,161
Residential mortgage-backed securities	230,596	5,062	(22)	235,636
Corporate debt securities	79,087	296	(76)	79,307
Total debt securities	744,420	9,339	(1,039)	752,720
Mutual funds and other equity securities	4,944	1,401		6,345
Total	\$ 749,364	\$ 10,740	\$ (1,039)	\$ 759,065
Held to maturity				