

**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 3/31/2009**

**Commission File No. 0-15950**

**FIRST BUSEY CORPORATION**

(Exact name of registrant as specified in its charter)

**Nevada**

(State or other jurisdiction of  
Incorporation or organization)

**37-1078406**

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

**201 W. Main St.,  
Urbana, Illinois**

(Address of principal  
executive offices)

**61801**

(Zip Code)

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

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

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

(Do not check if a smaller reporting company)

Smaller reporting company

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, 2009 |
|--------------------------------|----------------------------|
| Common Stock, \$.001 par value | 35,815,892                 |

**PART I - FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS**

**FIRST BUSEY CORPORATION and Subsidiaries**  
**CONSOLIDATED BALANCE SHEETS**  
**March 31, 2009 and December 31, 2008**  
**(Unaudited)**

|  | <b>March 31, 2009</b>  | <b>December 31, 2008</b> |
|--|------------------------|--------------------------|
|  | (dollars in thousands) |                          |
| <b>Assets</b>  |                        |                          |
| Cash and due from banks  | \$ 138,413             | \$ 190,113               |
| Securities available for sale  | 708,112                | 654,130                  |
| Loans held for sale (fair value 2009 \$69,412; 2008 \$14,452)  | 68,552                 | 14,206                   |
| Loans (net of allowance for loan losses 2009 \$88,498; 2008 \$98,671)  | 3,104,390              | 3,144,704                |
| Premises and equipment   | 80,890                 | 81,732                   |
| Cash surrender value of bank owned life insurance  | 34,879                 | 34,530                   |
| Goodwill   | 228,850                | 228,863                  |
| Other intangible assets  | 26,915                 | 28,005                   |
| Other assets   | 79,474                 | 83,810                   |
| Total assets   | \$ 4,470,475           | \$ 4,460,093             |
| <b>Liabilities and Stockholders' Equity</b>  |                        |                          |
| <b>Liabilities</b>   |                        |                          |
| Deposits:  |                        |                          |
| Noninterest bearing  | \$ 458,332             | \$ 378,007               |
| Interest bearing   | 3,031,869              | 3,128,686                |
| Total deposits   | \$ 3,490,201           | \$ 3,506,693             |
| Federal funds purchased and securities sold under agreements to repurchase   | 143,635                | 182,980                  |
| Short-term borrowings  | 58,000                 | 83,000                   |
| Long-term debt   | 132,743                | 134,493                  |
| Junior subordinated debt owed to unconsolidated trusts   | 55,000                 | 55,000                   |
| Other liabilities  | 39,208                 | 43,110                   |
| Total liabilities  | \$ 3,918,787           | \$ 4,005,276             |
| <b>Stockholders' Equity</b>  |                        |                          |
| Preferred stock, \$.001 par value, 1,000,000 shares authorized, issued - 2008 series T, 100,000 shares, \$1,000 liquidation value; 2007 none | \$ 98,454              | \$ —                     |
| Common stock, \$.001 par value, authorized 60,000,000 shares; issued — 37,546,497 shares   | 38                     | 38                       |
| Surplus  | 393,010                | 393,005                  |
| Retained earnings  | 84,179                 | 85,810                   |
| Accumulated other comprehensive income   | 9,858                  | 9,837                    |
| Total stockholders' equity before treasury stock and unearned ESOP shares  | \$ 585,539             | \$ 488,690               |
| Treasury stock, at cost — 2009 1,650,605; 2008 1,651,887   | (32,183)               | (32,205)                 |
| Unearned ESOP shares — 80,000 shares   | (1,668)                | (1,668)                  |
| Total stockholders' equity   | \$ 551,688             | \$ 454,817               |
| Total liabilities and stockholders' equity   | \$ 4,470,475           | \$ 4,460,093             |
| Common shares outstanding at period end  | 35,815,892             | 35,814,610               |

See accompanying notes to unaudited consolidated financial statements.

**FIRST BUSEY CORPORATION and Subsidiaries**  
**CONSOLIDATED STATEMENTS OF INCOME**  
**For the Three Months Ended March 31, 2009 and 2008**  
**(Unaudited)**

|  | <u>2009</u>                                      | <u>2008</u>      |
|--|--|------------------|
|  | (dollars in thousands, except per share amounts) |                  |
| <b>Interest income:</b>  |  |                  |
| Interest and fees on loans   | \$ 42,140  | \$ 51,651        |
| Interest and dividends on investment securities:                           |  |                  |
| Taxable interest income  | 5,272  | 5,837            |
| Non-taxable interest income  | 858  | 928              |
| Dividends  | 37   | 36               |
| Interest on Federal funds sold   | —  | 105              |
| Total interest income  | <u>\$ 48,307</u>                                 | <u>\$ 58,557</u> |
| <b>Interest expense:</b>   |  |                  |
| Deposits   | \$ 17,817  | \$ 22,847        |
| Federal funds purchased and securities sold under agreements to repurchase | 344  | 1,403            |
| Short-term borrowings  | 499  | 356              |
| Long-term debt   | 1,274  | 1,730            |
| Junior subordinated debt owed to unconsolidated trusts                     | 777  | 959              |
| Total interest expense   | <u>\$ 20,711</u>                                 | <u>\$ 27,295</u> |
| Net interest income  | <u>\$ 27,596</u>                                 | <u>\$ 31,262</u> |
| Provision for loan losses  | 10,000   | 2,150            |
| Net interest income after provision for loan losses                        | <u>\$ 17,596</u>                                 | <u>\$ 29,112</u> |
| <b>Other income:</b>   |  |                  |
| Remittance processing  | \$ 3,254   | \$ 2,947         |
| Trust  | 3,205  | 3,073            |
| Commissions and brokers fees, net  | 519  | 702              |
| Service charges on deposit accounts  | 2,858  | 2,700            |
| Other service charges and fees   | 1,139  | 1,151            |
| Gain on sales of loans   | 2,418  | 1,160            |
| Security gains, net  | 21   | 472              |
| Other operating income   | 2,647  | 1,979            |
| Total other income   | <u>\$ 16,061</u>                                 | <u>\$ 14,184</u> |
| <b>Other expenses:</b>   |  |                  |
| Salaries and wages   | \$ 10,629  | \$ 11,512        |
| Employee benefits  | 2,817  | 3,136            |
| Net occupancy expense of premises  | 2,575  | 2,464            |
| Furniture and equipment expenses   | 1,936  | 1,917            |
| Data processing  | 1,732  | 1,688            |
| Amortization of intangible assets  | 1,090  | 1,129            |
| Other operating expenses   | 5,072  | 6,247            |
| Total other expenses   | <u>\$ 25,851</u>                                 | <u>\$ 28,093</u> |
| Income before income taxes   | <u>\$ 7,806</u>                                  | <u>\$ 15,203</u> |
| Income taxes   | 1,913  | 5,199            |
| <b>Net income</b>  | <u>\$ 5,893</u>                                  | <u>\$ 10,004</u> |
| Preferred stock dividends and warrant accretion                            | 387  | —                |
| <b>Net income available to common shareholders</b>                         | <u>\$ 5,506</u>                                  | <u>\$ 10,004</u> |
| <b>Basic earnings per common share</b>                                     | <u>\$ 0.15</u>                                   | <u>\$ 0.28</u>   |
| <b>Diluted earnings per common share</b>                                   | <u>\$ 0.15</u>                                   | <u>\$ 0.28</u>   |
| <b>Dividends declared per share of common stock</b>                        | <u>\$ 0.20</u>                                   | <u>\$ 0.20</u>   |

See accompanying notes to unaudited consolidated financial statements

**FIRST BUSEY CORPORATION and Subsidiaries**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**For the Three Months Ended March 31, 2009 and 2008**  
**(Unaudited)**

|   | 2009                   | 2008               |
|---|------------------------|--------------------|
|   | (dollars in thousands) |                    |
| <b>Cash Flows from Operating Activities</b>   |                        |                    |
| Net income  | \$ 5,893               | \$ 10,004          |
| Adjustments to reconcile net income to net cash provided by operating activities:   |                        |                    |
| Stock-based and non-cash compensation   | 36                     | 5                  |
| Depreciation and amortization   | 2,935                  | 3,004              |
| Provision for loan losses   | 10,000                 | 2,150              |
| Provision for deferred income taxes   | 3,704                  | (190)              |
| Amortization (accretion) of security premiums and discounts, net                    | 998                    | (388)              |
| Security gains, net   | (21)                   | (472)              |
| Gain on sales of loans  | (2,418)                | (1,160)            |
| Settlement of post retirement benefit liabilities                                   | (2,021)                | —                  |
| Increase in cash surrender value of bank owned life insurance                       | (349)                  | (401)              |
| (Decrease) in deferred compensation, net  | (20)                   | (135)              |
| Change in assets and liabilities:   |                        |                    |
| (Increase) decrease in other assets   | 2,594                  | (1,224)            |
| (Decrease) increase in other liabilities  | (4,234)                | 1,956              |
| Increase (decrease) in interest payable   | 466                    | (621)              |
| (Increase)decrease in income taxes receivable                                       | (799)                  | 5,230              |
| <b>Net cash provided by operating activities before loan originations and sales</b> | <b>\$ 16,764</b>       | <b>\$ 17,758</b>   |
| Loans originated for sale   | (158,773)              | (80,502)           |
| Proceeds from sales of loans  | 106,845                | 75,595             |
| <b>Net cash (used in) provided by operating activities</b>                          | <b>\$ (35,164)</b>     | <b>\$ 12,851</b>   |
| <b>Cash Flows from Investing Activities</b>   |                        |                    |
| Proceeds from sales of securities classified available for sale                     | 4,627                  | 17,668             |
| Proceeds from maturities of securities classified available for sale                | 52,166                 | 133,679            |
| Purchase of securities classified available for sale                                | (112,695)              | (135,987)          |
| Proceeds from sale of Federal Reserve Stock   | 977                    | —                  |
| Decrease in Federal funds sold  | —                      | 459                |
| Decrease (increase) in loans  | 27,823                 | (77,132)           |
| Proceeds from sale of other real estate properties                                  | 1,319                  | 2,098              |
| Purchases of premises and equipment   | (1,003)                | (2,744)            |
| <b>Net cash used in investing activities</b>  | <b>\$ (26,786)</b>     | <b>\$ (61,959)</b> |

(continued on next page)

**FIRST BUSEY CORPORATION and Subsidiaries**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)**  
**For the Three Months Ended March 31, 2009 and 2008**  
**(Unaudited)**

|  | <u>2009</u>              | <u>2008</u>              |
|--|--------------------------|--------------------------|
|  | (dollars in thousands)   |                          |
| <b>Cash Flows From Financing Activities</b>  |                          |                          |
| Net decrease in certificates of deposit  | \$ (22,812)              | \$ (19,469)              |
| Net increase in demand, money market and savings deposits                                  | 6,320                    | 60,579                   |
| Cash dividends paid  | (7,163)                  | (7,205)                  |
| Net decrease in Federal funds purchased and securities sold under agreements to repurchase | (39,345)                 | (60,623)                 |
| Proceeds from short-term borrowings  | —                        | 157,000                  |
| Principal payments on short-term borrowings  | (25,000)                 | (51,523)                 |
| Principal payments on long-term debt   | (1,750)                  | (23,000)                 |
| Purchase of treasury stock   | —                        | (8,975)                  |
| Proceeds from sale of treasury stock   | —                        | 164                      |
| Proceeds from issuance of CPP preferred stock and warrants                                 | 100,000                  | —                        |
| <b>Net cash provided by financing activities</b>   | <u>\$ 10,250</u>         | <u>\$ 46,948</u>         |
| <b>Net decrease in cash and due from banks</b>   | <u>\$ (51,700)</u>       | <u>\$ (2,160)</u>        |
| <b>Cash and due from banks, beginning</b>  | <u>\$ 190,113</u>        | <u>\$ 125,228</u>        |
| <b>Cash and due from banks, ending</b>   | <u><u>\$ 138,413</u></u> | <u><u>\$ 123,068</u></u> |
| <br><b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>                               |                          |                          |
| Other real estate acquired in settlement of loans  | \$ 2,491                 | \$ 2,760                 |
| <b>Cash payments for:</b>  |                          |                          |
| Interest   | \$ 20,244                | \$ 27,917                |

See accompanying notes to unaudited consolidated financial statements

**FIRST BUSEY CORPORATION and Subsidiaries**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**(Unaudited)**

|   | Three Months Ended<br>March 31, |           |
|---|---------------------------------|-----------|
|   | 2009                            | 2008      |
|   | (dollars in thousands)          |           |
| Net income  | \$ 5,893                        | \$ 10,004 |
| Other comprehensive income, before tax:                           |                                 |           |
| Unrealized net gains on securities:                               |                                 |           |
| Unrealized net holding gains arising during period                | \$ 55                           | \$ 5,503  |
| Less reclassification adjustment for gains included in net income | (21)                            | (472)     |
| Other comprehensive income, before tax                            | \$ 34                           | \$ 5,031  |
| Income tax expense related to items of other comprehensive loss   | 13                              | 1,999     |
| Other comprehensive income, net of tax                            | \$ 21                           | \$ 3,032  |
| Comprehensive income  | \$ 5,914                        | \$ 13,036 |

See accompanying notes to unaudited consolidated financial statements

**FIRST BUSEY CORPORATION and Subsidiaries**  
**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**Note 1: Basis of Presentation**

The accompanying unaudited consolidated interim financial statements of First Busey Corporation (the "Company"), a Nevada corporation, have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (SEC) for quarterly reports on Form 10-Q and do not include certain information and footnote disclosures required by U.S. generally accepted accounting principles ("U.S. GAAP") for complete annual financial statements. Accordingly, these financial statements should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 2008.

The accompanying consolidated balance sheet as of December 31, 2008, which has been derived from audited financial statements, and the unaudited consolidated interim financial statements have been prepared in accordance with U.S. GAAP and reflect all adjustments that are, in the opinion of management, necessary for the fair presentation of the financial position and results of operations for the periods presented. All such adjustments are of a normal recurring nature. The results of operations for the three months ended March 31, 2009 are not necessarily indicative of the results that may be expected for the year ending December 31, 2009.

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.

## **Note 2: Recent Accounting Pronouncements**

### **Statements of Financial Accounting Standards (SFAS)**

*SFAS No. 141, "Business Combinations (Revised 2007)."* SFAS 141R replaces SFAS 141, "Business Combinations," and applies to all transactions and other events in which one entity obtains control over one or more other businesses. SFAS 141R requires an acquirer, upon initially obtaining control of another entity, to recognize the assets, liabilities and any non-controlling interest in the acquiree at fair value as of the acquisition date. Contingent consideration is required to be recognized and measured at fair value on the date of acquisition rather than at a later date when the amount of that consideration may be determinable beyond a reasonable doubt. This fair value approach replaces the cost-allocation process required under SFAS 141 whereby the cost of an acquisition was allocated to the individual assets acquired and liabilities assumed based on their estimated fair value. SFAS 141R requires acquirers to expense acquisition-related costs as incurred rather than allocating such costs to the assets acquired and liabilities assumed, as was previously the case under SFAS 141. Under SFAS 141R, the requirements of SFAS 146, Accounting for Costs Associated with Exit or Disposal Activities," would have to be met in order to accrue for a restructuring plan in purchase accounting. Pre-acquisition contingencies are to be recognized at fair value, unless it is a non-contractual contingency that is not likely to materialize, in which case, nothing should be recognized in purchase accounting and, instead, that contingency would be subject to the probable and estimable recognition criteria of SFAS 5, "Accounting for Contingencies." SFAS 141R is expected to have a significant impact on the Company's accounting for business combinations closing after January 1, 2009.

*SFAS No. 160, "Noncontrolling Interest in Consolidated Financial Statements, an amendment of ARB Statement No. 51."* SFAS 160 amends Accounting Research Bulletin (ARB) No. 51, "Consolidated Financial Statements," to establish accounting and reporting standards for the non-controlling interest in a subsidiary and for the deconsolidation of a subsidiary. SFAS 160 clarifies that a non-controlling interest in a subsidiary, which is sometimes referred to as minority interest, is an ownership interest in the consolidated entity that should be reported as a component of equity in the consolidated financial statements. Among other requirements, SFAS 160 requires consolidated net income to be reported at amounts that include the amounts attributable to both the parent and the non-controlling interest. It also requires disclosure, on the face of the consolidated income statement, of the amounts of consolidated net income attributable to the parent and to the non-controlling interest. SFAS 160 became effective for the Company on January 1, 2009 and did not have a significant impact on the Company's financial statements.

*SFAS No. 161, "Disclosures About Derivative Instruments and Hedging Activities, an Amendment of FASB Statement No. 133."* SFAS 161 amends SFAS 133, "Accounting for Derivative Instruments and Hedging Activities," to amend and expand the disclosure requirements of SFAS 133 to provide greater transparency about (i) how and why an entity uses derivative instruments, (ii) how derivative instruments and related hedge items are accounted for under SFAS 133 and its related interpretations, and (iii) how derivative instruments and related hedged items affect an entity's financial position, results of operations and cash flows. To meet those objectives, SFAS 161 requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of gains and losses on derivative instruments and disclosures about credit-risk-related contingent features in derivative agreements. SFAS 161 became effective for the Company on January 1, 2009 and did not have a significant impact on the Company's financial statements.

### **Financial Accounting Standards Board Staff Positions and Interpretations**

*FASB issued FSP SFAS 141R-1, "Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies."* FSP SFAS 141R-1 amends the guidance in SFAS 141R to require that assets acquired and liabilities assumed in a business combination that arise from contingencies be recognized at fair value if fair value can be reasonably estimated. If fair value of such an asset or liability cannot be reasonably estimated, the asset or liability would generally be recognized in accordance with SFAS 5, "Accounting for Contingencies," and FASB Interpretation (FIN) No. 14, "Reasonable Estimation of the Amount of a Loss." FSP SFAS 141R-1 removes subsequent accounting guidance for assets and liabilities arising from contingencies from SFAS 141R and requires entities to develop a systematic and rational basis for subsequently measuring and accounting for assets and liabilities arising from contingencies. FSP SFAS 141R-1 eliminates the requirement to disclose an estimate of the range of outcomes of recognized contingencies at the acquisition date. For unrecognized contingencies, entities are required to include only the disclosures required by SFAS 5. FSP SFAS 141R-1 also requires that contingent consideration arrangements of an acquiree assumed by the acquirer in a business combination be treated as contingent consideration of the acquirer and should be initially and subsequently measured at fair value in accordance with SFAS 141R. FSP SFAS 141R-1 is effective for assets or liabilities arising from contingencies the Corporation acquires in business combinations occurring after January 1, 2009.

FASB issued FSP FAS 115-2 and FAS 124-2, “*Recognition and Presentation of Other-Than-Temporary Impairments*” (“FSP FAS 115-2/124-2”). FSP FAS 115-2/124-2 requires entities to separate an other-than-temporary impairment of a debt security into two components when there are credit related losses associated with the impaired debt security for which management asserts that it does not have the intent to sell the security, and it is more likely than not that it will not be required to sell the security before recovery of its cost basis. The amount of the other-than-temporary impairment related to a credit loss is recognized in earnings, and the amount of the other-than-temporary impairment related to other factors is recorded in other comprehensive loss. FSP FAS 115-2/124-2 is effective for periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. The Company has elected to adopt FSP FAS 115-2/124-2 effective for the quarter ending June 30, 2009. The Company is currently evaluating the impact the adoption of this Statement will have on its financial position and results of operations.

In April 2009, the FASB issued FSP FAS 157-4, “*Determining Fair Value When Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions that are Not Orderly*” (“FSP FAS 157-4”). Under FSP FAS 157-4, if an entity determines that there has been a significant decrease in the volume and level of activity for the asset or the liability in relation to the normal market activity for the asset or liability (or similar assets or liabilities), then transactions or quoted prices may not accurately reflect fair value. In addition, if there is evidence that the transaction for the asset or liability is not orderly, the entity shall place little, if any weight on that transaction price as an indicator of fair value. FSP FAS 157-4 is effective for periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. The Company has elected to adopt FSP FAS 157-4 effective for the quarter ending June 30, 2009. The Company is currently evaluating the impact the adoption of this Statement will have on its financial position and results of operations.

In April 2009, the FASB issued FSP FAS 107-1 and APB 28-1, “*Interim Disclosures about Fair Value of Financial Instruments*” (“FSP FAS 107-1 and APB 28-1”). FSP FAS 107-1 and APB 28-1 require disclosures about fair value of financial instruments in interim and annual financial statements. FSP FAS 107-1 and APB 28-1 is effective for periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. The Company has elected to adopt FSP FAS 107-1 and APB 28-1 effective for the quarter ending June 30, 2009. The adoption will increase the Company’s disclosures, but will not have an impact on the Company’s financial position and results of operations.

### **Note 3: Capital**

On March 6, 2009, the Company, pursuant to the Capital Purchase Program (the “CPP”) implemented under the Emergency Economic Stabilization Act, entered into a Letter Agreement, which includes the Securities Purchase Agreement - Standard Terms (collectively, the “Purchase Agreement”), with the U.S. Treasury (the “Treasury”) pursuant to which the Company issued and sold to Treasury 100,000 shares of the Company’s Fixed Rate Cumulative Perpetual Preferred Stock, Series T, together with a warrant to purchase 1,147,666 shares of the Company’s common stock for an aggregate purchase price of \$100 million in cash. The warrant has a ten-year term and is immediately exercisable upon its issuance, with an exercise price equal to \$13.07 per share of the common stock.

The Series T Preferred Stock qualifies as Tier 1 capital and pays cumulative dividends at a rate of 5% per annum for the first five years, and 9% per annum thereafter. The Series T Preferred Stock may be redeemed by the Company at any time, subject to approval of the Federal Reserve. Any redemption of the Series T Preferred Stock will be at the per share liquidation amount of \$1,000 per share, plus any accrued and unpaid dividends.

Prior to the third anniversary of Treasury’s purchase of the Series T Preferred Stock, unless the Series T Preferred Stock has been redeemed or Treasury has transferred all of the Series T Preferred Stock to one or more third parties, the consent of Treasury will be required for the Company to increase the dividend paid on its common stock above its most recent quarterly dividend of \$0.20 per share or repurchase shares of its common stock (other than in connection with benefit plans). The Series T Preferred Stock is non-voting except for class voting rights on matters that would adversely affect the rights of the holders of the Series T Preferred Stock.

**Note 4: Unrealized Losses on Investment Securities**

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

|                                       | Less than 12 months |                   | Greater than 12 months |                   | Total            |                   |
|---------------------------------------|---------------------|-------------------|------------------------|-------------------|------------------|-------------------|
|                                       | Fair Value          | Unrealized Losses | Fair Value             | Unrealized Losses | Fair Value       | Unrealized Losses |
| (dollars in thousands)                |                     |                   |                        |                   |                  |                   |
| <u>March 31, 2009:</u>                |                     |                   |                        |                   |                  |                   |
| State and municipal                   | 13,173              | 194               | 7,037                  | 326               | 20,210           | 520               |
| Mortgage-backed                       | 2,371               | 1                 | —                      | —                 | 2,371            | 1                 |
| Corporate                             | 805                 | 43                | 260                    | 39                | 1,065            | 82                |
| Subtotal, debt securities             | <u>\$ 16,349</u>    | <u>\$ 238</u>     | <u>\$ 7,297</u>        | <u>\$ 365</u>     | <u>\$ 23,646</u> | <u>\$ 603</u>     |
| Equity securities                     | <u>143</u>          | <u>136</u>        | <u>4</u>               | <u>55</u>         | <u>147</u>       | <u>191</u>        |
| Total temporarily impaired securities | <u>\$ 16,492</u>    | <u>\$ 374</u>     | <u>\$ 7,301</u>        | <u>\$ 420</u>     | <u>\$ 23,793</u> | <u>\$ 794</u>     |

The total number of investment securities in an unrealized loss position as of March 31, 2009 was 73, 42 less than 12 months and 31 greater than 12 months. Management evaluates securities for other-than-temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to the length of time and extent to which the fair value has been less than cost, the financial condition and near-term prospects of the issuer, and the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. No other-than-temporary impairment was recognized for the three months ended March 31, 2009 and 2008.

**Note 5: Loans**

The major classifications of loans were as follows:

|  | March 31, 2009         | December 31, 2008   |
|--|------------------------|---------------------|
|  | (dollars in thousands) |                     |
| Commercial                                     | \$ 435,641             | \$ 455,592          |
| Real estate construction                       | 743,772                | 743,371             |
| Real estate - farmland                         | 52,059                 | 54,337              |
| Real estate - 1-4 family residential mortgage  | 689,999                | 715,853             |
| Real estate - multifamily mortgage             | 268,833                | 278,345             |
| Real estate - non-farm nonresidential mortgage | 906,665                | 893,011             |
| Installment                                    | 57,987                 | 59,692              |
| Agricultural                                   | 36,656                 | 41,781              |
|  | <u>\$ 3,191,612</u>    | <u>\$ 3,241,982</u> |
| Plus:  |                        |                     |
| Net deferred loan costs                        | 1,276                  | 1,393               |
|  | <u>3,192,888</u>       | <u>3,243,375</u>    |
| Less:  |                        |                     |
| Allowance for loan losses                      | 88,498                 | 98,671              |
| Net loans                                      | <u>\$ 3,104,390</u>    | <u>\$ 3,144,704</u> |

Changes in the allowance for loan losses were as follows:

|   | <b>Three Months Ended March 31,</b> |                  |
|---|-------------------------------------|------------------|
|   | <b>2009</b>                         | <b>2008</b>      |
|   | (dollars in thousands)              |                  |
| Balance, beginning of year                                    | \$ 98,671                           | \$ 42,560        |
| Provision for loan losses                                     | 10,000                              | 2,150            |
| Recoveries applicable to loan balances previously charged off | 132                                 | 332              |
| Loan balances charged off                                     | 20,305                              | 2,118            |
| Balance, March 31   | <u>\$ 88,498</u>                    | <u>\$ 42,924</u> |

#### **Note 6: Earnings Per Common Share**

Net income per common share has been computed as follows:

|  | <b>Three Months Ended March 31,</b>   |                  |
|--|---------------------------------------|------------------|
|  | <b>2009</b>                           | <b>2008</b>      |
|  | (in thousands, except per share data) |                  |
| Net income available to common stockholders  | <u>\$ 5,506</u>                       | <u>\$ 10,004</u> |
| Shares:  |                                       |                  |
| Weighted average common shares outstanding   | 35,816                                | 35,949           |
| Dilutive effect of outstanding options as determined by the application of the treasury stock method | <u>—</u>                              | <u>181</u>       |
| Weighted average common shares outstanding, as adjusted for diluted earnings per share calculation   | <u>35,816</u>                         | <u>36,130</u>    |
| Basic earnings per common share  | <u>\$ 0.15</u>                        | <u>\$ 0.28</u>   |
| Diluted earnings per common share  | <u>\$ 0.15</u>                        | <u>\$ 0.28</u>   |

#### **Note 7: Stock-based Compensation**

Under the terms of the Company's stock option plans, the Company is allowed, but not required, to source stock option exercises from its inventory of treasury stock. The Company has historically sourced stock option exercises from its treasury stock inventory, including exercises for the periods presented. As of March 31, 2009, under the Company's stock repurchase plan, 895,655 additional shares were authorized for repurchase. The repurchase plan has no expiration date and expires when the Company has repurchased all of the remaining authorized shares. However, because of First Busey's participation in CPP, 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.

A summary of the status of and changes in the Company's stock option plans for the three months ended March 31, 2009 follows:

|                                  | Shares           | Weighted-Average Exercise Price | Weighted-Average Remaining Contractual Term |
|----------------------------------|------------------|---------------------------------|---|
| Outstanding at beginning of year | 1,918,888        | \$ 17.11                        |   |
| Granted                          | —                | —                               |   |
| Exercised                        | 4,883            | 11.29                           |   |
| Forfeited                        | 4,050            | 19.73                           |   |
| Outstanding at end of period     | <u>1,909,955</u> | <u>\$ 17.12</u>                 | <u>3.53</u>                                 |
| Exercisable at end of period     | 1,822,455        | \$ 17.07                        | 3.38  |

The intrinsic value of the stock options exercised in 2009 was insignificant. The total intrinsic value of stock options exercised in the three months ended March 31, 2008 was \$0.2 million.

The following table summarizes information about stock options outstanding at March 31, 2009:

| Range of Exercise Prices | Options Outstanding |                                 |   |                 | Options Exercisable |                 |
|--------------------------|---------------------|---------------------------------|---|-----------------|---------------------|-----------------|
|                          | Number              | Weighted-Average Exercise Price | Weighted-Average Remaining Contractual Life | Intrinsic Value | Number              | Intrinsic Value |
| \$ 11.29-12.00           | 424,512             | \$ 11.72                        | 2.08  | \$ —            | 424,512             | \$ —            |
| 14.56-16.03              | 307,014             | 15.32                           | 2.91  | —               | 307,014             | —               |
| 19.59-19.83              | 284,900             | 19.63                           | 0.50  | —               | 284,900             | —               |
| 17.12-21.90              | 697,529             | 19.26                           | 6.16  | —               | 610,029             | —               |
| 20.16-20.71              | 196,000             | 20.32                           | 2.71  | —               | 196,000             | —               |
|                          | <u>1,909,955</u>    | <u>\$ 17.12</u>                 | <u>3.53</u>                                 | <u>\$ —</u>     | <u>1,822,455</u>    | <u>\$ —</u>     |

As of March 31, 2009, the Company had an insignificant amount of unrecognized stock option expense.

**Note 8: Income Taxes**

The Company is subject to income taxes in the U.S. federal and various state jurisdictions. The Company and its subsidiaries file consolidated Federal and state income tax returns with each subsidiary computing its taxes on a separate entity basis. Tax regulations within each jurisdiction are subject to the interpretation of the related tax laws and regulations and require significant judgment to apply. With few exceptions, the Company is no longer subject to U.S. federal, state or local tax examinations by tax authorities for the years before 2005. The provision for income taxes is based on income as reported in the financial statements.

There were no unrecognized tax benefits as of January 1, 2009. There have been no adjustments to unrecognized tax benefits since January 1, 2009. There are no material tax positions for which it is reasonably possible that unrecognized tax benefits will significantly change in the twelve months subsequent to March 31, 2009.

When applicable, the Company recognizes interest accrued related to unrecognized tax benefits and penalties in operating expenses. The Company has no accruals for payments of interest and penalties at March 31, 2009.

At March 31, 2009, the Company was not under examination by any tax authorities.

#### Note 9: Junior Subordinated Debt Owed to Unconsolidated Trusts

The Company has established statutory trusts for the sole purpose of issuing trust preferred securities and related trust common securities. The proceeds from such issuances were used by the trusts to purchase junior subordinated notes of the Company, which are the sole assets of each trust. Concurrent with the issuance of the trust preferred securities, the Company issued guarantees for the benefit of the holders of the trust preferred securities. As of March 31, 2009, the trust preferred securities qualified, and were treated by the Company, as Tier I regulatory capital. The Company owns all of the common securities of each trust. The trust preferred securities issued by each trust rank equally with the common securities in right of payment, except that if an event of default under the indenture governing the notes has occurred and is continuing, the preferred securities will rank senior to the common securities in right of payment.

The table below summarizes the outstanding junior subordinated notes and the related trust preferred securities issued by each trust as of March 31, 2009:

|                                    | <u>First Busey Statutory Trust II</u> | <u>First Busey Statutory Trust III</u> | <u>First Busey Statutory Trust IV</u> |
|------------------------------------|---------------------------------------|--|---------------------------------------|
| <b>Junior Subordinated Notes:</b>  |                                       |  |                                       |
| Principal balance                  | \$15,000,000                          | \$10,000,000                           | \$30,000,000                          |
| Annual interest rate(1)            | 3-mo LIBOR + 2.65%                    | 3-mo LIBOR + 1.75%                     | 6.94%                                 |
| Stated maturity date               | June 17, 2034                         | June 15, 2035                          | June 15, 2036                         |
| Call date                          | June 17, 2009                         | June 15, 2010                          | June 15, 2011                         |
| <b>Trust Preferred Securities:</b> |                                       |  |                                       |
| Face value                         | \$15,000,000                          | \$10,000,000                           | \$30,000,000                          |
| Annual distribution rate(1)        | 3-mo LIBOR + 2.65%                    | 3-mo LIBOR + 1.75%                     | 6.94%                                 |
| Issuance date                      | April 30, 2004                        | June 15, 2005                          | June 15, 2006                         |
| Distribution dates(2)              | Quarterly                             | Quarterly                              | Quarterly                             |

(1) First Busey Statutory Trust IV maintains a 5-year fixed coupon of 6.94% through June 10, 2011, subsequently converting to a floating 3-month LIBOR +1.55%.

(2) All cash distributions are cumulative

The trust preferred securities are subject to mandatory redemption, in whole or in part, upon repayment of the junior subordinated notes at par value at the stated maturity date or upon redemption of the junior subordinated notes on a date no earlier than June 17, 2009, for First Busey Statutory Trust II, June 15, 2010, for First Busey Statutory Trust III, and June 15, 2011, for First Busey Statutory Trust IV. Prior to these respective redemption dates, the junior subordinated notes may also be redeemed by the Company (in which case the trust preferred securities would also be redeemed) after the occurrence of certain events that would have a negative tax effect on the Company or the trusts, would cause the trust preferred securities to no longer qualify for Tier 1 capital, or would result in a trust being treated as an investment company. Each trust's ability to pay amounts due on the trust preferred securities is solely dependent upon the Company making payment on the related junior subordinated notes. The Company's obligations under the junior subordinated notes and other relevant trust agreements, in aggregate, constitute a full and unconditional guarantee by the Company of each trust's obligations under the trust preferred securities issued by each trust. The Company has the right to defer payment of interest on the notes and, therefore, distributions on the trust preferred securities, for up to five years, but not beyond the stated maturity date in the table above.

In March 2005, the Board of Governors of the Federal Reserve System issued a final rule allowing bank holding companies to continue to include qualifying trust preferred securities in their Tier I Capital for regulatory capital purposes, subject to a 25% limitation to all core (Tier I) capital elements, net of goodwill and other intangible assets less any associated deferred tax liability. The final rule provided a five-year transition period, which has been extended to March 31, 2011, for applications of the aforementioned quantitative limitation. As of March 31, 2009, 100% of the trust preferred securities noted in the table above qualified as Tier I capital under the final rule adopted in March 2005.

#### **Note 10: Outstanding Commitments and Contingent Liabilities**

##### *Legal Matters*

The Company and its subsidiaries are parties to legal actions which arise in the normal course of their business activities. In the opinion of management, the ultimate resolution of these matters is not expected to have a material effect on the financial position or the results of operations of the Company and its subsidiaries.

##### *Credit Commitments and Contingencies*

The Company and its subsidiaries are parties to credit related financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit. Those instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the consolidated balance sheets.

The Company and its subsidiaries' exposure to credit loss are represented by the contractual amount of those commitments. The Company and its subsidiaries use the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments. A summary of the contractual amount of the Company's exposure to off-balance-sheet risk follows:

|   | <u>March 31, 2009</u>  | <u>December 31, 2008</u> |
|---|------------------------|--------------------------|
|   | (dollars in thousands) |                          |
| Financial instruments whose contract amounts represent credit risk: |                        |                          |
| Commitments to extend credit  | \$ 702,174             | \$ 705,231               |
| Standby letters of credit   | 23,508                 | 27,862                   |

Commitments to extend credit are agreements to lend to a customer as long as no condition established in the contract has been violated. These commitments are generally at variable interest rates and generally have fixed expiration dates or other termination clauses and may require payment of a fee. The commitments for equity lines of credit may expire without being drawn upon. Therefore, the total commitment amounts do not necessarily represent future cash requirements. The amount of collateral obtained, if it is deemed necessary by the Company upon extension of credit, is based on management's credit evaluation of the customer.

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer's obligation to a third party. Those guarantees are primarily issued to support public and private borrowing arrangements, including bond financing and similar transactions and primarily have terms of one year or less. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Company holds collateral, which may include accounts receivable, inventory, property and equipment, income producing properties, supporting those commitments if deemed necessary. In the event the customer does not perform in accordance with the terms of the agreement with the third party, the Company would be required to fund the commitment. The maximum potential amount of future payments the Company could be required to make is represented by the contractual amount shown in the summary above. If the commitment is funded, the Company would be entitled to seek recovery from the customer. As of March 31, 2009, and December 31, 2008, no amounts were recorded as liabilities for the Company's potential obligations under these guarantees.

As of March 31, 2009, the Company had no futures, forwards, swaps or option contracts, or other financial instruments with similar characteristics with the exception of rate lock commitments on mortgage loans to be held for sale.

**Note 11: Reportable Segments and Related Information**

The Company has four reportable segments, Busey Bank, Busey Bank, N.A., FirsTech and Busey Wealth Management. Busey Bank provides a full range of banking services to individual and corporate customers through its branch network in downstate Illinois, through its branch in Indianapolis, Indiana, and through its loan production office in Fort Myers, Florida. Busey Bank, N.A. provides a full range of banking services to individual and corporate customers in southwest Florida. FirsTech provides processing for online bill payments, lockbox and walk-in payments. Busey Wealth Management is the parent company of Busey Trust Company, Inc., which provides a full range of trust and investment management services, including estate and financial planning, securities brokerage, investment advice, tax preparation, custody services and philanthropic advisory services.

The Company's four reportable segments are strategic business units that are separately managed as they offer different products and services and have different marketing strategies.

The segment financial information provided below has been derived from the internal accounting system used by management to monitor and manage the financial performance of the Company. The accounting policies of the four segments are the same as those described in the summary of significant accounting policies in the Company's Annual Report on Form 10-K for the year ended December 31, 2008.

Following is a summary of selected financial information for the Company's business segments:

|                           | <u>Goodwill</u>                     |                              | <u>Total Assets</u>           |                              |
|---------------------------|-------------------------------------|------------------------------|-------------------------------|------------------------------|
|                           | <u>March 31,<br/>2009</u>           | <u>December 31,<br/>2008</u> | <u>March 31,<br/>2009</u>     | <u>December 31,<br/>2008</u> |
|                           | <u>(dollars in thousands)</u>       |                              | <u>(dollars in thousands)</u> |                              |
| <u>Goodwill:</u>          |                                     |                              |                               |                              |
| Busey Bank                | \$ 204,800                          | \$ 204,800                   | \$ 4,030,500                  | \$ 4,015,497                 |
| Busey Bank, N.A.          | —                                   | —                            | 403,045                       | 410,803                      |
| FirsTech                  | 8,992                               | 8,992                        | 20,958                        | 19,911                       |
| Busey Wealth Management   | 11,694                              | 11,694                       | 23,713                        | 25,255                       |
| All Other                 | 3,364                               | 3,377                        | (7,741)                       | (11,373)                     |
| Total Goodwill            | <u>\$ 228,850</u>                   | <u>\$ 228,863</u>            | <u>\$ 4,470,475</u>           | <u>\$ 4,460,093</u>          |
| <br>                      |                                     |                              |                               |                              |
|                           | <u>Three Months Ended March 31,</u> |                              |                               |                              |
|                           | <u>2009</u>                         | <u>2008</u>                  |                               |                              |
|                           | <u>(dollars in thousands)</u>       |                              |                               |                              |
| <u>Interest Income:</u>   |                                     |                              |                               |                              |
| Busey Bank                | \$ 43,365                           | \$ 51,964                    |                               |                              |
| Busey Bank, N.A.          | 4,873                               | 6,586                        |                               |                              |
| FirsTech                  | 10                                  | 9                            |                               |                              |
| Busey Wealth Management   | 60                                  | 123                          |                               |                              |
| All Other                 | (1)                                 | (125)                        |                               |                              |
| Total Interest Income     | <u>\$ 48,307</u>                    | <u>\$ 58,557</u>             |                               |                              |
| <br>                      |                                     |                              |                               |                              |
| <u>Interest Expense:</u>  |                                     |                              |                               |                              |
| Busey Bank                | \$ 16,858                           | \$ 22,225                    |                               |                              |
| Busey Bank, N.A.          | 2,793                               | 3,613                        |                               |                              |
| FirsTech                  | —                                   | —                            |                               |                              |
| Busey Wealth Management   | —                                   | —                            |                               |                              |
| All Other                 | 1,060                               | 1,457                        |                               |                              |
| Total Interest Expense    | <u>\$ 20,711</u>                    | <u>\$ 27,295</u>             |                               |                              |
| <br>                      |                                     |                              |                               |                              |
| <u>Other Income:</u>      |                                     |                              |                               |                              |
| Busey Bank                | \$ 10,004                           | \$ 7,709                     |                               |                              |
| Busey Bank, N.A.          | 268                                 | 385                          |                               |                              |
| FirsTech                  | 3,281                               | 3,013                        |                               |                              |
| Busey Wealth Management   | 3,096                               | 3,396                        |                               |                              |
| All Other                 | (588)                               | (319)                        |                               |                              |
| Total Other Income        | <u>\$ 16,061</u>                    | <u>\$ 14,184</u>             |                               |                              |
| <br>                      |                                     |                              |                               |                              |
| <u>Net Income (loss):</u> |                                     |                              |                               |                              |
| Busey Bank                | \$ 6,584                            | \$ 11,602                    |                               |                              |
| Busey Bank, N.A.          | (714)                               | (1,047)                      |                               |                              |
| FirsTech                  | 822                                 | 629                          |                               |                              |
| Busey Wealth Management   | 562                                 | 446                          |                               |                              |
| All Other                 | (1,361)                             | (1,626)                      |                               |                              |
| Total Net Income          | <u>\$ 5,893</u>                     | <u>\$ 10,004</u>             |                               |                              |

## Note 12 - Fair Value Measurements

Effective January 1, 2008, the Company adopted the provisions of SFAS No. 157, "Fair Value Measurements," for financial assets and financial liabilities. In accordance with Financial Accounting Standards Board Staff Position (FSP) No. 157-2, "Effective Date of FASB Statement No. 157," the Company adopted SFAS 157 for non-financial assets and non-financial liabilities on January 1, 2009. SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements.

SFAS 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability. The price in the principal (or most advantageous) market used to measure the fair value of the asset or liability shall not be adjusted for transaction costs. An orderly transaction is a transaction that assumes exposure to the market for a period prior to the measurement date to allow for marketing activities that are usual and customary for transactions involving such assets and liabilities; it is not a forced transaction. Market participants are buyers and sellers in the principal market that are (i) independent, (ii) knowledgeable, (iii) able to transact and (iv) willing to transact.

SFAS 157 requires the use of valuation techniques that are consistent with the market approach, the income approach and/or the cost approach. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets and liabilities. The income approach uses valuation techniques to convert future amounts, such as cash flows or earnings, to a single present amount on a discounted basis. The cost approach is based on the amount that currently would be required to replace the service capacity of an asset (replacement cost). Valuation techniques should be consistently applied. Inputs to valuation techniques refer to the assumptions that market participants would use in pricing the asset or liability. Inputs may be observable, meaning those that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from independent sources, or unobservable, meaning those that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. In that regard, SFAS 157 establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

*Level 1 Inputs* - Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

*Level 2 Inputs* - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These might include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (such as interest rates, volatilities, prepayment speeds, credit risks, etc.) or inputs that are derived principally from or corroborated by market data by correlation or other means.

*Level 3 Inputs* - Unobservable inputs for determining the fair values of assets or liabilities that reflect an entity's own assumptions about the assumptions that market participants would use in pricing the assets or liabilities.

A description of the valuation methodologies used for instruments measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below. These valuation methodologies were applied to all of the Company's assets and liabilities, which are carried at fair value, effective January 1, 2009. Prior to 2009, these valuation methodologies were applied to only financial assets and liabilities that were carried at fair value.

In general, fair value is based upon quoted market prices, where available. If such quoted market prices are not available, fair value is based upon internally developed models that primarily use, as inputs, observable market-based parameters. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value. These adjustments may include amounts to reflect counterparty credit quality, the Company's creditworthiness, among other things, as well as unobservable parameters. Any such valuation adjustments are applied consistently over time. The Company's valuation methodologies may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. While management believes the Company's valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

*Securities Available for Sale.* Securities classified as available for sale are reported at fair value utilizing Level 1 and Level 2 inputs. 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, the Company obtains 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.

The following table summarizes financial assets and financial liabilities measured at fair value on a recurring basis as of March 31, 2009, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

|                               | <u>Level 1</u><br><u>Inputs</u> | <u>Level 2</u><br><u>Inputs</u> | <u>Level 3</u><br><u>Inputs</u> | <u>Total</u><br><u>Fair Value</u> |
|-------------------------------|---------------------------------|---------------------------------|---------------------------------|-----------------------------------|
|                               | (dollars in thousands)          |                                 |                                 |                                   |
| Securities available-for-sale | \$ 3,037                        | \$ 705,075                      | \$ —                            | \$ 708,112                        |

Certain financial assets and financial liabilities are measured at fair value on a nonrecurring basis; that is, the instruments are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances (for example, when there is evidence of impairment).

*Impaired Loans.* The Company does not record impaired loans at fair value on a recurring basis. However, periodically, a loan is considered impaired and is reported at the fair value of the underlying collateral, less estimated costs to sell, if repayment is expected solely from the collateral. Impaired loans measured at fair value typically consist of loans on non-accrual status, \$105.4 million at March 31, 2009, and loans on-accrual, but with a portion of the allowance for loan losses allocated specific to the loan, \$21.3 million at March 31, 2009. Specific allocation of the allowance for loan losses on these loans totaled \$10.2 million. Collateral values are estimated using level 2 inputs, including recent appraisals and Level 3 inputs based on customized discounting criteria. Due to the significance of the level 3 inputs, impaired loans fair values have been classified as level 3.

Non-financial assets and non-financial liabilities measured at fair value include foreclosed assets (upon initial recognition or subsequent impairment) and reporting units measured at fair value in the first step of a goodwill impairment test. At March 31, 2009, foreclosed assets measured at fair value were \$17.0 million. Due to significant declines in the stock price of the Company, goodwill was evaluated for impairment at March 31, 2009. No impairment was noted.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following is management's discussion and analysis of the financial condition of First Busey Corporation and subsidiaries (referred to herein as "First Busey", "we", or "our") at March 31, 2009 (unaudited), as compared with December 31, 2008, and the results of operations for the three months ended March 31, 2009 and 2008 (unaudited). Management's discussion and analysis should be read in conjunction with First Busey's consolidated financial statements and notes thereto appearing elsewhere in this quarterly report, as well as our 2008 Annual Report on Form 10-K.

### SUMMARY

#### *Operating Results*

Net income available to common stockholders (net income – common) was \$5.5 million for the quarter ended March 31, 2009, as compared to \$10.0 million for the comparable period in 2008. For the quarter ended March 31, 2009, earnings per share - common on a fully-diluted basis were \$0.15, as compared to \$0.28 for the same period in 2008. The decline in net income was primarily due to increased provision for loan losses. We recorded \$10.0 million in provision for loan losses in the first quarter of 2009 as compared to \$2.2 million in the same period of 2008. Additionally, downward pressure on the net interest margin led to a \$3.7 million, pre-tax, decline in net interest income, before provision for loan losses, in the first quarter of 2009 as compared to the same period in 2008. The decrease in net interest income was partially due to the overall decline in asset yields as compared to deposit rates, and interest income lost due to non-accrual loans and loans charged-off.

Busey Bank's net income was \$6.6 million for the three months ended March 31, 2009, as compared to \$11.6 million for the comparable period in 2008, a decrease of 43.1%. The decrease was primarily due to the \$9.2 million of provision for loan losses recorded in the quarter ended March 31, 2009 as compared to provision for loan losses of \$0.7 million recorded in the same period of 2008. Additionally, Busey Bank's net interest income for the three months ended March 31, 2009 decreased by \$3.2 million as compared to the same period in 2008. Busey Bank recorded a \$2.0 gain in other income related to settle of post retirement benefits.

Busey Bank, N.A.'s net loss was \$0.7 million, exclusive of the net income of FirsTech, for the three months ended March 31, 2009, as compared to a net loss of \$1.0 million for the comparable period in 2008. The increase in net income at Busey Bank, N.A. was primarily related to a \$0.6 million decrease in provision for loan losses recorded in the three months ended March 31, 2009 as compared to the same period in 2008. FirsTech, a subsidiary of Busey Bank, N.A., had net income of \$0.8 million in the first quarter of 2009 as compared to \$0.6 million in the same period of 2008.

Busey Wealth Management, which encompasses our trust and brokerage services, had net income of \$0.6 million for the first three months of 2009 as compared to \$0.4 million for the same period of 2008. Busey Wealth Management's net income was flat for the first quarter of 2009 as compared to 2008 as cost efficiencies gained during 2008 were offset by revenue declines in 2009 caused by the devaluation of the securities markets.

#### *Asset Quality*

Total non-performing loans were \$121.2 million at March 31, 2009, compared to \$84.2 million at December 31, 2008 and \$32.0 million at March 31, 2008. Busey Bank and Busey Bank, N.A. had \$94.1 million and \$27.1 million in non-performing loans, respectively, at March 31, 2009. Total non-performing loans in Florida were \$84.5 million, with \$57.4 million held by Busey Bank. The remaining \$36.7 million of non-performing assets were primarily within the downstate Illinois and Indianapolis markets.

Net charge-offs were \$20.2 million for the quarter ended March 31, 2009, as compared to \$25.8 million and \$1.8 million for the quarters ended December 31, 2008 and March 31, 2008, respectively. As a percentage of total outstanding loans, the allowance for loan losses was 2.71% at March 31, 2009, 3.03% at December 31, 2008 and 1.37% as of March 31, 2008. Total allowance for loan losses was \$88.5 million at March 31, 2009, representing 73.0% coverage of non-performing loans, compared to \$98.7 million, or 117.2% coverage of non-performing loans at December 31, 2008 and \$42.9 million, or 134.3% coverage at March 31, 2008.

#### *Capital*

On March 6, 2009, First Busey issued \$100.0 million of CPP preferred stock to Treasury, plus a warrant to purchase 1.1 million shares of First Busey common stock at a strike price of \$13.07 per share.

## **EARNINGS PERFORMANCE**

### ***NET INTEREST INCOME***

Net interest income is the difference between interest income and fees earned on earning assets and 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.

**AVERAGE BALANCE SHEETS AND INTEREST RATES  
THREE MONTHS ENDED MARCH 31, 2009 AND 2008**

|  | 2009            |                |            | 2008            |                    |            | Change due to (1) |                    |              |
|--|-----------------|----------------|------------|-----------------|--------------------|------------|-------------------|--------------------|--------------|
|  | Average Balance | Income/Expense | Yield/Rate | Average Balance | Average Yield/Rate | Yield/Rate | Average Volume    | Average Yield/Rate | Total Change |
| (dollars in thousands)                                 |                 |                |            |                 |                    |            |                   |                    |              |
| <b>Assets</b>  |                 |                |            |                 |                    |            |                   |                    |              |
| Interest-bearing bank deposits                         | \$ 60,243       | \$ 36          | 0.24%      | \$ 293          | \$ 3               | 4.12%      | \$ 38             | \$ (5)             | \$ 33        |
| Federal funds sold                                     | 1,045           | —              | —%         | 10,945          | 105                | 3.86%      | (50)              | (55)               | (105)        |
| Investment securities                                  |                 |                |            |                 |                    |            |                   |                    |              |
| U.S. Government obligations                            | 394,625         | 3,581          | 3.68%      | 431,142         | 4,798              | 4.48%      | (393)             | (824)              | (1,217)      |
| Obligations of states and political subdivisions (1)   | 89,489          | 1,320          | 5.98%      | 96,200          | 1,428              | 5.97%      | (110)             | 2                  | (108)        |
| Other securities                                       | 169,654         | 1,692          | 4.04%      | 98,137          | 1,072              | 4.39%      | 711               | (91)               | 620          |
| Loans (net of unearned interest) (1) (2)               | 3,251,912       | 42,219         | 5.27%      | 3,056,701       | 51,747             | 6.81%      | 3,020             | (12,548)           | (9,528)      |
| Total interest earning assets                          | \$ 3,966,968    | \$ 48,848      | 4.99%      | \$ 3,693,418    | \$ 59,153          | 6.44%      | \$ 3,216          | \$ (13,521)        | \$ (10,305)  |
| Cash and due from banks                                | 84,348          |                |            | 102,242         |                    |            |                   |                    |              |
| Premises and equipment                                 | 81,582          |                |            | 81,226          |                    |            |                   |                    |              |
| Allowance for loan losses                              | (99,349)        |                |            | (42,976)        |                    |            |                   |                    |              |
| Other assets   | 377,241         |                |            | 362,169         |                    |            |                   |                    |              |
| Total Assets   | \$ 4,410,790    |                |            | \$ 4,196,079    |                    |            |                   |                    |              |
| <b>Liabilities and Stockholders' Equity</b>            |                 |                |            |                 |                    |            |                   |                    |              |
| Interest-bearing transaction deposits                  | \$ 34,001       | \$ 37          | 0.44%      | \$ 43,349       | \$ 116             | 1.08%      | \$ (21)           | \$ (58)            | \$ (79)      |
| Savings deposits                                       | 160,345         | 159            | 0.40%      | 152,301         | 266                | 0.70%      | 13                | (120)              | (107)        |
| Money market deposits                                  | 1,124,956       | 2,350          | 0.85%      | 1,296,996       | 6,684              | 2.07%      | (794)             | (3,540)            | (4,334)      |
| Time deposits  | 1,735,200       | 15,271         | 3.57%      | 1,357,649       | 15,781             | 4.68%      | 3,725             | (4,235)            | (510)        |
| Short-term borrowings:                                 |                 |                |            |                 |                    |            |                   |                    |              |
| Federal funds purchased                                | 467             | —              | —%         | 18,710          | 144                | 3.10%      | (71)              | (73)               | (144)        |
| Repurchase agreements                                  | 140,050         | 344            | 0.99%      | 150,942         | 1,259              | 3.35%      | (85)              | (831)              | (916)        |
| Other  | 71,889          | 499            | 2.82%      | 27,375          | 356                | 5.23%      | 365               | (222)              | 143          |
| Long-term debt   | 133,112         | 1,274          | 3.88%      | 151,155         | 1,730              | 4.60%      | (197)             | (258)              | (455)        |
| Junior subordinated debt owed to unconsolidated trusts | 55,000          | 777            | 5.73%      | 55,000          | 959                | 7.01%      | —                 | (182)              | (182)        |
| Total interest-bearing liabilities                     | \$ 3,455,020    | \$ 20,711      | 2.43%      | \$ 3,253,477    | \$ 27,295          | 3.37%      | \$ 2,935          | \$ (9,519)         | \$ (6,584)   |
| Net interest spread                                    |                 |                | 2.56%      |                 |                    | 3.07%      |                   |                    |              |
| Noninterest bearing deposits                           | 434,025         |                |            | 380,487         |                    |            |                   |                    |              |
| Other liabilities                                      | 44,418          |                |            | 40,414          |                    |            |                   |                    |              |
| Stockholders' equity                                   | 477,327         |                |            | 521,701         |                    |            |                   |                    |              |
| Total Liabilities and Stockholders' Equity             | \$ 4,410,790    |                |            | \$ 4,196,079    |                    |            |                   |                    |              |
| Interest income / earning assets (1)                   | \$ 3,966,968    | \$ 48,848      | 4.99%      | \$ 3,693,418    | \$ 59,153          | 6.44%      |                   |                    |              |
| Interest expense / earning assets                      | \$ 3,966,968    | \$ 20,711      | 2.11%      | \$ 3,693,418    | \$ 27,295          | 2.97%      |                   |                    |              |
| Net interest margin (1)                                |                 | \$ 28,137      | 2.88%      |                 | \$ 31,858          | 3.47%      | \$ 281            | \$ (4,002)         | \$ (3,721)   |

- (1) On a tax-equivalent basis assuming a federal income tax rate of 35% for 2009 and 2008  
(2) Non-accrual loans have been included in average loans, net of unearned interest.

The increase in average earning assets and interest-bearing liabilities as of March 31, 2009 over the same period of 2008 related primarily to the 2008 loan growth. Gross loan growth in 2008 was \$204.4 million, which is consistent with the growth in average loans above. The remainder of the increase in interest bearing assets is related to interest-bearing bank deposits, which increased due to a change in Federal Reserve policy to pay interest on balances held by the Federal Reserve. As the rate of return on federal funds sold has declined significantly over the last year, we have left our excess funds on deposit at the Federal Reserve.

Average interest-bearing liabilities increased \$201.5 million to fund the loan originations during 2008. An increase in balances covered by the FDIC, coupled with an increased consumer interest in savings due to the current economic conditions, led to an increase in overall average total deposits, which saw a decrease in money markets and savings accounts as rate sensitive deposits were transitioned to higher rate certificates of deposits.

During the three month period ended March 31, 2009, the changes in volume had a positive impact on First Busey's net interest margin. The positive volume change indicated that earning assets grew at a rate faster than interest-bearing liabilities. However, the significant decrease in interest rates during the last year more than offset the positive volume changes. Interest rate cuts passed the point of effectiveness on deposits during 2008. As interest rates declined past the point of effectiveness for deposit accounts, the yield erosion on interest-bearing assets was unable to be mitigated by decreased payouts on interest-bearing liabilities.

Management attempts to mitigate the effects of an unpredictable interest-rate environment through effective portfolio management, prudent loan underwriting and operational efficiencies. Please refer to the Notes to Consolidated Financial Statement in our 2008 10-K for accounting policies underlying the recognition of interest income and expense.

### **OTHER INCOME**

#### **OTHER INCOME THREE MONTHS ENDED MARCH 31, 2009 AND 2008**

|                                     | <u>2009</u>      | <u>2008</u>            | <u>%<br/>Change</u> |
|-------------------------------------|------------------|------------------------|---------------------|
|                                     |                  | (dollars in thousands) |                     |
| Remittance payment processing       | \$ 3,254         | \$ 2,947               | 10.4%               |
| Trust                               | 3,205            | 3,073                  | 4.3%                |
| Commissions and brokers' fees, net  | 519              | 702                    | (26.1)%             |
| Service charges on deposit accounts | 2,858            | 2,700                  | 5.9%                |
| Other service charges & fees        | 1,139            | 1,151                  | (1.0)%              |
| Gain on sales of loans              | 2,418            | 1,160                  | 108.4%              |
| Security gains, net                 | 21               | 472                    | (95.6)%             |
| Other operating income              | 2,647            | 1,979                  | 33.8%               |
| Total other income                  | <u>\$ 16,061</u> | <u>\$ 14,184</u>       | <u>13.2%</u>        |

Other income for the three month period ended March 31, 2009 increased significantly primarily due to the partial settlement of post retirement obligations relating to our bank owned life insurance. The partial settlement of the post retirement obligation resulted in a \$2.0 million, non-taxable, credit to other operating income. During the quarter ended March 31, 2008, a \$0.6 gain from the VISA IPO was recorded in other operating income.

Remittance payment processing revenue relates to our payment processing company, FirsTech. FirsTech continued to demonstrate solid growth demonstrated by the 10.4% increase in first quarter 2009 revenues as compared to the same period in 2008.

Combined wealth management revenue, trust and commissions and brokers' fees, net, was essentially flat for the first quarter of 2009 as compared to 2008 as the slight increase in trust revenue was offset by a decline in commissions and brokers' fees brought about by decreased securities transactions due to declining valuation in the securities markets.

Gain on sale of loans increased significantly during the first quarter of 2009 as compared to the same period of 2008 primarily due to an increased volume of mortgage activity resulting from low mortgage interest rates throughout most of the first quarter of 2009. The Company originated \$158.8 million in loans for sale during the first quarter of 2009 as compared to \$80.5 million in the same period of 2008.

## **OTHER EXPENSE**

### **OTHER EXPENSE THREE MONTHS ENDED MARCH 31, 2009 AND 2008**

|                                   | <u>2009</u>            | <u>2008</u>      | <u>%<br/>Change</u> |
|-----------------------------------|------------------------|------------------|---------------------|
|                                   | (dollars in thousands) |                  |                     |
| Compensation expense:             |                        |                  |                     |
| Salaries & wages                  | \$ 10,629              | \$ 11,512        | (7.7)%              |
| Employee benefits                 | 2,817                  | 3,136            | (10.2)%             |
| Total compensation expense        | <u>\$ 13,446</u>       | <u>\$ 14,648</u> | <u>(8.2)%</u>       |
| Net occupancy expense of premises | 2,575                  | 2,464            | 4.5%                |
| Furniture and equipment expenses  | 1,936                  | 1,917            | 1.0%                |
| Data processing                   | 1,732                  | 1,688            | 2.6%                |
| Amortization of intangible assets | 1,090                  | 1,129            | (3.5)%              |
| Other operating expenses          | 5,072                  | 6,247            | (18.8)%             |
| Total other expense               | <u>\$ 25,851</u>       | <u>\$ 28,093</u> | <u>(8.0)%</u>       |
| Income taxes                      | \$ 1,913               | \$ 5,199         | (63.2)%             |
| Effective rate on income taxes    | 24.5%                  | 34.2%            |                     |
| Efficiency ratio                  | <u>56.07%</u>          | <u>59.17%</u>    |                     |

Total compensation expense decreased 8.2% as full-time equivalent employees decreased to 939 at March 31, 2009 from 1,020 one year earlier, a 7.8% decrease. The reduction in headcount was largely due to plans announced in December 2008. The announced reductions were only partially implemented at March 31, 2009 and we expect to see additional cost savings in compensation expense during 2009.

Occupancy, furniture and equipment expenses, and data processing expenses experienced only slight increases in the first quarter of 2009 as compared to 2008.

Amortization expense slightly decreased for the first quarter of 2009 as the identifiable intangibles related to the merger were in the second full year of accelerated amortization, which results in greater amortization in the beginning of the life of the asset.

The decline in compensation expense, other operating expense and total other expense in the first quarter of 2009 as compared to the same period in 2008 was also a result of realization of efficiencies inherent in the merger with Main Street. To date, these efficiencies resulted in a \$2.2 million quarterly expense savings. We expect the expense savings will continue to increase on a quarterly basis, with near complete realization of savings in the fourth quarter of 2009.

The effective rate on income taxes, or income taxes divided by income before taxes, decreased in the first quarter of 2009 as compared to the same period in 2008, primarily due to the \$2.0 million gain related to the partial settlement of post retirement obligations that was not taxable.

The efficiency ratio is total other expense, less amortization charges, as a percentage of tax equivalent net-interest income plus other income, less security gains and losses. The efficiency ratio for the three month period ended March 31, 2009 decreased over the comparable periods in 2008. The primary reason for the decrease was the decrease in expenses, as noted above, partially offset by declining net interest income due to the current challenging interest rate market. Significant improvements, resulting in a lower ratio, in the efficiency ratio, will be driven by improvement in our net interest margin as opposed to further reductions in costs.

## FINANCIAL CONDITION

### SIGNIFICANT BALANCE SHEET ITEMS

|                               | <u>March 31,</u><br><u>2009</u> | <u>December 31,</u><br><u>2008</u> | <u>% Change</u> |
|-------------------------------|---------------------------------|------------------------------------|-----------------|
|                               |                                 | (dollars in thousands)             |                 |
| <b>Assets</b>                 |                                 |                                    |                 |
| Securities available for sale | \$ 708,112                      | \$ 654,130                         | 8.3%            |
| Loans, net                    | 3,172,942                       | 3,158,910                          | 0.4%            |
| Total assets                  | 4,470,475                       | 4,460,093                          | 0.2%            |
| <b>Liabilities</b>            |                                 |                                    |                 |
| Deposits:                     |                                 |                                    |                 |
| Noninterest bearing           | \$ 458,332                      | \$ 378,007                         | 21.2%           |
| Interest bearing              | <u>3,031,869</u>                | <u>3,128,686</u>                   | <u>(3.1)%</u>   |
| Total deposits                | 3,490,201                       | 3,506,693                          | (0.5)%          |
| Short-term borrowings         | 201,635                         | 265,980                            | (24.2)%         |
| Long-term debt                | 132,743                         | 134,493                            | (1.3)%          |
| Total liabilities             | 3,918,787                       | 4,005,276                          | (2.2)%          |
| <b>Stockholders' equity</b>   | \$ 551,688                      | \$ 454,817                         | 21.3%           |

First Busey's balance sheet at March 31, 2009 remained fairly consistent with the balance sheet at December 31, 2008. The securities portfolio increased slightly as compared to December 31, 2008 as we received \$100.0 million of equity under Treasury's Capital Purchase Program in March 2009. The \$100.0 million in equity capital allowed us to reduce our positions in certain deposit and borrowing products.

Net loan growth was essentially flat in the first quarter of 2009. We continue to work through the challenges in our loan portfolio, while looking for new lending opportunities in our markets. Loan originations in the first quarter of 2009 were primarily related to originations of first lien mortgages on 1-4 family residential loans. During the first quarter of 2009, we originated \$158.8 million in mortgage loans for sale as compared to \$80.5 million in the same period of 2008, an increase of 97.3%.

The Treasury capital offset a decline in brokered certificates of deposits and a decline in short-term borrowings. Brokered certificates of deposits declined to \$292.4 million at March 31, 2009 from \$306.9 million at December 31, 2008.

Stockholders' equity increased primarily due to the Treasury Capital received in March 2009. The \$100.0 million of capital was offset by warrant costs associated with the Treasury Capital and a dividend paid in January 2009 that was \$1.3 million in excess of our first quarter 2009 earnings.

**ASSET QUALITY****NON-PERFORMING LOANS & ALLOWANCE SUMMARY**

|   | March 31,<br>2009      | December 31,<br>2008 | September 30,<br>2008 | June 30,<br>2008 |
|---|------------------------|----------------------|-----------------------|------------------|
|   | (dollars in thousands) |                      |                       |                  |
| Non-accrual loans   | \$ 105,424             | \$ 68,347            | \$ 59,347             | \$ 53,155        |
| Loans 90+ days past due, still accruing   | 15,752                 | 15,845               | 11,847                | 5,486            |
| Total non-performing loans  | <u>\$ 121,176</u>      | <u>\$ 84,192</u>     | <u>\$ 71,194</u>      | <u>\$ 58,641</u> |
| Other real estate owned   | \$ 16,956              | \$ 15,786            | \$ 4,843              | \$ 3,091         |
| Other assets acquired in satisfaction of debts previously contracted                            | 1                      | 8                    | 3                     | 4                |
| Total non-performing other assets   | <u>\$ 16,957</u>       | <u>\$ 15,794</u>     | <u>\$ 4,846</u>       | <u>\$ 3,095</u>  |
| Total non-performing loans and non-performing other assets                                      | <u>\$ 138,133</u>      | <u>\$ 99,986</u>     | <u>\$ 76,040</u>      | <u>\$ 61,736</u> |
| Allowance for loan losses   | \$ 88,498              | \$ 98,671            | \$ 48,674             | \$ 48,579        |
| Allowance for loan losses to loans  | 2.71%                  | 3.03%                | 1.51%                 | 1.53%            |
| Allowance for loan losses to non-performing loans   | 73.0%                  | 117.2%               | 68.37%                | 82.84%           |
| Non-performing loans to loans, before allowance for loan losses                                 | 3.72%                  | 2.58%                | 2.20%                 | 1.85%            |
| Non-performing loans and non-performing other assets to loans, before allowance for loan losses | 4.24%                  | 3.07%                | 2.35%                 | 1.95%            |

The following table sets forth information concerning non-performing loans at March 31, 2009:

|                   | Balance           | Illinois/<br>Indiana | Florida          | Commercial       | Retail           |
|-------------------|-------------------|----------------------|------------------|------------------|------------------|
| Non-Accrual Loans |                   |                      |                  |                  |                  |
| Busey Bank        | \$ 80,200         | \$ 31,346            | \$ 48,854        | \$ 77,107        | \$ 3,093         |
| Busey Bank, N.A.  | 25,224            | —                    | 25,224           | 12,702           | 12,522           |
|                   | <u>\$ 105,424</u> | <u>\$ 31,346</u>     | <u>\$ 74,078</u> | <u>\$ 89,809</u> | <u>\$ 15,615</u> |
| 90+ Days Past Due |                   |                      |                  |                  |                  |
| Busey Bank        | \$ 13,854         | \$ 5,307             | \$ 8,547         | \$ 9,306         | \$ 4,548         |
| Busey Bank, N.A.  | 1,898             | —                    | 1,898            | 1,389            | 509              |
|                   | <u>\$ 15,752</u>  | <u>\$ 5,307</u>      | <u>\$ 10,445</u> | <u>\$ 10,695</u> | <u>\$ 5,057</u>  |

Allowance for loan losses was \$71.1 million and \$17.4 million for Busey Bank and Busey Bank, N.A., respectively, at March 31, 2009 and provision expense was \$9.2 million and \$0.8 million, respectively, for the first quarter of 2009. During the quarter ended March 31, 2009, Busey Bank and Busey Bank, N.A. charged off \$18.2 million and \$2.0 million, net, respectively.

The increase in our non-accrual loans was primarily a result of the economic challenges in southwest Florida and some softening in the downstate Illinois and Indianapolis markets. Working loans off of non-accrual status often involves significant time due to legal and regulatory considerations. Over the past three quarters, we have been placing loans on non-accrual at a pace faster than we can work loans off non-accrual. We expect to experience heightened levels of non-performing loans at least throughout the remainder of 2009 and into 2010.

We believe we have our non-accrual loan portfolio marked to fair value and adequately reserved for at March 31, 2009. Although our allowance as a percentage of non-performing loans has declined, the ratio does not account for the large amounts of write downs taken on existing non-accrual loans. As we write down existing non-performing loans to the fair value of the underlying collateral, we do not need replenish the allowance for loan losses as it relates to that particular loan.

### *Potential Problem Loans*

Potential problem loans are those loans which are not categorized as impaired, restructured, non-accrual or 90-days past due, but where current information indicates that the borrower may not be able to comply with present loan repayment terms. Management assesses the potential for loss on such loans as it would with other problem loans and has considered the effect of any potential loss in determining its provision for probable loan losses. Potential problem loans totaled \$183.1 million at March 31, 2009 and \$113.9 million at December 31, 2008. Management continues to monitor these credits and anticipates that restructure, guarantee, additional collateral or other planned action will result in full repayment of the debts. Management has identified no other loans that represent or result from trends or uncertainties which management reasonably expects will materially impact future operating results, liquidity or capital resources. As of March 31, 2009, management was not aware of any information about any other credits which cause management to have serious doubts as to the ability of such borrower(s) to comply with the loan repayment terms.

### *Restructured Loans*

We restructure loans for our customers who appear to be able to meet the terms of their loan over the long-term, but who may be unable to meet the terms of the loan in the near term due to individual circumstances. We consider the customer's past performance, previous and current credit history, the individual circumstances surrounding the current difficulties and their plan to meet the terms of the loan in the future prior to restructuring the terms of the loan. Generally, loans are restructured through short-term interest rate relief, short-term principal payment relief or short-term principal and interest payment relief. Once a restructured loan has gone 90+ days past due or is placed on non-accrual status, it is included in the totals above. The Company had \$47.3 million and \$40.9 million of loans performing under restructured terms at March 31, 2009 and December 31, 2008, respectively.

## **LIQUIDITY**

Liquidity management is the process by which we ensure that adequate liquid funds are available to meet the present and future cash flow obligations arising in the daily operations of the business. These financial obligations consist of needs for funds to meet commitments to borrowers for extensions of credit, funding capital expenditures, withdrawals by customers, maintaining deposit reserve requirements, servicing debt, paying dividends to stockholders and paying operating expenses.

Our most liquid assets are cash and due from banks, interest-bearing bank deposits, and Federal funds sold. The balances of these assets are dependent on the Company's operating, investing, lending and financing activities during any given period.

First Busey's primary sources of funds consist of deposits, investment maturities and sales, loan principal repayments, and capital funds. On March 6, 2009, First Busey issued \$100.0 million of CPP preferred stock to Treasury, providing significant additional liquidity to the Company. Additional liquidity is provided by bank lines of credit, repurchase agreements, the ability to borrow from the Federal Reserve Bank and the Federal Home Loan Bank, and brokered deposits. We have an operating line in the amount of \$35.0 million, of which \$7.0 million was available as of March 31, 2009. Management intends to satisfy long-term liquidity needs primarily through retention of capital funds. On April 21, 2009, the Company announced it was decreasing its dividend from \$0.20 to \$0.08 in order to increase retention of capital funds.

The objective of liquidity management by First Busey is to ensure that funds will be available to meet demand in a timely and efficient manner. Based upon the level of investment securities that reprice within 30 days and 90 days, management currently believes that adequate liquidity exists to meet all projected cash flow obligations. We achieve a satisfactory degree of liquidity through actively managing both assets and liabilities. Asset management guides the proportion of liquid assets to total assets, while liability management monitors future funding requirements and prices liabilities accordingly.

## CAPITAL RESOURCES

First Busey and its bank subsidiaries are subject to regulatory capital requirements administered by federal and state banking agencies. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, First Busey and its bank subsidiaries must meet specific capital guidelines that involve the quantitative measure of their assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. Quantitative measures established by regulation to ensure capital adequacy require First Busey and its bank subsidiaries to maintain minimum amounts and ratios (set forth in the table below) of total and Tier I capital (as defined in the regulations) to risk-weighted assets (as defined), and Tier 1 capital (as defined) to average assets (as defined). Management believes, as of March 31, 2009, that First Busey and its bank subsidiaries met all capital adequacy requirements to which they are subject.

During the quarter ended March 31, 2009, the Company contributed capital of \$40 million and \$8 million to Busey Bank and Busey Bank, N.A., respectively.

|   | <u>Actual</u> |              | <u>For Capital Adequacy Purposes</u> |              | <u>To Be Well Capitalized Under Prompt Corrective Action Provisions</u> |              |
|---|---------------|--------------|--------------------------------------|--------------|---|--------------|
|   | <u>Amount</u> | <u>Ratio</u> | <u>Amount</u>                        | <u>Ratio</u> | <u>Amount</u>   | <u>Ratio</u> |
| (dollars in thousands)                          |               |              |                                      |              |   |              |
| <b>As of March 31, 2009:</b>                    |               |              |                                      |              |   |              |
| <u>Total Capital (to Risk-weighted Assets)</u>  |               |              |                                      |              |   |              |
| Consolidated                                    | \$ 393,649    | 11.76%       | \$ 267,872                           | 8.00%        | N/A   | N/A          |
| Busey Bank                                      | \$ 345,213    | 11.45%       | \$ 241,228                           | 8.00%        | \$ 301,535  | 10.00%       |
| Busey Bank, N.A.                                | \$ 46,840     | 14.48%       | \$ 25,878                            | 8.00%        | \$ 32,347   | 10.00%       |
| <u>Tier I Capital (to Risk-weighted Assets)</u> |               |              |                                      |              |   |              |
| Consolidated                                    | \$ 351,003    | 10.48%       | \$ 133,936                           | 4.00%        | N/A   | N/A          |
| Busey Bank                                      | \$ 306,893    | 10.18%       | \$ 120,614                           | 4.00%        | \$ 180,921  | 6.00%        |
| Busey Bank, N.A.                                | \$ 42,632     | 13.18%       | \$ 12,939                            | 4.00%        | \$ 19,408   | 6.00%        |
| <u>Tier I Capital (to Average Assets)</u>       |               |              |                                      |              |   |              |
| Consolidated                                    | \$ 351,003    | 8.43%        | \$ 166,598                           | 4.00%        | N/A   | N/A          |
| Busey Bank                                      | \$ 306,893    | 8.23%        | \$ 149,182                           | 4.00%        | \$ 186,477  | 5.00%        |
| Busey Bank, N.A.                                | \$ 42,632     | 10.40%       | \$ 16,390                            | 4.00%        | \$ 20,488   | 5.00%        |

## FORWARD LOOKING STATEMENTS

This document may contain, forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 with respect to the financial condition, results of operations, plans, objectives, future performance and business of First Busey. Forward-looking statements, which may be based upon beliefs, expectations and assumptions of First Busey's management and on information currently available to management, are generally identifiable by the use of words such as "believe," "expect," "anticipate," "plan," "intend," "estimate," "may," "will," "would," "could," "should" or other similar expressions. Additionally, all statements in this document, including forward-looking statements, speak only as of the date they are made, and we undertake no obligation to update any statement in light of new information or future events. A number of factors, many of which are beyond our ability to control or predict, could cause actual results to differ materially from those in its forward-looking statements. These factors include, among others, the following: (i) the strength of the local and national economy; (ii) the economic impact of any future terrorist threats or attacks; (iii) changes in state and federal laws, regulations and governmental policies concerning First Busey's general business; (iv) changes in interest rates and prepayment rates of First Busey's assets; (v) increased competition in the financial services sector and the inability to attract new customers; (vi) changes in technology and the ability to develop and maintain secure and reliable electronic systems; (vii) the loss of key executives or employees; (viii) changes in consumer spending; (ix) unexpected results of acquisitions; (x) unexpected outcomes of existing or new litigation involving First Busey; and (xi) changes in accounting policies and practices. These risks and uncertainties should be considered in evaluating forward-looking statements and undue reliance should not be placed on such statements. Additional information concerning First Busey and its business, including additional factors that could materially affect our financial results, is included in First Busey's filings with the Securities and Exchange Commission.

## 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. The three most significant estimates, market value of investment securities, allowance for loan losses and impairment of goodwill and other intangibles are discussed in this section.

**Market 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 has no securities classified as held-to-maturity. 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 (loss). 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 market value and potential sale proceeds could be materially different in the event of a sale.

**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.

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 conducted by senior officers who are members of the holding company's independent holding company credit review and risk management department, and is reviewed by senior management of the banks and holding company. The analysis includes review of historical performance, dollar amount and trends of past due loans, dollar amount and trends in nonperforming loans, reviews of certain impaired loans, and review of loans identified as sensitive assets. Sensitive assets include nonaccrual loans, past-due loans, loans on First Busey's watch loan reports and other loans identified as having more than reasonable potential for loss.

The allowance consists of specific, general and unallocated components. The specific component considers loans that are classified, impaired or have characteristics that merit individual review. 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. An unallocated component is maintained to cover uncertainties that could affect management's estimate of probable losses. The unallocated component of the allowance reflects the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating specific and general losses in the portfolio.

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 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 Corporation has grown through mergers and acquisitions accounted for under the purchase method of accounting. Under the purchase method, First Busey Corporation 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 Corporation 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 Corporation would adjust the amortization of that asset, which could increase 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 Corporation in connection with its acquisitions relates to the inherent value in the businesses acquired and this value is dependent upon First Busey Corporation'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.

First Busey Corporation 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, to be impaired and we recorded a goodwill impairment charge of \$22.6 million. Further, we concluded no impairment of goodwill existed within Busey Bank, Busey Wealth Management or FirsTech at March 31, 2009 or December 31, 2008. 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. The evaluation may result in further impairment.

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK**

Market risk is the risk of change in asset values due to movements in underlying market rates and prices. Interest rate risk is the risk to earnings and capital arising from movements in interest rates. Interest rate risk is the most significant market risk affecting First Busey as other types of market risk, such as foreign currency exchange rate risk and commodity price risk, do not arise in the normal course of our business activities.

First Busey's subsidiary banks, Busey Bank and Busey Bank, N.A., have asset-liability committees which meet at least quarterly to review current market conditions and attempt to structure the banks' balance sheets to ensure stable net interest income despite potential changes in interest rates with all other variables constant.

The asset-liability committees use gap analysis to identify mismatches in the dollar value of assets and liabilities subject to repricing within specific time periods. The Funds Management Policies established by the asset-liability committees and approved by First Busey's Board of Directors establish guidelines for maintaining the ratio of cumulative rate-sensitive assets to rate-sensitive liabilities within prescribed ranges at certain intervals.

Interest-rate sensitivity is a measure of the volatility of the net interest margin as a consequence of changes in market rates. The rate-sensitivity chart shows the interval of time in which given volumes of rate-sensitive earning assets and rate-sensitive interest-bearing liabilities would be responsive to changes in market interest rates based on their contractual maturities or terms for repricing. It is, however, only a static, single-day depiction of our rate sensitivity structure, which can be adjusted in response to changes in forecasted interest rates.

The following table sets forth the static rate-sensitivity analysis of First Busey as of March 31, 2009:

|   | Rate Sensitive Within  |                     |                     |                      |                     | Total               |
|---|------------------------|---------------------|---------------------|----------------------|---------------------|---------------------|
|   | 1-30<br>Days           | 31-90<br>Days       | 91-180<br>Days      | 181 Days -<br>1 Year | Over<br>1 Year      |                     |
|   | (dollars in thousands) |                     |                     |                      |                     |                     |
| Interest-bearing deposits   | \$ 51,951              | \$ —                | \$ —                | \$ —                 | \$ —                | \$ 51,951           |
| Federal funds sold  | —                      | —                   | —                   | —                    | —                   | —                   |
| Investment securities   |                        |                     |                     |                      |                     |                     |
| U.S. Governments  | 1,001                  | 33,716              | 55,958              | 82,838               | 230,992             | 404,505             |
| Obligations of states and<br>political subdivisions                     | 488                    | 3,404               | 2,736               | 8,224                | 74,492              | 89,344              |
| Other securities  | 11,299                 | 19,748              | 20,833              | 25,959               | 136,424             | 214,263             |
| Loans (net of unearned int.)  | 1,177,070              | 194,062             | 221,685             | 388,797              | 1,279,826           | 3,261,440           |
| Total rate-sensitive assets   | <u>\$ 1,241,809</u>    | <u>\$ 250,930</u>   | <u>\$ 301,212</u>   | <u>\$ 505,818</u>    | <u>\$ 1,721,734</u> | <u>\$ 4,021,503</u> |
| Interest-bearing transaction<br>deposits                                | \$ 116,190             | \$ —                | \$ —                | \$ —                 | \$ —                | \$ 116,190          |
| Savings deposits  | 167,589                | —                   | —                   | —                    | —                   | 167,589             |
| Money market deposits   | 993,336                | —                   | —                   | —                    | —                   | 993,336             |
| Time deposits   | 142,946                | 305,061             | 388,272             | 537,597              | 380,878             | 1,754,754           |
| Short-term borrowings:  |                        |                     |                     |                      |                     |                     |
| Federal funds purchased and<br>repurchase agreements                    | 136,693                | 1,934               | 2,408               | 2,600                | —                   | 143,635             |
| Short-term borrowings   | 28,000                 | —                   | 30,000              | —                    | —                   | 58,000              |
| Long-term debt  | 31,668                 | 3,250               | 5,000               | 34,000               | 58,825              | 132,743             |
| Junior subordinated debt owed   |                        |                     |                     |                      |                     |                     |
| To unconsolidated trusts  | —                      | 25,000              | —                   | —                    | 30,000              | 55,000              |
| Total rate-sensitive<br>liabilities                                     | <u>\$ 1,616,422</u>    | <u>\$ 335,245</u>   | <u>\$ 425,680</u>   | <u>\$ 574,197</u>    | <u>\$ 469,703</u>   | <u>\$ 3,421,247</u> |
| Rate-sensitive assets less<br>rate-sensitive liabilities                | <u>\$ (374,613)</u>    | <u>\$ (84,315)</u>  | <u>\$ (124,468)</u> | <u>\$ (68,379)</u>   | <u>\$ 1,252,031</u> | <u>\$ 600,256</u>   |
| Cumulative Gap  | <u>\$ (374,613)</u>    | <u>\$ (458,928)</u> | <u>\$ (583,396)</u> | <u>\$ (651,775)</u>  | <u>\$ 600,256</u>   |                     |
| Cumulative amounts as a<br>percentage of total<br>rate-sensitive assets | <u>(9.32)%</u>         | <u>(11.41)%</u>     | <u>(14.51)%</u>     | <u>(16.21)%</u>      | <u>14.93%</u>       |                     |
| Cumulative ratio  | <u>0.77</u>            | <u>0.76</u>         | <u>0.75</u>         | <u>0.78</u>          | <u>1.18</u>         |                     |

The funds management policy of First Busey requires the banks to maintain a cumulative rate-sensitivity ratio of .75 — 1.25 in the 90-day, 180-day, and 1-year time periods. As of March 31, 2009, we were within those guidelines.

The foregoing table shows a cumulative negative (liability-sensitive) rate-sensitivity gap of \$651.8 million through one year as there were more liabilities subject to repricing during those time periods than there were assets subject to repricing within those same time periods. The volume of assets subject to repricing exceeds the volume of liabilities subject to repricing beyond one year. The composition of the gap structure at March 31, 2009, indicates First Busey would benefit more if interest rates decrease during the next year by allowing the net interest margin to grow as the volume of interest-bearing liabilities subject to repricing would be greater than the volume of interest-earning assets subject to repricing during the same period. However, as the following analysis demonstrates, many of our liabilities are at or near applicable interest rates floors and further declines in interest rates would not allow for the liabilities to absorb the rate decreases in excess of the decline in asset rates. Even though the gap analysis shows we are liability sensitive through one year, we are actually asset sensitive due to the current interest rate environment.

First Busey’s asset/liability committees do not rely solely on gap analysis to manage interest-rate risk as interest rate changes do not impact all categories of assets and liabilities equally or simultaneously. The committees supplement gap analysis with balance sheet and income simulation analysis to determine the potential impact on net interest income of changes in market interest rates. In these simulation models the balance sheet is projected over a one-year period and net interest income is calculated under current market rates, and then assuming permanent instantaneous shifts of +/-100 basis points and +/-200 basis points. Management measures such changes assuming immediate and sustained shifts in the Federal funds rate and the corresponding shifts in other rate indices based on their historical changes relative to changes in the Federal funds rate. The model assumes asset and liability remain constant at March 31, 2009, balances. The model assumes repricing frequency on all variable-rate assets and liabilities. The model also assumes a historical decay rate on all fixed-rate core deposit balances. Prepayment speeds on loans have been adjusted up and down to incorporate expected prepayment in both a declining and rising rate environment. As of March 31, 2009 and December 31, 2008, due to the interest rate market, a downward adjustment in interest rates of 100 or 200 basis points is not possible. Utilizing this measurement concept the interest rate risk of First Busey, expressed as a change in net interest income as a percentage of the net income calculated in the constant base model, due to an immediate and sustained change in interest rates at March 31, 2009, and December 31, 2008 was as follows:

|                   | <b>Basis Point Changes</b> |              |              |              |
|-------------------|----------------------------|--------------|--------------|--------------|
|                   | <b>- 200</b>               | <b>- 100</b> | <b>+ 100</b> | <b>+ 200</b> |
| March 31, 2009    | NA                         | NA           | 1.28%        | 1.82%        |
| December 31, 2008 | NA                         | NA           | 3.08%        | 5.27%        |

The negative impact of an immediate and permanent interest rate shift in either direction is a reflection of the current low interest rate environment and our liability sensitive balance sheet through a one year period, as demonstrated in the gap schedule on the previous page. Due to the already low interest rates on deposits, a downward shift in interest rates may not be able to be fully absorbed by the rate sensitive liabilities. Thus, our rate sensitive assets’ decline in interest rates would have a greater impact on net interest income than the decline in interest rate on our rate sensitive liabilities. If interest rates were to rise, a greater amount of our rate sensitive liabilities would reprice up over the subsequent year as compared to our rate sensitive assets, as seen in the gap schedule.

#### **ITEM 4: CONTROLS AND PROCEDURES**

##### *Evaluation of Disclosure Controls and Procedures*

An evaluation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) was carried out as of March 31, 2009, under the supervision and with the participation of our Chief Executive Officer, Chief Financial Officer and several other members of our senior management. Our management concluded that, as of March 31, 2009, our disclosure controls and procedures were effective in ensuring that the information we are required to disclose in the reports we file or submit under the Act is (i) accumulated and communicated to our management (including the Chief Executive Officer and Chief Financial Officer) to allow timely decisions regarding required disclosure, and (ii) recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms.

##### *Changes in Internal Controls over Financial Reporting*

During the quarter ended March 31, 2009, First Busey did not make any changes in its internal control over financial reporting or other factors that could materially affect, or were reasonably likely to materially affect its internal control over financial reporting.

### **PART II - OTHER INFORMATION**

#### **ITEM 1: Legal Proceedings**

Not Applicable

#### **ITEM 1A: Risk Factors**

There have been no material changes from risk factors as previously disclosed in our 2008 Annual Report on Form 10-K.

#### **ITEM 2: Unregistered Sales of Equity Securities and Use of Proceeds**

There were no purchases made by or on behalf of First Busey of shares of its common stock during the quarter ended March 31, 2009.

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, 2008, 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.

#### **ITEM 3: Defaults upon Senior Securities**

Not Applicable

#### **ITEM 4: Submission of Matters to a Vote of Security Holders**

Not Applicable

#### **ITEM 5: Other Information**

- (a) None
- (b) Not Applicable

**ITEM 6: Exhibits**

- 4.1 Form of Stock Certificate for Fixed Rate Cumulative Perpetual Preferred Stock, Series T (incorporated herein by reference to Exhibit 4.1 of Registrant's Form 8-K dated March 9, 2009)
- 4.2 Warrant to Purchase Common Stock (incorporated herein by reference to Exhibit 4.2 of Registrant's Form 8-K dated March 9, 2009)
- 10.1 Letter Agreement, dated March 6, 2009, by and between First Busey Corporation and the United States Department of the Treasury, which includes the Securities Purchase Agreement - Standard Terms attached as Exhibit A thereto, with respect to the issuance and sale of Fixed Rate Cumulative Perpetual Preferred Stock, Series T, and the Warrant to Purchase Common Stock (incorporated herein by reference to Exhibit 10.1 of Registrant's Form 8-K dated March 9, 2009)
- 10.2 Side Letter, dated March 6, 2009, between First Busey Corporation and the United States Department of Treasury (incorporated herein by reference to Exhibit 10.2 of Registrant's Form 8-K dated March 9, 2009)
- 10.3 Form of Waiver, executed by each of First Busey Corporation's senior executive officers (incorporated herein by reference to Exhibit 10.3 of Registrant's Form 8-K dated March 9, 2009)
- 10.4 Form of Omnibus Amendment, executed by the Company and each of First Busey Corporation's senior executive officers (incorporated herein by reference to Exhibit 10.4 of Registrant's Form 8-K dated March 9, 2009)
- 31.1 Certification of Principal Executive Officer.
- 31.2 Certification of Principal Financial Officer.
- 32.1 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, from the Company's Chief Executive Officer.
- 32.2 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, from the Company's Chief Financial Officer.

**SIGNATURES**

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

**FIRST BUSEY CORPORATION  
(Registrant)**

By: //Van A. Dukeman//

Van A. Dukeman  
President and Chief Executive Officer  
(Principal executive officer)

By: //Barbara J. Harrington//

Barbara J. Harrington  
Chief Financial Officer  
(Principal financial and accounting officer)

Date: May 11, 2009