FIRST BUSEY CORP /NV/
Form 10-K
March 10, 2015
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2014

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

Commission file number 0-15950

FIRST BUSEY CORPORATION

(Exact name of registrant as specified in its charter)

Nevada	**37-1078406**
(State or other jurisdiction of incorporation of organization)	(I.R.S. Employer Identification No.)

100 W. University Avenue

Champaign, Illinois 61820

(Address of principal executive offices) (Zip code)

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

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

Title of each class	**Name of each exchange on which registered**
Common Stock ($0.001 par value)	The NASDAQ Stock Market LLC

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

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

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

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 x No o

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 x No o

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

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 o

Accelerated filer x

Non-accelerated filer o (Do not check if a smaller reporting company)

Smaller reporting company o

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates on the last business day of the registrant s most recently completed second fiscal quarter was $450.9 million, determined using a per share closing price for the registrant s common stock on that date of $5.81, as quoted on The Nasdaq Global Select Market.

As of March 10, 2015, there were 86,869,771 shares of the registrant s common stock, $0.001 par value, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive Proxy Statement for the 2015 Annual Meeting of Stockholders of First Busey Corporation to be held May 20, 2015, are incorporated by reference in this Form 10-K in response to Part III.

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FIRST BUSEY CORPORATION

Form 10-K Annual Report

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Part I

Item 1. Business

Introduction

First Busey Corporation (First Busey or the Company), a Nevada Corporation, is a $3.7 billion financial holding company which was initially organized as a bank holding company in 1980. First Busey conducts a broad range of financial services through its banking and non-banking subsidiaries at multiple locations in Illinois, Florida, Indiana and Missouri. First Busey has one wholly-owned bank subsidiary, Busey Bank (the Bank), which has locations in Illinois, Indiana and Florida. First Busey is headquartered in Champaign, Illinois, and its common stock is traded on The Nasdaq Global Select Market under the symbol BUSE.

On September 25, 2014, the Company entered into an Agreement and Plan of Merger by and among First Busey, FBC Acquisition LLC, a newly-formed Nevada limited liability corporation and wholly-owned subsidiary of First Busey, and Herget Financial Corp., a Delaware corporation (Herget Financial), pursuant to which First Busey acquired Herget Financial and its wholly-owned bank subsidiary, Herget Bank, National Association (Herget Bank) on January 8, 2015. First Busey will operate Herget Bank as a separate banking subsidiary until it is merged with Busey Bank, which is expected to occur shortly after the filing of this Form 10-K. As of December 31, 2014, Herget Financial and Herget Bank had total consolidated assets of $278.8 million. This acquisition is a subsequent event and the financial results of Herget Financial are not recognized in this Form 10-K. See *Note 22 Acquisitions* in the Notes to the Consolidated Financial Statements for further information relating to this acquisition.

Business of First Busey

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

The Bank is an Illinois state-chartered bank organized in 1868 with its headquarters in Champaign, Illinois. The Bank has 28 locations in Illinois, seven in southwest Florida and one in Indianapolis, Indiana.

The Bank offers a full range of diversified financial products and services for consumers and businesses, including innovative online and mobile banking capabilities to conveniently serve our customers needs. Services include commercial, agricultural and real estate loans, and retail banking services, including home equity lines of credit, residential real estate and consumer loans, customary types of demand and savings deposits, money transfers, safe deposit services, and IRA, Keogh and other fiduciary services through our branch, ATM and technology-based networks.

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

The Bank s loan portfolio is comprised primarily of commercial, commercial real estate, residential real estate, and consumer loans. As of December 31, 2014, real estate mortgage loans (including commercial and residential real estate) made up approximately 70.3% of the Bank s loan portfolio, construction lending comprised approximately 4.4%, commercial loans comprised approximately 24.9%, and consumer installments and other loans comprised approximately 0.4%.

Trevett, operating as a division of the Bank, is a private wealth management boutique created to serve clientele in southwest Florida through a highly tenured team of sophisticated wealth management professionals. Trevett builds upon our established presence in Florida and the broad capabilities of our existing Wealth Management operation to provide concierge service and tailored solutions for the accumulation and preservation of capital and generational legacies.

Busey Wealth Management, which is headquartered in Champaign, Illinois, provides asset management, investment and fiduciary services to individuals, businesses and foundations through its subsidiary, Busey Trust Company. As of December 31, 2014 Busey Trust Company had $5.2 billion in assets under care. For individuals, Busey Trust Company provides investment management, trust and estate advisory services and financial planning. For businesses, it provides investment management, business succession planning and employee retirement plan services. For foundations, Busey Trust Company provides investment management, investment strategy consulting and fiduciary services.

Brokerage related services are offered by Busey Investment Services, a division of Busey Trust Company, through a third-party arrangement with Raymond James Financial Services.

FirsTech, which has offices in Decatur, Illinois and Clayton, Missouri, offers the following pay processing solutions: walk-in payment processing for payments delivered by customers to retail pay agents; online bill payment solutions for payments made by customers on a billing company s website; customer service payments for payments accepted over the telephone; direct debit services; electronic concentration of payments delivered by the Automated Clearing House network; money management software and credit card networks; and lockbox remittance processing of payments delivered by mail. FirsTech had approximately 3,000 agent locations in 36 states as of December 31, 2014.

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

See *Note 21 Reportable Segments and Related Information* in the Notes to the Consolidated Financial Statements for an analysis of segment operations.

Economic Conditions of Markets

Our primary markets, which are in micro-urban communities in downstate Illinois, are distinct from the smaller rural populations of Illinois and have strong industrial, academic or healthcare employment bases. Our primary downstate Illinois markets of Champaign, Macon, McLean and Peoria counties are anchored by several strong, familiar and stable organizations.

Champaign County is home to the University of Illinois Urbana/Champaign (U of I), the University s primary campus. U of I has in excess of 44,000 students. Additionally, Champaign County healthcare providers serve a significant area of downstate Illinois and western Indiana. Macon County is home to the North American headquarters for Archer Daniels Midland (ADM), a Fortune 100 company and one of the largest agricultural processors in the world. ADM s presence in Macon County supports many derivative businesses in the agricultural processing arena. Additionally, Macon County is home to Millikin University, and its healthcare providers serve a significant role in the market. McLean County is home to State Farm, Country Financial, Illinois State University and Illinois Wesleyan University. State Farm, a Fortune 100 company, is the largest employer in McLean County, and Country Financial and the universities provide additional stability to a growing area of downstate Illinois. Peoria County is home to Caterpillar, a Fortune 100 company, and Bradley University, in addition to a large healthcare presence serving much of the western portion of downstate Illinois. The institutions noted above, coupled with a large agricultural sector, anchor the communities in which they are located, and have provided a comparatively stable foundation for housing, employment and small business.

The State of Illinois, where the largest portion of the Company s customer base is located, continues to be one of the most troubled of any state in the United States with pension under-funding, continued budget deficits and a declining credit outlook. Additionally, the Company is located in markets with significant universities and healthcare companies, which rely heavily on state funding and contracts. A temporary income tax increase passed in 2011 is set to begin phasing out in 2015, which will likely affect the State s revenue. Payment lapses by the State of Illinois to its vendors and government sponsored entities may have negative effects on our primary market areas.

Southwest Florida has shown continuing signs of improvement in areas such as job growth and home sales over the last few years. In addition, median sales prices of homes in Florida continue to be on the rise. Although we have seen recent improvement in certain economic indicators, we don t believe that southwest Florida has yet returned to its peak economic strength.

Competition

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

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

Based on information obtained from FDIC Summary of Deposits dated June 30, 2014, First Busey ranked in the top ten in total deposits in seven Illinois counties: first in Champaign County; fourth in Ford County; eighth in Livingston County; second in Macon County; fifth in McLean County; ninth in Peoria County; and second in Shelby County. Customers for banking services are generally influenced by convenience, quality of service, personal contacts, price of services and availability of products. Although the market share of First Busey varies in different markets, First Busey believes that it effectively competes with other banks, thrifts and financial institutions in the relevant market areas.

Supervision, Regulation and Other Factors

General

Financial institutions, their holding companies and their affiliates are extensively regulated under federal and state law. As a result, the growth and earnings performance of First Busey may be affected not only by management decisions and general economic conditions, but also by the requirements of federal and state statutes and by the regulations and policies of various bank regulatory agencies, including the Illinois Department of Financial and Professional Regulation (the DFPR), the Board of Governors of the Federal Reserve System (the Federal Reserve), the Federal Deposit Insurance Corporation (the FDIC) and the Bureau of Consumer Financial Protection (the CFPB). Furthermore, taxation laws administered by the Internal Revenue Service and state taxing authorities, accounting rules developed by the Financial Accounting Standards Board, securities laws administered by the Securities and Exchange Commission (the SEC) and state securities authorities, and anti-money laundering laws enforced by the U.S. Department of the Treasury (the Treasury) have an impact on the business of First Busey. The effect of these statutes, regulations, regulatory policies and accounting rules are significant to the operations and results of First Busey and the Bank, and the nature and extent of future legislative, regulatory or other changes affecting financial institutions are impossible to predict with any certainty.

Federal and state banking laws impose a comprehensive system of supervision, regulation and enforcement on the operations of financial institutions, their holding companies and affiliates that is intended primarily for the protection of the FDIC-insured deposits and depositors of banks, rather than shareholders. These federal and state laws, and the regulations of the bank regulatory agencies issued under them, affect, among other things, the scope of business, the kinds and amounts of investments banks may make, reserve requirements, capital levels relative to operations, the nature and amount of collateral for loans, the establishment of branches, the ability to merge, consolidate and acquire, dealings with insiders and affiliates and the payment of dividends.

This supervisory and regulatory framework subjects banks and bank holding companies to regular examination by their respective regulatory agencies, which results in examination reports and ratings that are not publicly available and that can impact the conduct and growth of their businesses. These examinations consider not only compliance with applicable laws and regulations, but also capital levels, asset quality and risk, management ability and performance, earnings, liquidity, and various other factors. The regulatory agencies generally have broad discretion to

impose restrictions and limitations on the operations of a regulated entity where the agencies determine, among other things, that such operations are unsafe or unsound, fail to comply with applicable law or are otherwise inconsistent with laws and regulations or with the supervisory policies of these agencies.

The following is a summary of the material elements of the supervisory and regulatory framework applicable to First Busey and the Bank. It does not describe all of the statutes, regulations and regulatory policies that apply, nor does it restate all of the requirements of those that are described. The descriptions are qualified in their entirety by reference to the particular statutory and regulatory provision.

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Financial Regulatory Reform

On July 21, 2010, President Obama signed the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act) into law. The Dodd-Frank Act represented a sweeping reform of the U.S. supervisory and regulatory framework applicable to financial institutions and capital markets in the wake of the global financial crisis, certain aspects of which are described below in more detail. In particular, and among other things, the Dodd-Frank Act: (i) created a Financial Stability Oversight Council as part of a regulatory structure for identifying emerging systemic risks and improving interagency cooperation; (ii) created the CFPB, which is authorized to regulate providers of consumer credit, savings, payment and other consumer financial products and services; (iii) narrowed the scope of federal preemption of state consumer laws enjoyed by national banks and federal savings associations and expanded the authority of state attorneys general to bring actions to enforce federal consumer protection legislation; (iv) imposed more stringent capital requirements on bank holding companies and subjected certain activities, including interstate mergers and acquisitions, to heightened capital conditions; (v) with respect to mortgage lending, (a) significantly expanded requirements applicable to loans secured by 1-4 family residential real property, (b) imposed strict rules on mortgage servicing, and (c) required the originator of a securitized loan, or the sponsor of a securitization, to retain at least 5% of the credit risk of securitized exposures unless the underlying exposures are qualified residential mortgages or meet certain underwriting standards; (vi) repealed the prohibition on the payment of interest on business checking accounts; (vii) restricted the interchange fees payable on debit card transactions for issuers with $10 billion in assets or greater; (viii) in the so-called Volcker Rule, subject to numerous exceptions, prohibited depository institutions and affiliates from certain investments in, and sponsorship of, hedge funds and private equity funds and from engaging in proprietary trading; (ix) provided for enhanced regulation of advisers to private funds and of the derivatives markets; (x) enhanced oversight of credit rating agencies; and (xi) prohibited banking agency requirements tied to credit ratings. These statutory changes shifted the regulatory framework for financial institutions, impacted the way in which they do business and have the potential to constrain revenues.

Numerous provisions of the Dodd-Frank Act were required to be implemented through rulemaking by the appropriate federal regulatory agencies. Many of the required regulations have been issued and others have been released for public comment, but are not final. Although the reforms primarily targeted systemically important financial service providers, their influence is expected to filter down in varying degrees to smaller institutions over time. Management of First Busey and the Bank will continue to evaluate the effect of the Dodd-Frank Act; however, in many respects, the ultimate impact of the Dodd-Frank Act will not be fully known for years, and no current assurance may be given that the Dodd-Frank Act, or any other new legislative changes, will not have a negative impact on the results of operations and financial condition of First Busey and the Bank.

The Increasing Regulatory Emphasis on Capital

Regulatory capital represents the net assets of a financial institution available to absorb losses. Because of the risks attendant to their business, depository institutions are generally required to hold more capital than other businesses, which directly affects earnings capabilities. While capital has historically been one of the key measures of the financial health of both bank holding companies and banks, its role became fundamentally more important in the wake of the global financial crisis, as the banking regulators recognized that the amount and quality of capital held by banks prior to the crisis was insufficient to absorb losses during periods of severe stress. Certain provisions of the Dodd-Frank Act and Basel III, discussed below, establish strengthened capital standards for banks and bank holding companies, require more capital to be held in the form of common stock and disallow certain funds from being included in capital determinations. Once fully implemented, these standards will represent regulatory capital requirements that are meaningfully more stringent than those in place historically.

First Busey and Bank Required Capital Levels

Bank holding companies have had to comply with less stringent capital standards than their bank subsidiaries and have been able to raise capital with hybrid instruments such as trust preferred securities. The Dodd-Frank Act mandated the Federal Reserve to establish minimum capital levels for bank holding companies on a consolidated basis as stringent as those required for insured depository institutions. As a consequence, the components of holding company permanent capital known as Tier 1 Capital were restricted to those capital instruments that are considered to be Tier 1 Capital for insured depository institutions. A result of this change is that the proceeds of hybrid instruments, such as trust preferred securities, are being excluded from Tier 1 Capital over a phase-out period. However, if such securities were issued prior to May 19, 2010 by bank holding companies with less than $15 billion of assets as of December 31, 2009, they may be retained as Tier 1 Capital subject to certain restrictions.

Because First Busey had assets of less than $15 billion, it was able to meet the requirements and maintain its trust preferred proceeds as Tier 1 Capital but will have to comply with the revised capital mandates in other respects and will not be able to raise Tier 1 Capital in the future through the issuance of trust preferred securities.

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The minimum capital standards effective for the year ended December 31, 2014 were:

- A leverage requirement, consisting of a minimum ratio of Tier 1 Capital to total adjusted book assets of 3% for the most highly-rated banks with a minimum requirement of at least 4% for all others; and

- A risk-based capital requirement, consisting of a minimum ratio of Total Capital to total risk-weighted assets of 8% and a minimum ratio of Tier 1 Capital to total risk-weighted assets of 4%.

For these purposes, Tier 1 Capital consisted primarily of common stock, noncumulative perpetual preferred stock and related surplus less intangible assets (other than certain loan servicing rights and purchased credit card relationships). Total Capital consisted primarily of Tier 1 Capital plus Tier 2 Capital, which included other non-permanent capital items, such as certain other debt and equity instruments that do not qualify as Tier 1 Capital, and a portion of the Bank s allowance for loan losses. Further, risk-weighted assets for the purpose of the risk-weighted ratio calculations were balance sheet assets and off-balance sheet exposures to which required risk weightings of 0% to 100% were applied.

The capital standards described above are minimum requirements and were increased beginning January 1, 2015 under Basel III, as discussed below. Bank regulatory agencies uniformly encourage banks and bank holding companies to be well-capitalized and, to that end, federal law and regulations provide various incentives for banking organizations to maintain regulatory capital at levels in excess of minimum regulatory requirements. For example, a banking organization that is well-capitalized may: (i) qualify for exemptions from prior notice or application requirements otherwise applicable to certain types of activities; (ii) qualify for expedited processing of other required notices or applications; and (iii) accept, roll-over or renew brokered deposits. Under the capital regulations of the FDIC and Federal Reserve, in order to be well-capitalized, a banking organization, for the year ended December 31, 2014, must have maintained:

- A leverage ratio of Tier 1 Capital to total assets of 5% or greater;

- A ratio of Tier 1 Capital to total risk-weighted assets of 6% or greater; and

- A ratio of Total Capital to total risk-weighted assets of 10% or greater.

The FDIC and Federal Reserve guidelines also provide that banks and bank holding companies experiencing internal growth or making acquisitions would be expected to maintain capital positions substantially above the minimum supervisory levels without significant reliance on intangible assets. Furthermore, the guidelines indicate that the agencies will continue to consider a tangible Tier 1 leverage ratio (deducting all intangibles) in evaluating proposals for expansion or to engage in new activities.

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

Prompt Corrective Action

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

As of December 31, 2014: (i) the Bank was not subject to a directive from its regulatory agencies to increase its capital and (ii) the Bank was well-capitalized, as defined by FDIC regulations. As of December 31, 2014, First Busey had regulatory capital in excess of the Federal Reserve s requirements and met the Dodd-Frank Act requirements.

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The Basel International Capital Accords

The risk-based capital guidelines described above are based upon the 1988 capital accord known as Basel I adopted by the international Basel Committee on Banking Supervision, a committee of central banks and bank supervisors, as implemented by the U.S. federal banking regulators on an interagency basis. In 2008, the banking agencies collaboratively began to phase-in capital standards based on a second capital accord, referred to as Basel II, for large or core international banks (generally defined for U.S. purposes as having total assets of $250 billion or more, or consolidated foreign exposures of $10 billion or more). Basel II emphasized internal assessment of credit, market and operational risk, as well as supervisory assessment and market discipline in determining minimum capital requirements.

On September 12, 2010, the Group of Governors and Heads of Supervision, the oversight body of the Basel Committee on Banking Supervision, announced agreement on a strengthened set of capital requirements for banking organizations around the world, known as Basel III, to address deficiencies recognized in connection with the global financial crisis. Basel III was intended to be effective globally on January 1, 2013, with phase-in of certain elements continuing until January 1, 2019, and it is currently effective in many countries.

U.S. Implementation of Basel III

In July of 2013, the U.S. federal banking agencies approved the implementation of the Basel III regulatory capital reforms in pertinent part, and, at the same time, promulgated rules effecting certain changes required by the Dodd-Frank Act (the Basel III Rule). In contrast to capital requirements historically, which were in the form of guidelines, Basel III was released in the form of regulations by each of the federal regulatory agencies. The Basel III Rule is applicable to all financial institutions that are subject to minimum capital requirements, including federal and state banks and savings and loan associations, as well as to bank and savings and loan holding companies other than small bank holding companies (generally bank holding companies with consolidated assets of less than $1 billion).

The Basel III Rule not only increased most of the required minimum capital ratios as of January 1, 2015, but it introduced the concept of Common Equity Tier 1 Capital, which consists primarily of common stock, related surplus (net of treasury stock), retained earnings, and Common Equity Tier 1 minority interests, subject to certain regulatory adjustments. The Basel III Rule also established more stringent criteria for instruments to be considered Additional Tier 1 Capital (Tier 1 Capital in addition to Common Equity) and Tier 2 Capital. A number of instruments that qualified as Tier 1 Capital will not qualify, or their qualifications will change. For example, cumulative preferred stock and certain hybrid capital instruments, including trust preferred securities, will no longer qualify as Tier 1 Capital of any kind, with the exception, subject to certain restrictions, of such instruments issued before May 10, 2010, by bank holding companies with total consolidated assets of less than $15 billion as of December 31, 2009. For those institutions, trust preferred securities and other nonqualifying capital instruments currently included in consolidated Tier 1 Capital were permanently grandfathered under the Basel III Rule, subject to certain restrictions. Noncumulative perpetual preferred stock, which formerly qualified as simple Tier 1 Capital, will not qualify as Common Equity Tier 1 Capital, but will instead qualify as Additional Tier 1 Capital. The Basel III Rule also constrained the inclusion of minority interests, mortgage-servicing assets, and deferred tax assets in capital and requires deductions from Common Equity Tier 1 Capital in the event that such assets exceed a certain percentage of a banking institution s Common Equity Tier 1 Capital.

As of January 1, 2015, the Basel III Rule requires:

- A new minimum ratio of Common Equity Tier 1 Capital to risk-weighted assets of 4.5%;
- An increase in the minimum required amount of Tier 1 Capital to 6% of risk-weighted assets;
- A continuation of the current minimum required amount of Total Capital (Tier 1 plus Tier 2) at 8% of risk-weighted assets; and
- A minimum leverage ratio of Tier 1 Capital to total assets equal to 4% in all circumstances.

The Basel III Rule maintained the general structure of the prompt corrective action framework, while incorporating the increased requirements and adding the Common Equity Tier 1 Capital ratio. In order to be well-capitalized under the new regime, a depository institution must maintain a Common Equity Tier 1 Capital ratio of 6.5% or more; a Tier 1 Capital ratio of 8% or more; a Total Capital ratio of 10% or more; and a leverage ratio of 5% or more.

In addition, institutions that seek the freedom to make capital distributions (including for dividends and repurchases of stock) and pay discretionary bonuses to executive officers without restriction must also maintain 2.5% of risk-weighted assets in Common Equity Tier 1 attributable to a capital conservation buffer to be phased in over three years beginning in 2016. The purpose of the conservation buffer is to ensure that banking institutions maintain a buffer of capital that can be used to absorb losses during periods of financial and economic stress. Factoring in the fully phased-in conservation buffer increases the minimum ratios depicted above to 7% for Common Equity Tier 1, 8.5% for Tier 1 Capital and 10.5% for Total Capital. The leverage ratio is not impacted by the conservation buffer, and a banking institution may be considered well-capitalized while remaining out of compliance with the capital conservation buffer.

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As discussed above, most of the capital requirements are based on a ratio of specific types of capital to risk-weighted assets. Not only did Basel III change the components and requirements of capital, but, for nearly every class of financial assets, the Basel III Rule requires a more complex, detailed and calibrated assessment of credit risk and calculation of risk weightings. While Basel III would have changed the risk weighting for residential mortgage loans based on loan-to-value ratios and certain product and underwriting characteristics, there was concern in the United States that the proposed methodology for risk weighting residential mortgage exposures and the higher risk weightings for certain types of mortgage products would increase costs to consumers and reduce their access to mortgage credit. As a result, the Basel III Rule did not effect this change, and banking institutions will continue to apply a risk weight of 50% or 100% to their exposure from residential mortgages.

Furthermore, there was significant concern noted by the financial industry in connection with the Basel III rulemaking as to the proposed treatment of accumulated other comprehensive income (AOCI). Basel III requires unrealized gains and losses on available-for-sale securities to flow through to regulatory capital as opposed to the previous treatment, which neutralized such effects. Recognizing the problem for community banks, the U.S. bank regulatory agencies adopted the Basel III Rule with a one-time election for smaller institutions like First Busey and the Bank to opt out of including most elements of AOCI in regulatory capital. This opt-out, which must be made in the first quarter of 2015, would exclude from regulatory capital both unrealized gains and losses on available-for-sale debt securities and accumulated net gains and losses on cash-flow hedges and amounts attributable to defined benefit post-retirement plans. First Busey and the Bank expect to make this election to avoid variations in the level of their capital depending on fluctuations in the fair value of their securities portfolio.

Banking institutions (except for large, internationally active financial institutions) became subject to the Basel III Rule on January 1, 2015, and management believes that, as of December 31, 2014, both First Busey and the Bank would meet all capital adequacy requirements under the Basel III Rules on a fully phased-in basis as if such requirements had been in effect. There are separate phase-in/phase-out periods for: (i) the capital conservation buffer; (ii) regulatory capital adjustments and deductions; (iii) nonqualifying capital instruments; and (iv) changes to the prompt corrective action rules. The phase-in periods commence on January 1, 2016 and extend until 2019.

First Busey

General

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

Acquisitions, Activities and Change in Control

The primary purpose of a bank holding company is to control and manage banks. The BHCA generally requires the prior approval of the Federal Reserve for any merger involving a bank holding company or any acquisition by a bank holding company of another bank or bank holding company. Subject to certain conditions (including deposit concentration limits established by the BHCA and the Dodd-Frank Act), the

Federal Reserve may allow a bank holding company to acquire banks located in any state of the United States. In approving interstate acquisitions, the Federal Reserve is required to give effect to applicable state law limitations on the aggregate amount of deposits that may be held by the acquiring bank holding company and its insured depository institution affiliates in the state in which the target bank is located (provided that those limits do not discriminate against out-of-state depository institutions or their holding companies) and state laws that require that the target bank have been in existence for a minimum period of time (not to exceed five years) before being acquired by an out-of-state bank holding company. Furthermore, in accordance with the Dodd-Frank Act, bank holding companies must be well-capitalized and well-managed in order to effect interstate mergers or acquisitions. For a discussion of the capital requirements, see The Increasing Regulatory Emphasis on Capital above.

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

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

In order to maintain First Busey s status as a financial holding company, First Busey and the Bank must be well-capitalized, well-managed, and have a least a satisfactory Community Reinvestment Act (CRA) rating. If the Federal Reserve determines that a financial holding company is not well-capitalized or well-managed, First Busey has a period of time in which to achieve compliance, but during the period of noncompliance, the Federal Reserve may place any limitations on First Busey it believes to be appropriate. Furthermore, if the Federal Reserve determines that a financial holding company s subsidiary bank has not received a satisfactory CRA rating, First Busey will not be able to commence any new financial activities or acquire a company that engages in such activities.

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

Capital Requirements

Bank holding companies are required to maintain capital in accordance with Federal Reserve capital adequacy requirements, as affected by the Dodd-Frank Act and Basel III. For a discussion of capital requirements, see The Increasing Regulatory Emphasis on Capital above.

U.S. Government Investment in Bank Holding Companies

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

On October 14, 2008, the Treasury announced a program that provided Tier 1 Capital (in the form of perpetual preferred stock and common stock warrants) to eligible financial institutions. This program, known as the TARP Capital Purchase Program (the CPP), allocated $250 billion from the $700 billion authorized by EESA to the Treasury for the purchase of senior preferred shares from qualifying financial institutions (the CPP Preferred Stock). Eligible institutions were able to sell equity interests to the Treasury in amounts equal to between 1% and 3% of the institutions risk-weighted assets. First Busey determined participation in the CPP to be in its best interests based upon the economic

uncertainties of the deep recession, the benefits of holding additional capital and the relatively low cost of participation.

Pursuant to the CPP, on March 6, 2009, First Busey entered into a Letter Agreement with the Treasury, pursuant to which First Busey issued (i) 100,000 shares of CPP Preferred Stock, designated as the Fixed Rate Cumulative Perpetual Preferred Stock, Series T (the Series T Preferred Stock), and (ii) a warrant to purchase 1,147,666 shares of First Busey s common stock, no par value, for an aggregate purchase price of $100 million in cash. Subsequent to First Busey s participation in the CPP, it raised additional capital through a public offering of common stock and, as a result of that offering, the number of shares of common stock subject to the warrant was reduced by 50% to 573,833.

Small Business Lending Fund and CPP Redemption

Under the Small Business Jobs Act of 2010, the Treasury established a Small Business Lending Fund (the SBLF), a $30 billion fund that encourages lending to small businesses by providing capital to qualified community banks with assets of less than $10 billion. First Busey applied for the SBLF program, was accepted, and on August 25, 2011, entered into a Securities Purchase Agreement (the Purchase Agreement) with the Treasury, pursuant to which it issued and sold to the Treasury 72,664 shares of its Senior Non-Cumulative Perpetual Preferred Stock, Series C (the Series C Preferred Stock), having a liquidation preference of $1,000 per share (the Liquidation Amount), for aggregate proceeds of $72.7 million. On the same date, First Busey redeemed from the Treasury, in part using the proceeds from the issuance of the Series C Preferred Stock, all 100,000 outstanding shares of its Series T Preferred Stock issued under the CPP, for a redemption price of approximately $100.1 million, including accrued but unpaid dividends to the date of redemption.

First Busey remitted a cash payment to the Treasury in the amount of approximately $27.3 million to cover the difference between the outstanding balance of the Series T Preferred Stock and the proceeds from the issuance of the Series C Preferred Stock. As a result of its redemption of the Series T Preferred Stock, First Busey is no longer subject to the limits on executive compensation and other restrictions stipulated under the CPP.

Dividend Payments

First Busey s ability to pay dividends to its shareholders may be affected by both general corporate law considerations and the policies of the Federal Reserve applicable to bank holding companies. As a Nevada corporation, First Busey is subject to the limitations of Nevada law, which allows First Busey to pay dividends unless, after such dividend, (i) First Busey would not be able to pay its debts as they become due in the usual course of business or (ii) First Busey s total assets would be less than the sum of its total liabilities plus any amount that would be needed, if First Busey were to be dissolved at the time of the dividend payment, to satisfy the preferential rights upon dissolution of shareholders whose rights are superior to the rights of the shareholders receiving the distribution.

As a general matter, the Federal Reserve has indicated that the board of directors of a bank holding company should eliminate, defer or significantly reduce dividends to shareholders if: (i) First Busey s net income available to shareholders for the past four quarters, net of dividends previously paid during that period, is not sufficient to fully fund the dividends; (ii) the prospective rate of earnings retention is inconsistent with First Busey s capital needs and overall current and prospective financial condition; or (iii) First Busey will not meet, or is in danger of not meeting, its minimum regulatory capital adequacy ratios. The Federal Reserve also possesses enforcement powers over bank holding companies and their nonbank subsidiaries to prevent or remedy actions that represent unsafe or unsound practices or violations of applicable statutes and regulations. Among these powers is the ability to proscribe the payment of dividends by banks and bank holding companies. In addition, under the Basel III Rule, institutions that seek the freedom to pay dividends will have to maintain 2.5% in Common Equity Tier 1 attributable to the capital conservation buffer, which is to be phased in over three years beginning in 2016. See The Increasing Regulatory Emphasis on Capital above.

The terms of the Series C Preferred Stock issued in connection with the SBLF impose limits on First Busey s ability to pay dividends on and repurchase shares of its common stock and other securities. In general, through December 31, 2013, First Busey was permitted to declare and pay dividends on its common stock or any other stock junior to the Series C Preferred Stock, or repurchase shares of any such stock, only, if after payment of such dividends or repurchase of such shares, First Busey s Tier 1 Capital would remain at a level equal to at least 90% of the Signing Date Tier 1 Capital (defined as $307.7 million in the certificate of designations establishing the Series C Preferred Stock), excluding any subsequent net charge-offs and any redemption of the Series C Preferred Stock (the Tier 1 Dividend Threshold). The Tier 1 Dividend Threshold is subject to reduction, beginning with the dividend period commencing on January 1, 2014, by 10% for each 1% increase in the Bank s Qualified Small Business Lending (as defined in the Purchase Agreement) over the baseline level.

If, however, First Busey fails to declare and pay dividends on the Series C Preferred Stock in a given quarter, then during such quarter and for the next three quarters following such missed dividend payment First Busey may not pay dividends on or repurchase any common stock or any other securities that are junior to (or in parity with) the Series C Preferred Stock, except in very limited circumstances.

Federal Securities Regulation

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

Corporate Governance

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

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The Bank

General

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

Deposit Insurance

As an FDIC-insured institution, the Bank is required to pay deposit insurance premium assessments to the FDIC. The FDIC has adopted a risk-based assessment system whereby FDIC-insured depository institutions pay insurance premiums at rates based on their risk classification. An institution s risk classification is assigned based on its capital levels and the level of supervisory concern the institution poses to the regulators. For deposit insurance assessment purposes, an insured depository institution is placed in one of four risk categories each quarter. An institution s assessment is determined by multiplying its assessment rate by its assessment base. The total base assessment rates range from 2.5 basis points to 45 basis points. While in the past an insured depository institution s assessment base was determined by its deposit base, amendments to the Federal Deposit Insurance Act revised the assessment base so that it is calculated using average consolidated total assets minus average tangible equity. This change shifted the burden of deposit insurance premiums toward those large depository institutions that rely on funding sources other than U.S. deposits.

Additionally, the Dodd-Frank Act altered the minimum designated reserve ratio of the DIF, increasing the minimum from 1.15% to 1.35% of the estimated amount of total insured deposits, and eliminating the requirement that the FDIC pay dividends to depository institutions when the reserve ratio exceeds certain thresholds. The FDIC has until September 3, 2020 to meet the 1.35% reserve ratio target. At least semi-annually, the FDIC will update its loss and income projections for the DIF and, if needed, will increase or decrease the assessment rates, following notice and comment on proposed rulemaking. As a result, the Bank s FDIC deposit insurance premiums could increase.

FICO Assessments

In addition to paying basic deposit insurance assessments, insured depository institutions must pay Financing Corporation (FICO) assessments. FICO is a mixed-ownership governmental corporation chartered by the former Federal Home Loan Bank Board pursuant to the Competitive Equality Banking Act of 1987 to function as a financing vehicle for the recapitalization of the former Federal Savings and Loan Insurance Corporation. FICO issued 30-year noncallable bonds of approximately $8.1 billion that mature in 2017 through 2019. FICO s authority to issue bonds ended on December 12, 1991. Since 1996, federal legislation has required that all FDIC-insured depository institutions pay assessments to cover interest payments on FICO s outstanding obligations. The FICO assessment rate is adjusted quarterly and for the fourth quarter of 2014 was approximately 0.62 basis points.

Supervisory Assessments

Illinois-chartered banks are required to pay supervisory assessments to the DFPR to fund its operations. The amount of the assessment paid by an Illinois bank to the DFPR is calculated on the basis of the institution s total assets, including consolidated subsidiaries, as reported to the DFPR. During the year ended December 31, 2014, the Bank paid supervisory assessments to the DFPR totaling $0.3 million.

Capital Requirements

Banks are generally required to maintain capital levels in excess of other businesses. For a discussion of capital requirements, see The Increasing Regulatory Emphasis on Capital above.

Liquidity Requirements

Liquidity is a measure of the ability and ease with which bank assets may be converted to cash. Liquid assets are those that can be converted to cash quickly if needed to meet financial obligations. To remain viable, financial institutions must have enough liquid assets to meet their near-term obligations, such as withdrawals by depositors. Because the global financial crisis was in part a liquidity crisis, Basel III also included a liquidity framework that requires financial institutions to measure their liquidity against specific liquidity tests. One test, referred to as the Liquidity Coverage Ratio (LCR), is designed to ensure that the banking entity has an adequate stock of unencumbered high-quality liquid assets that can be converted easily and immediately in private markets into cash to meet liquidity needs for a 30-calendar day liquidity stress scenario. The other test, known as the Net Stable Funding Ratio (NSFR), is designed to promote more medium- and long-term funding of the assets and activities of financial institutions over a one-year horizon. These tests provide an incentive for banks and holding companies to increase their holdings in Treasury securities and other sovereign debt as a component of assets, increase the use of long-term debt as a funding source and rely on stable funding like core deposits (in lieu of brokered deposits).

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In addition to liquidity guidelines already in place, the U.S. bank regulatory agencies implemented the LCR in September 2014, which requires large financial firms to hold levels of liquid assets sufficient to protect against constraints on their funding during times of financial turmoil. While the LCR only applies to the largest banking organizations in the country, certain elements are expected to filter down to all insured depository institutions. First Busey and the Bank are reviewing their liquidity risk management procedures in light of the LCR and NSFR.

Dividend Payments

Under the Illinois Banking Act, the Bank generally may not pay dividends in excess of its net profits. In addition, under the Basel III Rule, institutions that seek the freedom to pay dividends will have to maintain 2.5% in Common Equity Tier 1 attributable to the capital conservation buffer, which is to be phased in over three years beginning in 2016. See The Increasing Regulatory Emphasis on Capital above. The payment of dividends by any financial institution is affected by the requirement to maintain adequate capital pursuant to applicable capital adequacy guidelines and regulations, and a financial institution generally is prohibited from paying any dividends if, following payment thereof, the institution would be undercapitalized. As described above, the Bank exceeded its minimum capital requirements under applicable guidelines as of December 31, 2014. However, as of December 31, 2014, the Bank was in a retained deficit position and no amount was available to be paid as dividends by the Bank.

Insider Transactions

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

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

Safety and Soundness Standards/Risk Management

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

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

During the past decade, the bank regulatory agencies have increasingly emphasized the importance of sound risk management processes and strong internal controls when evaluating the activities of the financial institutions they supervise. Properly managing risks has been identified as critical to the conduct of safe and sound banking activities and has become even more important as new technologies, product innovation, and the size and speed of financial transactions have changed the nature of banking markets. The agencies have identified a spectrum of risks facing a banking institution including, but not limited to, credit, market, liquidity, operational, legal, and reputational risk. In particular, recent regulatory pronouncements have focused on operational risk, which arises from the potential that inadequate information systems, operational problems, breaches in internal controls, fraud, or unforeseen catastrophes will result in unexpected losses. New products and services, third-party risk management and cybersecurity are critical sources of operational risk that financial institutions are expected to address in the current environment. The Bank is expected to have active board and senior management oversight; adequate policies, procedures, and limits; adequate risk measurement, monitoring, and management information systems; and comprehensive internal controls.

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Branching Authority

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

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

State Bank Investments and Activities

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

Transaction Account Reserves

Federal Reserve regulations require insured depository institutions to maintain reserves against their transaction accounts (primarily NOW and regular checking accounts). For 2015: the first $14.5 million of otherwise reservable balances are exempt from the reserve requirements; for transaction accounts aggregating more than $14.5 million to $103.6 million, the reserve requirement is 3% of total transaction accounts; and for net transaction accounts in excess of $103.6 million, the reserve requirement is $2,673,000 plus 10% of the aggregate amount of total transaction accounts in excess of $103.6 million. These reserve requirements are subject to annual adjustment by the Federal Reserve.

Federal Home Loan Bank System

The Bank is a member of the Federal Home Loan Bank of Chicago (the FHLB), which serves as a central credit facility for its members. The FHLB is funded primarily from proceeds from the sale of obligations of the FHLB system. It makes loans to member banks in the form of FHLB advances. All advances from the FHLB are required to be fully collateralized as determined by the FHLB.

Community Reinvestment Act Requirements

The Community Reinvestment Act requires the Bank to have a continuing and affirmative obligation in a safe and sound manner to help meet the credit needs of its entire community, including low- and moderate-income neighborhoods. Federal regulators regularly assess the Bank s record of meeting the credit needs of its communities. Applications for additional acquisitions would be affected by the evaluation of the Bank s effectiveness in meeting its Community Reinvestment Act requirements.

Anti-Money Laundering

The Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (the Patriot Act) is designed to deny terrorists and criminals the ability to obtain access to the U.S. financial system and has significant implications for depository institutions, brokers, dealers and other businesses involved in the transfer of money. The Patriot Act mandates financial services companies to have policies and procedures with respect to measures designed to address any or all of the following matters: (i) customer identification programs; (ii) money laundering; (iii) terrorist financing; (iv) identifying and reporting suspicious activities and currency transactions; (v) currency crimes; and (vi) cooperation between financial institutions and law enforcement authorities.

Concentrations in Commercial Real Estate

Concentration risk exists when financial institutions deploy too many assets to any one industry or segment. Concentration stemming from commercial real estate is one area of regulatory concern. The interagency Concentrations in Commercial Real Estate Lending, Sound Risk Management Practices guidance (CRE Guidance) provides supervisory criteria, including the following numerical indicators, to assist bank examiners in identifying banks with potentially significant commercial real estate loan concentrations that may warrant greater supervisory scrutiny: (i) commercial real estate loans exceeding 300% of capital and increasing 50% or more in the preceding three years; or (ii) construction and land development loans exceeding 100% of capital.

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The CRE Guidance does not limit banks levels of commercial real estate lending activities, but rather guides institutions in developing risk management practices and levels of capital that are commensurate with the level and nature of their commercial real estate concentrations. Based on the Bank s loan portfolio, the Bank does not exceed these guidelines.

Consumer Financial Services

The historical structure of federal consumer protection regulation applicable to all providers of consumer financial products and services changed significantly on July 21, 2011, when the CFPB commenced operations to supervise and enforce consumer protection laws. The CFPB has broad rulemaking authority for a wide range of consumer protection laws that apply to all providers of consumer products and services, including the Bank, as well as the authority to prohibit unfair, deceptive or abusive acts and practices. The CFPB has examination and enforcement authority over providers with more than $10 billion in assets. Banks and savings institutions with $10 billion or less in assets, like the Bank, will continue to be examined by their applicable bank regulators.

Because abuses in connection with residential mortgages were a significant factor contributing to the financial crisis, many new rules issued by the CFPB and required by the Dodd-Frank Act address mortgage and mortgage-related products, their underwriting, origination, servicing and sales. The Dodd-Frank Act significantly expanded underwriting requirements applicable to loans secured by 1-4 family residential real property and augmented federal law combating predatory lending practices. In addition to numerous disclosure requirements, the Dodd-Frank Act imposed new standards for mortgage loan originations on all lenders, including banks and savings associations, in an effort to strongly encourage lenders to verify a borrower s ability to repay, while also establishing a presumption of compliance for certain qualified mortgages. In addition, the Dodd-Frank Act generally required lenders or securitizers to retain an economic interest in the credit risk relating to loans that the lender sells, and other asset-backed securities that the securitizer issues, if the loans do not comply with the ability-to-repay standards described below. The risk retention requirement generally is 5%, but could be increased or decreased by regulation. The Bank does not currently expect the CFPB s rules to have a significant impact on its operations, except for higher compliance costs.

Ability-to-Repay Requirement and Qualified Mortgage Rule

On January 10, 2013, the CFPB issued a final rule implementing the Dodd-Frank Act s ability-to-repay requirements. Under the final rule, lenders, in assessing a borrower s ability to repay a mortgage-related obligation, must consider eight underwriting factors: (i) current or reasonably expected income or assets; (ii) current employment status; (iii) monthly payment on the subject transaction; (iv) monthly payment on any simultaneous loan; (v) monthly payment for all mortgage-related obligations; (vi) current debt obligations, alimony, and child support; (vii) monthly debt-to-income ratio or residual income; and (viii) credit history. The final rule also includes guidance regarding the application of, and methodology for evaluating, these factors.

Further, the final rule clarified that qualified mortgages do not include no-doc loans and loans with negative amortization, interest-only payments, balloon payments, terms in excess of 30 years, or points and fees paid by the borrower that exceed 3% of the loan amount, subject to certain exceptions. In addition, for qualified mortgages, the rule mandated that the monthly payment be calculated on the highest payment that will occur in the first five years of the loan, and required that the borrower s total debt-to-income ratio generally may not be more than 43%. The final rule also provided that certain mortgages that satisfy the general product feature requirements for qualified mortgages and that also satisfy the underwriting requirements of Fannie Mae and Freddie Mac (while they operate under federal conservatorship or receivership), or the U.S. Department of Housing and Urban Development, Department of Veterans Affairs, or Department of Agriculture or Rural Housing Service, are also considered to be qualified mortgages. This second category of qualified mortgages will phase out as the aforementioned federal agencies issue their own rules regarding qualified mortgages, the conservatorship of Fannie Mae and Freddie Mac ends, and, in any event, after

seven years.

As set forth in the Dodd-Frank Act, subprime (or higher-priced) mortgage loans are subject to the ability-to-repay requirement, and the final rule provided for a rebuttable presumption of lender compliance for those loans. The final rule also applied the ability-to-repay requirement to prime loans, while also providing a conclusive presumption of compliance (*i.e.*, a safe harbor) for prime loans that are also qualified mortgages. Additionally, the final rule generally prohibited prepayment penalties (subject to certain exceptions) and set forth a 3-year record retention period with respect to documenting and demonstrating the ability-to-repay requirement and other provisions.

Mortgage Loan Originator Compensation

As a part of the overhaul of mortgage origination practices, mortgage loan originators compensation was limited such that they may no longer receive compensation based on a mortgage transaction s terms or conditions other than the amount of credit extended under the mortgage loan. Further, the total points and fees that a bank and/or a broker may charge on conforming and jumbo loans was limited to 3% of the total loan amount. Mortgage loan originators may receive compensation from a consumer or from a lender, but not both.

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These rules contain requirements designed to prohibit mortgage loan originators from steering consumers to loans that provide mortgage loan originators with greater compensation. In addition, the rules contain other requirements concerning recordkeeping.

Servicing

The CFPB was also required to implement certain provisions of the Dodd-Frank Act relating to mortgage servicing through rulemaking. The servicing rules require servicers to meet certain benchmarks for loan servicing and customer service in general. Servicers must provide periodic billing statements and certain required notices and acknowledgments, promptly credit borrowers accounts for payments received and promptly investigate complaints by borrowers and are required to take additional steps before purchasing insurance to protect the lender s interest in the property. The servicing rules also called for additional notice, review and timing requirements with respect to delinquent borrowers, including early intervention, ongoing access to servicer personnel and specific loss mitigation and foreclosure procedures.

Monetary Policy

The monetary policy of the Federal Reserve has a significant effect on the operating results of financial or bank holding companies and their subsidiaries. Among the tools available to the Federal Reserve to affect the money supply are open market transactions in U.S. government securities, changes in the discount rate on member bank borrowings and changes in reserve requirements against member bank deposits. These means are used in varying combinations to influence overall growth and distribution of bank loans, investments and deposits, and their use may affect interest rates charged on loans or paid on deposits.

The Volcker Rule

In addition to other implications of the Dodd-Frank Act discussed above, the Act amended the BHCA to require the federal regulatory agencies to adopt rules that prohibit banking entities and their affiliates from engaging in proprietary trading and investing in and sponsoring certain unregistered investment companies (defined as hedge funds and private equity funds). This statutory provision is commonly called the Volcker Rule. On December 10, 2013, the federal regulatory agencies issued final rules to implement the prohibitions required by the Volcker Rule. Thereafter, in reaction to industry concern over the adverse impact to community banks of the treatment of certain collateralized debt instruments in the final rule, the federal regulatory agencies approved an interim final rule to permit financial institutions to retain interests in collateralized debt obligations backed primarily by trust preferred securities (TruPS CDOs) from the investment prohibitions contained in the final rule. Under the interim final rule, the regulatory agencies permitted the retention of an interest in or sponsorship of covered funds by banking entities if the following qualifications were met: (i) the TruPS CDO was established, and the interest was issued, before May 19, 2010; (ii) the banking entity reasonably believes that the offering proceeds received by the TruPS CDO were invested primarily in qualifying TruPS collateral; and (iii) the banking entity s interest in the TruPS CDO was acquired on or before December 10, 2013.

Although the Volcker Rule has significant implications for many large financial institutions, First Busey does not currently anticipate that it will have a material effect on the operations of First Busey or the Bank. First Busey may incur costs if it is required to adopt additional policies and systems to ensure compliance with certain provisions of the Volcker Rule, but any such costs are not expected to be material.

The Wealth Management Company

Busey Wealth Management is an Illinois corporation that operates under a certificate of authority to exercise trust powers issued by the DFPR. As such, Busey Wealth Management is subject to the examination, supervision, reporting and enforcement requirements established for trust companies by the DFPR. Additionally, because Busey Wealth Management is a wholly-owned subsidiary of First Busey, the Federal Reserve, as the primary federal regulator of First Busey, has the authority to conduct such examinations of Busey Wealth Management as the Federal Reserve deems necessary. Busey Wealth Management is required to maintain capital at the level determined by the DFPR to be necessary for the safe and sound operation of Busey Wealth Management. Like Busey Bank, Busey Wealth Management is required to pay supervisory assessments to the DFPR, which, for the year ended December 31, 2014, were insignificant.

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Employees

As of December 31, 2014, First Busey and its subsidiaries had a total of 801 employees (full-time equivalents).

Executive Officers

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

Van A. Dukeman. Mr. Dukeman, age 56, has served as a Director, Chief Executive Officer and President of First Busey since August 2007. Effective February 28, 2009 through March 31, 2010, Mr. Dukeman also served as the Chief Executive Officer and President of the Bank. Prior to August 2007, Mr. Dukeman served as a Director, Chief Executive Officer and President of Main Street Trust, Inc. (Main Street Trust) until its merger with First Busey.

Robin N. Elliott. Mr. Elliott, age 38, was appointed Chief Financial Officer of First Busey effective on January 1, 2014. Mr. Elliott had previously served as Director of the Business Banking Group of the Bank since November 2011. Prior to that appointment, he had served as Director of Finance & Treasury since joining the organization in 2006.

Barbara J. Harrington. Mrs. Harrington, age 55, has served as Chief Risk Officer of First Busey since March 2010, prior to which she had served as Chief Financial Officer of First Busey since March 1999. She also served as Controller and Senior Vice President of the Bank from December 1994 to March 1999, and has served in various financial and accounting positions since joining the organization in 1991.

Howard F. Mooney II. Mr. Mooney, age 50, has served as President and Chief Executive Officer of FirsTech Inc., our payment processing subsidiary, since 2000. In addition, Mr. Mooney has served as Chief Information Officer of First Busey since January 1, 2014. Prior to our August 2007 merger, FirsTech was a subsidiary of Main Street Trust.

Robert F. Plecki, Jr. Mr. Plecki, age 54, has served as Executive Vice President and Chief Operating Officer of First Busey since October 2012 and continued to serve as Chief Credit Officer of First Busey since March 2010. Mr. Plecki has also served as President & Chief Executive Officer of Busey Wealth Management since October 2013. Prior to March 2010, he had served as Executive Vice President of our southwest Florida market since early 2009. Prior to that he served as Executive Vice President of our Champaign-Urbana market following First Busey s merger with Main Street Trust in 2007, and, prior to the merger, had served as President of Main Street Bank & Trust Retail Banking since 2004.

John J. Powers. Mr. Powers, age 59, has served as General Counsel of First Busey since December 2011. Prior to that, he was a shareholder of Meyer Capel, P.C., a law firm based in Champaign, Illinois, since 1998.

Christopher M. Shroyer. Mr. Shroyer, age 49, has served as President and Chief Executive Officer of the Bank since March 2010, prior to which he had served as Executive Vice President of our East Region since early 2009. Prior to 2009, he served as Executive Vice President of our Decatur market following First Busey s merger with Main Street Trust in 2007, and, prior to the merger, had served as Executive Vice President of Main Street Bank & Trust Commercial Banking since 2004.

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Securities and Exchange Commission Reporting and Other Information

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

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

Special Cautionary Note Regarding Forward-Looking Statements

Certain statements contained in or incorporated by reference into this Annual Report on Form 10-K that are not historical facts may constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act), and Section 21E of the Exchange Act. These forward-looking statements are covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. These statements, which are based on certain assumptions and estimates and describe our future plans, strategies and expectations, can generally be identified by the use of the words may, will, should, could, would, potential, estimate, project, believe, intend, anticipate, expect, target, aim and similar expressions. Th statements relating to our projected growth, anticipated future financial performance, financial condition, credit quality and management s long-term performance goals, as well as statements relating to the anticipated effects on results of operations and financial condition from expected developments or events, our business and growth strategies and any other statements that are not historical facts.

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

• the strength of the local and national economy;

• changes in state and federal laws, regulations and governmental policies concerning First Busey s general business (including the impact of the Dodd-Frank Act and the extensive regulations to be promulgated thereunder, as well as the Basel III Rules);

• changes in interest rates and prepayment rates of First Busey s assets;

• increased competition in the financial services sector and the inability to attract new customers;

• changes in technology and the ability to develop and maintain secure and reliable electronic systems;

• the loss of key executives or employees;

• changes in consumer spending;

• unexpected results of acquisitions, including the acquisition of Herget Financial;

• unexpected outcomes of existing or new litigation involving First Busey;

• the economic impact of any future terrorist threats or attacks;

• the economic impact of exceptional weather occurrences such as tornadoes, hurricanes, floods, and blizzards;

• changes in accounting policies and practices; and

• other factors and risks described under Risk Factors herein.

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

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

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Item 1A. Risk Factors

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

Conditions in the financial markets and economic conditions generally may adversely affect the Company s business.

In recent years, the United States economy faced a severe economic crisis, including a major recession from which it is recovering. Many businesses and local governments continue to experience financial difficulty and while reflecting some improvement, unemployment levels in certain sectors remain elevated. There can be no assurances that these conditions will continue to improve and in fact, these conditions could worsen. In addition, factors such as ongoing federal budget negotiations, political differences at the federal levels of the U.S. government, actions taken by the Federal Reserve System and the level of U.S. debt could have destabilizing effects on financial markets and produce heightened levels of volatility.

The Company s general financial performance is highly dependent upon the business environment in the markets where it operates and in particular, the ability of borrowers to pay interest on and repay principal of outstanding loans and the value of collateral securing those loans, as well as demand for loans and other products and services it offers. A favorable business environment is generally characterized by, among other factors, economic growth, efficient capital markets, low inflation, low unemployment, high business and investor confidence, and strong business earnings. Unfavorable or uncertain economic and market conditions can be caused by declines in economic growth, business activity or investor or business confidence; limitations on the availability or increases in the cost of credit and capital; increases in inflation or interest rates; high unemployment, natural disasters; or a combination of these or other factors.

For several years, the economic environment has been adverse for many households and businesses in the United States and worldwide. While economic conditions have improved since the recession, there can be no assurance that this improvement will continue. Economic pressures on consumers and uncertainty regarding continuing economic improvement may result in changes in consumer and business spending, borrowing, and savings habits. Such conditions could adversely affect the credit quality of the Company s loans and our financial condition and results of operation.

The Company s performance depends significantly on the financial condition of and the economic conditions in the states in which it operates.

The largest portion of the Company s customer base is within the State of Illinois, the financial condition of which is among the most troubled of any state in the United States with credit downgrade concerns, severe pension under-funding, and budget deficits. State budget restructuring to improve its financial condition may have negative financial effects on local governments and businesses, their employees, and directly and indirectly our customers. Conversely, a lack of state budget restructuring to achieve budget balance and growing debt burden may also have negative financial effects on local governments and businesses, their employees, and directly and indirectly our customers.

The Company is located in markets with significant university and healthcare presence, which rely heavily on state funding and contracts. Payment delays by the State of Illinois to its vendors and government sponsored entities may have significant, negative effects on our primary market areas, which could in turn adversely affect our financial condition and results of operations. A temporary state income tax increase passed in 2011 is set to begin phasing out in 2015, which will likely affect the State s revenue. In addition, adverse changes in agribusiness and capital goods exports could materially adversely affect our downstate Illinois markets, which are heavily reliant upon these industries.

Further, southwest Florida was particularly impacted by the downturn in economic conditions in recent years and real estate activity and values continue to be lower relative to historical levels. Although recovering, another downturn in economic conditions in Florida, particularly within our primary market areas, could result in a decrease in demand for our products and services, an increase in loan delinquencies and defaults, high or increased levels of problem assets and foreclosures and reduced wealth management fees resulting from lower asset values.

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Market volatility could have an adverse effect on us.

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

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

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

During periods of economic turmoil, the financial services industry and the credit markets generally may be materially and adversely affected by significant declines in asset values and depressed levels of liquidity. These and other factors could negatively affect the Company s ability to engage in routine funding and other transactions with other financial institutions, lead to market-wide liquidity problems, loss of depositor, creditor, and counterparty confidence which could lead to losses or defaults by us or by other institutions. Furthermore, regional and community banks generally have less access to the capital markets than do the national and super-regional banks because of their smaller size and limited analyst coverage.

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

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

At December 31, 2014, our non-performing loans (which consist of non-accrual loans and loans past due 90 days or more and still accruing loans) totaled $9.0 million, or 0.37% of our gross loan portfolio. At December 31, 2014, our non-performing assets (which include non-performing loans plus other real estate owned and other repossessed assets) were $9.2 million, or 0.25% of total assets. Our non-performing assets adversely affect our net income in various ways. While we pay interest expense to fund non-performing assets, we do not record interest income on non-accrual loans or other real estate owned, thereby adversely affecting our income and returns on assets and equity, and our loan administration costs increase and our efficiency ratio is adversely affected. When we take collateral in foreclosures and similar proceedings, we are required to mark the collateral to its then-fair market value, which, when compared to the outstanding balance of the loan, may result in a

loss. These non-performing loans and other real estate owned also increase our risk profile and the capital our regulators believe is appropriate in light of such risks. The resolution of non-performing assets requires significant time commitments from management, which can be detrimental to the performance of their other responsibilities. We cannot guarantee that we will not experience increases in non-performing loans in the future, and our non-performing assets may result in further losses in the future.

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

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

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Our allowance for loan losses at December 31, 2014 was $47.5 million. At December 31, 2014, our allowance for loan losses as a percentage of total loans was 2.0%, and as a percentage of total non-performing loans was 526.7%.

Although management believes that the allowance for loan losses is adequate to absorb losses on any existing loans that may become uncollectible, we cannot guarantee that we will not be required to record additional provisions for loan losses in the future, either due to management s decision to do so or requirements by the regulators, to further supplement the allowance for loan losses, particularly if economic conditions unfold in a manner which differs significantly from what management currently expects. Additional provisions to the allowance for loan losses and loan losses in excess of our allowance for loan losses may adversely affect our business, financial condition and results of operations.

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

At December 31, 2014, over 75% of our loans were collateralized by real estate. The market value of real estate can fluctuate significantly in a short period of time as a result of market conditions in the area in which the real estate is located. Adverse changes affecting real estate values and the liquidity of real estate in one or more of our markets could increase the credit risk associated with our loan portfolio, and could result in losses which would adversely affect profitability. Such changes especially affected our southwest Florida market in recent years during the financial crisis which began in late 2007. Adverse changes in the economy affecting real estate values and liquidity generally, and in downstate Illinois and southwest Florida specifically, could significantly impair the value of property pledged as collateral on loans and affect our ability to sell the collateral upon foreclosure without a loss or additional losses. Collateral may have to be sold for less than the outstanding balance of the loan which would result in losses.

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

Commercial and industrial loans were $601.8 million, or approximately 24.9% of our total loan portfolio, as of December 31, 2014. Our commercial loans are primarily made based on the identified cash flow of the borrower and secondarily on the underlying collateral provided by the borrower. Most often, this collateral is accounts receivable, inventory, machinery or real estate. Credit support provided by the borrower for most of these loans and the probability of repayment is based on the liquidation of the pledged collateral and enforcement of a personal guarantee, which we require whenever appropriate on commercial loans. As a result, in the case of loans secured by accounts receivable, the availability of funds for the repayment of these loans may be substantially dependent on the ability of the borrower to collect amounts due from its customers. The collateral securing other loans may depreciate over time, may be difficult to appraise and may fluctuate in value based on the success of the business. Due to the larger average size of each commercial loan as compared with other loans such as residential loans, as well as collateral that is generally less readily-marketable, losses incurred on a small number of commercial loans could have a material adverse impact on our financial condition and results of operations.

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

Construction, land acquisition, and development loans comprised approximately 4.4% of our total loan portfolio at December 31, 2014, and such lending involves additional risks because funds are advanced upon the security of the project, which is of uncertain value prior to its completion,

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

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The Company is subject to lending risk.

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

The Company is subject to interest rate risk.

Earnings and profitability depend significantly on our net interest income. Net interest income represents the difference between interest income and fees earned on interest-earning assets such as loans and investment securities and interest expense incurred on interest-bearing liabilities such as deposits and borrowed funds. Interest rates are sensitive to many factors that are beyond the Company s control, including general economic conditions and policies of various governmental and regulatory agencies, including the Federal Open Market Committee. Changes in monetary policy, including changes in interest rates, could influence not only the interest the Company receives on loans and investment securities and the amount of interest it pays on deposits and borrowings, but such changes could also affect the Company s ability to originate loans and obtain deposits and the fair value of the Company s financial assets and liabilities. If the interest rates paid on deposits and other borrowings increase at a faster rate than the interest rates received on loans and investment securities, the Company s net interest income, and therefore earnings, could be adversely affected. Earnings could also be adversely affected if the interest rates received on loans and other investments fall more quickly than the interest rates paid on deposits and other borrowings. Any substantial, unexpected, prolonged change in market interest rates could have a material adverse effect on the Company s business, financial condition, and results of operation. Interest rates paid on deposit products have declined significantly in recent years, but further significant decline is unlikely as interest rates on deposits have approached zero. We expect net interest margin compression in 2015 to continue to require our focus, with interest rates at historic lows.

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

First Busey, the Bank and Busey Wealth Management must meet regulatory capital requirements and maintain sufficient liquidity. Our ability to raise additional capital, when and if needed, will depend on conditions in the capital markets, economic conditions and a number of other factors, including investor perceptions regarding the banking industry and market condition, and governmental activities, many of which are outside our control, and on our financial condition and performance. Accordingly, we cannot guarantee that we will be able to raise additional capital if needed or on terms acceptable to us. If we fail to meet these capital and other regulatory requirements, our financial condition, liquidity and results of operations would be materially and adversely affected.

Our failure to continue to maintain capital ratios in excess of the amounts necessary to be considered well-capitalized for bank regulatory purposes could affect customer confidence, our ability to grow, our costs of funds and FDIC insurance costs, our ability to pay dividends on common and preferred stock and to make distributions on our trust preferred securities, our ability to make acquisitions, and our business, results of operations and financial condition. Furthermore, under FDIC rules, if the Bank ceases to meet the requirements to be considered a

well-capitalized institution for bank regulatory purposes, the interest rates it pays on deposits and its ability to accept, renew or rollover deposits, particularly brokered deposits, may be restricted. As of December 31, 2014 the Bank did not have any brokered deposits.

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We face the risk of possible future goodwill impairment.

We performed a valuation analysis of our goodwill, $20.7 million related to Busey Wealth Management and FirsTech, as of December 31, 2014, and the analysis indicated no impairment existed. We will be required to perform additional goodwill impairment assessments on at least an annual basis, and perhaps more frequently, which could result in further goodwill impairment charges. Any future goodwill impairment charge, on the current goodwill balance or future goodwill arising out of acquisitions, that we are required to take could have a material adverse effect on our results of operations by reducing our net income or increasing our net losses.

The utilization of our tax losses could be substantially limited if we experienced an ownership change as defined in the Internal Revenue Code of 1986, as amended.

Our net deferred tax asset totaled $22.2 million as of December 31, 2014. The ultimate realization of a deferred tax asset is dependent upon the generation of future taxable income during the periods prior to the expiration of the related net operating losses and the limitations of Section 382 of the Internal Revenue Code of 1986, as amended, or the Code. Section 382 of the Code contains rules that limit the ability of a company that undergoes an ownership change to utilize its net operating loss carryforwards and certain built-in losses recognized in years after the ownership change. Under the rules, such an ownership change is generally any change in ownership of more than 50% of its stock within a rolling three-year period, as calculated in accordance with the rules. The rules generally operate by focusing on changes in ownership among stockholders considered by the rules as owning directly or indirectly 5% or more of the stock of the company and any change in ownership arising from new issuances of stock by the company. If we undergo an ownership change for purposes of Section 382 as a result of future transactions involving our common stock, our ability to use any of our net operating loss carryforwards, tax credit carryforwards or net unrealized built-in losses at the time of ownership change would be subject to the limitations of Section 382 on their use against future taxable income. The limitation may affect the amount of our deferred income tax asset and, depending on the limitation, a portion of our built-in losses, any net operating loss carryforwards or tax credit carryforwards could expire before we would be able to use them. This could adversely affect our financial position, results of operations and cash flow.

We have significant deferred tax assets and cannot assure they will be fully realized.

We had net deferred tax assets of $22.2 million as of December 31, 2014. Other than a valuation allowance against certain state net operating loss carryforwards, we did not establish a valuation allowance against our net deferred tax assets as of December 31, 2014, as we believe that it is more likely than not that all of these assets will be realized. In evaluating the need for a valuation allowance, we estimated future taxable income based on management forecasts and tax planning strategies that may be available to us. This process required significant judgment by management about matters that are by their nature uncertain.

If future events differ significantly from our current forecasts, we may need to establish a valuation allowance against our net deferred tax assets, which would have a material adverse effect on our results of operations and financial condition. In addition, a significant portion of the net deferred tax assets relates to a tax-effected $8.3 million state net operating loss carryforward as of December 31, 2014, the utilization of which may be further limited in the event of certain material changes in our ownership.

Recent legislative and regulatory reforms applicable to the financial services industry may have a significant impact on our business, financial condition and results of operations.

The laws, regulations, rules, policies and regulatory interpretations governing us are constantly evolving and may change significantly over time as Congress and various regulatory agencies react to adverse economic conditions or other matters. The global financial crisis of 2008 2009 served as a catalyst for a number of significant changes in the financial services industry, including the Dodd-Frank Act, which reformed the regulation of financial institutions in a comprehensive manner, and the Basel III regulatory capital reforms, which will increase both the amount and quality of capital that financial institutions must hold.

The Dodd-Frank Act, together with the regulations developed and to be developed thereunder, affects large and small financial institutions alike, including several provisions that impact how community banks, thrifts and small bank and thrift holding companies will operate in the future. Among other things, the Dodd-Frank Act changed the base for FDIC insurance assessments to a bank s average consolidated total assets minus average tangible equity, rather than its deposit base, permanently raises the current standard deposit insurance limit to $250,000, and expanded the FDIC s authority to raise the premiums we pay for deposit insurance. The legislation allowed financial institutions to pay interest on business checking accounts, contains provisions on mortgage-related matters (such as steering incentives, determinations as to a borrower s ability to repay and prepayment penalties) and established the CFPB as an independent entity within the Federal Reserve. This entity has broad rulemaking, supervisory and enforcement authority over consumer financial products and services, including deposit products, residential mortgages, home-equity loans and credit cards. Moreover, the Dodd-Frank Act included provisions that affect corporate governance and executive compensation at all publicly traded companies.

In addition, in July 2013, the U.S. federal banking authorities approved the implementation of the Basel III Rule. The Basel III Rule is applicable to all U.S. banks that are subject to minimum capital requirements as well as to bank and saving and loan holding companies, other than small bank holding companies (generally bank holding companies with consolidated assets of less than 1 billion). The Basel III Rule not only increased most of the required minimum regulatory capital ratios, it introduces a new Common Equity Tier 1 Capital ratio and the concept of a capital conservation buffer. The Basel III Rule also expanded the current definition of capital by establishing additional criteria that capital instruments must meet to be considered Additional Tier 1 Capital (i.e., Tier 1 Capital in addition to Common Equity) and Tier 2 Capital. A number of instruments that now generally qualify as Tier 1 Capital will not qualify or their qualifications will change when the Basel III Rule is fully implemented. However, the Basel III Rule permits banking organizations with less than $15 billion in assets to retain, through a one-time election, the existing treatment for accumulated other comprehensive income, which currently does not affect regulatory capital. The Basel III Rule has maintained the general structure of the current prompt corrective action thresholds while incorporating the increased requirements, including the Common Equity Tier 1 Capital ratio. In order to be a well-capitalized depository institution under the new regime, an institution must maintain a Common Equity Tier 1 Capital ratio of 6.5% or more, a Tier 1 Capital ratio of 8% or more, a Total Capital ratio of 10% or more, and a leverage ratio of 5% or more. Institutions must also maintain a capital conservation buffer consisting of Common Equity Tier 1 Capital. Generally, financial institutions became subject to the Basel III Rule on January 1, 2015 with a phase-in period through 2019 for many of the changes.

The implementation of these provisions, as well as any other aspects of current or proposed regulatory or legislative changes to laws applicable to the financial industry, will impact the profitability of our business activities and may change certain of our business practices, including the ability to offer new products, obtain financing, attract deposits, make loans, and achieve satisfactory interest spreads, and could expose us to additional costs, including increased compliance costs.

These changes also may require us to invest significant management attention and resources to make any necessary changes to operations in order to comply, and could therefore also materially and adversely affect our business, financial condition and results of operations. Our management has reviewed the provisions of the Dodd-Frank Act and the Basel III Rule, many of which are to be phased-in over the next several months and years, and assessed the probable impact on our operations. However, the ultimate effect of these changes on the financial services industry in general, and us in particular, is uncertain at this time.

We are subject to changes in accounting principles, policies or guidelines.

Our financial performance is impacted by accounting principles, policies and guidelines. Some of these policies require the use of estimates and assumptions that may affect the value of our assets or liabilities and financial results. Some of our accounting policies are critical because they require management to make difficult, subjective and complex judgments about matters that are inherently uncertain and because it is likely that materially different amounts would be reported under different conditions or using different assumptions. If such estimates or assumptions

underlying our financial statements are incorrect, we may experience material losses.

From time to time, the Financial Accounting Standards Board and the SEC change the financial accounting and reporting standards or the interpretation of those standards that govern the preparation of our financial statements. These changes are beyond our control, can be difficult to predict and could materially impact how we report our financial condition and results of operations. Changes in these standards are continuously occurring, and given recent economic conditions, more drastic changes may occur. The implementation of such changes could have a material adverse effect on our financial condition and results of operations.

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Our strategy of pursuing acquisitions exposes us to financial, execution and operational risks that could negatively affect us, including the acquisition of Herget Financial.

Prior to the downturn in the economy in 2006, we had pursued a strategy of supplementing organic growth by acquiring other financial institutions in our market areas and in nearby markets that will help us fulfill our strategic objectives and enhance our earnings. As our capital position and asset quality allow, we may again supplement organic growth through acquisitions, as we did with the January 8, 2015 acquisition of Herget Financial, and which also may include the possibility of FDIC-assisted transactions involving acquisitions of failed depository institutions. There are risks associated with an acquisition strategy, however, including the following:

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

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

- The acquisition of other entities generally requires integration of systems, procedures and personnel of the acquired entity in order to make the transaction economically feasible. This integration process is complicated and time consuming and can also be disruptive to the customers of the acquired business. If the integration process is not conducted successfully and with minimal effect on the acquired business and its customers, we may not realize the anticipated economic benefits of particular acquisitions within the expected time frame, and we may lose customers or employees of the acquired business. We may also experience greater than anticipated customer losses even if the integration process is successful.

- We are subject to due diligence expenses which may not result in acquisitions.

- To finance an acquisition, we may borrow funds, thereby increasing our leverage and diminishing our liquidity, or issue capital stock to the sellers in an acquisition or to third-parties to raise capital, which could dilute the interests of our existing stockholders.

- We may be unsuccessful in realizing the anticipated benefits from any future acquisitions.

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

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

We are required to make our compensation decisions under often overlapping regulatory schemes. The Federal Reserve and the FDIC each maintain rules and guidance related to compensation practices. The Dodd-Frank Act includes additional compensation related requirements that, once fully implemented, may make it more difficult to attract and retain the people we need to operate our businesses and limit our ability to promote our objectives through our compensation and incentive programs.

Changes in economic and market conditions may negatively impact our wealth management business.

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

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

We currently conduct our banking operations primarily in downstate Illinois and southwest Florida. In addition, we currently offer fiduciary and wealth management services through Trevett Capital Partners and Busey Wealth Management, which accounts for an important portion of our noninterest income. Many competitors offer the same, or a wider variety of, banking and wealth management services within our market areas. These competitors include national banks, regional banks and other community banks. We also face competition from many other types of financial institutions, including savings and loan institutions, finance companies, brokerage firms, insurance companies, credit unions, mortgage banks and other financial intermediaries. In addition, a number of out-of-state financial intermediaries have opened production offices or otherwise solicit deposits in our market areas. Also, technology and other changes have lowered barriers to entry and made it possible for non-banks to offer products and services traditionally provided by banks. For example, customers can maintain funds that would have historically been held as bank deposits in brokerage accounts or mutual funds. Customers can also complete transactions such as paying bills and/or transferring funds directly without the assistance of banks. The process of eliminating banks as intermediaries, known as disintermediation, could result in the loss of fee income, as well as the loss of customer deposits and the related income generated from those deposits. Increased competition in our markets may result in reduced loans, deposits and commissions and brokers fees, as well as reduced net interest margin and profitability. Ultimately, we may not be able to compete successfully against current and future competitors. If we are unable to attract and retain banking and wealth management customers, we may be unable to grow our loan and deposit portfolios and our commissions and brokers fees, and our business, results of operations and financial condition may be adversely affected.

We are subject to risks related to our use of technology.

Communications and information systems are essential to conduct our business, as we use such systems to manage our customer relationships, our general ledger, our deposits and our loans. However, the computer systems and network infrastructure we use could be vulnerable to unforeseen problems. Our operations are dependent upon our ability to protect our computer equipment against damage from physical theft, fire, power loss, telecommunications failure or a similar catastrophic event, as well as from security breaches, denial of service attacks, viruses and other disruptive problems caused by hackers. Computer break-ins, phishing and other disruptions could also jeopardize the security of information stored in and transmitted through our computer systems and network infrastructure, as well as those of our customers engaging in internet banking activities.

In addition, we outsource certain processing functions to third-party providers. If our third-party providers encounter difficulties, or if we have difficulty in communicating with them, our ability to adequately process and account for customer transactions could be affected and our business operations could be adversely impacted. Threats to security also exist in the processing of customer information through various other third-parties, their personnel, and their use of subcontractors. Furthermore, advances in computer capabilities, new discoveries in the field of cryptography or other developments could result in a compromise or breach of the algorithms we and our third-party service providers use to encrypt and protect customer transaction data. Such cyber incidents may go undetected for a period of time.

These risks have increased for all financial institutions as new technologies, the use of the Internet and telecommunications technologies (including mobile devices) to conduct financial and other business transactions and the increased sophistication and activities of organized crime, perpetrators of fraud, hackers, terrorists and others. In addition to cyber-attacks or other security breaches involving the theft of sensitive and confidential information, hackers recently have engaged in attacks against large financial institutions, particularly denial of service attacks, that are designed to disrupt key business services, such as customer-facing web sites.

The Company also faces risks related to cyber-attacks and other security breaches in connection with credit card and debit card transactions that typically involve the transmission of sensitive information regarding the Company s customers through various third parties, including merchant acquiring banks, payment processors, payment card networks and its processors. Some of these parties have in the past been the target of security breaches and cyber-attacks, and because the transactions involve third parties and environments such as the point of sale that the Company does not control or secure, future security breaches or cyber-attacks affecting any of these third parties could impact the Company through no fault of its own, and in some cases it may have exposure and suffer losses for breaches or attacks relating to them. Further cyber-attacks or other breaches in the future, whether affecting the Company or others, could intensify consumer concern and regulatory focus and result in reduced use of payment cards and increased costs, all of which could have a material adverse effect on the Company s business. To the extent we are involved in any future cyber-attacks or other breaches, the Company s reputation could be affected, would could also have a material adverse effect on the Company s business, financial condition or results of operations.

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Although we have procedures in place to prevent or limit the effects of any of these potential problems and intend to continue to implement security technology and establish operational procedures to prevent such occurrences, cyber-security risks are a constant threat, both for us and for the third-parties we work with. Therefore, we cannot guarantee that these measures will be successful. Any interruption in, or breach in security of, our computer systems and network infrastructure, as well as those of our customers engaging in internet banking activities, could damage our reputation, result in a loss of customer business, subject us to additional regulatory scrutiny, or expose us to civil litigation and possible financial liability, any of which could have a material adverse effect on our financial condition and results of operations.

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

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

We also face fraud risk associated with the origination of loans, including the intentional misstatement of information in property appraisals or other underwriting documentation provided to us by customers or by third-parties. Customers may expose us to certain fraud risks associated with the compromise of their computing systems.

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

We could recognize losses on securities held in our securities portfolio, particularly if interest rates increase or economic and market conditions deteriorate.

As of December 31, 2014, the fair value of our securities available for sale was approximately $759.1 million. Factors beyond our control can significantly influence the fair value of securities in our portfolio and can cause potential adverse changes to the fair value of these securities. For example, fixed-rate securities acquired by us are generally subject to decreases in market value when interest rates rise. Additional factors include, but are not limited to, rating agency downgrades of the securities, defaults by the issuer or individual mortgagors with respect to the underlying securities, and continued instability in the credit markets. Any of the foregoing factors could cause an other-than-temporary impairment in future periods and result in realized losses. The process for determining whether impairment is other-than-temporary usually requires difficult, subjective judgments about the future financial performance of the issuer and any collateral underlying the security in order to assess the probability of receiving all contractual principal and interest payments on the security. Because of changing economic and market conditions affecting interest rates, the financial condition of issuers of the securities and the performance of the underlying collateral, we may recognize realized and/or unrealized losses in future periods, which could have an adverse effect on our financial condition and results of operations.

Downgrades in the credit rating of one or more insurers that provide credit enhancement for our state and municipal securities portfolio may have an adverse impact on the market for and valuation of these types of securities.

We invest in tax-exempt state and local municipal securities, some of which are insured by monoline insurers. As of December 31, 2014, we had $221.5 million of municipal securities, which represented 29.1% of our total securities portfolio. In recent years, several of these insurers have come under scrutiny by rating agencies. Even though management generally purchases municipal securities on the overall credit strength of the issuer, the reduction in the credit rating of an insurer may negatively impact the market for and valuation of our investment securities. Such downgrade or a default by an issuer could adversely affect our liquidity, financial condition and results of operations.

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The soundness of other financial institutions could negatively affect us.

Our ability to engage in routine funding and other transactions could be negatively affected by the actions and commercial soundness of other financial institutions. Financial services institutions are interrelated as a result of trading, clearing, counterparty or other relationships. Defaults by, or even rumors or questions about, one or more financial services institutions, or the financial services industry generally, have led to market-wide liquidity problems and losses of depositor, creditor and counterparty confidence and could lead to losses or defaults by us or by other institutions. We could experience increases in deposits and assets as a result of the difficulties or failures of other banks, which would increase the capital we need to support our growth.

Severe weather, natural disasters, acts of terrorism or war or other adverse external events could significantly impact the Company s business.

Severe weather, natural disasters, acts of terrorism or war and other adverse external events could have a significant impact on the Company s ability to conduct business. In addition, such events could affect the stability of the Company s deposit base, impair the ability of borrowers to repay outstanding loans, impair the value of collateral securing loans, cause significant property damage, result in loss of revenue and/or cause the Company to incur additional expenses. The occurrence of any such event in the future could have a material adverse effect on the Company s business, which in turn, could have a material adverse effect on the financial condition and results of operation.

Our framework for managing risks may not be effective in mitigating risk and loss to us.

Our risk management framework seeks to mitigate risk and loss to us. We have established processes and procedures intended to identify, measure, monitor, report and analyze the types of risk to which we are subject, including liquidity risk, credit risk, market risk, interest rate risk, operational risk, compensation risk, legal and compliance risk, and reputational risk, among others. However, as with any risk management framework, there are inherent limitations to our risk management strategies as there may exist, or develop in the future, risks that we have not appropriately anticipated or identified. Our ability to successfully identify and manage risks facing us is an important factor that can significantly impact our results. If our risk management framework proves ineffective, we could suffer unexpected losses and could be materially adversely affected.

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Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

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

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

Item 3. Legal Proceedings

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

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

Item 4. Mine Safety Disclosures

Not applicable.

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Part II

Item 5. Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Common Stock Prices and Dividends

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

	2014				2013			
Market Prices of Common Stock		**High**		**Low**		**High**		**Low**
First Quarter	$	6.23	$	4.71	$	4.88	$	4.23
Second Quarter	$	5.97	$	5.37	$	4.62	$	4.16
Third Quarter	$	6.00	$	5.41	$	5.33	$	4.50
Fourth Quarter	$	6.74	$	5.46	$	6.10	$	4.95

During 2014 and 2013, First Busey declared cash dividends per share of common stock as follows:

	2014		2013	
January	$	.04	$	
April	$	.05	$	.04
July	$	.05	$	.04
October	$	.05	$	.04

In December 2012, the Company declared a quarterly cash dividend of $0.04 per share on the Company s common stock and an additional cash dividend of $0.04 per share. The quarterly dividend was intended by the board of directors to be an acceleration of the regular quarterly dividend the Company otherwise would have declared in January 2013. The acceleration was due to uncertainty surrounding U.S. tax policy and our desire to maximize stockholder value and return while potentially reducing stockholder dividend income tax burden. The Company s board of directors and management are currently committed to continuing to pay regular cash dividends; however, no guarantee can be given with respect to future dividends, as they are dependent on certain regulatory restrictions, future earnings, capital requirements and financial condition of the Company and its subsidiaries.

As of March 10, 2015, First Busey Corporation had 86,869,771 shares of common stock outstanding held by 1,299 holders of record.

Stock Repurchases

There were no purchases made by or on behalf of First Busey of shares of its common stock during the year ended December 31, 2014.

In 2008, First Busey s board of directors authorized the repurchase of one million shares of common stock. First Busey s repurchase plan had no expiration date and was active until all the shares were repurchased or until action by the board of directors to discontinue the plan. As of December 31, 2014, under the Company s stock repurchase plan, 895,655 shares remained authorized for repurchase.

On February 3, 2015, First Busey announced that its board of directors approved a repurchase plan under which the Company is authorized to repurchase up to an aggregate of two million shares of its common stock. The repurchase plan has no expiration date and replaced the repurchase plan that was originally approved in 2008.

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Performance Graph

The following graph compares First Busey s performance, as measured by the change in price of its common stock plus reinvested dividends, with the NASDAQ Composite and the SNL Midwest Bank Index for the five years ended December 31, 2014.

First Busey Corporation
Stock Price Performance

Index	12/31/09	12/31/10	12/31/11	12/31/12	12/31/13	12/31/14
First Busey Corporation	$ 100.00	$ 125.22	$ 137.54	$ 134.37	$ 171.86	$ 199.36
NASDAQ Composite	100.00	118.14	117.20	137.98	193.39	222.02
SNL Midwest Bank Index	100.00	124.18	117.30	141.18	193.28	210.12

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

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Item 6. Selected Financial Data

Selected Consolidated Financial Information

The following selected financial data as of year-end and for each of the five years in the period ended December 31, 2014, have been derived from First Busey s audited Consolidated Financial Statements and the results of operations for each period. This financial data should be read in conjunction with the Consolidated Financial Statements and the related Notes to the Consolidated Financial Statements included in this Annual Report.

	2014	2013	2012	2011	2010
	(dollars in thousands, except per share data)				
Balance Sheet Items					
Securities available for sale	$ 759,065	$ 841,310	$ 1,001,497	$ 831,749	$ 599,459
Gross loans, including loans held for sale	2,415,690	2,295,300	2,073,110	2,051,344	2,368,777
Allowance for loan losses	47,453	47,567	48,012	58,506	76,038
Total assets	3,665,607	3,539,575	3,618,056	3,402,122	3,605,003
Tangible assets(1)	3,638,234	3,509,318	3,584,667	3,365,418	3,564,761
Total deposits	2,900,848	2,869,138	2,980,292	2,763,454	2,916,366
Short-term debt(2)	198,893	172,348	139,024	127,867	138,982
Long-term debt	50,000		7,000	19,417	43,159
Junior subordinated debt owed to unconsolidated trusts	55,000	55,000	55,000	55,000	55,000
Stockholders equity	433,639	415,364	408,797	409,267	420,505
Common stockholders equity	360,975	342,700	336,133	336,603	288,643
Tangible common stockholders equity(3)	336,271	316,351	307,976	306,495	256,174
Results of Operations					
Interest and dividend income	$ 108,075	$ 108,696	$ 116,916	$ 132,819	$ 156,183
Interest expense	6,499	8,631	14,770	22,426	39,032
Net interest income	101,576	100,065	102,146	110,393	117,151
Provision for loan losses	2,000	7,500	16,500	20,000	42,000
Net income(4)	32,047	25,093	18,724	24,531	18,060
Per Share Data					
Diluted earnings	$ 0.37	$ 0.29	$ 0.22	$ 0.29	$ 0.27
Cash dividends	0.19	0.12	0.24	0.16	0.16
Book value(5)	4.16	3.95	3.88	3.89	3.65
Tangible book value(6)	3.84	3.60	3.49	3.46	3.14
Closing stock price	6.51	5.80	4.65	5.00	4.70
Other Information					
Return on average assets	0.91%	0.71%	0.53%	0.71%	0.49%
Return on average common equity	9.11%	7.39%	5.49%	7.66%	7.75%
Net interest margin(7)	3.15%	3.15%	3.24%	3.52%	3.58%
Equity to assets ratio(8)	9.94%	9.61%	9.74%	9.22%	6.39%
Dividend payout ratio(9)	51.35%	41.38%	109.09%	55.26%	58.79%

(1) Total assets less goodwill and intangible assets.

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

(3) Common equity less tax effected goodwill and intangible assets.

(4) Available to common stockholders.

(5) Total common equity divided by shares outstanding as of period end.

(6) Total common equity less goodwill and intangible assets divided by shares outstanding as of period end.

(7) Tax-equivalent net interest income divided by average earning assets.

(8) Average common equity divided by average total assets.

(9) Ratio calculated using only common stock.

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

The following is management s discussion and analysis of the financial condition as of December 31, 2014 and 2013 and results of operations for the years ended December 31, 2014, 2013, and 2012 of First Busey and subsidiaries. It should be read in conjunction with Item 1. Business, Item 6. Selected Financial Data, the Consolidated Financial Statements and the related Notes to the Consolidated Financial Statements included in this Annual Report.

Critical Accounting Estimates

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

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

Fair Value of Investment Securities. Securities are classified as held to maturity when First Busey has the ability and management has the positive intent to hold those securities to maturity. Accordingly, they are stated at cost, adjusted for amortization of premiums and accretion of discounts. First Busey had $2.4 million of securities classified as held to maturity at December 31, 2014. First Busey had no securities classified as trading at December 31, 2014. 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. As of December 31, 2014, First Busey had $759.1 million of securities 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 security s terms and conditions, among other things. Due to the limited nature of the market for certain securities, the fair value and potential sale proceeds could be materially different in the event of a sale.

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

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

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

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

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

A loan is considered to be impaired when, based on current information and events, it is probable First Busey will not be able to collect all principal and interest amounts due according to the contractual terms of the loan agreement. When a loan becomes impaired, management generally calculates the impairment based on the present value of expected future cash flows discounted at the loan s effective interest rate. If the loan is collateral dependent, the fair value of the collateral is used to measure the amount of impairment. The amount of impairment and any subsequent changes are recorded through a charge to the provision for loan losses. For collateral dependent loans, First Busey has determined the required allowance on these loans based upon the estimated fair value, net of selling costs, of the applicable 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.

Deferred Taxes. We have maintained significant net deferred tax assets for deductible temporary differences, the largest of which relates to the State of Illinois net operating loss carryforward and the allowance for loan losses. For income tax return purposes, only actual charge-offs are deductible, not the provision for loan losses. Under generally accepted accounting principles, a valuation allowance is required to be recognized if it is more likely than not that the deferred tax asset will not be realized. The determination of the recoverability of the deferred tax assets is highly subjective and dependent upon judgment concerning management s evaluation of both positive and negative evidence, the forecasts of future income, applicable tax planning strategies, and assessments of the current and future economic and business conditions. We consider both positive and negative evidence regarding the ultimate recoverability of our deferred tax assets. Positive evidence includes available tax planning strategies and the probability that taxable income will continue to be generated in future periods, as it was in periods since March 31, 2010, while negative evidence includes a cumulative loss in 2009 and 2008 and certain business and economic trends. We evaluated the recoverability of our net deferred tax assets and established a valuation allowance for certain state net operating loss and credit carryforwards that are not expected to be fully realized. Management believes that it is more likely than not that the other deferred tax assets included in the accompanying Consolidated Financial Statements will be fully realized. We determined that no valuation allowance was required for any other deferred tax assets as of December 31, 2014, although there is no guarantee that those assets will be recognizable in future periods.

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

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Executive Summary

Operating Results

(in thousands, except per share data)

	Year Ended December 31:			
		2014		2013
Net income:				
Consolidated	$	32,774	$	28,726
Busey Bank		30,764		25,416
FirsTech		1,227		1,000
Busey Wealth Management		4,681		4,242
Consolidated earnings per share, fully-diluted	$	0.37	$	0.29

Operating Performance

First Busey s net income for the year ended December 31, 2014 was $32.8 million and net income available to common stockholders was $32.0 million, or $0.37 per fully diluted common share, compared to net income of $28.7 million and net income available to common stockholders of $25.1 million, or $0.29 per fully-diluted common share, for the year ended December 31, 2013.

Net income growth relative to the prior year was driven by positive trends in credit quality, which reduced our provision for loan loss in 2014 to $2.0 million for the year ended December 31, 2014 compared to $7.5 million for the year ended December 31, 2013. Revenue growth was further supported by our diversified business model, with strong performances across a broad spectrum of our businesses. A continued commitment to comprehensive expense discipline drove additional improvement in annual operating costs and efficiency ratios.

Robust loan growth during 2013 pushed Small Business Lending Fund qualified credits above certain thresholds required to meaningfully reduce costs of the Company s preferred stock dividend beginning in 2014. Dividends paid on the preferred stock totaled $0.7 million for the year end December 31, 2014 compared to $3.6 million for the comparable period of 2013.

On January 8, 2015, First Busey completed its acquisition of Herget Financial, headquartered in Pekin, Illinois. This acquisition is a subsequent event and financial results of Herget Financial are not recognized in this Form 10-K. During 2014, the Company incurred $0.4 million of acquisition expenses related to this transaction, comprised primarily of legal, accounting, and system conversion costs. Further, during 2014, the Company incurred additional costs of approximately $0.2 million in exploring other strategic growth opportunities.

Significant operating performance items were:

- Net interest income for the year ended December 31, 2014 was $101.6 million as compared to $100.1 million for the same period of 2013.

- Net interest margin for the year ended December 31, 2014 was 3.15%, unchanged from the same period in 2013. Average loan balances for the year ended December 31, 2014 increased compared to the year ended December 31, 2013, while a highly competitive loan environment and a prolonged period of low interest rates continued to put downward pressure on yields and margins.

- The efficiency ratio for the year ended December 31, 2014 was 65.11% as compared to 66.39% for the same period of 2013.

- FirsTech s net income for the year ended December 31, 2014 of $1.2 million increased from $1.0 million for the year ended December 31, 2013, primarily due to growth in electronic processing revenues, including online and mobile services. FirsTech offers sophisticated payment processing capabilities and adds important diversity to our revenue stream while widening our array of service offerings to larger commercial clients.

- Busey Wealth Management s net income for the year ended December 31, 2014 was $4.7 million as compared to $4.2 million for the year ended December 31, 2013. Net inflows to assets under care accompanied by positive market valuations favorably impacted year-over-year results.

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Asset Quality

While much internal focus has been directed toward organic growth, the Company s commitment to credit quality continues to be evident by strong performance across a range of credit indicators. As of December 31, 2014, the Company reported non-performing loans of $9.0 million compared to $17.4 million as of December 31, 2013. Net charge-offs for the year ended December 31, 2014 were $2.1 million, compared to $7.9 million for the same period of 2013. While these improvements are encouraging, asset quality metrics can be generally influenced by market-specific economic conditions, and specific measures may fluctuate from quarter to quarter. The key metrics are as follows:

	As of and for the Year Ended December 31, 2014	December 31, 2013
	(in thousands)	
Gross loans	$ 2,415,690	$ 2,295,300
Non-performing loans		
Non-accrual loans	9,000	17,164
Loans 90+ days past due	10	195
Non-performing loans, segregated by geography		
Illinois/ Indiana	5,309	13,565
Florida	3,701	3,794
Loans 30-89 days past due	1,819	6,114
Other non-performing assets	216	2,133
Non-performing assets to total loans and non-performing assets	0.38%	0.85%
Allowance as a percentage of non-performing loans	526.67%	274.02%
Allowance for loan losses to loans	1.96%	2.07%

Results of Operation Three Years Ended December 31, 2014

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 tables show 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 shown. The tables also show, for the periods indicated, a summary of the changes in interest earned and interest expense resulting from changes in volume and rates for the major components of interest-earning assets and interest-bearing liabilities. All average information is provided on a daily average basis.

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Average Balance Sheets and Interest Rates

	Years Ended December 31,								
	2014			2013			2012		
	Average Balance	Income/ Expense	Yield/ Rate	Average Balance	Income/ Expense	Yield/ Rate	Average Balance	Income/ Expense	Yield/ Rate
	(dollars in thousands)								
Assets									
Interest-bearing bank deposits	$ 160,948	$ 411	0.26%	$ 194,508	$ 483	0.25%	$ 263,017	$ 666	0.25%
Investment securities:									
U.S. Government obligations	274,062	3,491	1.27%	420,049	5,644	1.34%	447,720	7,776	1.74%
Obligations of states and political subdivisions(1)	245,218	6,495	2.65%	287,928	7,699	2.67%	222,931	6,735	3.02%
Other securities	308,925	7,036	2.28%	225,236	4,733	2.10%	273,099	5,104	1.87%
Loans(1), (2), (3)	2,301,358	92,659	4.03%	2,126,536	92,498	4.35%	2,014,797	98,963	4.91%
Total interest-earning assets(1)	$ 3,290,511	$ 110,092	3.35%	$ 3,254,257	$ 111,057	3.41%	$ 3,221,564	$ 119,244	3.70%
Cash and due from banks	87,884			92,390			77,482		
Premises and equipment	65,049			68,974			70,748		
Allowance for loan losses	(48,091)			(48,239)			(52,243)		
Other assets	143,211			163,866			186,125		
Total assets	$ 3,538,564			$ 3,531,248			$ 3,503,676		
Liabilities and Stockholders Equity									
Interest-bearing transaction deposits	$ 48,431	$ 27	0.06%	$ 49,049	$ 30	0.06%	$ 42,532	$ 66	0.16%
Savings deposits	212,718	41	0.02%	207,185	57	0.03%	196,592	223	0.11%
Money market deposits	1,480,738	1,722	0.12%	1,474,222	1,779	0.12%	1,366,068	2,952	0.22%
Time deposits	537,415	3,333	0.62%	633,534	5,233	0.83%	741,038	9,255	1.25%
Short-term borrowings:									
Federal funds purchased	281	1	0.36%			%			%
Repurchase agreements	148,452	185	0.12%	137,777	186	0.14%	132,150	279	0.21%
Other	68		%		15	%		35	%
Long-term debt	9,271	7	0.08%	2,290	125	5.46%	13,531	648	4.79%
Junior subordinated debt issued to unconsolidated trusts	55,000	1,183	2.15%	55,000	1,206	2.19%	55,000	1,312	2.39%
Total interest-bearing liabilities	$ 2,492,374	$ 6,499	0.26%	$ 2,559,057	$ 8,631	0.34%	$ 2,546,911	$ 14,770	0.58%

Net interest spread(1)					3.09%					3.07%							3.12%
Noninterest- bearing deposits		596,058					531,744					515,934					
Other liabilities		25,655					28,356					26,982					
Stockholders equity		424,477					412,091					413,849					
Total liabilities and stockholders equity	$	3,538,564				$	3,531,248				$	3,503,676					
Interest income/earning assets(1)	$	3,290,511	$	110,092	3.35%	$	3,254,257	$	111,057	3.41%	$	3,221,564	$	119,244	3.70%		
Interest expense/earning assets	$	3,290,511	$	6,499	0.20%	$	3,254,257	$	8,631	0.26%	$	3,221,564	$	14,770	0.46%		
Net interest margin(1)			$	103,593	3.15%			$	102,426	3.15%			$	104,474	3.24%		

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

(2) Non-accrual loans have been included in average loans.

(3) Includes loan fee income of $3.0 million, $2.8 million and $2.0 million for 2014, 2013 and 2012, respectively.

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Average Balance Sheets and Interest Rates (continued)

Changes in Net Interest Income:

	Years Ended December 31, 2014, 2013, and 2012					
	Year 2014 vs. 2013 Change due to(1)			Year 2013 vs. 2012 Change due to(1)		
	Average Volume	Average Yield/Rate	Total Change	Average Volume	Average Yield/Rate	Total Change
	(dollars in thousands)					
Increase (decrease) in interest income:						
Interest-bearing bank deposits	$ (85)	$ 13	$ (72)	$ (170)	$ (13)	$ (183)
Investment securities:						
U.S. Government obligations	(1,873)	(280)	(2,153)	(457)	(1,675)	(2,132)
Obligations of state and political subdivisions(2)	(1,132)	(72)	(1,204)	1,802	(838)	964
Other securities	1,879	424	2,303	(960)	589	(371)
Loans(2)	7,307	(7,146)	161	5,283	(11,748)	(6,465)
Change in interest income(2)	$ 6,096	$ (7,061)	$ (965)	$ 5,498	$ (13,685)	$ (8,187)
Increase (decrease) in interest expense:						
Interest-bearing transaction deposits	$	$ (3)	$ (3)	$ 9	$ (45)	$ (36)
Savings deposits	1	(17)	(16)	11	(177)	(166)
Money market deposits	8	(65)	(57)	218	(1,391)	(1,173)
Time deposits	(719)	(1,181)	(1,900)	(1,206)	(2,816)	(4,022)
Federal funds purchased	1		1			
Repurchase agreements	14	(15)	(1)	11	(104)	(93)
Other short-term borrowings	(7)	(8)	(15)		(20)	(20)
Long-term debt	97	(215)	(118)	(603)	80	(523)
Junior subordinated debt owed to unconsolidated trusts		(23)	(23)		(106)	(106)
Change in interest expense	$ (605)	$ (1,527)	$ (2,132)	$ (1,560)	$ (4,579)	$ (6,139)
Increase (decrease) in net interest income(2)	$ 6,701	$ (5,534)	$ 1,167	$ 7,058	$ (9,106)	$ (2,048)
Percentage increase (decrease) in net interest income over prior period			1.1%			(2.0)%

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

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

Earning Assets, Sources of Funds, and Net Interest Margin

Average earning assets increased $36.3 million, or 1.1%, to $3.29 billion in 2014 as compared to $3.25 billion in 2013. Average earning assets increased $32.7 million, or 1.0%, to $3.25 billion in 2013 as compared to $3.22 billion in 2012. In 2014 and 2013, average loans increased compared to 2012 due to our continued emphasis on commercial loan growth; however, at lower yields each year due to the competitive lending environment. Loans generally have notably higher yields compared to interest-bearing bank deposits and investment securities. Our loan growth contributed to a positive effect on net interest margin which helped offset the downward pressure of a lower rate environment. Interest-bearing liabilities decreased in 2014 compared to 2013 but increased slightly in 2013 compared to 2012. Noninterest-bearing deposits increased in 2014 compared to 2013 and in 2013 compared to 2012. Core deposits are an important low cost source of funding. In addition, in 2014 the Company took on a modest level of long-term debt, taking advantage of low interest rates and attractive funding as a supplement to core deposits to fund loan growth.

Interest income, on a tax-equivalent basis, decreased $1.0 million, or 0.9%, to $110.1 million in 2014 from $111.1 million in 2013. Interest income, on a tax-equivalent basis, decreased $8.2 million, or 6.9%, to $111.1 million in 2013 from $119.2 million in 2012. The interest income decline in 2014 and 2013 related primarily to lower yields earned on assets in a low interest rate environment.

Interest expense decreased during 2014 by $2.1 million, or 24.7%, to $6.5 million from $8.6 million in 2013. Interest expense decreased during 2013 by $6.1 million, or 41.6%, to $8.6 million from $14.8 million in 2012. The decreases in interest expense during the past two years were primarily a result of decreases in interest rates offered by the Company on certain deposit products as the interest rate environment remains low.

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Net interest income, on a tax-equivalent basis, increased $1.2 million, or 1.14%, in 2014 as compared to 2013. Net interest income, on a tax-equivalent basis, decreased $2.0 million, or 1.96%, in 2013 as compared to 2012. Net interest margin, our net interest income expressed as a percentage of average earning assets stated on a tax-equivalent basis, remained steady at 3.15% in 2014 and 2013 but decreased from 3.24% in 2012. The net interest spread, also on a tax-equivalent basis, was 3.09% in 2014 compared to 3.07% in 2013 and 3.12% in 2012. While much of the industry faced challenges to revenue growth, we were pleased by growth in net interest income and a stable net interest margin from the prior year.

The quarterly net interest margins are as follows:

	2014	2013	2012
First Quarter	3.13%	3.10%	3.31%
Second Quarter	3.13%	3.17%	3.21%
Third Quarter	3.19%	3.20%	3.25%
Fourth Quarter	3.13%	3.12%	3.20%

We continue to experience downward pressure on our yield in interest-earning assets resulting from a protracted period of historically low rates and heightened competition for assets, which has been experienced throughout the banking industry. The development of a stronger asset mix from increased loan balances, while actively bringing down interest expense and optimizing funding costs, remains a focus. Despite this focus, we had limited ability to improve margin through funding rate decreases due to the historically low interest rate environment. We believe improvements in margin will be achieved through continued deployment of our liquid funds at higher yields as we expect to redeploy cash and securities into our loan portfolio at improved yields as the economy continues to strengthen.

As a general matter, management attempts to mitigate the effects of an unpredictable interest-rate environment through effective portfolio management, prudent loan underwriting and operational efficiencies.

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Other Income

	As of December 31,					
	2014	2013	% Change	2013	2012	% Change
	(dollars in thousands)					
Trust fees	$ 19,559	$ 18,521	5.6%	$ 18,521	$ 17,592	5.3%
Commissions and brokers fees, net	2,716	2,416	12.4%	2,416	2,102	14.9%
Remittance processing	9,421	8,354	12.8%	8,354	8,426	(0.9)%
Service charges on deposit accounts	12,038	11,947	0.8%	11,947	11,646	2.6%
Other service charges and fees	6,238	5,961	4.6%	5,961	5,717	4.3%
Gain on sales of loans	4,723	10,227	(53.8)%	10,227	12,535	(18.4)%
Security gains, net	776	553	40.3%	553	1,597	(65.4)%
Other	3,470	4,604	(24.6)%	4,604	7,237	(36.4)%
Total other income	$ 58,941	$ 62,583	(5.8)%	$ 62,583	$ 66,852	(6.4)%

Total other income of $58.9 million in 2014 decreased $3.7 million from $62.6 million in 2013 and decreased $4.3 million in 2013 from $66.9 million in 2012, primarily from decreased gains on sales of loans and other income.

Combined wealth management revenue, consisting of trust fees and commissions and broker s fees, net, of $22.3 million in 2014 rose $1.4 million from $20.9 million in 2013, and rose $1.2 million in 2013 from $19.7 million in 2012. The increase was led by organic growth, which increased assets under care (AUC) and positive market trends. AUC increased to $5.2 billion as of December 31, 2014 compared to $5.0 billion at December 31, 2013 and $4.2 billion at December 31, 2012. Continued growth in new AUC driven by our wealth management teams suggest future income will also be positively impacted as wealth management revenues are typically highly correlated to AUC. Furthermore, the Company believes the boutique services offered by Trevett Capital Partners within its suite of wealth services broadens its business base and enhances its ability to further develop revenue sources.

Remittance processing revenue relates to our payment processing company, FirsTech. FirsTech s revenue of $9.4 million in 2014 increased 12.8% compared to $8.4 million in 2013 and decreased slightly in 2013 compared to 2012. The 2014 increase was primarily due to growth in electronic processing revenues, including online and mobile services. FirsTech adds important diversity to our revenue stream while widening our array of service offerings to larger commercial clients within our footprint and nationally.

Overall, service charges on deposit accounts combined with other service charges and fees increased to $18.3 million in 2014 as compared to $17.9 million in 2013 and increased in 2013 as compared to $17.4 million in 2012. Evolving regulation, product changes and changing behaviors by our client base may impact the revenue derived from charges on deposit accounts.

Gain on sales of loans of $4.7 million in 2014 decreased $5.5 million compared to $10.2 million in 2013 and decreased $2.3 million in 2013 as compared to $12.5 million in 2012. The decrease was due to lower refinance volume as a result of market-based influences and higher interest rates. Additionally, in 2014, retail real estate portfolio balances, excluding held for sale loans, grew compared to 2013 balances. Total mortgage production is reflected in both the gain on loans sold and the balances of loans retained in the retail real estate portfolio, and the mix of sales versus retention may vary over time.

Security gains, net, of $0.8 million in 2014 increased compared to $0.6 million in 2013 but decreased in 2013 compared to $1.6 million in 2012. In 2014 and 2013, the Company sold securities to partially fund additional costs during the fourth quarter of each year. In 2012, the Company sold securities to maintain a steady operating earnings stream to shareholders during the core conversion launch and branch closure impairments.

Other income of $3.5 million in 2014 decreased as compared to $4.6 million in 2013 and decreased in 2013 as compared to $7.2 million in 2012. The decrease in 2014 primarily related to private equity investment losses. The significant increase in 2012 was primarily from income earned on private equity investment funds for which the Company recorded a net gain of $3.1 million. $2.1 million of this gain related to income earned from an investment in a local, community-focused fund. Subsequently in the fourth quarter of 2014, we wrote this investment down by $0.6 million, which is included in the $1.5 million mentioned below. This gain was non-recurring; therefore, the Company did not and does not expect the other income category to show significant increases in future years. For the three year period ended December 31, 2014, cumulative net gains on private equity investments totaled $1.8 million, including the current year loss of $1.5 million.

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Other Expense

	As of December 31,					
	2014	2013	% Change	2013	2012	% Change
	(dollars in thousands)					
Compensation expense:						
Salaries and wages	$ 51,734	$ 52,891	(2.2)%	$ 52,891	$ 53,668	(1.4)%
Employee benefits	9,607	10,922	(12.0)%	10,922	11,124	(1.8)%
Total compensation expense	$ 61,341	$ 63,813	(3.9)%	$ 63,813	$ 64,792	(1.5)%
Net occupancy expense of premises	8,462	8,489	(0.3)%	8,489	8,899	(4.6)%
Furniture and equipment expense	4,725	4,848	(2.5)%	4,848	5,146	(5.8)%
Data processing	10,879	10,465	4.0%	10,465	11,061	(5.4)%
Amortization of intangible assets	2,884	3,132	(7.9)%	3,132	3,315	(5.5)%
Regulatory expense	2,079	2,290	(9.2)%	2,290	2,543	(9.9)%
OREO expense	93	503	(81.5)%	503	1,303	(61.4)%
Other	17,746	18,771	(5.5)%	18,771	22,585	(16.9)%
Total other expense	$ 108,209	$ 112,311	(3.7)%	$ 112,311	$ 119,644	(6.1)%
Income taxes	$ 17,534	$ 14,111	24.3%	$ 14,111	$ 10,497	34.4%
Effective rate on income taxes	34.9%	32.9%		32.9%	31.9%	
Efficiency ratio	65.11%	66.39%		66.39%	68.54%	
Full-time equivalent employees as of period-end	801	849		849	948	

Total other expense of $108.2 million in 2014 decreased by $4.1 million as compared to $112.3 million in 2013 and decreased by $7.3 million in 2013 as compared to $119.6 million in 2012 as the Company remained focused on cost control and productivity, which broadly reduced operating expenses. We continue to examine all areas of the Company, seeking sensible opportunities to reduce cost and enhance efficiency.

That evaluation resulted in personnel reductions and other cost containment efforts starting in 2013 which contributed to positive expense trends during 2013 and 2014. Accordingly, total compensation expense decreased to $61.3 million in 2014 as compared to $63.8 million in 2013 and decreased in 2013 as compared to $64.8 million in 2012.

Combined net occupancy expense of premises and furniture and equipment expenses of $13.2 million in 2014 decreased as compared to $13.3 million in 2013 and decreased in 2013 as compared to $14.0 million in 2012. We continue to evaluate our operations for appropriate cost control measures while seeking improvements in service delivery to our customers.

Data processing expense increased 4.0% in 2014 to $10.9 million as compared to $10.5 million in 2013 but decreased 5.4% in 2013 as compared to $11.1 million in 2012. The 2014 increase was impacted by increased expenses related to supporting new sources of revenue growth at FirsTech and temporary data conversion expenses related to the acquisition of Herget Bank. In 2012, we completed a core processing system

conversion which we believe will provide for greater customization and technological agility going forward. Costs of the system upgrade were the primary cause of increased data processing expense in 2012. As the Company manages data processing expense, it continues to enhance its mobile and internet banking services and prioritize strategies to mitigate the risk from cybercriminals through the use of new technology, industry best practices and customer education.

Amortization of intangible assets decreased in 2014 to $2.9 million as compared to $3.1 million in 2013 and decreased in 2013 as compared to $3.3 million in 2012 as we are now in the seventh year of amortization arising from the merger with Main Street Trust. Amortization expense will increase in future years as a result of the January 8, 2015 Herget Financial acquisition.

Regulatory expense decreased 9.2% in 2014 to $2.1 million as compared to $2.3 million in 2013 and 9.9% in 2013 as compared to $2.5 million in 2012. We anticipate that our regulatory expense will remain close to current levels for the near future.

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Our costs associated with OREO, such as collateral preservation and legal expenses, decreased in 2014 to $0.1 million as compared to $0.5 million in 2013 and decreased in 2013 as compared to $1.3 million in 2012. This expense fluctuates based on the management of commercial properties and the operating activity associated with the properties that we hold throughout the year.

Other expense of $17.7 million in 2014 decreased $1.1 million as compared to $18.8 million in 2013 and decreased $3.8 million in 2013 as compared to $22.6 million in 2012, despite increased professional fees and expenses in 2014 related to the acquisition of Herget Financial. Actions were taken starting in early 2013 for widespread reductions in expenses due to an enhanced emphasis on cost control. 2012 expenses included impairment charges recorded for branch closings that took place in April 2013.

The effective rate on income taxes, or income taxes divided by income before taxes, of 34.9%, 32.9% and 31.9% for the years ended December 31, 2014, 2013 and 2012, respectively, was lower than the combined federal and state statutory rate of approximately 41% due to fairly stable amounts of tax preferred interest income, such as municipal bond interest and bank owned life insurance income, accounting for a portion of our taxable income. As taxable income increases, we expect our effective tax rate to increase. Under current law, Illinois net operating loss carryover limitations expired in 2014 and the corporate income tax rate is scheduled for reduction effective January 1, 2015. The Company continues to monitor evolving state tax legislation and its potential impact on operations on an ongoing basis.

The efficiency ratio represents 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, which is a non-GAAP financial measure commonly used by management and the investment community in the banking industry, measures the amount of expense that is incurred to generate a dollar of revenue. The efficiency ratio improved in 2014 to 65.11% as compared to 66.39% in 2013 and 68.54% in 2012. We will continue to examine appropriate avenues to improve efficiency, as a focus in future periods, with an emphasis on revenue growth.

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Balance Sheet

Significant Balance Sheet Items

	December 31, 2014	December 31, 2013 (dollars in thousands)	% Change
Assets			
Securities available for sale	$ 759,065	$ 841,310	(9.8)%
Securities held to maturity	2,373	834	184.5%
Loans, including held for sale (net of allowance for loan losses 2014 $47,453; 2013 $47,567)	2,368,237	2,247,733	5.4%
Total assets	$ 3,665,607	$ 3,539,575	3.6%
Liabilities			
Deposits:			
Non-interest-bearing	$ 666,607	$ 547,531	21.7%
Interest-bearing	2,234,241	2,321,607	(3.8)%
Total deposits	2,900,848	2,869,138	1.1%
Securities sold under agreements to repurchase	198,893	172,348	15.4%
Long-term debt	50,000		100.0%
Total liabilities	$ 3,231,968	$ 3,124,211	3.4%
Stockholders equity	$ 433,639	$ 415,364	4.4%

First Busey s balance sheet increased by 3.6% during 2014. Overall, assets increased by $126.0 million to $3.67 billion in 2014 as compared to $3.54 billion in 2013. Securities available for sale decreased by $82.2 million, or 9.8%, at December 31, 2014 compared to December 31, 2013, while net loans, including loans held for sale, increased by $120.5 million, or 5.4%, at December 31, 2014 compared to December 31, 2013. Loan demand in 2014 continued to improve, while solid asset quality management reinforced balance sheet strength. In addition to overall loan growth, the Company experienced loan growth in the highest credit grades, while the volume of the lowest credit grades decreased.

Liabilities increased by $107.8 million, or 3.4%, to $3.23 billion at December 31, 2014 compared to $3.12 billion at December 31, 2013. Total deposits increased $31.7 million, or 1.1%, to $2.90 billion at December 31, 2014 compared to $2.87 billion at December 31, 2013. Securities sold under agreements to repurchase increased $26.5 million, or 15.4%, due to fluctuations in customer balances. The Company borrowed $50.0 million of long-term debt from the FHLB in 2014, which is at variable rates and prepayable, as part of its ongoing balance sheet strategy. The Company remained strongly core deposit funded at 75.3% of total assets at December 31, 2014, with solid liquidity and significant market share in the communities it serves.

Stockholders equity increased to $433.6 million at December 31, 2014 as compared to $415.4 million at December 31, 2013. This increase was the result of 2014 earnings, partially offset by dividends paid on preferred and common stock.

Investment Securities

We have classified investment securities as available for sale or held to maturity. Securities available for sale are held with the option of their disposal in the foreseeable future to meet investment and liquidity objectives or for other operational needs. Securities available for sale are carried at fair value. Securities held to maturity are held with the intent to hold those securities to maturity. Securities held to maturity are carried at cost, adjusted for amortization of premiums and accretion of discounts. As of December 31, 2014, the fair value of securities available for sale was $759.1 million and the amortized cost was $749.4 million. There were $10.7 million of gross unrealized gains and $1.0 million of gross unrealized losses for a net unrealized gain of $9.7 million. The unrealized gain, net of tax, of $5.8 million has been included in stockholders equity. As of December 31, 2014, the cost and fair value of securities held to maturity was $2.4 million.

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The composition of securities available for sale was as follows:

	As of December 31,				
	2014	2013	2012	2011	2010
	(dollars in thousands)				
U.S. Treasury securities	$ 50,606	$ 102,640	$ 104,656	$ 46,035	$ 381
Obligations of U.S. government corporations and agencies	167,010	257,411	370,194	349,031	333,135
Obligations of states and political subdivisions	220,161	272,152	280,288	154,437	76,935
Residential mortgage-backed securities	235,636	177,735	217,715	278,115	183,006
Corporate debt securities	79,307	25,506	24,714	2,583	1,499
Mutual funds and other equity securities	6,345	5,866	3,930	1,548	4,503
Fair value of securities available for sale	$ 759,065	$ 841,310	$ 1,001,497	$ 831,749	$ 599,459
Amortized cost	$ 749,364	$ 833,735	$ 978,477	$ 809,439	$ 584,469
Fair value as a percentage of amortized cost	101.29%	100.91%	102.35%	102.76%	102.56%

The Company had $2.4 million and $0.8 million of securities classified as held to maturity at December 31, 2014 and 2013, respectively. There were no held to maturity securities in the prior years.

The primary purposes of the investment portfolio include providing a source of liquidity, providing collateral for pledging purposes against public monies and repurchase agreements, serving as a tool for interest rate risk positioning and providing a source of earnings by deploying funds which are not needed to fulfill loan demand, deposit redemptions or other liquidity purposes. Pledged securities totaled $536.2 million, or 70.6% of total securities, and $428.7 million, or 51.0% of total securities at December 31, 2014 and 2013, respectively.

The maturities, fair values and weighted average yields of securities available for sale and held to maturity as of December 31, 2014 were:

	Due in 1 year or less		Due after 1 year through 5 years		Due after 5 years through 10 years		Due after 10 years	
Available for sale(1)	**Fair Value**	**Weighted Average Yield**	**Fair Value**	**Weighted Average Yield**	**Fair Value**	**Weighted Average Yield**	**Fair Value**	**Weighted Average Yield**
U.S. Treasury securities	$	%	$ 49,660	1.13%	$ 946	2.31%	$	%
Obligations of U.S. government corporations and agencies	61,634	1.45%	105,249	1.02%	127	2.37%		%
Obligations of states and political subdivisions (2)	45,072	2.09%	132,240	2.20%	39,890	4.52%	2,959	6.47%
Residential mortgage-backed securities		%	4,152	3.05%	81,626	2.38%	149,858	2.45%
Corporate debt securities	19,546	0.94%	57,867	2.45%	1,894	4.38%		%
Total	$ 126,252	1.60%	$ 349,168	1.74%	$ 124,483	3.10%	$ 152,817	2.53%

Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years

Held to maturity	Fair Value	Weighted Average Yield	Fair Value	Weighted Average Yield	Fair Value	Weighted Average Yield	Fair Value	Weighted Average Yield
Obligations of states and political subdivisions (2)	$ 72	2.24%	$ 636	2.95%	$ 663	4.53%	$	%
Commercial mortgage-backed securities		%		%	1,054	3.20%		%
Total	$ 72	2.24%	$ 636	2.95%	$ 1,717	3.71%	$	%

(1) Excludes mutual funds and other equity securities.

(2) Weighted average yield calculated on a tax-equivalent basis, assuming a federal income tax rate of 35% (the effective federal income tax rate as of December 31, 2014).

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Overall in 2014, the investment portfolio declined by 9.6%. We consider many factors in determining the composition of our investment portfolio including, but not limited to, credit quality, duration, interest rate risk, liquidity, tax-equivalent yield, regulatory and overall portfolio allocation. As of December 31, 2014, the Company did not have any non-agency issued securities that exceeded 10% of the Company s total stockholders equity. We have not experienced credit related losses in our investment portfolio.

Loan Portfolio

The composition of our loan portfolio as of the dates indicated was as follows:

	As of December 31, (dollars in thousands)				
	2014	2013	2012	2011	2010
Commercial	$ 601,760	$ 580,612	$ 433,688	$ 407,855	$ 439,393
Commercial real estate	1,104,151	1,092,273	981,132	980,216	1,072,817
Real estate construction	107,054	78,855	86,101	104,865	154,411
Retail real estate	592,473	534,493	559,836	540,146	657,096
Retail other	10,252	9,067	12,353	18,262	45,060
Loans	$ 2,415,690	$ 2,295,300	$ 2,073,110	$ 2,051,344	$ 2,368,777

Loans, including loans held for sale and deferred loan fees, before allowance for loan losses, increased 5.2% to $2.41 billion as of December 31, 2014 from $2.30 billion at December 31, 2013. Our focus over the past several years has been to grow loans through relationship banking rather than transactional banking. Relationship banking implies a primary banking relationship with the borrower that includes, at minimum, an active deposit banking relationship in addition to the lending relationship.

Geographic distributions of loans by category were as follows:

	December 31, 2014 (dollars in thousands)			
	Illinois	Florida	Indiana	Total
Commercial	$ 554,779	$ 16,739	$ 30,242	$ 601,760
Commercial real estate	811,034	171,243	121,874	1,104,151
Real estate construction	60,994	17,950	28,110	107,054
Retail real estate	473,171	106,658	12,644	592,473
Retail other	9,690	562		10,252
Total	$ 1,909,668	$ 313,152	$ 192,870	$ 2,415,690
Less held for sale(1)				10,400
				$ 2,405,290
Less allowance for loan losses				47,453
Net loans				$ 2,357,837

(1) Loans held for sale are included in retail real estate.

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	December 31, 2013			
	Illinois	Florida	Indiana	Total
	(dollars in thousands)			
Commercial	$ 530,174	$ 20,536	$ 29,902	$ 580,612
Commercial real estate	800,568	160,255	131,450	1,092,273
Real estate construction	55,190	17,426	6,239	78,855
Retail real estate	419,801	103,104	11,588	534,493
Retail other	8,422	552	93	9,067
Total	$ 1,814,155	$ 301,873	$ 179,272	$ 2,295,300
Less held for sale(1)				13,840
				$ 2,281,460
Less allowance for loan losses				47,567
Net loans				$ 2,233,893

(1) Loans held for sale are included in retail real estate.

The total loan portfolio, gross, as of December 31, 2014 increased $120.4 million from December 31, 2013; gross commercial balances (consisting of commercial, commercial real estate and real estate construction loans) increased $61.2 million from December 31, 2013. As of December 31, 2014, gross retail real estate loans and retail other loans increased $59.2 million from December 31, 2013. In the first quarter of 2014, the Company purchased $25.0 million in performing home equity lines of credit at a floating rate to support an optimal mix of earning asset growth. In addition, in 2014, the Company retained a higher level of retail real estate loans versus selling the loans and this mix may vary over time. Achieving meaningful organic growth has been a significant focus for us and our commitment to credit quality remains strong.

Commitments under standby letters of credit, unused lines of credit and other conditionally approved credit lines totaled approximately $581.9 million and $537.8 million as of December 31, 2014 and 2013, respectively.

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

The following table sets forth remaining maturities of selected loans (excluding certain real estate-mortgage loans and installment loans to individuals) at December 31, 2014:

	1 Year or Less	1 to 5 Years	Over 5 Years	Total
	(dollars in thousands)			
Commercial	$ 324,641	$ 206,702	$ 70,417	$ 601,760
Commercial real estate	147,965	767,823	188,363	1,104,151
Real estate construction	43,539	43,518	19,997	107,054
Total	$ 516,145	$ 1,018,043	$ 278,777	$ 1,812,965

Interest rate sensitivity of selected loans				
Fixed rate	$ 252,269	$ 794,214	$ 252,522	$ 1,299,005
Adjustable rate	263,876	223,829	26,255	513,960
Total	$ 516,145	$ 1,018,043	$ 278,777	$ 1,812,965

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Allowance for Loan Losses

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

	Years ended December 31,				
	2014	2013	2012	2011	2010
	(dollars in thousands)				
Average loans outstanding during Period	$ 2,301,358	$ 2,126,536	$ 2,014,797	$ 2,173,408	$ 2,609,337
Allowance for loan losses:					
Balance at beginning of period	$ 47,567	$ 48,012	$ 58,506	$ 76,038	$ 100,179
Loans charged-off:					
Commercial	$ (1,990)	$ (964)	$ (4,422)	$ (10,726)	$ (10,896)
Commercial real estate	(1,173)	(3,904)	(15,874)	(14,298)	(28,576)
Real estate construction	(726)	(1,268)	(2,219)	(7,556)	(28,268)
Retail real estate	(3,052)	(4,015)	(6,910)	(12,165)	(12,751)
Retail other	(430)	(518)	(638)	(668)	(552)
Total charge-offs	$ (7,371)	$ (10,669)	$ (30,063)	$ (45,413)	$ (81,043)
Recoveries:					
Commercial	$ 410	$ 213	$ 757	$ 1,562	$ 185
Commercial real estate	2,379	563	502	1,047	2,849
Real estate construction	1,612	706	598	1,268	11,241
Retail real estate	644	875	978	2,615	513
Retail other	212	367	234	1,389	114
Total recoveries	$ 5,257	$ 2,724	$ 3,069	$ 7,881	$ 14,902
Net loans charged-off	$ (2,114)	$ (7,945)	$ (26,994)	$ (37,532)	$ (66,141)
Provision for loan losses	$ 2,000	$ 7,500	$ 16,500	$ 20,000	$ 42,000
Balance at end of period	$ 47,453	$ 47,567	$ 48,012	$ 58,506	$ 76,038
Ratios:					
Net charge-offs to average loans	0.09%	0.37%	1.34%	1.73%	2.53%
Allowance for loan losses to total loans at period end	1.96%	2.07%	2.32%	2.85%	3.21%

Our allowance for loan losses was $47.5 million, or 1.96% of loans, and $47.6 million, or 2.07% of loans, at December 31, 2014 and 2013, respectively. The following table sets forth the allowance for loan losses by loan categories as of December 31 for each of the years indicated:

	2014		2013		2012		2011		2010	
	Amount	% of Loans to Total Loans	Amount	% of Loans to Total Loans	Amount	% of Loans to Total Loans	Amount	% of Loans to Total Loans	Amount	% of Loans to Total Loans
	(dollars in thousands)									
Commercial	$ 10,041	24.9%	$ 10,378	25.3%	$ 8,034	20.9%	$ 11,082	19.9%	$ 13,840	18.5%
Commercial real estate	20,639	45.8%	22,112	47.6%	21,085	47.3%	27,018	47.8%	32,795	45.3%
Real estate construction	2,795	4.4%	3,708	3.4%	4,842	4.2%	7,288	5.1%	11,903	6.5%
	13,662	24.5%	11,149	23.3%	13,724	27.0%	12,633	26.3%	14,947	27.8%

Retail real estate														
Retail other		316	0.4%		220	0.4%		327	0.6%		485	0.9%	2,553	1.9%
Total	$	47,453	100.0%	$	47,567	100.0%	$	48,012	100.0%	$	58,506	100.0%	$ 76,038	100.0%

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In 2014, we continued to see a decline in our net charge-offs. As a portion of our allowance is based upon weighted historical charge-offs, the lesser amount of charge-offs in recent years are replacing years with significantly higher charge-offs in the historical data, causing the weighted historical average charge-off rate to decline. Adjustments to increase qualitative factors were made during 2014 to recognize perceived changing degrees of risk, offset decreasing quantitative factors and reflect management s evaluation of risk.

Typically, when we move loans into non-accrual status, the loans are collateral dependent and charged down through the allowance for loan losses to the fair value of our interest in the underlying collateral less estimated costs to sell. Our loan portfolio is collateralized primarily by real estate.

We continue to attempt to identify problem loan situations on a proactive basis. Once problem loans are identified, adjustments to the provision for loan losses are made based upon all information available at that time. The provision reflects management s analysis of additional allowance for loan losses necessary to cover probable losses in our loan portfolio.

As of December 31, 2014, management believed the level of the allowance and coverage of non-performing loans to be appropriate based upon the information available. However, additional losses may be identified in our loan portfolio as new information is obtained. We may need to provide for additional loan losses in the future as management continues to identify potential problem loans and gains further information concerning existing problem loans.

First Busey does not originate or hold any Alt-A or subprime loans or investments.

Provision for Loan Losses

The provision for loan losses is a current charge against income and represents an amount which management believes is sufficient to maintain an appropriate allowance for known and probable losses in the loan portfolio. In assessing the appropriateness of the allowance for loan losses, management considers the size and quality of the loan portfolio measured against prevailing economic conditions, regulatory guidelines, historical loan loss experience and credit quality of the portfolio. When a determination is made by management to charge-off a loan balance, such write-off is charged against the allowance for loan losses.

As net charge-offs and non-performing loans trended significantly lower, the provision for loan losses was $2.0 million during 2014 compared to $7.5 million in 2013 and $16.5 million in 2012.

Sensitive assets include non-accrual loans, loans on our classified loan reports and other loans identified as having more than reasonable potential for loss. Management reviews sensitive assets on at least a quarterly basis for changes in each applicable customer s ability to pay and changes in valuation of underlying collateral in order to estimate probable losses. The majority of these loans are being repaid in conformance with their contracts.

Non-performing Loans

Loans are considered past due if the required principal and interest payments have not been received as of the date such payments were due. Loans are placed on non-accrual status when, in management s opinion, the borrower may be unable to meet payment obligations as they become due, as well as when required by regulatory provisions. Loans may be placed on non-accrual status regardless of whether or not such loans are considered past due. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

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The following table sets forth information concerning non-performing loans and performing restructured loans at December 31 for each of the years indicated:

	2014	2013	2012	2011	2010
			(dollars in thousands)		
Non-accrual loans	$ 9,000	$ 17,164	$ 25,104	$ 38,340	$ 65,486
Loans 90+ days past due and still accruing	10	195	256	173	2,618
Total non-performing loans	$ 9,010	$ 17,359	$ 25,360	$ 38,513	$ 68,104
Repossessed assets	$	$ 1,732	$ 2,949	$ 6,378	$ 9,154
Other assets acquired in satisfaction of debts previously contracted	216	401	501	2,074	6
Total OREO	$ 216	$ 2,133	$ 3,450	$ 8,452	$ 9,160
Total non-performing loans and OREO	$ 9,226	$ 19,492	$ 28,810	$ 46,965	$ 77,264
Non-performing loans to loans, before allowance for loan losses	0.37%	0.76%	1.22%	1.88%	2.88%
Non-performing loans and OREO to loans, before allowance for loan losses	0.38%	0.85%	1.39%	2.28%	3.26%
Performing restructured loans not included above	$ 11,866	$ 11,891	$ 22,051	$ 33,637	$ 28,233

We continue to drive positive trends across a range of credit indicators. Total non-performing assets were $9.2 million at December 31, 2014, compared to $19.5 million at December 31, 2013. While these improvements are encouraging, many asset quality metrics remain dependent upon market-specific economic conditions, and specific measures may fluctuate from quarter to quarter.

As of December 31, 2014, the Bank had charged-off $3.5 million of principal balance on loans that were on non-accrual status at December 31, 2014. Partial charge-offs reduce the reported principal of the balance of the loan, whereas, a specific allocation of allowance for loan losses does not reduce the reported principal balance of the loan. Non-accrual loans are reported net of charge-offs, but include related specific allocations of the allowance for loan losses. In summary, if we had not charged-off $3.5 million in loans, our non-accrual loans would have been that amount greater than the $9.0 million reported.

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 of $30.9 million at December 31, 2014 were less than the $50.1 million reported at December 31, 2013. The decline in balance of potential problem loans is a reflection of our continued focus on strengthening credit quality as the broader economy continues to improve following the recession. We do not believe the potential losses associated with these potential problem loans will be as great as seen in the past. Management continues to monitor these credits and anticipates that restructurings, guarantees, additional collateral or other planned actions will result in full repayment of the debts. As of December 31, 2014, management identified no other loans that represent or result from trends or uncertainties which management reasonably expected to materially impact future operating results, liquidity or capital resources. As of December 31, 2014, management was not aware of any information about any other credits which caused management to have serious doubts as to the ability of such borrower(s) to comply with the loan repayment terms.

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Deposits

As indicated in the following table, average non-interest-bearing deposits as a percentage of average total deposits increased to 20.7% for the year ended December 31, 2014, from 18.3% for the year ended December 31, 2013, and 18.0% for the year ended December 31, 2012. We continue to focus on deepening our relationship value with customers, which, in turn, fosters deposit growth.

	Year Ended December 31,								
	2014			2013			2012		
	(dollars in thousands)								
	Average Balance	% Total	Average Rate	Average Balance	% Total	Average Rate	Average Balance	% Total	Average Rate
Non-interest-bearing demand deposits	$ 596,058	20.7%	0.00%	$ 531,744	18.3%	0.00%	$ 515,934	18.0%	0.00%
Interest-bearing demand Deposits	48,431	1.7%	0.06%	49,049	1.7%	0.06%	42,532	1.5%	0.16%
Savings/Money Market	1,693,456	58.9%	0.10%	1,681,407	58.1%	0.11%	1,562,660	54.6%	0.20%
Time deposits	537,415	18.7%	0.62%	633,534	21.9%	0.83%	741,038	25.9%	1.25%
Total	$ 2,875,360	100.0%	0.18%	$ 2,895,734	100.0%	0.25%	$ 2,862,164	100.0%	0.44%

Certificates of deposit and other time deposits of $100,000 and over at December 31, 2014 had the following maturities (dollars in thousands):

Under 3 months	$ 22,842
3 to 6 months	25,118
6 to 12 months	38,632
Over 12 months	51,845
Total	$ 138,437

At December 31, 2014, we did not have any brokered certificates of deposit. National certificates of deposit of $0.5 million at December 31, 2014 had maturities of $0.1 million in 3 to 6 months and $0.4 million in excess of 12 months.

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Federal Funds Purchased, Securities Sold Under Agreements to Repurchase and Other Short-term Borrowings

The following table sets forth the distribution of short-term borrowings and weighted average interest rates thereon as of December 31, 2014, 2013 and 2012. Securities sold under agreements to repurchase generally represent overnight borrowing transactions. First Busey had no other categories of short-term borrowings outstanding as of December 31, 2014, 2013 and 2012; however, during 2014 the Company purchased federal funds and FHLB advances to test operational availability to access funds if needed.

		Securities sold under agreements to repurchase (dollars in thousands)
2014		
Balance, December 31, 2014	$	198,893
Weighted average interest rate at end of period		0.14%
Maximum outstanding at any month end	$	198,893
Average daily balance	$	148,452
Weighted average interest rate during period (1)		0.12%
2013		
Balance, December 31, 2013	$	172,348
Weighted average interest rate at end of period		0.13%
Maximum outstanding at any month end	$	172,348
Average daily balance	$	137,777
Weighted average interest rate during period (1)		0.14%
2012		
Balance, December 31, 2012	$	139,024
Weighted average interest rate at end of period		0.15%
Maximum outstanding at any month end	$	146,710
Average daily balance	$	132,150
Weighted average interest rate during period (1)		0.21%

(1) The weighted average interest rate is computed by dividing total interest for the year by the average daily balance outstanding.

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 our business. These financial obligations consist of needs for funds to meet commitments to borrowers for extensions of credit, fund capital expenditures, honor withdrawals by customers, pay dividends to stockholders and pay operating expenses.

Our most liquid assets are cash and due from banks, interest-bearing bank deposits, and, if needed, federal funds sold. The balances of these assets are dependent on the Company s operating, investing, lending, and financing activities during any given period. Average liquid assets are summarized in the table below:

	Years Ended December 31,		
	2014	2013	2012
	(dollars in thousands)		
Cash and due from banks	$ 87,884	$ 92,390	$ 77,482
Interest-bearing bank deposits	160,948	194,508	263,017
Total	$ 248,832	$ 286,898	$ 340,499
Percent of average total assets	7.0%	8.1%	9.7%

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First Busey s primary sources of funds consist of deposits, investment maturities and sales, loan principal repayments, and capital funds. Additional liquidity is provided by repurchase agreements, the ability to borrow from the Federal Reserve and the FHLB, and brokered deposits. Management intends to satisfy long-term liquidity needs primarily through retention of capital funds.

During the third and fourth quarter of 2014, as part of our ongoing balance sheet strategy, the Company took on a modest level of long-term debt taking advantage of low interest rates and attractive funding options. The Company executed $50.0 million in FHLB discount note indexed advances with an average cost of 8 basis points for the year ended December 31, 2014. The variable rate notes range in maturity from five to ten years with options to prepay at par prior to maturity.

Based upon the level of investment securities that reprice within 30 days and 90 days, as of December 31, 2014, management believed that adequate liquidity existed to meet all projected cash flow obligations. We seek to achieve a satisfactory degree of liquidity by 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.

At December 31, 2014 the Bank s capital ratios were in excess of the minimum capital ratios required to be well- capitalized under regulatory standards. However, due to the significant losses in the past, no dividends have been paid from the Bank since 2009. Until such time as retained earnings have been restored, the Bank will not be permitted to pay dividends and we will need to request permission from the Bank s primary regulator to receive any capital out of the Bank. On January 22, 2013, with the approval of its primary regulator, the Bank transferred $50.0 million to the Company representing a return of capital and associated surplus as a result of an amendment to the Bank s charter. Further, on October 22, 2014, with the approval of its primary regulator, Busey Bank transferred $60.0 million to the Company, representing a return of capital and associated surplus as a result of a further amendment to Busey Bank s charter.

Off-Balance-Sheet Arrangements

The Bank routinely enters into commitments to extend credit in the normal course of its business. As of December 31, 2014 and 2013, we had outstanding loan commitments including lines of credit of $561.4 million and $527.6 million, respectively. The balance of commitments to extend credit represents future cash requirements and some of these commitments may expire without being drawn upon. We anticipate we will have sufficient funds available to meet current loan commitments, including loan applications received and in process prior to the issuance of firm commitments.

Contractual Obligations

We have entered into certain contractual obligations and other commitments. Such obligations generally relate to funding of operations through deposits, debt issuance, and property and equipment leases. The following table summarizes significant contractual obligations and other commitments as of December 31, 2014:

Junior

	Certificates of Deposit	Operating Leases	Subordinated Debt Owed to Unconsolidated Trusts	Total
		(dollars in thousands)		
2015	$ 309,598	$ 941	$	$ 310,539
2016	95,118	219		95,337
2017	61,161	111		61,272
2018	18,934	102		19,036
2019	11,250	70		11,320
Thereafter	10		55,000	55,010
Total	$ 496,071	$ 1,443	$ 55,000	$ 552,514
Commitments to extend credit				$ 581,905

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Cash Flows

Net cash flows provided by operating activities totaled $68.1 million, $98.2 million and $49.1 million in 2014, 2013 and 2012, respectively. Significant items affecting the cash flows provided by operating activities include net income, depreciation and amortization expense, the provision for loan losses, deferred income taxes, gain on sales of loans, and activities related to the origination and sale of mortgage loans held for sale. Net cash provided by mortgage loan originations was $8.2 million in 2014 and $36.4 million in 2013. In 2012, net cash used in mortgage loan originations was $12.2 million. Fluctuations in sales are primarily a function of changes in market rates for mortgage loans, which influence refinance activity.

Net cash used in investing activities was $51.3 million in 2014, $118.7 million in 2013, and $204.4 million in 2012. Significant activities affecting cash flows from investing activities are those activities associated with managing the Company s investment and loan portfolios. Due to the continued emphasis on growth, the Company experienced a net increase in loans of $126.6 million in 2014, $258.4 million in 2013 and $33.7 million in 2012.

Net cash provided by financing activities totaled $91.0 million in 2014 as compared to net cash used in financing activities of $99.1 million in 2013 and cash provided by financing activities of $191.6 million in 2012. Significant items affecting cash flows from financing activities are deposits, short-term borrowings, long-term debt, and net proceeds from stock issuances. Deposits, which represent the Company s primary funding source, increased by $31.7 million in 2014 and $216.8 million in 2012, and as such, drove the positive cash inflow from financing activities. In comparison, deposits shrank $111.2 million in 2013. Securities sold under agreements to repurchase increased $26.5 million in 2014, $33.3 million in 2013 and $11.2 million in 2012. In 2014, the Company took on a modest level of long-term debt taking advantage of low interest rates and attractive funding options.

Capital Resources

Our capital ratios are in excess of those required to be considered well-capitalized pursuant to applicable regulatory guidelines at both the consolidated level and at the Bank. The Federal Reserve Board uses capital adequacy guidelines in its examination and regulation of bank holding companies and their subsidiary banks. Risk-based capital ratios are established by allocating assets and certain off-balance-sheet commitments into four risk-weighted categories. These balances are then multiplied by the factor appropriate for that risk-weighted category. The guidelines require bank holding companies and their subsidiary banks to maintain a total capital to total risk-weighted asset ratio of not less than 8.00%, of which at least one half must be Tier 1 capital, and a Tier 1 leverage ratio of not less than 4.00%. As of December 31, 2014, we had a total capital to total risk-weighted asset ratio of 18.66%, a Tier 1 capital to risk-weighted asset ratio of 17.38% and a Tier 1 leverage ratio of 12.79%; the Bank had ratios of 14.94%, 13.66%, and 10.10%, respectively.

Issuance of Preferred Stock Under Small Business Lending Fund

On August 25, 2011, the Company entered into the Purchase Agreement with the Treasury, pursuant to which the Company issued and sold to the Treasury 72,664 shares of its Series C Preferred Stock, having a liquidation preference of $1,000 per share, for aggregate proceeds of $72,664,000 (which were used to partially finance the Company s redemption of Series T Preferred Stock as described below). The SBLF is a Treasury lending program that encourages qualified community banks to partner with small businesses and entrepreneurs to create jobs and

promote economic development in local communities.

The Series C Preferred Stock qualifies as Tier 1 capital for the Company. Non-cumulative dividends are payable quarterly on the Series C Preferred Stock, which began October 1, 2011. The dividend rate was calculated as a percentage of the aggregate Liquidation Amount of the outstanding Series C Preferred Stock and was based on changes in the level of Qualified Small Business Lending or QSBL (as such terms are defined in the Purchase Agreement) by the Bank. Based upon the lack of increase in the Bank s level of QSBL over the baseline level calculated under the terms of the Purchase Agreement, the dividend rate for the initial dividend period, which was from the date of issuance through September 30, 2011, was set at 5%. For the 2nd through 10th calendar quarters, which ended December 31, 2013, the annual dividend rate also remained at 5%. For the 11th calendar quarter through 4.5 years after issuance, the dividend rate will be fixed at between 1% and 7% based upon the level of QSBL as compared to the baseline. In the third quarter of 2013, the Company had meaningful progress in commercial loan growth which led to the successful attainment of targets under the SBLF program. The achievement of this important milestone under SBLF yielded the lowest possible dividend rate in 2014 of 1%. After 4.5 years from issuance, which will be in the first quarter of 2016, the dividend rate will increase to 9%.

The Series C Preferred Stock is non-voting, except in limited circumstances. The Company may redeem the shares of Series C Preferred Stock, in whole or in part, at any time at a redemption price equal to the sum of the Liquidation Amount per share and the per share amount of any unpaid dividends for the then-current period, subject to any required prior approval by the Company s primary federal banking regulator.

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Redemption of Series T Preferred Stock

The Company s Series T Preferred Stock, was issued to the Treasury on March 6, 2009 in connection with the Company s participation in the TARP CPP. On August 25, 2011, the Company entered into and consummated the transactions contemplated by a letter agreement (the Repurchase Document) with the Treasury. Under the Repurchase Document, the Company redeemed from the Treasury, in part using the proceeds from the issuance of the Series C Preferred Stock, all 100,000 outstanding shares of its Series T Preferred Stock, for a redemption price of approximately $100.1 million, including accrued but unpaid dividends to the date of redemption.

In connection with the Company s participation in the CPP, the Company also issued to Treasury a warrant to purchase 1,147,666 shares of the Company s common stock. Subsequent to the date of the Company s participation in the CPP, it raised additional capital through a public offering of common stock and, as a result of that offering, the number of shares of common stock subject to the warrant were reduced by 50% to 573,833. On November 23, 2011 the Treasury completed an auction to sell its warrant in a private transaction. At December 31, 2014, this warrant to purchase 573,833 shares of the Company s common stock remained outstanding.

New Accounting Pronouncements

The Company reviews new accounting standards as issued. Information relating to accounting pronouncements issued and applicable to the Company in 2014 appears in *Note 1 Significant Accounting Policies* in the Notes to the Consolidated Financial Statements. The Company has not identified any other standards that it believes merit further discussion.

Effects of Inflation

The effect of inflation on a financial institution differs significantly from the effect on an industrial company. While a financial institution s operating expenses, particularly salary and employee benefits, are affected by general inflation, the asset and liability structure of a financial institution consists largely of monetary items. Monetary items, such as cash, loans and deposits, are those assets and liabilities which are or will be converted into a fixed number of dollars regardless of changes in prices. As a result, changes in interest rates have a more significant impact on a financial institution s performance than does general inflation. For additional information regarding interest rates and changes in net interest income see Average Balance Sheets and Interest Rates and Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Market risk is the risk of changes 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, have minimal impact or do not arise in the normal course of First Busey s business activities.

The Bank has an asset-liability committee which meets at least quarterly to review current market conditions and attempts to structure the Bank s balance sheet to ensure stable net interest income despite potential changes in interest rates with all other variables constant.

As interest rate changes do not impact all categories of assets and liabilities equally or simultaneously, the asset-liability committee primarily relies on balance sheet and income simulation analysis to determine the potential impact of changes in market interest rates on net interest income. In these standard simulation models, the balance sheet is projected over a year-one time horizon and a year-two time horizon, and net interest income is calculated under current market rates and then assuming permanent instantaneous shifts of +/-100, +/-200, +/-300 and +/-400 basis points. Management measures such changes assuming immediate and sustained shifts in the federal funds rate and other market rate indices and the corresponding shifts in other non-market rate indices based on their historical changes relative to changes in the federal funds rate and other market indices. The model assumes assets and liabilities remain constant at the measurement date balances. The model uses repricing frequency on all variable-rate assets and liabilities. Prepayment speeds on loans have been adjusted to incorporate expected prepayment speeds in both a declining and rising rate environment. As of December 31, 2014 and 2013, due to the current low interest rate environment, a downward adjustment in federal fund rates was not meaningful.

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Utilizing this measurement concept, the interest rate risk of First Busey due to an immediate and sustained change in interest rates, expressed as a change in net interest income as a percentage of the net interest income calculated in the constant base model, was as follows:

	Year-One: Basis Point Changes							
	-400	**-300**	**-200**	**-100**	**+100**	**+200**	**+300**	**+400**
December 31, 2014	NA	NA	NA	NA	(2.47)%	(5.10)%	(8.09)%	(11.35)%
December 31, 2013	NA	NA	NA	NA	(3.55)%	(6.91)%	(10.62)%	(14.60)%

	Year-Two: Basis Point Changes							
	-400	**-300**	**-200**	**-100**	**+100**	**+200**	**+300**	**+400**
December 31, 2014	NA	NA	NA	NA	0.46%	0.43%	(0.17)%	(1.31)%
December 31, 2013	NA	NA	NA	NA	0.54%	0.63%	0.15%	(0.88)%

The risk is monitored and managed within approved policy limits. The calculation of potential effects of hypothetical interest rate changes was based on numerous assumptions and should not be relied upon as indicative of actual results. Actual results will differ from simulated results due to timing, magnitude and frequency of interest rate changes as well as changes in market conditions and management strategies. The above results do not take into account any management action to mitigate potential risk.

Item 8. Financial Statements and Supplementary Data

The financial statements are presented beginning on page 68, and incorporated herein by reference.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not applicable.

Item 9A. 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 Securities Exchange Act of 1934, as amended (the Exchange Act)) was carried out as of December 31, 2014, under the supervision and with the participation of our Chief Executive Officer, Chief Financial Officer and several other members of our senior management. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of December 31, 2014, 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 Exchange Act was (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.

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Management s Report on Internal Control Over Financial Reporting

First Busey s management is responsible for establishing and maintaining adequate internal control over financial reporting. The Company s internal control over financial reporting is a process designed under the supervision of the Company s Chief Executive Officer and Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company s Consolidated Financial Statements for external reporting purposes in accordance with U.S. generally accepted accounting principles.

As of December 31, 2014, management assessed the effectiveness of the Company s internal control over financial reporting based on the criteria for effective internal control over financial reporting established in *Internal Control Integrated Framework*, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in 2013. Based on this assessment, management determined that the Company maintained effective internal control over financial reporting as of December 31, 2014, based on the COSO criteria.

McGladrey LLP, an independent registered public accounting firm that audited the Consolidated Financial Statements of the Company included in this Annual Report on Form 10-K, has issued an attestation report on the effectiveness of the Company s internal control over financial reporting as of December 31, 2014. The report, which expresses an unqualified opinion on the effectiveness of the Company s internal control over financial reporting as of December 31, 2014, is included in this Item under the heading *Report of Independent Registered Public Accounting Firm on Internal Control over Financial Reporting.*

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON

INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Board of Directors and Stockholders of First Busey Corporation

We have audited First Busey Corporation s internal control over financial reporting as of December 31, 2014, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013. First Busey Corporation s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management s Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (a) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (b) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (c) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company s assets that could have a material effect on the Consolidated Financial Statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, First Busey Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Consolidated Financial Statements of First Busey Corporation and subsidiaries and our report dated March 10, 2015, expressed an unqualified opinion.

/s/ McGLADREY LLP

Champaign, Illinois

March 10, 2015

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Changes in Internal Control Over Financial Reporting

During the quarter ended December 31, 2014, no change occurred in our internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

On May 14, 2013, COSO issued an updated version of its Internal Control - Integrated Framework (2013 Framework). Originally issued in 1992 (1992 Framework), the framework helps organizations design, implement and evaluate the effectiveness of internal control concepts and simplify their use and application. The 1992 Framework remained effective during the transition, which extended to December 15, 2014, after which time COSO considered it as superseded by the 2013 Framework. As of December 31, 2014, First Busey has transitioned to the 2013 Framework.

Item 9B. Other information

None.

Part III

Item 10. Directors, Executive Officers and Corporate Governance

(a) Directors of the Registrant and Corporate Governance. Information required by this Item is incorporated herein by reference to First Busey s Proxy Statement for its 2015 Annual Meeting of Stockholders to be filed with the SEC within 120 days of First Busey s fiscal year-end under the captions Proposal 1: Election of Directors, Section 16(a) Beneficial Ownership Reporting Compliance, and Corporate Governance and Board of Directors Matters.

(b) Executive Officers of the Registrant. The information required by this item is incorporated herein by reference to Part I, Item I of this Form 10-K under the caption Executive Officers.

Item 11. Executive Compensation

The information required by this Item is incorporated herein by reference to First Busey s Proxy Statement for its 2015 Annual Meeting of Stockholders to be filed with the SEC within 120 days of First Busey s fiscal year-end under the captions Director Compensation, Compensation Discussion and Analysis, Executive Management Compensation and Succession Committee Report, Compensation of Named Executive

Officers, and Executive Management Compensation and Succession Committee Interlocks and Insider Participation.

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Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Stock Incentive Plans

The following table discloses the number of outstanding options, warrants and rights granted by First Busey to participants in equity compensation plans, as well as the number of securities remaining available for future issuance under these plans as of December 31, 2014. The table provides this information separately for equity compensation plans that have and have not been approved by security holders. Additional information regarding stock incentive plans is presented in *Note 16 Stock Incentive Plans* in the Notes to the Consolidated Financial Statements included pursuant to Item 8.

Plan Category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by stockholders	510,130	$ 16.33	3,894,691
Equity compensation plans not approved by stockholders			
Total	510,130	$ 16.33	3,894,691

Other information required by Item 12 is incorporated herein by reference to First Busey s Proxy Statement for its 2015 Annual Meeting of Stockholders to be filed with the SEC within 120 days of First Busey s fiscal year-end under the caption Stock Ownership of Certain Beneficial Owners and Management.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this Item is incorporated herein by reference to First Busey s Proxy Statement for its 2015 Annual Meeting of Stockholders to be filed with the SEC within 120 days of First Busey s fiscal year-end under the captions Certain Relationships and Related-Person Transactions and Corporate Governance and Board of Directors Matters.

Item 14. Principal Accountant Fees and Services

The information required by this Item is incorporated herein by reference to First Busey s Proxy Statement for its 2015 Annual Meeting of Stockholders to be filed with the SEC within 120 days of First Busey s fiscal year-end under the caption Audit and Related Fees.

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Part IV

Item 15. Exhibits and Financial Statement Schedules

Exhibits

A list of exhibits to this Form 10-K is set forth on the Exhibit Index immediately following the signature page hereto and is incorporated into this report by reference. Our Consolidated Financial Statements can be found immediately following the Exhibit Index.

Stockholders may obtain a copy of any of the exhibits by writing to First Busey Corporation, Corporate Secretary, at 100 W. University, Champaign, IL 61820, or by visiting the SEC s EDGAR database at http://www.sec.gov. The Company s SEC file number is 0-15950.

Signatures

Pursuant to the requirements of Section 13 or 15(d) 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.

Date: March 10, 2015

FIRST BUSEY CORPORATION
BY /s/ VAN A. DUKEMAN
Van A. Dukeman
President and Chief Executive Officer
(Principal Executive Officer)

BY /s/ ROBIN N. ELLIOTT
Robin N. Elliott
Chief Financial Officer
(Principal Financial and Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ VAN A. DUKEMAN Van A. Dukeman	President and Chief Executive Officer; Director	March 10, 2015

	(Principal Executive Officer)	
/s/ ROBIN N. ELLIOTT Robin N. Elliott	Chief Financial Officer (Principal Financial and Accounting Officer)	March 10, 2015
/s/ GREGORY B. LYKINS Gregory B. Lykins	Chairman	March 10, 2015
/s/ JOSEPH M. AMBROSE Joseph M. Ambrose	Director	March 10, 2015
/s/ DAVID J. DOWNEY David J. Downey	Director	March 10, 2015
/s/ STEPHEN V. KING Stephen V. King	Director	March 10, 2015
/s/ E. PHILLIPS KNOX E. Phillips Knox	Director	March 10, 2015
/s/ V. B. LEISTER, JR. V. B. Leister, Jr.	Director	March 10, 2015
/s/ AUGUST C. MEYER, JR. August C. Meyer, Jr.	Director	March 10, 2015

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Signature	Title	Date
/s/ GEORGE T. SHAPLAND George T. Shapland	Director	March 10, 2015
/s/ THOMAS G. SLOAN Thomas G. Sloan	Director	March 10, 2015
/s/ JON D. STEWART Jon D. Stewart	Director	March 10, 2015
/s/ PHYLLIS M. WISE Phyllis M. Wise	Director	March 10, 2015

Exhibit Index

Exhibit Number	Description of Exhibit
2.1	Agreement and Plan of Merger, dated September 25, 2014, by and among First Busey Corporation, FBC Acquisition LLC and Herget Financial Corp. (filed as Exhibit 2.1 to First Busey s Form 10-Q for the quarter ended September 30, 2014, filed with the Commission on November 6, 2014 (Commission No. 0-15950), and incorporated herein by reference)
3.1	Amended and Restated Articles of Incorporation of First Busey Corporation, together with: (i) the Certificate of Amendment to Articles of Incorporation, dated July 31, 2007; (ii) the Certificate of Amendment to Articles of Incorporation, dated December 3, 2009; (iii) the Certificate of Amendment to Articles of Incorporation, dated May 21, 2010; and (iv) the Certificate of Designation for Senior Non-Cumulative Perpetual Preferred Stock, Series C, dated August 23, 2011 (filed as Exhibit 3.1 to First Busey s Registration Statement on Form S-3 filed with the Commission on September 30, 2011 (Commission File No. 333-177104), and incorporated herein by reference)
3.2	Certificate of Designation for Fixed Rate Cumulative Perpetual Preferred Stock, Series T, as filed with the Secretary of State of the State of Nevada on March 4, 2009 (filed as Exhibit 3.1 to First Busey s Form 8-K dated March 4, 2009, filed with the Commission on March 9, 2009 (Commission File No. 0-15950), and incorporated herein by reference)
3.3	Certificate of Designation for Convertible Cumulative Preferred Stock, Series A (filed as Exhibit 3.1 to First Busey s Form 8-K dated and filed with the Commission on October 27, 2009 (Commission File No. 0-15950), and incorporated herein by reference)
3.4	Certificate of Designation for Convertible Cumulative Preferred Stock, Series B (filed as Exhibit 3.1 to First Busey s Form 8-K dated December 28, 2010, filed with the Commission on December 29, 2010 (Commission File No. 0-15950), and incorporated herein by reference)
3.5	First Busey Corporation Amended and Restated By-Laws (filed as Exhibit 3.1 to First Busey s Form 8-K dated November 18, 2008, filed with the Commission on November 24, 2008 (Commission File No. 0-15950), and incorporated herein by reference)
4.1	Form of Stock Certificate for Senior Non-Cumulative Perpetual Preferred Stock, Series C (filed as Exhibit 4.1 to First Busey s Form 8-K dated August 25, 2011, filed with the Commission on August 25, 2011 (Commission File No. 0-15950), and incorporated herein by reference)
4.2	Warrant to Purchase Common Stock, dated March 6, 2009 (filed as Exhibit 4.2 to First Busey s Form 8-K dated March 4, 2009, filed with the Commission on March 9, 2009 (Commission File No. 0-15950), and incorporated herein by reference)

10.1	First Busey Corporation Profit Sharing Plan and Trust (filed as Exhibit 10.3 to First Busey s Registration Statement on Form S-1 (Registration No. 33-13973), and incorporated herein by reference)

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10.2	First Busey Corporation Employee Stock Ownership Plan (filed as Exhibit 10.7 to First Busey s Annual Report on Form 10-K for the fiscal year ended December 31, 1988 (Registration No. 2-66201), and incorporated herein by reference)
10.3	First Busey Corporation 1999 Stock Option Plan (filed as Appendix B to First Busey s definitive proxy statement filed with the Commission on March 25, 1999 (Commission File No. 0-15950), and incorporated herein by reference)
10.4	First Busey Corporation 2004 Stock Option Plan (filed as Annex D to First Busey s definitive proxy statement filed with the Commission on March 12, 2004 (Commission File No. 0-15950), and incorporated herein by reference)
10.5	Employment agreement between First Busey Corporation and Barbara J. Harrington, dated September 20, 2006 (filed as Exhibit 99.6 to First Busey s Form 8-K dated September 20, 2006, filed with the Commission on September 21, 2006 (Commission File No. 0-15950), and incorporated by reference herein)
10.6	Employment agreement by and between Main Street Trust, Inc. and Gregory B. Lykins (filed as Exhibit 10.1 to Main Street Trust, Inc. s Form 10-K for the year ended December 31, 2011, filed with the Commission on March 29, 2002 (Commission File No. 000-30031), and incorporated by reference herein)
10.7	Employment agreement by and between Main Street Trust, Inc. and Van A. Dukeman (filed as Exhibit 10.2 to Main Street Trust, Inc. s Form 10-K for the year ended December 31, 2011, filed with the Commission on March 29, 2002 (Commission File No. 000-30031), and incorporated by reference herein)
10.8	Main Street Trust, Inc. 2000 Stock Incentive Plan (filed as Exhibit 10.1 to Main Street Trust, Inc. s Form S-8 filed on November 29, 2000 (Commission File No. 333-50890), and incorporated by reference herein)
10.9	Employment agreement by and between First National Bank of Decatur and Christopher M. Shroyer (filed as Exhibit 10.5 to Main Street Trust, Inc. s Form 10-K for the year ended December 31, 2002, filed with the Commission on March 24, 2003 (Commission File No. 000-30031), and incorporated by reference herein)
10.10	Employment agreement by and between BankIllinois Financial Corporation and Robert F. Plecki (filed as Exhibit 10.6 to Main Street Trust, Inc. s Form 10-K for the year ended December 31, 2003, filed with the Commission on March 15, 2004 (Commission File No. 000-30031), and incorporated by reference herein)
10.11	Letter agreement between Main Street Trust, Inc. and Gregory B. Lykins, dated September 20, 2006 (filed as Exhibit 99.1 to Main Street Trust, Inc. s Form 8-K dated September 20, 2006, filed on September 21, 2006 (Commission File No. 000-30031), and incorporated by reference herein)
10.12	Letter agreement between Main Street Trust, Inc. and Van A. Dukeman, dated September 20, 2006 (filed as Exhibit 99.2 to Main Street Trust, Inc. s Form 8-K dated September 20, 2006, filed on September 21, 2006 (Commission File No. 000-30031), and incorporated by reference herein)
10.13	Van A. Dukeman Addendum to Employment Agreement (filed as Exhibit 10.1 to First Busey s Form 10-Q for the quarter ended March 31, 2010, filed with the Commission on May 13, 2010 (Commission No. 0-15950), and incorporated herein by reference)
10.14	Barbara J. Harrington Addendum to Employment Agreement (filed as Exhibit 10.3 to First Busey s Form 10-Q for the quarter ended March 31, 2010, filed with the Commission on May 13, 2010 (Commission No. 0-15950), and incorporated herein by reference)
10.15	Robert F. Plecki, Jr. Addendum to Employment Agreement (filed as Exhibit 10.4 to First Busey s Form 10-Q for the quarter ended March 31, 2010, filed with the Commission on May 13, 2010 (Commission No. 0-15950), and incorporated herein by reference)

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10.16	Christopher M. Shroyer Addendum to Employment Agreement (filed as Exhibit 10.5 to First Busey s Form 10-Q for the quarter ended March 31, 2010, filed with the Commission on May 13, 2010 (Commission No. 0-15950), and incorporated herein by reference)
10.17	Securities Purchase Agreement, dated August 25, 2011, between First Busey and the Secretary of the Treasury, with respect to the issuance and sale of the Series C Preferred Stock (filed as Exhibit 10.1 to First Busey s Form 8-K dated August 25, 2011, filed with the Commission on August 25, 2011 (Commission File No. 0-15950), and incorporated herein by reference)
10.18	Van A. Dukeman First Amendment to Employment Agreement (filed as Exhibit 10.1 to First Busey s Form 10-Q for the quarter ended March 31, 2012, filed with the Commission on May 8, 2012 (Commission No. 0-15950), and incorporated herein by reference)
10.19	Employment agreement by and between Main Street Trust, Inc. and Christopher M. Shroyer (filed as Exhibit 10.2 to First Busey s Form 10-Q for the quarter ended March 31, 2012, filed with the Commission on May 8, 2012 (Commission No. 0-15950), and incorporated herein by reference)
10.20	Christopher M. Shroyer First Amendment to Employment Agreement (filed as Exhibit 10.3 to First Busey s Form 10-Q for the quarter ended March 31, 2012, filed with the Commission on May 8, 2012 (Commission No. 0-15950), and incorporated herein by reference)
10.21	Employment agreement by and between Main Street Trust, Inc. and Robert F. Plecki (filed as Exhibit 10.4 to First Busey s Form 10-Q for the quarter ended March 31, 2012, filed with the Commission on May 8, 2012 (Commission No. 0-15950), and incorporated herein by reference)
10.22	Robert F. Plecki First Amendment to Employment Agreement (filed as Exhibit 10.5 to First Busey s Form 10-Q for the quarter ended March 31, 2012, filed with the Commission on May 8, 2012 (Commission No. 0-15950), and incorporated herein by reference)
10.23	2010 Equity Incentive Plan (filed as Appendix A to First Busey s definitive proxy statement filed with the Commission on April 19, 2010 (Commission No. 0-15950). and incorporated herein by reference)
10.24	Employment Agreement by and among First Busey Corporation, Busey Bank and John J. Powers (filed as Exhibit 10.1 to First Busey s Form 10-Q for the quarter ended March 31, 2013, filed with the Commission on May 9, 2013 (Commission No. 0-15950), and incorporated herein by reference)
10.25	Employment Agreement by and among First Busey Corporation, Busey Bank and Robin Elliott (filed as Exhibit 10.1 to Form 8-K dated May 22, 2014, filed with the Commission on May 27, 2014 (Commission No. 0-15950), and incorporated herein by reference)
21.1	List of Subsidiaries of First Busey Corporation*
23.1	Consent of McGladrey LLP*
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 First Busey 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 First Busey s Chief Financial Officer*

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101	Interactive Data File
	Interactive data files pursuant to Rule 405 of Regulation S-T: (i) Consolidated Balance Sheets at December 31, 2014 and December 31, 2013; (ii) Consolidated Statements of Income for the years ended December 31, 2014, December 31, 2013 and December 31, 2012; (iii) Consolidated Statements of Comprehensive Income for the years ended December 31, 2014, December 31, 2013 and December 31, 2012; (iv) Consolidated Statements of Stockholders Equity for the years ended December 31, 2014, December 31, 2013 and December 31, 2012; (v) Consolidated Statements of Cash Flows for the years ended December 31, 2014, December 31, 2013 and December 31, 2012; and (vi) Notes to Consolidated Financial Statements.

* Filed herewith

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FIRST BUSEY CORPORATION AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

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