

Edgar Filing: FIRST BUSEY CORP /NV/ - Form 10-Q

FIRST BUSEY CORP /NV/
Form 10-Q
November 09, 2005

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

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

For the Quarterly Period Ended 9/30/2005 Commission File No. 0-15950

FIRST BUSEY CORPORATION

(Exact name of registrant as specified in its charter)

Nevada	37-1078406
(State or other jurisdiction of Incorporation or organization)	(I.R.S. Employer Identification No.)
201 W. Main St., Urbana, Illinois	61801
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (217) 365-4556

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No
--- ---

Indicate by check mark whether the registrant is an accelerated filer (as defined by Rule 12b-2 of the Act)

Yes No
--- ---

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

Yes --- No ---

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

Class	Outstanding at October 31, 2005
Common Stock, \$.001 par value	21,452,876

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

FIRST BUSEY CORPORATION AND SUBSIDIARIES
 CONSOLIDATED BALANCE SHEETS
 SEPTEMBER 30, 2005 AND DECEMBER 31, 2004
 (UNAUDITED)

	September 30, 2005

	(Dollars in
ASSETS	
Cash and due from banks	\$ 59,826
Federal funds sold	56,541
Securities available for sale (amortized cost 2005, \$321,326; 2004, \$337,037)	333,444
Loans	1,709,182
Allowance for loan losses	(22,620)

Net loans	\$ 1,686,562
Premises and equipment	36,994
Cash surrender value of bank owned life insurance	18,225
Goodwill	52,976
Other intangible assets	7,158
Other assets	25,846

Total assets	\$ 2,277,572
	=====
LIABILITIES AND STOCKHOLDERS' EQUITY	
LIABILITIES	
Deposits:	
Noninterest bearing	\$ 256,933
Interest bearing	1,566,561

Total deposits	\$ 1,823,494
Federal funds purchased & securities sold under agreements	

Edgar Filing: FIRST BUSEY CORP /NV/ - Form 10-Q

to repurchase	48,025
Short-term borrowings	1,000
Long-term debt	175,501
Junior subordinated debt owed to unconsolidated trusts	50,000
Other liabilities	14,362

Total liabilities	\$ 2,112,382

STOCKHOLDERS' EQUITY	
Preferred stock	\$ -
Common stock	22
Common stock to be issued	495
Surplus	44,435
Retained earnings	126,150
Accumulated other comprehensive income	7,296

Total stockholders' equity before treasury stock, unearned ESOP shares and deferred compensation for stock grants	\$ 178,398
Treasury stock, at cost	(10,745)
Unearned ESOP shares and deferred compensation for stock grants	(2,463)

Total stockholders' equity	\$ 165,190

Total liabilities and stockholders' equity	\$ 2,277,572
	=====
Common shares outstanding at period end	21,462,876
	=====

See accompanying notes to unaudited consolidated financial statements.

3 of 43

FIRST BUSEY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2005 AND 2004
(UNAUDITED)

	2005

	(Dollars in thousands except per share amounts)
INTEREST INCOME:	
Interest and fees on loans	\$75,453
Interest and dividends on investment securities:	
Taxable interest income	5,458
Non-taxable interest income	1,668
Dividends	556
Interest on Federal funds sold	358

Total interest income	\$83,493

Edgar Filing: FIRST BUSEY CORP /NV/ - Form 10-Q

INTEREST EXPENSE:	
Deposits	\$23,375
Federal funds purchased and securities sold under agreements to repurchase	805
Short-term borrowings	100
Long-term debt	4,837
Junior subordinated debt owed to unconsolidated trusts	2,492

Total interest expense	\$31,609

Net interest income	\$51,884
Provision for loan losses	2,765

Net interest income after provision for loan losses	\$49,119

OTHER INCOME:	
Trust	\$ 4,277
Commissions and brokers fees, net	1,679
Service charges on deposit accounts	5,835
Other service charges and fees	1,701
Security gains, net	306
Gain on sales of loans	1,932
Increase in cash surrender value of life insurance	591
Other operating income	1,316

Total other income	\$17,637

OTHER EXPENSES:	
Salaries and wages	\$16,697
Employee benefits	3,711
Net occupancy expense of premises	3,323
Furniture and equipment expenses	2,278
Data processing	1,496
Stationery, supplies and printing	826
Amortization of intangible assets	724
Other operating expenses	7,509

Total other expenses	\$36,564

Income before income taxes	\$30,192
Income taxes	9,821

NET INCOME	\$20,371
	=====
BASIC EARNINGS PER SHARE	
	\$ 0.99
	=====
DILUTED EARNINGS PER SHARE	
	\$ 0.98
	=====
DIVIDENDS DECLARED PER SHARE OF COMMON STOCK	
	\$ 0.42
	=====

See accompanying notes to unaudited consolidated financial statements.

Edgar Filing: FIRST BUSEY CORP /NV/ - Form 10-Q

FIRST BUSEY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE QUARTERS ENDED SEPTEMBER 30, 2005 AND 2004
(UNAUDITED)

	2005	2004

	(Dollars in thousands, except per share amounts)	
INTEREST INCOME:		
Interest and fees on loans	\$ 27,670	\$
Interest and dividends on investment securities:		
Taxable interest income	1,831	
Non-taxable interest income	628	
Dividends	181	
Interest on federal funds sold	135	
	-----	-----
Total interest income	\$ 30,445	\$
	-----	-----
INTEREST EXPENSE:		
Deposits	\$ 8,929	\$
Federal funds purchased and securities sold under agreements to Repurchase	315	
Short-term borrowings	9	
Long-term debt	1,785	
Junior subordinated debt owed to unconsolidated trusts	933	
	-----	-----
Total interest expense	\$ 11,971	\$
	-----	-----
Net interest income	\$ 18,474	\$
Provision for loan losses	650	
	-----	-----
Net interest income after provision for loan losses	\$ 17,824	\$
	-----	-----
OTHER INCOME:		
Trust	\$ 1,366	\$
Commissions and brokers' fees, net	628	
Service charges on deposit accounts	2,067	
Other service charges and fees	617	
Security (losses) gains, net	(106)	
Gains on sales of loans	920	
Increase in cash surrender value of life insurance	200	
Other operating income	426	
	-----	-----
Total other income	\$ 6,118	\$
	-----	-----
OTHER EXPENSES:		
Salaries and wages	\$ 6,062	\$
Employee benefits	1,332	
Net occupancy expense of premises	1,255	
Furniture and equipment expenses	852	
Data processing	429	
Stationary, supplies and printing	312	
Amortization of intangible assets	334	
Other operating expenses	2,587	

Edgar Filing: FIRST BUSEY CORP /NV/ - Form 10-Q

Total other expenses	\$ 13,163	\$
Income before income taxes	\$ 10,779	\$
Income taxes	3,220	
NET INCOME	\$ 7,559	\$
BASIC EARNINGS PER SHARE	\$ 0.36	\$
DILUTED EARNINGS PER SHARE	\$ 0.36	\$
DIVIDENDS DECLARED PER SHARE OF COMMON STOCK	\$ 0.14	\$

See accompanying notes to unaudited consolidated financial statements.

5 of 43

FIRST BUSEY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2005 AND 2004
(UNAUDITED)

	2005
CASH FLOWS FROM OPERATING ACTIVITIES	(Dollars)
Net income	\$ 20,3
Adjustments to reconcile net income to net cash provided by operating activities:	
Stock-based compensation	3,2
Depreciation and amortization	2,7
Provision for loan losses	(3
Provision for deferred income taxes	(3
Stock dividends	(6
Amortization of investment security discounts	(3
Gain on sales of investment securities, net	(1,9
Gain on sales of loans	(1
Gain on sales of ORE properties	1
Market valuation adjustment on ORE property	
(Gain) loss on sale and disposition of premises and equipment	1
Increase in deferred compensation	(1,9
Change in assets and liabilities:	
(Increase) decrease in other assets	2,4
Increase in accrued expenses	1,1
Increase in interest payable	(1,1
Increase in income taxes receivable	\$ 23,2
NET CASH PROVIDED BY OPERATING ACTIVITIES BEFORE LOAN ORIGINATIONS AND SALES	(133,7
Loans originated for sale	132,2
Proceeds from sales of loans	\$ 21,7
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 21,7

Edgar Filing: FIRST BUSEY CORP /NV/ - Form 10-Q

CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sales of securities classified available for sale	42,1
Proceeds from maturities of securities classified available for sale	83,3
Purchase of securities classified available for sale	(87,5
Increase in federal funds sold	(49,6
Increase in loans	(115,1
Proceeds from sale of premises and equipment	
Proceeds from sale of ORE properties	4,6
Purchases of premises and equipment	(4,5
Increase in cash surrender value of bank owned life insurance	(5
Purchase of subsidiary, net of cash and due from banks acquired	(12,3

NET CASH USED IN INVESTING ACTIVITIES	\$ (139,5

(continued on next page)

6 of 43

FIRST BUSEY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2005 AND 2004
(UNAUDITED)

	2005	2004
	-----	-----
	(Dollars in thousands)	
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase in certificates of deposit	\$ 46,425	\$ 95,42
Net increase in demand, money market and saving deposits	78,817	59,54
Cash dividends paid	(8,580)	(7,72
Purchase of treasury stock	(2,131)	(2,16
Proceeds from sale of treasury stock	1,746	2,78
Net decrease in Federal funds purchased and securities sold under agreement to repurchase	3,503	(2,43
Proceeds from short-term borrowings	4,000	15,25
Principal payments on short-term borrowings	(14,250)	(5,25
Proceeds from issuance of long-term debt	51,500	74,65
Principal payments on long-term borrowings	(41,373)	(19,03
Proceeds from issuance of junior subordinated debt owed to unconsolidated Trusts	10,000	15,00
	-----	-----
NET CASH PROVIDED BY FINANCING ACTIVITIES	\$ 129,657	\$ 226,04
	-----	-----
NET INCREASE IN CASH AND DUE FROM BANKS	\$ 11,835	\$ 9,52
Cash and due from banks, beginning	47,991	\$ 52,39
	-----	-----
Cash and due from banks, ending	\$ 59,826	\$ 61,91
	=====	=====

SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES

OTHER REAL ESTATE ACQUIRED IN SETTLEMENT OF LOANS	\$ 635	\$
---	--------	----

Edgar Filing: FIRST BUSEY CORP /NV/ - Form 10-Q

	=====	=====
PURCHASE OF SUBSIDIARY:		
Cash payment	\$ 19,103	\$ 42,07
Common stock issued	16,778	
	-----	-----
Total purchase price	\$ 35,881	\$ 42,07
	=====	=====
Assets acquired:		
Cash and due from other banks	\$ 6,739	6,08
Federal funds sold	3,746	1,59
Securities available for sale	21,007	49,28
Loans held for sale	-	1,85
Loans (net of allowance for loan losses)	114,744	147,75
Premises and equipment	8,787	3,48
Goodwill	21,163	24,40
Other intangible assets	4,030	2,38
Other assets	1,710	4,39
Liabilities assumed:		
Deposits	(139,430)	(147,08)
Short-term borrowings	(2,964)	(26,70)
Long-term debt	-	(23,32)
Other liabilities	(3,651)	(2,04)
	-----	-----
	\$ 35,881	\$ 42,07
	=====	=====

See accompanying notes to unaudited consolidated financial statements

7 of 43

FIRST BUSEY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2005 AND 2004
(UNAUDITED)

	20

	(Dol
Net income	\$ 20
	=====
Other comprehensive income, before tax: Unrealized (losses) gains on securities:	
Unrealized holding (losses) gains arising during period	\$ (3
Less reclassification adjustment for gains included in net	
Income	

Other comprehensive loss, before tax	\$ (3
Income tax benefit related to items of other comprehensive loss	(1

Other comprehensive loss, net of tax	\$ (1

Edgar Filing: FIRST BUSEY CORP /NV/ - Form 10-Q

Comprehensive income

\$ 18
=====

See accompanying notes to unaudited consolidated financial statements.

FIRST BUSEY CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: INTERIM FINANCIAL STATEMENTS

The consolidated interim financial statements of First Busey Corporation and Subsidiaries are unaudited, but in the opinion of management reflect all necessary adjustments, consisting only of normal recurring accruals, for a fair presentation of results as of the dates and for the periods covered by the financial statements. The consolidated financial statements have been prepared in accordance with accounting principles generally accepted within the United States of America for interim financial data and with the instructions to Form 10-Q and Article 10 of Regulation S-X. The results for the interim periods are not necessarily indicative of the results of operations that may be expected for the fiscal year. These unaudited consolidated financial statements should be read in conjunction with the audited financial statements and notes thereto included in the Corporation's Annual Report on Form 10-K for the year ended December 31, 2004.

In preparing the consolidated financial statements, the Corporation's management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses for the reporting period. Actual results could differ from those estimates.

8 of 43

NOTE 2: UNREALIZED LOSSES ON INVESTMENT SECURITIES

Information pertaining to securities with gross unrealized losses as of September 30, 2005, aggregated by investment category and length of time that individual securities have been in continuous loss position follows:

	Continuous unrealized losses existing for less than 12 months		Continuous unrealized losses existing for greater than 12 months	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
(Dollars in thousands)				
September 30, 2005:				

U.S. Treasury securities and obligations of U.S. government corporations and agencies	\$137,013	\$ 1,483	\$ 36,037	\$ 494

Edgar Filing: FIRST BUSEY CORP /NV/ - Form 10-Q

Obligations of states and political subdivisions	33,698	404	1,819	21
Mortgage-backed securities	5,658	103	-	-
Corporate securities	1,277	15	394	14
	-----	-----	-----	-----
Subtotal, debt securities	\$177,646	\$ 2,005	\$ 38,250	\$ 529
Mutual funds and other equity securities	-	-	49	14
	-----	-----	-----	-----
Total temporarily impaired securities	\$177,646	\$ 2,005	\$ 38,299	\$ 543
	=====	=====	=====	=====

Management evaluates securities for other-than-temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to the length of time and extent to which the fair value has been less than cost, the financial condition and near-term prospects of the issuer, and the intent and ability of the Corporation to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. The unrealized losses as of September 30, 2005, summarized in the table above, were due to changes in interest rates subsequent to acquisition of the securities and were not related to changes in the credit risk of the issuers.

9 of 43

NOTE 3: LOANS

The major classifications of loans as of September 30, 2005 and December 31, 2004 were as follows:

	September 30, 2005	December 31, 2004
	-----	-----
	(Dollars in thousands)	
Commercial	\$ 203,166	\$ 216,290
Real estate construction	310,362	235,547
Real estate - farmland	10,796	11,750
Real estate - 1-4 family residential mortgage	524,057	452,894
Real estate - multifamily mortgage	110,344	106,163
Real estate - non-farm nonresidential mortgage	476,059	363,993
Installment	49,970	63,315
Agricultural	23,473	25,224
	-----	-----
	\$ 1,708,227	\$ 1,475,176
Plus net deferred loan costs	955	724
	-----	-----
	1,709,182	1,475,900
Less:		
Allowance for loan losses	(22,620)	(19,217)
	-----	-----
Net loans	\$ 1,686,562	\$ 1,456,683
	=====	=====

Edgar Filing: FIRST BUSEY CORP /NV/ - Form 10-Q

The real estate 1-4 family residential mortgage category includes loans held for sale with carrying values of \$12,964,000 at September 30, 2005 and \$9,574,000 at December 31, 2004; these loans had fair market values of \$13,118,000 and \$9,717,000 respectively.

Changes in the allowance for loan losses were as follows:

	2005	2004

	(Dollars in thousands)	
Balance, beginning of year	\$ 19,217	\$ 16,228
Addition due to acquisition	1,208	2,069
Provision of loan losses	2,765	2,320
Recoveries applicable to loan balances previously charged off	182	140
Loan balances charged off	(752)	(2,054)
	-----	-----
Balance, September 30	\$ 22,620	\$ 18,703
	=====	=====

10 of 43

NOTE 4: EARNINGS PER SHARE

Net income per common share has been computed as follows:

	Three Months Ended September 30,		
	2005	2004	

Net income	\$ 7,559,000	\$ 5,784,000	\$2
	=====	=====	==
Shares:			
Weighted average common shares outstanding	21,031,477	20,365,239	2
Dilutive effect of outstanding options, as determined by the application of the treasury stock method	98,680	135,185	--
	-----	-----	--
Weighted average common shares outstanding, as adjusted for diluted earnings per share calculation	21,130,157	20,500,424	2
	=====	=====	==
Basic earnings per share	\$ 0.36	\$ 0.28	\$
	=====	=====	==
Diluted earnings per share	\$ 0.36	\$ 0.28	\$
	=====	=====	==

Edgar Filing: FIRST BUSEY CORP /NV/ - Form 10-Q

NOTE 5: STOCK-BASED COMPENSATION

First Busey Corporation applies Accounting Principles Board Opinion No. 25 in accounting for stock options and discloses the fair value of options granted as permitted by SFAS No. 123. The Corporation has recorded no compensation expense associated with stock options as all options granted under its plan had an exercise price equal to the market value of the common stock when granted.

The following summarizes the pro-forma effects assuming compensation expense had been recorded based upon the estimated fair value:

	Three Months Ended September 30,		
	(dollars in thousands ex		
	2005	2004	2
NET INCOME AS REPORTED	\$ 7,559	\$ 5,784	\$
Less compensation expense determined under fair value method for all options granted, net of related tax effects	96	216	
Pro-forma net income	\$ 7,463	\$ 5,568	\$
BASIC EARNINGS PER SHARE			
Reported net income	\$ 0.36	\$ 0.28	\$
Less compensation expense	0.01	0.01	
Pro-forma net income	\$ 0.35	\$ 0.27	\$
DILUTED EARNINGS PER SHARE			
Reported net income	\$ 0.36	\$ 0.28	\$
Less compensation expense	0.01	0.01	
Pro-forma net income	\$ 0.35	\$ 0.27	\$

11 of 43

In April, 2005, the Corporation granted 54,000 stock options to individuals serving as directors on the boards of First Busey Corporation, Busey Bank, Busey Bank Florida, and Busey Investment Group, Inc.. The fair value of the stock options granted has been estimated using the Black-Scholes option-pricing model with the following weighted average assumptions:

Number of options granted	54,000
Risk-free interest rate	3.28%
Expected life, in years	4.64

Edgar Filing: FIRST BUSEY CORP /NV/ - Form 10-Q

Expected volatility	18.02%
Expected dividend yield	2.82%
Estimated fair value per option	\$ 2.82

NOTE 6: JUNIOR SUBORDINATED DEBT OWED TO UNCONSOLIDATED TRUSTS

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

The table below summarizes the outstanding junior subordinated notes and the related trust preferred securities issued by each trust as of September 30, 2005 and December 31, 2004:

	First Busey Capital Trust I	First Busey Statutory Trust II

Junior Subordinated Notes:		
Principal balance	\$25,000,000	\$15,000,000
Annual interest rate	9.00%	3-mo LIBOR + 2.65%
Stated maturity date	June 18, 2031	June 17, 2034
Call date	June 18, 2006	June 17, 2009
 Trust Preferred Securities:		
Face value	\$25,000	\$15,000
Annual distribution rate	9.00%	3-mo LIBOR + 2.65%
Issuance date	June 18, 2001	April 30, 2004
Distribution dates(2)	Quarterly	Quarterly

(1) Established June 15, 2005

(2) All cash distributions are cumulative

As of January 1, 2004, the Corporation adopted FASB Interpretation No. 46, Consolidated of Variable Interest Entities, as revised in December, 2003. Upon adoption, the Corporation deconsolidated the capital trust entities outstanding as of that date.

The trust preferred securities are subject to mandatory redemption, in whole or in part, upon repayment of the junior subordinated notes at par value at the stated maturity date or upon redemption of the junior subordinated notes on a date no earlier than June 18, 2006, for First Busey Capital Trust I, June 17, 2009, for First Busey Statutory Trust II, and June 15, 2010, for First Busey

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

In March, 2005, the Board of Governors of the Federal Reserve System issued a final rule allowing bank holding companies to continue to include qualifying trust preferred securities in their Tier I Capital for regulatory capital purposes, subject to a 25% limitation to all core (Tier I) capital elements, net of goodwill less any associated deferred tax liability. The final rule provides a five-year transition period, ending March 31, 2009, for applications of the aforementioned quantitative limitation. As of September 30, 2005, 100% of the trust preferred securities noted in the table above qualified as Tier I capital under the final rule adopted in March, 2005.

NOTE 7: RECENT ACCOUNTING PRONOUNCEMENTS

In December, 2004, the Financial Accounting Standards Board ("FASB") issued Statement 123 (Revised 2004), "Share-Based Payment" ("SFAS 123(R)"). SFAS 123(R) requires that the cost resulting from all share-based payment transactions be recognized in the financial statements over the period during which an employee is required to provide service in exchange for the award. SFAS 123(R) establishes fair value as the measurement objective in accounting for share-based payment arrangements and requires all entities to apply a fair-value based method in accounting for share-based transactions with employees. SFAS 123(R) also amends FASB Statement No. 95, "Statement of Cash Flows", to require that excess tax benefits be reported as a financial cash inflow rather than as a reduction of taxes paid. SFAS 123(R) is effective as of the beginning of the first interim reporting period that begins after June 15, 2005. On April 14, 2005, the Securities and Exchange Commission amended the effective date of this statement. As a result, SFAS 123(R) is now effective for most public companies for annual (rather than interim) periods that begin after June 15, 2005. SFAS 123(R) is not expected to have a material effect on the Corporation's consolidated financial position or results of operations.

In September, 2004, the FASB issued FASB Staff Position (FSP) Emerging Issues Task Force (EITF) Issue No. 03-1-1 delaying the effective date of paragraphs 10-20 of EITF 03-1, The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments. On June 30, 2005, the FASB decided not to provide additional guidance on the meaning of other-than-temporary impairment, but directed its staff to issue proposed FSP (FAS 115-1, "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments"). This FSP will replace the guidance set forth in paragraphs 10-18 of Issue 03-1 with references to existing other-than-temporary impairment guidance and clarify that an investor should recognize an impairment loss no later than when the impairment is deemed other-than-temporary, even if a decision to sell has not

Edgar Filing: FIRST BUSEY CORP /NV/ - Form 10-Q

been made. FSP FAS 115-1 will be effective for other-than-temporary impairment analysis conducted in periods beginning after September 15, 2005. Management believes this guidance will not have a material impact on the Corporation.

NOTE 8: BUSINESS COMBINATIONS

On June 1, 2004, First Busey Corporation acquired all the outstanding common stock of First Capital Bankshares, Inc. and its subsidiary First Capital Bank, a \$239 million bank headquartered in Peoria, Illinois. This acquisition expanded the Corporation's banking presence in central Illinois into Peoria and surrounding communities. The transaction was accounted for as a purchase and the results of operations of both entities since the acquisition date have been included in the consolidated financial statements. The purchase price of \$42,072,000 was allocated based upon the fair value of the assets acquired and liabilities assumed. The excess of the total acquisition cost

13 of 43

over the fair value of the net assets acquired has been allocated to core deposit intangible and goodwill. The core deposit intangible of \$2,383,000 is being amortized over periods ranging from three to ten years.

On May 20, 2005, First Capital Bank merged into Busey Bank bringing all Illinois banking locations under one state bank charter. Following the merger, Busey Bank has 21 banking centers located in Illinois.

On July 29, 2005, First Busey Corporation acquired all the outstanding common stock of Tarpon Coast Bancorp, Inc. (Tarpon) and its subsidiary, Tarpon Coast National Bank, a \$153 million bank headquartered in Port Charlotte, Florida. Tarpon shareholders received \$27.00 per share in a combination of First Busey common shares and cash, while option and warrant holders received \$27.00 per share less exercise price. First Busey Corporation issued 849,965 shares of common stock and paid cash of \$18,797,000 to Tarpon shareholders, which was funded through the issuance of long-term debt and \$10 million in additional trust preferred securities. Of the 849,965 shares of common stock issued in the Tarpon acquisition, stock certificates representing 25,090 shares have not been issued to shareholders by First Busey pending the receipt of the appropriate instructions from Tarpon shareholders. The value of these shares has been included in "Common stock to be issued" on First Busey's consolidated balance sheet. The transaction has been accounted for as a purchase and the results of operations since the acquisition date have been included in the consolidated financial statements. The purchase price of \$35,881,000 was allocated based upon the fair value of the assets acquired and liabilities assumed. The excess of the total acquisition cost over the fair value of the net assets acquired has been allocated to core deposit intangible and goodwill. The core deposit intangible of \$1,710,000 is being amortized over periods ranging from three to five years.

Pro forma unaudited operating results for the nine months ended September 30, 2005 and 2004, giving effect to the Tarpon Coast acquisition as if it had occurred as of January 1, 2004, are as follows:

Three Months Ended		Nine Months Ended	
September 30,		September 30,	
2005	2004	2005	2004

(Dollars in thousands except per share data)

Edgar Filing: FIRST BUSEY CORP /NV/ - Form 10-Q

Interest income	\$31,131	\$25,035	\$88,143	\$66,384
Interest expense	12,151	8,949	33,017	22,450
Provision for loan losses	650	1,273	2,825	2,417
Noninterest income	6,186	6,299	18,306	18,708
Noninterest expense	14,880	12,642	41,143	35,034
	-----	-----	-----	-----
Income before income taxes	\$ 9,637	\$ 8,470	\$29,464	\$25,191
Income taxes	2,968	2,690	9,715	8,464
	-----	-----	-----	-----
Net income	\$ 6,669	\$ 5,780	\$19,749	\$16,727
	=====	=====	=====	=====
Earnings per share - basic	\$ 0.31	\$ 0.27	\$ 0.93	\$ 0.79
	=====	=====	=====	=====
Earnings per share - diluted	\$ 0.31	\$ 0.27	\$ 0.92	\$ 0.78
	=====	=====	=====	=====

14 of 43

NOTE 9: OUTSTANDING COMMITMENTS

The Corporation is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers in the way of commitments to extend credit. They involve, to varying degrees, elements of credit risk in excess of the amount recognized in the balance sheets.

The Corporation's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit is represented by the contractual amount of those instruments. The Corporation uses the same credit policies in making commitments and conditional obligations as they do for on-balance-sheet instruments.

A summary of the contractual amount of the Corporation's exposure to off-balance sheet risk follows:

September 30, 2005 Dec

(Dollars in tho

Financial instruments whose contract amounts represent credit risk:

Commitments to extend credit	\$508,211
Standby letters of credit	11,613

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. These commitments are generally at variable interest rates and generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The customer's credit worthiness is evaluated on a case-by-case basis. The amount of collateral obtained, if it is deemed necessary by the

Edgar Filing: FIRST BUSEY CORP /NV/ - Form 10-Q

Corporation upon extension of credit, is based on management's credit evaluation of the counterparty. Collateral held varies but may include accounts receivable, inventory, property and equipment and income-producing commercial properties.

Standby letters of credit are conditional commitments issued by the Corporation to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support public and private borrowing arrangements, including bond financing and similar transactions, and primarily have terms of one year or less. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Corporation holds collateral, which may include accounts receivable, inventory, property and equipment, income producing properties, supporting those commitments if deemed necessary. In the event the customer does not perform in accordance with the terms of the agreement with the third party, the Corporation would be required to fund the commitment. The maximum potential amount of future payments the Corporation could be required to make is represented by the contractual amount shown in the summary above. If the commitment is funded, the Corporation would be entitled to seek recovery from the customer. As of September 30, 2005, and December 31, 2004, no amounts have been recorded as liabilities for the Corporation's potential obligations under these guarantees.

As of September 30, 2005, Busey Bank had entered into contractual commitments for the construction of a new branch location in Normal, Illinois. Busey Bank Florida had entered into separate contractual commitments for the construction of a new branch location in Cape Coral, Florida. Total commitment for these two projects is approximately \$3,407,000. These projects are expected to be completed during the first quarter of 2006.

15 of 43

NOTE 10: REPORTABLE SEGMENTS AND RELATED INFORMATION

First Busey Corporation has four reportable segments, Busey Bank, Busey Bank Florida, Tarpon Coast National Bank, and Busey Investment Group. Busey Bank provides a full range of banking services to individual and corporate customers through its branch network in Champaign, McLean, Peoria, Tazewell, and Ford Counties in Illinois, through its branch in Indianapolis, Indiana, and through its loan production office in Fort Myers, Florida. Busey Bank Florida provides a full range of banking services to individual and corporate customers in Fort Myers and Cape Coral, Florida. Tarpon Coast National Bank provides a full range of banking services to individuals and commercial customers in Charlotte and Sarasota Counties in Southwest Florida.

First Capital Bank, acquired by First Busey Corporation on June 1, 2004, merged into Busey Bank on May 20, 2005. Prior to this merger, First Capital Bank was a separate reportable segment providing a full range of banking services to individual and corporate customers in Peoria and Pekin, Illinois. Following the merger, the assets and operating results of the Peoria and Pekin markets are included in Busey Bank. Segment information for the period ended September 30, 2004, has been restated to reflect the combination of Busey Bank and First Capital Bank.

Busey Investment Group is a wholly-owned subsidiary of First Busey Corporation and owns three subsidiaries: First Busey Trust & Investment Co. which provides trust and asset management services to individual and corporate customers throughout Central Illinois; First Busey Securities, Inc., a full-service broker/dealer subsidiary; and Busey Insurance Services, Inc., an insurance agency which provides personal insurance products and specializes in long-term

Edgar Filing: FIRST BUSEY CORP /NV/ - Form 10-Q

healthcare insurance.

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

The segment financial information provided below has been derived from the internal profitability reporting system used by management to monitor and manage the financial performance of the Corporation. The accounting policies of these segments are the same as those described in the summary of significant accounting policies in the annual report. The Corporation accounts for intersegment revenue and transfers at current market value.

16 of 43

Following is a summary of selected financial information for the Corporation's business segments for the nine-month periods ended September 30, 2005, and September 30, 2004:

	Nine Months Ended September 30,	
	2005	2004
	(dollars in thousands)	
Interest Income:		
Busey Bank	\$ 70,304	\$ 55,505
Busey Bank Florida	11,639	5,739
Tarpon Coast National Bank	1,384	-
Busey Investment Group	131	108
All Other	35	97
	\$ 83,493	\$ 61,449
Interest Expense:		
Busey Bank	\$ 24,031	\$ 16,834
Busey Bank Florida	3,893	1,855
Tarpon Coast National Bank	260	-
Busey Investment Group	-	-
All Other	3,425	2,260
	\$ 31,609	\$ 20,949
Other Income:		
Busey Bank	\$ 11,666	\$ 12,111
Busey Bank Florida	479	377
Tarpon Coast National Bank	257	-
Busey Investment Group	5,617	5,498
All Other	(382)	(237)
	\$ 17,637	\$ 17,749

Net Income:

Edgar Filing: FIRST BUSEY CORP /NV/ - Form 10-Q

Busey Bank	\$ 18,821	\$ 15,845
Busey Bank Florida	2,332	1,021
Tarpon Coast National Bank	158	-
Busey Investment Group	1,603	1,534
All Other	(2,543)	(1,715)
	-----	-----
Total Net Income	\$ 20,371	\$ 16,685
	-----	-----
Goodwill:		
Busey Bank	\$ 30,237	\$ 30,299
Busey Bank Florida	-	-
Tarpon Coast National Bank	21,191	-
Busey Investment Group	-	-
All Other	1,548	1,548
	-----	-----
Total Goodwill	\$ 52,976	\$ 31,847
	-----	-----
Net Assets:		
Busey Bank	\$ 1,845,048	\$ 1,789,554
Busey Bank Florida	241,832	161,924
Tarpon Coast National Bank	176,705	-
Busey Investment Group	6,713	6,159
All Other	(42,726)	7,861
	-----	-----
Total Assets	\$ 2,227,572	\$ 1,965,498
	-----	-----

17 of 43

FORWARD LOOKING STATEMENTS

This presentation includes forward looking statements that are intended to be covered by the safe-harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward looking statements include but are not limited to comments with respect to the objectives and strategies, financial condition, results of operations and business of First Busey Corporation.

These forward looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific, and the risk that predictions and other forward looking statements will not be achieved. The Corporation cautions you not to place undue reliance on these forward looking statements as a number of important factors could cause actual future results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward looking statements.

These risks, uncertainties and other factors include the general state of the economy, both on a local and national level, the ability of the Corporation to successfully complete acquisitions, the continued growth of geographic regions served by the Corporation, and the retention of key individuals in the Corporation's management structure.

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

The following is management's discussion and analysis of the financial condition

Edgar Filing: FIRST BUSEY CORP /NV/ - Form 10-Q

of First Busey Corporation and Subsidiaries ("Corporation") at September 30, 2005 (unaudited), as compared with December 31, 2004 and the results of operations for the nine months ended September 30, 2005 and 2004 (unaudited), and the results of operations for the three months ended September 30, 2005 and 2004 (unaudited). This discussion and analysis should be read in conjunction with the Corporation's consolidated financial statements and notes thereto appearing elsewhere in this quarterly report.

Certain reclassifications have been made to the balances, with no effect on net income, as of and for the three and nine months ended September 30, 2004, to be consistent with the classifications adopted as of and for the three and nine months ended September 30, 2005.

CRITICAL ACCOUNTING ESTIMATES

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

ALLOWANCE FOR LOAN LOSSES

First Busey Corporation has established an allowance for loan losses which represents the Corporation's estimate of the probable losses that have occurred as of the date of the consolidated financial statements.

Management has established an allowance for loan losses which reduces the total loans outstanding by an estimate of uncollectible loans. Loans deemed uncollectible are charged against and reduce the allowance. Periodically, a provision for loan losses is charged to current expense. This provision acts to replenish the allowance for loan losses and to maintain the allowance at a level that management deems adequate.

There is no precise method of predicting specific loan losses or amounts which ultimately may be charged off on

18 of 43

segments of the loan portfolio. The determination that a loan may become uncollectible, in whole or in part, is a matter of judgment. Similarly, the adequacy of the allowance for loan losses can be determined only on a judgmental basis, after full review, including (a) consideration of economic conditions and their effect on particular industries and specific borrowers; (b) a review of borrowers' financial data, together with industry data, the competitive situation, the borrowers' management capabilities and other factors; (c) a continuing evaluation of the loan portfolio, including monitoring by lending officers and staff credit personnel of all loans which are identified as being of less than acceptable quality; (d) an in-depth evaluation, on a monthly basis, of all impaired loans (loans are considered to be impaired when based on current information and events, it is probable the Corporation will not be able to collect all amounts due); and (e) an evaluation of the underlying collateral for secured lending, including the use of independent appraisals of real estate properties securing loans.

Edgar Filing: FIRST BUSEY CORP /NV/ - Form 10-Q

Periodic provisions for loan losses are determined by management based upon the size and the quality of the loan portfolio measured against prevailing economic conditions and historical loan loss experience and also based on specific exposures in the portfolio. Management has instituted a formal loan review system supported by an effective credit analysis and control process. The Corporation will maintain the allowance for loan losses at a level sufficient to absorb estimated uncollectible loans and, therefore, expects to make periodic additions to the allowance for loan losses.

REVENUE RECOGNITION

Income on interest-earning assets is accrued based on the effective yield of the underlying financial instruments. A loan is considered to be impaired when, based on current information and events, it is probable the Corporation will not be able to collect all amounts due. The accrual of interest income on impaired loans is discontinued when there is reasonable doubt as to the borrower's ability to meet contractual payments of interest or principal.

FINANCIAL CONDITION AT SEPTEMBER 30, 2005 AS COMPARED TO DECEMBER 31, 2004

Total assets increased \$313,131,000 or 15.9%, to \$2,277,572,000 at September 30, 2005 from \$1,964,441,000 at December 31, 2004. Of the increase in total assets, \$176,920,000 is attributable to the acquisition of Tarpon Coast National Bank. Most of the balance sheet growth occurred in loans which increased \$233,282,000 or 15.8% to \$1,709,182,000 as of September 30, 2005, compared to \$1,475,900,000 as of December 31, 2004. Of the increase in loans, \$122,114,000 is attributable to the Tarpon Coast National Bank acquisition. The remaining growth in loans is primarily attributable to growth in real estate construction, 1-4 family residential mortgages, and non-farm nonresidential mortgages offset partially by decreases in commercial loan balances and installment loans. Real estate construction loans grew \$74,815,000 or 31.8% to \$310,362,000 as of September 30, 2005, compared to \$235,547,000 on December 31, 2004.

The primary reason for the significant growth in the real estate construction loans category was the increase in such loans at Busey Bank Florida, under that bank's short-term residential construction lending program, instituted in March, 2003. The lending program was developed at Busey Bank Florida and was meant to capitalize on the tremendous growth in the Southwest Florida real estate market. As a result of some concern regarding the accelerated growth rate of loans made pursuant to this program, the Corporation has terminated activity under the program. However, management believes the loans provided under such program do not contain excessive risk and otherwise meet the underwriting standards of Busey Bank Florida. While management believes growth will continue in real estate construction loans as long as the real estate market remains strong, particularly in Southwest Florida, management does not expect this growth rate will be as significant as that recorded over the past eighteen months.

Total deposits increased \$264,672,000, or 17.0%, to \$1,823,494,000 at September 30, 2005 from \$1,558,822,000 at December 31, 2004. Noninterest-bearing deposits increased 20.1% to \$256,933,000 at September 30, 2005 from \$213,921,000 at December 31, 2004. Interest-bearing deposits increased 16.5% to \$1,566,561,000 at September 30, 2005, from \$1,344,901,000 at December 31, 2004. At acquisition, Tarpon Coast National Bank had \$139,430,000 in total deposits, \$47,185,000 in noninterest-bearing deposits and \$92,245,000 in interest-

19 of 43

bearing deposits. Busey Bank's deposit growth accounts for \$79,851,000 and Busey Bank Florida accounts for the \$56,735,000 of the remaining deposit growth.

Edgar Filing: FIRST BUSEY CORP /NV/ - Form 10-Q

During the first nine months of 2005, the Corporation repurchased 103,340 shares of its common stock at an aggregate cost of \$2,131,000. Following the purchase of these shares the Corporation has repurchased all shares under its 2001 Stock Repurchase Plan. On February 27, 2004, First Busey's Board of Directors approved a stock repurchase plan for the repurchase of 750,000 shares of common stock. Of the shares repurchased during the first nine months of 2005, 10,889 were repurchased under the 2001 Stock Repurchase Plan, and the remaining 92,451 were repurchased under the 2004 Plan. The Corporation is purchasing shares for the treasury as they become available in order to meet future issuance requirements of previously granted non-qualified stock options. As of September 30, 2005, there were 374,325 options currently exercisable. There were an additional 346,400 stock options outstanding but not currently exercisable.

ASSET QUALITY

The following table sets forth the components of non-performing assets and past due loans.

	September 30, 2005	December 31, 2004
	(Dollars in thousands)	
Non-accrual loans	\$1,656	\$1,656
Loans 90 days past due, still accruing	913	2,131
Other real estate owned	221	4,117
Non-performing other assets	1	1
	-----	-----
Total non-performing assets	\$2,791	\$7,899
	=====	=====
Total non-performing assets as a percentage of total assets	0.12%	0.12%
	=====	=====
Total non-performing assets as a percentage of loans plus non-performing assets	0.16%	0.16%
	=====	=====

Total non-performing assets decreased \$5,108,000 to \$2,791,000 as of September 30, 2005, from \$7,899,000 as of December 31, 2004, due to a decrease in the balances of loans 90 days past due and still accruing and a decrease in other real estate owned, which were partially offset by an increase in non-accrual loans. The balance of other real estate owned decreased \$3,991,000 during the nine-month period.

In September, 2003, upon completion of foreclosure proceedings, Busey Bank became owner of a hotel property in Bloomington, Illinois. In December, 2003, ownership of this property was transferred to First Busey Resources, Inc., a nonbank subsidiary of First Busey Corporation. The Corporation sold this property in September, 2005, for \$3,157,000. In September, 2004, after holding title for one year, the Corporation began to depreciate the property and its contents for book purposes. Depreciation expense of \$132,000 for the nine months ended September 30, 2005, has been included in other operating expenses as were all other expenses associated with holding and maintaining properties held in other real estate owned. The carrying value of this hotel property, included in other real estate owned, was \$3,115,000 when it was sold in September, 2005, and \$3,247,000 as of December 31, 2004.

POTENTIAL PROBLEM LOANS

Potential problem loans are those loans which are not categorized as impaired, non-accrual, past due or restructured, 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 loan losses. Potential problem loans totaled \$11,467,000 at September 30, 2005, as compared to \$3,245,000 as of December 31, 2004.

Of the increase in potential problem loans, \$6,313,000 is related to two large commercial credits. \$2,289,000 is related to an operating line to a commercial customer that experiences seasonal cash flow deficiencies. A plan is in place to significantly reduce the outstanding balances to this customer through the sale of real estate and collection of commercial receivables. \$4,024,000 is related to a non-farm nonresidential mortgage loan due to the loss of a tenant which occupied a significant portion of the building. There are no other loans identified which management believes represent or result from trends or uncertainties which management reasonably expects will materially impact future operating results, liquidity or capital resources. There are no other credits identified about which management is aware of any information which causes management to have serious doubts as to the ability of such borrower(s) to comply with the loan repayment terms.

RESULTS OF OPERATIONS

NINE MONTHS ENDED SEPTEMBER 30, 2005, AS COMPARED TO SEPTEMBER 30, 2004

SUMMARY

Net income for the nine months ended September 30, 2005, increased 22.1% to \$20,371,000 compared to \$16,685,000 for the comparable nine-month period in 2004. Year-to-date diluted earnings per share increased 21.0% to \$0.98 for the nine months ended September 30, 2005, compared to \$0.81 for the comparable period in 2004. The Corporation's return on average assets was 1.33% for the nine months ended September 30, 2005, compared to 1.32% for the comparable period in 2004. The Corporation's return on average shareholders' equity was 18.8% for the nine months ended September 30, 2005, compared to 17.34% for the same period in 2004.

FIRST BUSEY CORPORATION AND SUBSIDIARIES
 AVERAGE BALANCE SHEETS AND INTEREST RATES
 NINE MONTHS ENDED SEPTEMBER 30, 2005 AND 2004

2005			
Average	Income/	Yield/	Aver

Edgar Filing: FIRST BUSEY CORP /NV/ - Form 10-Q

	Balance	Expense	Rate	Balance
(Dollars in thousands)				
ASSETS				
Interest-bearing bank deposits	\$ 1,592	\$ 35	2.94%	\$
Federal funds sold	19,886	\$ 358	2.41%	
Investment securities				
U.S. Government obligations	211,771	4,548	2.87%	1
Obligations of states and political subdivisions (1)	57,575	2,566	5.96%	
Other securities	48,744	1,431	3.93%	
Loans (net of unearned interest) (1) (2)	1,567,303	75,685	6.46%	1,3
Total interest earning assets	\$ 1,906,871	\$ 84,623	5.93%	\$ 1,5
Cash and due from banks	48,674			
Premises and equipment	29,268			
Allowance for loan losses	(20,494)			(
Other assets	85,479			
Total Assets	\$ 2,049,798			\$ 1,6
LIABILITIES AND STOCKHOLDERS' EQUITY				
Interest-bearing transaction deposits	\$ 39,643	\$ 253	0.85%	\$
Savings deposits	115,680	604	0.70%	1
Money market deposits	582,597	6,324	1.45%	4
Time deposits	678,030	16,194	3.19%	5
Short-term borrowings:				
Federal funds purchased	9,973	181	2.43%	
Repurchase agreements	43,781	624	1.91%	
Other	5,487	100	2.44%	
Long-term debt	161,000	4,837	4.02%	1
Junior subordinated debt owed to unconsolidated trusts	44,000	2,492	7.57%	
Total interest-bearing liabilities	\$ 1,680,191	\$ 31,609	2.52%	\$ 1,3
Net interest spread			3.41%	
Demand deposits	212,268			1
Other liabilities	12,483			
Stockholders' equity	144,856			1
Total Liabilities and Stockholders' Equity	\$ 2,049,798			\$ 1,6
Interest income / earning assets (1)	\$ 1,906,871	\$ 84,623	5.93%	\$ 1,5
Interest expense / earning assets	\$ 1,906,871	\$ 31,609	2.21%	\$ 1,5
Net interest margin (1)		\$ 53,014	3.72%	

Edgar Filing: FIRST BUSEY CORP /NV/ - Form 10-Q

- (1) On a tax-equivalent basis, assuming a federal income tax rate of 35% for 2005 and 2004.
- (2) Non-accrual loans have been included in average loans, net of unearned interest.

22 of 43

FIRST BUSEY CORPORATION AND SUBSIDIARIES
 CHANGES IN NET INTEREST INCOME
 NINE MONTHS ENDED SEPTEMBER 30, 2005 AND 2004

	Average Volume	Change due to (1) Average Yield/Rate
----- (Dollars in thousands)		
Increase in interest income:		
Interest-bearing bank deposits	\$ (3)	\$ 21
Federal funds sold	179	86
Investment securities:		
U.S. Government obligations	1,280	300
Obligations of states and political subdivisions (2)	389	(20)
Other securities	262	30
Loans (2)	11,174	8,522
	-----	-----
Change in interest income (2)	\$ 13,281	\$ 8,939
	-----	-----
Increase (decrease) in interest expense:		
Interest-bearing transaction deposits	\$ 88	\$ 45
Savings deposits	18	72
Money market deposits	541	3,071
Time deposits	2,993	1,689
Short-term borrowings:		
Federal funds purchased	42	76
Repurchase agreements	273	169
Other	(47)	40
Long-term debt	1,017	17
Junior subordinated debt owed to unconsolidated trusts	566	(10)
	-----	-----
Change in interest expense	\$ 5,491	\$ 5,169
	-----	-----
Increase in net interest income (2)	\$ 7,790	\$ 3,770
	=====	=====

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

Edgar Filing: FIRST BUSEY CORP /NV/ - Form 10-Q

(2) On a tax-equivalent basis, assuming a federal income tax rate of 35% for 2005 and 2004.

23 of 43

EARNING ASSETS, SOURCES OF FUNDS, AND NET INTEREST MARGIN

Average earning assets increased \$332,274,000 or 21.1% to \$1,906,871,000 for the nine months ended September 30, 2005, as compared to \$1,574,597,000 for the same period last year. Average loan balances increased \$244,470,000 or 18.5% to \$1,567,303,000 for the nine months ended September 30, 2005, compared to \$1,322,833,000 during the first nine months of 2004. This growth in average earning assets and loans outstanding is due primarily to growth in Busey Bank Florida and the acquisition of First Capital Bank in June, 2004. The acquisition of Tarpon Coast National Bank had limited impact on increase in average earning assets and associated interest income on a year-to-date basis through September 30, 2005, as Tarpon results have been included in the consolidated totals since acquisition on July 29, 2005.

Interest-bearing liabilities averaged \$1,680,191,000 during the first nine months of 2005, an increase of \$302,611,000 or 22.0% from the average balance of \$1,377,580,000 for the comparable period in 2004. In comparing the average balance of interest-bearing liabilities for the first nine months of 2005 to the same period in 2004, First Busey experienced growth in all categories of funding sources except other short-term borrowings. Growth was particularly strong in money market deposits, time deposits, repurchase agreements, and long-term debt. Again, this growth is related primarily to the June, 2004, addition of First Capital, growth in the Florida market, and moderately by the addition of Tarpon Coast.

Income on interest-earning assets is accrued on the effective yield of the underlying financial instruments. A loan is considered to be impaired when, based on current information and events, it is probable the Corporation will not be able to collect all amounts due. The accrual of interest income on impaired loans is discontinued when there is reasonable doubt as to the borrower's ability to meet contractual payments of interest or principal.

Net interest income, on a fully taxable equivalent basis, increased \$11,560,000 or 27.9% to \$53,014,000 for the nine months ended September 30, 2005, compared to \$41,454,000 for the comparable period in 2004. Net interest margin, the Corporation's net interest income, expressed as a percentage of average earning assets stated on a fully taxable equivalent basis, was 3.72% for the nine months ended September 30, 2005, as compared to 3.52% for the comparable period in 2004. The net interest margin expressed as a percentage of average total assets, also on a fully taxable equivalent basis, was 3.46% for the nine months ended September 30, 2005, compared to 3.29% for the comparable period in 2004.

Interest income, on a tax equivalent basis, for the nine months ended September 30, 2005, was \$84,623,000, which is \$22,220,000 or 35.6% higher than the \$62,403,000 earned during the comparable period in 2004. The average yield on interest-earning assets increased 64 basis points to 5.93% for the nine months ended September 30, 2005, compared to 5.29% for the comparable period in 2004. Asset growth, particularly in loans, combined with higher yields on outstanding loans fueled the increase in interest income.

Interest expense for the nine months ended September 30, 2005, was \$31,609,000, which is \$10,660,000 or 50.9% higher than the \$20,949,000 recognized during comparable period in 2004. The increase in interest expense is related predominantly to the increase in average outstanding balances of the various

Edgar Filing: FIRST BUSEY CORP /NV/ - Form 10-Q

funding sources, particularly in time deposits. Growth in the average balance of time deposits, again, is related to the addition of First Capital and Busey Bank Florida's growth. The average rate paid on interest-bearing liabilities increased 49 basis points to 2.52% for the nine months ended September 30, 2005, compared to 2.03% for the comparable period in 2004. The average rates paid on all categories of interest-bearing liabilities were higher during the first nine months of 2005 than in the comparable period in 2004 with the exception of junior subordinated debt owed to unconsolidated trusts.

PROVISION FOR LOAN LOSSES

The Corporation's provision for loan losses of \$2,765,000 during the nine months ended September 30, 2005, an increase of \$445,000 or 19.2% from the \$2,320,000 recorded during the comparable period in 2004 due to loan growth, specifically the loan growth under the short-term construction loan program at Busey Bank Florida. The

24 of 43

provision and net charge-offs for the nine-month period ended September 30, 2005, resulted in the allowance representing 1.32% of total loans and 881% of non-performing loans as of September 30, 2005, as compared to the allowance representing 1.30% of outstanding loans and 524% of non-performing loans as of December 31, 2004. Net charge-offs for the first nine months of 2005 were \$570,000 compared to \$1,914,000 for the comparable period in 2004. The net charge-off ratio (net charge-offs as a percentage of average loans) was 0.05% for the nine-month period ended September 30, 2005, reflecting an improvement from 0.19% for the same period in 2004. Of the net charge-offs recognized during the first nine months of 2004, \$1,394,000 was related to one commercial customer. The increase in provision expense during the first nine months of 2005 is related to general growth in the portfolio combined with the increase in potential problem loans during this same period. The adequacy of the allowance for loan losses is consistent with management's consideration of the composition of the portfolio, non-performing asset and potential problem loan levels, recent credit quality experience, historic charge-off trends, and prevailing economic conditions among other factors.

OTHER INCOME, OTHER EXPENSE, AND INCOME TAXES

Total other income, excluding security gains, increased \$672,000 or 4.0% to \$17,731,000 for the nine months ended September 30, 2005, compared to \$16,659,000 for the same period in 2004. Growth in trust fees, service charges and other operating income was partially offset by lower commissions and brokerage fees.

During the first nine months of 2005 the Corporation recognized gains of \$1,932,000 on the sale of \$130,324,000 in mortgage loans compared to gains of \$1,984,000 on the sale of \$139,699,000 of loans during the prior year period. The interest-rate and debt markets have strong influence on the level of mortgage loan originations and sales volumes. Management anticipates continued sales from current production. The Corporation may realize gains and/or losses on these sales dependent upon interest-rate movements and upon how receptive the debt markets are to mortgage-backed securities.

Income recognized on service charges, trust fees, commissions, and loan gains is recognized based on contractual terms and are accrued based on estimates, or are recognized as transactions occur or services are provided. Income from the servicing of sold loans is recognized based on estimated asset valuations and transaction volumes. While these estimates and assumptions may be considered

Edgar Filing: FIRST BUSEY CORP /NV/ - Form 10-Q

complex, First Busey has implemented controls and processes to ensure the accuracy of these accruals.

During the nine months ending September 30, 2005, the Corporation recognized security gains of approximately \$184,000 after income taxes, representing 0.9% of net income. During the comparable period in 2004, security gains of approximately \$657,000 after income taxes were recognized, representing 3.9% of net income. The Corporation owns a position in a qualified equity security with substantial appreciated value. First Busey's Board of Directors has authorized an orderly liquidation of this asset over a ten-year period.

Total other expenses increased \$5,751,000 or 18.7% to \$36,564,000 for the nine months ending September 30, 2005, compared to \$30,813,000 for the comparable period in 2004. Salary and wages, employee benefits, occupancy and furniture and equipment expenses were higher during the first nine months of 2005 compared to the first nine months of 2004 due primarily to the acquisition of First Capital Bank in June, 2004, and Tarpon Coast National Bank in July, 2005.

Income taxes for the nine months ended September 30, 2005, increased to \$9,821,000 as compared to \$8,431,000 for the comparable period in 2004. As a percentage of income before taxes, the provision for income taxes decreased slightly to 32.5% for the nine months ended September 30, 2005, from 33.6% for the comparable period in 2004.

25 of 43

RESULTS OF OPERATIONS

THREE MONTHS ENDED SEPTEMBER 30, 2005, AS COMPARED TO SEPTEMBER 30, 2004

SUMMARY

Net income for three months ended September 30, 2005, increased \$1,775,000 or 30.7% to \$7,559,000 compared to \$5,784,000 for the three months ended September 30, 2004. Fully diluted earnings per share increased \$.08 or 28.6% to \$0.36 for the three months ended September 30, 2005, compared to \$0.28 for the comparable period in 2004. The Corporation's return on average assets was 1.39% for the three-month period ended September 30, 2005, compared to 1.20% for the comparable period in 2004. The return on average shareholders' equity was 19.50% for the three-month period ended September 30, 2005, compared to 17.51% for the comparable period in 2004.

26 of 43

FIRST BUSEY CORPORATION AND SUBSIDIARIES
 AVERAGE BALANCE SHEETS AND INTEREST RATES
 QUARTERS ENDED SEPTEMBER 30, 2005 AND 2004

2005			
Average Balance	Income/ Expense	Yield/ Rate	Aver Bala
-----	-----	-----	-----

Edgar Filing: FIRST BUSEY CORP /NV/ - Form 10-Q

(Dollars in thousands)

ASSETS							
Interest-bearing bank deposits	\$	2,300	\$	19	3.28%	\$	
Federal funds sold		15,318		135	3.50%		
Investment securities							
U.S. Government obligations		202,985		1,542	3.01%		1
Obligations of states and political subdivisions (1)		65,904		966	5.82%		
Other securities		47,798		451	3.74%		
Loans (net of unearned interest) (1) (2)		1,663,366		27,746	6.62%		1,4
		-----		-----			-----
Total interest earning assets	\$	1,997,671	\$	30,859	6.13%	\$	1,7
				=====			
Cash and due from banks		51,788					
Premises and equipment		33,925					
Allowance for loan losses		(21,909)					(1
Other assets		93,343					
		-----					-----
Total Assets	\$	2,154,818				\$	1,9
		=====					=====
LIABILITIES AND STOCKHOLDERS' EQUITY							
Interest-bearing transaction deposits	\$	43,013	\$	91	0.84%	\$	
Savings deposits		123,204		229	0.74%		1
Money market deposits		611,233		2,610	1.69%		5
Time deposits		703,831		5,999	3.38%		6
Short-term borrowings:							
Federal funds purchased		6,921		64	3.67%		
Repurchase agreements		43,107		251	2.31%		
Other		1,000		9	3.57%		
Long-term debt		172,216		1,785	4.11%		1
Junior subordinated debt owed to unconsolidated trusts		50,000		933	7.40%		
		-----		-----			-----
Total interest-bearing liabilities	\$	1,754,525	\$	11,971	2.71%	\$	1,5
				=====			
Net interest spread					3.42%		
					=====		
Demand deposits		232,309					1
Other liabilities		14,153					
Stockholders' equity		153,831					1
		-----					-----
Total Liabilities and Stockholders' Equity	\$	2,154,818				\$	1,9
		=====					=====
Interest income / earning assets (1)	\$	1,997,671	\$	30,859	6.13%	\$	1,7
Interest expense / earning assets	\$	1,997,671	\$	11,971	2.38%	\$	1,7
				-----			-----
Net interest margin (1)			\$	18,888	3.75%		
				=====			

(1) On a tax-equivalent basis, assuming a federal income tax rate of 35% for 2005 and 2004.

Edgar Filing: FIRST BUSEY CORP /NV/ - Form 10-Q

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

27 of 43

FIRST BUSEY CORPORATION AND SUBSIDIARIES
CHANGES IN NET INTEREST INCOME
QUARTERS ENDED SEPTEMBER 30, 2005 AND 2004

	Average Volume	Change due to(1) Average Yield/Rate
(Dollars in thousands)		
Increase (decrease) in interest income:		
Interest-bearing deposits	\$ (1)	\$ 13
Federal funds sold	(7)	77
Investment securities:		
U.S. Government obligations	221	243
Obligations of states and political subdivisions (2)	197	(5)
Other securities	(115)	26
Loans (2)	2,921	3,660
<hr/>		
Change in interest income (2)	\$ 3,216	\$ 4,014
<hr/>		
Increase (decrease) in interest expense:		
Interest-bearing transaction deposits	\$ 28	\$ (3)
Savings deposits	19	16
Money market deposits	172	1,272
Time deposits	437	1,027
Short-term borrowings:		
Federal funds purchased	40	16
Repurchase agreements	16	115
Other	(84)	32
Long-term debt	33	180
Junior subordinated debt owed to unconsolidated trusts	185	33
<hr/>		
Change in interest expense	\$ 846	\$ 2,688
<hr/>		
Increase in net interest income (2)	\$ 2,370	\$ 1,326
<hr/>		

- (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% for 2005 and 2004.

EARNING ASSETS, SOURCES OF FUNDS, AND NET INTEREST MARGIN

Average earning assets increased \$220,096,000 or 12.4% to \$1,997,671,000 for the three months ended September 30, 2005, compared to \$1,777,575,000 for the comparable period last year. The average balance of loans outstanding, in particular, increased \$189,834,000 or 12.9% to \$1,663,366,000 for the third quarter of 2005 compared to \$1,473,532,000 during the comparable period in 2004. The averages of Tarpon Coast National Bank balance sheet items were included in the calculation of the Corporation's consolidated average balances from acquisition date, so were not included for the entire quarter, yet the addition of Tarpon Coast National Bank contributed \$90,962,000 to the growth in average assets and \$79,533,000 in average outstanding loans during the third quarter of 2005 as compared to the third quarter of 2004. Of the remaining growth in average earning assets and average outstanding loans is attributable to growth at Busey Bank Florida which experienced increases of \$92,845,000 in average earning assets and \$91,493,000 in average outstanding loans.

Interest-bearing liabilities averaged \$1,754,525,000 during the three months ended September 30, 2005, an increase of \$164,594,000 or 10.4% from the average balance of \$1,589,931,000 for the comparable period in 2004. Of this growth in average interest-bearing liabilities, the addition of Tarpon Coast National Bank contributed \$62,209,000. Most of the remaining growth in funding sources is related to funding requirements for the continued growth in Busey Bank Florida as well as funding associated with the acquisition of Tarpon Coast.

Net interest income on a fully taxable equivalent basis, increased \$3,696,000 or 24.3% to \$18,888,000 for the three months ended September 30, 2005, compared to \$15,192,000 for the comparable period in 2004. Net interest margin, the Corporation's net interest income, expressed as a percentage of average earning assets stated on a fully taxable equivalent basis, was 3.75% for the three months ended September 30, 2005, compared to 3.39% for the comparable period in 2004. Net interest margin expressed as a percentage of average total assets, also on a fully taxable equivalent basis, was 3.48% for the three months ended September 30, 2005, compared to 3.15% for the comparable period in 2004.

Interest income, on a tax equivalent basis, for the three months ended September 30, 2005, was \$30,859,000, which is \$7,230,000 or 30.6% higher than the \$23,629,000 earned during the comparable period in 2004. The average yield on interest-earning assets increased 86 basis points to 6.13% for the three months ended September 30, 2005, compared to 5.27% for the three months ended September 30, 2004. The increase in yields is due primarily to growth in the average balance of outstanding loans relative to other interest-earning assets combined with an increase in the yield on outstanding loans.

Interest expense for the three months ended September 30, 2005, was \$11,971,000, which is \$3,534,000 or 41.9% higher than the \$8,437,000 during the comparable period in 2004. The average rate paid on interest-bearing liabilities increased 60 basis points to 2.71% for the three months ended September 30, 2005, compared to 2.11% during the comparable period in 2004. Growth in the average balance of interest-bearing deposit sources and debt financing combined with increases in the average rates paid on most categories of interest-bearing liabilities, particularly in money market and time deposits, contributed to this higher cost of funds.

OTHER INCOME, OTHER EXPENSE, AND INCOME TAXES

Edgar Filing: FIRST BUSEY CORP /NV/ - Form 10-Q

Total other income, excluding security transactions, increased \$605,000 or 10.8% to \$6,224,000 for the three months ended September 30, 2005, compared to \$5,619,000 for the comparable period in 2004. Growth in trust and brokerage fees, fee income, gains on the sales of loans, and other operating income account for most of this growth. Gains of \$920,000 were recognized on the sale of \$63,158,000 of mortgage loans during the three months ending September 30, 2005, compared to gains of \$703,000 on the sale of \$48,988,000 in mortgage loans during the prior year period.

During the three-month period ending September 30, 2005, the Corporation recognized net security losses of approximately \$64,000, after income taxes, representing -0.8% of net income. During the comparable period in 2004, net security gains of approximately \$242,000, after income taxes, were recognized, representing 4.2% of

29 of 43

net income. The Corporation recognized the losses during the third quarter of 2005 in order to reposition the investment portfolio for better performance under the current interest-rate environment and to restructure maturities of certain securities to better meet the liquidity needs of the organization.

Total other expenses increased \$2,013,000 or 181% to \$13,163,000 for the three months ending September 30, 2005, compared to \$11,150,000 for the comparable period in 2004. Salaries and wage expense increased \$833,000 or 15.9% to \$6,062,000 for the three months ended September 30, 2005, as compared to \$5,229,000 during the comparable period last year due to the addition of Tarpon Coast National Bank combined with Busey Bank Florida expansion.

Income taxes for the three-month period ending September 30, 2005, increased to \$3,220,000 compared to \$2,691,000 for the comparable period in 2004. As a percentage of income before taxes, the provision for income taxes decreased slightly to 30.0% for the three months ended September 30, 2005, from 31.7% for the comparable period in 2004.

LIQUIDITY

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

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

The Corporation's primary sources of funds consist of deposits, investment maturities and sales, loan principal repayments, deposits, and capital funds. Additional liquidity is provided by bank lines of credit, repurchase agreements, brokered deposits, and the ability to borrow from the Federal Reserve Bank and the Federal Home Loan Bank. The Corporation has an operating line in the amount of \$10,000,000, all of which was available as of September 30, 2005. Long-term liquidity needs will be satisfied primarily through retention of capital funds.

An additional source of liquidity that can be managed for short-term and long-term needs is the Corporation's ability to securitize or package loans

Edgar Filing: FIRST BUSEY CORP /NV/ - Form 10-Q

(primarily mortgage loans) for sale. During the first nine months of 2005 the Corporation originated \$133,714,000 and sold \$130,324,000 in mortgage loans for sale compared to originations of \$116,948,000 and sales of \$139,699,000 during the first nine months of 2004. As of September 30, 2005, the Corporation held \$12,964,000 in loans held for sale. Management intends to sell these loans during the fourth quarter of 2005.

The Corporation recently completed the acquisition of First Capital Bankshares, Inc. of Peoria, Illinois (June, 2004) and of Tarpon Coast Bancorp, Inc. of Port Charlotte, Florida (July, 2005). The First Capital acquisition consisted of all cash consideration, and the Tarpon Coast acquisition consideration was a stock/cash transaction. Cash requirements for each acquisition (\$42,070,000 for the First Capital acquisition and \$19,103,000 for the Tarpon acquisition) were satisfied through both the issuance of long-term subordinated debt within a privately-placed trust preferred securities structure and commercial borrowings. An aggregate of \$25,000,000 of trust preferred securities were issued by the Corporation's two trust subsidiaries formed for such issuances with the balance borrowed in the form of a long-term note payable. The note payable requires annual principal reductions of \$4,000,000 beginning in January, 2007, and matures in June, 2011. The Corporation will review various alternatives for refinancing the debt associated with both of these transactions on a longer-term basis and intends to determine its course of action during the first quarter of 2006.

The objective of liquidity management by the Corporation is to ensure that funds will be available to meet

30 of 43

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

The Corporation's banking subsidiaries routinely enter into commitments to extend credit in the normal course of their business. As of September 30, 2005, the Corporation had outstanding loan commitments including lines of credit of \$508,211,000 compared to \$413,679,000 as of December 31, 2004. The balance of commitments to extend credit represents future cash requirement and some of these commitments may expire without being drawn upon. The Corporation anticipates it will have sufficient funds available to meet its current loan commitments, including loan applications received and in process prior to the issuance of firm commitments.

The Corporation has 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 September 30, 2005:

Securities	
Sold under	
Agreements to	Junior
Repurchase and	Subordinated

Edgar Filing: FIRST BUSEY CORP /NV/ - Form 10-Q

Due Within	Certificates of Deposit	Short- and Long-term Borrowings	Leases	Debt Owed to Unconsolidated Trusts	Total
(Dollars in thousands)					
1 year	\$ 455,396	\$ 77,343	\$ 977	\$ -	\$ 533,716
2 years	155,220	26,223	902	-	182,345
3 years	62,329	42,373	747	-	105,449
4 years	37,673	17,373	318	-	55,364
5 years	21,712	15,872	116	-	37,700
Thereafter	588	44,542	181	50,000	95,311
Total	\$ 732,918	\$ 223,726	\$ 3,241	\$ 50,000	\$ 1,009,885
Commitments to extend credit					\$ 508,211

Net cash flows provided by operating activities totaled \$21,776,000 during the nine months ended September 30, 2005, compared to \$43,532,000 during the prior year period. Significant items affecting the cash flows provided by operating activities are net income, depreciation and amortization expense, the provision for loan losses, and activities related to the origination and sale of loans held for sale. Operating cash flow decreased during the first nine months of 2005 compared to the same period in 2004 due primarily to higher mortgage loan production. During the first nine months of 2005 the Corporation originated \$133,714,000 in loans held for sale and generated \$132,256,000 from the sale of held-for-sale loans resulting in net cash used in loan originations and sale of \$1,458,000. During the comparable period in 2004, the Corporation originated \$116,948,000 in held-for-sale loans and generated \$141,683,000 from the sale of held-for-sale loans leading to net cash provided by loan originations and sale of \$24,735,000.

Net cash used in investing activities was \$139,598,000 for the nine months ended September 30, 2005, compared to \$260,056,000 for the comparable period in 2004. Significant activities affecting cash flows from investing activities are those activities associated with managing the Corporation's investment portfolio, loans held in the Corporation's portfolio, and subsidiary or business unit acquisition activities. During the nine months ended

31 of 43

September 30, 2005, proceeds from the sales and maturities of securities classified as available for sale totaled \$125,478,000, and the Corporation purchased \$87,515,000 in securities resulting in net cash generated by securities activity of \$37,963,000. In the comparable period of 2004 proceeds from the sales and maturities of securities classified as available for sale totaled \$99,673,000, and the Corporation purchased \$122,570,000 in securities resulting in net cash used by securities activity of \$22,897,000. The Corporation's loan portfolio increased \$115,138,000 during the first nine months of 2005, compared to an increase of \$148,932,000 in the comparable period of 2004. In July, 2005, the Corporation purchased the outstanding shares of Tarpon Coast Bancorp resulting in the net use of \$12,364,000. In June, 2004, the Corporation purchased the outstanding shares of First Capital Bankshares resulting in the net use of \$35,990,000.

Net cash provided by financing activities was \$129,657,000 during the first nine

Edgar Filing: FIRST BUSEY CORP /NV/ - Form 10-Q

months of 2005 compared to \$226,044,000 for the comparable period in 2004. Significant items affecting cash flows from financing activities are deposits, short-term borrowings, long-term debt, and proceeds from the issuance of junior subordinated debt owed to unconsolidated trusts. Deposits, which are the Corporation's primary funding source, grew \$125,242,000 during the first nine months of 2005, down compared to the net increase of \$154,967,000 during the comparable period in 2004. The Corporation has increased its use of short-term and long-term advances from the Federal Home Loan Banks of Chicago and Atlanta to partially fund loan growth. The Corporation issued \$10,000,000 in June, 2005, and \$15,000,000 in April, 2004, in long-term subordinated debt. Proceeds from these issuances were used to partially fund the acquisitions of Tarpon Coast National Bank in July, 2005, and First Capital Bank in June, 2004. The Corporation also issued other long-term debt to fund the remainder of the purchase prices in these acquisitions. These issues represent a significant portion of the net cash provided by financing activities for the first nine months of 2005 and 2004.

32 of 43

CAPITAL RESOURCES

Other than from the issuance of common stock, the Corporation's primary source of capital is retained net income. During the nine months ended September 30, 2005, the Corporation earned \$20,371,000 and paid dividends of \$8,580,000 to stockholders, resulting in retention of current earnings of \$11,791,000. The Corporation's dividend payout for the nine months ended September 30, 2005 was 42.1%.

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

Actual		For Capital Adequacy Purposes		To Capital Prompt Action
Amount	Ratio	Amount	Ratio	Amount
(Dollars in thousands)				

AS OF SEPTEMBER 30, 2005:

Edgar Filing: FIRST BUSEY CORP /NV/ - Form 10-Q

TOTAL CAPITAL (TO RISK-WEIGHTED ASSETS)

Consolidated	\$	173,802	10.34%	\$	134,442	8.00%	N/
Busey Bank	\$	155,542	11.41%	\$	109,024	8.00%	\$ 136,28
Busey Bank Florida	\$	24,212	12.79%	\$	15,140	8.00%	\$ 18,92
Tarpon Coast Nat'l Bank	\$	13,119	9.86%	\$	10,645	8.00%	\$ 13,30

TIER I CAPITAL (TO RISK-WEIGHTED ASSETS)

Consolidated	\$	146,803	8.74%	\$	67,221	4.00%	\$ N/
Busey Bank	\$	133,342	9.78%	\$	54,512	4.00%	\$ 81,76
Busey Bank Florida	\$	21,834	11.54%	\$	7,570	4.00%	\$ 11,35
Tarpon Coast Nat'l Bank	\$	11,911	8.95	\$	5,323	4.00%	\$ 7,98

TIER I CAPITAL (TO AVERAGE ASSETS)

Consolidated	\$	146,803	7.05%	\$	83,240	4.00%	N/
Busey Bank	\$	133,342	7.65%	\$	76,285	4.00%	\$ 95,35
Busey Bank Florida	\$	21,834	9.10%	\$	10,476	4.00%	\$ 13,09
Tarpon Coast Nat'l Bank	\$	11,911	8.30%	\$	7,068	4.00%	\$ 8,83

33 of 43

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

MARKET RISK

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

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

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

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

The following table sets forth the static rate-sensitivity analysis of the Corporation as of September 30, 2005:

	Rate Sensitive Within			
	1-30 Days	31-90 Days	91-180 Days	181 Days 1 Year
	(Dollars in thousands)			
Interest-bearing deposits	\$ 432	\$ -	\$ -	\$ -
Federal funds sold	56,541	-	-	-
Investment securities				
U.S. Governments	12,685	46,305	17,960	43,800
Obligations of states and political subdivisions	1,304	6,723	3,004	2,500
Other securities	14,094	843	929	2,600
Loans (net of unearned int.)	696,631	103,881	119,424	163,400
Total rate-sensitive assets	\$ 781,687	\$ 157,752	\$ 141,317	\$ 212,500
Interest bearing transaction deposits	\$ 43,895	\$ -	\$ -	\$ -
Savings deposits	128,806	-	-	-
Money market deposits	660,942	-	-	-
Time deposits	67,521	79,393	125,563	185,200
Short-term borrowings:				
Repurchase agreements	48,025	-	-	-
Other	-	-	1,000	-
Long-term debt	2,720	3,500	53,456	13,500
Junior subordinated debt owed to unconsolidated trusts	-	25,000	-	-
Total rate-sensitive liabilities	\$ 951,909	\$ 107,893	\$ 180,019	\$ 198,700
Rate-sensitive assets less rate-sensitive liabilities	\$ (170,222)	\$ 49,859	\$ (38,702)	\$ 13,700
Cumulative Gap	\$ (170,222)	\$ (120,363)	\$ (159,065)	\$ (145,300)
Cumulative amounts as a percentage of total rate-sensitive assets	-8.11%	-5.73%	-7.58%	-6.80%
Cumulative ratio	0.82	0.89	0.87	0.80

The funds management policy of First Busey Corporation require the banks to maintain a cumulative rate-sensitivity ratio of .75 - 1.25 in the 90-day, 180-day, and 1-year time periods. As of September 30, 2005, the Banks and the

Edgar Filing: FIRST BUSEY CORP /NV/ - Form 10-Q

Corporation, on a consolidated basis, are within those guidelines.

The foregoing table shows a negative (liability-sensitive) rate-sensitivity gap of \$170 million in the 1-30 day repricing period as there were more liabilities subject to repricing during that time period than there were assets subject to repricing within that same time period. On a cumulative basis, the gap remains liability sensitive through one year. The composition of the gap structure at September 30, 2005, indicates the Corporation would benefit more if interest rates decrease during the next year by allowing the net interest margin to grow as the volume of interest-bearing liabilities subject to repricing would be greater than the volume of interest-earning assets subject to repricing during the same period.

The Corporation's asset-liability committees do not rely solely on gap analysis to manage interest-rate risk as interest rate changes do not impact all categories of assets and liabilities equally or simultaneously. The asset-liability committees supplement gap analysis with balance sheet and income simulation analysis to determine the potential impact on net interest income of changes in market interest rates. In these simulation models the balance sheet is projected over a one-year period and net interest income is calculated under current market rates, and then assuming permanent instantaneous shifts of +/-100 basis points and +200 basis points. Management

35 of 43

measures such changes assuming immediate and sustained shifts in the Federal funds rate and the corresponding shifts in other rate indices based on their historical changes relative to changes in the Federal funds rate. The model assumes asset and liability balances remain constant at September 30, 2005, balances. The model uses repricing frequency on all variable-rate assets and liabilities. The model also uses a historical decay rate on all fixed-rate core deposit balances. Prepayment speeds on loans have been adjusted up and down to incorporate expected prepayment in both a declining and rising rate environment. Utilizing this measurement concept the interest rate risk of the Corporation, expressed as a change in net interest income as a percentage of the net income calculated in the constant base model, due to an immediate and sustained change in interest rates at September 30, 2005, and December 31, 2004 was as follows:

	Basis Point Changes		
	-100	+100	+200
September 30, 2005	(2.50%)	1.14%	2.21%
December 31, 2004	(5.57%)	3.05%	6.06%

36 of 43

ITEM 4: CONTROLS AND PROCEDURES

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

Edgar Filing: FIRST BUSEY CORP /NV/ - Form 10-Q

The Corporation conducted an evaluation, with the participation of its Chief Executive Officer and Chief Financial Officer, of the effectiveness of the Corporation's disclosure controls and procedures as of September 30, 2005. The Corporation's disclosure controls and procedures are designed to ensure that information required to be disclosed by the Corporation in the reports that it files or submits under the Exchange Act is recorded, processed, summarized, and reported on a timely basis.

Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Corporation's disclosure controls and procedures as of September 30, 2005, are effective in timely alerting them to material information relating to First Busey Corporation, including its consolidated subsidiaries, required to be included in the Corporation's periodic filings under the Exchange Act.

CHANGES IN INTERNAL CONTROLS

During the quarter ended September 30, 2005, the Corporation did not make any significant changes in, nor take any corrective actions regarding, its internal controls or other factors that could significantly affect these controls.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS

Disclosure controls are procedures that are designed with the objective of ensuring that information required to be disclosed in First Busey Corporation's reports filed under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission's (SEC) rules and forms. Disclosure controls are also designed with the objective of ensuring that such information is accumulated and communicated to management, as appropriate to allow timely decisions regarding required disclosure. Internal controls are procedures which are designed with the objective of providing reasonable assurance that transactions are properly authorized, assets are safeguarded against unauthorized or improper use, and transactions are properly recorded and reported, all to permit the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America.

LIMITATIONS ON THE EFFECTIVENESS OF INTERNAL CONTROLS

First Busey Corporation's management does not expect that our disclosure controls or our internal controls will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of the control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within First Busey Corporation have been detected. These inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

PART II - OTHER INFORMATION

ITEM 1: Legal Proceedings
Not Applicable

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

The following table presents for the periods indicated a summary of the purchases made by or on behalf of First Busey Corporation of shares of its common stock.

	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs 1,
January 1 - 31, 2005	25,000	\$ 20.93	25,000	735,889
February 1 - 28, 2005	20,000	20.81	20,000	715,889
March 1 - 31, 2005	40,000	20.75	40,000	675,889
April 1 - 30, 2005	15,000	19.75	15,000	660,889
May 1 - 31, 2005	-	-	-	660,889
June 1 - 30, 2005	-	-	-	660,889
July 1 - 31, 2005	3,340	19.76	3,340	657,549
August 1 - 31, 2005	-	-	-	657,549
September 1 - 30, 2005	-	-	-	657,549
Total	103,340	\$ 20.63	103,340	

1 First Busey Corporation's board of directors approved a stock purchase plan on March 20, 2001, for the repurchase of up to 750,000 shares of common stock. The Corporation has repurchased all shares under the 2001 repurchase plan. First Busey Corporation's board of directors approved a stock purchase plan on February 17, 2004 for the repurchase of up to 750,000 shares of common stock. The Corporation's 2004 repurchase plan has no expiration date.

2 Share and per share amounts have been retroactively adjusted to effect a three-for-two common stock split declared on July 23, 2004, as if it had occurred on January 1, 2004.

ITEM 3: Defaults Upon Senior Securities
Not Applicable

ITEM 4: Submission of Matters to a Vote of Security Holders
Not Applicable

ITEM 5: Other Information
Not Applicable

ITEM 6: Exhibits

31.1 Certification of Principal Executive Officer

31.2 Certification of Principal Financial Officer

32.1 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, from the Corporation's Chief Executive Officer.

32.2 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, from the Corporation's Chief Financial Officer.

SIGNATURES

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

FIRST BUSEY CORPORATION
(REGISTRANT)

By: /s/ Douglas C. Mills

Douglas C. Mills
Chairman of the Board and Chief Executive
Officer

By: /s/ Barbara J. Harrington

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

Date: November 9, 2005