

FIRST BUSEY CORP /NV/

Form 10-K

March 16, 2007

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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K**

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

For the fiscal year ended December 31, 2006

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

**Commission file number 0-15950
FIRST BUSEY CORPORATION**

(Exact name of registrant as specified in its Charter)

Nevada
(State or other jurisdiction of
incorporation of organization)

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

201 West Main Street
Urbana, IL 61801

(Address of principal executive offices) (Zip Code)

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

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

Title of each class	Name of each exchange on which registered
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Common Stock (\$.001 par value)	The Nasdaq Global Select Market
Securities registered pursuant to Section 12(g) of the Act: None	

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

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

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

Yes No

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

Indicate by check mark whether registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer (as defined in Rule 12b-2 of the Act.).

Large accelerated filer Accelerated filer Non-accelerated filer

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

Yes No

The aggregate market value of the voting and nonvoting Common Stock held by non-affiliates on June 30, 2006 was \$343,144,505, determined using a per share closing price on that date of \$20.47, as quoted on The Nasdaq Global

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Select Stock Market.

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 March 2, 2007
Common Stock, \$.001 par value	21,457,866

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Form 10-K Annual Report
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Part I

Item 1. Business

Introduction

First Busey Corporation (First Busey or the Corporation), a Nevada Corporation, is a \$2.5 billion financial holding company which was initially organized as a bank holding company in 1980. First Busey conducts a broad range of financial services through its banking and non-banking subsidiaries at 35 locations. First Busey is headquartered in Urbana, Illinois, and its common stock is traded on The Nasdaq Global Select Stock Market under the symbol BUSE.

Banking And Non-Banking Subsidiaries

First Busey currently has two wholly-owned banking subsidiaries located in three states, Busey Bank and Busey Bank, National Association (the Banks).

Busey Bank, a state-chartered bank organized in 1868, is a full-service commercial bank offering a wide variety of services to individual, business, institutional and governmental customers, including retail products and services.

Busey Bank has 22 locations in Illinois, one in Florida and one in Indianapolis, Indiana.

First Busey acquired Eagle BancGroup, Inc., parent of First Federal Savings & Loan Association (First Federal), in October 1999. First Federal, located in Bloomington, Illinois, was established in 1919 as a federally chartered capital stock savings association. In June 2000, First Federal changed its name to Busey Bank fsb. At the same time, four of Busey Bank s branches, located in LeRoy and Bloomington, Illinois, were transferred to Busey Bank fsb. In October 2000, Busey Bank fsb opened an additional branch in Fort Myers, Florida. In November 2001, Busey Bank fsb transferred its charter to Florida, and changed its name to Busey Bank Florida. Simultaneously, the Illinois assets of Busey Bank fsb were merged into Busey Bank.

First Busey acquired First Capital Bankshares, Inc., parent of First Capital Bank on June 1, 2004. First Capital Bank merged into Busey Bank, bringing all Illinois banking operations under one bank charter.

On July 29, 2005, First Busey acquired Tarpon Coast Bancorp, Inc., parent of Tarpon Coast National Bank and its subsidiary Tarpon Coast Financial Services. At the close of business on February 17, 2006, Busey Bank Florida merged into Tarpon Coast National Bank, and the surviving bank s name changed to Busey Bank, National Association (Busey Bank, N.A.) consolidating all banking activities of the two banks under one charter. Busey Bank, N.A. is a nationally-chartered bank based in Port Charlotte, Florida. The bank has one other branch location in Charlotte County, Florida, two branches in Sarasota County, Florida, and five branches in Lee County, Florida. The bank operated under the name, Tarpon Coast National Bank, in its Charlotte County and Sarasota County locations until January 1, 2007, at which time those branches transitioned to the Busey Bank name. All other Florida locations began operating under the Busey Bank name on February 18, 2006.

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

Busey Investment Group, Inc., a wholly-owned non-banking subsidiary, is located in Champaign, Illinois. Busey Investment Group is the parent company of: (1) First Busey Trust & Investment Co., which provides a full range of trust and investment management services, including estate and financial planning, tax preparation, custody services and philanthropic advisory services; (2) First Busey Securities, Inc., which is a full-service broker/dealer and provides individual investment advice; and (3) Busey Insurance Services, Inc., which offers a variety of insurance products. Busey Capital Management is a wholly-owned subsidiary of First Busey Trust & Investment Co.

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First Busey Resources, Inc., a wholly owned non-banking subsidiary, located in Urbana, Illinois, owns and manages one real estate property which is not currently used in banking activities.

First Busey Statutory Trust II, a statutory business trust, was organized in the state of Connecticut in April 2004. First Busey owns all of the common securities of First Busey Statutory Trust II.

First Busey Statutory Trust III, a statutory business trust was organized in the state of Delaware in June 2005. First Busey owns all of the common securities of First Busey Statutory Trust III.

First Busey Statutory Trust IV, a statutory business trust was organized in the state of Delaware in May 2006. First Busey owns all of the common securities of First Busey Statutory Trust IV.

See Note 21 in the Notes to the Consolidated Financial Statements for an analysis of segment operations.

Competition

The Banks compete actively with national and state banks, savings and loan associations and credit unions for deposits and loans primarily in central and east-central Illinois, southwest Florida, and central Indiana. In addition, First Busey and its non-bank subsidiaries compete with other financial institutions, including asset management and trust companies, security broker/dealers, personal loan companies, insurance companies, finance companies, leasing companies, mortgage companies, and certain governmental agencies, all of which actively engage in marketing various types of loans, deposit accounts, and other products and services.

Based on information obtained from FDIC Summary of Deposits dated June 30, 2006, First Busey ranked in the top ten in total deposits in four counties, first in Champaign County, Illinois, first in Ford County, Illinois, fifth in McLean County, Illinois, and eighth in Peoria County, Illinois. Customers for banking services are generally influenced by convenience, quality of service, personal contacts, price of services and availability of products. Although the market share of First Busey varies in different markets, First Busey believes that its affiliates effectively compete with other banks, thrifts and financial institutions in their relevant market areas.

Supervision, Regulation and Other Factors

General

First Busey is a financial holding company subject to supervision and regulation by the Board of Governors of the Federal Reserve System (Federal Reserve) under the Bank Holding Company Act (BHCA) and by the Illinois Bank Holding Company Act (IBHCA). Busey Bank, a state-chartered bank, is subject to regulation and examination primarily by the Illinois Department of Financial and Professional Regulation (IDFRP) and, secondarily, by the Federal Deposit Insurance Corporation (FDIC). Busey Bank, N.A. is a nationally chartered bank and is subject to regulation and examination primarily by the Office of the Controller of the Currency (OCC) and, secondarily, by the FDIC. Numerous other federal and state laws, as well as regulations promulgated by the Federal Reserve, IDFRP, FDIC, OCC, and OTS govern almost all aspects of the operations of the Banks. Various federal and state bodies regulate and supervise First Busey s non-banking subsidiaries including its brokerage, investment advisory and insurance agency operations. These include, but are not limited to, Federal Reserve, IDFRP, Securities and Exchange Commission, National Association of Securities Dealers, Inc., Illinois Department of Insurance, federal and state banking regulators and various state regulators of insurance and brokerage activities.

Under the Gramm-Leach-Bliley Act (the Act), a bank holding company that elects to become a financial holding company may engage in any activity that the Federal Reserve, in consultation with the Secretary of the Treasury, determines by regulation or order is: (1) financial in nature; (2) incidental to any such financial activity; or (3) complementary to any such financial activity and does not pose a substantial risk to the safety or soundness of depository institutions or the financial system generally. This Act makes significant changes in U.S. banking law, principally by repealing certain restrictive provisions of the 1933 Glass-Steagall Act. The Act specifies certain activities that are deemed to be financial in nature, including lending, exchanging, transferring, investing for others, or safeguarding money or securities; underwriting and selling insurance; providing financial, investment, or

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economic advisory services; underwriting, dealing in, or making a market in, securities; and any activity currently permitted for bank holding companies by the Federal Reserve under Section 4(c)(8) of the BHCA. The Act does not authorize banks or their affiliates to engage in commercial activities that are not financial in nature. A bank holding company may elect to be treated as a financial holding company only if all depository institution subsidiaries of the holding company are well-capitalized, well-managed and have at least a satisfactory rating under the Community Reinvestment Act.

In addition to the Act, there have been a number of legislative and regulatory proposals that would have an impact on bank/financial holding companies and their bank and non-bank subsidiaries. It is impossible to predict whether or in what form these proposals may be adopted in the future and if adopted, what their effect will be on First Busey.

Dividends

The Federal Reserve has issued a policy statement on the payment of cash dividends by financial holding companies. In the policy statement, the Federal Reserve expressed its view that a bank holding company experiencing weak earnings should not pay cash dividends in excess of its net income or which could only be funded in ways that would weaken its financial health, such as by borrowing. First Busey is also subject to certain contractual and regulatory capital restrictions that limit the amount of cash dividends that First Busey may pay. The Federal Reserve also may impose limitations on the payment of dividends as a condition to its approval of certain applications, including applications for approval of mergers and acquisitions.

The primary sources of funds for First Busey's payment of dividends to its shareholders are dividends and fees to First Busey from its banking and nonbanking affiliates. Various federal and state statutory provisions and regulations limit the amount of dividends the subsidiary banks of First Busey may pay. Under provisions of the Illinois Banking Act (IBA), dividends may not be declared by banking subsidiaries except out of the bank's net profit (as defined), and unless the bank has transferred to surplus at least one-tenth of its net profits since the date of the declaration of the last preceding dividend, until the amount of its surplus is at least equal to its capital.

Federal and state banking regulations applicable to First Busey and its banking subsidiaries require minimum levels of capital, which limit the amounts available for payment of dividends.

Capital Requirements

First Busey is required to comply with the capital adequacy standards established by the Federal Reserve, and its banking subsidiaries must comply with similar capital adequacy standards established by the OCC, FDIC, and IDFRP, as applicable. There are two basic measures of capital adequacy for financial holding companies and their banking subsidiaries that have been promulgated by the Federal Reserve and the FDIC: a risk-based measure and a leverage measure. All applicable capital standards must be satisfied for a bank holding company or a bank to be considered in compliance.

Failure to meet capital guidelines could subject a bank to a variety of enforcement remedies, including issuance of a capital directive, the termination of deposit insurance by the FDIC, a prohibition on the taking of brokered deposits, and certain other restrictions on its business. As described below, substantial additional restrictions can be imposed upon FDIC insured depository institutions that fail to meet applicable capital requirements. See Prompt Corrective Action.

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The Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA) establishes a system of prompt corrective action to resolve the problems of undercapitalized institutions. Under this system the federal banking regulators are required to rate supervised institutions on the basis of five capital categories (well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized) and to take certain mandatory supervisory actions, and are authorized to take other discretionary actions, with respect to institutions in the three undercapitalized categories, the severity of which will depend upon the capital category in which the institution is placed. Generally, subject to a narrow exception, FDICIA requires the banking regulator to appoint a receiver or conservator for an institution that is critically undercapitalized. The federal banking agencies have specified by regulation the relevant capital level for each category.

Pursuant to FDICIA, the Federal Reserve, the FDIC, and the OCC have adopted regulations setting forth a five regulatory category rating system for measuring the capital adequacy of the financial institutions they supervise. Under the regulations, an institution would be placed in one of the following capital categories: (i) well capitalized (an institution that has a Total Capital ratio of at least 10%, a Tier 1 Capital ratio of at least 6% and a Tier 1 Leverage Ratio of at least 5%); (ii) adequately capitalized (an institution that has a Total Capital ratio of at least 8%, a Tier 1 Capital ratio of at least 4% and a Tier 1 Leverage Ratio of at least 4%); (iii) undercapitalized (an institution that has a Total Capital ratio of under 8%, a Tier 1 Capital ratio of under 4% or a Tier 1 Leverage Ratio of under 4%); (iv) significantly undercapitalized (an institution that has a Total Capital ratio of under 6%, a Tier 1 Capital ratio of under 3% or a Tier 1 Leverage Ratio of under 3%); and (v) critically undercapitalized (an institution whose tangible equity is not greater than 2% of total tangible assets). The regulations permit the appropriate federal banking regulator to downgrade an institution to the next lower category if the regulator determines (i) after notice and opportunity for hearing or response, that the institution is in an unsafe or unsound condition or (ii) that the institution has received (and not corrected) a less-than-satisfactory rating for any of the categories of asset quality, management, earnings or liquidity in its most recent examination. Supervisory actions by the appropriate federal banking regulator depend upon an institution's classification within the five categories. First Busey's management believes that First Busey and its bank subsidiaries have the requisite capital levels to qualify as well capitalized institutions under the FDICIA regulations.

FDICIA generally prohibits a depository institution from making any capital distribution (including payment of a dividend) or paying any management fee to its holding company if the depository institution would thereafter be undercapitalized. Undercapitalized depository institutions are subject to restrictions on borrowing from the Federal Reserve System. In addition, undercapitalized depository institutions are subject to growth limitations and are required to submit capital restoration plans. A depository institution's holding company must guarantee the capital plan, up to an amount equal to the lesser of 5% of the depository institution's assets at the time it becomes undercapitalized or the amount of the capital deficiency when the institution fails to comply with the plan. Federal banking agencies may not accept a capital plan without determining, among other things, that the plan is based on realistic assumptions and is likely to succeed in restoring the depository institution's capital. If a depository institution fails to submit an acceptable plan, it is treated as if it is significantly undercapitalized.

Significantly undercapitalized depository institutions may be subject to a number of requirements and restrictions, including orders to sell sufficient voting stock to become adequately capitalized, requirements to reduce total assets and cessation of receipt of deposits from correspondent banks. Critically undercapitalized depository institutions are subject to appointment of a receiver or conservator.

Employees

As of December 31, 2006, First Busey and its subsidiaries had a total of 640 employees (full-time and equivalents).

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Executive Officers

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

Douglas C. Mills. Mr. Mills, age 66, has served as Chairman of the Board and Chief Executive Officer of First Busey Corporation since its incorporation. In 2006, Mr. Mills assumed the role of President of First Busey Corporation. He has been associated with Busey Bank since 1971 when he assumed the position of Chairman of the Board. Mr. Mills son is David D. Mills, President and Chief Operating Officer of Busey Bank.

Lee H. O Neill. Mr. O Neill, age 62, has served as Chairman of the Board and Chief Executive Officer of Busey Bank since September 2006. Previously, Mr. O Neill served as Executive Vice President, Chief Credit Officer and Regional President of Busey Bank from 1985 to September 2006. Mr. O Neill joined the Commercial Banking Division with Busey Bank in 1983.

David D. Mills. Mr. Mills, age 36, has served as President and Chief Operating Officer of Busey Bank since January, 2003. Previously, he served as Vice President of First Busey Corporation from December 2001 to January 2003. Mr. Mills began his career with Busey Bank in December 1998, as a Commercial Lending Officer. Mr. Mills father is Douglas C. Mills, Chairman of the Board, President and Chief Executive Officer of First Busey Corporation.

Edwin A. Scharlau II. Mr. Scharlau, age 62, has served as chairman of the Board of Busey Investment Group, Inc. since January 2001, and First Busey Securities, Inc. since June 1994. Mr. Scharlau has also served as Vice-Chairman of the Board of First Busey Corporation since January 2003. Mr. Scharlau served as Chairman of the Board of Busey Bank from June 1991, to January 2003. Mr. Scharlau has been associated with Busey Bank since 1964.

Barbara J. Harrington. Mrs. Harrington, age 47, has served as Chief Financial Officer of First Busey Corporation since March 1999. She served as Controller and Senior Vice President of Busey Bank from December 1994, to March 1999. Mrs. Harrington has served in various financial and accounting positions since joining the organization in December 1991.

Business Combination

On September 20, 2006, First Busey entered into a merger transaction pursuant to an Agreement and Plan of Merger (the Merger Agreement), by and between First Busey and Main Street Trust, Inc., an Illinois corporation (Main Street), to be effected through the merger of Main Street with and into First Busey (the Merger), with First Busey surviving the Merger. Following the effectiveness of the Merger, Busey Bank, a wholly-owned subsidiary of First Busey, and Main Street Bank & Trust, a wholly-owned subsidiary of Main Street, will be merged, with Busey Bank surviving the merger. Under the terms of the Merger Agreement, Main Street shareholders will receive 1.55 shares of common stock of First Busey for each share of common stock of Main Street (the Exchange Ratio) owned by the shareholder, with cash to be paid in lieu of fractional shares of First Busey common stock. The Merger Agreement has been approved by the Board of Directors and the majority of shareholders of First Busey and Main Street, and is subject to certain regulatory approvals, the receipt by Main Street and First Busey of opinions that the Merger will qualify as a tax-free transaction, and customary closing conditions.

On July 29, 2005, First Busey Corporation acquired all the outstanding common stock of Tarpon Coast Bancorp, Inc. and its subsidiary Tarpon Coast National Bank a \$177 million bank headquartered in Port Charlotte, Florida. This acquisition expanded the Corporation s banking presence in southwest Florida into Charlotte and Sarasota County. The transaction has been 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 approximately \$35.9 million was allocated based upon the fair value of the assets acquired. 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 intangibles of \$2.371 million are being amortized over periods ranging from three to five years.

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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 has been 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 approximately \$42.1 million was allocated based upon the fair value of the assets acquired. 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 intangibles of \$2.383 million are being amortized over periods ranging from three to ten years.

Pro forma unaudited operating results for 2005 and 2004, giving effect to the Tarpon Coast Bancorp and First Capital Bankshares acquisitions as if they had occurred as of January 1, 2004, are included in Note 2 to the Corporation's consolidated financial statements.

Securities and Exchange Commission Reporting and Other Information

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

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

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Item 1A. Risk Factors

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

Difficulty in combining the operations of acquired or merged entities with the operations of First Busey may prevent the achievement of the expected benefits of the transaction.

First Busey may not be able to achieve the expected strategic and operating benefits contemplated at the time of an acquisition or merger. Many uncertainties are inherent in a business combination. These uncertainties may lead to lower than plan realization of benefits following the business combination. First Busey operates in a highly competitive environment. First Busey may lose customers, either its own or that of the combined entity, due to the combination. First Busey may also lose key employees, either its own or that of the combined entity, as a result of the combination.

Obtaining required approvals and satisfying closing conditions may delay or prevent completion of the Merger with Main Street.

Completion of the Merger is conditioned upon the receipt of all material governmental authorizations, consents, orders and approvals. First Busey and Main Street intend to pursue all required approvals in accordance with the Merger Agreement. No assurance can be given that the required consents and approvals will be obtained or that the required conditions to closing will be satisfied, and, if all such consents and approvals are obtained and the conditions are satisfied, no assurance can be given as to the terms, conditions and timing of the approvals or that they will satisfy the terms of the Merger Agreement. The terms and conditions of such consents, orders and approvals may require the divestiture of certain assets or operations of the combined company following the Merger or may impose other conditions.

A down turn in the economy could have an adverse affect on the Corporation.

The strength of the U.S. economy and the local economies in which we operate may be different than expected. Our business and earnings are directly affected by general business and economic conditions in the U.S. and, in particular, economic conditions in Central Illinois and Southwest Florida. These conditions include legislative and regulatory changes, short-term and long-term interest rates, inflation, and changes in government monetary and fiscal policies, all of which are beyond our control. A down turn in economic condition could result in a decrease in products and services demand, an increase in loan delinquencies, and increases in problem assets and foreclosures. Real estate pledged as collateral for loans made by us may decline in value, in turn reducing customers' borrowing power, and reducing the value of assets and collateral associated with our existing loans. These factors could lead to reduced interest income and an increase in the provision for loan losses.

Government regulation can result in limitations on our operations.

We operate in a highly regulated environment and are subject to supervision and regulation by a number of governmental regulatory agencies. Regulations adopted by these agencies, which are generally intended to provide protection for depositors and customer rather than for the benefit of shareholders, govern a comprehensive range of matters relating to ownership and control of our shares, our acquisition of other companies and businesses, permissible activities for us to engage in, maintenance of adequate capital levels, and other aspects of our operations. The laws and regulations applicable to the banking industry could change at any time, and we cannot predict the effect of these changes on our business and profitability. Increased regulation could increase our cost of compliance and adversely affect profitability.

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We must effectively manage our credit risk.

There are risks in making any loan, including risks inherent in dealing with individual borrowers, risks of nonpayment, risks resulting from uncertainties as to the future value of collateral and risks resulting from changes in economic and industry conditions. We attempt to minimize our credit risk through prudent loan application approval procedures, careful monitoring of the concentration of loans within specific industries and geographic location, and periodic independent reviews of outstanding loans by our loan review and audit departments as well as external auditors. However, we cannot assure such approval and monitoring procedures will eliminate these credit risks.

Our allowance for loan losses must be managed to provide sufficient reserves to absorb potential losses in our loan portfolio.

We established our allowance for loan losses and maintain it at a level considered adequate by management to absorb potential loan losses based on a continual analysis of our portfolio and market environment. The amount of loan losses is susceptible to changes in economic, operating, and other conditions within our market, which may be beyond our control, and such losses may exceed current estimates. Although management believes that the allowance for loan losses is adequate to absorb losses on any existing loans that may become uncollectible, we cannot predict loan losses with certainty, and we cannot assure that our allowance for loan losses will prove sufficient to cover actual loan losses. Loan losses in excess of our reserves may adversely affect our business, financial condition, and results of operations.

A significant portion of the loans in the Corporation's portfolio is secured by real estate.

A large percentage of the Corporation's loans are collateralized by real estate. The market value of real estate can fluctuate significantly in a short period of time as a result of market conditions in the geographic area in which the real estate is located. Adverse changes affecting real estate values in one or more of our markets could increase the credit risk associated with our loan portfolio, and could result in losses which would adversely affect profitability. An adverse change in the economy affecting real estate values generally and, specifically, in Central Illinois or Southwest Florida, could significantly impair the value of property pledged as collateral on loans and affect the Corporation's ability to sell the collateral upon foreclosure. Collateral may have to be sold for less than the outstanding balance of the loan which could result in loss.

Construction and development loans are based upon estimates of costs and value associated with the complete project. These estimates may be inaccurate, and we may be exposed to more losses on these projects than on other loans.

Construction, land acquisition, and development lending involve additional risks because funds are advanced upon the security of the project, which is of uncertain value prior to its completion. Because of the uncertainties inherent in estimating construction costs and market value of the completed project and the effects of governmental regulation of real property, it is relatively difficult to evaluate accurately the total funds required to complete a project and the related loan-to-value ratio. As a result, construction loans often involve the disbursement of substantial funds with repayment dependent, in part, on the success of the ultimate project and the ability of the borrower to sell or lease the property, rather than the ability of the borrower or guarantor to repay principal and interest. If our appraisal of the value of the completed project proves to be overstated, we may have inadequate security for the repayment of the loan upon completion of construction of the project. If we are forced to foreclose on a project prior to or at completion due to a default, there can be no assurance that we will be able to recover all of the unpaid balance of, and accrued interest on, the loan as well as related foreclosure and holding costs. In addition, we may be required to fund additional amounts to complete the project and may have to hold the property for an unspecified period of time. We have attempted to address these risks through our underwriting procedures, compliance with applicable regulations, and by limiting the amount of construction development lending.

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Changes in interest rates could have an adverse affect on the Corporation's income.

First Busey's earnings and profitability depend significantly on its net interest income. Net interest income represents the difference between interest income and fees earned on interest-earning assets and interest expense incurred on interest-bearing liabilities. In the event that interest paid on deposits and borrowings increases faster than the interest earned on loans and investments, there may be a negative impact on the Corporation's net interest income. Changes in interest rates could also adversely affect the income of certain components of the Corporation's noninterest income. An increase in interest rates may also affect the customer's ability to pay, which could in turn increase loan losses. In addition, higher interest rates could also increase the Corporation's cost to borrow funds. The Corporation is unable to predict or control fluctuations in market interest rates which are affected by the economy.

The Corporation relies heavily on information systems to service customers.

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

Ability to attract and retain management and key personnel may affect future growth and earnings.

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

Weather may adversely impact the Corporation.

Central Illinois is a highly agricultural area and therefore the economy can be greatly affected by weather conditions. Favorable weather conditions increase the agriculture productivity and boost the economy while unfavorable weather conditions may decrease productivity adversely affecting the local economy. First Busey conducts a significant portion of its business in Central Illinois. As stated above, an adverse affect on the economy of Central Illinois could negatively affect the Corporation's profitability.

The Southwest coast of Florida is at risk of hurricanes each year which may cause damage to the Corporation's assets. Hurricane damage could adversely affect the Corporation's financial condition in a number of ways. Damage caused to a branch location could result in temporary closure and inconvenience to customers which could result in loss of customers and business. A hurricane could also affect the local economy and impact customers' ability to meet loan repayment terms and adversely affect the Corporation's financial condition. Hurricane damage could significantly reduce value of collateral pledged as security against loans made by the Corporation.

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Growth and its impact on the infrastructure of the Corporation.

First Busey's continued pace of growth may require it to raise additional capital in the future. The Corporation is required by federal and state regulations to maintain adequate levels of capital to support operations. As operations grow, the amount of capital required will increase. The Corporation may also be required to raise capital to support future acquisitions. The Corporation's ability to raise capital will depend on conditions in the capital markets, which are outside of its control, and on the Corporation's financial performance. If additional capital cannot be raised when needed, the Corporation could be subject to restricted growth which could negatively impact expansion through future acquisitions.

Item 1B. Unresolved Staff Comments

None. The Corporation has not received written comments from the Commission during the 180 days preceding the end of the fiscal year to which this annual report pertains.

Item 2. Properties

The location and general character of the materially important physical properties of First Busey and its subsidiaries are as follows: First Busey, where corporate management and administration operate, is headquartered at 201 West Main Street, Urbana, Illinois. Busey Bank has properties located at 201 West Main Street, Urbana, Illinois, 909 West Kirby Avenue, Champaign, Illinois, 301 Fairway Drive, Bloomington, Illinois, and 6699 Sheridan Road, Peoria, Illinois. These facilities offer commercial banking services, including commercial, financial, agricultural and real estate loans, and retail banking services, including accepting customary types of demand and savings deposits, making individual, consumer, installment, first mortgage and second mortgage loans. Busey Bank N.A., located at 1490 Tamiami Trail, Port Charlotte, Florida, offers services similar to those offered by Busey Bank. Busey Investment Group, Inc., located at 502 West Windsor Road, Champaign, Illinois, through its subsidiaries, provides a full range of trust and investment management services, execution of securities transactions as a full-service broker/dealer and provides individual investment advice on equity and other securities as well as insurance agency services.

First Busey and its subsidiaries own or lease all of the real property and/or buildings on which each respective entity is located.

Item 3. Legal Proceedings

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

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

Item 4. Submission Of Matters To A Vote Of Security Holders

There were no matters submitted to a vote of security holders during the quarter ended December 31, 2006.

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

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

Market Prices of Common Stock	2006		2005	
	High	Low	High	Low
First Quarter	\$21.10	\$19.96	\$21.00	\$19.01
Second Quarter	\$21.10	\$19.81	\$20.00	\$18.25
Third Quarter	\$22.76	\$19.78	\$20.48	\$18.54
Fourth Quarter	\$23.87	\$22.16	\$21.23	\$18.06

During 2006 and 2005, First Busey declared cash dividends per share of common stock as follows:

	Common Stock
2006	
January	\$.1600
April	\$.1600
July	\$.1600
October	\$.1600
2005	
January	\$.1400
April	\$.1400
July	\$.1400
October	\$.1400

For a discussion of restrictions on dividends, please see the discussion of dividend restrictions under Item 1. Business, Supervision, Regulation and Other Factors, Dividends on pages 5 – 6.

As of March 2, 2007, First Busey Corporation had approximately 899 holders of common stock.

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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, 2006		\$		603,955
February 1 28, 2006	10,000	20.30	10,000	593,955
March 1 31, 2006	20,000	20.55	20,000	573,955
April 1 30, 2006				573,955
May 1 31, 2006	20,000	20.47	20,000	553,955
June 1 30, 2006	15,000	20.37	15,000	538,955
July 1 31, 2006				538,955
August 1 31, 2006				538,955
September 1 30, 2006				538,955
October 1 31, 2006				538,955
November 1 30, 2006	31,000	22.93	31,000	507,955
December 1 31, 2006				507,955
Total	96,000	\$ 21.25	96,000	

¹ 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.

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

The following selected financial data for each of the five years in the period ended December 31, 2006, have been derived from First Busey's audited consolidated financial statements and the results of operations for each of the three years in the period ended December 31, 2006, which appear elsewhere in this report. This financial data should be read in conjunction with the financial statements and the related notes thereto appearing in this annual report.

	2006	2005 ⁽⁶⁾	2004 ⁽⁶⁾	2003	2002
	<i>(dollars in thousands, except per share data)</i>				
Balance Sheet Items					
Securities available for sale	\$ 365,608	\$ 331,237	\$ 352,256	\$ 224,733	\$ 233,830
Loans	1,956,927	1,749,162	1,475,900	1,192,396	1,101,043
Allowance for loan losses	23,588	23,190	19,217	16,228	15,460
Total assets	2,509,514	2,263,422	1,964,441	1,522,084	1,435,578
Total deposits	2,014,839	1,809,399	1,558,822	1,256,595	1,213,605
Long-term debt	156,650	169,883	165,374	92,853	71,759
Junior subordinated debt owed to unconsolidated trusts	55,000	50,000	40,000	25,000	25,000
Stockholders' equity	185,274	169,714	138,872	125,177	115,163
Results of Operations					
Interest and dividend income	\$ 146,366	\$ 116,304	\$ 85,919	\$ 73,849	\$ 76,085
Interest expense	69,851	45,342	30,041	25,618	30,494
Net interest income	76,515	70,962	55,878	48,231	45,591
Provision for loan losses	1,300	3,490	2,905	3,058	3,125
Net income ⁽¹⁾	28,888	26,934	22,454	19,864	17,904
Per Share Data⁽²⁾					
Diluted earnings	\$ 1.35	\$ 1.29	\$ 1.09	\$ 0.97	\$ 0.87
Cash dividends	0.64	0.56	0.51	0.45	0.40
Book value ⁽³⁾	8.64	7.89	6.74	6.10	5.66
Closing price	23.05	20.89	20.87	18.00	15.37
Other Information					
Return on average assets	1.23%	1.28%	1.28%	1.35%	1.33%
Return on average equity	16.52%	17.97%	17.23%	16.34%	16.31%
Net interest margin ⁽⁴⁾	3.62%	3.72%	3.49%	3.60%	3.74%
Equity to assets ratio ⁽⁵⁾	7.46%	7.13%	7.42%	8.28%	8.18%
Dividend payout ratio	47.29%	42.93%	46.24%	46.39%	45.39%

(1) Effective January 1, 2006, First Busey adopted Statement of Financial Accounting Standards (SFAS) No. 123(R) Share-Based Payment. SFAS No. 123(R) requires compensation expense to be

recorded for stock option grants based upon the estimated fair value of the grants. Prior to January 1, 2006, no compensation expense related to stock option grants was recorded.

- (2) Per share data have been retroactively adjusted to effect a three-for-two common stock split effective August 3, 2004, as if it had occurred on January 1, 2002.
- (3) Total capital divided by shares outstanding as of period end.
- (4) Tax-equivalent net interest income divided by average earning assets.
- (5) Average equity divided by average total assets
- (6) First Busey acquired First Capital Bank on June 1, 2004, and Tarpon Coast National Bank on July 29, 2005. Results of operations for these institutions from acquisition date are included in the consolidated results of operations.

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

The following is management's discussion and analysis of the financial condition and results of operations of First Busey Corporation and subsidiaries for the years ended December 31, 2006, 2005, and 2004. It should be read in conjunction with Business, Selected Financial Data, the consolidated financial statements and the related notes to the consolidated financial statements and other data included in this Annual Report.

Critical Accounting Estimates

Critical accounting estimates are those that are critical to the portrayal and understanding of 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.

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

Evaluation of Securities for Impairment

Securities are classified as held-to-maturity when the Corporation has the ability and management has the positive intent to hold those securities to maturity. Accordingly, they are stated at cost adjusted for amortization of premiums and accretion of discounts. Securities are classified as available-for-sale when the Corporation may decide to sell those securities due to changes in market interest rates, liquidity needs, changes in yields on alternative investments, and for other reasons. They are carried at fair value with unrealized gains and losses, net of taxes, reported in other comprehensive income (loss). Interest income is reported net of amortization of premium and accretion of discount. Realized gains and losses on the disposition of securities available-for-sale are based on the net proceeds and the adjusted carrying amounts of the securities sold, using the specific identification method. Declines in the fair value of held-to-maturity and available-for-sale securities below their historical cost that are deemed to be other-than-temporary are reflected in earnings as realized losses. In estimating other-than-temporary losses, management considers (1) the length of time and extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) 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 evaluation also considers the impact that impairment may have on future capital, earnings, and liquidity.

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

To determine the adequacy of the allowance for loan losses, a formal analysis is completed quarterly to assess the risk within the loan portfolio. This assessment is conducted by senior officers who are members of the holding company's independent holding company credit review and risk management department, and is reviewed by senior management of the banks and holding company. The analysis includes review of historical performance, dollar amount and trends of past due loans, dollar amount and trends in nonperforming loans, reviews of certain impaired loans, and review of loans identified as sensitive assets. Sensitive assets include nonaccrual loans, past-due loans, loans on First Busey Corporation's watch loan reports and other loans identified as having more than reasonable potential for loss.

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The allowance consists of specific, general and unallocated components. The specific component considers loans that are classified as doubtful, substandard, or special mention. For such loans that are classified as impaired, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying amount of that loan. The general component covers non-classified loans and classified loans not considered impaired, and is based on historical loss experience adjusted for qualitative factors. An unallocated component is maintained to cover uncertainties that could affect management's estimate of probable losses. The unallocated component of the allowance reflects the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating specific and general losses in the portfolio.

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

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.

Fair Value of Financial Instruments and Derivatives

Fair value of financial instruments, including derivatives, are estimated using relevant market information and other assumptions. Fair value estimates involve uncertainties and matters of significant judgment regarding interest rates, credit risk, prepayments, and other factors, especially in the absence of broad markets for the particular items. There is no ready market for a significant portion of the Corporation's financial instruments. Accordingly, fair values are based on various factors relative to expected loss experience, current economic conditions, risk characteristics, and other factors. The assumptions and estimates used in the fair value determination process are subjective in nature and involve uncertainties and significant judgment. As a consequence, fair values cannot be determined with precision. Changes in assumptions or in market conditions could significantly affect these estimates.

Table of Contents**General**

The Corporation's consolidated income is generated primarily by the financial services activities of its subsidiaries. Since January 1, 1982, the Corporation has acquired thirteen banks and sold two; acquired six savings and loan branches and two bank branches; acquired a bank branch in an FDIC assisted acquisition of a failed bank; acquired a thrift holding company and federal savings and loan; formed a trust company subsidiary; formed an insurance agency subsidiary; formed and liquidated a non-bank ATM subsidiary and acquired and liquidated a travel agency. The following table illustrates the amount and percentage of the Corporation's consolidated net income contributed by each direct subsidiary since January 1, 2004.

Subsidiary	Acquired	2006	2005		2004		
			<i>(dollars in thousands)</i>				
Busey Bank ¹	3/20/1980	\$29,542	83.6%	\$24,985	81.1%	\$20,683	83.3%
Busey Bank Florida ²	10/29/1999			3,302	10.7%	1,573	6.3%
First Capital Bank ^{3,4}	6/1/2004					1,170	4.7%
Busey Bank N. A. ⁵	7/29/2005	3,465	9.8%	469	1.5%		
Busey Investment Group, Inc. ⁶		2,299	6.5%	2,141	6.9%	1,989	8.0%
First Busey Resources, Inc. ⁷		32	0.1%	(78)	-0.2%	(565)	-2.3%
Total		\$35,338	100.0%	\$30,819	100.0%	\$24,850	100.0%

¹ City Bank of Champaign and Champaign County Bank & Trust were merged into Busey Bank as of January 1, 1987. First National Bank of Thomasboro was merged into Busey Bank as of January 1, 1988. State Bank of St. Joseph was merged into Busey Bank as of November 3, 1989. The Bank of Urbana, Citizens Bank of Tolono, and the assets of Community Bank of Mahomet

subject to its liabilities were merged into Busey Bank as of November 16, 1991. Busey Bank of McLean County was merged into Busey Bank as of January 1, 1996. Busey Business Bank was formed on January 12, 1998, and merged into Busey Bank as of October 30, 1998.

- 2 Acquired as a subsidiary of Eagle BancGroup, Inc. as of October 29, 1999. Merged into Busey Bank, N.A. February 17, 2006.
- 3 Acquired as a subsidiary of First Capital Bankshares Inc., as of June 1, 2004.
- 4 Merged into Busey Bank on May 20, 2005.
- 5 Acquired as a subsidiary of Tarpon Coast Bancorp on July 29, 2005, which was

merged with Busey Bank Florida on February 17, 2006. On the same date, the merged bank name changed to Busey Bank, N. A.

⁶ Formed as a subsidiary of First Busey Corporation on March 18, 1999.

⁷ Reactivated as a subsidiary of First Busey Corporation as of January 1, 1997. Real estate and certain other assets previously carried on the parent company and subsidiary balance sheets were transferred to subsidiary as of that date.

Busey Bank and Busey Bank Florida are the only subsidiaries that have contributed at least 10% of the Corporation's consolidated net income in at least one of the last three years.

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Executive Summary

First Busey Corporation recognized net income of \$28,888,000 or \$1.35 per share on a fully-diluted basis in 2006, as compared to net income of \$26,934,000 or \$1.29 per share on a fully diluted basis in 2005. This growth is due largely to growth in net interest income and other income, partially offset by modest growth in operating expenses. The growth in net interest income is a result of balance sheet growth combined with relatively higher interest rates. The higher interest rates paid for deposits offset a portion of the growth in interest income. The increase in other income is largely due to increased security gains. Operating expenses were higher in 2006 than in prior years, due primarily to the June 2004, acquisition of First Capital Bank and the July 2005, acquisition of Tarpon Coast National Bank. First Busey ended 2006 with \$2.5 billion in total assets, which include \$2.0 billion at Busey Bank and \$449 million at Busey Bank, N.A. First Busey consolidated loans at December 31, 2006 approached \$2.0 billion while deposits exceeded \$2.0 billion. The growth in loans and deposits is partially attributable to interest rate environment in 2006. Loan growth continued to be positive as long-term interest rates remained low throughout 2006. Deposit growth was driven by the interest-bearing deposit products as our customers found the rising yields on these products to be an attractive investment.

On September 20, 2006, First Busey entered into an Agreement and Plan of Merger (the Merger Agreement), by and between First Busey and Main Street Trust, Inc., with First Busey surviving the Merger. Under the terms of the Merger Agreement, Main Street shareholders will receive 1.55 shares of common stock of First Busey for each share of common stock of Main Street (the Exchange Ratio) owned by the shareholder, with cash to be paid in lieu of fractional shares of First Busey common stock. The combined entity is projected to have assets in excess of \$4 billion and a market capitalization in excess of \$800 million. The Merger Agreement has been approved by the Board of Directors and the majority of shareholders of First Busey and Main Street, and is subject to certain regulatory approvals, the receipt by Main Street and First Busey of opinions that the Merger will qualify as a tax-free transaction, and customary closing conditions. First Busey expects the merger of the holding companies to occur during the second quarter of 2007. The merger of Main Street Bank and Trust into Busey Bank will take place following the merger of the holding companies.

First Busey opened three new banking centers during the summer of 2006. Busey Bank expanded its presence in the Bloomington-Normal market of McLean County in Illinois by constructing a new branch location in Normal. This 3,500 square foot facility has been designed to service retail customer transactions efficiently in a customer-friendly environment. Busey Bank, N.A. opened two new branches during 2006. The 14,000 square-foot two-story Cape Coral branch is a full-service banking center featuring mortgage, commercial, and retail lending products. The 2,300 square-foot Fort Myers, Florida branch is a smaller branch location focusing on retail customer transactions.

On April 25, 2006, the Corporation's board of directors approved redemption of the trust preferred securities issued by First Busey Capital Trust I. These securities were redeemed at par value on June 19, 2006, plus accrued but unpaid distributions. The Corporation received regulatory approval and established a new series of preferred securities in an aggregate principal amount of \$30,000,000 as part of a pooled trust preferred program, First Busey Statutory Trust IV. The proceeds of the new issue were used to redeem the securities of First Busey Capital Trust I and to repay certain outstanding indebtedness of the Corporation.

At the close of business on February 17, 2006, First Busey merged Busey Bank Florida into Tarpon Coast National Bank, forming Busey Bank, National Association (Busey Bank, N.A.). While branches in Fort Myers and Cape Coral converted to the name Busey Bank, N.A. in February, 2006, branches in Charlotte and Sarasota Counties continued to operate under the Tarpon Coast National Bank name until January 1, 2007, at which time all branches in Florida are operating under the Busey brand.

Table of Contents**Results of Operations Three Years Ended December 31, 2006*****Summary***

First Busey Corporation reported net income of \$28,888,000 in 2006, up 7.3% from \$26,934,000 in 2005, which itself represented an increase of 20.0% from \$22,454,000 in 2004. Diluted earnings per share in 2006 increased 4.7% to \$1.35 from \$1.29 in 2005, which was an 18.3% increase from \$1.09 in 2004. The main factors contributing to the increase in net income during 2006 were growth in the consolidated net interest margin and security gains, offset by increases in operating costs.

Security gains after the related tax benefits were \$2,137,000 or 7.4% of net income in 2006. Security losses after the related tax benefits were \$33,000 or 0.1% of net income in 2005, and \$827,000 or 3.7% of net income in 2004. Busey Bank owns a position in a bank-qualified equity security with substantial appreciated value. The Bank's Board has authorized the orderly liquidation of this security over an extended time period.

The Corporation's return on average assets was 1.23%, 1.28% and 1.28% for 2006, 2005, and 2004, respectively, and return on average equity was 16.52%, 17.97%, and 17.23% for 2006, 2005, and 2004, respectively.

Earning Assets, Sources of Funds, and Net Interest Margin

Average earning assets increased \$218,582,000 or 11.2% to \$2,170,446,000 in 2006 as compared to \$1,951,864,000 in 2005. This growth is due primarily to the increase in average balance of loans. Interest-bearing liabilities averaged \$1,910,218,000 for the year ended December 31, 2006, an increase of \$193,162,000 or 11.2% from the average balance of \$1,717,056,000 for 2005. The increase is primarily attributable to the growth in interest-bearing deposits. The increases also reflect a full year of balances from the July, 2005, addition of Tarpon Coast National Bank.

Interest income, on a tax equivalent basis increased \$30,551,000 or 25.9% to \$148,481,000 in 2006 from \$117,930,000 in 2005, which was an increase of \$30,704,000 or 35.2% from the \$87,226,000 in interest income earned in 2004. Interest income grew in 2006 primarily due to growth in the average balance of outstanding loans. Increased yields across all categories, except other securities, was a significant factor contributing to the increase in interest income. The Corporation's yield on average earning assets was 6.84% in 2006 compared to 6.04% in 2005 and 5.32% in 2004.

Interest expense increased during 2006 by \$24,509,000 or 54.1% to \$69,851,000 from \$45,342,000 in 2005, which was an increase of \$15,301,000 or 50.9% from the \$30,041,000 interest expense in 2004. The increase in interest expense was due primarily to deposit growth and increased deposit rates in 2006. An overall increase in interest rates across all borrowings was a significant factor in the growth of interest expense. The average rate paid on interest-bearing liabilities was 3.66% in 2006 compared to 2.64% in 2005 and 2.08% in 2004.

Net interest income, on a tax-equivalent basis, increased 8.3% in 2006 to \$78,630,000 from \$72,588,000 in 2005, which reflected a 26.9% increase from \$57,185,000 in 2004. Net interest margin, the Corporation's net interest income expressed as a percentage of average earning assets stated on a tax equivalent basis, decreased to 3.62% during 2006, from 3.72% in 2005, which had increased from 3.49% in 2004. The net interest margin expressed as a percentage of average total assets, also on a tax equivalent basis, was 3.35% in 2006, compared to 3.45% in 2005, and 3.25% in 2004.

Provision for Loan Losses

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

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The Corporation's provision for loan losses was \$1,300,000 during 2006 compared to \$3,490,000 in 2005. The decrease in provision expense during 2006 is reflective of management's interpretation of the current risk in the loan portfolio as compared to the allowance for loan losses. During 2005, the Corporation added a significant amount to the allowance for loan losses due primarily to two significant credits and the short-term construction lending program in the Florida market. One of the significant credits has experienced substantial improvement and the Corporation has reduced the short-term construction lending program significantly without experiencing the level of losses anticipated during 2005. Non-accrual loans and loans 90-days past due and still accruing increased 31.5% to \$7,765,000 in 2006 from \$5,903,000 in 2005. The increase in non-accrual loans 90 days past due is due primarily to the construction lending program loans remaining in the Corporation's loan portfolio. The Corporation ceased issuing new loans under the construction lending program in 2005. The provision and net charge-offs of \$902,000 resulted in the allowance for loan losses representing 1.21% of total outstanding loans and 304% of non-performing loans as of December 31, 2006, as compared to the allowance representing 1.33% of outstanding loans and 393% of non-performing loans as of December 31, 2005.

Sensitive assets include nonaccrual loans, loans on First Busey Corporation's watch loan reports and other loans identified as having more than reasonable potential for loss. Management reviews sensitive assets on at least a quarterly basis for changes in the customer's ability to pay and changes in valuation of underlying collateral in order to estimate probable losses. Management also periodically reviews a watch loan list which is comprised of loans that have been restructured or involve customers in industries which have been adversely affected by market conditions. The majority of these loans are being repaid in conformance with their contracts.

Other Income

Other income increased \$4,924,000 or 20.9% to \$28,461,000 in 2006 from \$23,537,000 in 2005, which reflected a decrease of 1.06% or \$253,000 from \$23,790,000 in 2004. The variability in other income is due primarily to changes in the level of gains and losses recognized on the sale of investment securities and other service charges and fees. First Busey Corporation recognized gains of \$3,563,000 and losses of \$16,000 for a net gain of \$3,547,000 on the sale of securities. These gains were recognized in order to reposition the investment portfolio for better performance under current interest-rate conditions, to restructure maturities of certain securities to better meet the Corporation's liquidity needs and to carry out an orderly liquidation of a certain security. These gains on the sale of securities represented 12.5% of other income during 2006. During the 2005 and 2004, the Corporation recognized net security losses of \$54,000 and net security gains \$1,373,000 respectively.

In 2006, the Corporation recognized gains of \$2,443,000 on the sale of \$177,139,000 in mortgage loans compared to \$2,571,000 on the sale of \$176,241,000 in loans in 2005 and \$2,689,000 on the sale of \$182,368,000 in loans in 2004. The interest-rate environment and debt markets have strong influence on the level of mortgage loan origination and sales volumes.

Additional components of other income were service charge and other fee income, trust fees, and brokerage commissions. Service charges and other fees totaled \$11,088,000 (39.0%), \$10,213,000 (43.4%), and \$9,876,000 (41.5%) in 2006, 2005, and 2004, respectively. Trust revenues, which are directly related to the total value of trust assets under care and are thus influenced by changes in the equity and bond markets, were \$6,020,000, \$5,752,000, and \$5,339,000 in 2006, 2005, and 2004 respectively. Commissions and brokerage fees were \$2,653,000 in 2006, compared to \$2,327,000 and \$2,335,000 in 2005 and 2004, respectively. Remaining other income decreased 0.7% or \$18,000 to \$2,710,000 in 2006 from \$2,728,000 in 2005 which was an increase of 25.3% or \$550,000 from \$2,178,000 in 2004. Other income includes \$883,000 on the increase in the cash surrender value of bank owned life insurance during 2006, compared to \$796,000 in 2005 and \$798,000 in 2004.

First Busey services loans for the benefit of others. Generally, the Corporation services loans which have been originated by First Busey staff and then sold to others. The Corporation recognized net servicing income of \$469,000 in 2006, \$344,000 in 2005 and \$243,000 in 2004.

Table of Contents***Other Expenses***

Operating expenses increased 17.6% or \$8,972,000 to \$60,087,000 in 2006 from \$51,115,000 in 2005, which had increased by 18.6% or \$8,030,000 from \$43,085,000 in 2004. As a percentage of total income, other expenses were 34.4%, 36.6%, and 39.3% in 2006, 2005, and 2004, respectively.

Employee-related expenses, including salaries and wages and employee benefits, increased by 21.5% or \$6,123,000 to \$34,611,000 in 2006 from \$28,488,000 in 2005, which had increased by \$4,662,000 from \$23,826,000 in 2004. When expressed as a percentage of average assets, employee-related expenses were 1.48%, 1.36%, and 1.36% in 2006, 2005, and 2004, respectively. The Corporation had 640, 608, and 548 full-time equivalent employees at December 31, 2006, 2005, and 2004, respectively. The increase in salaries and wages in 2006 is primarily related to a full year of employee-related expenses from the July 2005, acquisition of Tarpon Coast National Bank. Additionally, the Corporation retired the debt associated with its leveraged Employee Stock Ownership Plan (ESOP), which was the primary reason for the significant increase in the employee benefits expense. Following the ESOP debt retirement, all unallocated shares of the plan were allocated to plan participants. In addition to the complete allocation, all ESOP participants' accounts became fully vested. The increase in employee-related expenses in 2005 compared to 2004 is related to the addition of associates of Tarpon Coast National Bank and a full year of employee-related expenses from the June 2004, acquisition of First Capital Bank.

Occupancy expense increased 11.9% or \$545,000 to \$5,121,000 in 2006, from \$4,576,000 in 2005 from \$3,921,000 in 2004. These increases are primarily due to the three additional branches opened during 2006 and the additions of Tarpon Coast National Bank and First Capital Bank.

Other expenses increased 15.6% or \$1,681,000 to \$12,447,000 in 2006 from \$10,766,000 in 2005, which had increased 14.7% or \$1,378,000 from \$9,388,000 in 2004. The increase in other operating expenses in both 2006 and 2005 is due primarily to the acquisitions previously discussed. Higher marketing costs related to consumer programs also contributed to the increase during 2006. Lower expenses associated with owning and operating the banks' inventory of other real estate owned (ORE expense) partially offset the increase associated with these acquisitions in 2005.

Income Taxes

Income tax expense in 2006 was \$14,701,000 as compared to \$12,960,000 in 2005 and \$11,224,000 in 2004. The provision for income taxes as a percent of income before income taxes was 33.7%, 32.5% and 33.3% for 2006, 2005, and 2004, respectively.

Balance Sheet December 31, 2006 and December 31, 2005

Total assets on December 31, 2006, were \$2,509,514,000, an increase of 10.9% or \$246,092,000 from \$2,263,422,000 on December 31, 2005. The increase in assets was driven primarily by loan growth. Total loans, net of unearned interest, increased 11.9% or \$207,765,000 to \$1,956,927,000 on December 31, 2006, as compared to \$1,749,162,000 on December 31, 2005. Busey Bank generated net loan growth of \$188,466,000 and Busey Bank N.A. generated net loan growth \$22,179,000 during 2006. Loan growth was driven by an ongoing focus on growth in our core markets combined with a low interest-rate environment for borrowers, offset by the reduction in loans resulting from termination of the short-term construction lending program in our southwest Florida market in 2005. Securities available for sale increased \$34,371,000 or 10.4% to \$365,608,000 at December 31, 2006 from \$331,237,000 at December 31, 2005.

Total deposits increased 11.4% or \$205,440,000 to \$2,014,839,000 on December 31, 2006, as compared to \$1,809,399,000 on December 31, 2005. Non-interest bearing deposits decreased 7.1% or \$18,730,000 during 2006. Interest-bearing deposits increased 14.5% or \$224,170,000 during 2006. Increases in deposit yields resulted in customers moving into interest-bearing deposits, leading to the decline in noninterest bearing deposits and growth in interest-bearing deposits. Of the increase in interest-bearing deposits, time deposits accounted for \$148,854,000 of the increase, representing a 20.3% increase in the category from 2005.

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Total stockholders' equity increased 9.2% or \$15,560,000 to \$185,274,000 on December 31, 2006, as compared to \$169,714,000 on December 31, 2005. The growth in total equity was due primarily to \$15,227,000 in current year earnings retained in the Corporation and the full allocation of the leveraged shares in the Corporation's ESOP. These increases were partially offset by the decline in net unrealized gains on securities available for sale combined with the increase in treasury stock. Treasury shares are anticipated to be used in future years as participants exercise outstanding options under the Corporation's stock option plan which is discussed in Note 16 of the Corporation's consolidated financial statements.

A. Earning Assets

The average interest-earning assets of the Corporation were 92.6%, 92.9%, and 93.4% of average total assets for the years ended December 31, 2006, 2005, and 2004 respectively.

B. Investment Securities

The Corporation has classified all investment securities as securities available for sale. These securities are held with the option of their disposal in the foreseeable future to meet investment and liquidity objectives or for other operational needs. Securities available for sale are carried at fair value. As of December 31, 2006, the fair value of these securities was \$365,608,000 and the amortized cost was \$356,489,000. There were \$10,081,000 of gross unrealized gains and \$962,000 of gross unrealized losses for a net unrealized gain of \$9,119,000. The after-tax effect of \$5,494,000 of this unrealized gain has been included in stockholders' equity. The decrease in market value for the debt securities in this classification was a result of increasing interest rates.

The composition of securities available for sale is as follows:

	2006	2005	As of December 31, 2004	2003	2002
	<i>(dollars in thousands)</i>				
U.S. Treasury securities and obligations of U.S. government corporations and Agencies	\$ 228,612	\$ 202,924	\$ 249,150	\$ 150,898	\$ 158,324
Obligations of states and political Subdivisions	85,453	82,057	51,768	48,235	51,434
Mortgage-backed securities	25,230	16,837	23,170		
Corporate debt securities	3,294	2,926	2,220	4,265	3,746
Mutual funds and other equity securities	23,019	26,493	25,948	21,335	20,326
Fair value of securities available for sale	\$ 365,608	\$ 331,237	\$ 352,256	\$ 224,733	\$ 233,830
Amortized cost	\$ 356,489	\$ 319,151	\$ 337,037	\$ 209,482	\$ 216,801
Fair value as a percentage of amortized cost	102.56%	103.79%	104.52%	107.28%	107.85%

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The maturities, fair values and weighted average yields of debt securities available for sale as of December 31, 2006 are:

Investment Securities ¹	Due in 1 year or less		Due after 1 year through 5 years		Due after 5 years through 10 years		Due after 10 years	
	Fair Value	Weighted Average Yield	Fair Value	Weighted Average Yield	Fair Value	Weighted Average Yield	Fair Value	Weighted Average Yield
	<i>(dollars in thousands)</i>							
U.S. Treasury securities and obligations of U.S. government corporations and agencies	\$ 158,757	4.35%	\$ 69,537	5.10%	\$ 319	1.88%	\$	%
Obligations of states and political subdivisions ²	9,119	7.22%	29,247	6.27%	32,169	5.70%	14,918	6.13%
Mortgage-backed securities		%	17	5.62%	18,110	5.36%	7,103	5.12%
Corporate debt securities	495	4.35%	2,612	4.77%	186	5.04%		%
Total	\$ 168,371	4.51%	\$ 101,413	5.43%	\$ 50,784	5.55%	\$ 22,021	5.80%

¹ Excludes mutual funds and other equity securities.

² On a tax-equivalent basis, assuming a federal income tax rate of 35% (the effective federal income tax rate as of December 31, 2006)

U.S. government and agency securities as a percentage of total securities increased to 62.5% at December 31, 2006, from 61.3% at December 31, 2005, while obligations of state and political subdivisions (tax-exempt obligations) as a percentage of total securities increased to 23.4% at December 31, 2006, from 24.8% at December 31, 2005. The mix between U.S. Treasury and agency securities and obligations of state and political sub-divisions is partially based upon an analysis of tax-adjusted yields. Additional factors held constant, such as duration and regulatory, the Corporation will invest in the security that allows for the highest yield on a tax-equivalent basis.

Loan Portfolio

Loans, including loans held for sale, before allowance for loan losses, increased 11.9% to \$1,956,927,000 as of December 31, 2006 from \$1,749,162,000 at December 31, 2005. A significant portion of the overall loan growth occurred in real estate construction loans which grew 35.3% or \$122,023,000 to \$467,477,000 at December 31, 2006, compared to \$345,454,000 at the end of 2005. The growth in real estate construction loans was primarily a result of continued focus on growth in the southwest Florida market. The net growth in real estate construction was offset by a decline in the category due to the termination of short-term construction lending program in Florida.

The Corporation also experienced significant growth in non-farm nonresidential mortgages, which increased 8.8% or \$41,560,000 to \$512,339,000 at December 31, 2006 from \$470,779,000 at the end of 2005. Also, 1-to-4 family residential real estate mortgage loans (not held for sale) increased \$14,277,000, or 2.8%, to \$531,462,000 as of December 31, 2006, from \$517,185,000 at December 31, 2005.

The Corporation has no loans to customers engaged in oil and gas exploration or to foreign companies or governments. Commitments under standby letters of credit, unused lines of credit and other conditionally approved credit lines, totaled approximately \$555,358,000 as of December 31, 2006.

The loan portfolio includes a concentration of loans for commercial real estate amounting to approximately \$637,883,000 and \$575,281,000 as of December 31, 2006 and 2005, respectively. Generally, these loans are collateralized by assets of the borrowers. The loans are expected to be repaid from cash flows or from proceeds from the sale of selected assets of the borrowers. Credit losses arising from lending transactions for commercial real estate entities are comparable with the Corporation's credit loss experience on its loan portfolio as a whole.

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The composition of loans is as follows:

	As of December 31,				
	2006	2005	2004	2003	2002
	<i>(dollars in thousands)</i>				
Commercial and financial	\$ 224,271	\$ 219,134	\$ 216,290	\$ 138,272	\$ 118,004
Agricultural	22,692	23,433	25,224	22,300	22,034
Real estate-farmland	16,237	10,188	11,750	11,890	13,421
Real estate-construction	467,539	345,454	235,547	168,141	129,872
Real estate-mortgage	1,186,635	1,104,798	923,291	790,089	761,901
Installment loans to individuals	39,553	46,155	63,798	61,704	55,811
Loans	\$ 1,956,927	\$ 1,749,162	\$ 1,475,900	\$ 1,192,396	\$ 1,101,043

The following table sets forth remaining maturities of selected loans (excluding certain real estate-farmland, real estate-mortgage loans and installment loans to individuals) at December 31, 2006

	1 Year or Less	1 to 5 Years	Over 5 Years	Total
	<i>(dollars in thousands)</i>			
Commercial, financial and agricultural	\$ 140,513	\$ 60,125	\$ 46,325	\$ 246,963
Real estate-construction	260,917	162,254	44,368	467,539
Total	\$ 401,430	\$ 222,379	\$ 90,693	\$ 714,502
Interest rate sensitivity of selected loans				
Fixed rate	\$ 118,284	\$ 62,164	\$ 25,635	\$ 206,083
Adjustable rate	283,146	160,215	65,058	508,419
Total	\$ 401,430	\$ 222,379	\$ 90,693	\$ 714,502

Table of Contents***Allowance for Loan Losses***

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

	Years ended December 31				
	2006	2005	2004	2003	2002
	<i>(dollars in thousands)</i>				
Average loans outstanding during Period	\$ 1,832,800	\$ 1,604,198	\$ 1,355,487	\$ 1,118,667	\$ 1,015,073
Allowance for loan losses:					
Balance at beginning of period	\$ 23,190	\$ 19,217	\$ 16,228	\$ 15,460	\$ 13,688
Loans charged-off:					
Commercial, financial and Agricultural	\$ 372	\$ 152	\$ 1,782	\$ 2,123	\$ 775
Real estate-construction	205		48		76
Real estate-mortgage	295	628	141	172	659
Installment loans to individuals	264	160	216	220	319
Total charge-offs	\$ 1,136	\$ 940	\$ 2,187	\$ 2,515	\$ 1,829
Recoveries:					
Commercial, financial and agricultural	\$ 50	\$ 133	\$ 57	\$ 69	\$ 349
Real estate-construction	6				
Real estate-mortgage	82	7	28	6	26
Installment loans to individuals	96	75	117	150	101
Total recoveries	\$ 234	\$ 215	\$ 202	\$ 225	\$ 476
Net loans charged-off	\$ 902	\$ 725	\$ 1,985	\$ 2,290	\$ 1,353
Provision for loan losses	\$ 1,300	\$ 3,490	\$ 2,905	\$ 3,058	\$ 3,125
Net additions due to acquisition	\$	\$ 1,208	\$ 2,069	\$	\$
Balance at end of period	\$ 23,588	\$ 23,190	\$ 19,217	\$ 16,228	\$ 15,460
Ratios:					
Net charge-offs to average loans	0.05%	0.05%	0.15%	0.20%	0.13%
Allowance for loan losses to total loans at period end	1.21%	1.33%	1.30%	1.36%	1.40%

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

	2006	2005	2004	2003	2002
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	% of Loans to Total		% of Loans to Total		% of Loans to Total		% of Loans to Total		% of Loans to Total	
	Amount	Loans	Amount	Loans	Amount	Loans	Amount	Loans	Amount	Loans
	<i>(dollars in thousands)</i>									
Commercial, financial, agricultural and real estate-farmland	\$ 3,160	13.5%	\$ 4,221	14.4%	\$ 4,337	17.2%	\$ 2,295	14.5%	\$ 2,143	13.9%
Real estate-construction	6,547	28.0%	5,743	19.8%	27	16.0%		14.1%		11.8%
Real estate-mortgage	13,248	56.6%	12,455	63.2%	13,053	62.5%	12,752	66.2%	12,451	69.2%
Installment loans to individuals	441	1.9%	268	2.6%	481	4.3%	821	5.2%	779	5.1%
Unallocated	192	N/A	503	N/A	1,319	N/A	360	N/A	87	N/A
Total	\$23,588	100.0%	\$23,190	100.0%	\$19,217	100.0%	\$16,228	100.0%	\$15,460	100.0%

This table indicates growth in the allowance for loan losses for real estate construction as of December 31, 2006, as compared to December 31, 2005. This increase is due primarily to growth in the non-performing assets and outstanding balances in this loan category.

Table of Contents***Non-performing Loans***

It is management's policy to place commercial and mortgage loans on non-accrual status when interest or principal is 90 days or more past due. Such loans may continue on accrual status only if they are both well-secured and in the process of collection.

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

	Years ended December 31,				
	2006	2005	2004	2003	2002
	<i>(dollars in thousands)</i>				
Non-accrual loans	\$5,763	\$4,483	\$1,523	\$2,638	\$1,265
Loans 90 days past due and still accruing	2,002	1,420	2,141	581	963
Restructured loans					
Total non-performing loans	\$7,765	\$5,903	\$3,664	\$3,219	\$2,228
Repossessed assets	\$ 720	\$ 236	\$4,212	\$4,781	\$5,724
Other assets acquired in satisfaction of debts previously contracted	1	1	23	10	1
Total non-performing other assets	\$ 721	\$ 237	\$4,235	\$4,791	\$5,725
Total non-performing loans and non-performing other assets	\$8,486	\$6,140	\$7,899	\$8,010	\$7,953
Non-performing loans to loans, before allowance for loan losses	0.40%	0.34%	0.25%	0.27%	0.20%
Non-performing loans and non-performing other assets to loans, before allowance for loan losses	0.44%	0.35%	0.54%	0.67%	0.72%

The ratio of non-performing loans and non-performing other assets to loans, before allowance for loan losses, increased to 0.44% as of December 31, 2006 from 0.35% as of December 31, 2005, due to increases across all categories of non-performing assets. The increases are due primarily to remaining loans from the short-term construction lending program in the southwest Florida market. Additionally, the central Illinois market experienced an increase across all non-performing loan categories in single family residential mortgages.

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. Interest income on these loans is recognized to the extent interest payments are received and the principal is considered fully collectible. The gross interest income that would have been recorded in the years ended December 31, 2006, 2005 and 2004 if the non-accrual loans had been current in accordance with their original terms was \$921,000, \$380,000, and \$307,000, respectively. The amount of interest collected on those loans that was included in interest income was \$151,000 for the year ended December 31, 2006, \$250,000 for the year ended December 31, 2005, \$28,000 for the year ended December 31, 2004.

Table of Contents**Potential Problem Loans**

Potential problem loans are those loans which are not categorized as impaired, non-accrual, 90-days 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 probable loan losses. Potential problem loans totaled \$11,875,000 at December 31, 2006 and \$11,691,000 at December 31, 2005. Management continues to monitor these credits and anticipates that restructure, guarantee, additional collateral or other planned action will result in full repayment of the debts. Management has identified no other loans that represent or result from trends or uncertainties which management reasonably expects will materially impact future operating results, liquidity or capital resources. Management is not aware of any information about any other credits which cause management to have serious doubts as to the ability of such borrower(s) to comply with the loan repayment terms.

Other Interest-bearing Assets

No other interest-bearing assets are categorized as impaired.

Deposits

As indicated in the following table, average non-interest-bearing deposits as a percentage of average total deposits decreased to 13.0% for the year ended December 31, 2006, from 13.3% for the year ended December 31, 2005, which was an increase from 12.5% for the year ended December 31, 2004. The decline in non-interest bearing deposits in 2006 from 2005 reflects the increasing rate environment for deposits during 2006.

	2006		December 31, 2005				2004		Average Rate
	Average Balance	% Total	Average Rate	Average Balance	% Total	Average Rate	Average Balance	% Total	
<i>(dollars in thousands)</i>									
Non-interest bearing demand deposits	\$ 242,707	13.0%	0.00%	\$ 221,632	13.3%	0.00%	\$ 175,463	12.5%	0.00%
Interest bearing demand deposits	70,365	3.7%	2.25%	42,150	2.5%	1.00%	26,917	1.9%	0.70%
Savings/Money Market	764,967	41.0%	2.57%	714,891	42.8%	1.49%	622,660	44.4%	0.78%
Time deposits	789,019	42.3%	4.28%	691,790	41.4%	3.30%	578,808	41.2%	2.83%
Total	\$1,867,058	100.0%	2.95%	\$1,670,463	100.0%	2.03%	\$1,403,848	100.0%	1.53%

Certificates of deposit of \$100,000 and over and other time deposits of \$100,000 and over at December 31, 2006 had the following maturities (dollars in thousands):

Under 3 months	\$ 115,318
3 to 6 months	80,022
6 to 12 months	59,899
Over 12 months	43,167
Total	\$ 298,406

Table of Contents**Short-term Borrowings**

The following table sets forth the distribution of short-term borrowings and weighted average interest rates thereon at the end of each of the last three years. Federal funds purchased and securities sold under agreements to repurchase generally represent overnight borrowing transactions. Other short-term borrowings consist of various demand notes and notes with maturities of less than one year.

	Federal funds purchased	Securities sold under agreements to repurchase <i>(dollars in thousands)</i>	Other short-term borrowings
2006			
Balance, December 31, 2006	\$ 6,300	\$ 48,470	\$ 25,000
Weighted average interest rate at end of period	5.44%	4.09%	5.31%
Maximum outstanding at any month end	\$46,500	\$ 58,104	\$ 25,000
Average daily balance	\$18,465	\$ 50,642	\$ 3,267
Weighted average interest rate during period ¹	5.40%	3.65%	5.08%
2005			
Balance, December 31, 2005	\$ 7,885	\$ 42,228	\$
Weighted average interest rate at end of period	4.62%	2.79%	0.00%
Maximum outstanding at any month end	\$32,000	\$ 53,369	\$ 9,000
Average daily balance	\$ 9,865	\$ 44,998	\$ 4,112
Weighted average interest rate during period ¹	2.37%	2.10%	2.44%
2004			
Balance, December 31, 2004	\$	\$ 41,558	\$ 11,250
Weighted average interest rate at end of period	0.00%	1.31%	1.86%
Maximum outstanding at any month end	\$29,400	\$ 49,645	\$ 17,250
Average daily balance	\$ 5,010	\$ 26,864	\$ 9,293
Weighted average interest rate during period ¹	1.28%	1.25%	1.70%

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

Table of Contents**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. Average liquid assets are summarized in the table below:

	Years Ended December 31,		
	2006	2005	2004
	<i>(dollars in thousands)</i>		
Cash and due from banks	\$53,020	\$49,865	\$45,905
Interest-bearing bank deposits	488	1,394	3,359
Federal funds sold	6,923	21,291	15,844
Total	\$60,431	\$72,550	\$65,108
Percent of average total assets	2.6%	3.5%	3.7%

The Corporation's primary sources of funds consist of investment maturities and sales, loan principal repayments, deposits, and capital funds. Additional liquidity is provided by brokered deposits, bank lines of credit, repurchase agreements and the ability to borrow from the Federal Reserve Bank and the Federal Home Loan Bank. The Corporation has an operating line in the amount of \$10,000,000, all of which was available as of December 31, 2006 and 2005. Long-term liquidity needs will be satisfied primarily through the 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 (primarily mortgage loans) for sale. During 2006, the Corporation originated \$181,658,000 and sold \$177,139,000 in mortgage loans held for sale compared to originations of \$178,404,000 and sales of \$176,241,000 in 2005, and originations of \$159,560,000 and sales of \$182,368,000 in 2004. As of December 31, 2006 and 2005, the Corporation held \$16,256,000 and \$11,737,000 in loans held for sale, respectively.

On April 25, 2006, the Corporation's board of directors approved redemption of the trust preferred securities issued by First Busey Capital Trust I. These securities were redeemed at par value on June 19, 2006, plus accrued but unpaid distributions. The Corporation received regulatory approval and established a new series of preferred securities in an aggregate principal amount of \$30,000,000 as part of a pooled trust preferred program, First Busey Statutory Trust IV. The proceeds of the new issue were used to redeem the securities of First Busey Capital Trust I and to repay certain outstanding indebtedness of the Corporation.

On July 29, 2005, First Busey Corporation acquired Tarpon Coast National Bank through the acquisition of its parent company Tarpon Coast Bancorp, Inc. Tarpon shareholders received \$16,778,000 in First Busey common stock and \$19,131,000 in cash consideration. First Busey funded the cash portion of this transaction by issuing \$10,000,000 in trust preferred securities through First Busey Statutory Trust III and by drawing on its commercial loan at JPMorgan Chase, N.A. The arrangement is a note, in the amount of \$42,000,000, which matures in June, 2011, and carries interest at LIBOR plus 1.15%. During 2006, the Corporation paid down \$12,000,000 on the note, leaving a \$30,000,000 balance as of December 31, 2006.

On June 1, 2004, First Busey Corporation completed the acquisition of First Capital Bankshares, Inc. of Peoria, Illinois, the holding company of First Capital Bank. In order to partially fund this transaction First Busey issued \$15,000,000 in trust preferred securities through First Busey Statutory Trust II. These securities were issued in April, 2004. The balance is financed through a commercial loan agreement with JPMorgan Chase N.A.

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Net cash used by investing activities totaled \$241,017,000, \$126,222,000 and \$273,586,000 in 2006, 2005, and 2004, respectively. 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. In 2006, First Busey's proceeds from the sales and maturities of investment securities classified as available-for-sale totaled \$135,147,000, and the Corporation purchased \$166,606,000 in securities resulting in net cash used by securities activity of \$31,459,000. In 2005, First Busey's proceeds from the sales and maturities of securities classified as available-for-sale totaled \$218,304,000, and the Corporation purchased \$178,151,000 in securities resulting in net cash provided by securities activity of \$40,153,000. In 2004, sales and maturities totaled \$195,885,000 and purchases totaled \$271,763,000, resulting in net cash used by securities activity of \$75,878,000. Net loan portfolio growth totaled \$205,276,000, \$156,573,000, and \$156,755,000, in 2006, 2005, and 2004, respectively. In July 2005, First Busey purchased the outstanding shares of Tarpon Coast Bancorp, Inc., resulting in the net use of \$12,392,000. During 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 \$214,093,000, \$108,879,000, and \$220,577,000 in 2006, 2005, 2004, respectively. Significant items affecting cash flows from financing activities are deposits, short-term borrowings, and long-term debt. Deposits, which are the Corporation's primary funding source, grew \$205,440,000 in 2006, \$111,147,000 in 2005, and \$155,143,000 in 2004. The Corporation has increased its use of short-term and long-term advances from the Federal Home Loan Banks of Chicago to fund growth in loan and investment balances. The Corporation issued junior subordinated debt in June 2006, to redeem an existing junior subordinated debt issuance and repay certain indebtedness. During 2005, junior subordinated debt was issued and as well an increase in long-term debt to fund the July 2005, acquisition of Tarpon Coast Bancorp, Inc. and June 2004, acquisition of First Capital Bankshares, Inc.

Capital Resources

Other than from the issuance of common stock, the Corporation's primary source of capital is net income retained by the Corporation. During the year ended December 31, 2006, the Corporation earned \$28,888,000 and paid dividends of \$13,661,000 to stockholders, resulting in the retention of current earnings of \$15,227,000.

The Federal Reserve Board uses capital adequacy guidelines in its examination and regulation of bank holding companies and their subsidiary banks. Risk-based capital ratios are established by allocating assets and certain off-balance sheet commitments into four risk-weighted categories. These balances are then multiplied by the factor appropriate for that risk-weighted category. The guidelines require bank holding companies and their subsidiary banks to maintain a total capital to total risk-weighted asset ratio of not less than 8.00%, of which at least one half must be Tier 1 capital, and a Tier 1 leverage ratio of not less than 4.00%. As of December 31, 2006, the Corporation had a total capital to total risk-weighted asset ratio of 10.49%, a Tier 1 capital to risk-weighted asset ratio of 9.07% and a Tier 1 leverage ratio of 7.38%; Busey Bank had ratios of 10.70%, 9.33%, and 7.67%, respectively. Busey Bank N.A. had ratios of 13.97%, 12.71%, and 9.74%, respectively. As these ratios indicate, the Corporation and its bank subsidiaries exceed the regulatory capital guidelines.

Regulatory Considerations

In accordance with Federal Reserve Board regulations in effect on December 31, 2005, First Busey is allowed, for regulatory purposes, to include all \$55,000,000 of the outstanding cumulative trust preferred securities in Tier 1 capital (as defined by regulation). In March, 2005, the Federal Reserve Board issued final regulations allowing for the continued limited inclusion of trust preferred securities in the Tier 1 capital of bank holding companies, but with further restrictions on the amount of trust preferred securities and other restricted core capital elements that may be included in Tier 1 capital. The final rule allows for a transition period to March 31, 2009, for application of the new limits. If those limitations had been in effect at December 31, 2006, First Busey would have been allowed to include approximately \$41,798,000 of the cumulative trust preferred securities in Tier 1 capital; the remainder would be included in Tier 2 capital. The Corporation would have exceeded all regulatory minimum capital ratios if the newly adopted regulations had been in effect on December 31, 2006.

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New Accounting Pronouncements

Effective January 1, 2006, the Corporation adopted the fair value recognition provision of FASB Statement No. 123(R), *Share-Based Payment*, using the modified-prospective transition method. Under that transition method, compensation cost recognized in the year ended December 31, 2006 includes: (a) compensation cost for all share-based payments granted prior to, but not yet vested as of January 1, 2006, based on the grant date fair value estimated in accordance with the original provisions of Statement 123, and (b) compensation costs for all share-based payments granted subsequent to January 1, 2006, based on the grant-date fair value estimated in accordance with the provisions of Statement 123(R). Results for prior periods have not been restated.

Information relating to additional new accounting pronouncements appears in Note 1 in the Notes to the consolidated financial statements.

Effects of Inflation

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

Table of Contents**A. Selected Statistical Information**

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

	Years Ended December 31,								
	2006			2005			2004		
	Average Balance	Income/ Expense	Yield/ Rate	Average Balance	Income/ Expense	Yield/ Rate	Average Balance	Income/ Expense	Yield/ Rate
<i>(dollars in thousands)</i>									
Assets									
Interest-bearing									
bank deposits	\$ 488	\$ 24	4.92%	\$ 1,394	\$ 43	3.08%	\$ 3,359	\$ 46	1.37%
Federal funds sold	6,923	349	5.04%	21,291	564	2.65%	15,844	272	1.72%
Investment securities:									
U.S. Treasuries and Agencies Obligations of states and political subdivisions ¹	199,891	8,103	4.05%	213,287	6,449	3.02%	172,812	4,533	2.62%
Other securities	45,371	1,729	3.81%	48,258	1,844	3.82%	42,839	1,631	3.81%
Loans (net of unearned (discount) ^{1, 2}	1,832,800	133,199	7.27%	1,604,198	105,288	6.56%	1,355,487	77,759	5.74%
Total interest-earning assets¹	\$2,170,446	\$148,481	6.84%	\$1,951,864	\$117,930	6.04%	\$1,640,204	\$87,226	5.32%
Cash and due from banks									
	53,020			49,865			45,905		
Premises and equipment									
	40,431			31,203			24,553		
Allowance for loan losses									
	(23,454)			(21,050)			(17,716)		
Other assets									
	104,109			90,204			63,900		
Total assets	\$2,344,552			\$2,102,086			\$1,756,846		
Liabilities and Stockholders Equity									

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Interest-bearing transaction deposits	\$ 70,365	\$ 1,582	2.25%	\$ 42,150	\$ 420	1.00%	\$ 26,917	\$ 188	0.70%
Savings deposits	109,596	1,002	0.91%	116,978	867	0.74%	111,796	704	0.63%
Money market deposits	655,371	18,695	2.85%	597,913	9,803	1.64%	510,864	4,149	0.81%
Time deposits	789,019	33,767	4.28%	691,790	22,849	3.30%	578,808	16,395	2.83%
Short-term borrowings:									
Federal funds purchased	18,465	997	5.40%	9,865	234	2.37%	5,010	64	1.28%
Securities sold under agreements to repurchase	50,642	1,848	3.65%	44,998	945	2.10%	26,864	335	1.25%
Other	3,267	166	5.08%	4,112	100	2.44%	9,293	158	1.70%
Long-term debt	160,801	7,734	4.81%	163,865	6,669	4.07%	136,513	5,372	3.94%
Junior subordinated debt issued to unconsolidated trusts	52,692	4,060	7.71%	45,385	3,455	7.61%	35,385	2,676	7.56%
Total interest-bearing liabilities	\$1,910,218	\$ 69,851	3.66%	\$1,717,056	\$ 45,342	2.64%	\$1,441,450	\$30,041	2.08%
Net interest spread			3.18%			3.40%			3.24%
Demand deposits	242,707			221,632			175,463		
Other liabilities	16,803			13,538			9,577		
Stockholders equity	174,824			149,860			130,356		
Total liabilities and stockholders equity	\$2,344,552			\$2,102,086			\$1,756,846		
Interest income/earning assets ¹	\$2,170,446	\$148,481	6.84%	\$1,951,864	\$117,930	6.04%	\$1,640,204	\$87,226	5.32%
Interest expense/earning assets	\$2,170,446	\$ 69,851	3.22%	\$1,951,864	\$ 45,342	2.32%	\$1,604,204	\$30,041	1.83%
		\$ 78,630	3.62%		\$ 72,588	3.72%		\$57,185	3.49%

Net interest
margin¹

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

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

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Changes in Net Interest Income:

	Years Ended December 31, 2006, 2005, and 2004					
	Year 2006 vs. 2005 Change due to ¹			Year 2005 vs. 2004 Change due to ¹		
	Average Volume	Average Yield/Rate	Total Change <i>(dollars in thousands)</i>	Average Volume	Average Yield/Rate	Total Change
Increase (decrease) in interest income:						
Interest-bearing bank deposits	\$ (39)	\$ 20	\$ (19)	\$ 3	\$ (6)	\$ (3)
Federal funds sold	(613)	398	(215)	113	179	292
Investment securities:						
U.S. Treasuries and Agencies	(414)	2,068	1,654	1,160	756	1,916
Obligations of state and political subdivisions ²	1,276	59	1,335	800	(43)	757
Other securities	(110)	(5)	(115)	207	6	213
Loans ²	15,233	12,678	27,911	15,419	12,110	27,529
Change in interest income ²	\$15,333	\$15,218	\$30,551	\$17,702	\$13,002	\$30,704
Increase (decrease) in interest expense:						
Interest bearing transaction deposits	\$ 404	\$ 758	\$ 1,162	\$ 132	\$ 100	\$ 232
Savings deposits	(57)	192	135	34	129	163
Money market deposits	1,023	7,869	8,892	810	4,844	5,654
Time deposits	3,516	7,402	10,918	3,488	2,966	6,454
Federal funds purchased	310	453	763	91	79	170
Securities sold under agreements to repurchase	131	772	903	303	307	610
Other short-term borrowings	(24)	90	66	(260)	202	(58)
Long-term debt	(127)	1,192	1,065	1,108	189	1,297
Junior subordinated debt owed to unconsolidated trusts	563	42	605	761	18	779
Change in interest expense	\$ 5,739	\$18,770	\$24,509	\$ 6,467	\$ 8,834	\$15,301
Increase (decrease) in net interest income ²	\$ 9,594	\$ (3,552)	\$ 6,042	\$11,235	\$ 4,168	\$15,403
Percentage increase in net interest income over prior period			8.32%			26.9%

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%

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 the geographic regions served by the Corporation, and the retention of key individuals in the Corporation's management structure.

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

The asset-liability committees use gap analysis to identify mismatches in the dollar value of assets and liabilities subject to repricing within specific time periods. The Funds Management Policies established by the asset-liability committees and approved by the Corporation's Board of Directors establishes 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 December 31, 2006.

	Rate Sensitive Within					Total
	1-30 Days	31-90 Days	91-180 Days	181 Days 1 Year	Over 1 Year	
	<i>(dollars in thousands)</i>					
Interest-bearing deposits	\$ 271	\$	\$	\$	\$	\$ 271
Investment securities						
U.S. Treasuries and Agencies	38,074	55,714	43,623	21,345	69,856	228,612
States and political subdivisions	4,369	1,583	2,407	7,898	69,196	85,453
Other securities	14,831	1,153	1,972	3,877	29,710	51,543
Loans (net of unearned interest)	779,956	108,188	121,842	198,017	748,924	1,956,927
Total rate-sensitive assets	\$ 837,501	\$ 166,638	\$ 169,844	\$ 231,137	\$ 917,686	\$ 2,322,806
Interest-bearing transaction deposits	\$ 89,467	\$	\$	\$	\$	\$ 89,467
Savings deposits	100,789					100,789
Money market deposits	695,539					695,539
Time deposits	102,146	166,894	201,880	208,657	203,027	882,604
Federal funds purchased and repurchase agreements	54,770					54,770

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Short-term borrowings	25,000					25,000
Long-term debt	31,000	7,000	8,825	4,000	105,825	156,650
Junior subordinated debt issued to unconsolidated trusts		25,000			30,000	55,000
Total rate-sensitive liabilities	\$ 1,098,711	\$ 198,894	\$ 210,705	\$ 212,657	\$ 338,852	\$ 2,059,819
Rate-sensitive assets less rate-sensitive liabilities	\$ (261,210)	\$ (32,256)	\$ (40,861)	\$ 18,480	\$ 578,834	\$ 262,987
Cumulative Gap	\$ (261,210)	\$ (293,466)	\$ (334,327)	\$ (315,847)	\$ 262,987	
Cumulative amounts as a percentage of total rate-sensitive assets	-11.25%	-12.63%	-14.39%	-13.60%	11.32%	
Cumulative Ratio	0.76	0.77	0.78	0.82	1.13	

First Busey Corporation's funds management policy requires the subsidiary 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 December 31, 2006, the Banks and the Corporation, on a consolidated basis, are within those guidelines.

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The foregoing table shows a negative (liability-sensitive) rate-sensitivity gap of \$261.2 million in the 1-30 day repricing category as more liabilities were subject to repricing during that time period than assets were subject to repricing within that same time period. The volume of assets subject to repricing exceeds the volume of liabilities subject to repricing for all time periods beyond 180 days. On a cumulative basis, however, the gap remains liability sensitive through one year. The composition of the gap structure as of December 31, 2006, 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 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. Other factors influence the effect of interest-rate fluctuations on the Corporation's net interest margin. For example, a decline in interest rates may lead borrowers to repay their loans more rapidly which could mitigate some of the expected benefit of the decline in interest rates when negatively gapped. Conversely, a rapid rise in interest rates could lead to an increase in the net interest margin if the increased rates on loans and other interest-earning assets are higher than those on interest-bearing deposits and other liabilities.

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 out over a one-year period and net interest income is calculated under current market rates, and then assuming permanent instantaneous shifts in the yield curve of +/- 100 basis points, and + 200 basis points. Management measures such changes assuming immediate and sustained shifts in the Federal funds rate and the corresponding shifts in other rate indices based on their historical changes relative to changes in the Federal funds rate. The model assumes asset and liability balances remain constant at December 31 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 to incorporate expected prepayment speeds in both a rising and declining 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 changes in interest rates was as follows:

	Basis Point Changes		
	-100	+100	+200
December 31, 2006	1.78%	(2.12%)	(4.11%)
December 31, 2005	(0.18%)	(0.45%)	(1.29%)

First Busey's Funds Management Policy defines a targeted range of +/- 10% change in net interest margin in a 1-year time frame for interest rate shocks of +/- 100 basis points and +/- 200 basis points. As indicated in the table above, the Corporation is within this targeted range on a consolidated basis.

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Item 8. Financial Statements and Supplementary Data

The financial statements are presented beginning on page 67.

Management's Report on Internal Control Over Financial Reporting

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

Management has performed a comprehensive review, evaluation, and assessment of the Corporation's internal control over financial reporting as of December 31, 2006. In making its assessment of internal control over financial reporting, management used the criteria issued by the committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control - Integrated Framework*.

Based on the assessment, management has determined that, as of December 31, 2006, the Corporation's internal control over financial reporting is effective, based on the COSO criteria. Management's assessment of the effectiveness of the Corporation's internal control over financial reporting as of December 31, 2006, has been audited by McGladrey & Pullen, LLP, an independent registered public accounting firm, as stated in their report appearing on page 68.

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

Not applicable.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

An evaluation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934 (the Act)) was carried out as of December 31, 2006, under the supervision and with the participation of our Chief Executive Officer, Chief Financial Officer and several other members of our senior management. Our Chief Executive Officer and Chief Financial Officer concluded that, as of December 31, 2006, our disclosure controls and procedures were effective in ensuring that the information we are required to disclose in the reports we file or submit under the Act is (i) accumulated and communicated to our management (including the Chief Executive Officer and Chief Financial Officer) in a timely manner, and (ii) recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms.

Management's Annual Report on Internal Control over Financial Reporting

The annual report of management on the effectiveness of our internal control over financial reporting and the attestation report thereon issued by our independent registered public accounting firm are set forth under

Management's Report on Internal Control Over Financial Reporting and Report of Independent Registered Public Accounting Firm under Item 8. Financial Statements and Supplementary Data.

Changes in Internal Control Over Financial Reporting

During the quarter ended December 31, 2006, no change occurred in our internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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Item 9B. Other information

Not applicable.

Part III

Item 10. Directors, Executive Officers and Corporate Governance

Executive Officers of the Registrant.

Please refer to Part I of this Form 10-K.

Board of Directors

Joseph M. Ambrose

Director since: 1993

Mr. Ambrose, age 49, is Vice President of Horizon Hobby, Inc., Champaign, Illinois, and has been since December 2005. Previously, Mr. Ambrose was a partner with Costigan & Wollrab, P.C., Bloomington, Illinois, from April 2004 until December 1, 2005. Mr. Ambrose was with Ambrose Law Offices, Ltd. from June 2003 until April 2004. Mr. Ambrose served as Executive Vice President of AFNI, Inc., Bloomington, Illinois from January 1999 until June 2003. Mr. Ambrose is considered independent under the rules of Nasdaq.

E. Phillips Knox

Director since: 1980

Mr. Knox, age 60, is an attorney with the firm Tummelson Bryan & Knox, Urbana, Illinois.

David L. Ikenberry

Director since: 2004

Mr. Ikenberry, age 46, is a Professor of Finance and Department Chair at the University of Illinois-Urbana and has been since June 2002. Previously, Mr. Ikenberry was an Associate Professor at Rice University, Houston, Texas, from 1996-2002. Mr. Ikenberry is considered independent under the rules of Nasdaq.

V. B. Leister, Jr.

Director since: 1996

Mr. Leister, age 61, is Chairman of the Board of Carter's Furniture Inc., Urbana, Illinois. Previously, Mr. Leister served as Vice President & Treasurer of Carter's Furniture. Mr. Leister is considered independent under the rules of Nasdaq.

Douglas C. Mills

Director since: 1980

Mr. Mills, age 66, is Chairman of the Board, Chief Executive Officer and President of First Busey Corporation and has been since its incorporation. In 2006, Mr. Mills assumed the role of President of First Busey Corporation. He has been associated with Busey Bank since 1971 when he assumed the position of Chairman of the Board. Mr. Mills son, David D. Mills, is President and Chief Operating Officer of Busey Bank.

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Joseph E. O'Brien

Director since: 2004

Mr. O'Brien, age 77, is Chairman of the Board of O'Brien Steel Service Co., Peoria, Illinois. Mr. O'Brien is considered independent under the rules of Nasdaq.

Arthur R. Wyatt

Director since: 1995

Mr. Wyatt, age 79, is a retired Professor of Accounting at the University of Illinois-Urbana. Mr. Wyatt is considered independent under the rules of Nasdaq.

Board Committees

The Board of Directors of the Corporation has established the following committees, among others, to assist in the discharge of its responsibilities.

Executive Management Compensation and Succession Committee

The Executive Management Compensation and Succession Committee met three times in 2006. Members of the Compensation Committee in 2006 were Messrs. Ambrose (Chairman), Leister and Wyatt. The responsibilities of this Committee include the approval, and recommendation to the Board of the compensation of the Chief Executive Officer of the Corporation and the compensation of all other executive officers of the Corporation. The Committee also reviews and analyzes existing and potential management succession issues. All members are independent under Nasdaq rules.

Nominating & Corporate Governance Committee

The Nominating & Corporate Governance Committee of the Board of Directors met one time in 2006. The Nominating & Corporate Governance Committee members are Messrs. Wyatt (Chairman), Leister and O'Brien. The responsibilities of the Nominating & Corporate Governance Committee include the nomination of individuals as members of the Board of Directors, including the review of existing directors' self-assessments to determine qualifications to stand for re-election, and the implementation and maintenance of corporate governance procedures. All members are independent under Nasdaq rules. The Nominating & Corporate Governance Committee Charter is available at the Corporation's website at www.busey.com.

The Nominating & Corporate Governance Committee reviews qualified candidates for directors and focuses on those who present varied, complementary backgrounds that emphasize both business experience and community standing. The Committee also believes that directors should possess the highest personal and professional ethics.

In 2006, the Nominating & Corporate Governance Committee met and reviewed all relevant qualifications of potential director nominees, including, at a minimum, the following:

independence from management, as defined specifically by the corporate governance rules of Nasdaq;

relevant business experience;

knowledge of the central Illinois communities in which the Corporation predominantly operates;

potential conflicts of interest; and

judgment, skill, integrity and reputation.

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The Committee reviews the qualifications of each potential candidate for director and identifies nominees by consensus.

The Committee evaluates all candidates in the same way, reviewing the aforementioned factors, among others, regardless of the source of such candidate, including shareholder recommendation. There is no separate policy with regard to consideration of candidates recommended by shareholders. The Committee did not receive any shareholder recommendations for director nominees for 2007. No third party was retained, in any capacity, to provide assistance in either identifying or evaluating potential director nominees for 2007.

Audit Committee

The Audit Committee met four times in 2006. Members of the Audit Committee are Messrs. Leister (Chairman), Ikenberry, and Wyatt. The Audit Committee has at least one audit committee financial expert, Mr. Wyatt. Mr. Wyatt is independent from management of the Corporation. All members are independent under Nasdaq rules and under Rule 10A-3 of the Securities Exchange Act of 1934, as required for audit committee membership. The Audit Committee Charter is available at the Corporation's website at www.busey.com.

The Audit Committee has adopted procedures for the treatment of complaints or concerns regarding accounting, internal accounting controls or auditing matters. In addition, it has adopted procedures for the review and approval of all related party transactions. The Audit Committee has also implemented pre-approval policies and procedures for all audit and non-audit services. Generally, the Audit Committee requires pre-approval of any services to be provided by the Corporation's auditors, McGladrey & Pullen, LLP and the Corporation's tax accountants, RSM McGladrey, Inc., to the Corporation or any of its affiliates. The pre-approval procedures include the designation of such pre-approval responsibility to one individual on the Audit Committee, currently Mr. Leister.

Board of Directors

During 2006, the Board held nine meetings. All directors attended at least 75% of the meetings of the Board and the committees on which they served during 2006. The Corporation's policy with respect to director attendance at Annual Meetings of Shareholders is that each director attend the same. It is each director's intention, at this time, to attend the 2007 Annual Meeting, which is currently anticipated to be held subsequent to the close of the Merger between the Corporation and Main Street Trust, Inc.

In addition to the committees of the Board of Directors described above, the Corporation's independent directors met eight times in executive session in 2006 and will meet a minimum of two times in executive session in 2007.

Mr. Wyatt, Chairman of the Nominating & Corporate Governance Committee, presides at these executive sessions. Any shareholder who wishes to contact the Board directly may do so by contacting either Mr. Mills or Mr. Leister, (1) in writing, in care of First Busey Corporation, 201 W. Main, Urbana, IL 61801 or (2) electronically, through the hyperlink available at the Corporation's website at www.busey.com. All such communications will be forwarded to the entire Board, or only the independent directors, in accordance with instructions provided in such communications.

Section 16(a) Beneficial Ownership Compliance

Section 16(a) of the Exchange Act requires our directors, executive officers and holders of more than 10% of the Common Stock to file with the Commission initial reports of ownership and reports of changes in ownership of common stock and other equity securities of the Corporation. The Corporation believes that during the fiscal year ended December 31, 2006, its executive officers and directors complied with all Section 16(a) filing requirements. In making the foregoing statements, the Corporation has relied upon the written representations of its directors and executive officers.

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Code of Ethics

First Busey Corporation has adopted a Code of Ethics (the *Ethics Code*) applicable to all directors, officers and employees. The Ethics Code is intended to promote honest and ethical conduct and compliance with applicable laws, rules and regulations. Waivers of the Ethics Code are required to be disclosed promptly to the Audit Committee, would be granted by the Board and must be disclosed as required by SEC and Nasdaq rules. A Copy of the Ethics Code, and any amendments thereto, is posted on the Corporation's website at www.busey.com.

Item 11. Executive Compensation

Compensation Discussion and Analysis

Introduction

This section provides information regarding the compensation and benefit programs in place for our Chief Executive Officer, Chief Financial Officer and the five other most highly compensated executive officers of the Corporation (collectively, the *Named Executive Officers*) for 2006. It includes information regarding the overall objectives of our compensation program and each element of compensation that we provide.

Compensation Philosophy

The Executive Management Compensation and Succession Committee of our Board of Directors (the *Committee*) is responsible for guiding and overseeing the formulation and application of the compensation and benefit programs for our Named Executive Officers. The Committee acts pursuant to a charter that has been approved by our Board. None of the Named Executive Officers are members of the Committee.

The Committee believes that the most effective compensation program is one that is designed to reward the achievement of specific annual, long-term and strategic goals by the Corporation, and which aligns executives interests with those of the stockholders by rewarding performance above established goals, with the ultimate objective of improving stockholder value. The Committee evaluates both performance and compensation to ensure that the Corporation maintains its ability to attract and retain superior employees in key positions and that compensation provided to key employees remains competitive relative to the compensation paid to similarly situated executives of our peer companies. Accordingly, the Committee believes executive compensation packages provided by the Corporation to its executives, including the Named Executive Officers, should include both cash and stock-based compensation that reward performance as measured against established goals.

Compensation Objectives

The Committee has worked with the Corporation's management to design compensation programs that encourage high performance, promote accountability and assure that employee interests are aligned with the interests of the Corporation's stockholders. The primary objectives of our executive compensation policies are to:

Attract, retain, and motivate highly qualified executives,

Reward executives based upon our financial performance at levels competitive with peer companies, and

Align a significant portion of the executives compensation with the Corporation's performance and stockholder value, by the way of performance-based executive bonuses and long-term equity incentives.

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We compensate our executives through a mix of base salary, bonus and equity compensation designed to be competitive with comparable employers and to align management's incentives with the long-term interests of our stockholders.

Competitive Benchmarking

In making compensation decisions, the Committee, at times, compares certain elements of total compensation against other comparable publicly traded and privately held bank holding companies (collectively, the *Compensation Peers*). The Compensation Peers consist of companies which the Committee believes to be comparable in terms of size and market composition (primarily in the Corporation's market area), and in certain instances, the Committee believes compete for talent and for stockholder investment. The Compensation Peers are not utilized by the Committee strictly as a formal peer group, but are instead used as a reference source, from time to time, as to certain specific compensation issues, such as the extent of usage of stock options as a compensation component.

A significant percentage of total compensation is allocated to incentive compensation as a result of the philosophy mentioned above. There is no pre-established policy or target for the allocation between either cash and non-cash or short-term and long-term incentive compensation. Rather, the Committee reviews information such as that referenced above with respect to the Compensation Peers to determine the appropriate level and mix of incentive compensation. Income from such incentive compensation is realized as a result of the performance of the Corporation or the individual, depending on the type of award, compared to established goals. Historically, and in fiscal 2006, the Committee granted a substantial portion of total compensation to Named Executive Officers in the form of non-cash incentive compensation.

Compensation Process

The Committee reviews the benchmarking and performance results presented by management in determining the appropriate aggregate and individual compensation levels for the performance year. In conducting its review, the Committee considers quantitative performance results, the overall need of the organization to attract, retain and motivate the executive team, and the total cost of compensation programs. The Committee also reviews executive tally sheets, detailing the executive's total target and actual compensation during the year. However, the amount of compensation already realized or potentially realizable does not directly impact the level at which future pay opportunities may be set.

In 2007 and for the foreseeable future, base salaries and annual cash incentive awards will be reviewed at the end of each fiscal year. Any changes made to the base salaries will be effective January 1 of the following year. Stock options and other stock grants are usually granted in April of each year, at the regularly scheduled meetings of the Committee and the full Board of Directors held in connection with our Annual Meeting of Stockholders. By establishing the meeting schedule and agenda for these grants well in advance, the Corporation diminishes any opportunity for manipulation of exercise prices on option grants to the extent any recipients are in possession of non-public information at the time of the meetings. Approval of grants for any newly-hired or promoted executives during the course of the year generally occurs at the Compensation Committee meeting immediately following the hiring or promotion.

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Role of Executive Officers in Compensation Decisions

The Committee makes all compensation decisions for Named Executive Officers and approves recommendations regarding equity awards to all elected officers of the Corporation. The Chairman and Chief Executive Officer annually reviews the performance of each Named Executive Officer (other than the Chairman and Chief Executive Officer, whose performance is reviewed by the Committee). The conclusions reached and recommendations based on these reviews, including with respect to salary adjustments and annual award amounts, are presented to the Committee. The Committee can exercise its discretion in modifying any recommended adjustments or awards to executives.

Components of Total Compensation

For the fiscal year ended December 31, 2006, the principal components of compensation for Named Executive Officers were:

base salary,

annual incentive compensation, under the Corporation's Management and Associate Dividend Program,

stock options, and

benefits and other perquisites.

Each component is designed to achieve a specific purpose and to contribute to a total package that is competitive, appropriately performance-based, and valued by the Corporation's executives.

Base Salaries

The Corporation provides Named Executive Officers and other employees with base salary to compensate them for services rendered during the fiscal year. Base salary ranges for Named Executive Officers are determined for each executive based on his or her position and responsibility. During its review of base salaries for executives, the Committee primarily considers:

individual scope of responsibility;

years of experience;

market data, such as that obtained from a review of our Compensation Peers;

internal review of the executive's compensation, both individually and relative to other officers; and

individual performance of the executive.

Salary levels are typically considered annually as part of the Corporation's performance review process as well as upon a promotion or other change in job responsibility.

Annual Incentive Compensation

The Management and Associate Dividend Program, or MAD program, is a program generally available to all employees of the Corporation. MAD program awards are generally granted based on an explicit formula approved by the Committee and recommended to the full Board for approval, typically in January of each year. In early 2006, the Committee recommended, and the Board of Directors approved, the targeted levels of diluted earnings per share for the Corporation's 2006 fiscal year. Under the 2006 MAD program, the Committee approved three targeted levels for diluted earnings per share for the Corporation for fiscal 2006; these levels were \$1.40, \$1.42, and \$1.44.

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Named Executive Officers participate in the MAD program under terms designed to reward Named Executive Officers for contributing to the achievement of our corporate goals and driving shareholder value, thereby addressing our objectives of our executive compensation policies. Annual incentive compensation is an industry standard that we feel we must provide to remain competitive.

The goal of the MAD program is to heighten awareness of the Corporation's diluted earnings per share goal while emphasizing the impact of the team concept throughout the organization. The term "dividend" is used to indicate that this award was granted at the discretion of the Board of Directors and is based annually on the achievement of diluted earnings per share, similar to the dividend paid to the Corporation's shareholders.

The Board retains the discretion to adjust any awards determined by the formula to ensure that the final awards are consistent with those made to other officers and to make adjustments to the financial performance objectives for extraordinary events. Individual performance is considered in determining final awards for all MAD program participants.

Based on the level of achievement of diluted earnings per share, the Named Executive Officers receive a dividend of a predetermined percentage of their salary. The Corporation earned \$1.35 per share on a fully diluted basis and did not achieve the minimum targeted level of diluted earnings per share during 2006. For the fiscal year 2005, the targeted diluted earnings per share targets for purposes of the MAD program were \$1.19, \$1.20, \$1.21 and \$1.22. The Corporation earned \$1.29 per share on a fully diluted basis for fiscal year 2005, exceeding the maximum targeted level of diluted earnings per share. In January 2007, the Committee, exercising the discretion noted previously, awarded payouts under the MAD program for 2006, equivalent to the award for reaching the minimum earnings target for 2006 noted above. Although the minimum target was not reached in 2006, the Committee believed it was appropriate to recognize substantially all employees of the Corporation, including Named Executive Officers, for the combined results in excess of target for fiscal years 2005 and 2006.

Stock Option Plans

In 2006, the Corporation provided to its Named Executive Officers stock option awards. The equity awards are designed to align executive's financial interests with driving stockholder value, foster stock ownership and retain executives. The Corporation's stock option plans create a direct linkage between executive wealth generation and stockholder gains. We also provide equity-based compensation to remain competitive in the marketplace. The Corporation does not currently have a formal policy regarding equity or other security ownership requirements for its Named Executive Officers.

The Corporation currently has two active stock option plans; the First Busey Corporation 1999 Stock Option Plan and the First Busey Corporation 2004 Stock Option Plan. Each of the Corporation's stock option plans are designed and intended to encourage ownership of the Corporation's common stock by employees and directors of the Corporation and its subsidiaries, to provide additional incentive for them to promote the success of the business of the Corporation, and to attract personnel to enter and remain in the employment of the Corporation and its subsidiaries. It is expected that the added interest of the participating employees and directors under the plans, and their proprietary attitude toward the Corporation resulting from their investment in the Corporation's stock, will promote the future growth, development and continued success of the Corporation. Employees and directors of the Corporation and employees and directors of its subsidiaries are eligible to receive options under the plans. The exercise price of any option must be equal to at least 100% of the fair market value of the closing price of the shares on the date of the grant. No option may be exercisable for more than ten years from the date of grant.

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The number of stock options granted to executive officers is intended to recognize different levels of contribution to the achievement by the Corporation of its performance goals as well as different levels of responsibility and experience as indicated by each Named Executive Officer's position. In making a determination as to persons to whom stock options are granted, and the number of shares to be covered by such options, the Committee takes into consideration the nature of the services rendered or to be rendered by the employee or director, the employee's or director's present and potential contributions to the success of the Corporation, and such other factors as the Committee shall deem relevant in accomplishing the purposes of the Plan.

Benefits and Other Perquisites

Benefits. The Corporation's Named Executive Officers are eligible to participate in the same Corporation benefit plans designed for all of our full-time employees. The core insurance package includes health, dental, disability and basic group life insurance coverage. First Busey provides retirement benefits to all eligible, as defined by the plan, full-time employees under the First Busey Corporation Profit Sharing and 401(k) Plan. The Profit Sharing and 401(k) Plan provides employees the opportunity to save for retirement on a tax-favored basis. Named Executive Officers, all of which were eligible during 2006, may elect to participate in the First Busey 401(k) plan on the same basis as all other Corporation associates. Each of the Corporation's eligible employees participates in the Profit Sharing Plan element of the Plan.

The Corporation maintains an Employee Stock Ownership Plan (ESOP) that is available to all eligible full-time employees, as defined by the plan. Named Executive Officers, all of which were eligible during 2006, participate in the Corporation's ESOP under the same terms as all other Corporation associates. Unrestricted ESOP shares are allocated to eligible employees annually based upon their wages/ salary for the fiscal year, as it compares to total wages/ salaries for all eligible employees. In December 2006, the Corporation repaid all debt associated with the ESOP, which released all restrictions on previously unallocated shares. All previously unallocated shares, an amount equal to 123,000 shares, were allocated to all eligible employees in accordance with the plan in February 2007. The 2006 allocation resulted in a substantial increase in ESOP compensation for Named Executive Officers, which is reflected in the Summary Compensation Table.

Substantially all executives of the Corporation are provided with a death benefit under the Busey Bank Group Term Carve Out Plan II, otherwise known as the Corporation's Bank Owned Life Insurance (BOLI) program. The BOLI program covers an employee during their employment period at the Corporation. The BOLI program covers the employee following their retirement from the Corporation only if the employee has met the service period and age requirements of the BOLI program. The Corporation's BOLI program consists of one or more split dollar life insurance policies for each participant, which covers each participant in the event of their death at a multiple of the employee's most recent salary plus MAD program compensation level. Named Executive Officers are provided a death benefit through the BOLI program at the lesser of three times their highest salary plus MAD program annual compensation or \$750,000 or the Net Amount of Insurance, as defined by the Busey Bank Group Term Carve Out Plan II.

Mr. Douglas C. Mills is covered by a separate addendum to the Busey Bank Group Term Carve Out Plan II, whereby Mr. Mills is entitled to receive a death benefit of the lesser of three times his highest salary plus MAD program annual compensation or \$612,500 or the Net Amount of Insurance, as defined by the Busey Bank Group Term Carve Out Plan II.

Messrs. Douglas C. Mills, Kuhl and Scharlau are covered by life insurance policies for which premiums have been paid, prior to fiscal 2006, by the Corporation in the amounts of \$1,326,890, \$69,076 and \$56,311, respectively. Pursuant to the terms of the policies, the premiums noted above are to be repaid via the proceeds of the policies upon death of the executives, with the exception of Mr. Kuhl, whose amount was forgiven as compensation in conjunction with his resignation as an officer of the Corporation, further detailed below.

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Perquisites. The Corporation provides Named Executive Officers with perquisites that the Corporation and the Committee believe are reasonable and consistent with its overall compensation program to better enable the Corporation to attract and retain superior employees for key positions. The Committee periodically reviews the levels of perquisites and other personal benefits provided to named executive officers. Based upon this periodic review, perquisites awarded or adjusted on an individual basis. Named Executive Officers are not automatically awarded all, or in equal amounts, perquisites granted by the Corporation.

The primary perquisites for Named Executive Officers for fiscal 2006 are the following:

annual contributions to the University of Illinois I Fund in the name of the Named Executive Officer

annual country club dues

either an allowance for or use of a Corporation-owned automobile

Contributions to the University of Illinois I Fund are made by the Corporation on behalf of many executives of the Corporation in support of the University of Illinois Urbana Champaign, which is located in the Corporation's primary market.

The Corporation encourages our senior management to belong to a country club so that they have an appropriate entertainment forum for customers and appropriate interaction with their communities. Automobiles, or an allowance, are provided for certain executives as deemed necessary in order to assist the executive in their ongoing service to our customers and communities.

Deferred Compensation Plan

The Corporation adopted the First Busey Corporation Deferred Compensation Plan for Executives in October 2002. The plan is designed to assist in retaining and attracting executives at certain levels by providing a plan to assist executives in retirement planning. Under the terms of the Deferred Compensation Plan, certain executives are allowed to defer a portion or their entire MAD Program award. Amounts deferred, up to a maximum of \$50,000, are matched by the Corporation. Interest is to accrue on each participants deferred compensation balance for the fiscal year at a rate defined by the greater of the five (5) year treasury note rate as published in the Wall Street Journal for the last business day of the previous calendar year, or 5.00%. Currently, Mr. Douglas C. Mills, Mr. Scharlau, Mr. Kuhl and Mrs. Kuhl are the participants in the plan.

In accordance with the plan, plan participants are prohibited from making deferrals into the plan subsequent to any 2005 MAD program deferrals. During 2006, each of the participants account accrued interest at an annual rate of 5.00%.

Post-Employment Compensation

The Corporation does not maintain any currently effective contract, policy or plan for termination payments relating to retirement, involuntary termination (with or without cause) or following a change of control.

On September 20, 2006, concurrently with execution of the Merger Agreement with Main Street Trust, Inc., the Corporation entered into letter agreements with Douglas C. Mills and Edwin A. Scharlau II, and entered into employment agreements with David D. Mills and Barbara J. Harrington, each of which are contingent upon the effectiveness of the Merger. Each of the above-referenced agreements have been previously filed as Exhibits 99.3, 99.4, 99.5 and 99.6, respectively, to the Corporation's Form 8-K dated September 21, 2006.

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Resignation as Officer and Consulting Agreement

On November 8, 2006, the Corporation and P. David Kuhl entered into a Resignation as Officer and Consulting Agreement in connection with Mr. Kuhl's resignation as Chairman and Chief Executive Officer of Busey Bank as of September 20, 2006. Mr. Kuhl agreed to stay in the employment of the Corporation until September 20, 2007.

As consideration for Mr. Kuhl's continuation of service to the Corporation, Mr. Kuhl will be compensated at a rate of \$220,000 per annum. In January of 2007, Mr. Kuhl was paid 75% of the bonus under the Corporation's MAD program for the 2006 program year which Mr. Kuhl would have earned under the Corporation's MAD program had Mr. Kuhl remained an officer of Busey Bank during all of 2006. Additionally, the agreement granted Mr. Kuhl:

title to the automobile previously allocated to Mr. Kuhl,

retention of accrued and vested rights under the Corporation's ESOP, 401(k) plan, deferred compensation plan and stock option plan at September 20, 2006,

retention of the BOLI benefit at 2.5 times Mr. Kuhl's highest compensation, as defined in the BOLI agreement,

the Corporation's interest in a life insurance policy related to premiums paid, as noted previously,

title to country club equity shares previously allocated to Mr. Kuhl.

Severance Arrangements.

On May 15, 2006, the Corporation and Barbara J. Kuhl entered into a Severance and General Release Agreement in connection with Mrs. Kuhl's resignation as Chief Operating Officer of the Corporation. Pursuant to the Severance Agreement, the Corporation has agreed to continue to pay Mrs. Kuhl the approximate equivalent of her base salary in equal monthly installments over a 24 month period commencing January 2007. Mrs. Kuhl also received a lump-sum payment of \$65,000, one-third of the bonus which Mrs. Kuhl would have earned under the MAD Program for the 2006 program year had Mrs. Kuhl remained an employee with the Corporation, and title to the automobile previously allocated to her. The above severance arrangement is qualified in its entirety by reference to the agreement as set forth as Exhibit 10.1 in the Corporation's Form 8-K filed with the SEC on May 18, 2006.

Impact of Accounting and Tax Issues on Executive Compensation.

In setting individual executive's compensation levels, we do not explicitly consider accounting and tax issues.

However, the Corporation does analyze the overall expense arising from aggregate executive compensation levels and awards and the components of the Corporation's pay programs.

2007 Compensation Determinations

In January 2007, after undertaking substantially the same process, deliberations, analysis and consultations described above with respect to 2006 compensation, the Committee established the base salary for Named Executive Officers for 2007 and MAD program payments for 2006.

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Base Salaries. The base salary for 2007 for each of the Named Executive Officers is as follows:

Officer	2007 Base Salary Compensation
Barbara J. Harrington	\$ 160,000
David D. Mills	\$ 185,000
Douglas C. Mills	\$ 225,000
Lee H. O Neill	\$ 220,000
Edwin A. Scharlau	\$ 180,000

The new base salaries were effective January 1, 2007.

Annual Incentive Compensation. The determination as to the MAD program targeted levels for 2007 will be made in a regularly scheduled meeting of the Committee for the approval of the full Board of Directors.

Equity Plans. Determinations as to equity plan awards for 2007 will be made in the second quarter of 2007. As set forth in our Compensation Process above, stock options and other stock grants are typically granted at the regularly scheduled meetings of the Committee and the full Board of Directors held in connection with the Annual Meeting of Stockholders.

Executive Management Compensation and Succession Committee Report

Notwithstanding anything to the contrary set forth in any of the Corporation's filings under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, that might incorporate other filings with the SEC, including this Form 10-K, in whole or in part, the following Executive Management Compensation and Succession Committee Report shall not be deemed to be incorporated by reference into any such filings.

The Executive Management Compensation and Succession Committee (the *Committee*) discharges the Board's responsibilities relating to compensation of the Corporation's executive officers. The Committee approves and evaluates all compensation of executive officers, including salaries, bonuses, and compensation plans, policies and programs of the Corporation.

The Compensation Discussion and Analysis portion of the Form 10-K has been prepared by management of the Corporation. The Corporation is responsible for the Compensation Discussion and Analysis and for the disclosure controls relating to executive compensation. The Compensation Discussion and Analysis is not a report or disclosure of the Committee.

The Committee met with management of the Corporation to review and discuss the Compensation Discussion and Analysis. Based on the foregoing review and discussions, the Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in the Corporation's 2006 Form 10-K, and the Board approved that recommendation.

Executive Management and Compensation Committee:

Joseph M. Ambrose

V.B. Leister, Jr.

Arthur R. Wyatt

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Executive Management Compensation and Succession Committee Interlocks and Insider Participation

During fiscal year 2006, the following individuals served as members of the Committee: Joseph M. Ambrose, V.B. Leister, Jr., and Arthur R. Wyatt. None of these individuals has ever served as an officer or employee of the Corporation or any of our subsidiaries or has any relationships with the Corporation or any of our subsidiaries requiring disclosure under Certain Relationships and Related Transactions below. The Committee members have no interlocking relationships requiring disclosure under the rules of the Securities and Exchange Commission.

Table of Contents**Compensation Tables for Named Executive Officers**

The following tables quantify and discuss the components of the Named Executive Officers. All tables should be read in conjunction with the *Compensation Discussion and Analysis* section above.

Summary Compensation Table

The Summary Compensation Table should be read in conjunction with the footnotes and narrative that follow.

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock	Option	Non-Equity Incentive Plan	Nonqualified Deferred Compensation	All Other Compensation	Total Compensation
				Awards (\$)	Awards (\$)	Compensation (\$)	Earnings (\$)	(\$)	(\$)
Douglas C. Mills <i>Chairman of the Board, Chief Executive Officer and President</i>	2006	\$225,000			\$42,040	\$ 100,000	\$ 102,748	\$ 135,349	\$ 605,137
Barbara J. Harrington <i>Chief Financial Officer</i>	2006	\$145,000		\$10,016		\$ 22,325	N/A	\$ 30,998	\$ 208,339
Edwin A. Scharlau II <i>Chairman of the Board of Busey Investment Group</i>	2006	\$180,000		\$24,910		\$ 33,750	\$ 73,090	\$ 70,529	\$ 382,279
David D. Mills <i>President and Chief Operating Officer of Busey Bank</i>	2006	\$170,000		\$19,810		\$ 51,875	N/A	\$ 73,626	\$ 315,311
Lee H. O Neill (2) <i>Chairman of the Board and Chief Executive Officer of Busey Bank</i>	2006	\$186,360		\$11,827		\$ 31,000	N/A	\$ 48,803	\$ 277,990
P. David Kuhl (1)	2006	\$220,000		\$16,816		\$ 59,813	\$ 73,090	\$ 171,800	\$ 541,519
Barbara J. Kuhl (1)	2006	\$ 92,632		\$ 6,517		\$ 15,750	\$ 73,090	\$ 86,000	\$ 273,989

(1) Mr. and Mrs. Kuhl were Named

Executive Officers during 2006, but had resigned their positions during September and May 2006, respectively.

Mrs. Kuhl's base salary approved by the Committee was to be \$180,000 for 2006, prior to her resignation.

(2) Mr. O'Neill succeeded Mr. Kuhl as Chairman of the Board and Chief Executive Officer of Busey Bank. Following this succession, Mr. O'Neill's salary increased from \$175,000 to \$220,000.

(3) Option amounts represent approximate compensation expense recognized in 2006 under FAS No. 123R. Mr. Kuhl forfeited all unvested options during 2006 in accordance with his resignation as an officer of the Corporation. Mr. Kuhl's compensation

amount
represents
amounts
expensed prior
to his
resignation as
an officer of the
Corporation.
See Note 16 of
the Corporation's
Consolidated
Financial
Statements for
discussion of
the valuation of
the Corporation's
stock options.

(4) Amounts
represent
payouts made
under the
Corporation's
MAD program.
See discussion
under Annual
Incentive
Compensation
in the
Compensation
Discussion and
Analysis section
of this Form
10-K.

(5) Messrs. Douglas
C. Mills,
Scharlau, Kuhl
and Mrs. Kuhl
deferred
\$350,000,
\$50,000,
\$50,000, and
\$50,000 of their
2005 MAD
Program
Compensation,
respectively,
into the
Corporation's
Deferred

Compensation
Plan for
Executives
during 2006. In
accordance with
the plan, each
received a
\$50,000
matching
contribution
from the
Corporation into
the plan, which
has been
included in the
earnings
calculation in
this column.
The additional
amounts in each
account over the
\$50,000 match
relates to
interest accrued
on each
participants
account at the
rate of 5.00%
per annum for
2006.

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All Other Compensation Narrative to the Summary Compensation Table

The Corporation contributed \$10,000 to the University of Illinois I Fund in the name of Mr. Douglas C. Mills. Mr. Mills' lease value of an automobile was \$10,250. The estimated compensation amount attributable to premiums previously paid by the Corporation for life insurance policies in the name of Mr. Mills is \$62,600. The Corporation contributed \$12,373 to the account of Mr. Mills under the Corporation's Profit Sharing and 401(k) Plan. Mr. Mills was allocated 1,311 shares under the Corporation's ESOP, which results in estimated compensation of \$30,466 when valued at the closing price on the date of allocation of \$23.25 per share. The remaining amount relates to Mr. Mills' annual country club dues.

In 2006, the Corporation contributed \$8,953 to Mrs. Harrington's account under the Corporation's Profit Sharing and 401(k) Plan. Mrs. Harrington was allocated 949 shares under the Corporation's ESOP, which results in estimated compensation of \$22,045, when valued at the closing price on the date of allocation of \$23.25 per share.

The Corporation contributed \$10,000 to the University of Illinois I fund in the name of Mr. Scharlau. Mr. Scharlau's lease value of an automobile was \$13,250. The Corporation contributed \$12,373 to the account of Mr. Scharlau under the Corporation's Profit Sharing and 401(k) Plan. Mr. Scharlau was allocated 1,311 shares under the Corporation's ESOP, which results in estimated compensation of \$30,466 when valued at the closing price on the date of allocation of \$23.25 per share. The remaining amount in 2006 relates to Mr. Scharlau's annual country club dues.

The Corporation contributed \$10,000 to the University of Illinois I fund in the name of Mr. David D. Mills. Mr. Mills' lease value of an automobile was \$15,567. The Corporation contributed \$12,373 to the account of Mr. Mills under the Corporation's Profit Sharing and 401(k) Plan. Mr. Mills was allocated 1,311 shares under the Corporation's ESOP, which results in estimated compensation of \$30,466 when valued at the closing price on the date of allocation of \$23.25 per share. The remaining amount in 2006 relates to Mr. Mills' annual country club dues.

The Corporation contributed \$1,000 to the University of Illinois I fund in the name of Mr. O'Neill. The Corporation reimbursed Mr. O'Neill \$1,600 related to the lease of his automobile. The Corporation contributed \$11,837 to the account of Mr. O'Neill under the Corporation's Profit Sharing and 401(k) Plan. Mr. O'Neill was allocated 1,255 shares under the Corporation's ESOP, which results in estimated compensation of \$29,146 when valued at the closing price on the date of allocation of \$23.25 per share. The remaining amount in 2006 relates to Mr. O'Neill's annual country club dues.

The Corporation contributed \$10,000 to the University of Illinois I fund in the name of Mr. Kuhl. Mr. Kuhl's value of the automobile transferred to him in accordance with his resignation agreement was \$33,900. Mr. Kuhl was forgiven an amount receivable from him by the Corporation for life insurance premiums paid in the amount of \$56,311.

Mr. Kuhl was granted ownership of equity shares related to his country club membership, which were valued at \$26,000. The Corporation contributed \$12,373 to the account of Mr. Kuhl under the Corporation's Profit Sharing and 401(k) Plan. Mr. Kuhl was allocated 1,311 shares under the Corporation's ESOP, which results in estimated compensation of \$30,466 when valued at the closing price on the date of allocation of \$23.25 per share. The remaining amount in 2006 relates to Mr. Kuhl's annual country club dues.

For Mrs. Kuhl, \$1,000 was contributed to the University of Illinois I fund in her name. Mrs. Kuhl's value of the automobile transferred to her in accordance with her severance agreement was \$20,000. Additionally, Mrs. Kuhl was paid \$65,000 in December 2006 in accordance with her severance agreement. See the discussion under the caption

Severance Arrangements in the Compensation Discussion and Analysis section of this Form 10-K for further discussion of payments to be made under Mrs. Kuhl's severance agreement.

Table of Contents*Grants of Plan-Based Awards Table*

The Corporation traditionally grants stock options to employees and Directors in April, as described in the Compensation Discussion and Analysis section of this Form 10-K. However, the Corporation made its grants to employees in May 2006, after further study of the impact of FAS No. 123R (See Note 1 Significant Accounting Policies or the Corporation's Consolidated Financial Statements). Mrs. Kuhl was not awarded any options during 2006.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards (4)			All Other Option Awards: # of Securities Underlying Options (3)	Exercise or Base Price of Option Awards (\$/Sh)	Grant Date Fair Value of Stock and Option Awards (\$)(1)
		Threshold (\$)	Target (\$)	Maximum (\$)			
Douglas C. Mills	May 16, 2006				15,000	\$20.16	\$34,050
	January 24, 2007		\$ 100,000				
Barbara J. Harrington	May 16, 2006				6,000	\$20.16	\$13,620
	January 24, 2007		\$ 22,325				
Edwin A. Scharlau II	May 16, 2006				10,000	\$20.16	\$22,700
	January 24, 2007		\$ 33,750				
David D. Mills	May 16, 2006				10,000	\$20.16	\$22,700
	January 24, 2007		\$ 51,875				
Lee H. O Neill	May 16, 2006				7,000	\$20.16	\$15,890
	January 24, 2007		\$ 31,000				
P. David Kuhl (2)	May 16, 2006				15,000	\$20.16	\$34,050
	January 24, 2007		\$ 59,813				
Barbara J. Kuhl	January 24, 2007		\$ 15,750				

(1) The fair value of these options is \$2.27 based upon the Black-Scholes option pricing

model discussed further at Note 16 of the Corporation's Consolidated Financial Statements.

- (2) Mr. Kuhl was awarded 15,000 options during 2006. This award, along with all other unvested awards for Mr. Kuhl, was forfeited in accordance with his resignation as an Officer of the Corporation.
- (3) These awards fully vest on January 26, 2009, with no partial vesting prior to the full vesting date, and expire on December 15, 2011.
- (4) Represents payments made by the Corporation pursuant to the 2006 MAD program. The Corporation earned \$1.35 per share on a fully diluted basis and did not achieve the MAD program minimum targeted level of \$1.40 diluted earnings per

share during 2006. For the fiscal year 2005, the maximum targeted diluted earnings per share target for purposes of the MAD program was \$1.22. The Corporation earned \$1.29 per share on a fully diluted basis for fiscal year 2005, exceeding the maximum targeted level of diluted earnings per share . In January 2007, the Committee, in its discretion, awarded payouts under the MAD program for 2006, equivalent to the award for reaching the minimum earnings target for 2006 noted above. Although the minimum target was not reached in 2006, the Committee concluded that it was appropriate to recognize substantially all employees of the Corporation, including Named Executive Officers, for the combined results in excess of target for

fiscal years
2005 and 2006.
The payouts,
which were
approved by the
Committee,
were made on
January 24,
2007. See the
discussion under
the caption
Annual
Incentive
Compensation
in the
Compensation
Discussion and
Analysis section
of this Form
10-K.

Table of Contents*Outstanding Equity Awards at Fiscal Year-End Table*

Name	# of Securities Underlying Unexercised Options - Exercisable	# of Securities Underlying Unexercised Options - Unexercisable	Option Awards (1)		
			Equity Incentive Plan Awards: # of Securities Underlying Unexercised Unearned Options	Option Exercise Price (\$)	Option Expiration Date
Douglas C. Mills	45,000			\$14.56	12/16/10
		40,000		\$19.59	09/14/09
		15,000		\$20.16	12/15/11
Barbara J. Harrington	15,000			\$14.56	12/16/10
		8,000		\$19.59	09/14/09
		6,000		\$20.16	12/15/11
Edwin A. Scharlau II	30,000			\$14.56	12/16/10
		23,000		\$19.59	09/14/09
		10,000		\$20.16	12/15/11
David D. Mills	15,000			\$14.56	12/16/10
		17,000		\$19.59	09/14/09
		10,000		\$20.16	12/15/11
Lee H. O Neill		9,500		\$19.59	09/14/09
		7,000		\$20.16	12/15/11
Barbara J. Kuhl (2)		23,000		\$19.59	09/14/09

(1) The grants with option exercise prices of \$19.59 in the Outstanding Equity Awards at Fiscal Year-End Table above fully vest and become exercisable September 14, 2007. The grants in the table above with option exercise prices of \$20.16 fully vest and become exercisable January 26,

2009. No partial exercises are allowed or partial vesting occurs prior to the date the options become fully vested and exercisable.

Under the terms of the Merger Agreement with Main Street Trust, Inc., the Corporation has the right to accelerate the vesting of all options any time after the effectiveness of the Merger. The Corporation has made no determination as to acceleration of option vesting.

- (2) In accordance with her Severance agreement, Mrs. Kuhl was allowed to keep her unvested options under the same terms as noted in (1) above.

Table of Contents*Options Exercises and Stock Vested Table*

The following sets forth information regarding all exercises of stock options by Named Executive Officers during 2006. Mr. Kuhl was not a Named Executive Officer at the time of his exercise.

Name	Option Awards	
	# of Shares Acquired on Exercise	Value Realized Upon Exercise (\$)
P. David Kuhl	30,000	\$ 250,200

Pension Benefits

The table disclosing the actuarial present value of each Named Executive Officer's accumulated benefit under defined benefit plans, the number of years of credited service under such plan, and the amount of pension benefits paid to each Named Executive Officer during the year is omitted because the Corporation does not have any applicable plan.

Nonqualified Deferred Compensation Table

Name	Executive Contributions in Last FY (\$)	Registrant Contributions in Last FY (\$)	Aggregate Earnings in Last FY (\$)	Aggregate Balance at Last FYE (\$)
Douglas C. Mills	\$350,000	\$ 50,000	\$52,748	\$1,104,649
Edwin A. Scharlau II	\$ 50,000	\$ 50,000	\$23,090	\$ 479,618
P. David Kuhl	\$ 50,000	\$ 50,000	\$23,090	\$ 479,618
Barbara J. Kuhl	\$ 50,000	\$ 50,000	\$23,090	\$ 479,618

The Corporation's Nonqualified Deferred Compensation was designed, in part, to assist the executives above with retirement planning. No other current or former employees of the Corporation have been or are participants in the Plan. During 2006, Messrs. Douglas C. Mills, Scharlau, Kuhl and Mrs. Kuhl deferred a portion, or, in the case of Mr. Mills, all, of their 2005 MAD Program award, which is shown as Executive Contributions in the table above. This award was part of the Named Executive Officers' 2005 compensation. In accordance with the plan, deferrals of up to \$50,000 were matched by the Corporation, which is shown as Registrant Contributions in the table above. Aggregate Earnings represents the amount of interest, to be paid by the Corporation, accrued into each Executive's account at a rate of 5.00% per annum, calculated based upon the monthly accrued balance of each Executive's account. The Aggregate Balance represents the amount due to the Named Executive Officer as of December 31, 2006. Amounts are to be paid following the Executive's separation from the Company over 60 months, in equal installments. The Executive's account continues to accrue interest at a rate of 5.00% per annum during the 60 month payout period. The Corporation commenced the payout of Mrs. Kuhl's account in early 2007.

Table of Contents*Potential Payments Upon Termination or Change-in-Control Disclosure*

The Corporation currently does not have any employment agreements or plans that result in payments upon termination or change-in-control. The agreements in place with Mr. Douglas C. Mills, Mrs. Harrington, Mr. Scharlau and Mr. David D. Mills, as described under the caption *Post-Employment Compensation* in the Compensation Discussion and Analysis section of this Form 10-K, are contingent upon the effectiveness of the Merger between the Corporation and Main Street Trust, Inc.

Director Compensation Table

Name	Fees Earned or Paid in Cash (\$)	Option Awards (\$) ⁽¹⁾	Total (\$)
Joseph M. Ambrose	\$ 17,500	\$8,256	\$25,756
Phillips E. Knox	\$ 17,500	\$8,256	\$25,756
David L. Ikenberry	\$ 17,500	\$8,256	\$25,756
V. B. Leister Jr.	\$ 20,000	\$8,256	\$28,256
Joseph E. O'Brien	\$ 17,500	\$8,256	\$25,756
Arthur R. Wyatt	\$ 17,500	\$8,256	\$25,756

(1) Option amounts represent approximate compensation expense recognized in 2006 under FAS No. 123R.

During 2006, non-employee directors of the Corporation received a cash retainer of \$7,500, a 4,500 share stock option and an additional payment of \$10,000, except for Mr. Leister, who served as Chairman of the Audit Committee, and received a retainer of \$10,000, a 4,500 share stock option and an additional payment of \$10,000. Directors who are also employees of the Corporation or any of its subsidiaries do not receive additional compensation for serving on the Board. Each non-employee director of the Corporation has 13,500 stock options outstanding, of which 9,000 stock options are exercisable, as of December 31, 2006.

Table of Contents**Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters**
Company Performance

The following table compares the Corporation's performance, as measured by the change in price of Common Stock plus reinvested dividends, with the NASDAQ Composite Index and the SNL-Midwestern Banks Index for the five years ended December 31, 2006.

First Busey Corporation
Stock Price Performance
Total Return Performance

Index	12/31/02	12/31/03	12/31/04	12/31/05	12/31/06
First Busey Corporation	110.39	132.82	158.30	163.17	185.59
NASDAQ Composite	68.76	103.67	113.16	115.57	127.58
SNL Midwest Bank Index	96.47	123.48	139.34	134.26	155.19

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

Table of Contents***Common Stock Ownership of Certain Beneficial Owners and Management***

The following table sets forth certain information regarding the beneficial ownership of the Common Stock as of March 2, 2007 by all directors and director nominees, by each person who is known by the Corporation to be the beneficial owner of more than 5% of the outstanding Common Stock, by each executive officer named in the Summary Compensation Table and by all directors and executive officers as a group.

The number of shares beneficially owned by each director, 5% shareholder or executive officer is determined under rules of the Commission, and the information is not necessarily indicative of beneficial ownership for any other purpose. Under such rules, beneficial ownership includes any shares as to which the individual has sole or shared voting power or investment power and also any shares which the individual has the right to acquire within 60 days of March 2, 2007 through the exercise of any option or other right. Unless otherwise indicated, each person has sole investment and voting power (or shares such powers with his or her spouse) with respect to the shares set forth in the following table. In certain instances, the number of shares listed includes, in addition to shares owned directly, shares held by the spouse or children of the person, or by a trust of which the person is a trustee or in which the person may have a beneficial interest. In some cases, the person has disclaimed beneficial interest in certain of these shares.

Name and Address of Beneficial Owner ⁴	Common Stock Beneficially Owned	
	Number of Shares Owned¹	Percent of Outstanding Shares
Douglas C. Mills ² 2123 Seaton Court Champaign, Illinois 61821	4,821,823	22.47
Joseph M. Ambrose	69,643	*
David Ikenberry	12,000	*
Barbara J. Harrington	44,891	*
E. Phillips Knox ³	345,067	1.61
V. B. Leister, Jr.	58,120	*
David D. Mills ³	339,453	1.58
Joseph E. O'Brien	32,257	*
Lee H. O'Neill	162,224	*
Edwin A. Scharlau II ³	681,745	3.18
Arthur R. Wyatt	107,997	*
All directors and officers as a group (11 persons)	6,571,531	30.63

* Less than one percent.

¹ Includes shares that can be acquired through stock options available for exercise within 60 days of March 2, 2007, for the following

individuals, in
the amount
indicated:

Douglas C. Mills	45,000
Joseph M. Ambrose	9,000
David L. Ikenberry	9,000
Barbara J. Harrington	15,000
E. Phillips Knox	9,000
V. B. Leister, Jr.	9,000
David D. Mills	15,000
Joseph E. O'Brien	9,000
Edwin A. Scharlau II	30,000
Arthur R. Wyatt	9,000
All directors and officers as a group	159,000

² Includes
648,348 shares
held by the
Martin A.
Klingel Estate
for which
Mr. Mills shares
voting and
dispositive
powers with A.
Barclay Klingel,
Jr. Includes
34,563 shares of
common stock
owned by Busey
Mills
Community
Foundation and
1,555,001
shares of
common stock
owned by Mills
Investment LP.

³ Includes 34,563
shares of stock
owned by Busey
Mills
Community
Foundation.

⁴ Unless
otherwise
indicated, the
address of each

officer and director is 201 West Main Street, Urbana, Illinois 61801. The beneficial ownership of Mr. and Mrs. Kuhl, each an executive officer of the Corporation until their resignation in 2006, is estimated to be 209,830 shares and 123,686 shares as of June 30, 2006, respectively, including stock options exercisable within 60 days of 30,000 and none, respectively.

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The following table discloses the number of outstanding options, warrants and rights granted to the Corporation to participants in equity compensation plan, as well as the number of securities remaining available for future issuance under these plans. The table provides this information separately for equity compensation plans that have and have not been approved by security holders.

<u>Plan Category</u>	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by stockholders	780,100	18.50	1,626,125
Equity compensation plans not approved by stockholders			
Total	780,100	18.50	1,626,125

Item 13. Certain Relationships and Related Transactions, and Director Independence*Review of Related Person Transactions*

In January 2007, the board of directors adopted a policy for review, approval and monitoring of transactions involving the Corporation and related persons (directors and executive officers or their immediate family members, or stockholders owning five percent or greater of our outstanding stock). The policy covers any related person transaction that meets the minimum threshold for disclosure in the proxy statement under the relevant Securities and Exchange Commission rules (generally, transactions involving amounts exceeding \$120,000 in which a related person has a direct or indirect interest).

Policy

Under the policy the Audit Committee is responsible for reviewing and approving all reportable transactions with any related party. In considering the transaction, the Audit Committee will take into account all relevant factors including whether the transaction is on terms comparable to those available to an unaffiliated third party. In connection with any approval or ratification of a transaction, the Audit Committee will also determine whether any such transaction impairs the independence of a director or presents a conflict of interest on the part of a director or executive officer. The board has delegated to the chairman of the Audit Committee the authority to pre-approve or ratify a transaction with a related person up to \$120,000. The policy also provides that transactions involving competitive bids, the rendering of services by a regulated entity, and certain ordinary course of business banking transactions shall be deemed to be pre-approved by the Audit Committee.

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Procedures

To identify related person transactions, each year, we submit and require our directors and officers to complete a directors and officers questionnaire that elicits information about related person transactions. In addition, our Code of Ethics contains provisions which address conflicts of interest and require reporting to the Corporation.

If a director is involved in the transaction, he or she will be recused from all discussions and decisions about the transaction.

The transaction must be approved in advance whenever practicable, and if not practicable, must be ratified at the next regularly scheduled nominating and corporate governance meeting.

If a transaction will be ongoing, the Audit Committee may establish guidelines for management to follow in its ongoing dealings with the related person. Additionally, the Audit Committee will review transactions annually to determine whether they continue to be in compliance with policy guidelines and remain appropriate.

Certain Relationships and Related Transactions

Mr. Edwin A. Scharlau II, an executive officer of the Corporation, had two family members working for the Corporation during 2006. Robert Scharlau, son of Mr. Scharlau, was employed with Busey Bank Florida and was compensated in the amount of \$89,020. Thomas Scharlau, brother of Mr. Scharlau, was employed with Busey Bank and was compensated in the amount of \$213,000.

Mr. Knox, a director of the Corporation, is an attorney with Tummelson Bryan & Knox, Urbana, Illinois, and provided legal and certain consulting services to the Corporation during fiscal 2006. The dollar amount of the fees paid to Tummelson Bryan & Knox for such services during the 2006 fiscal year was \$61,868.

The Corporation's banking subsidiaries have, and may be expected to have in the future, banking transactions in the ordinary course of business with directors, director nominees, executive officers and holders of 5% or more of the Corporation's Common Stock, their immediate families and their affiliated companies. These transactions have been and will be on the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with unaffiliated persons. These transactions have not involved and will not involve more than the normal risk of collectibility or any other unfavorable features. At December 31, 2006, these persons and companies were indebted to the Corporation's banking subsidiaries for loans totaling approximately \$2.5 million representing 1.35% of total shareholders' equity. In addition to these loans, the Corporation's banking subsidiaries make loans to officers of the Corporation's subsidiaries who are not executive officers of First Busey.

Table of Contents***Director Independence***

The Board of Directors of the Corporation undertakes a formal annual review of director independence. This process consists of an oral question and answer session at a board meeting at which all directors hear the responses of each director and have an opportunity to evaluate the facts presented. As part of this question and answer session, each director is asked to confirm that there are no facts or circumstances with respect to the director that would be in conflict with the Nasdaq listing standards regarding independence or that would otherwise compromise the director's independence. This independence review is further supplemented by an annual questionnaire that directors are required to complete that contains a number of questions designed to ascertain the facts necessary to determine independence, as well as facts regarding any related party transactions. Based upon these reviews, the Board of Directors has determined the status of each of the directors' independence, as set forth in the description contained in Item 10, Part III of this Form 10-K.

Item 14. Principal Accountant Fees and Services***Appointment of McGladrey & Pullen, LLP***

The Audit Committee appointed McGladrey & Pullen as our independent auditors for 2006.

Auditors Fees

Fees paid to McGladrey & Pullen, LLP and RSM McGladrey, Inc., the Corporation's auditors, for services rendered in 2006 and 2005 are as follows:

Fees:	2006	% of Total Fees	2005	% of Total Fees
Audit	\$ 266,685	79.6%	\$ 381,727	86.9%
Audit-related	18,000	5.4%	29,500	6.7%
Tax	25,960	7.7%	27,907	6.4%
All other	24,325	7.3%	250	*
Total	\$ 334,970		\$ 439,384	

* less than 1%

In 2006, the Audit Committee pre-approved audit services which consisted of professional services rendered for the audit of Corporation's consolidated financial statements, attestation report on internal controls over financial reporting in accordance with Sarbanes-Oxley Section 404, review of financial statements included in the Corporation's quarterly reports on Form 10-Q and services normally provided by the independent auditor in connection with statutory and regulatory filings. Also pre-approved were audit-related services in connection with the subsidiaries and agreed upon procedures for the trust department. Pre-approved tax services were related to the preparation of original and amended tax returns, claims for refunds and tax payment-planning services for tax compliance, tax planning and tax advice. Pre-approved other services were primarily related to the S-4 registration in conjunction with the merger of the Corporation and Main Street Trust, Inc.

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Part IV

Item 15. Exhibits and Financial Statement Schedules

Exhibits

Exhibit Number	Description of Exhibit
2.1	Agreement and Plan of Merger, dated September 20, 2006, by and among First Busey Corporation and Main Street Trust, Inc. (previously filed as Exhibit 2.1 to the Corporation's Form 8-K dated September 21, 2006, and incorporated by reference herein)
3.1	Restated Articles of Incorporation of First Busey Corporation (filed as Exhibit 3.1 to First Busey's Form 10-Q for the quarterly period ended March 31, 2004, filed with the Commission on May 10, 2004, (Commission File No. 0-15950), and incorporated herein by reference)
3.2	First Busey Corporation Revised By-Laws (filed as Exhibit 3.2 to First Busey's Form 10-Q for the quarterly period ended March 31, 2004, filed with the Commission on May 10, 2004 (Commission File No. 0-15950), and incorporated herein by reference)
10.1	First Busey Corporation 1993 Restricted Stock Award Plan (filed as Appendix E to First Busey's definitive proxy statement filed with the Commission on April 5, 1993 (Commission File No. 0-15950), and incorporated herein by reference)
10.2	First Busey Corporation Profit Sharing Plan and Trust (filed as Exhibit 10.3 to First Busey's Registration Statement on Form S-1 (Registration No. 33-13973), and incorporated herein by reference)
10.3	First Busey Corporation Employee Stock Ownership Plan (filed as Exhibit 10.7 to First Busey's Annual Report on Form 10-K for the fiscal year ended December 31, 1988 (Registration No. 2-66201), and incorporated herein by reference)
10.4	First Busey Corporation 1999 Stock Option Plan (filed as Appendix B to First Busey's definitive proxy statement filed with the Commission on March 25, 1999 (Commission File No. 0-15950), and incorporated herein by reference)
10.5	First Busey Corporation 2004 Stock Option Plan (filed as Annex D to First Busey's definitive proxy statement filed with the Commission on March 12, 2004 (Commission File No. 0-15950), and incorporated herein by reference)
10.6	First Busey Corporation loan agreement with JPMorgan Chase N.A., formerly known as Bank One, to be filed as Exhibit A to First Busey's Annual Report on Form 10-K for the fiscal year ended December 31, 2004
10.7	Severance and General Release Agreement, dated May 15, 2006, by and between the Corporation and Barbara J. Kuhl (previously filed as Exhibit 10.1 to the Corporation's Form 8-K dated May 18, 2006, and incorporated by reference herein).
14.1	First Busey Corporation Code of Ethics (filed as Exhibit 14.1 to First Busey's Annual Report on Form 10-K for the fiscal year ended December 31, 2003 filed with the Commission on March 12, 2004 (Registration 0-015950), and incorporated herein by reference)

21.1 List of Subsidiaries of First Busey Corporation

23.1 Consent of McGladrey & Pullen, LLP

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Exhibit Number	Description of Exhibit
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
99.3	Letter agreement between First Busey Corporation and Douglas C. Mills, dated September 20, 2006 (previously filed as Exhibit 99.3 to the Corporation's Form 8-K dated September 21, 2006, and incorporated by reference herein).
99.4	Letter agreement between First Busey Corporation and Edwin A. Scharlau II, dated September 20, 2006 (previously filed as Exhibit 99.4 to the Corporation's Form 8-K dated September 21, 2006, and incorporated by reference herein).
99.5	Letter agreement between First Busey Corporation and David D. Mills, dated September 20, 2006 (previously filed as Exhibit 99.5 to the Corporation's Form 8-K dated September 21, 2006, and incorporated by reference herein).
99.6	Letter agreement between First Busey Corporation and Barbara J. Harrington, dated September 20, 2006 (previously filed as Exhibit 99.6 to the Corporation's Form 8-K dated September 21, 2006, and incorporated by reference herein).

Financial Statement Schedules

Financial statement schedules not included in this Form 10-K, have been omitted because they are not applicable for the required information shown in the financial statements or notes thereto.

First Busey Corporation Index to Financial Statements

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Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Urbana, Illinois on March 16, 2007.

FIRST BUSEY CORPORATION
BY /s/ DOUGLAS C. MILLS

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

Pursuant to the requirements of the Securities Exchange Act of 1934, this report signed below by the following persons on behalf of the Registrant and in the capacities indicated on March 16, 2007.

Signature	Title
/s/ DOUGLAS C. MILLS	Chairman of the Board, Chief Executive Officer and President
Douglas C. Mills	(Principal Executive Officer)
/s/ BARBARA J. HARRINGTON	Chief Financial Officer (Principal Financial Officer)
Barbara J. Harrington	
/s/ JOSEPH M. AMBROSE	Director
Joseph M. Ambrose	
/s/ DAVID L. IKENBERRY	Director
David L. Ikenberry	
/s/ E. PHILLIPS KNOX	Director
E. Phillips Knox	
/s/ V. B. LEISTER, JR.	Director
V. B. Leister, Jr.	
/s/ JOSEPH E. O BRIEN	Director
Joseph E. O Brien	
/s/ ARTHUR R. WYATT	Director
Arthur R. Wyatt	

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**FIRST BUSEY CORPORATION AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2006, 2005, AND 2004
CONTENTS**

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON THE
CONSOLIDATED FINANCIAL STATEMENTS**

To the Stockholders and Board of Directors

First Busey Corporation

Urbana, Illinois

We have audited the consolidated balance sheets of First Busey Corporation and subsidiaries as of December 31, 2006 and 2005, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2006. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of First Busey Corporation and subsidiaries as of December 31, 2006 and 2005, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2006, in conformity with U.S. generally accepted accounting principles.

As described in Note 1 to the consolidated financial statements, the Corporation changed its method of accounting for stock based compensation in 2006.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of First Busey Corporation's and subsidiaries' internal control over financial reporting as of December 31, 2006, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated March 13, 2007 expressed an unqualified opinion on management's assessment of the effectiveness of First Busey Corporation's internal control over financial reporting and an unqualified opinion on the effectiveness of First Busey Corporation's internal control over financial reporting.

Champaign, Illinois

March 13, 2007

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an affiliation of separate and independent legal entities.

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON
INTERNAL CONTROL OVER FINANCIAL REPORTING**

To the Stockholders and Board of Directors

First Busey Corporation

Urbana, Illinois

We have audited management's assessment, included in the accompanying Management's Report on Internal Control over Financial Reporting, that First Busey Corporation maintained effective internal control over financial reporting as of December 31, 2006, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). First Busey Corporation's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

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

A Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. A Company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the Company are being made only in accordance with authorizations of Management and Directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the consolidated financial statements.

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an affiliation of separate and independent legal entities.

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

In our opinion, management's assessment that First Busey Corporation maintained effective internal control over financial reporting as of December 31, 2006, is fairly stated, in all material respects, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Also in our opinion, First Busey Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2006, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements of First Busey Corporation and our report dated March 13, 2007 expressed an unqualified opinion.

Champaign, Illinois

March 13, 2007

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**FIRST BUSEY CORPORATION AND SUBSIDIARIES
 CONSOLIDATED BALANCE SHEETS
 December 31, 2006 and 2005**

	2006	2005
	(Dollars in thousands)	
ASSETS		
Cash and due from banks	\$ 63,316	\$ 60,957
Federal funds sold		2,300
Securities available for sale	365,608	331,237
Loans held for sale (fair value 2006 \$16,446; 2005 \$11,877)	16,256	11,737
Loans (net of allowance for loan losses 2006 \$23,588; 2005 \$23,190)	1,917,083	1,714,235
Premises and equipment	41,001	37,815
Goodwill	54,386	54,102
Other intangible assets	3,746	5,122
Cash surrender value of bank owned life insurance	19,777	18,894
Other assets	28,341	27,023
Total assets	\$2,509,514	\$2,263,422
LIABILITIES AND STOCKHOLDERS EQUITY		
Liabilities		
Deposits:		
Noninterest bearing	\$ 246,440	\$ 265,170
Interest bearing	1,768,399	1,544,229
Total deposits	2,014,839	1,809,399
Federal funds purchased and securities sold under agreements to repurchase	54,770	50,113
Short-term borrowings	25,000	
Long-term debt	156,650	169,883
Junior subordinated debt owed to unconsolidated trusts	55,000	50,000
Other liabilities	17,981	14,313
Total liabilities	2,324,240	2,093,708
Commitments and contingencies (Note 19)		
Stockholders Equity		
Preferred stock, no par value, 1,000,000 shares authorized, no shares issued		
Common stock, \$.001 par value, authorized 40,000,000 shares shares; shares issued 2006 22,082,383; 2005 22,082,024	22	22
Common stock to be issued	8	408
Surplus	46,624	44,812
Retained earnings	144,956	129,729
Accumulated other comprehensive income	5,494	7,282
	197,104	182,253

**Total stockholders equity before treasury stock, unearned ESOP
shares and deferred compensation for restricted stock awards**

Common stock shares in treasury, at cost	2006 626,467; 2005 577,942	(11,830)	&n
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