FIRST BUSEY CORP /NV/
Form 10-Q
November 10, 2008

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF

THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended 9/30/2008 **Commission File No. 0-15950**

FIRST BUSEY CORPORATION

(Exact name of registrant as specified in its charter)

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

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

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

Yes x No o

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

Large accelerated filer o

Accelerated filer x

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

Smaller reporting company o

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

Yes o No x

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 November 1, 2008
Common Stock, $.001 par value	35,789,641

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

FIRST BUSEY CORPORATION and Subsidiaries
CONSOLIDATED BALANCE SHEETS
September 30, 2008 and December 31, 2007
(Unaudited)

	September 30, 2008		December 31, 2007	
	(dollars in thousands)			
Assets				
Cash and due from banks	$	93,443	$	125,228
Federal funds sold				459
Securities available for sale		619,984		610,422
Loans (net of allowance for loan losses 2008 $48,674 ; 2007 $42,560)		3,180,720		3,010,665
Premises and equipment		81,979		80,400
Cash surrender value of bank owned life insurance		34,098		32,721
Goodwill		248,845		247,964
Other intangible assets		29,135		32,523
Other assets		51,015		52,543
Total assets	$	4,339,219	$	4,192,925
Liabilities and Stockholders Equity				
Liabilities				
Deposits:				
Noninterest bearing	$	359,028	$	389,672
Interest bearing		2,939,343		2,817,526
Total deposits	$	3,298,371	$	3,207,198
Federal funds purchased and securities sold under agreements to repurchase		227,386		203,119
Short-term borrowings		72,000		10,523
Long-term debt		134,910		150,910
Junior subordinated debt owed to unconsolidated trusts		55,000		55,000
Other liabilities		37,692		36,478
Total liabilities	$	3,825,359	$	3,663,228
Stockholders Equity				
Preferred stock, no par value, 1,000,000 shares authorized, no shares issued	$		$	
Common stock, $.001 par value, authorized 60,000,000 shares; issued 37,546,497		38		38
Surplus		393,174		392,726
Retained earnings		154,326		157,185
Accumulated other comprehensive income		724		4,132
Total stockholders equity before treasury stock and unearned ESOP shares	$	548,262	$	554,081
Treasury stock, at cost 2008 1,658,386; 2007 1,130,708		(32,317)		(22,299)
Unearned ESOP shares 100,000 shares		(2,085)		(2,085)
Total stockholders equity	$	513,860	$	529,697
Total liabilities and stockholders equity	$	4,339,219	$	4,192,925
Common shares outstanding at period end		35,788,111		36,315,789

See accompanying notes to unaudited consolidated financial statements.

FIRST BUSEY CORPORATION and Subsidiaries

CONSOLIDATED STATEMENTS OF INCOME

For the Nine Months Ended September 30, 2008 and 2007

(Unaudited)

		2008		2007
	(dollars in thousands, except per share amounts)			
Interest income:				
Interest and fees on loans	$	149,033	$	122,937
Interest and dividends on investment securities:				
Taxable interest income		15,977		11,823
Non-taxable interest income		2,838		2,300
Dividends		123		367
Interest on Federal funds sold		173		990
Total interest income	$	168,144	$	138,417
Interest expense:				
Deposits	$	61,701	$	58,028
Federal funds purchased and securities sold under agreements to repurchase		3,257		2,795
Short-term borrowings		1,691		223
Long-term debt		4,615		5,420
Junior subordinated debt owed to unconsolidated trusts		2,651		3,015
Total interest expense	$	73,915	$	69,481
Net interest income	$	94,229	$	68,936
Provision for loan losses		22,450		2,775
Net interest income after provision for loan losses	$	71,779	$	66,161
Other income:				
Trust	$	10,113	$	6,090
Remittance processing		9,089		1,746
Service charges on deposit accounts		8,837		6,447
Other service charges and fees		3,413		2,575
Commissions and brokers fees, net		2,180		1,949
Gain on sales of loans		3,448		2,414
Security gains, net		509		2,995
Other operating income		6,457		3,125
Total other income	$	44,046	$	27,341
Other expenses:				
Salaries and wages	$	34,897	$	25,397
Employee benefits		8,430		4,995
Net occupancy expense of premises		7,115		4,814
Furniture and equipment expenses		6,256		3,049
Data processing		4,886		2,731
Amortization of intangible assets		3,388		1,385
Other operating expenses		17,652		11,244
Total other expenses	$	82,624	$	53,615
Income before income taxes	$	33,201	$	39,887
Income taxes		9,789		12,777
Net income	$	23,412	$	27,110
Basic earnings per share	$	0.65	$	1.09
Diluted earnings per share	$	0.65	$	1.09
Dividends declared per share of common stock	$	0.60	$	0.59

See accompanying notes to unaudited consolidated financial statements.

FIRST BUSEY CORPORATION and Subsidiaries
CONSOLIDATED STATEMENTS OF INCOME
For the Three Months Ended September 30, 2008 and 2007
(Unaudited)

		2008		2007
		(dollars in thousands, except per share amounts)		
Interest income:				
Interest and fees on loans	$	48,771	$	51,190
Interest and dividends on investment securities:				
Taxable interest income		5,064		5,969
Non-taxable interest income		948		832
Dividends		46		108
Interest on Federal funds sold		65		703
Total interest income	$	54,894	$	58,802
Interest expense:				
Deposits	$	19,680	$	24,521
Federal funds purchased and securities sold under agreements to repurchase		944		1,350
Short-term borrowings		489		158
Long-term debt		1,494		1,748
Junior subordinated debt owed to unconsolidated trusts		846		1,013
Total interest expense	$	23,453	$	28,790
Net interest income	$	31,441	$	30,012
Provision for loan losses		8,000		1,795
Net interest income after provision for loan losses	$	23,441	$	28,217
Other income:				
Trust	$	3,342	$	2,691
Remittance processing		3,114		1,746
Service charges on deposit accounts		3,293		2,533
Other service charges and fees		1,112		900
Commissions and brokers fees, net		792		707
Gain on sales of loans		1,082		994
Security gains, net		7		2,065
Other operating income		3,135		1,376
Total other income	$	15,877	$	13,012
Other expenses:				
Salaries and wages	$	11,534	$	11,698
Employee benefits		2,708		2,058
Net occupancy expense of premises		2,326		1,988
Furniture and equipment expenses		1,989		1,370
Data processing		1,570		1,715
Amortization of intangible assets		1,129		876
Other operating expenses		6,123		4,690
Total other expenses	$	27,379	$	24,395
Income before income taxes	$	11,939	$	16,834
Income taxes		3,122		5,324
Net income	$	8,817	$	11,510
Basic earnings per share	$	0.25	$	0.37
Diluted earnings per share	$	0.25	$	0.36
Dividends declared per share of common stock	$	0.20	$	0.18

See accompanying notes to unaudited consolidated financial statements.

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FIRST BUSEY CORPORATION and Subsidiaries
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Nine Months Ended September 30, 2008 and 2007
(Unaudited)

	2008	2007
	(dollars in thousands)	
Cash Flows from Operating Activities		
Net income	$ 23,412	$ 27,110
Adjustments to reconcile net income to net cash provided by operating activities:		
Stock-based and non-cash compensation	52	611
Depreciation and amortization	8,922	5,087
Provision for loan losses	22,450	2,775
Provision for deferred income taxes	(2,765)	(154)
Accretion of security discounts, net	(784)	(1,686)
Security gains, net	(509)	(2,995)
Gain on sales of loans	(3,448)	(2,414)
Increase in cash surrender value of bank owned life insurance	(1,377)	(1,217)
Increase (decrease) in deferred compensation, net	2	(2,544)
Change in assets and liabilities:		
(Increase) decrease in other assets	(2,313)	352
Increase (decrease) in other liabilities	3,357	(2,108)
(Decrease) increase in interest payable	(2,475)	463
Decrease in income taxes receivable	6,236	244
Increase in income taxes payable	914	
Net cash provided by operating activities before loan originations and sales	$ 51,674	$ 23,524
Loans originated for sale	(221,501)	(175,102)
Proceeds from sales of loans	229,890	180,285
Net cash provided by operating activities	$ 60,063	$ 28,707
Cash Flows from Investing Activities		
Proceeds from sales of securities classified available for sale	24,507	51,200
Proceeds from maturities of securities classified available for sale	229,593	220,574
Purchase of securities classified available for sale	(268,024)	(252,001)
Decrease (increase) in Federal funds sold	459	(3,500)
Increase in loans	(203,636)	(74,940)
Proceeds from sale of premises and equipment	742	48
Proceeds from sale of ORE properties	3,241	775
Purchases of premises and equipment	(7,855)	(7,262)
Purchase of subsidiary, net of cash and due from banks acquired		53,461
Net cash used in investing activities	$ (220,973)	$ (11,645)

(continued on next page)

FIRST BUSEY CORPORATION and Subsidiaries

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

For the Nine Months Ended September 30, 2008 and 2007

(Unaudited)

	2008	2007
	(dollars in thousands)	
Cash Flows From Financing Activities		
Net increase in certificates of deposit	$ 248,676	$ 33,179
Net (decrease) increase in demand, money market and savings deposits	(157,503)	66,108
Cash dividends paid	(21,523)	(12,662)
Net increase (decrease) in Federal funds purchased and securities sold under agreements to repurchase	24,267	(14,074)
Proceeds from short-term borrowings	616,000	9,000
Principal payments on short-term borrowings	(554,523)	(26,000)
Proceeds from issuance of long-term debt	26,000	
Principal payments on long-term debt	(42,000)	(20,825)
Purchase of treasury stock	(10,622)	(7,685)
Proceeds from sale of treasury stock	353	618
Net cash provided by financing activities	$ 129,125	$ 27,659
Net (decrease) increase in cash and due from banks	$ (31,785)	$ 44,721
Cash and due from banks, beginning	$ 125,228	$ 63,316
Cash and due from banks, ending	$ 93,443	$ 108,037
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Other real estate acquired in settlement of loans	$ 6,190	$ 2,167
Cash payments for:		
Interest	$ 76,737	$ 69,225
Income taxes	$ 6,145	$ 12,460

See accompanying notes to unaudited consolidated financial statements.

FIRST BUSEY CORPORATION and Subsidiaries

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
	(dollars in thousands)			
Net income	$ 8,817	$ 11,510	$ 23,412	$ 27,110
Other comprehensive income (loss), before tax:				
Unrealized net gains (losses) on securities:				
Unrealized net holding gains (losses) arising during period	$ (2,274)	$ 2,297	$ (5,146)	$ 2,027
Less adjustment for gains included in net income	(7)	(2,065)	(509)	(2,995)
Other comprehensive (loss) income, before tax	$ (2,281)	$ 232	$ (5,655)	$ (968)
Income taxes (benefit) related to items of other comprehensive (loss) income	(907)	92	(2,247)	(385)
Other comprehensive (loss) income, net of tax	$ (1,374)	$ 140	$ (3,408)	$ (583)
Comprehensive income	$ 7,443	$ 11,650	$ 20,004	$ 26,527

See accompanying notes to unaudited consolidated financial statements

FIRST BUSEY CORPORATION and Subsidiaries

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Basis of Presentation

The accompanying unaudited consolidated interim financial statements of First Busey Corporation (the Company), a Nevada corporation, have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (SEC) for quarterly reports on Form 10-Q and do not include certain information and footnote disclosures required by U.S. generally accepted accounting principles (U.S. GAAP) for complete annual financial statements. Accordingly, these financial statements should be read in conjunction with the Company s Annual Report on Form 10-K for the year ended December 31, 2007.

The accompanying consolidated balance sheet as of December 31, 2007, which has been derived from audited financial statements, and the unaudited consolidated interim financial statements have been prepared in accordance with U.S. GAAP and reflect all adjustments that are, in the opinion of management, necessary for the fair presentation of the financial position and results of operations for the periods presented. All such adjustments, except those related to the merger with Main Street, are of a normal recurring nature. The results of operations for the three and nine months ended September 30, 2008 are not necessarily indicative of the results that may be expected for the year ending December 31, 2008.

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

Note 2: Recent Accounting Pronouncements

Statements of Financial Accounting Standards (SFAS)

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

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

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

Company s financial statements.

Emerging Issues Task Force Issues

Emerging Issues Task Force (EITF) Issue No. 06-4, Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split Dollar Life Insurance Arrangements. EITF 06-4 requires the recognition of a liability and related compensation expense for endorsement split-dollar life insurance policies that provide a benefit to an employee that extends to post-retirement periods. Under EITF 06-4, life insurance policies purchased for the purpose of providing such benefits do not effectively settle an entity s obligation to the employee. Accordingly, the entity must recognize a liability and related compensation expense during the employee s active service period based on the future cost of insurance to be incurred during the employee s retirement. If the entity has agreed to provide the employee with a death benefit, then the liability for the future death benefit should be recognized by following the guidance in SFAS 106, Employer s Accounting for Postretirement Benefits Other Than Pensions. The Company adopted EITF 06-4 on January 1, 2008 as a change in accounting principle through a cumulative-effect adjustment, resulting in a decrease to retained earnings totaling $4.7 million. The Company expects to recognize expense related to the adoption of EITF 06-4 in the amount of $0.3 million, net of tax, for 2008.

SEC Staff Accounting Bulletins

SAB No. 109, Written Loan Commitments Recorded at Fair Value Through Earnings. SAB No. 109 supersedes SAB 105, Application of Accounting Principles to Loan Commitments, and indicates that the expected net future cash flows related to the associated servicing of the loan should be included in the measurement of all written loan commitments that are accounted for at fair value through earnings. The guidance in SAB 109 became effective on January 1, 2008 and did not have a material impact on the Company s financial statements.

Note 3: Business Combinations

Following the close of business on July 31, 2007, the Company completed its merger of equals (the merger) transaction with Main Street Trust, Inc. (Main Street). As a result of the merger, Main Street shareholders received shares of the Company s common stock in a fixed exchange ratio of 1.55 shares of the Company for each share of Main Street, totaling 15.5 million shares valued at $22.17 per share. The value of the shares was calculated based upon the average closing price of First Busey Corporation stock for the two trading days surrounding the announcement date. The total purchase price, including acquisition expenses and the fair value of assumed stock options, was $350.9 million.

The merger was accounted for under the purchase method of accounting, which resulted in goodwill of $194.5 million equaling the excess of the purchase price over the fair value of identifiable assets. During the nine months ended September 30, 2008, the purchase price and resultant amount allocated to goodwill increased by $0.9 million related to an adjustment of the value of the assumed Main Street stock options and minor purchase accounting adjustments. Goodwill is not amortized, but is subject to at least annual impairment testing. However, a portion of goodwill has been allocated to the future tax benefits arising from stock options assumed in the merger. As these benefits are recorded, an equal adjustment to the allocated goodwill is recorded. For the nine months ended September 30, 2008, an insignificant amount of goodwill reductions related to stock options assumed were recorded. Identifiable intangibles of $31.3 million were recorded related to core deposit and customer relationship intangibles. The identifiable intangibles are being amortized using accelerated methods over a period of 10 years.

Unaudited pro forma operating results for the three and nine months ended September 30, 2007, in thousands, giving effect to the Main Street merger as if it had occurred as of January 1, 2007, are as follows:

		Three Months Ended		Nine Months Ended
Total interest income	$	66,787	$	192,700
Total interest expense		32,525		95,023
Provision for loan losses		1,948		3,978
Other income		15,165		41,457
Other expense		28,947		80,697
Income before income taxes	$	18,532	$	54,459
Income taxes		5,893		17,424
Net income	$	12,639	$	37,035
Shares outstanding:				
Weighted average basic		36,582		36,582
Weighted average fully-dilutive		36,842		36,842
Earnings per share basic	$	0.35	$	1.01
Earnings per share diluted	$	0.34	$	1.01

In conjunction with the merger, the Company reached an agreement with the U.S. Department of Justice (USDOJ) to divest five Main Street Bank & Trust banking centers located in Champaign County, Illinois to address USDOJ competitive concerns. The transaction closed on November 2, 2007. The Company transferred loans and deposits of $14.3 million and $101.9 million, respectively. The Company received a premium on deposits of $7.0 million and transferred an additional $0.2 million in net liabilities. Total cash payments associated with the divestiture were $80.8 million. The effects of the divestiture were accounted for as part of the purchase accounting for the Main Street merger. The premium on deposits received in the divestiture served to reduce the fair value of the deposits assumed in the Main Street merger. No gain or loss was recorded related to the divestiture.

Note 4: Unrealized Losses on Investment Securities

The following presents information pertaining to securities with gross unrealized losses as of September 30, 2008, aggregated by investment category and length of time that individual securities have been in continuous loss position:

	Less than 12 months		Greater than 12 months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
			(dollars in thousands)			
September 30, 2008:						
U.S. Treasury	299	11			299	11
U.S. government agencies and corporations	96,907	459			96,907	459
State and municipal	52,496	2,014	2,210	52	54,706	2,066
Mortgage-backed	89,100	1,269			89,100	1,269
Corporate	2,564	146	159	40	2,723	186
Subtotal, debt securities	$ 241,366	$ 3,899	$ 2,369	$ 92	$ 243,735	$ 3,991
Equity securities	146	42	7	32	153	74
Total temporarily impaired securities	$ 241,512	$ 3,941	$ 2,376	$ 124	$ 243,888	$ 4,065

The total number of investment securities in an unrealized loss position as of September 30, 2008 was 218, 204 less than 12 months and 14 greater than 12 months. Management evaluates securities for other-than-temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to the length of time and extent to which the fair value has been less than cost, the financial condition and near-term prospects of the issuer, and the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

Note 5: Loans

The major classifications of loans as of September 30, 2008 and December 31, 2007 were as follows:

	September 30, 2008		December 31, 2007	
	(dollars in thousands)			
Commercial	$	439,390	$	442,994
Real estate construction		762,510		731,150
Real estate - farmland		52,179		49,665
Real estate - 1-4 family residential mortgage		750,293		747,021
Real estate - multifamily mortgage		252,658		187,796
Real estate - non-farm nonresidential mortgage		875,613		797,474
Installment		59,209		54,849
Agricultural		36,088		40,469
	$	3,227,940	$	3,051,418
Plus:				
Net deferred loan costs		1,454		1,807
		3,229,394		3,053,225
Less:				
Allowance for loan losses		48,674		42,560
Net loans	$	3,180,720	$	3,010,665

Loans held for sale are primarily real estate 1-4 family residential mortgage loans with fair values and carrying amounts, respectively, of $17.1 million and $17.1 million at September 30, 2008 and $22.8 million and $22.4 million at December 31, 2007.

Changes in the allowance for loan losses were as follows:

	Nine Months Ended September 30,			
	2008		2007	
	(dollars in thousands)			
Balance, beginning of year	$	42,560	$	23,588
Provision for loan losses		22,450		2,775
Allowance as result of merger				12,898
Recoveries applicable to loan balances previously charged off		830		456
Loan balances charged off		(17,166)		(1,519)
Balance, September 30	$	48,674	$	38,198

Non-performing loans were as follows:

	September 30, 2008		December 31, 2007	
	(dollars in thousands)			
Non-accrual loans	$	59,347	$	15,370
Loans 90+ days past due, still accruing		11,847		4,710

Total non-performing loans	$	71,194	$	20,080

Note 6: Earnings Per Share

Net income per common share has been computed as follows:

	Three Months Ended September 30, 2008	Three Months Ended September 30, 2007	Nine Months Ended September 30, 2008	Nine Months Ended September 30, 2007
	(in thousands, except per share data)			
Net income	$ 8,817	$ 11,510	$ 23,412	$ 27,110
Shares:				
Weighted average common shares outstanding	35,787	31,464	35,853	24,834
Dilutive effect of outstanding options as determined by the application of the treasury stock method	69	191	119	105
Weighted average common shares outstanding, as adjusted for diluted earnings per share calculation	35,856	31,655	35,972	24,939
Basic earnings per share	$ 0.25	$ 0.37	$ 0.65	$ 1.09
Diluted earnings per share	$ 0.25	$ 0.36	$ 0.65	$ 1.09

Note 7: Stock-based Compensation

Under the terms of the Company s stock option plans, the Company is allowed, but not required to source stock option exercises from its inventory of treasury stock. The Company has historically sourced stock option exercises from its treasury stock inventory, including exercises for the periods presented. As of September 30, 2008, under the Company s stock repurchase plan, 895,655 additional shares were authorized for repurchase. The repurchase plan has no expiration date and expires when the Company has repurchased all of the remaining authorized shares.

The fair value of the stock options granted has been estimated using the Black-Scholes option pricing model. The components of the Black-Scholes option pricing model are determined on a grant-by-grant basis. Expected life and estimated forfeiture rate is based on historical exercise and termination behavior. Expected stock price volatility is based on historical volatility of the Company s common stock and correlates with the expected life of the options. The risk-free interest rate is based on the implied yield currently available on U.S. Treasury zero-coupon issues with a remaining term approximately equal to the expected life of the option. The expected dividend yield represents the annual dividend yield as of the date of grant. Management reviews and adjusts the assumptions used to calculate the fair value of an option on a periodic basis to better reflect expected trends.

On June 17, 2008, the Company issued 67,500 stock options to First Busey Corporation s non-employee directors. The stock options have an exercise price of $17.12, vest on May 1, 2009 and expire on December 15, 2015.

Number of options granted	67,500
Exercise Price	$ 17.12
Estimated forfeiture rate	

Risk-free interest rate		3.66%
Expected life, in years		4.6
Expected volatility		16.0%
Expected dividend yield		4.67%
Estimated fair value per option	$	1.62

A summary of the status of and changes in the Company s stock option plans for the nine months ended September 30, 2008 follows:

	Shares		Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term
Outstanding at beginning of year	2,033,989	$	17.08	
Granted	67,500		17.12	
Exercised	78,491		15.84	
Forfeited	18,450		19.82	
Outstanding at end of period	2,004,548	$	17.10	3.90
Exercisable at end of period	1,917,048	$	17.05	3.74

The total intrinsic value of stock options exercised in the nine months ended September 30, 2008 and 2007 was $0.4 million for both periods.

The following table summarizes information about stock options outstanding at September 30, 2008:

		Options Outstanding							Options Exercisable		
Range of Exercise Prices		Number		Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life		Intrinsic Value		Number		Intrinsic Value
					(intrinsic value in thousands)						
$	11.29-12.00	439,404	$	11.72	2.56				439,404		
	14.56-16.03	323,565		15.29	3.36				323,565		
	18.07-19.83	341,050		19.42	0.89				341,050		
	17.12-21.90	697,529		19.26	6.65				610,029		
	20.16-20.71	203,000		20.31	3.21				203,000		
		2,004,548	$	17.10	3.90	$	3,984		1,917,048	$	3,902

Stock option expense and stock expense remaining to be recognized was insignificant for the Company as of and for the three- and nine-month periods ended September 30, 2008 and 2007.

Note 8: Income Taxes

The Company is subject to income taxes in the U.S. federal and various state jurisdictions. The Company and its subsidiaries file consolidated federal and state income tax returns with each subsidiary computing its taxes on a separate entity basis. Tax regulations within each jurisdiction are subject to the interpretation of the related tax laws and regulations and require the application of significant judgment. With few exceptions, the Company is no longer subject to U.S. federal, state or local tax examinations by tax authorities for the years before 2004. The provision for income taxes is based on income as reported in the financial statements.

In July 2006, the FASB issued FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes (FIN No. 48). FIN No. 48 clarifies the accounting and reporting for income taxes recognized in accordance with SFAS No. 109, Accounting for Income Taxes. This Interpretation prescribes a comprehensive model for the financial statement recognition, measurement, presentation and disclosure of uncertain tax positions taken or expected to be taken in income tax returns.

Effective January 1, 2007, the Company adopted FIN No. 48. At the adoption date, the Company applied FIN No. 48 to all tax positions for which the statute of limitations remained open. There were no unrecognized tax benefits as of January 1, 2007. There have been no adjustments to unrecognized tax benefits since January 1, 2008. There are no material tax positions for which it is reasonably possible that unrecognized tax benefits will significantly change in the twelve months subsequent to September 30, 2008.

When applicable, the Company recognizes interest accrued related to unrecognized tax benefits and penalties in operating expenses. The Company has no accruals for payments of interest and penalties at September 30, 2008.

At September 30, 2008, the Company was under examination by the Illinois Department of Revenue for tax years 2005-2006.

Note 9: Junior Subordinated Debt Owed to Unconsolidated Trusts

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

The table below summarizes the outstanding junior subordinated notes and the related trust preferred securities issued by each trust as of September 30, 2008:

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

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

(2) All cash distributions are cumulative.

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

In March 2005, the Board of Governors of the Federal Reserve System issued a final rule allowing bank holding companies to continue to include qualifying trust preferred securities in their Tier I Capital for regulatory capital purposes, subject to a 25% limitation to all core (Tier I) capital elements, net of goodwill and other intangible assets less any associated deferred tax liability. The final rule provides a five-year transition period, ending March 31, 2009, for applications of the aforementioned quantitative limitation. As of September 30, 2008, 100% of the trust preferred securities noted in the table above qualified as Tier I capital under the final rule adopted in March 2005.

Note 10: Outstanding Commitments and Contingent Liabilities

Legal Matters

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

Credit Commitments and Contingencies

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

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

	September 30, 2008	December 31, 2007
	(dollars in thousands)	

Financial instruments whose contract amounts represent credit risk:				
Commitments to extend credit	$	752,540	$	722,677
Standby letters of credit		43,003		46,698

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

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer s obligation to a third party. Those guarantees are primarily issued to support public and private borrowing arrangements, including bond financing and similar transactions and primarily have terms of one year or less. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Company holds collateral, which may include accounts receivable, inventory, property and equipment, income producing properties, supporting those commitments if deemed necessary. In the event the customer does not perform in accordance with the terms of the agreement with the third party, the Company would be required to fund the commitment. The maximum potential amount of future payments the Company could be required to make is represented by the contractual amount shown in the summary above. If the commitment is funded, the Company would be entitled to seek recovery from the customer. As of September 30, 2008, and December 31, 2007, no amounts were recorded as liabilities for the Company s potential obligations under these guarantees.

As of September 30, 2008, the Company had no futures, forwards, swaps or option contracts, or other financial instruments with similar characteristics with the exception of interest rate lock commitments on mortgage loans to be held for sale.

Note 11: Reportable Segments and Related Information

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

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

The segment financial information provided below has been derived from the internal accounting system used by management to monitor and manage the financial performance of the Company. The accounting policies of the four segments are the same as those described in the summary of significant accounting policies in the Company s Annual Report on Form 10-K for the year ended December 31, 2007.

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

	Goodwill		Total Assets	
	September 30, 2008	December 31, 2007	September 30, 2008	December 31, 2007
	(dollars in thousands)		(dollars in thousands)	
Goodwill:				
Busey Bank	$ 202,135	$ 201,273	$ 3,882,606	$ 3,699,454
Busey Bank, N.A.	22,601	22,601	431,202	451,195
FirsTech	8,992	8,992	19,826	19,285
Busey Wealth Management	11,694	11,694	25,994	26,959
All Other	3,423	3,404	(20,409)	(3,968)
Total Goodwill	$ 248,845	$ 247,964	$ 4,339,219	$ 4,192,925

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
	(dollars in thousands)		(dollars in thousands)	
Interest Income:				
Busey Bank	$ 49,140	$ 51,495	$ 149,651	$ 117,666
Busey Bank, N.A.	5,757	7,253	18,532	20,628
FirsTech	11	6	28	6
Busey Wealth Management	69	78	257	219
All Other	(83)	(30)	(324)	(102)
Total Interest Income	$ 54,894	$ 58,802	$ 168,144	$ 138,417
Interest Expense:				
Busey Bank	$ 19,201	$ 23,412	$ 60,253	$ 54,193
Busey Bank, N.A.	3,061	3,906	9,790	10,950
FirsTech				
Busey Wealth Management				
All Other	1,191	1,472	3,872	4,338
Total Interest Expense	$ 23,453	$ 28,790	$ 73,915	$ 69,481
Other Income:				
Busey Bank	$ 6,897	$ 7,594	$ 21,647	$ 17,267
Busey Bank, N.A.	415	419	1,254	1,433
FirsTech	3,144	1,799	9,233	1,799
Busey Wealth Management	3,696	2,011	10,934	6,082
All Other	1,725	1,189	978	760
Total Other Income	$ 15,877	$ 13,012	$ 44,046	$ 27,341
Net Income (loss):				
Busey Bank	$ 8,064	$ 11,240	$ 26,061	$ 27,258
Busey Bank, N.A.	(1,393)	366	(4,442)	1,008
FirsTech	705	306	2,037	306
Busey Wealth Management	766	575	2,083	1,739
All Other	675	(977)	(2,327)	(3,201)
Total Net Income	$ 8,817	$ 11,510	$ 23,412	$ 27,110

Note 12 - Fair Value Measurements

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

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

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

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

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

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

A description of the valuation methodologies used for instruments measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below. These valuation methodologies were applied to all of the Company s financial assets and financial liabilities carried at fair value effective January 1, 2008.

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

Securities Available for Sale. Securities classified as available for sale are reported at fair value utilizing Level 1 and Level 2 inputs. For equity securities, unadjusted quoted prices in active markets for identical assets are utilized to determine fair value at the measurement date. For all other securities, the Company obtains fair value measurements from an independent pricing service. The fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, live trading levels, trade execution data, market consensus prepayment speeds, credit information and the bond s terms and conditions, among other things.

Impaired Loans. The Company does not record impaired loans at fair value on a recurring basis. However, periodically, a loan is considered impaired and is reported at the fair value of the underlying collateral, less estimated costs to sell, if repayment is expected solely from the collateral. Impaired loans measured at fair value typically consist of loans on non-accrual status, $59.3 million at September 30, 2008, and loans with a portion of the allowance for loan losses allocated specific to the loan, $14.6 million at September 30, 2008. Collateral values are estimated using level 2 inputs, including recent appraisals and Level 3 inputs based on customized discounting criteria. Due to the significance of the level 3 inputs, impaired loans fair values have been classified as level 3.

The following table summarizes financial assets and financial liabilities measured at fair value as of September 30, 2008, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total Fair Value
		(dollars in thousands)		
Recurring				
Securities available-for-sale	$ 5,023	$ 614,961	$	$ 619,984
Non-recurring				
Impaired Loans			73,891	73,891

Certain financial assets and financial liabilities are measured at fair value on a nonrecurring basis; that is, the instruments are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances (for example, when there is evidence of impairment). Financial assets and financial liabilities, excluding impaired loans, measured at fair value on a non-recurring basis were not significant at September 30, 2008.

Non-financial assets and non-financial liabilities measured at fair value on a recurring basis include reporting units measured at fair value in the first step of a goodwill impairment test. Non-financial assets measured at fair value on a non-recurring basis include non-financial assets and non-financial liabilities measured at fair value in the second step of a goodwill impairment test, as well as intangible assets and other non-financial long-lived assets measured at fair value for impairment assessment. As stated above, SFAS 157 will be applicable to these fair value measurements beginning January 1, 2009.

Effective January 1, 2008, the Company adopted the provisions of SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities - Including an amendment of FASB Statement No. 115. SFAS 159 permits the Company to choose to measure eligible items at fair value at specified election dates. Unrealized gains and losses on items for which the fair value measurement option has been elected are reported in earnings at each subsequent reporting date. The fair value option (i) may be applied instrument by instrument, with certain exceptions, thus the Company may record identical financial assets and liabilities at fair value or by another measurement basis permitted under generally accepted accounting principals, (ii) is irrevocable (unless a new election date occurs) and (iii) is applied only to entire instruments and not to portions of instruments. The adoption of SFAS 159 on January 1, 2008 did not have a significant impact on the Company s financial statements.

ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS

OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following is management s discussion and analysis of the financial condition of First Busey Corporation and subsidiaries (referred to herein as First Busey , we , or our) at September 30, 2008 (unaudited), as compared with December 31, 2007, and the results of operations for the three and nine months ended September 30, 2008 and 2007 (unaudited). Management s discussion and analysis should be read in conjunction with First Busey s consolidated financial statements and notes thereto appearing elsewhere in this quarterly report, as well as our 2007 Annual Report on Form 10-K.

SUMMARY

Recent Developments

Recent events in the U.S. and global financial markets, including the deterioration of the worldwide credit markets, have created significant challenges for financial institutions such as First Busey. Dramatic declines in the housing market during the past year, marked by falling home prices and increasing levels of mortgage foreclosures, have resulted in significant write-downs of asset values by many financial institutions, including government-sponsored entities and major commercial and investment banks. In addition, many lenders and institutional investors have reduced, and in some cases, ceased to provide funding to borrowers, including other financial institutions, as a result of concern about the stability of the financial markets and the strength of counterparties.

In response to the challenges affecting the U.S. banking system and financial markets and attempt to bolster the distressed economy and improve consumer confidence in the financial system, on October 3, 2008, the U.S. Congress passed, and the President signed into law, the Emergency Economic Stabilization Act of 2008 (the Stabilization Act). The Stabilization Act authorizes the Secretary of the U.S. Treasury and the Federal Deposit Insurance Corporation (the FDIC) to implement various temporary emergency programs designed to strengthen the capital positions of financial institutions and stimulate the availability of credit within the U.S. financial system. Pursuant to the Stabilization Act, the U.S. Treasury will have the authority to, among other things, purchase up to $700 billion of mortgages, mortgage-backed securities and certain other financial instruments from financial institutions for the purpose of stabilizing and providing liquidity to the U.S. financial markets.

On October 14, 2008, the U.S. Treasury announced that it will purchase equity interests in eligible financial institutions that wish to participate. This program, known as the Capital Purchase Program, allocates $250 billion from the $700 billion authorized by the Stabilization Act to the U.S. Treasury for the purchase of senior preferred shares from qualifying financial institutions. Eligible institutions will be able to sell equity interests to the U.S. Treasury in amounts equal to between 1% and 3% of the institution s risk-weighted assets. In conjunction with the purchase of preferred stock, the U.S. Treasury will receive warrants to purchase common stock from the participating institutions with an aggregate market price equal to 15% of the preferred investment. Participating financial institutions will be required to adopt the U.S. Treasury s standards for executive compensation and corporate governance for the period during which the U.S. Treasury holds equity issued under the Capital Purchase Program. Many financial institutions have already announced that they will participate in the Capital Purchase Program. We are considering whether or not to participate in the Capital Purchase Program.

Also on October 14, 2008, using the systemic risk exception to the FDIC Improvement Act of 1991, the U.S. Treasury authorized the FDIC to provide a 100% guarantee of newly-issued senior unsecured debt and deposits in non-interest bearing accounts at FDIC insured institutions.

Initially, all eligible financial institutions will automatically be covered under this program, known as the Temporary Liquidity Guarantee Program, without incurring any fees for a period of 30 days. Coverage under the Temporary Liquidity Guarantee Program after the initial 30-day period is available to insured financial institutions at a cost of 75 basis points per annum for senior unsecured debt and 10 basis points per annum for non-interest bearing deposits. After the initial 30-day period, institutions will continue to be covered under the Temporary Liquidity Guarantee Program unless they inform the FDIC that they have decided to opt out of the program. We are assessing whether to participate in the Temporary Liquidity Guarantee Program, although we currently anticipate that we will participate in the insurance program covering the non-interest bearing deposits but not participate in the program to guarantee unsecured senior debt.

Under the Troubled Asset Auction Program, another initiative based on the authority granted by the Stabilization Act, the U.S. Treasury, through a newly-created Office of Financial Stability, will purchase certain troubled mortgage-related assets from financial institutions in a reverse-auction format. Troubled assets eligible for purchase by the Office of Financial Stability include residential and commercial mortgages originated on or before March 14, 2008, securities or obligations that are based on such mortgages, and any other financial instrument that the Secretary of the U.S. Treasury determines, after consultation with the Chairman of the Board of Governors of the Federal Reserve System, is necessary to promote financial market stability. The U.S. Treasury has not issued any definitive guidance regarding this program and we have not determined whether or not we will participate.

Under the Stabilization Act, the U.S. Treasury is also required to establish a program that will guarantee principal of, and interest on, troubled assets originated or issued prior to March 14, 2008, including mortgage-backed securities. The program may take any form and may vary by asset class, but it must be voluntary and self-funding. The U.S. Treasury has the authority to set premiums to reflect the credit risk characteristics of the insured assets. The U.S. Treasury has solicited requests for comments on how the program should be structured but no program has been implemented to date. The Stabilization Act also temporarily increases the amount of insurance coverage of deposit accounts held at FDIC-insured depository institutions, including Busey Bank and Busey Bank, NA, from $100,000 to $250,000. The increased coverage is effective during the period from October 3, 2008 until December 31, 2009.

It is not clear at this time what impact the Stabilization Act, the Capital Purchase Program, the Temporary Liquidity Guarantee Program, the Troubled Asset Auction Program, other liquidity and funding initiatives of the Federal Reserve and other agencies that have been previously announced, and any additional programs that may be initiated in the future will have on our future financial condition and results of operations.

The preceding is a summary of recently enacted laws and regulations that could materially impact our results of operations or financial condition. This discussion is qualified in its entirety by reference to such laws and regulations and should be read in conjunction with Supervision and Regulation discussion contained in our 2007 Annual Report on Form 10-K.

Capital

First Busey and its subsidiary banks are considered well-capitalized pursuant to applicable regulatory guidelines. However, given our growth opportunities and the difficult credit market, we believe that it is prudent for us to raise additional capital. Tough economic times present us with both challenges and opportunities. Additional capital will allow us to take advantage of organic and external growth opportunities.

On September 19, 2008, we filed a registration statement with the SEC to offer $30.0 million in trust preferred securities to provide us additional capital. Because of the recently announced Capital Purchase Program to be administered by the US Treasury, we do not plan to move forward with the trust preferred offering until we determine to what extent, if any, we will participate in the Capital Purchase Program.

Merging of Busey Bank and Busey Bank, N.A.

We previously announced that we are working toward the consolidation of our two bank subsidiaries, Busey Bank and Busey Bank, N.A., into one charter. We applied to the Office of the Comptroller of the Currency (OCC) to merge Busey Bank and Busey Bank N.A. into a single, OCC bank charter. However, we have decided to withdraw our application at this time. Despite withdrawing the application at this time, it is still the intent of the organization to merge the two banks into one bank in the future.

Main Street Trust, Inc. Merger

First Busey completed its merger of equals with Main Street Trust, Inc. following the close of business on July 31, 2007. The results of operations for the three and nine months ended September 30, 2007 include two months of earnings related to the merger. A condensed pro forma income statement for the three and nine months ended September 30, 2007, as if the merger had taken place on January 1, 2007, is located in Note 3: Business Combinations.

Operating Results

Net Income by Segment	Three Months Ended 9/30/2008	Three Months Ended 6/30/2008	Three Months Ended 9/30/2007	Nine Months Ended 9/30/2008	Nine Months Ended 9/30/2007
	(dollars in thousands, except per share amounts)				
Consolidated	$ 8,817	$ 4,591	$ 11,510	$ 23,412	$ 27,110
Busey Bank	8,064	6,395	11,240	26,061	27,258
Busey Bank, N.A.	(1,393)	(2,002)	366	(4,442)	1,008
Busey Wealth Management	766	871	575	2,083	1,739
FirsTech	705	703	306	2,037	306
Consolidated EPS, fully-diluted	$ 0.25	$ 0.13	$ 0.36	$ 0.65	$ 1.09

Consolidated net income for the three and nine months ended September 30, 2008 was lower than the comparable periods as we recorded $8.0 million and $22.5 million of provision for loan losses during the three and nine months ended September 30, 2008, respectively. Busey Bank and Busey Bank, N.A. recorded $5.6 million and $2.4 million in the third quarter of 2008 and $14.8 million and $7.7 million in the first nine months of 2008 in pre-tax provision for loan losses, respectively. Much of the increased provision pertained to both banks loans in the southwest Florida market.

Busey Bank has a loan production office in southwest Florida with $382.2 million in loans at September 30, 2008. Busey Bank, N.A. s operations are entirely in southwest Florida. Busey Bank, N.A. had $371.6 million in loans at September 30, 2008. Our aggregate southwest Florida loan portfolio totals $753.8 million, or 23.3% of our loan portfolio. The remainder of our loan portfolio is primarily in the downstate Illinois market, with the exception of our branch in the Indianapolis, Indiana market with loans of $155.4 million at September 30, 2008.

Busey Wealth Management s decrease in net income during the third quarter of 2008 reflects challenging market conditions, which lead to decreased brokerage activity and lower fees for assets under care. The increase in net income for the first nine months of 2008 was due to the full year of Main Street Trust s trust operations in the 2008 results. Main Street Trust s trust results are included with the Busey Bank results for the two months following the merger in 2007. The trust operations of Main Street were combined with Busey Wealth Management in mid-November 2007.

Overall loan portfolio quality declined in the third quarter of 2008, primarily due to loans greater than 90 days past due. Busey Bank s loans on non-accrual status increased slightly to $40.8 million at September 30, 2008 compared to $39.0 at June 30, 2008. Busey Bank, N.A. s loans on non-accrual status increased to $18.5 million at September 30, 2008 as compared to $14.1 million at June 30, 2008. On a consolidated basis, loans accruing, but 90+ days past due increased to $11.8 million at September 30, 2008 as compared to $5.5 million at June 30, 2008. The increase in 90+ days past due is primarily attributable to Busey Bank, where 90+ days past due loans increased $6.2 million.

The allowance for loan losses was $48.7 million at September 30, 2008, up from $42.6 million at December 31, 2007. Allowance for loan losses coverage of non-performing loans decreased due to the large amount of charge-offs taken during the second and third quarters of 2008. As we charge off portions of loan balances, the allowance for loan losses becomes less significant with respect to these loans.

Economic Conditions of Markets

While somewhat weaker than a few years ago, the downstate Illinois markets we serve continue to hold up relatively well during the national economic downturn. These markets possess strong industrial, academic and healthcare employment bases that have performed well relative to the rest of the United States. Our primary downstate Illinois markets of Champaign, Macon, McLean and Peoria counties are anchored by strong, familiar and stable organizations.

Champaign County is home to the University of Illinois Urbana/Champaign, the University s primary campus. U of I has in excess of 42,000 students, which has grown annually over the last decade. Additionally, Champaign County healthcare providers serve a significant area of downstate Illinois and western Indiana. Macon County is home to Archer Daniels Midland (ADM), a Fortune 100 company and one of the largest agricultural processors in the world. ADM s presence in Macon County supports many derivative businesses in the agricultural processing arena. Additionally, Macon County is home to Millikin University and its healthcare providers serve a significant role in the market. McLean County is home to State Farm, Country Financial, Illinois State University and Illinois Wesleyan University. State Farm, a Fortune 100 company, is the largest employer in McLean County, Country Financial and the universities provide additional stability to a growing area of downstate Illinois. Peoria County is home to Caterpillar, a Fortune 100 company, and Bradley University in addition to a large health care presence serving much of the western portion of downstate Illinois. The institutions noted above, coupled with over $1.5 billion in agricultural output, anchor the communities in which they are located, and have provided a stable foundation for housing, employment and small business.

Southwest Florida has been affected by the current economic downturn as severely as any location in the United States. Southwest Florida experienced double digit percentage value deterioration in commercial and residential real estate values over the past two years. Some commentators have noted that it appears the worst of the downturn in southwest Florida has occurred. However, this does not mean southwest Florida has turned a corner or that our problems are over in this market. Management expects that it will take southwest Florida a number of years to return to the economic strength it demonstrated just a few years ago. Management believes that the southwest Florida economy will be strong again and southwest Florida remains in our plans for the future.

EARNINGS PERFORMANCE

NET INTEREST INCOME

Net interest income is the difference between interest income and fees earned on earning assets and interest expense incurred on interest-bearing liabilities. Interest rate levels and volume fluctuations within earning assets and interest-bearing liabilities impact net interest income. Net interest margin is tax-equivalent net interest income as a percent of average earning assets.

Certain assets with tax favorable treatment are evaluated on a tax-equivalent basis. Tax-equivalent basis assumes a federal income tax rate of 35%. Tax favorable assets generally have lower contractual pre-tax yields than fully taxable assets. A tax-equivalent analysis is performed by adding the tax savings to the earnings on tax favorable assets. After factoring in the tax favorable effects of these assets, the yields may be more appropriately evaluated against alternative earning assets. In addition to yield, various other risks are factored into the evaluation process.

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

AVERAGE BALANCE SHEETS AND INTEREST RATES

THREE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007

	2008			2007			Change due to (1)		
	Average Balance	Income/ Expense	Yield/ Rate	Average Balance	Income/ Expense	Yield/ Rate	Average Volume	Average Yield/Rate	Total Change
				(dollars in thousands)					
Assets									
Interest-bearing bank deposits	$ 301	$	%	$ 366	$ 4	4.34%	$ (1)	$ (3)	$ (4)
Federal funds sold	14,146	65	1.82%	57,585	703	4.84%	(350)	(288)	(638)
Investment securities									
U.S. Government obligations	348,121	3,456	3.94%	400,148	5,579	5.53%	(660)	(1,463)	(2,123)
Obligations of states and political subdivisions (1)	97,416	1,458	5.94%	84,527	1,281	6.01%	192	(15)	177
Other securities	149,860	1,654	4.38%	72,167	493	2.71%	739	422	1,161
Loans (net of unearned interest)(1) (2)	3,194,361	48,858	6.07%	2,689,472	51,286	7.57%	8,585	(11,013)	(2,428)
Total interest-earning assets	$ 3,804,205	$ 55,491	5.79%	$ 3,304,265	$ 59,346	7.13%	$ 8,505	$ (12,360)	$ (3,855)
Cash and due from banks	101,746			65,605					
Premises and equipment	82,270			58,564					
Allowance for loan losses	(46,823)			(32,841)					
Other assets	359,728			243,568					
Total Assets	$ 4,301,126			$ 3,639,161					
Liabilities and Stockholders Equity									
Interest-bearing transaction deposits	$ 29,412	$ 35	0.47%	$ 143,045	$ 603	1.67%	$ (298)	$ (270)	$ (568)
Savings deposits	156,166	198	0.50%	136,847	299	0.87%	38	(139)	(101)
Money market deposits	1,226,046	4,212	1.36%	1,021,184	8,541	3.32%	1,459	(5,788)	(4,329)
Time deposits	1,526,909	15,235	3.96%	1,241,820	15,078	4.82%	3,124	(2,967)	157
Short-term borrowings:									
Federal funds purchased	26,964	154	2.27%	3,878	42	4.30%	141	(29)	112
Repurchase agreements	144,125	790	2.17%	122,551	1,308	4.23%	200	(718)	(518)
Other	69,771	489	2.78%	11,182	158	5.61%	447	(116)	331
Long-term debt	140,758	1,494	4.21%	138,260	1,748	5.02%	31	(285)	(254)
Junior subordinated debt owed to unconsolidated trusts	55,000	846	6.10%	55,000	1,013	7.31%		(167)	(167)
Total interest-bearing liabilities	$ 3,375,151	$ 23,453	2.76%	$ 2,873,767	$ 28,790	3.97%	$ 5,142	$ (10,479)	$ (5,337)
Net interest spread			3.03%			3.16%			
Noninterest bearing deposits	374,101			366,280					
Other liabilities	38,489			28,212					
Stockholders equity	513,385			370,902					
Total Liabilities and Stockholders Equity	$ 4,301,126			$ 3,639,161					
Interest income / earning assets (1)	$ 3,804,205	$ 55,491	5.79%	$ 3,304,265	$ 59,346	7.13%			
Interest expense / earning assets	$ 3,804,205	$ 23,453	2.45%	$ 3,304,265	$ 28,790	3.46%			
Net interest margin (1)		$ 32,038	3.34%		$ 30,556	3.67%	$ 3,363	$ (1,881)	$ 1,482

(1) On a tax-equivalent basis assuming a federal income tax rate of 35% for 2008 and 2007.

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

AVERAGE BALANCE SHEETS AND INTEREST RATES

NINE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007

	2008			2007			Change due to (1)		
	Average Balance	Income/ Expense	Yield/ Rate	Average Balance	Income/ Expense	Yield/ Rate	Average Volume	Average Yield/Rate	Total Change
				(dollars in thousands)					
Assets									
Interest-bearing bank deposits	$ 416	$ 4	1.28%	$ 242	$ 9	4.97%	$ 4	$ (9)	$ (5)
Federal funds sold	8,659	173	2.67%	24,637	990	5.37%	(460)	(357)	(817)
Investment securities									
U.S. Government obligations	372,677	12,039	4.32%	272,940	10,706	5.24%	3,448	(2,115)	1,333
Obligations of states and political subdivisions (1)	102,215	4,366	5.71%	78,534	3,539	6.02%	1,020	(193)	827
Other securities	128,892	4,057	4.20%	55,948	1,475	3.52%	2,247	335	2,582
Loans (net of unearned interest)(1) (2)	3,131,100	149,305	6.37%	2,199,011	123,205	7.49%	46,559	(20,459)	26,100
Total interest-earning assets	$ 3,743,959	$ 169,944	6.06%	$ 2,631,312	$ 139,924	7.11%	$ 52,818	$ (22,798)	$ 30,020
Cash and due from banks	103,060			56,618					
Premises and equipment	81,808			46,927					
Allowance for loan losses	(44,181)			(26,775)					
Other assets	359,123			161,667					
Total Assets	$ 4,243,769			$ 2,869,749					
Liabilities and Stockholders Equity									
Interest-bearing transaction deposits	$ 36,620	$ 209	0.76%	$ 64,122	$ 781	1.63%	$ (255)	$ (317)	$ (572)
Savings deposits	155,617	659	0.57%	112,602	782	0.93%	243	(366)	(123)
Money market deposits	1,266,301	15,369	1.62%	842,004	20,288	3.22%	7,675	(12,594)	(4,919)
Time deposits	1,408,843	45,464	4.31%	1,004,150	36,177	4.82%	13,425	(4,138)	9,287
Short-term borrowings:									
Federal funds purchased	26,018	487	2.50%	7,526	375	6.66%	463	(351)	112
Repurchase agreements	142,023	2,770	2.61%	76,904	2,420	4.21%	1,516	(1,166)	350
Other	78,853	1,691	2.86%	5,459	223	5.46%	1,623	(155)	1,468
Long-term debt	136,822	4,615	4.51%	145,038	5,420	5.00%	(293)	(512)	(805)
Junior subordinated debt owed to unconsolidated trusts	55,000	2,651	6.44%	55,000	3,015	7.33%		(364)	(364)
Total interest-bearing liabilities	$ 3,306,097	$ 73,915	2.99%	$ 2,312,805	$ 69,481	4.02%	$ 24,397	$ (19,963)	$ 4,434
Net interest spread			3.07%			3.09%			
Noninterest bearing deposits	380,386			276,874					
Other liabilities	39,692			21,724					
Stockholders equity	517,594			258,346					
Total Liabilities and Stockholders Equity	$ 4,243,769			$ 2,869,749					
Interest income / earning assets (1)	$ 3,743,959	$ 169,944	6.06%	$ 2,631,312	$ 139,924	7.11%			
Interest expense / earning assets	$ 3,743,959	$ 73,915	2.63%	$ 2,631,312	$ 69,481	3.53%			

Net interest margin (1)	$	96,029	3.43%		$	70,443	3.58%	$	28,421	$	(2,835)	$	25,586

(1) On a tax-equivalent basis assuming a federal income tax rate of 35% for 2008 and 2007.

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

The increase in average earning assets and interest-bearing liabilities for the three and nine month periods ended September 30, 2008 over the same period of 2007 related primarily to the merger with Main Street. At the merger date, Main Street added an additional $344.2 million of investments, $1.02 billion of loans and $1.25 billion of deposits. The resulting averages from the merger contribution led to significant increases across all line items.

Our average earning assets have grown throughout 2008, primarily due to growth in our loan portfolio. Average loans for the quarter continue to exceed average loans for the year demonstrating growth in the portfolio over the first and second quarters of 2008. Average interest-bearing deposits increased during the third quarter of 2008 as compared to the year-to-date averages indicating growth in this category. The increase is attributable to the increase in brokered certificates-of-deposit funding, which was offset by a decrease in average short-term borrowings as compared to the year-to-date 2008 average. Neither short-term borrowings nor brokered certificates of deposit are core funding sources for our organization. Therefore, the choice to utilize one source of funding over another typically depends on which funding source is more cost effective.

Yields on interest-earning assets, including investments and loans, were mixed with some categories experiencing the first increased yields in some time. However, our loan portfolio continued to put pressure on our net interest margin as charge-offs and a low interest rate environment caused declining yields for the fourth straight quarter. Our interest-earning asset yields fully absorbed the 200 basis points of interest rate cuts from the first quarter of 2008 and the 25 basis point interest rate cut in April 2008. During October 2008, another 50 basis point rate cut was instituted by the Federal Reserve, which is not reflected in our September 30, 2008 yields. We continue to attempt to absorb the effects of the interest rate cuts through lowering the rates we pay on deposits. However, our ability to lower rates paid on deposits is limited due to the already low deposit rates and competitive pressure. The interest rate cuts also have a downward effect on yields on investments and loans. Although our base lending rate remained unchanged following the latest interest-rate cut, the overall market expects lower lending rates, which places downward rate pressure on new loans. Overall, further downward pressure on interest rates is unlikely to benefit our net interest margin.

Our net interest margin experienced additional downward pressure due to the increase in non-accrual loans and associated interest reversals. As a loan is placed on non-accrual status, it stops accruing interest. Additionally, any interest that has accrued on the loan but has not yet been paid, is reversed. Based upon the amount of non-accrual loans, we estimate the net interest margin impact of non-accrual loans for the three and nine months ended September 30, 2008 to be less than 5 basis points of average earning assets.

Management attempts to mitigate the effects of an unpredictable interest-rate environment through effective portfolio management, prudent loan underwriting and operational efficiencies. Please refer to the Notes to Consolidated Financial Statement in our 2007 10-K for accounting policies underlying the recognition of interest income and expense.

OTHER INCOME

	Three Months Ended September 30, 2008	Three Months Ended September 30, 2007	% Change	Nine Months Ended September 30, 2008	Nine Months Ended September 30, 2007	% Change
	(dollars in thousands)					
Trust	$ 3,342	$ 2,691	24.2%	$ 10,113	$ 6,090	66.1%
Remittance processing	3,114	1,746	78.4%	9,089	1,746	420.6%
Service charges on deposit accounts	3,293	2,533	30.0%	8,837	6,447	37.1%
Other service charges & fees	1,112	900	23.6%	3,413	2,575	32.5%
Commissions and brokers fees, net	792	707	12.0%	2,180	1,949	11.9%
Gain on sales of loans	1,082	994	8.9%	3,448	2,414	42.8%
Security gains, net	7	2,065	(99.7)%	509	2,995	(83.0)%
Other operating income	3,135	1,376	127.8%	6,457	3,125	106.6%
Total other income	$ 15,877	$ 13,012	22.0%	$ 44,046	$ 27,341	61.1%

Overall, other income for the three and nine month periods ended September 30, 2008 increased significantly due to the merger with Main Street. The results for the three- and nine-month periods ended September 30, 2007 include two months of results following the merger with Main Street. However, trust revenues have been slowed during 2008 due to the declining market conditions, which resulted in decreased brokerage activity and lower assets under care.

Remittance payment processing revenue relates to our payment processing company, FirsTech, which was assumed as part of the Main Street merger. FirsTech continued to demonstrate solid growth, as demonstrated by the 18.3% revenue increase in third quarter 2008 revenues as compared to a normalized quarter in the same period of 2007.

Commissions and brokers fees, net, showed moderate growth for the three and nine month periods ended September 30, 2008 due to the addition of Main Street s brokerage department. Although an increase in revenue is shown, difficult market conditions have slightly offset the additional two months revenue from the Main Street merger.

Security gains, net have declined significantly from the levels seen in 2007. During 2007, we performed an orderly liquidation of a large security position with a significant value in excess of cost. During the last part of 2007, the value of the security began to steadily decline and the liquidation was put on hold.

Other operating income increased during the third quarter of 2008 compared to the same period in 2007 due primarily to two realized gains in our private equity fund investments. Our private equity fund investments resulted in $1.9 million of pre-tax income during the first nine months of 2008.

OTHER EXPENSE

	Three Months Ended September 30			Nine Months Ended September 30		
	2008	2007	% Change	2008	2007	% Change
			(dollars in thousands)			
Compensation expense:						
Salaries & wages	$ 11,534	$ 11,698	(1.4)%	$ 34,897	$ 25,397	37.4%
Employee benefits	2,708	2,058	31.6%	8,430	4,995	68.8%
Total compensation expense	$ 14,242	$ 13,756	3.5%	$ 43,327	$ 30,392	42.6%
Net occupancy expense of premises	2,326	1,988	17.0%	7,115	4,814	47.8%
Furniture and equipment expenses	1,989	1,370	45.2%	6,256	3,049	105.2%
Data processing	1,570	1,715	(8.5)%	4,886	2,731	78.9%
Amortization of intangible assets	1,129	876	28.9%	3,388	1,385	144.6%
Other operating expenses	6,123	4,690	30.6%	17,652	11,244	57.0%
Total other expense	$ 27,379	$ 24,395	12.2%	$ 82,624	$ 53,615	54.1%
Income taxes	$ 3,122	$ 5,324	(41.4)%	$ 9,789	$ 12,777	(23.4)%
Effective rate on income taxes	26.1%	31.6%		29.5%	32.0%	
Efficiency ratio	54.8%	56.7%		56.8%	55.1%	

Other expense increased across all categories due to the merger with Main Street. Overall, for the three- and nine-month periods ended September 30, 2008 our Other Income has increased at a rate faster than our Other Expense . Although certain cost efficiencies have been recognized from the merger with Main Street, we have not yet achieved the full efficiencies expected from the merger. Additional efficiencies are expected in occupancy, and furniture and equipment once initiatives to better physically align our organization are complete.

Total compensation expense increased for the three and nine months ended September 30, 2008 as compared to the same periods in the prior year. Although compensation expense increased, the expense normalized for the effects of the Main Street merger has decreased. Only two months of compensation expense resulting from the Main Street merger are included in the September 30, 2007 results. Additionally, the September 30, 2007 results include $1.5 million in contractual severance payments that resulted from the closing of the merger.

Furniture and equipment expenses increased in the third quarter of 2008 primarily due to the merger with Main Street. Additionally, a number of remodeling projects were in process during 2008. These projects contributed to furniture and equipment expense through increased depreciation and other non-capitalized equipment expense.

Data processing expenses increased significantly for the nine month period ended September 30, 2008 primarily due to infrastructure investments we made related to the growth from the merger and to prepare for future growth. Data processing expenses for the three months ended September 30, 2008 as compared to the same period in 2007 have declined as planned efficiencies are beginning to flow through to the income statement.

Other operating expenses increased during 2008 over 2007 primarily due to the merger with Main Street. Additionally, marketing efforts following our rebranding, increased FDIC insurance and expenses related to other real estate owned (OREO) have contributed to the increase in other operating expenses. FDIC insurance expense may continue to increase if the Company elects to participate in the FDIC programs outlined in the *Recent Developments* section.

The effective rate on income taxes, or income taxes divided by income before taxes, decreased for the 2008 periods as compared to the 2007 periods presented, primarily due to an income tax credit recorded during the second quarter of 2008. Additionally, due to the lower annualized net income position for the Company relative to the first quarter, the impact of certain tax favored items was more significant than in prior periods.

The efficiency ratio is total other expense, less amortization charges, as a percentage of tax equivalent net-interest margin plus other income, less security gains and losses. Since the merger with Main Street, the efficiency ratio has been higher than in previous recent periods. We have continued to see a decline (positive shift) in the efficiency ratio each quarter since completing the merger. The efficiency ratio for the three months ended September 30, 2008 is lower than the other periods presented. The lower efficiency ratio reflects our efforts toward reducing our expense structure. However, the efficiency ratio for September 30, 2007 periods includes many charges related to the merger with Main Street, while the efficiency ratio for the three months ended September 30, 2008 includes income from our private equity fund investments, which is not expected to be recurring. We expect our efficiency ratio to return to the low 50% levels we have historically experienced. However, obtaining our historical levels will be dependent on strengthening our net interest margin through lower levels of nonaccrual loans and higher yields on assets.

FINANCIAL CONDITION

SIGNIFICANT BALANCE SHEET ITEMS

	September 30, 2008	December 31, 2007	% Change
	(dollars in thousands)		
Assets			
Securities available for sale	$ 619,984	$ 610,422	1.6%
Loans (net of allowance for loan losses 2008 $48,674 ; 2007 $42,560)	3,180,720	3,010,665	5.6%
Total assets	4,339,219	4,192,925	3.5%
Liabilities			
Deposits:			
Noninterest-bearing	$ 359,028	$ 389,672	(7.9)%
Interest-bearing	2,939,343	2,817,526	4.3%
Total deposits	3,298,371	3,207,198	2.8%
Short-term borrowings	72,000	10,523	584.2%
Long-term debt	134,910	150,910	(10.6)%
Total liabilities	3,825,359	3,663,228	4.4%
Stockholders equity	$ 513,860	$ 529,697	(3.0)%

First Busey s balance sheet at September 30, 2008 showed a small amount of growth as compared to the balance sheet at December 31, 2007. The securities portfolio increased slightly as compared to December 31, 2007. The growth in the securities portfolio reflects additional pledging requirements of our deposit base. Our loan-to-deposit ratio increased to 97.9% at September 30, 2008 from 95.2% at December 31, 2007 due to strong loan demand in downstate Illinois. Loan demand in downstate Illinois has remained strong, largely due to strengths noted in the *Economic Conditions of Markets* section. Southwest Florida levels are consistent with levels at December 31, 2007.

Overall, total deposits increased slightly at September 30, 2008 over December 31, 2007 levels. We have experienced a decline in noninterest-bearing deposits, which has been offset by an increase in our interest-bearing deposits. The increase in interest-bearing deposits is primarily related to the purchase of brokered certificates-of-deposits to fund our loan growth. Our current position in brokered deposits is less than 7% of total deposits. Our increased level of brokered deposits was due to our ability to achieve an effective duration for funding at a low rate through brokered deposits. Additionally, increased utilization of brokered deposits allows for funding flexibility through decreased use of other funding sources.

Short-term borrowings have increased since December 31, 2007 to fund growth in our balance sheet. The increase in short-term borrowings more than offsets a decline in long-term debt. We have chosen to utilize a higher level of short-term borrowings versus long-term debt due to the significant rate differences between short-term funding and long-term debt. Short-term rates are very low in the current market primarily due to the significant Federal Reserve rate cuts previously noted. However, the market has yet to reprice long-term rates down in the same manner as short-term rates.

Stockholders equity decreased $15.8 million due to four primary reasons. First, we adopted a new accounting standard related to bank owned life insurance that required an initial liability of $4.7 million upon adoption. The offset of this initial liability was a reduction of retained earnings in the same amount. Second, we paid three dividends, totaling $21.5 million, in January, April and July 2008 to our stockholders. Third, we repurchased $10.6 million of our stock during the first nine months of 2008. The repurchase represented 562,500 shares of First Busey stock removed from the marketplace. Fourth, the after-tax value of our investment portfolio decreased by $3.4 million compared to December 31, 2007. These reductions were offset by 2008 net income of $23.4 million, sales of treasury stock and a $0.7 million adjustment to surplus related to an adjustment of the merger value of Main Street s assumed stock options.

ASSET QUALITY

NON-PERFORMING LOANS & ALLOWANCE SUMMARY

	September 30, 2008	June 30, 2008	December 31, 2007	September 30, 2007
		(dollars in thousands)		
Non-accrual loans	$ 59,347	$ 53,155	$ 15,370	$ 17,847
Loans 90+ days past due, still accruing	11,847	5,486	4,710	6,065
Total non-performing loans	$ 71,194	$ 58,641	$ 20,080	$ 23,912
Other real estate owned	$ 4,843	$ 3,091	$ 2,026	$ 2,131
Other assets acquired in satisfaction of debts previously contracted	3	4	2	7
Total non-performing other assets	$ 4,846	$ 3,095	$ 2,028	$ 2,138
Total non-performing loans and non-performing other assets	$ 76,040	$ 61,736	$ 22,108	$ 26,050
Allowance for loan losses	$ 48,674	$ 48,579	$ 42,560	$ 38,198
Allowance for loan losses to loans	1.51%	1.53%	1.39%	1.26%
Allowance for loan losses to non-performing loans	68.37%	82.84%	211.95%	159.74%
Non-performing loans to loans, before allowance for loan losses	2.20%	1.85%	0.66%	0.79%
Non-performing loans and non-performing other assets to loans, before allowance for loan losses	2.35%	1.95%	0.72%	0.86%

Asset quality by segment, general loan classification between commercial loans (including most real estate loans, except for 1-4 family mortgages, and commercial and industrial loans) and retail loans (including 1-4 family mortgages), and geography is presented in the following table. Loans on non-accrual status are presented. Following loans on non-accrual status is information related to loans on non-accrual status, including amounts charged off through September 30, 2008 and specific allocations of the allowance for loan losses (ALL) related to these loans. Last, information related to our loans 90+ days past due, but still accruing interest, are also presented.

	Balance 9/30/2008	Illinois/ Indiana 9/30/2008	Florida 9/30/2008	Commercial 9/30/2008	Retail 9/30/2008
<u>Non-Accrual Loans</u>					
Busey Bank	$ 40,808	$ 9,681	$ 31,127	$ 38,842	$ 1,966
Busey Bank, N.A.	18,539		18,539	8,178	10,361
	$ 59,347	$ 9,681	$ 49,666	$ 47,020	$ 12,327
<u>Charge offs on Non-Accrual Loans</u>					
Busey Bank	$ 13,364	$ 6,163	$ 7,201	$ 12,891	$ 473
Busey Bank, N.A.	6,551		6,551	2,670	3,881
	$ 19,915	$ 6,163	$ 13,752	$ 15,561	$ 4,354
<u>Specific Allocation of ALL on Non-Accrual Loans</u>					
Busey Bank	$ 5,035	$ 1,535	$ 3,500	$ 4,985	$ 50
Busey Bank, N.A.	1,004		1,004		1,004
	$ 6,039	$ 1,535	$ 4,504	$ 4,985	$ 1,054
<u>90+ Days Past Due</u>					

Busey Bank	$ 11,246	$ 6,360	$ 4,886	$ 7,516	$ 3,730
Busey Bank, N.A.	601		601	601	
	$ 11,847	$ 6,360	$ 5,487	$ 8,117	$ 3,730

Non-performing loans increased $12.6 million from June 30, 2008, split evenly between increased non-accrual loans and increased loans 90+ days past due. Busey Bank s non-accrual loans increased $1.8 million from June 30, 2008, a result of $9.9 million of additions to non-accrual, offset by $5.9 million in charge-offs and $2.2 million of loans transferred to OREO following foreclosure. The geographical mix for Busey Bank showed a decrease in Illinois/Indiana non-accruals of $3.9 million primarily related to a loan taken into OREO during the quarter. Busey Bank s Florida non-accruals increased $5.7 million in the third quarter of 2008. Busey Bank s 90+ days past due increased $6.2 million in the third quarter of 2008. The increase is primarily attributable to a $4.9 million loan in Florida.

Busey Bank, N.A. s non-accrual loans increased $4.4 million during the third quarter of 2008, of which no loan made up a significant portion of the increase. Loans 90+ days past due at Busey Bank, N.A. were essentially flat as compared to June 30, 2008.

Busey Bank and Busey Bank, N.A. charged off $13.4 million and $6.5 million, respectively, of principal balance on loans on non-accrual status from the inception of the loan through September 30, 2008. Charge-offs reduce the reported principal of the balance of the loan, whereas, a specific allocation of allowance for loan losses does not reduce the reported principal balance of the loan. Non-accrual loans are reported net of charge-offs, but gross of related specific allocations of ALL. In summary, if we had not charged off the $19.9 million in loans, our non-accrual loans would have been $19.9 million higher than the $59.3 million.

As loan balances are charged-off to reflect the loss we expect upon final resolution of the loan collection process, no additional allowance has been deemed necessary to cover the expected loss related to that loan. Certain loans will have amounts charged off and a specific allocation of ALL assigned to the loan. In this case, we expect a loss, but a reasonable possibility exists the loss will not be as large as we estimate. Therefore, the known loss is charged off and the remaining potential loss is assigned a specific allocation of ALL.

First Busey continues to attempt to identify problem loan situations on a proactive basis. Once problem loans are identified, adjustments to the provision are made based upon all information available at that time. The provision reflects managements analysis of additional allowance for loan losses necessary to cover potential losses in our loan portfolios. Management believes the level of the allowance and coverage of non-performing loans to be appropriate based upon the information available. However, additional losses may be identified in our loan portfolio as new information is obtained. First Busey may need to provide for additional loan losses in the future as management continues to identify potential problem loans and gain further information concerning existing problem loans, particularly in the southwest Florida market.

POTENTIAL PROBLEM LOANS

Potential problem loans are those loans which are not categorized as impaired, non-accrual, past due or restructured, but where current information indicates that the borrower may not be able to comply with present loan repayment terms. Management assesses the potential for loss on such loans as it would with other problem loans and has considered the effect of any potential loss in determining its provision for loan losses. Potential problem loans were at $92.7 million at September 30, 2008, compared to $85.2 million at June 30, 2008 and $26.3 million at December 31, 2007. The increase in potential problem loans related to the decline in the overall real estate markets and the current economic and credit environment. Geographically, the increase in potential problem loans was primarily related to the southwest Florida market.

Beginning at the end of 2007, we began to restructure more loans. We restructure loans for our customers who appear to be able to meet the terms of their loan over the long-term, but who may be unable to meet the terms of the loan in the near term due to individual circumstances. We consider the customer s past performance, previous and current credit history, the individual circumstances surrounding the current difficulties and their plan to meet the terms of the loan in the future prior to restructuring the terms of the loan. Generally, loans are restructured through short-term interest rate relief, short-term principal payment relief or short-term principal and interest payment relief. At September 30, 2008, the total amount of loans operating under restructured terms due to the financial difficulties of the borrower was $22.6 million.

LIQUIDITY

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

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

First Busey s primary sources of funds consist of deposits, investment maturities and sales, loan principal repayments, and capital funds. Additional liquidity is provided by bank lines of credit, repurchase agreements, the ability to borrow from the Federal Reserve Bank and the Federal Home Loan Bank, and brokered deposits. We have an operating line in the amount of $35.0 million, of which $18.0 million was available as of September 30, 2008.

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

CAPITAL RESOURCES

First Busey and its bank subsidiaries are subject to regulatory capital requirements administered by federal and state banking agencies. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, First Busey and its bank subsidiaries must meet specific capital guidelines that involve the quantitative measure of their assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. Quantitative measures established by regulation to ensure capital adequacy require First Busey and its bank subsidiaries to maintain minimum amounts and ratios (set forth in the table below) of total and Tier I capital (as defined in the regulations) to risk-weighted assets (as defined), and Tier 1 capital (as defined) to average assets (as defined). Management believes, as of September 30, 2008, that First Busey and its bank subsidiaries were considered well capitalized pursuant to the appropriate regulators thresholds and standards.

As described above, we are considering participating in the US Treasury s Capital Purchase Program. If we participate, the senior preferred shares we sell would be included as Tier 1 capital under the revised capital adequacy guidelines published by the Federal Reserve Board on October 27, 2008.

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
			(dollars in thousands)			
As of September 30, 2008:						
Total Capital (to Risk-weighted Assets)						
Consolidated	$ 344,625	10.01%	$ 275,416	8.00%	N/A	N/A
Busey Bank	$ 326,206	10.63%	$ 245,560	8.00%	$ 306,950	10.00%
Busey Bank, N.A.	$ 48,926	14.13%	$ 27,692	8.00%	$ 34,615	10.00%
Tier I Capital (to Risk-weighted Assets)						
Consolidated	$ 300,862	8.74%	$ 137,708	4.00%	N/A	N/A
Busey Bank	$ 287,259	9.36%	$ 122,780	4.00%	$ 184,170	6.00%
Busey Bank, N.A.	$ 44,555	12.87%	$ 13,846	4.00%	$ 20,769	6.00%
Tier I Capital (to Average Assets)						
Consolidated	$ 300,862	7.46%	$ 161,360	4.00%	N/A	N/A
Busey Bank	$ 287,259	7.95%	$ 144,531	4.00%	$ 180,664	5.00%
Busey Bank, N.A.	$ 44,555	10.57%	$ 16,855	4.00%	$ 21,068	5.00%

FORWARD LOOKING STATEMENTS

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

CRITICAL ACCOUNTING ESTIMATES

Critical accounting estimates are those that are critical to the portrayal and understanding of First Busey s financial condition and results of operations and require management to make assumptions that are difficult, subjective or complex. These estimates involve judgments, estimates and uncertainties that are susceptible to change. In the event that different assumptions or conditions were to prevail, and depending on the severity of such changes, the possibility of materially different financial condition or results of operations is a reasonable likelihood. The four most significant estimates, market value of investment securities, allowance for loan losses and revenue recognition are discussed in this section.

Market Value of Investment Securities. Securities are classified as available-for-sale when First Busey may decide to sell those securities due to changes in market interest rates, liquidity needs, changes in yields on alternative investments, and for other reasons. They are carried at fair value with unrealized gains and losses, net of taxes, reported in other comprehensive income (loss). All of First Busey s securities are classified as available-for-sale. For equity securities, unadjusted quoted prices in active markets for identical assets are utilized to determine fair value at the measurement date. For all other securities, we obtain fair value measurements from an independent pricing service. The fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, live trading levels, trade execution data, market consensus prepayment speeds, credit information and the security s terms and conditions, among other things. Due to the limited nature of the market for certain securities, the market value and potential sale proceeds could be materially different in the event of a sale.

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

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

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

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 First Busey 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.

Valuation of Goodwill and Intangible Assets. Goodwill and other intangibles with indefinite lives are not amortized but instead are periodically tested for impairment. Management performs an impairment analysis for the intangible assets with indefinite lives on an annual basis and determined that there was no impairment as of December 31, 2007. The valuation is determined using discounted cash flows of forecasted earnings, estimated sales price based on recent observable market transactions and/or market capitalization based on current stock price. If impairment was deemed to exist, a write down of the asset would occur with a charge to earnings. The impairment analysis requires management to make subjective judgments. Events and factors that may significantly affect the estimates include, among others, competitive forces, customer behaviors and attrition, changes in revenue growth trends, cost structures, technology, changes in discount rates and specific industry and market conditions.

ITEM 3. QUANTITATIVE AND QUALITATIVE

DISCLOSURE ABOUT MARKET RISK

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

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

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

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

The following table sets forth the static rate-sensitivity analysis of First Busey as of September 30, 2008:

	Rate Sensitive Within (dollars in thousands)					
	1-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Interest-bearing deposits	$ 490	$	$	$	$	$ 490
Federal funds sold						
Investment securities U.S. Governments	29,995	20,147	36,259	90,667	190,181	367,249
Obligations of states and political subdivisions	1,079	9,225	7,261	1,488	76,770	95,823
Other securities	7,081	6,470	7,514	18,244	100,912	140,220
Loans (net of unearned int.)	1,273,629	195,206	228,439	396,389	1,135,731	3,229,394
Total rate-sensitive assets	$ 1,312,274	$ 231,048	$ 279,473	$ 506,788	$ 1,503,594	$ 3,833,176
Interest-bearing transaction deposits	$ 86,602	$	$	$	$	$ 86,602
Savings deposits	152,429					152,429
Money market deposits	1,275,303					1,275,303
Time deposits	167,056	248,866	299,948	537,892	365,352	1,619,114
Short-term borrowings:						
Federal funds purchased and repurchase agreements	220,583	2,095	2,000	2,708		227,386
Short-term borrowings	47,000		25,000			72,000
Long-term debt	30,000		3,835	8,250	92,825	134,910
Junior subordinated debt owed To unconsolidated trusts		25,000			30,000	55,000
Total rate-sensitive liabilities	$ 1,978,973	$ 275,961	$ 330,783	$ 548,850	$ 488,177	$ 3,622,744
Rate-sensitive assets less rate-sensitive liabilities	$ (666,699)	$ (44,913)	$ (51,310)	$ (42,063)	$ 1,015,417	$ 210,432
Cumulative Gap	$ (666,699)	$ (711,612)	$ (762,922)	$ (804,985)	$ 210,432	
Cumulative amounts as a percentage of total rate-sensitive assets	(17.39)%	(18.56)%	(19.90)%	(21.00)%	5.49%	
Cumulative ratio	0.66	0.68	0.70	0.74	1.06	

The funds management policy of First Busey requires the banks to maintain a cumulative rate-sensitivity ratio of .75   1.25 in the 90-day, 180-day, and 1-year time periods. As of September 30, 2008, although First Busey was outside of those guidelines, the banks were within those guidelines.

The foregoing table shows a cumulative negative (liability-sensitive) rate-sensitivity gap of $805.0 million through one year as there were more liabilities subject to repricing during those time periods than there were assets subject to repricing within those same time periods. The volume of assets subject to repricing exceeds the volume of liabilities subject to repricing beyond one year. The composition of the gap structure at September 30, 2008, indicates we 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, assuming rates on all categories of rate sensitive assets and rate sensitive liabilities change by the same amount and at the over the same period.

First Busey s asset/liability committees do not rely solely on gap analysis to manage interest-rate risk as interest rate changes do not impact all categories of assets and liabilities equally or simultaneously. The committees supplement gap analysis with balance sheet and income simulation analysis to determine the potential impact on net interest income of changes in market interest rates. In these simulation models the balance sheet is projected over a one-year period and net interest income is calculated under current market rates, and then assuming permanent instantaneous shifts of +/-100 basis points and +/-200 basis points. Management measures such changes assuming immediate and sustained shifts in the Federal funds rate and the corresponding shifts in other rate indices based on their historical changes relative to changes in the Federal funds rate. The model assumes asset and liability remain constant at September 30, 2008, balances. The model assumes repricing frequency on all variable-rate assets and liabilities. The model also assumes a historical decay rate on all fixed-rate core deposit balances. Prepayment speeds on loans have been adjusted up and down to incorporate expected prepayment in both a declining and rising rate environment. Utilizing this measurement concept the interest rate risk of First Busey, expressed as a change in net interest income as a percentage of the net income calculated in the constant base model, due to an immediate and sustained change in interest rates at September 30, 2008, and December 31, 2007 was as follows:

	Basis Point Changes			
	- 200	**- 100**	**+ 100**	**+ 200**
September 30, 2008	(7.18)%	(2.53)%	(1.21)%	(2.68)%
December 31, 2007	(2.01)%	(0.33)%	0.07%	(0.05)%

The negative impact of an immediate and permanent interest rate shift in either direction is a reflection of the current low interest rate environment and our liability sensitive balance sheet through a one year period, as demonstrated in the gap schedule on the previous page. Due to the already low interest rates on deposits, a downward shift in interest rates will not be able to be fully absorbed by the rate sensitive liabilities at the 100 or 200 basis point decrease level. Thus, our rate sensitive assets decline in interest rates would have a greater impact on net interest income than the decline in interest rate on our rate sensitive liabilities. If interest rates were to rise, a greater amount of our rate sensitive liabilities would reprice up over the subsequent year as compared to our rate sensitive assets, as seen in the gap schedule.

ITEM 4: CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

An evaluation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) was carried out as of September 30, 2008, under the supervision and with the participation of our Chief Executive Officer, Chief Financial Officer and several other members of our senior management. Our management concluded that, as of September 30, 2008, our disclosure controls and procedures were effective in ensuring that the information we are required to disclose in the reports we file or submit under the Act is (i) accumulated and communicated to our management (including the Chief Executive Officer and Chief Financial Officer) to allow timely decisions regarding required disclosure, and (ii) recorded, processed, summarized, and reported within the time periods specified in the SEC s rules and forms.

Changes in Internal Control over Financial Reporting

During the quarter ended September 30, 2008, First Busey did not make any changes in its internal control over financial reporting or other factors that materially affected, or were reasonably likely to materially affect its internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1: Legal Proceedings

Not Applicable

ITEM 1A: Risk Factors

There have been no material changes from risk factors as previously disclosed in our 2007 Annual Report on Form 10-K.

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

There were no purchases made by or on behalf of First Busey of shares of its common stock during the quarter ended September 30, 2008.

On November 27, 2007, First Busey announced that its board of directors had authorized the repurchase of an additional 500,000 shares of common stock. On January 22, 2008, First Busey announced that its board of directors had authorized the repurchase of an additional 1 million shares of common stock. First Busey s repurchase plan has no expiration date and is active until all the shares are repurchased or action by the board of directors. As of September 30, 2008, under the Company s stock repurchase plan, 895,655 shares were authorized for repurchase.

ITEM 3: Defaults upon Senior Securities

Not Applicable

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

Not Applicable

ITEM 5: Other Information

(a) None

(b) Not Applicable

ITEM 6: Exhibits

31.1	Certification of Principal Executive Officer.
31.2	Certification of Principal Financial Officer.
32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, from the Company s Chief Executive Officer.
32.2	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, from the Company s Chief Financial Officer.

SIGNATURES

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

FIRST BUSEY CORPORATION

(Registrant)

By:	//Van A. Dukeman//
	Van A. Dukeman President and Chief Executive Officer (Principal executive officer)
By:	//Barbara J. Harrington//
	Barbara J. Harrington Chief Financial Officer (Principal financial and accounting officer)

Date: November 10, 2008