FIRST BUSEY CORP /NV/
Form 10-Q
May 08, 2014

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-Q

x **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the Quarterly Period Ended 3/31/2014

¨ **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

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.)
100 W. University Ave. **Champaign, Illinois** (Address of principal executive offices)	**61820** (Zip code)

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

N/A

(Former name, former address and former fiscal year, if changed since last report)

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

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

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

Large accelerated filer ¨	Accelerated filer x
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

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

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

Class	**Outstanding at May 8, 2014**
Common Stock, $.001 par value	86,822,330

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

FIRST BUSEY CORPORATION and Subsidiaries

CONSOLIDATED BALANCE SHEETS

March 31, 2014 and December 31, 2013

(Unaudited)

	March 31, 2014	December 31, 2013
	(dollars in thousands)	
Assets		
Cash and due from banks (interest-bearing 2014 $180,595; 2013 $118,228)	$ 288,554	$ 231,603
Securities available for sale, at fair value	852,836	841,310
Securities held to maturity, at amortized cost	1,857	834
Loans held for sale	7,046	13,840
Loans (net of allowance for loan losses 2014 $47,426; 2013 $47,567)	2,178,160	2,233,893
Premises and equipment	65,029	65,827
Goodwill	20,686	20,686
Other intangible assets	8,824	9,571
Cash surrender value of bank owned life insurance	41,067	40,674
Other real estate owned (OREO)	1,937	2,133
Deferred tax asset, net	32,356	35,642
Other assets	43,709	43,562
Total assets	$ 3,542,061	$ 3,539,575
Liabilities and Stockholders Equity		
Liabilities		
Deposits:		
Non-interest-bearing	$ 578,081	$ 547,531
Interest-bearing	2,349,092	2,321,607
Total deposits	$ 2,927,173	$ 2,869,138
Securities sold under agreements to repurchase	117,238	172,348
Junior subordinated debt owed to unconsolidated trusts	55,000	55,000
Other liabilities	22,316	27,725
Total liabilities	$ 3,121,727	$ 3,124,211
Stockholders Equity		
Series C Preferred stock, $.001 par value, 72,664 shares authorized, issued and outstanding, $1,000.00 liquidation value per share	$ 72,664	$ 72,664
Common stock, $.001 par value, authorized 200,000,000 shares; shares issued 88,287,132	88	88
Additional paid-in capital	593,164	593,144
Accumulated deficit	(221,524)	(225,722)
Accumulated other comprehensive income	4,935	4,456
Total stockholders equity before treasury stock	$ 449,327	$ 444,630
Common stock shares held in treasury at cost 2014 1,467,852; 2013 1,482,777	(28,993)	(29,266)
Total stockholders equity	$ 420,334	$ 415,364
Total liabilities and stockholders equity	$ 3,542,061	$ 3,539,575
Common shares outstanding at period end	86,819,280	86,804,355

See accompanying notes to unaudited consolidated financial statements.

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FIRST BUSEY CORPORATION and Subsidiaries

CONSOLIDATED STATEMENTS OF INCOME

For the Three Months Ended March 31, 2014 and 2013

(Unaudited)

		2014		2013
		(dollars in thousands, except per share amounts)		
Interest income:				
Interest and fees on loans	$	22,533	$	22,961
Interest and dividends on investment securities:				
Taxable interest income		2,880		3,171
Non-taxable interest income		838		983
Total interest income	$	26,251	$	27,115
Interest expense:				
Deposits	$	1,362	$	2,097
Securities sold under agreements to repurchase		39		44
Short-term borrowings				9
Long-term debt				81
Junior subordinated debt owed to unconsolidated trusts		293		301
Total interest expense	$	1,694	$	2,532
Net interest income	$	24,557	$	24,583
Provision for loan losses		1,000		2,000
Net interest income after provision for loan losses	$	23,557	$	22,583
Other income:				
Trust fees	$	5,617	$	5,208
Commissions and brokers fees, net		671		540
Remittance processing		2,350		2,098
Service charges on deposit accounts		2,695		2,727
Other service charges and fees		1,488		1,439
Gain on sales of loans		981		3,497
Security gains, net		43		
Other		1,141		1,132
Total other income	$	14,986	$	16,641
Other expense:				
Salaries and wages	$	12,249	$	13,560
Employee benefits		2,893		3,227
Net occupancy expense of premises		2,243		2,182
Furniture and equipment expense		1,204		1,254
Data processing		2,812		2,639
Amortization of intangible assets		747		783
Regulatory expense		555		646
OREO expense		20		543
Other		3,895		4,733
Total other expense	$	26,618	$	29,567
Income before income taxes	$	11,925	$	9,657
Income taxes		4,038		3,224
Net income	$	7,887	$	6,433
Preferred stock dividends		182		908
Net income available to common stockholders	$	7,705	$	5,525
Basic earnings per common share	$	0.09	$	0.06
Diluted earnings per common share	$	0.09	$	0.06
Dividends declared per share of common stock	$	0.04	$	

See accompanying notes to unaudited consolidated financial statements.

FIRST BUSEY CORPORATION and Subsidiaries

CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME

For the Three Months Ended March 31, 2014 and 2013

(Unaudited)

	2014	2013
	(dollars in thousands)	
Net income	$ 7,887	$ 6,433
Other comprehensive income (loss), before tax:		
Securities available for sale:		
Unrealized net gains (losses) on securities:		
Unrealized net holding gains (losses) arising during period	$ 857	$ (1,480)
Reclassification adjustment for (gains) included in net income	(43)	
Other comprehensive income (loss), before tax	$ 814	$ (1,480)
Income tax expense (benefit) related to items of other comprehensive income	335	(609)
Other comprehensive income (loss), net of tax	$ 479	$ (871)
Comprehensive income	$ 8,366	$ 5,562

See accompanying notes to unaudited consolidated financial statements.

FIRST BUSEY CORPORATION and Subsidiaries

CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY

For the Three Months Ended March 31, 2014 and 2013

(Unaudited)

(dollars in thousands, except per share amounts)

	Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income	Treasury Stock	Total
Balance, December 31, 2012	$ 72,664	$ 88	$ 594,411	$ (240,321)	$ 13,542	$ (31,587)	$ 408,797
Net income				6,433			6,433
Other comprehensive loss					(871)		(871)
Issuance of treasury stock for employee stock purchase plan			(96)			129	33
Net issuance of treasury stock for restricted stock unit vesting and related tax benefit			(253)			223	(30)
Stock based employee compensation			251				251
Preferred stock dividends				(908)			(908)
Balance, March 31, 2013	$ 72,664	$ 88	$ 594,313	$ (234,796)	$ 12,671	$ (31,235)	$ 413,705
Balance, December 31, 2013	$ 72,664	$ 88	$ 593,144	$ (225,722)	$ 4,456	$ (29,266)	$ 415,364
Net income				7,887			7,887
Other comprehensive income					479		479
Issuance of treasury stock for employee stock purchase plan			(104)			148	44
Net issuance of treasury stock for restricted stock unit vesting and related tax benefit			(135)			125	(10)
Cash dividends common stock at $0.04 per share				(3,472)			(3,472)
Stock dividend equivalents restricted stock units at $0.04 per share			35	(35)			
Stock based employee compensation			224				224
Preferred stock dividends				(182)			(182)
Balance, March 31, 2014	$ 72,664	$ 88	$ 593,164	$ (221,524)	$ 4,935	$ (28,993)	$ 420,334

See accompanying notes to unaudited consolidated financial statements.

FIRST BUSEY CORPORATION and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Three Months Ended March 31, 2014 and 2013

(Unaudited)

	2014	2013
	(dollars in thousands)	
Cash Flows from Operating Activities		
Net income	$ 7,887	$ 6,433
Adjustments to reconcile net income to net cash provided by operating activities:		
Stock-based and non-cash compensation	224	251
Depreciation and amortization	2,141	2,189
Provision for loan losses	1,000	2,000
Provision for deferred income taxes	2,952	2,415
Amortization of security premiums and discounts, net	1,786	2,549
Net security gains	(43)	
Gain on sales of loans, net	(981)	(3,497)
Net gain on disposition of premises and equipment	(2)	
Net (gains) loss on sales of OREO properties	(63)	51
Increase in cash surrender value of bank owned life insurance	(393)	(328)
Change in assets and liabilities:		
(Increase) decrease in other assets	(229)	1,257
Decrease in other liabilities	(5,288)	(1,924)
Decrease in interest payable	(76)	(165)
Decrease (increase) in income taxes receivable	82	(277)
Net cash provided by operating activities before activities for loans originated for sale	$ 8,997	$ 10,954
Loans originated for sale	(42,055)	(130,546)
Proceeds from sales of loans	49,830	143,213
Net cash provided by operating activities	$ 16,772	$ 23,621
Cash Flows from Investing Activities		
Proceeds from sales of securities classified available for sale	59,125	2,295
Proceeds from maturities of securities classified available for sale	54,582	56,705
Purchase of securities classified available for sale	(126,159)	(14,111)
Purchase of securities classified held to maturity	(1,026)	
Net decrease in loans	54,417	774
Proceeds from disposition of premises and equipment	2	462
Proceeds from sale of OREO properties	575	1,014
Purchases of premises and equipment	(596)	(937)
Net cash provided by investing activities	$ 40,920	$ 46,202

(continued on next page)

FIRST BUSEY CORPORATION and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

For the Three Months Ended March 31, 2014 and 2013

(Unaudited)

	2014	2013
	(dollars in thousands)	
Cash Flows from Financing Activities		
Net decrease in certificates of deposit	$ (22,871)	$ (29,338)
Net increase in demand, money market and savings deposits	80,906	65,991
Cash dividends paid	(3,654)	(908)
Value of shares surrendered upon vesting of restricted stock units to cover tax obligations	(12)	
Principal payments on long-term debt		(1,000)
Net decrease in securities sold under agreements to repurchase	(55,110)	(8,215)
Net cash (used in) provided by financing activities	$ (741)	$ 26,530
Net increase in cash and due from banks	$ 56,951	$ 96,353
Cash and due from banks, beginning	$ 231,603	$ 351,255
Cash and due from banks, ending	$ 288,554	$ 447,608
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash payments for:		
Interest	$ 1,770	$ 2,697
Income taxes	$ 1,100	$ 1,110
Non-cash investing and financing activities:		
Other real estate acquired in settlement of loans	$ 316	$ 247

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 (First Busey or the Company), a Nevada corporation, have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (the 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, 2013.

The accompanying Consolidated Balance Sheet as of December 31, 2013, 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 as of the dates and for the periods presented. All such adjustments are of a normal recurring nature. The results of operations for the three months ended March 31, 2014 are not necessarily indicative of the results that may be expected for the year ending December 31, 2014.

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.

In preparing the accompanying consolidated financial statements, the Company s management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses for the reporting period. Actual results could differ from those estimates. Material estimates which are particularly susceptible to significant change in the near term relate to the fair value of investment securities, the determination of the allowance for loan losses, and the valuation allowance on the deferred tax asset.

The Company has evaluated subsequent events for potential recognition and/or disclosure through the date the consolidated financial statements included in this Quarterly Report on Form 10-Q were issued. There were no significant subsequent events for the quarter ended March 31, 2014 through the issuance date of these financial statements that warranted adjustment to or disclosure in the consolidated financial statements.

Note 2: Recent Accounting Pronouncements

ASU 2014-04, Receivables - Troubled Debt Restructurings by Creditors (Subtopic 310-40) - Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure. ASU 2014-14 clarifies when an in-substance repossession or foreclosure occurs and requires interim and annual disclosures. The new authoritative guidance will be for reporting periods after January 1, 2015 and is not expected to have a significant impact on the Company s financial statements.

Note 3: Securities

Securities are classified as held to maturity when First Busey has the ability and management has the positive intent to hold those securities to maturity. Accordingly, they are stated at cost, adjusted for amortization of premiums and accretion of discounts. 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.

The amortized cost, unrealized gains and losses and fair values of securities classified available for sale and held to maturity are summarized as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
		(dollars in thousands)		
March 31, 2014:				
Available for sale				
U.S. Treasury securities	$ 50,464	$ 217	$ (11)	$ 50,670
Obligations of U.S. government corporations and agencies	229,335	2,201	(291)	231,245
Obligations of states and political subdivisions	252,019	3,177	(1,474)	253,722
Residential mortgage-backed securities	266,556	3,694	(796)	269,454
Corporate debt securities	42,716	157	(117)	42,756
Total debt securities	841,090	9,446	(2,689)	847,847
Mutual funds and other equity securities	3,357	1,632		4,989
Total	$ 844,447	$ 11,078	$ (2,689)	$ 852,836
Held to maturity				
Obligations of states and political subdivisions	$ 831	$ 5	$	$ 836
Commercial mortgage-backed securities	1,026		(3)	1,023
Total	$ 1,857	$ 5	$ (3)	$ 1,859

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
		(dollars in thousands)		
December 31, 2013:				
Available for sale				
U.S. Treasury securities	$ 102,463	$ 244	$ (67)	$ 102,640
Obligations of U.S. government corporations and agencies	254,998	2,741	(328)	257,411
Obligations of states and political subdivisions	272,077	2,887	(2,812)	272,152
Residential mortgage-backed securities	174,699	3,571	(535)	177,735
Corporate debt securities	25,384	155	(33)	25,506
Total debt securities	829,621	9,598	(3,775)	835,444
Mutual funds and other equity securities	4,114	1,752		5,866
Total	$ 833,735	$ 11,350	$ (3,775)	$ 841,310
Held to maturity				
Obligations of states and political subdivisions	$ 834	$ 1	$ (4)	$ 831
Total	$ 834	$ 1	$ (4)	$ 831

The amortized cost and fair value of debt securities available for sale and held to maturity as of March 31, 2014, by contractual maturity, are shown below. Mutual funds and other equity securities do not have stated maturity dates and therefore are not included in the following maturity summary. Mortgages underlying the residential mortgage-backed securities may be called or prepaid without penalties; therefore, actual maturities could differ from the contractual maturities. All residential mortgage-backed securities were issued by U.S. government agencies and corporations.

	Available for sale		Held to maturity	
	Amortized Cost	**Fair Value**	**Amortized Cost**	**Fair Value**
	(dollars in thousands)		**(dollars in thousands)**	
Due in one year or less	$ 130,245	$ 131,111	$	$
Due after one year through five years	374,490	377,005	319	320
Due after five years through ten years	165,832	168,511	1,538	1,539
Due after ten years	170,523	171,220		
Total	$ 841,090	$ 847,847	$ 1,857	$ 1,859

Realized gains and losses related to sales of securities available for sale are summarized as follows:

	Three Months Ended March 31,	
	2014	**2013**
	(dollars in thousands)	
Gross security gains	$ 57	$
Gross security (losses)	(14)	
Net security gains	$ 43	$

The tax provision for the net realized gains and losses was insignificant for the three months ended March 31, 2014 and there was no tax provision related to net realized gains and losses for the three months ended March 31, 2013.

Investment securities with carrying amounts of $362.4 million and $428.7 million on March 31, 2014 and December 31, 2013, respectively, were pledged as collateral for public deposits, securities sold under agreements to repurchase and for other purposes as required or permitted by law.

Information pertaining to securities with gross unrealized losses at March 31, 2014 and December 31, 2013 aggregated by investment category and length of time that individual securities have been in a continuous loss position follows:

	Continuous unrealized losses existing for less than 12 months, gross		Continuous unrealized losses existing for greater than 12 months, gross		Total, gross	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
March 31, 2014:						
Available for sale						
U.S. Treasury securities	$ 851	$ 11	$	$	$ 851	$ 11
Obligations of U.S. government corporations and agencies	25,992	291			25,992	291
Obligations of states and political subdivisions	73,682	1,259	5,332	215	79,014	1,474
Residential mortgage-backed securities	111,493	796			111,493	796
Corporate debt securities	18,006	117			18,006	117
Total temporarily impaired securities	$ 230,024	$ 2,474	$ 5,332	$ 215	$ 235,356	$ 2,689
March 31, 2014:						
Held to maturity						
Obligations of states and political subdivisions (1)	$ 280	$	$	$	$ 280	$
Commercial mortgage-backed securities	1,023	3			1,023	3
Total temporarily impaired securities	$ 1,303	$ 3	$	$	$ 1,303	$ 3

(1) Unrealized losses existing for less than 12 months, gross, was less than one thousand dollars.

	Continuous unrealized losses existing for less than 12 months, gross		Continuous unrealized losses existing for greater than 12 months, gross		Total, gross	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
			(dollars in thousands)			
December 31, 2013:						
Available for sale						
U.S. Treasury securities	$ 25,830	$ 67	$	$	$ 25,830	$ 67
Obligations of U.S. government corporations and agencies	25,946	328			25,946	328
Obligations of states and political subdivisions	92,703	2,518	8,492	294	101,195	2,812
Residential mortgage-backed securities	53,543	535			53,543	535
Corporate debt securities	1,614	33			1,614	33
Total temporarily impaired securities	$ 199,636	$ 3,481	$ 8,492	$ 294	$ 208,128	$ 3,775
December 31, 2013:						
Held to maturity						
Obligations of states and political subdivisions	$ 597	$ 4	$	$	$ 597	$ 4
Total temporarily impaired securities	$ 597	$ 4	$	$	$ 597	$ 4

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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 whether the Company has the intent to sell the security and it is more-likely-than-not it will have to sell the security before recovery of its cost basis.

The total number of securities in the investment portfolio in an unrealized loss position as of March 31, 2014 was 212, and represented a loss of 1.1% of the aggregate carrying value. Based upon a review of unrealized loss circumstances, the unrealized losses resulted from changes in market interest rates and liquidity, not from changes in the probability of receiving the contractual cash flows. The Company does not intend to sell the securities and it is more-likely-than-not that the Company will recover the amortized cost prior to being required to sell the securities. Full collection of the amounts due according to the contractual terms of the securities is expected; therefore, the Company does not consider these investments to be other-than-temporarily impaired at March 31, 2014.

The Company had available for sale obligations of state and political subdivisions with a fair value of $253.7 million and $272.2 million as of March 31, 2014 and December 31, 2013, respectively. In addition, the Company had held to maturity obligations of state and political subdivisions totaling $0.8 million at March 31, 2014 and December 31, 2013.

As of March 31, 2014, the Company s obligations of state and political subdivisions portfolios were comprised of $206.1 million of general obligation bonds and $48.4 million of revenue bonds issued by 255 issuers, primarily consisting of states, counties, cities, towns, villages and school districts. The Company held investments in general obligation bonds in twenty-four states (including the District of Columbia), including seven states in which the aggregate fair value exceeded $5.0 million. The Company held investments in revenue bonds in twenty-one states, including two states where the aggregate fair value exceeded $5.0 million.

As of December 31, 2013, the Company s obligations of state and political subdivisions portfolio was comprised of $223.5 million of general obligation bonds and $49.5 million of revenue bonds issued by 267 issuers, primarily consisting of states, counties, cities, towns, villages and school districts. The Company held investments in general obligation bonds in twenty-five states (including the District of Columbia), including seven states in which the aggregate fair value exceeded $5.0 million. The Company held investments in revenue bonds in twenty-one states, including two states where the aggregate fair value exceeded $5.0 million.

The amortized cost and fair values of the Company s portfolio of general obligation bonds are summarized in the following tables by the issuers state:

March 31, 2014: U.S. State	**Number of Issuers**	**Average Exposure Per Issuer (Fair Value)**	**Amortized Cost**	**Fair Value**
		(dollars in thousands)		
Illinois	75	$ 935	$ 68,919	$ 70,109
Wisconsin	41	981	39,996	40,203
Michigan	37	960	35,289	35,520
Pennsylvania	11	1,287	14,112	14,153
Ohio	11	1,012	11,220	11,129
Texas	7	1,051	7,474	7,355
Iowa	3	2,049	6,123	6,146
Other	25	861	20,986	21,528
Total general obligations bonds	210	$ 982	$ 204,119	$ 206,143

December 31, 2013: U.S. State	Number of Issuers		Average Exposure Per Issuer (Fair Value)		Amortized Cost		Fair Value
			(dollars in thousands)				
Illinois	82	$	1,022	$	82,884	$	83,804
Wisconsin	41		1,052		43,117		43,122
Michigan	37		956		35,350		35,365
Pennsylvania	11		1,285		14,132		14,133
Ohio	12		952		11,709		11,426
Texas	7		1,039		7,510		7,270
Iowa	3		2,020		6,126		6,060
Other	26		857		21,865		22,290
Total general obligations bonds	219	$	1,020	$	222,693	$	223,470

The general obligation bonds are diversified across many issuers, with $3.4 million and $5.0 million being the largest exposure to a single issuer at March 31, 2014 and December 31, 2013, respectively. Accordingly, as of March 31, 2014 and December 31, 2013, the Company did not hold general obligation bonds of any single issuer, the aggregate book or market value of which exceeded 10% of the Company s stockholders equity. Of the general obligation bonds in the Company s portfolio, 96.9% had been rated by at least one nationally recognized statistical rating organization and 3.1% were unrated, based on the fair value as of March 31, 2014. Of the general obligation bonds in the Company s portfolio, 96.4% had been rated by at least one nationally recognized statistical rating organization and 3.6% were unrated, based on the fair value as of December 31, 2013.

The amortized cost and fair values of the Company s portfolio of revenue bonds are summarized in the following tables by the issuers state:

March 31, 2014: U.S. State	Number of Issuers		Average Exposure Per Issuer (Fair Value)		Amortized Cost		Fair Value
			(dollars in thousands)				
Illinois	4	$	1,803	$	7,354	$	7,213
Indiana	11		1,202		13,321		13,219
Other	30		933		28,056		27,983
Total revenue bonds	45	$	1,076	$	48,731	$	48,415

December 31, 2013: U.S. State	Number of Issuers		Average Exposure Per Issuer (Fair Value)		Amortized Cost		Fair Value
			(dollars in thousands)				
Illinois	4	$	1,780	$	7,356	$	7,121
Indiana	14		1,034		14,740		14,481
Other	30		930		28,122		27,911
Total revenue bonds	48	$	1,032	$	50,218	$	49,513

The revenue bonds are diversified across many issuers and revenue sources with $3.0 million being the largest exposure to a single issuer at March 31, 2014 and December 31, 2013. Accordingly, as of March 31, 2014 and December 31, 2013, the Company did not hold revenue bonds of any single issuer, the aggregate book or market value of which exceeded 10% of the Company s stockholders equity. All of the revenue bonds in the Company s portfolio had been rated by at least one nationally recognized statistical rating organization as of March 31, 2014 and December 31, 2013. Some of the primary types of revenue bonds owned in the Company s portfolio include: primary education or government building lease rentals secured by ad valorem taxes, utility systems secured by utility system net revenues, housing authorities secured by mortgage loans or principal receipts on mortgage loans, secondary education secured by student fees/tuitions, contracts subject to annual state appropriation, and pooled issuances (i.e. bond bank) consisting of multiple underlying municipal obligors.

Substantially all of the Company s obligations of state and political subdivision securities are owned by Busey Bank**,** whose investment policy requires that state and political subdivision securities purchased be investment grade. Busey Bank s investment policy also limits the amount of rated state and political subdivision securities to an aggregate 100% of the Bank s Total Risk Based Capital at the time of purchase and an aggregate 15% of Total Risk Based Capital for unrated state and political subdivision securities issued by municipalities having taxing authority or located in counties/MSAs in which an office of the Bank is located. The investment policy states fixed income investments that are not OCC Type 1 securities (U.S. Treasuries, agencies, municipal government general obligation and, for well-capitalized institutions, most municipal revenue bonds) should be analyzed prior to acquisition to determine that (1) the security has low risk of default by the obligor, and (2) the full and timely repayment of principal and interest is expected over the expected life of the investment. All securities in the Bank s obligations of state and political subdivision securities portfolio are subject to such review. Factors that may be considered as part of ongoing monitoring of state and political subdivision securities include credit rating changes by nationally recognized statistical rating organizations, market valuations, third-party municipal credit analysis, which may include indicative information regarding the issuer s capacity to pay, market and economic data and such other factors as are available and relevant to the security or the issuer such as its budgetary position and sources, strength and stability of taxes and/or other revenue.

As of March 31, 2014, the Company s regular monitoring of its obligations of state and political subdivisions portfolio had not uncovered any facts or circumstances resulting in significantly different credit ratings than those assigned by a nationally recognized statistical rating organization.

Note 4: Loans

Geographic distributions of loans were as follows:

	March 31, 2014			
	Illinois	**Florida**	**Indiana**	**Total**
	(dollars in thousands)			
Commercial	$ 482,926	$ 27,514	$ 21,405	$ 531,845
Commercial real estate	790,038	162,673	124,015	1,076,726
Real estate construction	54,610	10,994	9,382	74,986
Retail real estate	427,936	101,254	11,430	540,620
Retail other	7,848	519	88	8,455
Total	$ 1,763,358	$ 302,954	$ 166,320	$ 2,232,632
Less held for sale(1)				7,046
				$ 2,225,586
Less allowance for loan losses				47,426
Net loans				$ 2,178,160

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

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

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

Net deferred loan origination costs included in the tables above were $0.1 million as of March 31, 2014 and insignificant as of December 31, 2013.

The Company believes that sound loans are a necessary and desirable means of employing funds available for investment. Recognizing the Company s obligations to its stockholders, depositors, and to the communities it serves, authorized personnel are expected to seek to develop and make sound, profitable loans that resources permit and that opportunity affords. The Company maintains lending policies and procedures designed to focus lending efforts on the types, locations and duration of loans most appropriate for its business model and markets. While not specifically limited, the Company attempts to focus its lending on short to intermediate-term (0-7 years) loans in geographies within 125 miles of its lending offices. The Company attempts to utilize government-assisted lending programs, such as the Small Business Administration and United States Department of Agriculture lending programs, when prudent. Generally, loans are collateralized by assets, primarily real estate, of the borrowers and guaranteed by individuals. The loans are expected to be repaid primarily from cash flows of the borrowers, or from proceeds from the sale of selected assets of the borrowers.

Management reviews and approves the Company s lending policies and procedures on a routine basis. Management routinely (at least quarterly) reviews the Company s allowance for loan losses and reports related to loan production, loan quality, concentrations of credit, loan delinquencies and non-performing and potential problem loans. The Company s underwriting standards are designed to encourage relationship banking rather than transactional banking. Relationship banking implies a primary banking relationship with the borrower that includes, at a minimum, an active deposit banking relationship in addition to the lending relationship. The integrity and character of the borrower are significant factors in the Company s loan underwriting. As a part of underwriting, tangible positive or negative evidence of the borrower s integrity and character are sought out. Additional significant underwriting factors beyond location, duration, a sound and profitable cash flow basis and the borrower s character are the quality of the borrower s financial history, the liquidity of the underlying collateral and the reliability of the valuation of the underlying collateral.

Total borrowing relationships, including direct and indirect debt, are generally limited to $20 million, which is significantly less than the Company s regulatory lending limit. Borrowing relationships exceeding $20 million are reviewed by the Company s board of directors at least annually and more frequently by management. At no time is a borrower s total borrowing relationship permitted to exceed the Company s regulatory lending limit. Loans to related parties, including executive officers and the Company s various directorates, are reviewed for compliance with regulatory guidelines and by the Company s board of directors at least annually.

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The Company maintains an independent loan review department that reviews the loans for compliance with the Company s loan policy on a periodic basis. In addition to compliance with this policy, the loan review process reviews the risk assessments made by the Company s credit department, lenders and loan committees. Results of these reviews are presented to management and the audit committee at least quarterly.

The Company s lending can be summarized into five primary areas: commercial loans, commercial real estate loans, real estate construction loans, retail real estate loans, and other retail loans. A description of each of the lending areas can be found in the Company s Annual Report on Form 10-K for the year ended December 31, 2013. The significant majority of the lending activity occurs in the Company s Illinois and Indiana markets, with the remainder in the Florida market. Due to the small scale of the Indiana loan portfolio and its geographical proximity to the Illinois portfolio, the Company believes that quantitative or qualitative segregation between Illinois and Indiana is not material or warranted.

The Company utilizes a loan grading scale to assign a risk grade to all of its loans. Loans are graded on a scale of 1 through 10 with grades 2, 4 & 5 unused. A description of the general characteristics of the grades is as follows:

- *Grades 1, 3, 6-* These grades include loans which are all considered strong credits, with grade 1 being investment or near investment grade. A grade 3 loan is comprised of borrowers that exhibit credit fundamentals that exceed industry standards and loan policy guidelines. A grade 6 loan is comprised of borrowers that exhibit acceptable credit fundamentals.

- *Grade 7-* This grade includes loans on management s Watch List and is intended to be utilized on a temporary basis for a pass grade borrower where a significant risk-modifying action is anticipated in the near future.

- *Grade 8-* This grade is for Other Assets Specially Mentioned loans that have potential weaknesses which may, if not checked or corrected, weaken the asset or inadequately protect the Company s credit position at some future date.

- *Grade 9-* This grade includes Substandard loans, in accordance with regulatory guidelines, for which the accrual of interest has not been stopped. Assets so classified must have well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the Company will sustain some loss if the deficiencies are not corrected.

- *Grade 10-* This grade includes Doubtful loans that have all the characteristics of a substandard loan with additional factors that make collection in full highly questionable and improbable. Such loans are placed on non-accrual status and may be dependent on collateral having a value that is difficult to determine.

All loans are graded at the inception of the loan. All commercial and commercial real estate loans above $0.5 million with a grading of 7 are reviewed annually and grade changes are made as necessary. All real estate construction loans above $0.5 million, regardless of the grade, are reviewed annually and grade changes are made as necessary. Interim grade reviews may take place if circumstances of the borrower warrant a more timely review. All loans above $0.5 million which are graded 8 are reviewed quarterly. Further, all loans graded 9 or 10 are reviewed at least quarterly.

Loans in the highest grades, represented by grades 1, 3, 6 and 7, totaled $2.1 billion at March 31, 2014 and December 31, 2013. Loans in the lowest grades, represented by grades 8, 9 and 10, totaled $151.5 million at March 31, 2014, a decline of $10.4 million from $161.9 million at December 31, 2013.

The following table presents weighted average risk grades segregated by category of loans (excluding held for sale, non-posted and clearings) and geography:

	March 31, 2014					
	Weighted Avg. Risk Grade	Grades 1,3,6	Grade 7	Grade 8	Grade 9	Grade 10
	(dollars in thousands)					
Illinois/Indiana						
Commercial	4.66	$ 439,328	$ 43,161	$ 9,724	$ 10,514	$ 1,604
Commercial real estate	5.57	792,255	70,087	26,888	20,261	4,562
Real estate construction	7.06	24,562	16,792	11,695	7,567	3,376
Retail real estate	3.44	410,802	9,359	5,012	3,999	1,633
Retail other	2.63	7,868	65		3	
Total Illinois/Indiana		$ 1,674,815	$ 139,464	$ 53,319	$ 42,344	$ 11,175
Florida						
Commercial	5.78	$ 23,559	$ 79	$ 3,186	$ 680	$ 10
Commercial real estate	6.05	112,870	23,344	10,849	12,992	2,618
Real estate construction	6.29	9,442		724	828	
Retail real estate	3.82	76,137	12,155	9,758	2,507	537
Retail other	1.57	519				
Total Florida		$ 222,527	$ 35,578	$ 24,517	$ 17,007	$ 3,165
Total		$ 1,897,342	$ 175,042	$ 77,836	$ 59,351	$ 14,340

	December 31, 2013					
	Weighted Avg. Risk Grade	Grades 1,3,6	Grade 7	Grade 8	Grade 9	Grade 10
	(dollars in thousands)					
Illinois/Indiana						
Commercial	4.66	$ 487,587	$ 46,992	$ 15,986	$ 8,536	$ 975
Commercial real estate	5.55	799,117	79,371	19,327	29,606	4,597
Real estate construction	7.11	21,585	16,376	11,920	7,686	3,862
Retail real estate	3.53	393,299	9,285	5,392	4,408	3,936
Retail other	2.64	8,451	60		4	
Total Illinois/Indiana		$ 1,710,039	$ 152,084	$ 52,625	$ 50,240	$ 13,370
Florida						
Commercial	5.89	$ 16,460	$ 174	$ 3,218	$ 684	$
Commercial real estate	6.02	116,741	16,470	11,250	12,721	3,073
Real estate construction	6.64	7,886	7,961	743	836	
Retail real estate	3.85	77,116	12,052	9,417	3,050	721
Retail other	1.72	552				
Total Florida		$ 218,755	$ 36,657	$ 24,628	$ 17,291	$ 3,794
Total		$ 1,928,794	$ 188,741	$ 77,253	$ 67,531	$ 17,164

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

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An age analysis of past due loans still accruing and non-accrual loans is as follows:

	March 31, 2014			
	Loans past due, still accruing			Non-accrual
	30-59 Days	60-89 Days	90+Days	Loans
	(dollars in thousands)			
Illinois/Indiana				
Commercial	$ 541	$ 1,524	$	$ 1,604
Commercial real estate	896	12		4,562
Real estate construction		48		