

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 9/30/2014

o 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 **o**

Accelerated filer **x**

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

Smaller reporting company **o**

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the 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 November 6, 2014
Common Stock, \$.001 par value	86,852,116

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

FIRST BUSEY CORPORATION and Subsidiaries
CONSOLIDATED BALANCE SHEETS
September 30, 2014 and December 31, 2013
(Unaudited)

September 30, 2014 December 31, 2013
(dollars in thousands)

Assets

Cash and due from banks (interest-bearing 2014 \$95,358; 2013 \$118,228)	\$	179,724	\$	231,603
Securities available for sale, at fair value		803,065		841,310
Securities held to maturity, at amortized cost		2,384		834
Loans held for sale		12,090		13,840
Loans (net of allowance for loan losses 2014 \$47,014; 2013 \$47,567)		2,320,811		2,233,893
Premises and equipment		64,369		65,827
Goodwill		20,686		20,686
Other intangible assets		7,390		9,571
Cash surrender value of bank owned life insurance		41,110		40,674
Other real estate owned (OREO)		216		2,133
Deferred tax asset, net		22,799		35,642
Other assets		46,273		43,562
Total assets	\$	<u>3,520,917</u>	\$	<u>3,539,575</u>
Liabilities and Stockholders' Equity				
Liabilities				
Deposits:				
Noninterest-bearing	\$	579,550	\$	547,531
Interest-bearing		2,245,844		2,321,607
Total deposits	\$	<u>2,825,394</u>	\$	<u>2,869,138</u>
Securities sold under agreements to repurchase		157,282		172,348
Long-term debt		30,000		—
Junior subordinated debt owed to unconsolidated trusts		55,000		55,000
Other liabilities		23,213		27,725
Total liabilities	\$	<u>3,090,889</u>	\$	<u>3,124,211</u>
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		593,520		593,144
Accumulated deficit		(213,386)		(225,722)
Accumulated other comprehensive income		5,667		4,456
Total stockholders' equity before treasury stock	\$	<u>458,553</u>	\$	<u>444,630</u>
Common stock shares held in treasury at cost — 2014 1,442,257; 2013 1,482,777		(28,525)		(29,266)
Total stockholders' equity	\$	<u>430,028</u>	\$	<u>415,364</u>
Total liabilities and stockholders' equity	\$	<u>3,520,917</u>	\$	<u>3,539,575</u>
Common shares outstanding at period end		<u>86,844,875</u>		<u>86,804,355</u>

See accompanying notes to unaudited consolidated financial statements.

FIRST BUSEY CORPORATION and Subsidiaries
CONSOLIDATED STATEMENTS OF INCOME
For the Nine Months Ended September 30, 2014 and 2013
(Unaudited)

	2014		2013	
	(dollars in thousands, except per share amounts)			
Interest income:				
Interest and fees on loans	\$	68,523	\$	69,257
Interest and dividends on investment securities:				
Taxable interest income		9,423		9,616
Non-taxable interest income		2,472		2,938
Total interest income	\$	<u>80,418</u>	\$	<u>81,811</u>
Interest expense:				
Deposits	\$	3,928	\$	5,577
Securities sold under agreements to repurchase		114		128
Short-term borrowings		1		15
Long-term debt		1		125
Junior subordinated debt owed to unconsolidated trusts		885		905
Total interest expense	\$	<u>4,929</u>	\$	<u>6,750</u>
Net interest income	\$	<u>75,489</u>	\$	<u>75,061</u>
Provision for loan losses		2,000		6,000
Net interest income after provision for loan losses	\$	<u>73,489</u>	\$	<u>69,061</u>
Other income:				
Trust fees	\$	14,879	\$	13,956
Commissions and brokers' fees, net		2,023		1,819
Remittance processing		7,120		6,288
Service charges on deposit accounts		8,981		8,876
Other service charges and fees		4,681		4,452

Gain on sales of loans		3,554		8,944
Security gains, net		40		82
Other		2,924		3,637
Total other income	\$	44,202	\$	48,054
Other expense:				
Salaries and wages	\$	37,418	\$	39,342
Employee benefits		7,542		8,754
Net occupancy expense of premises		6,384		6,340
Furniture and equipment expense		3,607		3,687
Data processing		8,099		7,813
Amortization of intangible assets		2,181		2,349
Regulatory expense		1,559		1,808
OREO expense		87		394
Other		12,862		14,239
Total other expense	\$	79,739	\$	84,726
Income before income taxes	\$	37,952	\$	32,389
Income taxes		12,771		10,583
Net income	\$	25,181	\$	21,806
Preferred stock dividends		545		2,725
Net income available to common stockholders	\$	24,636	\$	19,081
Basic earnings per common share		0.28		0.22
Diluted earnings per common share		0.28		0.22
Dividends declared per share of common stock	\$	0.14	\$	0.08

See accompanying notes to unaudited consolidated financial statements.

FIRST BUSEY CORPORATION and Subsidiaries
CONSOLIDATED STATEMENTS OF INCOME
For the Three Months Ended September 30, 2014 and 2013
(Unaudited)

	2014		2013	
	(dollars in thousands, except per share amounts)			
Interest income:				
Interest and fees on loans	\$	23,553	\$	23,096
Interest and dividends on investment securities:				
Taxable interest income		3,148		3,162
Non-taxable interest income		810		978
Total interest income	\$	27,511	\$	27,236
Interest expense:				
Deposits	\$	1,260	\$	1,656
Securities sold under agreements to repurchase		40		44
Short-term borrowings		1		—
Long-term debt		1		—
Junior subordinated debt owed to unconsolidated trusts		298		303
Total interest expense	\$	1,600	\$	2,003
Net interest income	\$	25,911	\$	25,233
Provision for loan losses		—		2,000
Net interest income after provision for loan losses	\$	25,911	\$	23,233
Other income:				
Trust fees	\$	4,182	\$	4,035
Commissions and brokers' fees, net		676		710
Remittance processing		2,394		2,105
Service charges on deposit accounts		3,175		3,126
Other service charges and fees		1,575		1,486
Gain on sales of loans		1,339		2,684
Security gains, net		—		82
Other		863		1,402
Total other income	\$	14,204	\$	15,630
Other expense:				
Salaries and wages	\$	12,591	\$	13,001
Employee benefits		2,263		2,580
Net occupancy expense of premises		2,086		2,055
Furniture and equipment expense		1,250		1,211
Data processing		2,600		2,606
Amortization of intangible assets		701		783
Regulatory expense		503		545
OREO expense		16		(207)
Other		4,288		4,784
Total other expense	\$	26,298	\$	27,358
Income before income taxes	\$	13,817	\$	11,505

Income taxes		4,708	3,572
Net income	\$	<u>9,109</u>	<u>\$ 7,933</u>
Preferred stock dividends		182	909
Net income available to common stockholders	\$	<u>8,927</u>	<u>\$ 7,024</u>
Basic earnings per common share	\$	<u>0.10</u>	<u>\$ 0.08</u>
Diluted earnings per common share	\$	<u>0.10</u>	<u>\$ 0.08</u>
Dividends declared per share of common stock	\$	<u>0.05</u>	<u>\$ 0.04</u>

See accompanying notes to unaudited consolidated financial statements.

5

FIRST BUSEY CORPORATION and Subsidiaries
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the Three and Nine Months Ended September 30, 2014 and 2013
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
	(dollars in thousands)			
Net income	\$ 9,109	\$ 7,933	\$ 25,181	\$ 21,806
Other comprehensive income (loss), before tax:				
Securities available for sale:				
Unrealized net (losses) gains on securities:				
Unrealized net holding (losses) gains arising during period	\$ (2,980)	\$ 1,092	\$ 2,099	\$ (12,125)
Reclassification adjustment for (gains) included in net income	—	(82)	(40)	(82)
Other comprehensive (loss) income, before tax	\$ (2,980)	\$ 1,010	\$ 2,059	\$ (12,207)
Income tax (benefit) expense related to items of other comprehensive income	(1,227)	416	848	(5,026)
Other comprehensive (loss) income, net of tax	\$ (1,753)	\$ 594	\$ 1,211	\$ (7,181)
Comprehensive income	<u>\$ 7,356</u>	<u>\$ 8,527</u>	<u>\$ 26,392</u>	<u>\$ 14,625</u>

See accompanying notes to unaudited consolidated financial statements.

6

FIRST BUSEY CORPORATION and Subsidiaries
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
For the Nine Months Ended September 30, 2014 and 2013
(Unaudited)

(dollars in thousands, except per share amounts)

	Preferred Stock	Common Stock	Additional Paid-in Capital	Accumulated 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	—	—	—	21,806	—	—	21,806
Other comprehensive loss	—	—	—	—	(7,181)	—	(7,181)
Issuance of treasury stock for employee stock purchase plan	—	—	(234)	—	—	316	82
Net issuance of treasury stock for restricted stock unit vesting and related tax benefit	—	—	(1,414)	—	—	1,301	(113)
Cash dividends common stock at \$0.08 per share	—	—	—	(6,937)	—	—	(6,937)
Stock dividend equivalents restricted stock units at \$0.08 per share	—	—	45	(45)	—	—	—
Stock-based employee compensation	—	—	650	—	—	—	650
Preferred stock dividends	—	—	—	(2,725)	—	—	(2,725)
Balance, September 30, 2013	<u>\$ 72,664</u>	<u>\$ 88</u>	<u>\$ 593,458</u>	<u>\$ (228,222)</u>	<u>\$ 6,361</u>	<u>\$ (29,970)</u>	<u>\$ 414,379</u>
Balance, December 31, 2013	\$ 72,664	\$ 88	\$ 593,144	\$ (225,722)	\$ 4,456	\$ (29,266)	\$ 415,364
Net income	—	—	—	25,181	—	—	25,181
Other comprehensive income	—	—	—	—	1,211	—	1,211

Issuance of treasury stock for employee stock purchase plan	—	—	(376)	—	—	533	157
Net issuance of treasury stock for restricted stock unit vesting and related tax benefit	—	—	(229)	—	—	208	(21)
Cash dividends common stock at \$0.14 per share	—	—	—	(12,154)	—	—	(12,154)
Stock dividend equivalents restricted stock units at \$0.14 per share	—	—	146	(146)	—	—	—
Stock-based employee compensation	—	—	835	—	—	—	835
Preferred stock dividends	—	—	—	(545)	—	—	(545)
Balance, September 30, 2014	<u>\$ 72,664</u>	<u>\$ 88</u>	<u>\$ 593,520</u>	<u>\$ (213,386)</u>	<u>\$ 5,667</u>	<u>\$ (28,525)</u>	<u>\$ 430,028</u>

See accompanying notes to unaudited consolidated financial statements.

7

FIRST BUSEY CORPORATION and Subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Nine Months Ended September 30, 2014 and 2013
(Unaudited)

	2014	2013
	(dollars in thousands)	
Cash Flows from Operating Activities		
Net income	\$ 25,181	\$ 21,806
Adjustments to reconcile net income to net cash provided by operating activities:		
Stock-based and non-cash compensation	835	650
Depreciation and amortization	6,419	6,494
Provision for loan losses	2,000	6,000
Provision for deferred income taxes	11,999	6,725
Amortization of security premiums and discounts, net	5,525	6,821
Net security gains	(40)	(82)
Gain on sales of loans, net	(3,554)	(8,944)
Net loss (gain) on disposition of premises and equipment	4	(796)
Net gains on sales of OREO properties	(142)	(1)
Increase in cash surrender value of bank owned life insurance	(436)	(915)
Change in assets and liabilities:		
(Increase) decrease in other assets	(2,285)	9,177
Decrease in other liabilities	(4,209)	(1,192)
Decrease in interest payable	(146)	(386)
(Increase) decrease in income taxes receivable	(426)	228
Net cash provided by operating activities before activities for loans originated for sale	<u>\$ 40,725</u>	<u>\$ 45,585</u>
Loans originated for sale	(164,570)	(390,125)
Proceeds from sales of loans	169,874	421,572
Net cash provided by operating activities	<u>\$ 46,029</u>	<u>\$ 77,032</u>
Cash Flows from Investing Activities		
Proceeds from sales of securities classified available for sale	65,906	10,229
Proceeds from maturities of securities classified available for sale	137,943	143,258
Proceeds from maturities of securities classified held to maturity	6	—
Purchase of securities classified available for sale	(169,560)	(78,358)
Purchase of securities classified held to maturity	(1,026)	(838)
Net increase in loans	(89,514)	(207,063)
Proceeds from disposition of premises and equipment	8	2,849
Proceeds from sale of OREO properties	2,655	2,312
Purchases of premises and equipment	(2,792)	(2,279)
Net cash used in investing activities	<u>\$ (56,374)</u>	<u>\$ (129,890)</u>

(continued on next page)

8

FIRST BUSEY CORPORATION and Subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)
For the Nine Months Ended September 30, 2014 and 2013
(Unaudited)

2014
(dollars in thousands)

2013

Cash Flows from Financing Activities		
Net decrease in certificates of deposit	\$ (65,691)	\$ (82,944)
Net increase (decrease) in demand, money market and savings deposits	21,947	(17,496)
Cash dividends paid	(12,699)	(9,662)
Value of shares surrendered upon vesting of restricted stock units to cover tax obligations	(25)	(113)
Principal payments on long-term debt	—	(7,000)
Proceeds from long-term debt	30,000	—
Net (decrease) increase in securities sold under agreements to repurchase	(15,066)	17,486
Net cash used in financing activities	\$ (41,534)	\$ (99,729)
Net decrease in cash and due from banks	\$ (51,879)	\$ (152,587)
Cash and due from banks, beginning	\$ 231,603	\$ 351,255
Cash and due from banks, ending	\$ 179,724	\$ 198,668

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash payments for:		
Interest	\$ 5,075	\$ 7,136
Income taxes	\$ 2,686	\$ 3,406
Non-cash investing and financing activities:		
Other real estate acquired in settlement of loans	\$ 596	\$ 1,017

See accompanying notes to unaudited consolidated financial statements.

9

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 (“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 Sheets as of December 31, 2013, which have been derived from audited financial statements, and the unaudited consolidated interim financial statements have been prepared in accordance with 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 and nine months ended September 30, 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. Other than the return of capital and associated surplus to the Company from Busey Bank (the “Bank”), which was executed on October 22, 2014, as discussed in the capital resources section of management’s discussion and analysis of financial condition and results of operations, there were no significant subsequent events for the quarter ended September 30, 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 2014-04 clarifies when an in-substance repossession or foreclosure occurs and requires interim and annual disclosures. The new authoritative guidance will be effective for fiscal years, and interim periods within those years, beginning after December 15, 2014 and is not expected to have a significant impact on the Company’s financial statements.

ASU 2014-09, “Revenue from Contracts with Customers (Topic 606).” ASU 2014-09 outlines a single model for companies to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. ASU 2014-09 will require that companies recognize revenue based on the value of transferred goods or services as they occur in the contract and will also require additional disclosures. The new authoritative guidance will be for reporting periods after December 15, 2016, and the Company is evaluating the effect that ASU 2014-09 will have on its consolidated financial statements and related disclosures.

ASU 2014-14, "Receivables - Troubled Debt Restructurings by Creditors (Subtopic 310-40) — Classification of Certain Government-Guaranteed Mortgage Loans upon Foreclosure." ASU 2014-14 requires that certain government-guaranteed mortgage loans be derecognized and that a separate other receivable be recognized upon foreclosure if certain conditions are met. Upon foreclosure on loans that meet these criteria, a separate receivable should be recorded based on the amount of the loan balance expected to be recovered from the guarantor. The new authoritative guidance will be effective for fiscal years, and interim periods within those years, beginning after December 15, 2014 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 as available for sale and held to maturity are summarized as follows:

September 30, 2014:	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
(dollars in thousands)				
Available for sale				
U.S. Treasury securities	\$ 50,341	\$ 242	\$ (6)	\$ 50,577
Obligations of U.S. government corporations and agencies	187,394	1,397	(155)	188,636
Obligations of states and political subdivisions	234,495	3,419	(752)	237,162
Residential mortgage-backed securities	241,933	3,882	(243)	245,572
Corporate debt securities	73,840	241	(123)	73,958
Total debt securities	788,003	9,181	(1,279)	795,905
Mutual funds and other equity securities	5,428	1,732	—	7,160
Total	\$ 793,431	\$ 10,913	\$ (1,279)	\$ 803,065
Held to maturity				
Obligations of states and political subdivisions	\$ 1,366	\$ 19	\$ (1)	\$ 1,384
Commercial mortgage-backed securities	1,018	19	—	1,037
Total	\$ 2,384	\$ 38	\$ (1)	\$ 2,421

11

December 31, 2013:	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
(dollars in thousands)				
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 September 30, 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)				
Due in one year or less	\$ 127,442	\$ 128,040	\$ —	\$ —
Due after one year through five years	353,926	356,234	515	518
Due after five years through ten years	148,191	151,396	1,869	1,903
Due after ten years	158,444	160,235	—	—
Total	\$ 788,003	\$ 795,905	\$ 2,384	\$ 2,421

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
(dollars in thousands)				
Gross security gains	\$ —	\$ 82	\$ 57	\$ 82
Gross security (losses)	—	—	(17)	—

The tax provision for the net realized gains was insignificant for the three and nine months ended September 30, 2014 and 2013.

Investment securities with carrying amounts of \$512.5 million and \$428.7 million on September 30, 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.

12

Information pertaining to securities with gross unrealized losses at September 30, 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
(dollars in thousands)						
September 30, 2014:						
Available for sale						
U.S. Treasury securities	\$ —	\$ —	\$ 362	\$ 6	\$ 362	\$ 6
Obligations of U.S. government corporations and agencies	260	1	25,152	154	25,412	155
Obligations of states and political subdivisions	24,153	66	43,653	686	67,806	752
Residential mortgage-backed securities	53,276	115	10,858	128	64,134	243
Corporate debt securities	23,484	118	213	5	23,697	123
Total temporarily impaired securities	<u>\$ 101,173</u>	<u>\$ 300</u>	<u>\$ 80,238</u>	<u>\$ 979</u>	<u>\$ 181,411</u>	<u>\$ 1,279</u>
Held to maturity						
Obligations of states and political subdivisions	\$ 236	\$ 1	\$ —	\$ —	\$ 236	\$ 1
Total temporarily impaired securities	<u>\$ 236</u>	<u>\$ 1</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 236</u>	<u>\$ 1</u>
(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	<u>\$ 199,636</u>	<u>\$ 3,481</u>	<u>\$ 8,492</u>	<u>\$ 294</u>	<u>\$ 208,128</u>	<u>\$ 3,775</u>
Held to maturity						
Obligations of states and political subdivisions	\$ 597	\$ 4	\$ —	\$ —	\$ 597	\$ 4
Total temporarily impaired securities	<u>\$ 597</u>	<u>\$ 4</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 597</u>	<u>\$ 4</u>

13

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 September 30, 2014 was 158, and represented a loss of 0.7% 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 September 30, 2014.

The Company had available for sale obligations of state and political subdivisions with a fair value of \$237.2 million and \$272.2 million as of September 30, 2014 and December 31, 2013, respectively. In addition, the Company had held to maturity obligations of state and political subdivisions totaling \$1.4 million and \$0.8 million at September 30, 2014 and December 31, 2013, respectively.

As of September 30, 2014, the Company's obligations of state and political subdivisions portfolio was comprised of \$196.7 million of general obligation bonds and \$41.8 million of revenue bonds issued by 238 issuers, primarily consisting of states, counties, cities, towns, villages and school districts. The

Company held investments in general obligation bonds in 23 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 17 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 25 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 21 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:

September 30, 2014:

<u>U.S. State</u>	<u>Number of Issuers</u>	<u>Amortized Cost</u>	<u>Fair Value</u>	<u>Average Exposure Per Issuer (Fair Value)</u>
(dollars in thousands)				
Illinois	75	\$ 68,434	\$ 69,974	\$ 933
Wisconsin	40	38,271	38,562	964
Michigan	33	30,884	31,283	948
Pennsylvania	10	12,939	13,030	1,303
Ohio	10	10,936	10,890	1,089
Texas	7	7,401	7,359	1,051
Iowa	3	6,118	6,154	2,051
Other	24	18,905	19,476	812
Total general obligations bonds	202	\$ 193,888	\$ 196,728	\$ 974

14

December 31, 2013:

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

The general obligation bonds are diversified across many issuers, with \$3.5 million and \$5.0 million being the largest exposure to a single issuer at September 30, 2014 and December 31, 2013, respectively. Accordingly, as of September 30, 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 September 30, 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:

September 30, 2014:

<u>U.S. State</u>	<u>Number of Issuers</u>	<u>Amortized Cost</u>	<u>Fair Value</u>	<u>Average Exposure Per Issuer (Fair Value)</u>
(dollars in thousands)				
Illinois	4	\$ 6,999	\$ 6,920	\$ 1,730
Indiana	8	12,534	12,486	1,561
Other	24	22,440	22,412	934
Total revenue bonds	36	\$ 41,973	\$ 41,818	\$ 1,162

December 31, 2013:

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

The revenue bonds are diversified across many issuers and revenue sources with \$3.0 million being the largest exposure to a single issuer at each of September 30, 2014 and December 31, 2013. Accordingly, as of September 30, 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 September 30, 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, 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/micropolitan statistical areas/metropolitan statistical areas in which an office of the Bank is located. The investment policy states fixed income investments that are not Office of the Comptroller of the Currency 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 ongoing 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 September 30, 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:

	September 30, 2014			
	Illinois	Florida	Indiana	Total
	(dollars in thousands)			
Commercial	\$ 520,002	\$ 18,794	\$ 26,027	\$ 564,823
Commercial real estate	850,819	168,201	118,464	1,137,484
Real estate construction	47,155	17,045	15,619	79,819
Retail real estate	468,818	104,971	13,442	587,231
Retail other	9,929	551	78	10,558
Total	\$ 1,896,723	\$ 309,562	\$ 173,630	\$ 2,379,915
Less held for sale(1)				12,090
				\$ 2,367,825
Less allowance for loan losses				47,014
Net loans				\$ 2,320,811

(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 \$0.5 million as of September 30, 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 by the Company's board of directors at least annually.

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 a 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 loans that are \$1.0 million or less are processed through an expedited underwriting process. If the credit receives a pass grade it is aggregated into a homogenous pool of either: \$0.35 million or less or \$0.35 million to \$1.0 million. These pools are monitored on a quarterly basis for the first year, semiannually in the second year and annually thereafter. Homogenous pool credits which are subsequently downgraded to a grading of 7 or worse, are subject to the same portfolio review as loans over \$1.0 million. All commercial loans greater than \$1.0 million dollars receive a portfolio review at least annually. Commercial loans greater than \$1.0 million that have a grading of 7 receive a portfolio review twice per year. Commercial loans greater than \$1.0 million that have a grading of 8 or worse receive a portfolio review on a quarterly basis. Interim grade reviews may take place if circumstances of the borrower warrant a more timely review.

Loans in the highest grades, represented by grades 1, 3, 6 and 7, totaled \$2.2 billion at September 30, 2014 compared to \$2.1 billion at December 31, 2013. Loans in the lowest grades, represented by grades 8, 9 and 10, totaled \$131.8 million at September 30, 2014, a decline of \$30.1 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:

	Weighted Avg. Risk Grade	Grades 1,3,6	Grade 7	Grade 8	Grade 9	Grade 10
(dollars in thousands)						
Illinois/Indiana						
Commercial	4.66	\$ 494,643	\$ 34,085	\$ 9,455	\$ 6,471	\$ 1,375
Commercial real estate	5.63	844,763	74,000	27,213	21,724	1,583
Real estate construction	6.07	43,530	4,018	13,073	1,236	917
Retail real estate	3.49	446,768	10,620	4,531	3,557	1,345
Retail other	3.45	9,935	45	18	9	—
Total Illinois/Indiana		\$ 1,839,639	\$ 122,768	\$ 54,290	\$ 32,997	\$ 5,220
Florida						
Commercial	6.07	\$ 11,126	\$ 3,966	\$ 3,100	\$ 602	\$ —
Commercial real estate	6.02	120,248	26,811	4,960	13,594	2,588
Real estate construction	6.16	15,473	—	624	857	91
Retail real estate	4.14	80,151	11,674	9,655	2,476	782
Retail other	3.00	551	—	—	—	—
Total Florida		\$ 227,549	\$ 42,451	\$ 18,339	\$ 17,529	\$ 3,461
Total		\$ 2,067,188	\$ 165,219	\$ 72,629	\$ 50,526	\$ 8,681

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.

19

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

	September 30, 2014			
	Loans past due, still accruing			Non-accrual Loans
	30-59 Days	60-89 Days	90+Days	
(dollars in thousands)				
Illinois/Indiana				
Commercial	\$ 30	\$ 16	\$ 5	\$ 1,375
Commercial real estate	2,418	3,275	—	1,583
Real estate construction	—	—	—	917
Retail real estate	531	64	60	1,345
Retail other	6	10	—	—
Total Illinois/Indiana	\$ 2,985	\$ 3,365	\$ 65	\$ 5,220
Florida				
Commercial	\$ —	\$ —	\$ —	\$ —
Commercial real estate	—	—	—	2,588
Real estate construction	—	—	—	91
Retail real estate	—	—	—	782
Retail other	—	—	—	—
Total Florida	\$ —	\$ —	\$ —	\$ 3,461
Total	\$ 2,985	\$ 3,365	\$ 65	\$ 8,681
December 31, 2013				
Loans past due, still accruing				Non-accrual Loans
30-59 Days	60-89 Days	90+Days		
(dollars in thousands)				

Illinois/Indiana					
Commercial	\$	906	\$	279	\$ 92 \$ 975
Commercial real estate		567		3,736	— 4,597
Real estate construction		—		—	— 3,862
Retail real estate		483		123	103 3,936
Retail other		20		—	—
Total Illinois/Indiana	\$	<u>1,976</u>	\$	<u>4,138</u>	\$ <u>195</u> \$ <u>13,370</u>
Florida					
Commercial	\$	—	\$	—	\$ — \$ —
Commercial real estate		—		—	— 3,073
Real estate construction		—		—	—
Retail real estate		—		—	— 721
Retail other		—		—	—
Total Florida	\$	<u>—</u>	\$	<u>—</u>	\$ <u>—</u> \$ <u>3,794</u>
Total	\$	<u>1,976</u>	\$	<u>4,138</u>	\$ <u>195</u> \$ <u>17,164</u>

20

A loan is impaired when, based on current information and events, it is probable the Company will be unable to collect scheduled principal and interest payments when due according to the terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. The following loans are assessed for impairment by the Company: loans 60 days or more past due and over \$0.25 million, loans graded 8 over \$0.5 million and loans graded 9 or 10.

Impairment is measured on a loan-by-loan basis for commercial and construction loans by either the present value of the expected future cash flows discounted at the loan's effective interest rate, the loan's observable market price, or the fair value of the collateral if the loan is collateral dependent. Large groups of smaller balance homogenous loans are collectively evaluated for impairment. Accordingly, the Company does not separately identify individual consumer and residential loans for impairment disclosures unless such loans are the subject of a restructuring agreement.

The gross interest income that would have been recorded in the three and nine months ended September 30, 2014 if impaired loans had been current in accordance with their original terms was \$0.1 million and \$0.7 million, respectively. The amount of interest collected on those loans and recognized on a cash basis that was included in interest income was insignificant for the three and nine months ended September 30, 2014.

The Company's loan portfolio includes certain loans that have been modified in a troubled debt restructuring ("TDR"), where concessions have been granted to borrowers who have experienced financial difficulties. The Company will restructure loans for its 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.

The Company considers the customer's past performance, previous and current credit history, the individual circumstances surrounding the current difficulties and the customer's plan to meet the terms of the loan in the future prior to restructuring the terms of the loan. Generally, all five primary areas of lending are restructured through short-term interest rate relief, short-term principal payment relief, short-term principal and interest payment relief, or forbearance (debt forgiveness). Once a restructured loan has gone 90+ days past due or is placed on non-accrual status, it is included in the non-performing loan totals. A summary of restructured loans as of September 30, 2014 and December 31, 2013 is as follows:

	<u>September 30, 2014</u>	<u>December 31, 2013</u>
	(dollars in thousands)	
Restructured loans:		
In compliance with modified terms	\$ 11,050	\$ 11,511
30 – 89 days past due	—	380
Included in non-performing loans	2,253	5,919
Total	<u>\$ 13,303</u>	<u>\$ 17,810</u>

All TDRs are considered to be impaired for purposes of assessing the adequacy of the allowance for loan losses and for financial reporting purposes. When the Company modifies a loan in a TDR, it evaluates any possible impairment similar to other impaired loans based on present value of the expected future cash flows discounted at the loan's effective interest rate, the loan's observable market price, or the fair value of the collateral if the loan is collateral dependent. If the Company determines that the value of the TDR is less than the recorded investment in the loan, impairment is recognized through an allowance estimate in the period of the modification and in periods subsequent to the modification.

There were no performing loans classified as TDRs during the three months ended September 30, 2014. Performing loans classified as TDRs during the nine months ended September 30, 2014 were insignificant.

Performing loans classified as TDRs during the three and nine months ended September 30, 2013 included one commercial real estate modification in Illinois/Indiana for short-term principal payment relief, with a recorded investment of \$0.2 million. Performing loans classified as TDRs during the nine months ended September 30, 2013 also included one commercial real estate modification in Florida for short-term interest rate relief, with a recorded investment of \$0.1 million.

21

The gross interest income that would have been recorded in the three and nine months ended September 30, 2014 and 2013 if performing TDRs had been in accordance with their original terms instead of modified terms was insignificant.

There were no TDRs that were classified as non-performing and had payment defaults (a default occurs when a loan is 90 days or more past due or transferred to non-accrual) during the three and nine months ended September 30, 2014.

TDRs that were classified as non-performing and had payment defaults during the three months ended September 30, 2013 consisted of one Florida retail real estate modification totaling \$0.1 million. TDRs that were classified as non-performing and had payment defaults during the nine months ended September 30, 2013 consisted of one Illinois/Indiana commercial real estate modification totaling \$1.7 million, one Illinois/Indiana real estate construction modification totaling \$0.3 million, four Illinois/Indiana retail real estate modifications totaling \$1.1 million and two Florida retail real estate modifications totaling \$0.2 million.

The following tables provide details of impaired loans, segregated by category and geography. The unpaid contractual principal balance represents the recorded balance prior to any partial charge-offs. The recorded investment represents customer balances net of any partial charge-offs recognized on the loan. The average recorded investment is calculated using the most recent four quarters.

	September 30, 2014					
	Unpaid Contractual Principal Balance	Recorded Investment with No Allowance	Recorded Investment with Allowance	Total Recorded Investment	Related Allowance	Average Recorded Investment
(dollars in thousands)						
Illinois/Indiana						
Commercial	\$ 3,294	\$ 1,703	\$ 707	\$ 2,410	\$ 590	\$ 2,618
Commercial real estate	5,477	1,705	2,316	4,021	1,139	6,495
Real estate construction	918	808	110	918	48	3,190
Retail real estate	2,842	2,457	25	2,482	25	3,592
Retail other	—	—	—	—	—	—
Total Illinois/Indiana	\$ 12,531	\$ 6,673	\$ 3,158	\$ 9,831	\$ 1,802	\$ 15,895
Florida						
Commercial	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 2
Commercial real estate	4,737	3,365	1,286	4,651	382	4,966
Real estate construction	634	634	—	634	—	461
Retail real estate	10,215	8,885	537	9,422	337	9,504
Retail other	8	—	8	8	8	3
Total Florida	\$ 15,594	\$ 12,884	\$ 1,831	\$ 14,715	\$ 727	\$ 14,936
Total	\$ 28,125	\$ 19,557	\$ 4,989	\$ 24,546	\$ 2,529	\$ 30,831

22

	December 31, 2013					
	Unpaid Contractual Principal Balance	Recorded Investment with No Allowance	Recorded Investment with Allowance	Total Recorded Investment	Related Allowance	Average Recorded Investment
(dollars in thousands)						
Illinois/Indiana						
Commercial	\$ 2,825	\$ 1,684	\$ 602	\$ 2,286	\$ 485	\$ 4,169
Commercial real estate	8,866	3,671	3,740	7,411	1,977	10,335
Real estate construction	4,932	2,292	1,570	3,862	468	5,889
Retail real estate	5,583	3,267	2,010	5,277	604	5,296
Retail other	—	—	—	—	—	—
Total Illinois/Indiana	\$ 22,206	\$ 10,914	\$ 7,922	\$ 18,836	\$ 3,534	\$ 25,689
Florida						
Commercial	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Commercial real estate	7,108	3,946	1,319	5,265	416	6,662
Real estate construction	417	417	—	417	—	1,294
Retail real estate	10,346	9,005	537	9,542	337	11,079
Retail other	—	—	—	—	—	—
Total Florida	\$ 17,871	\$ 13,368	\$ 1,856	\$ 15,224	\$ 753	\$ 19,035
Total	\$ 40,077	\$ 24,282	\$ 9,778	\$ 34,060	\$ 4,287	\$ 44,724

Management's opinion as to the ultimate collectability of loans is subject to estimates regarding future cash flows from operations and the value of property, real and personal, pledged as collateral. These estimates are affected by changing economic conditions and the economic prospects of borrowers.

Allowance for Loan Losses

The allowance for loan losses represents an estimate of the amount of losses believed inherent in the Company's loan portfolio at the balance sheet date. The allowance for loan losses is evaluated geographically, by class of loans. The allowance calculation involves a high degree of estimation that management attempts to mitigate through the use of objective historical data where available. Loan losses are charged against the allowance for loan losses when management believes the uncollectibility of the loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance. Overall, the Company believes the allowance methodology is consistent with prior periods and the balance was adequate to cover the estimated losses in the Company's loan portfolio at September 30, 2014 and December 31, 2013.

The general portion of the Company's allowance contains two components: (i) a component for historical loss ratios, and (ii) a component for adversely graded loans. The historical loss ratio component is an annualized loss rate calculated using a sum-of-years digits weighted 20-quarter historical average.

The Company's component for adversely graded loans attempts to quantify the additional risk of loss inherent in the grade 8 and grade 9 portfolios. The grade 9 portfolio has an additional allocation placed on those loans determined by a one-year charge-off percentage for the respective loan type/geography. The minimum additional reserve on a grade 9 loan was 3.00% as of each of September 30, 2014 and December 31, 2013, which is an estimate of the additional loss inherent in these loan grades based upon a review of overall historical charge-offs. As of September 30, 2014, the Company believed this minimum reserve remained adequate.

Grade 8 loans have an additional allocation placed on them determined by the trend difference of the respective loan type/geography's rolling 12- and 20-quarter historical loss trends. If the rolling 12-quarter average is higher (more current information) than the rolling 20-quarter average, the Company adds the additional amount to the allocation. The minimum additional amount for grade 8 loans was 1.00% as of September 30, 2014 and December 31, 2013, based upon a review of the differences between the rolling 12- and 20-quarter historical loss averages by region. As of September 30, 2014, the Company believed this minimum additional amount remained adequate.

23

The specific portion of the Company's allowance relates to loans that are impaired, which includes non-performing loans, TDRs and other loans determined to be impaired. The impaired loans are subtracted from the general loans and are allocated specific reserves as discussed above.

Impaired loans are reported at the fair value of the underlying collateral, less estimated costs to sell, if repayment is expected solely from the collateral. Collateral values are estimated using a combination of observable inputs, including recent appraisals discounted for collateral specific changes and current market conditions, and unobservable inputs based on customized discounting criteria.

The general quantitative allocation based upon historical charge off rates is adjusted for qualitative factors based on current general economic conditions and other qualitative risk factors both internal and external to the Company. In general, such valuation allowances are determined by evaluating, among other things: (i) Management & Staff; (ii) Loan Underwriting, Policy and Procedures; (iii) Internal/External Audit & Loan Review; (iv) Valuation of Underlying Collateral; (v) Macro and Local Economic Factor; (vi) Impact of Competition, Legal & Regulatory Issues; (vii) Nature and Volume of Loan Portfolio; (viii) Concentrations of Credit; (ix) Net Charge-Off Trend; and (x) Non-Accrual, Past Due and Classified Trend. Management evaluates the degree of risk that each one of these components has on the quality of the loan portfolio on a quarterly basis. Based on each component's risk factor, a qualitative adjustment to the reserve may be applied to the appropriate loan categories.

During the third quarter of 2014, the Company adjusted Illinois/Indiana qualitative factors relating to Loan Underwriting, Policy and Procedures, Macro and Local Economic Factor, Nature and Volume of Loan Portfolio, and Net Charge-Off Trend. Additionally, the Company adjusted Florida qualitative factors relating to Loan Underwriting, Policy and Procedures, Macro and Local Economic Factor, and Net Charge-Off Trend. The adjustment of these factors increased our allowance requirements by \$5.3 million at September 30, 2014 compared to the method used for June 30, 2014. Further, during the first quarter of 2014, the Company adjusted Illinois/Indiana and Florida qualitative factors relating to Net Charge-Off Trend compared to the method used for December 31, 2013. Adjustments to increase these qualitative factors were made in the third and first quarters of 2014 to recognize perceived changing degrees of risk, offset decreasing quantitative factors and reflect management's evaluation of risk. The Company will continue to monitor its qualitative factors on a quarterly basis.

The following table details activity on the allowance for loan losses. Allocation of a portion of the allowance to one category does not preclude its availability to absorb losses in other categories.

As of and for the Three Months Ended September 30, 2014						
	Commercial	Commercial Real Estate	Real Estate Construction	Retail Real Estate	Retail Other	Total
(dollars in thousands)						
Illinois/Indiana						
Beginning balance	\$ 7,695	\$ 15,426	\$ 2,776	\$ 10,802	\$ 238	\$ 36,937
Provision for loan loss	1,031	2,208	(623)	(1,986)	130	760
Charged-off	(121)	—	—	(388)	(114)	(623)
Recoveries	29	39	—	120	44	232
Ending Balance	\$ 8,634	\$ 17,673	\$ 2,153	\$ 8,548	\$ 298	\$ 37,306
Florida						
Beginning balance	\$ 1,782	\$ 4,976	\$ 175	\$ 3,554	\$ 4	\$ 10,491
Provision for loan loss	(539)	116	5	(345)	3	(760)
Charged-off	(6)	—	—	(55)	(1)	(62)
Recoveries	18	—	—	15	6	39
Ending Balance	\$ 1,255	\$ 5,092	\$ 180	\$ 3,169	\$ 12	\$ 9,708

24

As of and for the Nine Months Ended September 30, 2014						
	Commercial	Commercial Real Estate	Real Estate Construction	Retail Real Estate	Retail Other	Total
(dollars in thousands)						
Illinois/Indiana						
Beginning balance	\$ 8,452	\$ 16,379	\$ 2,540	\$ 6,862	\$ 216	\$ 34,449
Provision for loan loss	879	2,388	(241)	3,540	242	6,808
Charged-off	(825)	(1,173)	(657)	(2,079)	(306)	(5,040)
Recoveries	128	79	511	225	146	1,089

Ending Balance	\$ 8,634	\$ 17,673	\$ 2,153	\$ 8,548	\$ 298	\$ 37,306
Florida						
Beginning balance	\$ 1,926	\$ 5,733	\$ 1,168	\$ 4,287	\$ 4	\$ 13,118
Provision for loan loss	(807)	(912)	(1,983)	(1,096)	(10)	(4,808)
Charged-off	(26)	—	—	(192)	(1)	(219)
Recoveries	162	271	995	170	19	1,617
Ending Balance	\$ 1,255	\$ 5,092	\$ 180	\$ 3,169	\$ 12	\$ 9,708

As of and for the Three Months Ended September 30, 2013

	Commercial	Commercial Real Estate	Real Estate Construction	Retail Real Estate	Retail Other	Total
(dollars in thousands)						
Illinois/Indiana						
Beginning balance	\$ 7,514	\$ 13,723	\$ 2,514	\$ 8,256	\$ 240	\$ 32,247
Provision for loan loss	363	316	(241)	1,024	49	1,511
Charged-off	(241)	(44)	—	(446)	(117)	(848)
Recoveries	37	145	21	112	59	374
Ending Balance	\$ 7,673	\$ 14,140	\$ 2,294	\$ 8,946	\$ 231	\$ 33,284

Florida						
Beginning balance	\$ 1,505	\$ 7,656	\$ 2,693	\$ 4,387	\$ 3	\$ 16,244
Provision for loan loss	687	1,504	(1,690)	(9)	(3)	489
Charged-off	—	(2,298)	2	(56)	(2)	(2,354)
Recoveries	22	2	225	47	5	301
Ending Balance	\$ 2,214	\$ 6,864	\$ 1,230	\$ 4,369	\$ 3	\$ 14,680

As of and for the Nine Months Ended September 30, 2013

	Commercial	Commercial Real Estate	Real Estate Construction	Retail Real Estate	Retail Other	Total
(dollars in thousands)						
Illinois/Indiana						
Beginning balance	\$ 6,597	\$ 15,023	\$ 2,527	\$ 8,110	\$ 322	\$ 32,579
Provision for loan loss	1,617	(371)	558	1,592	14	3,410
Charged-off	(663)	(954)	(1,071)	(1,068)	(404)	(4,160)
Recoveries	122	442	280	312	299	1,455
Ending Balance	\$ 7,673	\$ 14,140	\$ 2,294	\$ 8,946	\$ 231	\$ 33,284

Florida						
Beginning balance	\$ 1,437	\$ 6,062	\$ 2,315	\$ 5,614	\$ 5	\$ 15,433
Provision for loan loss	722	3,356	(1,332)	(143)	(13)	2,590
Charged-off	—	(2,543)	(55)	(1,615)	(7)	(4,220)
Recoveries	55	(11)	302	513	18	877
Ending Balance	\$ 2,214	\$ 6,864	\$ 1,230	\$ 4,369	\$ 3	\$ 14,680

The following table presents the allowance for loan losses and recorded investments in loans by category and geography:

	Commercial	Commercial Real Estate	Real Estate Construction	Retail Real Estate	Retail Other	Total
As of September 30, 2014						
(dollars in thousands)						
Illinois/Indiana						
Amount allocated to:						
Loans individually evaluated for impairment	\$ 590	\$ 1,139	\$ 48	\$ 25	\$ —	\$ 1,802
Loans collectively evaluated for impairment	8,044	16,534	2,105	8,523	298	35,504
Ending Balance	\$ 8,634	\$ 17,673	\$ 2,153	\$ 8,548	\$ 298	\$ 37,306
Loans:						
Loans individually evaluated for impairment	\$ 2,410	\$ 4,021	\$ 918	\$ 2,482	\$ —	\$ 9,831
Loans collectively evaluated for impairment	543,619	965,262	61,856	467,921	10,007	2,048,665
Ending Balance	\$ 546,029	\$ 969,283	\$ 62,774	\$ 470,403	\$ 10,007	\$ 2,058,496
Florida						
Amount allocated to:						
Loans individually evaluated for impairment	\$ —	\$ 382	\$ —	\$ 337	\$ 8	\$ 727
Loans collectively evaluated for impairment	1,255	4,710	180	2,832	4	8,981
Ending Balance	\$ 1,255	\$ 5,092	\$ 180	\$ 3,169	\$ 12	\$ 9,708

Loans:												
Loans individually evaluated for impairment	\$	—	\$	4,651	\$	634	\$	9,422	\$	8	\$	14,715
Loans collectively evaluated for impairment		18,794		163,550		16,411		95,316		543		294,614
Ending Balance	\$	<u>18,794</u>	\$	<u>168,201</u>	\$	<u>17,045</u>	\$	<u>104,738</u>	\$	<u>551</u>	\$	<u>309,329</u>

26

		As of December 31, 2013										
		Commercial	Commercial Real Estate	Real Estate Construction	Retail Real Estate	Retail Other	Total					
		(dollars in thousands)										
Illinois/Indiana												
Amount allocated to:												
Loans individually evaluated for impairment	\$	485	\$	1,977	\$	468	\$	604	\$	—	\$	3,534
Loans collectively evaluated for impairment		7,967		14,402		2,072		6,258		216		30,915
Ending Balance	\$	<u>8,452</u>	\$	<u>16,379</u>	\$	<u>2,540</u>	\$	<u>6,862</u>	\$	<u>216</u>	\$	<u>34,449</u>
Loans:												
Loans individually evaluated for impairment	\$	2,286	\$	7,411	\$	3,862	\$	5,277	\$	—	\$	18,836
Loans collectively evaluated for impairment		557,790		924,607		57,567		413,020		8,515		1,961,499
Ending Balance	\$	<u>560,076</u>	\$	<u>932,018</u>	\$	<u>61,429</u>	\$	<u>418,297</u>	\$	<u>8,515</u>	\$	<u>1,980,335</u>
Florida												
Amount allocated to:												
Loans individually evaluated for impairment	\$	—	\$	416	\$	—	\$	337	\$	—	\$	753
Loans collectively evaluated for impairment		1,926		5,317		1,168		3,950		4		12,365
Ending Balance	\$	<u>1,926</u>	\$	<u>5,733</u>	\$	<u>1,168</u>	\$	<u>4,287</u>	\$	<u>4</u>	\$	<u>13,118</u>
Loans:												
Loans individually evaluated for impairment	\$	—	\$	5,265	\$	417	\$	9,542	\$	—	\$	15,224
Loans collectively evaluated for impairment		20,536		154,990		17,009		92,814		552		285,901
Ending Balance	\$	<u>20,536</u>	\$	<u>160,255</u>	\$	<u>17,426</u>	\$	<u>102,356</u>	\$	<u>552</u>	\$	<u>301,125</u>

Note 5: Securities Sold Under Agreements to Repurchase

Securities sold under agreements to repurchase, which are classified as secured borrowings, generally mature either daily or within one year from the transaction date. Securities sold under agreements to repurchase are reflected at the amount of cash received in connection with the transaction. The underlying securities are held by the Company's safekeeping agent. The Company may be required to provide additional collateral based on the fair value of the underlying securities. The following table sets forth the distribution of securities sold under agreements to repurchase and weighted average interest rates:

	September 30, 2014	December 31, 2013
	(dollars in thousands)	
Balance at end of period	\$ 157,282	\$ 172,348
Weighted average interest rate at end of period	0.11%	0.13%
Maximum outstanding at any month end in year-to-date period	\$ 157,282	\$ 172,348
Average daily balance for the year-to-date period	\$ 137,424	\$ 137,777
Weighted average interest rate during period (1)	0.11%	0.14%

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

27

Note 6: Earnings Per Common Share

Earnings per common share have been computed as follows:

Three Months Ended September 30,		Nine Months Ended September 30,	
2014	2013	2014	2013
(in thousands, except per share data)			

Net income available to common stockholders	\$ 8,927	\$ 7,024	\$ 24,636	\$ 19,081
Shares:				
Weighted average common shares outstanding	86,920	86,801	86,894	86,745
Dilutive effect of outstanding options, warrants and restricted stock units as determined by the application of the treasury stock method	419	275	368	299
Weighted average common shares outstanding, as adjusted for diluted earnings per share calculation	87,339	87,076	87,262	87,044
Basic earnings per common share	\$ 0.10	\$ 0.08	\$ 0.28	\$ 0.22
Diluted earnings per common share	\$ 0.10	\$ 0.08	\$ 0.28	\$ 0.22

Basic earnings per share are computed by dividing net income available to common stockholders for the period by the weighted average number of common shares outstanding.

Diluted earnings per common share is computed using the treasury stock method and reflects the potential dilution that could occur if the Company's outstanding stock options were exercised and restricted stock units were vested. Stock options and restricted stock units for which the exercise or the grant price exceeds the average market price over the period have an anti-dilutive effect and are excluded from the calculation. At September 30, 2014, 457,630 outstanding options, 573,833 warrants, and 353,976 restricted stock units were anti-dilutive and excluded from the calculation of common stock equivalents. At September 30, 2013, 648,529 outstanding options, 573,833 warrants, and 380,252 restricted stock units were anti-dilutive and excluded from the calculation of common stock equivalents.

Note 7: Stock-based Compensation

The Company grants share-based compensation awards to its employees and members of its board of directors as provided for under the Company's 2010 Equity Incentive Plan. The Company currently grants share-based compensation in the form of restricted stock units ("RSUs") and deferred stock units ("DSUs"). The Company also has outstanding stock options granted prior to 2011. Under the terms of the Company's 2010 Equity Incentive Plan, the Company is allowed, but not required, to source stock option exercises and grants of RSUs and DSUs from its inventory of treasury stock. As of September 30, 2014, the Company held 1,442,257 shares in treasury, with 895,655 additional shares authorized for repurchase under its stock repurchase plan. The repurchase plan has no expiration date and expires when the Company has repurchased all of the remaining authorized shares.

A description of the 2010 Equity Incentive Plan can be found in the Company's Annual Report on Form 10-K for the year ended December 31, 2013. The Company's 2010 Equity Incentive Plan is designed to encourage ownership of its common stock by its employees and directors, to provide additional incentive for them to promote the success of its business, and to attract and retain talented personnel. All of the Company's employees and directors, and those of its subsidiaries, are eligible to receive awards under the plan.

A summary of the status of and changes in the Company's stock option awards for the nine months ended September 30, 2014 follows:

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term
Outstanding at beginning of year	696,379	\$ 17.22	
Granted	—	—	
Exercised	—	—	
Forfeited	186,249	19.67	
Outstanding at end of period	510,130	\$ 16.33	1.97
Exercisable at end of period	510,130	\$ 16.33	1.97

The Company did not record any stock option compensation expense for the three and nine months ended September 30, 2014 or 2013.

A summary of the changes in the Company's stock unit awards for the nine months ended September 30, 2014, is as follows:

	Restricted Stock Units	Director Deferred Stock Units	Total	Weighted-Average Grant Date Fair Value
Non-vested at beginning of year	914,968	34,014	948,982	\$ 4.96
Granted	304,277	49,699	353,976	5.84
Dividend Equivalents Earned	25,150	1,051	26,201	5.53
Vested	(15,728)	(29,491)	(45,219)	5.02
Forfeited	(44,109)	—	(44,109)	4.73
Non-vested at end of period	1,184,558	55,273	1,239,831	\$ 5.23
Outstanding at end of period	1,184,558	144,822	1,329,380	\$ 5.22

All recipients earn quarterly dividend equivalents on their respective units. These dividend equivalents are not paid out during the vesting period, but instead entitle the recipients to additional units. Therefore, dividends earned each quarter compound based upon the updated unit balances. Upon vesting/delivery, shares are expected to be issued from treasury.

On June 23, 2014, under the terms of the 2010 Equity Incentive Plan, the Company granted 304,277 RSUs to members of management. As the stock price on the grant date of June 23, 2014 was \$5.84, total compensation cost to be recognized is \$1.8 million. This cost will be recognized over a period of two to five years. Subsequent to each requisite service period, the awards will vest 100%.

Additionally, on June 23, 2014, under the terms of the 2010 Equity Incentive Plan, the Company granted 36,000 DSUs to directors. As the stock price on the grant date of June 23, 2014 was \$5.84, total compensation cost to be recognized is \$0.2 million. This cost will be recognized over the requisite service period of one year from the date of grant or the next annual shareholders' meeting; whichever is earlier. The Company also granted 13,699 DSUs to the Chairman of the Board. As the stock price on the grant date of June 23, 2014 was \$5.84, total compensation cost to be recognized is \$0.1 million. This cost will be recognized over a period of five years. Subsequent to the requisite service period, the awards will vest 100%. These DSUs generally are subject to the same terms as RSUs under the Company's 2010 Equity Incentive Plan, except that, following vesting, settlement occurs within 30 days following the earlier of separation from the Board or a change in control of the Company. Subsequent to vesting and prior to delivery, these units will continue to earn dividend equivalents.

The Company recognized \$0.3 million of compensation expense related to non-vested stock units for the three months ended September 30, 2014 and 2013. The Company recognized \$0.8 million and \$0.7 million of compensation expense related to non-vested stock units for the nine months ended September 30, 2014 and 2013, respectively. As of September 30, 2014, there was \$3.9 million of total unrecognized compensation cost related to these non-vested stock units. This cost is expected to be recognized over a period of 3.7 years.

Note 8: Income Taxes

At September 30, 2014, the Company was under examination by the Illinois Department of Revenue for the Company's 2011 and 2012 income tax filings.

Note 9: Outstanding Commitments and Contingent Liabilities

Legal Matters

The Company is a party to legal actions which arise in the normal course of its 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.

Credit Commitments and Contingencies

The Company is a party to credit-related financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its 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 exposure to credit loss is represented by the contractual amount of those commitments. The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments. A summary of the contractual amount of the Company's exposure to off-balance-sheet risk relating to the Company's commitments to extend credit and standby letters of credit follows:

	<u>September 30, 2014</u>	<u>December 31, 2013</u>
	<u>(dollars in thousands)</u>	
Financial instruments whose contract amounts represent credit risk:		
Commitments to extend credit	\$ 575,586	\$ 527,614
Standby letters of credit	13,601	10,155

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, and 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, 2014 and December 31, 2013, no amounts were recorded as liabilities for the Company's potential obligations under these guarantees.

Note 10: Reportable Segments and Related Information

The Company has three reportable segments, Busey Bank, 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 branch network in southwest Florida. FirsTech provides remittance processing for online bill payments, lockbox and walk-in payments. Busey Wealth Management

is the parent company of Busey Trust Company, which provides a full range of asset management, investment and fiduciary services to individuals, businesses and foundations, tax preparation and philanthropic advisory services.

The Company's three 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 three 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, 2013.

31

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

	Goodwill		Total Assets	
	September 30, 2014	December 31, 2013	September 30, 2014	December 31, 2013
	(dollars in thousands)		(dollars in thousands)	
Goodwill & Total Assets:				
Busey Bank	\$ —	\$ —	\$ 3,446,041	\$ 3,456,555
FirsTech	8,992	8,992	28,135	27,253
Busey Wealth Management	11,694	11,694	30,273	28,548
All Other	—	—	16,468	27,219
Total	\$ 20,686	\$ 20,686	\$ 3,520,917	\$ 3,539,575
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
	(dollars in thousands)		(dollars in thousands)	
Interest Income:				
Busey Bank	\$ 27,430	\$ 27,167	\$ 80,184	\$ 81,597
FirsTech	14	13	39	39
Busey Wealth Management	74	62	214	179
All Other	(7)	(6)	(19)	(4)
Total interest income	\$ 27,511	\$ 27,236	\$ 80,418	\$ 81,811
Interest Expense:				
Busey Bank	\$ 1,312	\$ 1,709	\$ 4,072	\$ 5,858
FirsTech	—	—	—	—
Busey Wealth Management	—	—	—	—
All Other	288	294	857	892
Total interest expense	\$ 1,600	\$ 2,003	\$ 4,929	\$ 6,750
Other Income:				
Busey Bank	\$ 7,917	\$ 9,447	\$ 24,705	\$ 29,542
FirsTech	2,412	2,167	7,208	6,445
Busey Wealth Management	4,426	4,540	14,077	13,286
All Other	(551)	(524)	(1,788)	(1,219)
Total other income	\$ 14,204	\$ 15,630	\$ 44,202	\$ 48,054
Net Income:				
Busey Bank	\$ 8,195	\$ 6,963	\$ 22,910	\$ 19,243
FirsTech	322	259	957	807
Busey Wealth Management	1,176	1,173	3,579	3,126
All Other	(584)	(462)	(2,265)	(1,370)
Total net income	\$ 9,109	\$ 7,933	\$ 25,181	\$ 21,806

32

Note 11: Derivative Financial Instruments

Starting in the first quarter of 2014, the Company began entering into loan agreements that settled in non-U.S. dollar denominations. The foreign loan balance, gross, translated into U.S. dollars as of September 30, 2014 was \$1.4 million.

Foreign Currency Derivatives. The Company enters into foreign currency forward contracts that are not designated as hedging instruments to mitigate the economic effect of fluctuations in foreign currency exchange rates on certain non-U.S. dollar denominated loans. Due to the foreign loan activity beginning in 2014, the Company implemented a new accounting policy based on existing accounting standards. Because the foreign currency forward contracts do not meet hedge accounting requirements, gains and losses due to changes in their fair values are recognized in other income.

The notional amount and fair values of open foreign currency forward contracts were as follows:

	September 30, 2014	December 31, 2013
	(dollars in thousands)	
Forward contracts – foreign exchange:		

Notional amount	\$	1,392	\$	—
Other assets – estimated fair value		13		—
Other liabilities – estimated fair value		—		—

The amount of gains and losses relating to foreign currency forward contracts included in other income for the three and nine months ended September 30, 2014 was insignificant.

Foreign currency forward contracts involve the risk of dealing with counterparties and their ability to meet contractual terms. We believe the risk of incurring losses due to nonperformance by our counterparties is manageable.

As of September 30, 2014, the Company had no other interest rate futures, forwards, swaps or option contracts, or other financial instruments with similar characteristics with the exception of rate lock commitments on mortgage loans to be held for sale, which netted to an insignificant amount.

Note 12: Fair Value Measurements

The fair value of an asset or liability is the price that would be received by selling that asset or paid in transferring that liability in an orderly transaction occurring in the principal market (or most advantageous market in the absence of a principal market) for such asset or liability. In estimating fair value, the Company utilizes valuation techniques that are consistent with the market approach, the income approach and/or the cost approach. Such valuation techniques are consistently applied. Inputs to valuation techniques include the assumptions that market participants would use in pricing an asset or liability. FASB ASC Topic 820 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 Company 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 the Company'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 those Company assets and liabilities that are carried at fair value.

There were no transfers between levels during the quarter ended September 30, 2014.

In general, fair value is based upon quoted market prices, when available. If such quoted market prices are not available, fair values are measured utilizing independent valuation techniques of identical or similar securities for which significant assumptions are derived primarily from or corroborated by observable data. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value. These adjustments may include amounts to reflect, among other things, counterparty credit quality and the company's creditworthiness 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. Furthermore, the reported fair value amounts have not been comprehensively revalued since the presentation dates and, therefore, estimates of fair value after the balance sheet date may differ significantly from the amounts presented herein.

Securities Available for Sale. Securities classified as available for sale are reported at fair value utilizing level 1 and level 2 measurements. For mutual funds and other equity securities, unadjusted quoted prices in active markets for identical assets are utilized to determine fair value at the measurement date and have been classified as level 1 in the ASC 820 fair value hierarchy. For all other securities, the Company obtains fair value measurements from an independent pricing service. The independent pricing service evaluations are based on market data. The independent pricing service utilizes evaluated pricing models that vary by asset class and incorporate available trade, bid and other market information. Because many fixed income securities do not trade on a daily basis, the independent pricing service evaluated pricing applications apply available information as applicable through processes such as benchmark curves, benchmarking of like securities, sector groupings, and matrix pricing, to prepare evaluations. In addition, the independent pricing service uses model processes, such as the Option Adjusted Spread model, to assess interest rate impact and develop prepayment scenarios. The models and processes take into account market convention. For each asset class, a team of evaluators gathers information from market sources and integrates relevant credit information, perceived market movements and sector news into the evaluated pricing applications and models.

The market inputs that the independent pricing service normally seeks for evaluations of securities, listed in approximate order of priority, include: benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data including market research publications. The independent pricing service also monitors market indicators, industry and economic events. Information of this nature is a trigger to acquire further market data. For certain security types, additional inputs may be used or some of the market inputs may not be applicable. Evaluators may prioritize inputs differently on any given day for any security based on market conditions, and not all inputs listed are available for use in the evaluation process for each security evaluation on a given day. Because the data utilized was observable, the securities have been classified as level 2 in the ASC 820 fair value hierarchy.

Derivative Assets and Derivative Liabilities. Derivative assets and derivative liabilities are reported at fair value utilizing level 2 measurements. Derivative instruments with positive fair values are reported as an asset and derivative instruments with negative fair value are reported as liabilities. The fair value of derivative assets and liabilities is determined based on prices obtained from a third party. Values of derivative assets and liabilities are primarily based on observable inputs and are classified as level 2 in the ASC 820 fair value hierarchy.

The following table summarizes financial assets and financial liabilities measured at fair value on a recurring basis as of September 30, 2014 and December 31, 2013, 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)				
September 30, 2014				
Securities available for sale				
U.S. Treasury securities	\$ —	\$ 50,577	\$ —	\$ 50,577
Obligations of U.S. government corporations and agencies	—	188,636	—	188,636
Obligations of states and political subdivisions	—	237,162	—	237,162
Residential mortgage-backed securities	—	245,572	—	245,572
Corporate debt securities	—	73,958	—	73,958
Mutual funds and other equity securities	7,160	—	—	7,160
Derivative assets				
Foreign currency forward contracts	—	13	—	13
Derivative liabilities				
Foreign currency forward contracts	—	—	—	—
December 31, 2013				
Securities available for sale				
U.S. Treasury securities	\$ —	\$ 102,640	\$ —	\$ 102,640
Obligations of U.S. government corporations and agencies	—	257,411	—	257,411
Obligations of states and political subdivisions	—	272,152	—	272,152
Residential mortgage-backed securities	—	177,735	—	177,735
Corporate debt securities	—	25,506	—	25,506
Mutual funds and other equity securities	5,866	—	—	5,866

Certain financial assets and financial liabilities are measured at fair value on a non-recurring 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).

Impaired Loans. The Company does not record 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 and restructured loans in compliance with modified terms. Collateral values are estimated using a combination of observable inputs, including recent appraisals, and unobservable inputs based on customized discounting criteria. Due to the significance of the unobservable inputs, all impaired loan fair values have been classified as level 3 in the ASC 820 fair value hierarchy.

OREO. Non-financial assets and non-financial liabilities measured at fair value include OREO (upon initial recognition or subsequent impairment). OREO properties are measured using a combination of observable inputs, including recent appraisals, and unobservable inputs based on customized discounting criteria. Due to the significance of the unobservable inputs, all OREO fair values have been classified as level 3 in the ASC 820 fair value hierarchy.

The following table summarizes assets and liabilities measured at fair value on a non-recurring basis as of September 30, 2014 and December 31, 2013, 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)				
September 30, 2014				
Impaired loans	\$ —	\$ —	\$ 2,460	\$ 2,460
OREO	—	—	—	—
December 31, 2013				
Impaired loans	\$ —	\$ —	\$ 5,491	\$ 5,491
OREO	—	—	1,134	1,134

The following table presents additional quantitative information about assets measured at fair value on a non-recurring basis for which the Company has utilized level 3 inputs to determine fair value:

	Quantitative Information about Level 3 Fair Value Measurements			
	Fair Value Estimate	Valuation Techniques	Unobservable Input	Range (Weighted Average)
(dollars in thousands)				
September 30, 2014				
Impaired loans	\$ 2,460	Appraisal of collateral	Appraisal adjustments	-0.6% to -100.0% (-48.0%)
OREO	—	Appraisal of collateral	Appraisal adjustments	-% (-%)
December 31, 2013				

Impaired loans	\$	5,491	Appraisal of collateral	Appraisal adjustments	-0.4% to -100.0% (-36.0%)
OREO		1,134	Appraisal of collateral	Appraisal adjustments	-6.6% to -100.0% (-47.9%)

36

The estimated fair values of financial instruments that are reported at amortized cost in the Company's Consolidated Balance Sheets, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value, were as follows:

	September 30, 2014		December 31, 2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
(dollars in thousands)				
Financial assets:				
Level 2 inputs:				
Cash and due from banks	\$ 179,724	\$ 179,724	\$ 231,603	\$ 231,603
Securities held to maturity	2,384	2,421	834	831
Loans held for sale	12,090	12,355	13,840	14,103
Accrued interest receivable	12,219	12,219	11,148	11,148
Level 3 inputs:				
Loans, net	2,320,811	2,323,621	2,233,893	2,236,841
Financial liabilities:				
Level 2 inputs:				
Deposits	\$ 2,825,394	\$ 2,825,499	\$ 2,869,138	\$ 2,870,870
Securities sold under agreements to repurchase	157,282	157,282	172,348	172,348
Long-term debt	30,000	30,000	—	—
Junior subordinated debt owed to unconsolidated trusts	55,000	55,000	55,000	55,000
Accrued interest payable	527	527	673	673

The fair value of loans, net reflects general changes in the interest rate curve used to calculate fair values based on cash flows.

FASB ASC Topic 825 requires disclosure of the fair value of financial assets and financial liabilities, including those financial assets and financial liabilities that are not measured and reported at fair value on a recurring basis or non-recurring basis. A detailed description of the valuation methodologies used in estimating the fair value of financial instruments is set forth in the Company's Annual Report on Form 10-K for the year ended December 31, 2013.

During the third quarter of 2014, the Company executed \$30.0 million in Federal Home Loan Bank ("FHLB") overnight discount note indexed advances. The variable rate notes range in maturity from seven to ten years with options to prepay at par prior to maturity.

Note 13: Pending Acquisitions

On September 25, 2014, the Company entered into an Agreement and Plan of Merger (the "Merger Agreement") by and among First Busey, FBC Acquisition LLC, a newly-formed Nevada limited liability corporation and wholly-owned subsidiary of First Busey, and Herget Financial Corp., a Delaware corporation ("Herget Financial"), pursuant to which First Busey will acquire Herget Financial and its wholly-owned bank subsidiary, Herget Bank, National Association ("Herget Bank"). Under the terms of the Merger Agreement, First Busey will acquire 100% of Herget Financial's outstanding common stock for aggregate cash consideration of \$34.1 million. Each share of Herget Financial common stock will be entitled to receive \$588.00 in cash. The merger consideration is subject to certain downward adjustments as set forth in the Merger Agreement. It is anticipated that Herget Bank will be merged with and into First Busey's bank subsidiary, Busey Bank, upon completion of the transaction. At that time, Herget Bank's banking offices will become branches of Busey Bank. As of September 30, 2014, Herget Financial and Herget Bank had total consolidated assets of \$275.1 million. The merger is anticipated to be completed in early 2015, and is subject to the satisfaction of the closing conditions in the Merger Agreement and the approval of the appropriate regulatory authorities.

37

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 its subsidiaries (referred to herein as "First Busey," "Company," "we," or "our") at September 30, 2014 (unaudited), as compared with June 30, 2014 (unaudited), December 31, 2013 and September 30, 2013 (unaudited), and the results of operations for the three and nine months ended September 30, 2014 and 2013 (unaudited), and, in certain instances, the three months ended June 30, 2014 (unaudited). Management's discussion and analysis should be read in conjunction with the Company's consolidated financial statements and notes thereto appearing elsewhere in this quarterly report, as well as the Company's Annual Report on Form 10-K for the year ended December 31, 2013.

EXECUTIVE SUMMARY

Operating Results

First Busey Corporation's net income for the third quarter of 2014 was \$9.1 million and net income available to common stockholders was \$8.9 million, or \$0.10 per fully-diluted common share. Net income increased from the third quarter of 2013, when the Company reported net income of \$7.9 million and net income available to common stockholders of \$7.0 million, or \$0.08 per fully-diluted common share. Net income available to common stockholders also grew

12% on a linked-quarter basis. For the second quarter of 2014, the Company reported net income of \$8.2 million and net income available to common stockholders of \$8.0 million, or \$0.09 per fully-diluted common share.

The Company's year-to-date net income through September 30, 2014 was \$25.2 million and net income available to common stockholders was \$24.6 million, or \$0.28 per fully-diluted common share, compared to net income of \$21.8 million and net income available to common stockholders of \$19.1 million, or \$0.22 per fully-diluted common share, for the comparable period of 2013.

Net interest income of \$25.9 million in the third quarter of 2014 increased from \$25.0 million in the second quarter of 2014, and \$25.2 million recorded in the third quarter of 2013. Net interest income for the first nine months of 2014 was \$75.5 million compared to \$75.1 million for the same period of 2013. Gross loans at September 30, 2014 increased \$55.8 million from June 30, 2014, despite a drop in held for sale loans of \$8.2 million during the period.

Robust loan growth during 2013 pushed Small Business Lending Fund qualified credits above certain thresholds required to meaningfully reduce costs of the Company's preferred stock dividend beginning in 2014. Dividends paid on the preferred stock totaled \$0.5 million for the first nine months of 2014 compared to \$2.7 million for the comparable period of 2013. In addition, credit quality and related costs continued to improve. As net charge-offs and non-performing loans trended significantly lower, the provision for loan loss fell to zero in the third quarter of 2014, a decrease from \$1.0 million in the second quarter of 2014 and \$2.0 million in the third quarter of 2013. For the first nine months of 2014, the provision for loan loss was \$2.0 million, compared to \$6.0 million for the same period of 2013. With a continued commitment to the quality of assets and the strength of our balance sheet, near-term loan losses are expected to remain at lower levels.

Busey Wealth Management's net income of \$1.2 million for the third quarter of 2014 seasonally declined from \$1.4 million for the second quarter of 2014 but was comparable to the third quarter of 2013. Busey Wealth Management's net income for the first nine months of 2014 was \$3.6 million as compared to \$3.1 million for the first nine months of 2013. Assets under care increased to \$5.0 billion as of September 30, 2014 compared to \$4.7 billion at September 30, 2013. FirsTech's net income of \$0.3 million for the third quarter of 2014 was comparable to the second quarter of 2014 and increased from the third quarter of 2013 by 24.3%. FirsTech's year-to-date net income of \$1.0 million increased from \$0.8 million for the comparable period of 2013, primarily due to growth in electronic processing revenues, including online and mobile services.

38

Asset Quality

While much internal focus has been directed toward organic growth, the Company's commitment to credit quality remains strong, as evidenced by another quarter of meaningful progress across a range of credit indicators. As of September 30, 2014, the Company reported non-performing loans of \$8.7 million, the lowest level in over six years. Net charge-offs for the third quarter of 2014 also reflected yet another low at \$0.4 million for the quarter, compared to \$1.0 million for second quarter of 2014 and \$2.5 million for the third quarter of 2013. Net charge-offs for the first nine months of 2014 were \$2.6 million, compared to \$6.0 million for the same period of 2013. When determining whether to record a third quarter provision expense, the Company considered standard GAAP measures along with a \$2.0 million recovery that was recorded early in the fourth quarter of 2014. While these improvements are encouraging, many asset quality metrics remain dependent upon market-specific economic conditions, and specific measures may fluctuate from quarter to quarter. The key metrics are as follows:

SELECTED FINANCIAL HIGHLIGHTS

(dollars in thousands)

	As of and for the Three Months Ended			
	September 30, 2014	June 30, 2014	December 31, 2013	September 30, 2013
ASSET QUALITY				
Gross loans(1)	\$ 2,379,915	\$ 2,324,068	\$ 2,295,300	\$ 2,250,605
Commercial loans(2)	1,782,126	1,737,751	1,751,740	1,695,583
Allowance for loan losses	47,014	47,428	47,567	47,964
Non-performing loans				
Non-accrual loans	8,681	11,232	17,164	18,489
Loans 90+ days past due	65	235	195	199
Non-performing loans, segregated by geography				
Illinois/ Indiana	5,285	8,273	13,565	14,451
Florida	3,461	3,194	3,794	4,237
Loans 30-89 days past due	6,350	1,766	6,114	2,283
Other non-performing assets	216	1,622	2,133	2,156
Non-performing assets to total loans and non-performing assets	0.4%	0.6%	0.9%	0.9%
Allowance as a percentage of non-performing loans	537.6%	413.6%	274.0%	256.7%
Allowance for loan losses to loans	2.0%	2.0%	2.1%	2.1%

(1) Includes loans held for sale.

(2) Includes loans categorized as commercial, commercial real estate and real estate construction.

Gross loans at September 30, 2014 increased \$55.8 million from June 30, 2014. Gross loans increased to \$2.4 billion at September 30, 2014 from \$2.3 billion at each of June 30, 2014, December 31, 2013 and September 30, 2013. Commercial loans increased to \$1.8 billion as of September 30, 2014, which represents an increase of 2.6% from June 30, 2014 and 5.1% from September 30, 2013.

39

Economic Conditions of Markets

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

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

The State of Illinois, where the largest portion of the Company’s customer base is located, continues to be one of the most troubled of any state in the United States with pension under-funding, continued budget deficits and a declining credit outlook. Additionally, the Company is located in markets with significant universities and healthcare companies, which rely heavily on state funding and contracts. Payment lapses by the State of Illinois to its vendors and government sponsored entities may have negative effects on our primary market areas.

Southwest Florida has shown continuing signs of improvement in areas such as job growth and home sales over the last few years. In addition, median sales prices of homes in Florida continue to be on the rise. Although we have seen recent improvement in certain economic indicators, we expect it will still take southwest Florida a few more years to return to peak economic strength. In 2013, Hertz Global Holdings, a Fortune 500 company, announced its intent to move its headquarters from New Jersey to southwest Florida, building a new world headquarters in Lee County. It is estimated that the new headquarters will bring at least 700 jobs to the area.

40

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

41

AVERAGE BALANCE SHEETS AND INTEREST RATES THREE MONTHS ENDED SEPTEMBER 30, 2014 AND 2013

	2014			2013			Change in income/ expense due to(1)		
	Average Balance	Income/ Expense	Yield/ Rate(3)	Average Balance	Income/ Expense	Yield/ Rate(3)	Average Volume	Average Yield/Rate	Total Change
(dollars in thousands)									
Assets									
Interest-bearing bank deposits	\$ 104,158	\$ 67	0.26%	\$ 114,012	\$ 74	0.26%	\$ (6)	\$ (1)	\$ (7)
Investment securities									
U.S. Government obligations	252,385	802	1.26%	405,316	1,339	1.31%	(488)	(49)	(537)
Obligations of states and political subdivisions(1)	241,237	1,605	2.64%	295,024	1,975	2.66%	(358)	(12)	(370)
Other securities	336,882	1,921	2.26%	224,293	1,278	2.26%	642	1	643
Loans(1) (2)	2,345,718	23,620	3.99%	2,162,138	23,162	4.25%	1,897	(1,439)	458
Total interest-earning assets(1)	\$ 3,280,380	\$ 28,015	3.39%	\$ 3,200,783	\$ 27,828	3.45%	\$ 1,687	\$ (1,500)	\$ 187
Cash and due from banks	85,678			111,168					
Premises and equipment	64,947			68,230					
Allowance for loan losses	(47,679)			(48,393)					
Other assets	141,798			160,572					
Total Assets	\$ 3,525,124			\$ 3,492,360					
Liabilities and Stockholders' Equity									
Interest-bearing transaction deposits	\$ 47,010	\$ 7	0.06%	\$ 48,595	\$ 7	0.06%	\$ —	\$ —	\$ —
Savings deposits	212,061	10	0.02%	203,836	11	0.02%	—	(1)	(1)
Money market deposits	1,480,081	439	0.12%	1,468,892	420	0.11%	3	16	19

Time deposits	526,226	804	0.61%	618,181	1,218	0.78%	(165)	(249)	(414)
Short-term borrowings:									
Federal funds purchased	1,114	1	0.36%	—	—	—%	1	—	1
Repurchase agreements	146,230	40	0.11%	129,485	44	0.13%	5	(9)	(4)
Other	272	—	—%	—	—	—%	—	—	—
Long-term debt	4,826	1	0.08%	—	—	—%	1	—	1
Junior subordinated debt owed to unconsolidated trusts	55,000	298	2.15%	55,000	303	2.19%	—	(5)	(5)
Total interest-bearing liabilities	\$ 2,472,820	\$ 1,600	0.26%	\$ 2,523,989	\$ 2,003	0.31%	\$ (155)	\$ (248)	\$ (403)
Net interest spread(1)			3.13%			3.14%			
Noninterest-bearing deposits	601,220			529,480					
Other liabilities	24,725			29,299					
Stockholders' equity	426,359			409,592					
Total Liabilities and Stockholders' Equity	\$ 3,525,124			\$ 3,492,360					
Interest income / earning assets(1)	\$ 3,280,380	\$ 28,015	3.39%	\$ 3,200,783	\$ 27,828	3.45%			
Interest expense / earning assets	\$ 3,280,380	\$ 1,600	0.20%	\$ 3,200,783	\$ 2,003	0.25%			
Net interest margin(1)		\$ 26,415	3.19%		\$ 25,825	3.20%	\$ 1,842	\$ (1,252)	\$ 590

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

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

(3) Annualized.

42

AVERAGE BALANCE SHEETS AND INTEREST RATES NINE MONTHS ENDED SEPTEMBER 30, 2014 AND 2013

	2014			2013			Change in income/ expense due to(1)		
	Average Balance	Income/ Expense	Yield/ Rate(3)	Average Balance	Income/ Expense	Yield/ Rate(3)	Average Volume	Average Yield/Rate	Total Change
(dollars in thousands)									
Assets									
Interest-bearing bank deposits	\$ 146,744	\$ 282	0.26%	\$ 208,275	\$ 387	0.25%	\$ (117)	\$ 12	\$ (105)
Investment securities									
U.S. Government obligations	287,383	2,785	1.30%	434,160	4,456	1.37%	(1,434)	(237)	(1,671)
Obligations of states and political subdivisions(1)	250,281	4,966	2.65%	288,273	5,786	2.68%	(755)	(65)	(820)
Other securities	303,544	5,194	2.29%	227,662	3,507	2.06%	1,266	421	1,687
Loans(1) (2)	2,277,343	68,717	4.03%	2,094,640	69,457	4.43%	5,790	(6,530)	(740)
Total interest-earning assets(1)	\$ 3,265,295	\$ 81,944	3.36%	\$ 3,253,010	\$ 83,593	3.44%	\$ 4,750	\$ (6,399)	\$ (1,649)
Cash and due from banks	90,436			90,865					
Premises and equipment	65,256			69,783					
Allowance for loan losses	(47,857)			(48,455)					
Other assets	145,688			166,487					
Total Assets	\$ 3,518,818			\$ 3,531,690					
Liabilities and Stockholders' Equity									
Interest-bearing transaction deposits	\$ 48,495	\$ 20	0.06%	\$ 49,274	\$ 24	0.07%	\$ —	\$ (4)	\$ (4)
Savings deposits	213,932	31	0.02%	208,722	46	0.03%	1	(16)	(15)
Money market deposits	1,478,982	1,285	0.12%	1,469,850	1,348	0.12%	8	(71)	(63)
Time deposits	548,005	2,592	0.63%	646,666	4,159	0.86%	(573)	(994)	(1,567)
Short-term borrowings:									
Federal funds purchased	375	1	0.36%	—	—	—%	1	—	1
Repurchase agreements	137,424	114	0.11%	131,093	128	0.13%	6	(20)	(14)
Other	91	—	—%	—	15	—%	—	(15)	(15)
Long-term debt	1,626	1	0.08%	3,062	125	5.46%	(40)	(84)	(124)
Junior subordinated debt owed to unconsolidated trusts	55,000	885	2.15%	55,000	905	2.20%	—	(20)	(20)
Total interest-bearing liabilities	\$ 2,483,930	\$ 4,929	0.27%	\$ 2,563,667	\$ 6,750	0.35%	\$ (597)	\$ (1,224)	\$ (1,821)
Net interest spread(1)			3.09%			3.09%			
Noninterest-bearing deposits	587,265			528,544					
Other liabilities	25,529			28,562					
Stockholders' equity	422,094			410,917					
Total Liabilities and Stockholders' Equity	\$ 3,518,818			\$ 3,531,690					
Interest income / earning assets(1)	\$ 3,265,295	\$ 81,944	3.36%	\$ 3,253,010	\$ 83,593	3.44%			
Interest expense / earning assets	\$ 3,265,295	\$ 4,929	0.21%	\$ 3,253,010	\$ 6,750	0.28%			
Net interest margin(1)		\$ 77,015	3.15%		\$ 76,843	3.16%	\$ 5,347	\$ (5,175)	\$ 172

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

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

(3) Annualized.

43

Total average earning assets increased for the three and nine month periods ended September 30, 2014 as compared to the same periods of 2013. Average loans increased \$183.6 million and \$182.7 million for the three and nine month periods ended September 30, 2014 compared to the same periods of 2013, respectively. Average interest-bearing bank deposits and investment securities both decreased for the three and nine month periods ended September 30, 2014

as compared to the same periods of 2013. Loans generally have notably higher yields compared to interest-bearing bank deposits and investment securities, leading to a positive effect on net interest margin. Despite our increasing average loan balances, which positively influenced net interest margin, a highly competitive loan environment and a prolonged period of low interest rates continued to put downward pressure on yields and margins.

Total average interest-bearing liability balances decreased for the three and nine month periods ended September 30, 2014 as compared to the same periods of 2013. Time deposits were the largest factor, decreasing \$92.0 million and \$98.7 million for the three and nine month periods ended September 30, 2014 compared to the same periods of 2013, respectively.

Interest income, on a tax-equivalent basis, increased \$0.2 million for the three month period ended September 30, 2014 as compared to the same period of 2013. Interest income, on a tax-equivalent basis, decreased \$1.6 million for the nine month period ended September 30, 2014 as compared to the same period of 2013. The interest income increase for the three month period ended September 30, 2014 was primarily a result of higher average loan balances. The interest income decline for the nine month period ended September 30, 2014 related primarily to lower yields earned on assets in a low interest rate environment. Interest expense decreased \$0.4 million and \$1.8 million for the three and nine month periods ended September 30, 2014 as compared to the same periods of 2013, respectively. The interest expense decline was primarily a result of decreases in interest rates offered by the Company on certain deposit products, particularly time deposits, as the interest rate environment remains low.

Net interest margin

Net interest margin, our net interest income expressed as a percentage of average earning assets stated on a tax-equivalent basis, held relatively steady at 3.19% for the three month period ended September 30, 2014 compared to 3.20% for the same period in 2013 and was also relatively stable at 3.15% for the nine month period ended September 30, 2014 compared to 3.16% for the same period in 2013.

Quarterly net interest margins for 2014 and 2013 are as follows:

	2014	2013
First Quarter	3.13%	3.10%
Second Quarter	3.13%	3.17%
Third Quarter	3.19%	3.20%
Fourth Quarter	—	3.12%

The net interest spread, which represents the difference between the average rate earned on earning assets and the average rate paid on interest-bearing liabilities, also on a tax-equivalent basis, was 3.13% for the three month period ended September 30, 2014, compared to 3.14% for the same period in 2013 and was 3.09% for the nine month periods ended September 30, 2014 and 2013.

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

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 Statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2013 for accounting policies underlying the recognition of interest income and expense.

OTHER INCOME

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2014	2013	% Change	2014	2013	% Change
	(dollars in thousands)					
Trust fees	\$ 4,182	\$ 4,035	3.6%	\$ 14,879	\$ 13,956	6.6%
Commissions and brokers' fees, net	676	710	(4.8)%	2,023	1,819	11.2%
Remittance processing	2,394	2,105	13.7%	7,120	6,288	13.2%
Service charges on deposit accounts	3,175	3,126	1.6%	8,981	8,876	1.2%
Other service charges and fees	1,575	1,486	6.0%	4,681	4,452	5.1%
Gain on sales of loans	1,339	2,684	(50.1)%	3,554	8,944	(60.3)%
Security (losses) gains, net	—	82	(100.0)%	40	82	(51.2)%
Other	863	1,402	(38.4)%	2,924	3,637	(19.6)%
Total other income	<u>\$ 14,204</u>	<u>\$ 15,630</u>	<u>(9.1)%</u>	<u>\$ 44,202</u>	<u>\$ 48,054</u>	<u>(8.0)%</u>

Total other income decreased \$1.4 million and \$3.9 million for the three and nine month periods ended September 30, 2014 as compared to the same periods in 2013, respectively, primarily from decreased gains on sales of loans as the industry is experiencing a general slowdown in mortgage production, partially offset by an aggregate increase in trust fees and commissions and brokers' fees, net as well as in remittance processing.

Combined wealth management revenue, consisting of trust fees and commissions and brokers' fees, net, increased for the three and nine month periods ended September 30, 2014 as compared to the same periods in 2013. The increase was led by organic growth, which increased assets under care ("AUC"), and positive market trends. AUC increased to \$5.0 billion as of September 30, 2014 compared to \$4.7 billion at September 30, 2013. Continued growth in new AUC driven by our wealth management teams suggest future income will also be positively impacted as wealth management revenues are typically highly correlated to AUC. Furthermore, the Company believes the boutique services offered by Trevett Capital Partners within its suite of wealth services broadens its business base and enhances its ability to further develop revenue sources.

Remittance processing revenue relates to our payment processing company, FirsTech. FirsTech's revenue increased \$0.3 million for the three month period ended September 30, 2014 as compared to the same period in 2013 and \$0.8 million for the nine month period ended September 30, 2014 as compared to the same period in 2013, primarily due to growth in electronic processing revenues, including online and mobile services. FirsTech adds important diversity to our revenue stream while widening our array of service offerings to larger commercial clients within our footprint and nationally.

Overall, service charges on deposit accounts combined with other service charges and fees increased for the three and nine month periods ended September 30, 2014 as compared to the same periods in 2013. Evolving regulation, product changes and changing behaviors by our client base may impact the revenue derived from charges on deposit accounts going forward.

Gain on sales of loans decreased for the three and nine month periods ended September 30, 2014 as compared to the same periods in 2013 due to lower refinance volume as a result of market-based influences. Retail real estate portfolio balances were higher at September 30, 2014 compared to September 30, 2013, excluding held for sale loans. Total mortgage production is reflected in both the gain on loans sold and the balances of loans retained in the retail real estate portfolio, and the mix of sales versus retention may vary over time.

Other income decreased for the three and nine month periods ended September 30, 2014 as compared to the same periods in 2013. The decrease was primarily due to income fluctuation in the Company's private equity investment funds and fixed asset gains in 2013 compared to minimal activity in 2014.

45

OTHER EXPENSE

	Three Months Ended September 30			Nine Months Ended September 30		
	2014	2013	% Change	2014	2013	% Change
	(dollars in thousands)					
Compensation expense:						
Salaries and wages	\$ 12,591	\$ 13,001	(3.2)%	\$ 37,418	\$ 39,342	(4.9)%
Employee benefits	2,263	2,580	(12.3)%	7,542	8,754	(13.8)%
Total compensation expense	\$ 14,854	\$ 15,581	(4.7)%	\$ 44,960	\$ 48,096	(6.5)%
Net occupancy expense of premises	2,086	2,055	1.5%	6,384	6,340	0.7%
Furniture and equipment expenses	1,250	1,211	3.2%	3,607	3,687	(2.2)%
Data processing	2,600	2,606	(0.2)%	8,099	7,813	3.7%
Amortization of intangible assets	701	783	(10.5)%	2,181	2,349	(7.2)%
Regulatory expense	503	545	(7.7)%	1,559	1,808	(13.8)%
OREO expense	16	(207)	107.7%	87	394	(77.9)%
Other	4,288	4,784	(10.4)%	12,862	14,239	(9.7)%
Total other expense	\$ 26,298	\$ 27,358	(3.9)%	\$ 79,739	\$ 84,726	(5.9)%
Income taxes	\$ 4,708	\$ 3,572	31.8%	\$ 12,771	\$ 10,583	20.7%
Effective rate on income taxes	34.1%	31.0%		33.7%	32.7%	
Efficiency ratio	63.0%	64.2%		64.0%	66.0%	
Full-time equivalent employees as of period-end	801	857				

Total other expense decreased \$1.1 million and \$5.0 million for the three and nine month periods ended September 30, 2014 as compared to the same periods in 2013, respectively, as the Company remains focused on cost control and productivity, which broadly reduced operating expenses.

Total compensation expense decreased \$0.7 million for the three month period ended September 30, 2014 as compared to the same period in 2013 and \$3.1 million for the nine month period ended September 30, 2014 compared to the same period in 2013. Employee benefits fluctuate as a function of changes in salaries and wages. An ongoing commitment to seek sensible opportunities to reduce cost and enhance productivity resulted in personnel reductions and other cost containment efforts that have contributed to positive expense trends.

Combined occupancy expenses and furniture and equipment expenses increased for the three month period ended September 30, 2014 as compared to the same period in 2013 but decreased slightly for the nine month period ended September 30, 2014 as compared to the same period in 2013. We continue to evaluate our operations for appropriate cost control measures while seeking improvements in service delivery to our customers.

Data processing expense was steady for the three month period ended September 30, 2014 as compared to the same period in 2013 but increased for the nine month period ended September 30, 2014 as compared to the same period in 2013. As the Company manages data processing expense, it continues to enhance its mobile and internet banking services and prioritize strategies to mitigate the risk from cybercriminals through the use of new technology, industry best practices and customer education. A portion of the increase in data processing expense was also related to supporting new sources of revenue growth at FirsTech.

Amortization of intangible assets expense decreased for the three and nine month periods ended September 30, 2014 as compared to the same periods in 2013 as we are now in the seventh year of amortization arising from our merger with Main Street Trust, Inc.

46

Regulatory expense decreased for the three and nine month periods ended September 30, 2014 as compared to the same periods in 2013. We anticipate that our regulatory expenses will remain close to current levels for the near future.

Our costs associated with OREO, such as collateral preservation and legal fees, increased for the three months ended September 30, 2014 as compared to the same period in 2013 but decreased for the nine months ended September 30, 2014 as compared to the same period in 2013. This expense fluctuates based on the management of commercial properties and the operating activity associated with the properties that we hold throughout the year.

Other expense decreased for the three and nine months ended September 30, 2014 as compared to the same periods in 2013 primarily as a result of a widespread reduction in expenses due to an enhanced emphasis on cost control.

The effective rates of income taxes, or income taxes divided by income before taxes, of 34.1% and 33.7% for the three and nine months ended September 30, 2014, respectively, were lower than the combined federal and state statutory rate of approximately 41% due to amounts of tax preferred interest income, such as municipal bond interest and bank owned life insurance income, accounting for a portion of our taxable income. As taxable income increases, we expect our effective tax rate to increase. Under current law, Illinois net operating loss carryover limitations expired in 2014 and the corporate income tax rate is scheduled for reduction effective January 1, 2015. The Company continues to monitor evolving state tax legislation and its potential impact on operations on an ongoing basis.

The efficiency ratio represents total other expense, less amortization charges, as a percentage of tax-equivalent net interest income plus other income, less security gains and losses. The efficiency ratio, which is a non-GAAP financial measure commonly used by management and the investment community in the banking industry, measures the amount of expense that is incurred to generate a dollar of revenue. The efficiency ratio of 63.0% for the three month period ended September 30, 2014 improved from 64.2% in the comparable period in 2013. The efficiency ratio for the first nine months of 2014 was 64.0%, an improvement from 66.0% for the same period of 2013. The process of examining appropriate avenues to improve efficiency is expected to continue as a focus in future periods with an emphasis on revenue growth.

FINANCIAL CONDITION

SIGNIFICANT BALANCE SHEET ITEMS

	September 30, 2014	December 31, 2013	% Change
	(dollars in thousands)		
Assets			
Securities available for sale	\$ 803,065	\$ 841,310	(4.5)%
Securities held to maturity	2,384	834	185.9%
Loans, net, including loans held for sale	2,332,901	2,247,733	3.8%
Total assets	\$ 3,520,917	\$ 3,539,575	(0.5)%
Liabilities			
Deposits:			
Noninterest-bearing	\$ 579,550	\$ 547,531	5.8%
Interest-bearing	2,245,844	2,321,607	(3.3)%
Total deposits	\$ 2,825,394	\$ 2,869,138	(1.5)%
Securities sold under agreements to repurchase	\$ 157,282	\$ 172,348	(8.7)%
Long-term debt	30,000	—	100.0%
Total liabilities	\$ 3,090,889	\$ 3,124,211	(1.1)%
Stockholders' equity	\$ 430,028	\$ 415,364	3.5%

First Busey's balance sheet at September 30, 2014 slightly decreased as compared with its balance sheet at December 31, 2013. Total securities decreased by \$36.7 million at September 30, 2014 compared to December 31, 2013. Net loans, including loans held for sale, increased by \$85.2 million, or 3.8%, during the same period, as loan demand in commercial real estate and retail real estate continued to improve in the third quarter.

Total liabilities decreased by \$33.3 million, or 1.1%, at September 30, 2014 compared to December 31, 2013. Noninterest-bearing deposits increased by \$32.0 million, or 5.8%, at September 30, 2014 compared to December 31, 2013, while interest-bearing deposits decreased by \$75.8 million, or 3.3%, at September 30, 2014 compared to December 31, 2013. Securities sold under agreements to repurchase decreased by \$15.1 million, or 8.7%, due to changing customer preferences and normal fluctuations in balances. The Company executed \$30.0 million of long-term debt in the third quarter of 2014 which is at variable rates and prepayable, as part of ongoing balance sheet strategy. The Company remained strongly core deposit funded at 76.1% of total assets as of September 30, 2014, with solid liquidity and significant market share in the communities it serves.

Stockholders' equity increased to \$430.0 million at September 30, 2014 as compared to \$415.4 million at December 31, 2013. This increase was primarily the result of earnings in the first nine months of 2014, partially offset by dividends paid on preferred and common stock.

ASSET QUALITY

Loan Portfolio

Geographic distributions of loans by category were as follows:

	September 30, 2014			
	Illinois	Florida	Indiana	Total
	(dollars in thousands)			
Commercial	\$ 520,002	\$ 18,794	\$ 26,027	\$ 564,823
Commercial real estate	850,819	168,201	118,464	1,137,484
Real estate construction	47,155	17,045	15,619	79,819
Retail real estate	468,818	104,971	13,442	587,231

Retail other		9,929		551		78		10,558
Total		\$ 1,896,723		\$ 309,562		\$ 173,630		\$ 2,379,915
Less held for sale(1)								12,090
								\$ 2,367,825
Less allowance for loan losses								47,014
Net loans								\$ 2,320,811

(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.

The total loan portfolio, gross, as of September 30, 2014 increased \$84.6 million from December 31, 2013; gross commercial balances (consisting of commercial, commercial real estate and real estate construction loans) increased \$30.4 million from December 31, 2013. Loans held for sale decreased by \$1.8 million as of September 30, 2014 from December 31, 2013. Retail real estate and retail other, less loans held for sale, increased \$56.0 million as of September 30, 2014 from December 31, 2013 as challenging conditions across the mortgage industry began to moderate during the second quarter of 2014, a trend which continued in the third quarter as well. Achieving meaningful organic growth remains a focus for us, and our commitment to credit quality remains strong, as evidenced by another quarter of meaningful progress across a range of credit indicators as discussed further below.

Allowance for loan losses

Our allowance for loan losses was \$47.0 million, or 2.0% of loans, at September 30, 2014, compared to \$47.6 million, or 2.1% of loans, at December 31, 2013.

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

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

As of September 30, 2014, management believed the level of the allowance and coverage of non-performing loans to be appropriate based upon the information available. However, additional losses may be identified in our loan portfolio as new information is obtained. We may need to provide for additional loan losses in the future as management continues to identify potential problem loans and gains further information concerning existing problem loans.

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

Provision for Loan Losses

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

As net charge-offs and non-performing loans trended significantly lower, the provision for loan loss fell to zero in the third quarter of 2014 compared to \$2.0 million in the same period of 2013. Our provision for loan losses was \$2.0 million for the nine months ended September 30, 2014 and \$6.0 million for the same period of 2013. The relative provision expenses during 2014 and 2013 were reflective of management's determination of the appropriate level of reserve relative to risk in the portfolio in 2014.

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

Non-performing Loans

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

The following table sets forth information concerning non-performing loans as of each of the dates indicated:

	September 30, 2014	June 30, 2014	March 31, 2014	December 31, 2013
	(dollars in thousands)			
Non-accrual loans	\$ 8,681	\$ 11,232	\$ 14,340	\$ 17,164
Loans 90+ days past due and still accruing	65	235	—	195
Total non-performing loans	<u>\$ 8,746</u>	<u>\$ 11,467</u>	<u>\$ 14,340</u>	<u>\$ 17,359</u>
OREO	<u>\$ 216</u>	<u>\$ 1,622</u>	<u>\$ 1,937</u>	<u>\$ 2,133</u>
Total non-performing assets	<u><u>\$ 8,962</u></u>	<u><u>\$ 13,089</u></u>	<u><u>\$ 16,277</u></u>	<u><u>\$ 19,492</u></u>
Allowance for loan losses	\$ 47,014	\$ 47,428	\$ 47,426	\$ 47,567
Allowance for loan losses to loans	2.0%	2.0%	2.1%	2.1%
Allowance for loan losses to non-performing loans	537.6%	413.6%	330.7%	274.0%
Non-performing loans to loans, before allowance for loan losses	0.4%	0.5%	0.6%	0.8%
Non-performing loans and OREO to loans, before allowance for loan losses	0.4%	0.6%	0.7%	0.9%

We continue to drive positive trends across a range of credit indicators. Total non-performing assets were \$9.0 million at September 30, 2014, compared to \$19.5 million at December 31, 2013. While these improvements are encouraging, many asset quality metrics remain dependent upon market-specific economic conditions, and specific measures may fluctuate from quarter to quarter.

As of September 30, 2014, the Bank had charged-off \$3.6 million of principal balance on loans that were on non-accrual status at September 30, 2014. Partial charge-offs reduce the reported principal of the balance of the loan, whereas, a specific allocation of allowance for loan losses does not reduce the reported principal balance of the loan. Non-accrual loans are reported net of charge-offs, but include related specific allocations of the allowance for loan losses. In summary, if we had not charged-off \$3.6 million in loans, our non-accrual loans would have been that amount greater than the \$8.7 million reported.

Potential Problem Loans

Potential problem loans are those loans which are not categorized as impaired, restructured, non-accrual or 90+ days past due, but where current information indicates that the borrower may not be able to comply with present loan repayment terms. Management assesses the potential for loss on such loans as it would with other problem loans and has considered the effect of any potential loss in determining its provision for probable loan losses. Potential problem loans of \$34.7 million at September 30, 2014 were less than the \$50.1 million reported at December 31, 2013. The balance of potential problem loans is a reflection of continued economic challenges; however, we do not believe the potential losses will be as great as seen in the past. Management continues to monitor these credits and anticipates that restructurings, guarantees, additional collateral or other planned actions will result in full repayment of the debts. As of September 30, 2014, management identified no other loans that represent or result from trends or uncertainties which management reasonably expected to materially impact future operating results, liquidity or capital resources. As of September 30, 2014, management was not aware of any information about any other credits which caused management to have serious doubts as to the ability of such borrower(s) to comply with the loan repayment terms.

LIQUIDITY

Liquidity management is the process by which we ensure that adequate liquid funds are available to meet the present and future cash flow obligations arising in the daily operations of our business. These financial obligations consist of needs for funds to meet commitments to borrowers for extensions of credit, fund capital expenditures, honor withdrawals by customers, pay dividends to stockholders and pay operating expenses. Our most liquid assets are cash and due from banks, interest-bearing bank deposits, and, if needed, federal funds sold. The balances of these assets are dependent on the Company's operating, investing, lending, and financing activities during any given period.

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

During the third quarter of 2014, as part of its ongoing balance sheet strategy, the Company undertook a modest level of long-term debt due to low interest rates and attractive funding options available in the market. The Company executed \$30.0 million in FHLB overnight discount note indexed advances. The variable rate notes range in maturity from seven to ten years with options to prepay at par prior to maturity.

Based upon the level of investment securities that reprice within 30 days and 90 days, as of September 30, 2014, management believed that adequate liquidity existed to meet all projected cash flow obligations. We seek to achieve a satisfactory degree of liquidity by actively managing both assets and liabilities. Asset management guides the proportion of liquid assets to total assets, while liability management monitors future funding requirements and prices liabilities accordingly.

OFF-BALANCE-SHEET ARRANGEMENTS

At September 30, 2014, the Company had outstanding standby letters of credit of \$13.6 million and commitments to extend credit of \$575.6 million to its customers. Since these commitments generally have fixed expiration dates and many will expire without being drawn upon, the total commitment level does not necessarily represent future cash requirements. These commitments are made in the ordinary course of business to meet the financing needs of the Company's customers. As of September 30, 2014, no amounts were recorded as liabilities for the Company's potential obligations under these commitments.

CAPITAL RESOURCES

The ability of the Company to pay cash dividends to its stockholders and to service its debt historically was dependent on the receipt of cash dividends from its subsidiaries. However, Busey Bank sustained significant losses during 2008 and 2009 resulting in pressure on its capital, which was relieved through injections of capital from the Company. State chartered banks have certain statutory and regulatory restrictions on the amount of cash dividends they may pay. Due to the significant losses in the past and the Company's desire to maintain a strong capital position at Busey Bank, no dividends have been paid from Busey Bank since 2009. Until such time as retained earnings have been restored, Busey Bank will not be permitted to pay dividends, and we will need to request permission from Busey Bank's primary regulator to distribute any capital out of Busey Bank. On January 22, 2013, with the approval of its primary regulator, Busey Bank transferred \$50.0 million to the Company, representing a return of capital and associated surplus as a result of an amendment to Busey Bank's charter. Further, on October 22, 2014, with the approval of its primary regulator, Busey Bank transferred \$60.0 million to the Company, representing a return of capital and associated surplus as a result of a further amendment to Busey Bank's charter.

The Company and Busey Bank are subject to regulatory capital requirements administered by federal and state banking agencies 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 regulations to ensure capital adequacy require the Company and Busey Bank 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 in the regulations), and, for the Bank, Tier 1 capital (as defined in the regulations) to average assets (as defined in the regulations). Failure to meet minimum capital requirements may cause regulatory bodies to initiate certain discretionary and/or mandatory actions that, if undertaken, may have a direct material effect on our financial statements. The Company, as a financial holding company, is required to be "well capitalized" in the two capital categories based on risk-weighted assets, as shown in the table below. As of September 30, 2014, the Company and Busey Bank met all capital adequacy requirements to which they were subject, including the guidelines to be considered "well capitalized."

51

	Actual		Minimum Capital Requirement		Minimum To Be Well Capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of September 30, 2014:						
<u>Total Capital (to Risk Weighted Assets)</u>						
Consolidated	\$ 483,817	18.66%	\$ 207,403	8.00%	\$ 259,254	10.00%
Busey Bank	\$ 439,163	17.06%	\$ 205,960	8.00%	\$ 257,449	10.00%
<u>Tier I Capital (to Risk Weighted Assets)</u>						
Consolidated	\$ 450,451	17.37%	\$ 103,702	4.00%	\$ 155,552	6.00%
Busey Bank	\$ 406,020	15.77%	\$ 102,980	4.00%	\$ 154,470	6.00%
<u>Tier I Capital (to Average Assets)</u>						
Consolidated	\$ 450,451	12.92%	\$ 139,404	4.00%	N/A	N/A
Busey Bank	\$ 406,020	11.79%	\$ 137,770	4.00%	\$ 172,212	5.00%

On July 21, 2010, President Obama signed the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") into law, which required the Board of Governors of the Federal Reserve System to establish minimum capital levels for bank holding companies on a consolidated basis that are as stringent as those required for insured depository institutions. The components of Tier 1 capital will be restricted to capital instruments that are currently considered to be Tier 1 capital for insured depository institutions. As a result, the proceeds of trust preferred securities will be excluded from Tier 1 capital unless such securities were issued prior to May 19, 2010 by bank holding companies with less than \$15 billion of assets. As the Company has assets of less than \$15 billion, it will be able to maintain its trust preferred proceeds as Tier 1 capital but it will have to comply with new capital mandates in other respects, and it will not be able to raise Tier 1 capital through the issuance of trust preferred securities.

In July 2013, the U.S. federal banking authorities approved the implementation of the Basel III regulatory capital reforms and issued rules effecting certain changes required by the Dodd-Frank Act (the "Basel III Rules"). The Basel III Rules are applicable to all U.S. banks that are subject to minimum capital requirements, as well as to bank and savings and loan holding companies other than "small bank holding companies" (generally bank holding companies with consolidated assets of less than \$500 million). The Basel III Rules not only increase most of the required minimum regulatory capital ratios, but they also introduce a new Common Equity Tier 1 Capital ratio and the concept of a capital conservation buffer. The Basel III Rules also expand the definition of capital as in effect currently by establishing criteria that instruments must meet to be considered Additional Tier 1 Capital (Tier 1 Capital in addition to Common Equity) and Tier 2 Capital. A number of instruments that now generally qualify as Tier 1 Capital will not qualify, or their qualifications will change when the Basel III Rules are fully implemented. The Basel III Rules also permit banking organizations with less than \$15.0 billion in assets to retain, through a one-time election, the existing treatment for accumulated other comprehensive income, which currently does not affect regulatory capital. The Basel III Rules have maintained the general structure of the current prompt corrective action framework, while incorporating the increased requirements. The prompt corrective action guidelines were also revised to add the Common Equity Tier 1 Capital ratio. In order to be a "well-capitalized" depository institution under the new regime, a bank and holding company must maintain a Common Equity Tier 1 Capital ratio of 6.5% or more; a Tier 1 Capital ratio of 8% or more; a Total Capital ratio of 10% or more; and a leverage ratio of 5% or more. Generally, financial institutions become subject to the new Basel III Rules on January 1, 2015, with phase-in periods for many of the changes. Management has reviewed the effects of the Basel III Rules on the Company's and the Bank's capital positions and is positioning the Company to satisfy the new requirements.

FORWARD LOOKING STATEMENTS

Statements made in this report, other than those concerning historical financial information, may be considered 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," "would," "could," "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 our 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 (including the impact of the Dodd-Frank Act and the extensive regulations to be promulgated thereunder, as well as the Basel III Rules); (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; (xi) changes in accounting policies and practices; and (xii) the economic impact of exceptional weather occurrences such as tornadoes, hurricanes, floods, and blizzards. 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 its 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 a materially different financial condition or materially different results of operations is a reasonable likelihood.

Our significant accounting policies are described in Note 1 of the Company's Annual Report on Form 10-K for the year ended December 31, 2013. The majority of these accounting policies do not require management to make difficult, subjective or complex judgments or estimates or the variability of the estimates is not material. However, the following policies could be deemed critical:

Fair Value of Investment Securities. Securities are classified as held to maturity when First Busey has the ability and management has the positive intent to hold those securities to maturity. Accordingly, they are stated at cost, adjusted for amortization of premiums and accretion of discounts. First Busey had \$2.4 million of securities classified as held to maturity at September 30, 2014. First Busey had no securities classified as trading at September 30, 2014. Securities are classified as available for sale when First Busey may decide to sell those securities due to changes in market interest rates, liquidity needs, changes in yields on alternative investments, and for other reasons. They are carried at fair value with unrealized gains and losses, net of taxes, reported in other comprehensive income. As of September 30, 2014, First Busey had \$803.1 million of securities classified as available for sale. For equity securities, unadjusted quoted prices in active markets for identical assets are utilized to determine fair value at the measurement date. For all other securities, we obtain fair value measurements from an independent pricing service. The fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, live trading levels, trade execution data, market consensus prepayment speeds, credit information and the security's terms and conditions, among other things. Due to the limited nature of the market for certain securities, the fair value and potential sale proceeds could be materially different in the event of a sale.

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

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

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

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

The allowance consists of specific and general components. The specific component considers loans that are classified as impaired. For such loans that are classified as impaired, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is

lower than the carrying amount of that loan. The general component covers non-classified loans and classified loans not considered impaired, and is based on historical loss experience adjusted for qualitative factors. Other adjustments may be made to the allowance for pools of loans after an assessment of internal or external influences on credit quality that are not fully reflected in the historical loss experience.

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

Deferred Taxes. We have maintained significant net deferred tax assets for deductible temporary differences, the largest of which relates to the State of Illinois net operating loss carryforward and the allowance for loan losses. For income tax return purposes, only actual charge-offs are deductible, not the provision for loan losses. Under generally accepted accounting principles, a valuation allowance is required to be recognized if it is "more-likely-than-not" that the deferred tax asset will not be realized. The determination of the recoverability of the deferred tax assets is highly subjective and dependent upon judgment concerning management's evaluation of both positive and negative evidence, the forecasts of future income, applicable tax planning strategies, and assessments of the current and future economic and business conditions. We consider both positive and negative evidence regarding the ultimate recoverability of our deferred tax assets. Positive evidence includes available tax planning strategies and the probability that taxable income will continue to be generated in future periods, as it was in periods since March 31, 2010, while negative evidence includes a cumulative loss in 2009 and 2008 and certain business and economic trends. We evaluated the recoverability of our net deferred tax assets and established a valuation allowance for certain state net operating loss and credit carryforwards that are not expected to be fully realized. Management believes that it is more-likely-than-not that the other deferred tax assets included in the accompanying consolidated financial statements will be fully realized. We determined that no valuation allowance was required for any other deferred tax assets as of September 30, 2014, although there is no guarantee that those assets will be recognizable in future periods.

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

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

As interest rate changes do not impact all categories of assets and liabilities equally or simultaneously, the asset-liability committee primarily relies on balance sheet and income simulation analysis to determine the potential impact of changes in market interest rates on net interest income. In these standard simulation models, the balance sheet is projected over a year-one time horizon and a year-two time horizon, and net interest income is calculated under current market rates and then assuming permanent instantaneous shifts of +/-100, +/-200, +/-300 and +/-400 basis points. Management measures such changes assuming immediate and sustained shifts in the federal funds rate and other market rate indices and the corresponding shifts in other non-market rate indices based on their historical changes relative to changes in the federal funds rate and other market indices. The model assumes assets and liabilities remain constant at the measurement date balances. The model uses repricing frequency on all variable-rate assets and liabilities. Prepayment speeds on loans have been adjusted to incorporate expected prepayment speeds in both a declining and rising rate environment. As of September 30, 2014 and December 31, 2013, due to the current low interest rate environment, a downward adjustment in federal fund rates was not meaningful.

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

	Year-One: Basis Point Changes							
	-400	-300	-200	-100	+100	+200	+300	+400
September 30, 2014	NA	NA	NA	NA	(2.62)%	(5.23)%	(8.21)%	(11.44)%
December 31, 2013	NA	NA	NA	NA	(3.55)%	(6.91)%	(10.62)%	(14.60)%
	Year-Two: Basis Point Changes							
	-400	-300	-200	-100	+100	+200	+300	+400
September 30, 2014	NA	NA	NA	NA	0.30%	0.20%	(0.49)%	(1.66)%
December 31, 2013	NA	NA	NA	NA	0.54%	0.63%	0.15%	(0.88)%

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

ITEM 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 Securities Exchange Act of 1934, as amended (the “Exchange Act”)) was carried out as of September 30, 2014, under the supervision and with the participation of our Chief Executive Officer, Chief Financial Officer and several other members of our senior management. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of September 30, 2014, our disclosure controls and procedures were effective in ensuring that the information we are required to disclose in the reports we file or submit under the Exchange Act 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, 2014, First Busey did not make any changes in its internal control over financial reporting or other factors that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

On May 14, 2013, the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) issued an updated version of its Internal Control - Integrated Framework (“2013 Framework”). Originally issued in 1992 (“1992 Framework”), the framework helps organizations design, implement and evaluate the effectiveness of internal control concepts and simplify their use and application. The 1992 Framework will remain effective during the transition, which extends to December 15, 2014, after which time COSO will consider it as superseded by the 2013 Framework. As of September 30, 2014, First Busey continues to utilize the 1992 Framework and is in the process of transitioning to the 2013 Framework.

56

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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

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

ITEM 1A. RISK FACTORS

There have been no material changes to the risk factors disclosed in Item 1A of Part I of the Company’s 2013 Annual Report on Form 10-K.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Repurchases

There were no purchases made by or on behalf of First Busey of shares of its common stock during the quarter ended September 30, 2014.

On January 22, 2008, First Busey announced that its board of directors had authorized the repurchase of 1,000,000 shares of common stock. First Busey’s repurchase plan has no expiration date and is active until all the shares are repurchased or action is taken by the board of directors to discontinue the plan. As of September 30, 2014, under the Company’s stock repurchase plan, 895,655 shares remained authorized for repurchase.

ITEM 3. DEFAULTS UPON SENIOR SECURITES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

ITEM 5. OTHER INFORMATION

(a) None.

(b) None.

57

ITEM 6. EXHIBITS

- *2.1 Agreement and Plan of Merger, dated September 25, 2014, by and among First Busey Corporation, FBC Acquisition LLC and Herget Financial Corp. (Schedules and other similar attachments have been omitted pursuant to Item 601(b)(2) of Regulation S-K).
- *31.1 Certification of Principal Executive Officer, pursuant to Rule 13a-14(a) and Rule 15d-14(a).
- *31.2 Certification of Principal Financial Officer, pursuant to Rule 13a-14(a) and Rule 15d-14(a).
- *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.
- *101 Interactive Data File

Interactive data files pursuant to Rule 405 of Regulation S-T: (i) Consolidated Balance Sheets at September 30, 2014 and December 31, 2013; (ii) Consolidated Statements of Income for the three and nine months ended September 30, 2014 and 2013; (iii) Consolidated Statements of Comprehensive Income for the three and nine months ended September 30, 2014 and 2013; (iv) Consolidated Statements of Stockholders' Equity for the nine months ended September 30, 2014 and 2013; (v) Consolidated Statements of Cash Flows for the nine months ended September 30, 2014 and 2013; and (vi) Notes to Unaudited Consolidated Financial Statements.

*Filed herewith

58

SIGNATURES

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

FIRST BUSEY CORPORATION
(Registrant)

By: /s/ VAN A. DUKEMAN

Van A. Dukeman
President and Chief Executive Officer
(Principal executive officer)

By: /s/ ROBIN N. ELLIOTT

Robin N. Elliott
Chief Financial Officer
(Principal financial and accounting officer)

Date: November 6, 2014

59

AGREEMENT AND PLAN OF MERGER

AMONG

FIRST BUSEY CORPORATION,

FBC ACQUISITION LLC

AND

HERGET FINANCIAL CORP.

SEPTEMBER 25, 2014

TABLE OF CONTENTS

ARTICLE 1 THE MERGER		1
Section 1.1	The Merger	1
Section 1.2	Effective Time; Closing	1
Section 1.3	Effects of the Merger	2
Section 1.4	Organizational Documents of the Surviving Entity	2
Section 1.5	Manager of the Surviving Entity	2
Section 1.6	Bank Merger	2
Section 1.7	Absence of Control	2
Section 1.8	Alternative Structure	3
ARTICLE 2 CONVERSION OF SECURITIES IN THE MERGER		3
Section 2.1	Merger Consideration; Conversion of Stock	3
Section 2.2	Exchange of Certificates	3
Section 2.3	Dissenting Shares	5
Section 2.4	Purchase Price Adjustments	5
ARTICLE 3 REPRESENTATIONS AND WARRANTIES OF THE COMPANY		6
Section 3.1	Company Organization	6
Section 3.2	Company Subsidiary Organization	6
Section 3.3	Authorization; Enforceability	6
Section 3.4	No Conflict	7
Section 3.5	Company Capitalization	7
Section 3.6	Company Subsidiary Capitalization	8
Section 3.7	Financial Statements and Reports; Regulatory Filings	8
Section 3.8	Books and Records	9
Section 3.9	Properties	9
Section 3.10	Loans; Loan Loss Reserve	10
Section 3.11	Taxes	11
Section 3.12	Employee Benefits	12
Section 3.13	Compliance with Legal Requirements	14
Section 3.14	Legal Proceedings; Orders	14
Section 3.15	Absence of Certain Changes and Events	15
Section 3.16	Material Contracts	17
Section 3.17	No Defaults	18
Section 3.18	Insurance	19
Section 3.19	Compliance with Environmental Laws	19
Section 3.20	Transactions with Affiliates	20
Section 3.21	Brokerage Commissions	20
Section 3.22	Approval Delays	20
Section 3.23	Labor Matters	20
Section 3.24	Intellectual Property	21
Section 3.25	Investments	21
Section 3.26	Accuracy of Information Furnished	22

ARTICLE 4 REPRESENTATIONS AND WARRANTIES OF ACQUIROR AND MERGER SUB		22
Section 4.1	Organization	22
Section 4.2	Merger Sub Organization	22
Section 4.3	Authorization; Enforceability	22
Section 4.4	No Conflict	22

ARTICLE 12 DEFINITIONS	44
Section 12.1 Definitions	44
Section 12.2 Principles of Construction	50

Schedules

1	Payments
2	Transaction Costs

Exhibits

A	Form of Voting and Support Agreement
B	Form of Opinion of Company Counsel

INDEX OF DEFINED TERMS

Acquiror	1
Acquiror Articles of Incorporation	44
Acquiror Bank	44
Acquiror Benefit Plan	44
Acquiror Board	44
Acquiror Bylaws	44
Acquiror Disclosure Schedules	51
Acquiror ERISA Affiliate	44
Acquiror Material Contract	44
Acquiror SEC Reports	44
Acquisition Transaction	45
Adjusted Net Worth	45
Adverse Recommendation	30
Affiliate	45
Agreement	1
Bank	45
Bank Merger	45
Borrowing Affiliate	26
Business Day	45
Closing	1
Closing Date	2
Code	45
Company	1
Company Benefit Plan	45
Company Board	46
Company Bylaws	46
Company Capitalization Date	7
Company Certificate of Incorporation	46
Company Common Stock	46
Company Disclosure Schedules	51
Company Employees	27
Company ERISA Affiliate	46
Company Financial Statements	8
Company Loans	10
Company Material Contract	17
Company Preferred Stock	7
Company Shareholder Approval	46
Company Shareholders' Meeting	29
Company Stock Certificate	3
Company Termination Fee	40
Confidentiality Agreement	25
Contemplated Transactions	46
Contract	46
Control, Controlling or Controlled	46
Conversion Fund	4

Covered Employees	34
CRA	46
Delaware Certificate of Merger	2
DGCL	46
Dissenting Shares	5

DOL	47
Effective Time	2
Environment	47
Environmental Laws	47
Environmental Report	32
ERISA	47
Exchange Act	47
Exchange Agent	3
FDIC	47
Federal Reserve	47
GAAP	47
Hazardous Materials	47
Immediate Family Member	47
Intangible Assets	47
Investment Securities	21
IRS	47
Knowledge	47
Legal Requirement	47
Letter of Transmittal	4
Material Adverse Effect	48
Merger	1
Merger Consideration	48
Merger Consideration Per Share	48
Merger Sub	1
NASDAQ Rules	48
Nevada Articles of Merger	2
New Plans	35
NRS	48
Old Plans	35
Order	48
Ordinary Course of Business	48
OREO	48
Outstanding Company Shares	49
PBGC	49
Permitted Exceptions	10
Person	49
Phase I Report	31
Phase II Report	32
Previously Disclosed	51
Proceeding	49
Proxy Statement	49

QSub	11
Regulatory Authority	49
Remediation Cost	32
Representative	49
Requisite Regulatory Approvals	49
Schedules	51
SEC	49
Securities Act	49
Subsidiary	49
Superior Proposal	49
Surviving Entity	1
Tax	49
Tax Return	50
Termination Date	38
Transaction Costs	5
Transition Date	50
U.S.	50
Unsolicited Proposal	50

AGREEMENT AND PLAN OF MERGER

THIS AGREEMENT AND PLAN OF MERGER (together with all exhibits and schedules, this “**Agreement**”) is entered into as of September 25, 2014, by and among First Busey Corporation, a Nevada corporation (“**Acquiror**”), FBC Acquisition LLC, a Nevada limited liability company and wholly-owned subsidiary of Acquiror (“**Merger Sub**”), and Herget Financial Corp., a Delaware corporation (the “**Company**”).

RECITALS

A. The parties to this Agreement desire to effect a merger of Merger Sub with and into the Company (the “**Merger**”) in accordance with this Agreement and the applicable provisions of the NRS and the DGCL, with the Company as the surviving entity in the Merger (sometimes referred to in such capacity as the “**Surviving Entity**”).

B. The respective boards of directors of the Company and Acquiror, and the sole member of Merger Sub, have approved the Merger upon the terms and subject to the conditions of this Agreement and in accordance with the applicable provisions of the NRS and the DGCL, approved and declared the advisability of this Agreement and have determined that consummation of the Merger in accordance with the terms of this Agreement is in the best interests of their respective companies and shareholders (or member, in the case of Merger Sub).

C. The parties desire to make certain representations, warranties and agreements in connection with the Merger and the other transactions contemplated by this Agreement and also agree to certain prescribed conditions to the Merger and other transactions.

AGREEMENTS

In consideration of the foregoing premises and the following mutual promises, covenants and agreements, the parties hereby agree as follows:

ARTICLE 1 THE MERGER

Section 1.1 **The Merger.** Provided that this Agreement shall not prior thereto have been terminated in accordance with its express terms, upon the terms and subject to the conditions of this Agreement and in accordance with the applicable provisions of the NRS and the DGCL, at the Effective Time, Merger Sub shall be merged with and into the Company pursuant to the provisions of, and with the effects provided in, the NRS and the DGCL, the separate corporate existence of Merger Sub shall cease and the Company will be the Surviving Entity.

Section 1.2 **Effective Time; Closing.**

(a) Provided that this Agreement shall not prior thereto have been terminated in accordance with its express terms, the closing of the Merger (the “**Closing**”) shall occur through the mail or at a place that is mutually acceptable to Acquiror and the Company, or if they fail to agree, at the offices of Barack Ferrazzano Kirschbaum & Nagelberg LLP, located at

200 West Madison Street, Suite 3900, Chicago, Illinois 60606, at 10:00 a.m., local time, on the date that is within ten (10) Business Days after the satisfaction or waiver (subject to applicable Legal Requirements) of the latest to occur of the conditions set forth in **Article 8** and **Article 9** (other than those conditions that by their nature are to be satisfied or waived at the Closing, but subject to the satisfaction or waiver of those conditions) or at such other time and place as Acquiror and the Company may agree in writing (the “**Closing Date**”). Notwithstanding the preceding, if the Closing Date would fall on a date that is after December 15, 2014, the parties agree that the Closing Date will be no earlier than January 2, 2015. Subject to the provisions of **Article 10**, failure to consummate the Merger on the date and time and at the place determined pursuant to this **Section 1.2** will not result in the termination of this Agreement and will not relieve any party of any obligation under this Agreement.

(b) The parties hereto agree to file on the Closing Date articles of merger with the Nevada Secretary of State (the “**Nevada Articles of Merger**”), and a certificate of merger with the Delaware Secretary of State (the “**Delaware Certificate of Merger**”), in each case executed in accordance with applicable Legal Requirements. The Merger shall become effective as of the date and time to be agreed upon by the parties and specified in the Nevada Articles of Merger and the Delaware Certificate of Merger (the “**Effective Time**”).

Section 1.3 **Effects of the Merger.** At the Effective Time, the effects of the Merger shall be as provided in this Agreement, the Nevada Articles of Merger, the Delaware Certificate of Merger and the applicable provisions of the NRS and DGCL. Without limiting the generality of the foregoing, at the Effective Time, all of the property, rights, privileges, powers and franchises of the Company shall be vested in the Surviving Entity, and all debts, liabilities and duties of the Company shall become the debts, liabilities and duties of the Surviving Entity.

Section 1.4 **Organizational Documents of the Surviving Entity.** The articles of organization and operating agreement of Merger Sub, as in effect immediately prior to the Effective Time, shall be the articles of organization and operating agreement of the Surviving Entity until thereafter amended in accordance with the provisions thereof and applicable Legal Requirements.

Section 1.5 **Manager of the Surviving Entity.** The manager of Merger Sub immediately prior to the Effective Time shall be the manager of the Surviving Entity.

Section 1.6 **Bank Merger.** The parties will cooperate and use their reasonable best efforts to effect the Bank Merger at a time to be determined following the Merger. At the effective time of the Bank Merger, the separate corporate existence of the Bank will terminate. Acquiror Bank will be the surviving bank and will continue its corporate existence under applicable Legal Requirements. The Bank Merger shall be accomplished pursuant to a merger agreement containing such terms and conditions as are ordinary and customary for affiliated bank merger transactions of such type.

Section 1.7 **Absence of Control.** Subject to any specific provisions of this Agreement, it is the intent of the parties to this Agreement that neither Acquiror nor the Company by reason of this Agreement shall be deemed (until consummation of the Contemplated Transactions) to control, directly or indirectly, the other party or any of its

Section 1.8 **Alternative Structure.** Notwithstanding anything to the contrary contained in this Agreement, before the Effective Time, the parties may mutually agree to change the method of effecting the Contemplated Transactions if and to the extent that it deems such a change to be desirable; *provided*, that: (a) any such change shall not affect the U.S. federal income tax consequences of the Merger to holders of Company Common Stock; and (b) no such change shall (i) alter or change the amount or kind of the consideration to be issued to holders of Company Common Stock as consideration in the Merger or (ii) materially impede or delay consummation of the Merger. If the parties agree to make such a change, they shall execute appropriate documents to reflect the change.

ARTICLE 2 CONVERSION OF SECURITIES IN THE MERGER

Section 2.1 **Merger Consideration; Conversion of Stock.** At the Effective Time, by virtue of the Merger and without any action on the part of Acquiror, Merger Sub, the Company or the holder of any of the following securities:

(a) Each membership interest of Merger Sub issued and outstanding immediately prior to the Effective Time shall be unaffected by the Merger and shall thereafter represent one membership interest of the Surviving Entity.

(b) Each Outstanding Company Share (other than an Outstanding Company Share to be cancelled and retired pursuant to **Section 2.1(c)** and Dissenting Shares) shall be converted into the right to receive the Merger Consideration Per Share and thereupon shall no longer be outstanding and shall automatically be cancelled and shall cease to exist. Each certificate previously evidencing any Outstanding Company Share (a “**Company Stock Certificate**”) (other than shares cancelled and retired pursuant to **Section 2.1(c)** and Dissenting Shares) shall thereafter represent only the right to receive, upon surrender of such certificate in accordance with **Section 2.2**, the Merger Consideration Per Share. The holders of Company Stock Certificates shall cease to have any rights with respect thereto except as otherwise provided in this Agreement or by law.

(c) Each share of Company Common Stock held as treasury stock or otherwise held by the Company or the Bank (other than in a fiduciary capacity), if any, immediately prior to the Effective Time shall automatically be cancelled and retired and cease to exist, and no portion of the Merger Consideration shall be exchanged therefor.

Section 2.2 **Exchange of Certificates.**

(a) The parties to this Agreement agree: (i) that Computershare Trust Company, N.A. shall serve, pursuant to the terms of an exchange agent agreement mutually acceptable to the parties, as the exchange agent for purposes of this Agreement (the “**Exchange Agent**”); and (ii) to execute and deliver the exchange agent agreement at or prior to the Effective Time.

3

Acquiror shall be solely responsible for the payment of any fees and expenses of the Exchange Agent.

(b) At least five (5) days prior to the Effective Time, Acquiror shall authorize the issuance of and shall make available to the Exchange Agent, for the benefit of the holders of Company Stock Certificates for exchange in accordance with this **Article 2**, sufficient cash for payment of the Merger Consideration pursuant to **Section 2.1**. Such amount of cash is referred to in this **Article 2** as the “**Conversion Fund.**”

(c) At least ten (10) days prior to the Effective Time, Acquiror shall cause the Exchange Agent to mail to each holder of record of one or more Company Stock Certificates a letter of transmittal (“**Letter of Transmittal**”), in a form to be agreed by the parties, which specifies, among other things, that delivery shall be effected, and risk of loss and title to Company Stock Certificates shall pass, only upon delivery of such certificates to the Exchange Agent, together with instructions for use in effecting the surrender of the Company Stock Certificates pursuant to this Agreement.

(d) Upon proper surrender of a Company Stock Certificate for exchange to the Exchange Agent, together with a properly completed and duly executed Letter of Transmittal, the holder of such Company Stock Certificate shall be entitled to receive in exchange therefor his, her or its portion of the Merger Consideration deliverable in respect of the shares of Company Common Stock represented by such Company Stock Certificate; thereupon such Company Stock Certificate shall forthwith be cancelled. No interest will be paid or accrued on any portion of the Merger Consideration deliverable upon surrender of a Company Stock Certificate.

(e) If a holder of Company Stock Certificates surrenders the Company Stock Certificates and a properly executed Letter of Transmittal to the Exchange Agent at least five (5) Business Days prior to the Closing Date, then, on the Closing Date, the Exchange Agent will deliver to such holder of Company Stock Certificates his or her or its portion of the Merger Consideration deliverable in respect of the shares of Company Common Stock represented by such Company Stock Certificates. If a holder of Company Stock Certificates surrenders such Company Stock Certificates and a properly executed Letter of Transmittal to the Exchange Agent at any time after five (5) Business Days prior to the Closing Date, then the Exchange Agent will promptly, but in no event later than five (5) Business Days following receipt of such Company Stock Certificates and Letter of Transmittal, deliver to such holder of Company Stock Certificates his or her or its portion of the Merger Consideration deliverable in respect of the shares of Company Common Stock represented by such Company Stock Certificates.

(f) After the Effective Time, there shall be no transfers on the stock transfer books of the Company of Outstanding Company Shares.

(g) Any portion of the Conversion Fund that remains unclaimed by the shareholders of the Company twelve (12) months after the Effective Time shall be paid to the Surviving Entity, or its successors in interest. Any shareholders of the Company who have not theretofore complied with this **Article 2** shall thereafter look only to the Surviving Entity, or its successors in interest, for the payment of the Merger Consideration Per Share deliverable in

4

respect of such shareholders' shares of Company Common Stock. Notwithstanding the foregoing, none of Acquiror, the Surviving Entity, the Exchange Agent or any other person shall be liable to any former holder of shares of Company Common Stock for any amount delivered in good faith to a public

official pursuant to applicable abandoned property, escheat or similar laws.

(h) In the event any Company Stock Certificate shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming such Company Stock Certificate to be lost, stolen or destroyed and, if required by the Surviving Entity, the posting by such person of a bond in such amount as the Exchange Agent may determine is reasonably necessary as indemnity against any claim that may be made against it with respect to such Company Stock Certificate, the Exchange Agent will issue in exchange for such lost, stolen or destroyed Company Stock Certificate, and in accordance with this **Article 2**, the Merger Consideration Per Share deliverable in respect thereof pursuant to this Agreement.

Section 2.3 Dissenting Shares. Notwithstanding anything to the contrary contained in this Agreement, shares of Company Common Stock that are outstanding immediately prior to the Effective Time and that are held by any Person who is entitled to demand and properly demands appraisal of such Dissenting Shares pursuant to, and who complies in all respects with, Section 262 of the DGCL (the “**Dissenting Shares**”) shall not be converted into the right to receive the Merger Consideration as provided in **Section 2.1** and the holders of such Dissenting Shares shall be entitled only to such rights as may be granted to such holders pursuant to Section 262 of the DGCL; *provided, however*, that if any such holder shall fail to perfect or otherwise shall waive, withdraw or lose the right to appraisal under Section 262 of the DGCL, then such Dissenting Shares shall be deemed to have been converted as of the Effective Time into, and to have become exchangeable solely for the right to receive, the Merger Consideration as provided in this **Article 2**.

Section 2.4 Purchase Price Adjustments.

(a) If the Transaction Costs are equal to or less than \$1.423 million, there will be no adjustment to the Merger Consideration.

(b) If the Transaction Costs are greater than \$1.423 million, the Merger Consideration shall be decreased by the amount the Transaction Costs exceed \$1.423 million.

(c) “**Transaction Costs**” means all gross pre-tax transaction costs of the Company or the Bank necessary to consummate, or incurred or accrued (or required to be accrued in accordance with GAAP) in connection with, the Contemplated Transactions, including, but not limited to: (i) the aggregate fees and expenses of attorneys, accountants, consultants, brokers, finders, financial advisors and other professional advisors incurred by the Company or the Bank in connection the Contemplated Transactions; (ii) any payments due under any change of control or severance agreements, retention or stay bonus programs, or other similar arrangements, including without limitation the agreements listed on **Schedule 1**; (iii) the cost of any termination fees paid or required to be paid as a result of a termination of any Contract in connection with the closing of the transaction; and (iv) any Remediation Cost, each as set forth on **Schedule 2**.

5

**ARTICLE 3
REPRESENTATIONS AND WARRANTIES OF THE COMPANY**

Except as Previously Disclosed, the Company hereby represents and warrants to Acquiror as follows:

Section 3.1 Company Organization. The Company: (a) is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and is also in good standing in each other jurisdiction in which the nature of the business conducted or the properties or assets owned or leased by it makes such qualification necessary; (b) is registered with the Federal Reserve as a bank holding company under the Bank Holding Company Act of 1956, as amended; and (c) has full power and authority, corporate and otherwise, to operate as a bank holding company and to own, operate and lease its properties as presently owned, operated and leased, and to carry on its business as it is now being conducted. The Company has delivered or made available to Acquiror copies of the Company Certificate of Incorporation and Company Bylaws and all amendments thereto, each of which are true, complete and correct, and in full force and effect as of the date of this Agreement. The Company has no Subsidiaries other than the Bank, Herget Service Co., an Illinois corporation, and Herget Mortgage Corp., an Illinois corporation.

Section 3.2 Company Subsidiary Organization. The Bank is a national bank duly organized, validly existing and in good standing under the laws of the U.S. Herget Service Co. is a corporation duly organized, validly existing and in good standing under the laws of the State of Illinois and is also in good standing in each other jurisdiction in which the nature of the business conducted or the properties or assets owned or leased by it makes such qualification necessary. Herget Mortgage Corp. is a corporation duly organized, validly existing and in good standing under the laws of the State of Illinois and is also in good standing in each other jurisdiction in which the nature of the business conducted or the properties or assets owned or leased by it makes such qualification necessary. Each Subsidiary of the Company has full power and authority, corporate and otherwise, to own, operate and lease its properties as presently owned, operated and leased, and to carry on its business as it is now being conducted, and is duly qualified to do business and is in good standing in each jurisdiction in which the nature of the business conducted or the properties or assets owned or leased by it makes such qualification necessary. The deposit accounts of the Bank are insured by the FDIC through the Deposit Insurance Fund to the fullest extent permitted by applicable Legal Requirements, and all premiums and assessments required to be paid in connection therewith have been paid when due. The Company has delivered or made available to Acquiror copies of the charter (or similar organizational documents) and bylaws of each Subsidiary of the Company and all amendments thereto, each of which are true, complete and correct and in full force and effect as of the date of this Agreement.

Section 3.3 Authorization; Enforceability. The Company has the requisite corporate power and authority to enter into and perform its obligations under this Agreement. The execution, delivery and performance of this Agreement by the Company, and the consummation by it of its obligations under this Agreement, have been authorized by all necessary corporate action, subject to the Company Shareholder Approval, and, subject to the receipt of the Requisite Regulatory Approvals, this Agreement constitutes a legal, valid and binding obligation of the

6

Company enforceable in accordance with its terms, except as such enforcement may be limited by bankruptcy, insolvency, reorganization or other Legal Requirements affecting creditors’ rights generally and subject to general principles of equity.

Section 3.4 No Conflict. Neither the execution nor delivery of this Agreement nor the consummation or performance of any of the Contemplated Transactions will, directly or indirectly (with or without notice or lapse of time): (a) contravene, conflict with or result in a violation of any

provision of the articles of incorporation or charter (or similar organizational documents) or bylaws, each as in effect on the date hereof, or any currently effective resolution adopted by the board of directors or shareholders of, the Company or any of its Subsidiaries; (b) contravene, conflict with or result in a violation of, or give any Regulatory Authority or other Person the valid and enforceable right to challenge any of the Contemplated Transactions or to exercise any remedy or obtain any relief under, any Legal Requirement or any Order to which the Company or any of its Subsidiaries, or any of their respective assets that are owned or used by them, may be subject, except for any contravention, conflict or violation that is permissible by virtue of obtaining the Requisite Regulatory Approvals; (c) contravene, conflict with or result in a violation or breach of any provision of, or give any Person the right to declare a default or exercise any remedy under, or to accelerate the maturity or performance of, or to cancel, terminate or modify any Company Material Contract; or (d) result in the creation of any material lien, charge or encumbrance upon or with respect to any of the assets owned or used by the Company or its Subsidiaries. Except for the Requisite Regulatory Approvals and the Company Shareholder Approval, neither the Company nor any of its Subsidiaries is or will be required to give any notice to or obtain any consent from any Person in connection with the execution and delivery of this Agreement or the consummation or performance of any of the Contemplated Transactions.

Section 3.5 Company Capitalization.

(a) The authorized capital stock of the Company currently consists exclusively of 200,000 shares of Company Common Stock, of which, as of June 30, 2014 (the “**Company Capitalization Date**”), 57,993 shares were issued and outstanding; and (ii) 40,000 shares of the Company’s preferred stock, \$100.00 par value per share (“**Company Preferred Stock**”), of which no shares were designated and outstanding as of the Company Capitalization Date. The Company does not have outstanding any bonds, debentures, notes or other debt obligations having the right to vote (or convertible into, or exchangeable for, securities having the right to vote) with the shareholders of the Company on any matter. All of the issued and outstanding shares of Company Common Stock have been duly authorized and validly issued and are fully paid and nonassessable.

(b) No equity-based awards were outstanding as of the Company Capitalization Date. Since the Company Capitalization Date through the date hereof, the Company has not: (i) issued or repurchased any shares of Company Common Stock or Company Preferred Stock or other equity securities of the Company; or (ii) issued or awarded any options, stock appreciation rights, restricted shares, restricted stock units, deferred equity units, awards based on the value of Company Common Stock or any other equity-based awards. From the Company Capitalization Date through the date of this Agreement, neither the Company nor any of its Subsidiaries has: (A) accelerated the vesting of or lapsing of restrictions with

7

respect to any stock-based compensation awards or long-term incentive compensation awards; (B) with respect to executive officers of the Company or its Subsidiaries, entered into or amended any employment, severance, change in control or similar agreement (including any agreement providing for the reimbursement of excise taxes under Section 4999 of the Code); or (C) adopted or materially amended any Company Benefit Plan.

(c) None of the shares of Company Common Stock were issued in violation of any federal or state securities laws or any other applicable Legal Requirement. Except as set forth in **Section 3.5(c)** of the Company Disclosure Schedules, as of the date of this Agreement there are: (i) no outstanding subscriptions, Contracts, conversion privileges, options, warrants, calls or other rights obligating the Company or any of its Subsidiaries to issue, sell or otherwise dispose of, or to purchase, redeem or otherwise acquire, any shares of capital stock of the Company or any of its Subsidiaries; and (ii) no contractual obligations of the Company or any of its Subsidiaries to repurchase, redeem or otherwise acquire any shares of Company Common Stock or any equity security of the Company or its Subsidiaries or any securities representing the right to purchase or otherwise receive any shares of capital stock or any other equity security of the Company or its Subsidiaries. Except as permitted by this Agreement, since the Company Capitalization Date, no shares of Company Common Stock have been purchased, redeemed or otherwise acquired, directly or indirectly, by the Company or any of its Subsidiaries and no dividends or other distributions payable in any equity securities of the Company or any of its Subsidiaries have been declared, set aside, made or paid to the shareholders of the Company. The Company does not own, nor has any Contract to acquire, any equity interests or other securities of any Person or any direct or indirect equity or ownership interest in any other business.

Section 3.6 Company Subsidiary Capitalization. All of the issued and outstanding shares of capital stock or other equity ownership interests of each Subsidiary of the Company are owned by the Company, directly or indirectly, free and clear of any material liens, pledges, charges, claims and security interests and similar encumbrances, and all of such shares or equity ownership interests are duly authorized and validly issued and are fully paid and nonassessable. No Subsidiary of the Company has or is bound by any outstanding subscriptions, options, warrants, calls, commitments or agreements of any character calling for the purchase or issuance of any shares of capital stock or any other equity security of such Subsidiary or any securities representing the right to purchase or otherwise receive any shares of capital stock or any other equity security of such Subsidiary. No Subsidiary of the Company owns or has any Contract to acquire, any equity interests or other securities of any Person or any direct or indirect equity or ownership interest in any other business.

Section 3.7 Financial Statements and Reports; Regulatory Filings.

(a) True and complete copies of the following financial statements (collectively, the “**Company Financial Statements**”) have been made available to Acquiror: (i) the audited consolidated balance sheets of Company and its Subsidiaries as of December 31, 2011, 2012 and 2013, and the related statements of income, changes in stockholders’ equity and cash flows for the fiscal years then ended; and (ii) the unaudited consolidated interim balance sheet of Company and its Subsidiaries as of June 30, 2014 and the related statement of income for the six-month period then ended.

8

(b) The Company Financial Statements have been prepared in conformity with GAAP, except in each case as indicated in such statements or the notes thereto, and comply in all material respects with all applicable Legal Requirements. The Company Financial Statements are complete and correct in all material respects and fairly and accurately present the respective financial position, assets, liabilities and results of operations of the Company and its Subsidiaries at the respective dates of and for the periods referred to in the Company Financial Statements, subject to normal year-end audit adjustments in the case of unaudited Company Financial Statements. The Company Financial Statements do not include any assets or omit to state any liabilities, absolute or contingent, or other facts, which inclusion or omission would render the Company Financial Statements misleading in any material respect as of the respective dates thereof and for the periods referred to therein. As of the date hereof, BKD, LLP has not resigned (or informed Company that it intends to resign) or been dismissed as independent registered public accountants of the Company as a result of or in connection with any disagreements with the Company on a matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure.

(c) The Company and each of its Subsidiaries has filed all forms, reports and documents required to be filed since January 1, 2012, with all applicable federal or state securities or banking authorities. Such forms, reports and documents: (i) complied as to form with applicable Legal Requirements; and (ii) did not at the time they were filed, after giving effect to any amendment thereto filed prior to the date hereof, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading, except that information filed as of a later date (but before the date of this Agreement) is deemed to modify information as of an earlier date.

Section 3.8 Books and Records. The books of account, minute books, stock record books and other records of the Company and its Subsidiaries are complete and correct in all material respects and have been maintained in accordance with the Company's business practices and all applicable Legal Requirements, including the maintenance of an adequate system of internal controls required by such Legal Requirements. The minute books of the Company and each of its Subsidiaries contain accurate and complete records in all material respects of all meetings held of, and corporate action taken by, its respective shareholders, boards of directors and committees of the boards of directors. At the Closing, all of those books and records will be in the possession of the Company and its Subsidiaries.

Section 3.9 Properties. The Company and each of its Subsidiaries has good and marketable title to all assets and properties, whether real or personal, tangible or intangible, that it purports to own, subject to no liens, mortgages, security interests, encumbrances or charges of any kind except: (a) as noted in the most recent Company Financial Statements; (b) statutory liens for Taxes not yet delinquent or being contested in good faith by appropriate Proceedings and for which appropriate reserves have been established and reflected on the Company Financial Statements; (c) pledges or liens required to be granted in connection with the acceptance of government deposits, granted in connection with repurchase or reverse repurchase agreements or otherwise incurred in the Ordinary Course of Business; (d) easements, rights of way, and other similar encumbrances that do not materially affect the use of the properties or assets subject thereto or affected thereby or otherwise materially impair business operations at

9

such properties; and (e) minor defects and irregularities in title and encumbrances that do not materially impair the use thereof for the purposes for which they are held (collectively, the "**Permitted Exceptions**"). The Company and each of its Subsidiaries as lessee has the right under valid and existing leases to occupy, use, possess and control any and all of the respective property leased by it, and each such lease is valid and without default thereunder by the lessee or, to the Knowledge of the Company, the lessor. All buildings and structures owned by the Company and each of its Subsidiaries lie wholly within the boundaries of the real property owned or validly leased by it, and do not encroach upon the property of, or otherwise conflict with the property rights of, any other Person.

Section 3.10 Loans; Loan Loss Reserve.

(a) Each loan, loan agreement, note, lease or other borrowing agreement by the Bank, any participation therein, and any guaranty, renewal or extension thereof (the "**Company Loans**") reflected as an asset on any of the Company Financial Statements or reports filed with the Regulatory Authorities is evidenced by documentation that is customary and legally sufficient in all material respects and constitutes, to the Knowledge of the Company, the legal, valid and binding obligation of the obligor named therein, enforceable in accordance with its terms, except to the extent that the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting the enforcement of creditors' rights generally or equitable principles or doctrines.

(b) All Company Loans originated or purchased by the Bank were made or purchased in all material respects in accordance with the policies of the board of directors of the Bank and in the Ordinary Course of Business of the Bank. The Bank's interest in all Company Loans is free and clear of any security interest, lien, encumbrance or other charge, and the Bank has complied in all material respects with all Legal Requirements relating to such Company Loans.

(c) Except as set forth in **Section 3.10(c)** of the Company Disclosure Schedules, the Bank is not a party to any Company Loan: (i) under the terms of which the obligor is more than ninety (90) days delinquent in payment of principal or interest or in default of any other material provision as of the dates shown thereon or for which the Bank has discontinued the accrual of interest; (ii) that has been classified as "substandard," "doubtful," "loss," "other loans especially mentioned" or any comparable classifications by the Bank; (iii) that has been listed on any "watch list" or similar internal report of the Bank; (iv) that has been the subject of any notice from any obligor of adverse environmental conditions potentially affecting the value of any collateral for such Company Loan; or (v) with respect to which the Bank is aware of potential violations of any Environmental Laws that may have occurred on the property serving as collateral for such Company Loan or by any obligor of such Company Loan.

(d) The Bank's allowance for loan and lease losses reflected in the Company Financial Statements (including footnotes thereto) was determined and calculated on the basis of the Bank's quarterly review and evaluation of the portfolio of Company Loans under the requirements of GAAP and Legal Requirements, was established in a manner consistent with the Bank's internal policies, and, in the reasonable judgment of the Bank, was adequate in all material respects under the requirements of GAAP and all Legal Requirements to provide for

10

possible losses, net of recoveries relating to Company Loans previously charged-off, on outstanding Company Loans.

(e) To the Knowledge of the Company: (i) none of the Company Loans is subject to any material offset or claim of offset; and (ii) the aggregate loan balances in excess of the Bank's allowance for loan and lease losses are, based on past loan loss experience, collectible in accordance with their terms (except as limited above) and all uncollectible loans have been charged off.

Section 3.11 Taxes.

(a) The Company and each of its Subsidiaries have duly and timely filed all Tax Returns required to be filed by them on or before the Closing Date for all taxable or reporting periods ending on or before the Closing Date, and each such Tax Return is true, correct and complete in all material respects. The Company and each of its Subsidiaries have paid, or made adequate provision for the payment of, all Taxes (whether or not reflected in Tax Returns as filed or to be filed) due and payable by the Company and each of its Subsidiaries, or claimed to be due and payable by any Regulatory Authority,

and are not delinquent in the payment of any Tax, except such Taxes as are being contested in good faith and as to which adequate reserves have been provided.

(b) There is no claim or assessment pending or, to the Knowledge of the Company, threatened against the Company and its Subsidiaries for any Taxes that they owe. No audit, examination or investigation related to Taxes paid or payable by the Company and each of its Subsidiaries is presently being conducted or, to the Knowledge of the Company, threatened by any Regulatory Authority. Neither the Company nor its Subsidiaries are the beneficiary of any extension of time within which to file any Tax Return, and there are no liens for Taxes (other than Taxes not yet due and payable) upon any of the Company's or its Subsidiaries' assets. Neither the Company nor its Subsidiaries has executed an extension or waiver of any statute of limitations on the assessment or collection of any Tax that is currently in effect. None of the Company or any of its Subsidiaries is a party to a tax sharing, tax allocation or similar agreement.

(c) The Company and each of its Subsidiaries have delivered or made available to Acquiror true, correct and complete copies of all Tax Returns relating to income taxes and franchise taxes owed by the Company and its Subsidiaries with respect to the last three (3) fiscal years.

(d) The Company has been a validly-electing S corporation within the meaning of Sections 1361 and 1362 of the Code at all times since 1997 and will be an S corporation up to and including the date of Closing. The Bank has been a "qualified subchapter S subsidiary" within the meaning of Section 1361(b)(3)(B) of the Code (a "QSub") at all times during its existence and will be a QSub up to and including the date of Closing.

(e) None of the Company or its Subsidiaries has, within the past ten (10) years, (i) acquired assets from another corporation in a transaction in which the Company's tax basis in the acquired assets was determined, in whole or in part, by reference to the tax basis of the

11

acquired assets in the hands of the transferor, or (ii) acquired the stock of any corporation that is or was a QSub.

(f) To the Knowledge of the Company, the Company and each of its Subsidiaries have not: (i) engaged in or been a party to any "listed transaction" as defined in Section 6707A(c)(2) of the Code and Treasury Regulations Section 1.6011-4(b)(2); (ii) failed to properly report any "reportable transaction" within the meaning as defined in Section 6707A(c)(1) of the Code and Treasury Regulations Section 1.6011-4(b); or engaged in any transaction that could affect the Tax liability for any Tax Returns not closed by applicable statute of limitations which a "significant purpose of such transaction was the avoidance or evasion of U.S. federal income tax" for purposes of Sections 6662, 6662A, 6011, 6111 or 6707A of the Code or of the regulations of the U.S. Department of the Treasury promulgated thereunder or pursuant to notices or other guidance published by the IRS (irrespective of the effective dates).

Section 3.12 Employee Benefits.

(a) **Section 3.12(a)** of the Company Disclosure Schedules includes a complete and correct list of each Company Benefit Plan. The Company has delivered to Acquiror true and complete copies of the following with respect to each Company Benefit Plan: (i) copies of each Company Benefit Plan, and all related plan descriptions; (ii) the last three (3) years' annual reports on Form 5500, including all schedules thereto and the opinions of independent accountants; and (iii) other material plan documents, including:

(i) all contracts with third party administrators, actuaries, investment managers, consultants, insurers, and independent contractors;

(ii) all notices and other communications that were given by the Company, any Subsidiary, or any Company Benefit Plan to the IRS, the DOL or the PBGC pursuant to applicable law within the six (6) years preceding the date of this Agreement; and

(iii) all notices or other communications that were given by the IRS, the PBGC, or the DOL to the Company, any Subsidiary, or any Company Benefit Plan within the six (6) years preceding the date of this Agreement.

(b) Except as set forth in **Section 3.12(b)** of the Company Disclosure Schedules, neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby will cause a payment, vesting, increase or acceleration of benefits or benefit entitlements under any Company Benefit Plan or any other increase in the liabilities of the Company or any Subsidiary under any Company Benefit Plan as a result of the transactions contemplated by this Agreement. No Company Benefit Plan provides for payment of any amount which, considered in the aggregate with amounts payable pursuant to all other Company Benefit Plans, would result in any amount being non-deductible for federal income tax purposes by virtue of Section 280G or 162(m) of the Code.

(c) None of the Company or any Company ERISA Affiliate maintains or participates, or has ever maintained or participated, in a multiemployer plan within the meaning of Section 3(37) of ERISA. None of the Company or any Company ERISA Affiliate has any liability for a plan that is subject to the provisions of Title IV of ERISA or Section 412 of the

12

Code. None of the Company or any Company ERISA Affiliate or, to their knowledge, any director or employee of the Company or any Company ERISA Affiliate, or any fiduciary of any Company Benefit Plan, has engaged in any transaction in violation of Section 406 or 407 of ERISA or, to the Company's Knowledge, any "prohibited transaction" (as defined in Section 4975(c)(1) of the Code) for which no exemption exists under Section 408(b) of ERISA or Section 4975(d) of the Code in connection with such Company Benefit Plan. No Company Benefit Plan is underfunded when comparing the present value of accrued assets to the market value of plan assets.

(d) Each Company Benefit Plan that is intended to qualify under Section 401 and related provisions of the Code is the subject of a favorable determination letter from the IRS to the effect that it is so qualified under the Code and that its related funding instrument is tax exempt under Section 501 of the Code (or the Company and its Subsidiaries are otherwise relying on an opinion letter issued to the prototype sponsor), and, to the

Company's Knowledge, there are no facts or circumstances that would adversely affect the qualified status of any Company Benefit Plan or the tax-exempt status of any related trust.

(e) Each Company Benefit Plan is and has been administered in all material respects in compliance with its terms and with all applicable Legal Requirements.

(f) Other than routine claims for benefits made in the Ordinary Course of Business, there is no litigation, claim or assessment pending or, to the Company's Knowledge, threatened by, on behalf of, or against any Company Benefit Plan or against the administrators or trustees or other fiduciaries of any Company Benefit Plan that alleges a violation of applicable state or federal law or violation of any Company Benefit Plan document or related agreement.

(g) No Company Benefit Plan fiduciary or any other person for whose actions the Company is responsible has, or has had, any liability to any Company Benefit Plan participant, beneficiary or any other person under any provisions of ERISA or any other applicable Legal Requirement by reason of any action or failure to act under any Company Benefit Plan, including any liability by any reason of any payment of, or failure to pay, benefits or any other amounts or by reason of any credit or failure to give credit for any benefits or rights.

(h) All accrued contributions and other payments to be made by the Company or any Subsidiary to any Company Benefit Plan (i) through the date hereof have been made or reserves adequate for such purposes have been set aside therefor and reflected in the Company Financial Statements and (ii) through the Closing Date shall have been made or reserves adequate for such purposes shall have been set aside therefore and reflected in the Company Financial Statements.

(i) Except as set forth in **Section 3.12(i)** of the Company Disclosure Schedules, there are no obligations under any Company Benefit Plans to provide health or other welfare benefits to retirees or other former employees, directors, consultants or their dependents (other than rights under Section 4980B of the Code or Section 601 of ERISA or comparable state laws).

13

(j) No condition exists as a result of which the Company or any Subsidiary would have any liability, whether absolute or contingent, under any Company Benefit Plan with respect to any misclassification of a person performing services for the Company or any Subsidiary as an independent contractor rather than as an employee.

(k) Neither the Company nor any of its Subsidiaries have any liabilities to employees or former employees that are not reflected in the employment contracts or benefit plans that have been delivered to Acquiror.

(l) Each Company Benefit Plan may be amended, terminated or otherwise discontinued as of the Closing Date in accordance with its terms without any liability to Acquiror or its ERISA Affiliates.

Section 3.13 Compliance with Legal Requirements. The Company and each of its Subsidiaries hold all material licenses, certificates, permits, franchises and rights from all appropriate Regulatory Authorities necessary for the conduct of their respective businesses. The Company and each of its Subsidiaries is, and at all times since January 1, 2012, has been, in compliance with each material Legal Requirement that is or was applicable to it or to the conduct or operation of its respective businesses or the ownership or use of any of its respective assets. Except as set forth in **Section 3.13** of the Company Disclosure Schedules, neither the Company nor any of its Subsidiaries has received, at any time since January 1, 2012, any notice or other communication (whether oral or written) from any Regulatory Authority or any other Person regarding: (a) any actual, alleged, possible, or potential violation of, or failure to comply with, any Legal Requirement; or (b) any actual, alleged, possible, or potential obligation on the part of the Company or any of its Subsidiaries to undertake, or to bear all or any portion of the cost of, any remedial action of any nature in connection with a failure to comply with any Legal Requirement.

Section 3.14 Legal Proceedings; Orders.

(a) Since January 1, 2012, there have been, and currently are, no Proceedings or Orders pending, entered into or, to the Knowledge of the Company, threatened against or affecting the Company, any of its Subsidiaries or any of their respective assets, businesses, current or former directors or executive officers, or the Contemplated Transactions, that have not been fully satisfied or terminated. No officer, director, employee or agent of the Company or any of its Subsidiaries is subject to any Order that prohibits such officer, director, employee or agent from engaging in or continuing any conduct, activity or practice relating to the businesses of the Company or any of its Subsidiaries as currently conducted.

(b) Neither the Company nor any of its Subsidiaries: (i) is subject to any cease and desist or other Order or enforcement action issued by; (ii) is a party to any written agreement, consent agreement or memorandum of understanding with; (iii) is a party to any commitment letter or similar undertaking to; (iv) is subject to any order or directive by; (v) is subject to any supervisory letter from; (vi) has been ordered to pay any civil money penalty, which has not been paid, by; or (vii) has adopted any policies, procedures or board resolutions at the request of any Regulatory Authority that currently restricts in any material respect the conduct of its business, in any manner relates to its capital adequacy, restricts its

14

ability to pay dividends or interest or limits in any material manner its credit or risk management policies, its management or its business. None of the foregoing has been threatened by any Regulatory Authority.

Section 3.15 Absence of Certain Changes and Events. Except as set forth in **Section 3.15** of the Company Disclosure Schedules, since December 31, 2013, the Company and its Subsidiaries have conducted their respective businesses only in the Ordinary Course of Business, and without limiting the foregoing with respect to each, since December 31, 2013, there has not been any:

(a) change in their authorized or issued capital stock; grant of any stock option or right to purchase shares of their capital stock; issuance of any security convertible into such capital stock or evidences of indebtedness (except in connection with customer deposits); grant of any

registration rights; purchase, redemption, retirement or other acquisition by them of any shares of any such capital stock; or declaration or payment of any dividend or other distribution or payment in respect of shares of their capital stock, except as reflected on the Company Financial Statements;

- (b) amendment to their articles of incorporation, charter or bylaws or adoption of any resolutions by their board of directors or shareholders with respect to the same;
- (c) payment or increase of any bonus, salary or other compensation to any of their shareholders, directors, officers or employees, except for normal increases in the Ordinary Course of Business or in accordance with any then-existing Company Benefit Plan, or entry into any employment, consulting, non-competition, change in control, severance or similar Contract with any shareholder, director, officer or employee, except for the Contemplated Transactions and except for any employment, consulting or similar agreement or arrangement that is not terminable at will or upon thirty (30) days' notice or less, without penalty or premium;
- (d) adoption, amendment (except for any amendment necessary to comply with any Legal Requirement) or termination of, or increase in the payments to or benefits under, any Company Benefit Plan;
- (e) damage to or destruction or loss of any of their assets or property, whether or not covered by insurance and where the resulting diminution in value individually or in the aggregate is greater than \$50,000;
- (f) entry into, termination or extension of, or receipt of notice of termination of any joint venture or similar agreement pursuant to any Contract or any similar transaction;
- (g) except for this Agreement, entry into any new, or modification, amendment, renewal or extension (through action or inaction) of the terms of any existing, lease, Contract or license that has a term of more than one year or that involves the payment by the Bank of more than \$50,000 in the aggregate;
- (h) Company Loan or commitment to make any Company Loan other than in the Ordinary Course of Business;

15

- (i) Company Loan or commitment to make, renew, extend the term or increase the amount of any Company Loan to any Person if such Company Loan or any other Company Loans to such Person or an Affiliate of such Person is on the "watch list" or similar internal report of the Bank, or has been classified by the Bank or any Regulatory Authority as "substandard," "doubtful," "loss," or "other loans specially mentioned" or listed as a "potential problem loan";
- (j) incurrence by them of any obligation or liability (fixed or contingent) other than in the Ordinary Course of Business;
- (k) sale (other than any sale in the Ordinary Course of Business), lease or other disposition of any of their assets or properties, or mortgage, pledge or imposition of any lien or other encumbrance upon any of their material assets or properties, except: (i) for Permitted Exceptions; or (ii) as otherwise incurred in the Ordinary Course of Business;
- (l) cancellation or waiver by them of any claims or rights with a value in excess of \$50,000;
- (m) any investment by them of a capital nature (e.g., construction of a structure or an addition to an existing structure on property owned by the Company or any of its Subsidiaries) individually or in the aggregate exceeding \$50,000;
- (n) except for the Contemplated Transactions, merger or consolidation with or into any other Person, or acquisition of any stock, equity interest or business of any other Person;
- (o) transaction for the borrowing or loaning of monies, or any increase in any outstanding indebtedness, other than in the Ordinary Course of Business;
- (p) material change in any policies and practices with respect to liquidity management and cash flow planning, marketing, deposit origination, lending, budgeting, profit and Tax planning, accounting or any other material aspect of their business or operations, except for such changes as may be required in the opinion of the management of the Company or its Subsidiaries, as applicable, to respond to then-current market or economic conditions or as may be required by any Regulatory Authorities;
- (q) filing of any applications for additional branches, opening of any new office or branch, closing of any current office or branch, or relocation of operations from existing locations, except with respect to the Bank's loan production office located in Peoria, Illinois;
- (r) discharge or satisfaction of any material lien or encumbrance on their assets or repayment of any material indebtedness for borrowed money, except for obligations incurred and repaid in the Ordinary Course of Business;
- (s) entry into any Contract or agreement to buy, sell, exchange or otherwise deal in any assets or series of assets, including any investment securities, but excluding OREO, individually or in the aggregate in excess of \$50,000, except for the pledging of collateral to secure public funds or entry into any repurchase agreements in the Ordinary Course of Business;

16

- (t) purchase or other acquisition of any investments, direct or indirect, in any derivative securities, financial futures or commodities or entry into any interest rate swap, floors and option agreements, or other similar interest rate management agreements;
- (u) hiring of any employee with an annual salary in excess of \$50,000;

(v) agreement, whether oral or written, by it to do any of the foregoing; or

(w) event or events that have had or would reasonably be expected to have, either individually or in the aggregate, a Material Adverse Effect on the Company.

Section 3.16 **Material Contracts.** Except for Contracts evidencing Company Loans made by the Bank in the Ordinary Course of Business, **Section 3.16** of the Company Disclosure Schedules lists or describes the following with respect to the Company and each of its Subsidiaries (each such agreement or document, a “**Company Material Contract**”), true, complete and correct copies of each of which have been delivered or made available to Acquiror:

(a) all interests in real property owned by them, including OREO, and the principal buildings and structures located thereon, together with the address of such real estate, and each lease of real property to which it is a party, identifying the parties thereto, the annual rental payable, the expiration date thereof and a brief description of the property covered, and in each case of either owned or leased real property, the proper identification, if applicable, of each such property as a branch or main office or other office;

(b) all loan and credit agreements, conditional sales Contracts or other title retention agreements or security agreements relating to money borrowed by it, exclusive of deposit agreements with customers of the Bank entered into in the Ordinary Course of Business, agreements for the purchase of federal funds and repurchase agreements;

(c) each Contract that involves performance of services or delivery of goods or materials by it of an amount or value in excess of \$25,000;

(d) each Contract that was not entered into in the Ordinary Course of Business and that involves expenditures or receipts of it in excess of \$25,000;

(e) each Contract not referred to elsewhere in this Section 3.16 that: (i) relates to the future purchase of goods or services that materially exceeds the requirements of its business at current levels or for normal operating purposes; or (ii) has a Material Adverse Effect on the Company or its Subsidiaries;

(f) each lease, rental, license, installment and conditional sale agreement and other Contract affecting the ownership of, leasing of, title to or use of, any personal property (except personal property leases and installment and conditional sales agreements having aggregate payments of less than \$25,000);

(g) each licensing agreement or other Contract with respect to patents, trademarks, copyrights, or other intellectual property, including agreements with current or

former employees, consultants or contractors regarding the appropriation or the nondisclosure of any of its intellectual property;

(h) each collective bargaining agreement and other Contract to or with any labor union or other employee representative of a group of employees;

(i) each joint venture, partnership and other Contract (however named) involving a sharing of profits, losses, costs or liabilities by it with any other Person;

(j) each Contract containing covenants that in any way purport to restrict, in any material respect, the business activity of the Company or its Subsidiaries or limit, in any material respect, the ability of the Company or its subsidiaries to engage in any line of business or to compete with any Person;

(k) each Contract providing for payments to or by any Person based on sales, purchases or profits, other than direct payments for goods;

(l) each employment agreement, consulting agreement, non-competition, severance or change in control agreement or similar arrangement or plan with respect to any director or executive officer of the Bank;

(m) the name of each Person who is or would be entitled pursuant to any Contract or Company Benefit Plan to receive any payment from the Bank as a result of the consummation of the Contemplated Transactions (including any payment that is or would be due as a result of any actual or constructive termination of a Person’s employment or position following such consummation) and the maximum amount of such payment;

(n) each Contract entered into other than in the Ordinary Course of Business that contains or provides for an express undertaking by the Bank to be responsible for consequential damages;

(o) each Contract for capital expenditures in excess of \$25,000;

(p) each warranty, guaranty or other similar undertaking with respect to contractual performance extended by Company or any of its Subsidiaries other than in the Ordinary Course of Business;

(q) each Company Benefit Plan; and

(r) each amendment, supplement and modification in respect of any of the foregoing.

Section 3.17 No Defaults. Each Company Material Contract is in full force and effect and is valid and enforceable in accordance with its terms, except as such enforcement may be limited by bankruptcy, insolvency, reorganization or other Legal Requirements affecting creditors' rights generally and subject to general principles of equity. To the Knowledge of the Company, no event has occurred or circumstance exists that (with or without notice or lapse of time) may contravene, conflict with or result in a material violation or breach of, or give the

18

Company, any of its Subsidiaries or other Person the right to declare a default or exercise any remedy under, or to accelerate the maturity or performance of, or to cancel, terminate or modify, any Company Material Contract. Except in the Ordinary Course of Business with respect to any Company Loan, neither the Company nor any of its Subsidiaries has given to or received from any other Person, at any time since January 1, 2012, any notice or other communication (whether oral or written) regarding any actual, alleged, possible or potential violation or breach of, or default under, any Company Material Contract, that has not been terminated or satisfied prior to the date of this Agreement. Other than in the Ordinary Course of Business, there are no renegotiations of, attempts to renegotiate or outstanding rights to renegotiate, any material amounts paid or payable to the Company or any of its Subsidiaries under current or completed Company Material Contracts with any Person, and no such Person has made written demand for such renegotiation.

Section 3.18 Insurance. **Section 3.18** of the Company Disclosure Schedules lists all insurance policies and bonds owned or held by the Company and its Subsidiaries with respect to their respective business, operations, properties or assets (including bankers' blanket bond and insurance providing benefits for employees), true and correct copies of which have been made available to Acquiror. The Company and its Subsidiaries are insured with licensed insurers against such risks and in such amounts as the management of the Company reasonably has determined to be prudent and consistent with industry practice. The Company and its Subsidiaries are in compliance in all material respects with their insurance policies and are not in default under any of the terms thereof. Each such policy is outstanding and in full force and effect and, except for policies insuring against potential liabilities of officers, directors and employees of the Company and its Subsidiaries, the Company or the relevant Subsidiary thereof is the sole beneficiary of such policies. All premiums and other payments due under any such policy have been paid, and all claims thereunder have been filed in due and timely fashion. **Section 3.18** of the Company Disclosure Schedules lists and briefly describes all claims that have been filed under such insurance policies and bonds within the past three (3) years that individually or in the aggregate exceed \$25,000 and the current status of such claims. All such claims have been filed in due and timely fashion. None of the Company or any of its Subsidiaries has had any insurance policy or bond cancelled or nonrenewed by the issuer of the policy or bond within the past three (3) years.

Section 3.19 Compliance with Environmental Laws. Except as set forth in **Section 3.19** of the Company Disclosure Schedules, there are no actions, suits, investigations, liabilities, inquiries, Proceedings or Orders involving the Company or any of its Subsidiaries or any of their respective assets that are pending or, to the Knowledge of the Company, threatened, nor to the Knowledge of the Company is there any factual basis for any of the foregoing, as a result of any asserted failure of the Company or any of its Subsidiaries of, or any predecessor thereof, to comply with any Environmental Law. No environmental clearances or other governmental approvals are required for the conduct of the business of the Company or any of its Subsidiaries or the consummation of the Contemplated Transactions. To the Knowledge of the Company, neither the Company nor any of its Subsidiaries is the owner of any interest in real estate on which any substances have been used, stored, deposited, treated, recycled or disposed of, which substances if known to be present on, at or under such property, would require clean up, removal or some other remedial action under any Environmental Law. The Company and each

19

Subsidiary of the Company has complied in all material respects with all Environmental Laws applicable to it and its business operations.

Section 3.20 Transactions with Affiliates. Except as set forth in **Section 3.20** of the Company Disclosure Schedules, no officer or director of the Company or any of its Subsidiaries, any Immediate Family Member of any such Person, and no entity that any such Person "controls" within the meaning of Regulation O of the Federal Reserve has (a) any Company Loan or any other agreement with the Company or any of its Subsidiaries or (b) any interest in any material property, real, personal or mixed, tangible or intangible, used in or pertaining to, the business of the Company or any of its Subsidiaries.

Section 3.21 Brokerage Commissions. Except for fees payable to Sheshunoff & Co. Investment Banking pursuant to an engagement letter as set forth on **Section 3.21** of the Company Disclosure Schedules, none of the Company or its Subsidiaries, or any of their respective Representatives, has incurred any obligation or liability, contingent or otherwise, for brokerage or finders' fees or agents' commissions or other similar payment in connection with this Agreement.

Section 3.22 Approval Delays. To the Knowledge of the Company, there is no reason why the granting of any of the Requisite Regulatory Approvals would be denied or unduly delayed. The Bank's most recent CRA rating was "satisfactory" or better.

Section 3.23 Labor Matters.

(a) There are no collective bargaining agreements or other labor union Contracts applicable to any employees of the Company or any of its Subsidiaries. There is no labor dispute, strike, work stoppage or lockout, or, to the Knowledge of the Company, threat thereof, by or with respect to any employees of the Company or any of its Subsidiaries, and there has been no labor dispute, strike, work stoppage or lockout in the previous three (3) years. There are no organizational efforts with respect to the formation of a collective bargaining unit presently being made, or to the Knowledge of the Company, threatened, involving employees of the Company or any of its Subsidiaries. Neither the Company nor any of its Subsidiaries has engaged or is engaging in any unfair labor practice. The Company and its Subsidiaries are in substantial compliance with all applicable Legal Requirements respecting employment and employment practices, terms and conditions of employment, wages, hours of work and occupational safety and health. No Proceeding asserting that the Company or any of its Subsidiaries has committed an unfair labor practice (within the meaning of the National Labor Relations Act of 1935) or seeking to compel the Company or any of its Subsidiaries to bargain with any labor organization as to wages or conditions of employment is pending or, to the Knowledge of the Company, threatened with respect to the Company or any of its Subsidiaries before the National Labor Relations Board, the Equal Employment Opportunity Commission or any other Regulatory Authority.

(b) Except as set forth in **Section 3.23(b)** of the Company Disclosure Schedules, neither the Company nor any of its Subsidiaries is a party to, or otherwise bound by, any consent decree with, or citation by, any Regulatory Authority relating to employees or employment practices. None of the Company, any of its Subsidiaries or any of its or their

executive officers has received within the past three (3) years any written notice of intent by any Regulatory Authority responsible for the enforcement of labor or employment laws to conduct an investigation relating to the Company or any of its Subsidiaries and, to the Knowledge of the Company, no such investigation is in progress.

Section 3.24 Intellectual Property. Each of the Company and its Subsidiaries has the unrestricted right and authority, and the Surviving Entity and its Subsidiaries will have the unrestricted right and authority from and after the Effective Time, to use all patents, trademarks, copyrights, service mark, trade name or other intellectual property owned by them as is necessary to enable them to conduct and to continue to conduct all material phases of the businesses of the Company and its Subsidiaries in the manner presently conducted by them, and, to the Knowledge of the Company, such use does not, and will not, conflict with, infringe on or violate any patent, trademark, copyright, service mark, trade name or any other intellectual property right of any Person.

Section 3.25 Investments.

(a) **Section 3.25(a)** of the Company Disclosure Schedules includes a complete and correct list and description as of June 30, 2014, of: (i) all investment and debt securities, mortgage-backed and related securities, marketable equity securities and securities purchased under agreements to resell that are owned by the Company or its Subsidiaries, other than, with respect to the Bank, in a fiduciary or agency capacity (the “**Investment Securities**”); and (ii) any such Investment Securities that are pledged as collateral to another Person. The Company and each Subsidiary has good and marketable title to all Investment Securities held by it, free and clear of any liens, mortgages, security interests, encumbrances or charges, except for Permitted Exceptions and except to the extent such Investment Securities are pledged in the Ordinary Course of Business consistent with prudent banking practices to secure obligations of the Company or the Bank. The Investment Securities are valued on the books of the Company and the Bank in accordance with GAAP.

(b) Except as set forth in **Section 3.25(b)** and as may be imposed by applicable securities laws, none of the Investment Securities is subject to any restriction, whether contractual or statutory, that materially impairs the ability of the Company or a Subsidiary to dispose of such investment at any time. With respect to all material repurchase agreements to which the Company or a Subsidiary is a party, the Company or the Subsidiary, as the case may be, has a valid, perfected first lien or security interest in the securities or other collateral securing each such repurchase agreement, and the value of the collateral securing each such repurchase agreement equals or exceeds the amount of the debt secured by such collateral under such agreement.

(c) None of the Company or its Subsidiaries has sold or otherwise disposed of any Investment Securities in a transaction in which the acquiror of such Investment Securities or other person has the right, either conditionally or absolutely, to require the Company or a Subsidiary to repurchase or otherwise reacquire any such Investment Securities.

(d) There are no interest rate swaps, caps, floors, option agreements or other interest rate risk management arrangements to which the Company or its Subsidiaries is bound.

Section 3.26 Accuracy of Information Furnished. Neither any representation nor warranty of the Company in, nor any Company Disclosure Schedule to, this Agreement contains any untrue statement of a material fact, or omits to state a material fact necessary to make the statements contained herein or therein, in light of the circumstances under which they were made, not misleading. No notice given pursuant to **Section 5.4** will contain any untrue statement or omit to state a material fact necessary to make the statements therein or in this Agreement, in light of the circumstances under which they were made, not misleading.

**ARTICLE 4
REPRESENTATIONS AND WARRANTIES OF ACQUIROR AND MERGER SUB**

Except as Previously Disclosed, Acquiror and Merger Sub hereby represent and warrant to the Company as follows:

Section 4.1 Organization. Acquiror: (a) is a corporation duly organized, validly existing and in good standing under the laws of the State of Nevada and is also in good standing in each other jurisdiction in which the nature of the business conducted or the properties or assets owned or leased by it makes such qualification necessary; (b) is registered with the Federal Reserve as a financial holding company under the federal Gramm-Leach-Bliley Act; and (c) has full power and authority, corporate and otherwise, to operate as a bank holding company and to own, operate and lease its properties as presently owned, operated and leased, and to carry on its business as it is now being conducted. The copies of the Acquiror Articles of Incorporation and the Acquiror Bylaws and all amendments thereto set forth in the Acquiror SEC Reports are true, complete and correct, and in full force and effect as of the date of this Agreement. Acquiror has no Subsidiaries other than as set forth in the Acquiror SEC Reports.

Section 4.2 Merger Sub Organization. Merger Sub is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Nevada. Merger Sub has full power and authority, corporate and otherwise, to own, operate and lease its properties as presently owned, operated and leased, and to carry on its business as it is now being conducted, and is duly qualified to do business and is in good standing in the State of Nevada. The articles of organization and the operating agreement of Merger Sub and all amendments thereto, which have been made available to the Company, are true, complete and correct and in full force and effect as of the date of this Agreement.

Section 4.3 Authorization; Enforceability. Acquiror and Merger Sub have the requisite corporate power and authority to enter into and perform their respective obligations under this Agreement. The execution, delivery and performance of this Agreement by Acquiror and Merger Sub, and the consummation by them of their respective obligations under this Agreement, have been authorized by all necessary corporate action, subject to the receipt of the Requisite Regulatory Approvals, and this Agreement constitutes a legal, valid and binding obligation of Acquiror and Merger Sub enforceable in accordance with its terms, except as such enforcement may be limited by bankruptcy, insolvency, reorganization or other Legal Requirements affecting creditors' rights generally and subject to general principles of equity.

Section 4.4 No Conflict. Neither the execution nor delivery of this Agreement nor the consummation or performance of any of the Contemplated Transactions will, directly or

indirectly (with or without notice or lapse of time): (a) contravene, conflict with or result in a violation of any provision of the certificate of incorporation, certificate of formation or charter (or similar organizational documents) or bylaws or operating agreement, each as in effect on the date hereof, or any currently effective resolution adopted by the board of directors, stockholders, manager or members of, Acquiror, Merger Sub or any other of its Subsidiaries; (b) contravene, conflict with or result in a violation of, or give any Regulatory Authority or other Person the valid and enforceable right to challenge any of the Contemplated Transactions or to exercise any remedy or obtain any relief under, any Legal Requirement or any Order to which Acquiror or any of its Subsidiaries, or any of their respective assets that are owned or used by them, may be subject, except for any contravention, conflict or violation that is permissible by virtue of obtaining the Requisite Regulatory Approvals; (c) contravene, conflict with or result in a violation or breach of any provision of, or give any Person the right to declare a default or exercise any remedy under, or to accelerate the maturity or performance of, or to cancel, terminate or modify any Acquiror Material Contract; or (d) result in the creation of any material lien, charge or encumbrance upon or with respect to any of the assets owned or used by Acquiror or any of its Subsidiaries. Except for the Requisite Regulatory Approvals, none of Acquiror, Merger Sub or any other Subsidiary of Acquiror is or will be required to give any notice to or obtain any consent from any Person in connection with the execution and delivery of this Agreement or the consummation or performance of any of the Contemplated Transactions.

Section 4.5 Regulatory Matters. Neither Acquiror nor any of its Subsidiaries has received any notice or communication from any state or federal banking Regulatory Authority indicating that such agency or authority would, and Acquiror has no reason to believe any such agency or authority would, object to, or withhold any approval or consent necessary for, the consummation by Acquiror of the Contemplated Transactions. There are no pending or, to the Acquiror's Knowledge, threatened Proceedings against Acquiror or any of its Subsidiaries that would affect Acquiror's ability to obtain the regulatory approvals required in order to consummate the Contemplated Transactions.

Section 4.6 Brokerage Commissions. Neither Acquiror nor Merger Sub has incurred any obligation or liability, contingent or otherwise, for brokerage or finders' fees or agents' commissions or other similar payment in connection with this Agreement.

Section 4.7 Legal Proceedings; Orders.

(a) No legal action, suit or proceeding or judicial, administrative or governmental investigation is pending or, to the Acquiror's Knowledge, threatened against the Acquiror that questions or might question the validity of this Agreement or the Contemplated Transaction, or any actions taken or to be taken by the Acquiror pursuant hereto or seeks to enjoin or otherwise restrain the transactions contemplated hereby. No officer, director, employee or agent of Acquiror or any of its Subsidiaries is subject to any Order that prohibits such officer, director, employee or agent from engaging in or continuing any conduct, activity or practice relating to the businesses of Acquiror or any of its Subsidiaries as currently conducted.

(b) Neither Acquiror nor any of its Subsidiaries: (i) is subject to any cease and desist or other Order or enforcement action issued by; (ii) is a party to any written agreement, consent agreement or memorandum of understanding with; (iii) is a party to any commitment

letter or similar undertaking to; (iv) is subject to any order or directive by; (v) is subject to any supervisory letter from; (vi) has been ordered to pay any civil money penalty, which has not been paid, by; or (vii) has adopted any policies, procedures or board resolutions at the request of any Regulatory Authority that currently restricts in any material respect the conduct of its business, in any manner relates to its capital adequacy, restricts its ability to pay dividends or interest or limits in any material manner its credit or risk management policies, its management or its business. None of the foregoing has been threatened by any Regulatory Authority.

Section 4.8 Approval Delays. To the Knowledge of Acquiror, there is no reason why the granting of any of the Requisite Regulatory Approvals would be denied or unduly delayed. Acquiror Bank's most recent CRA rating was "satisfactory" or better.

Section 4.9 Consents and Approvals. The Acquiror Board (at a meeting called and duly held) approved and adopted this Agreement. Except as set forth in **Section 4.9** of the Acquiror Disclosure Schedules, no approval, consent, order or authorization of, or registration, declaration or filing with, any governmental authority or other third party is required on the part of Acquiror or Merger Sub in connection with the execution, delivery or performance of this Agreement or the agreements contemplated hereby, or the completion by Acquiror and Merger Sub of the transactions contemplated hereby or thereby.

ARTICLE 5 THE COMPANY'S COVENANTS

Section 5.1 Access and Investigation.

(a) During the period from the date of this Agreement to the earlier of the Closing Date or the termination of this Agreement in accordance with its terms, subject to any applicable Legal Requirement, Acquiror and its Representatives shall, at all times during normal business hours and with reasonable advance notice, have such reasonable access to the facilities, operations, records and properties of the Company and each of its Subsidiaries in accordance with the provisions of this **Section 5.1(a)** as shall be necessary for the purpose of determining of the Company's continued compliance with the terms and conditions of this Agreement and preparing for the integration of Acquiror and the Company following the Effective Time. Acquiror and its Representatives may, during such period, make or cause to be made such reasonable investigation of the operations, records and properties of the Company and each of its Subsidiaries and of their respective financial and legal conditions as Acquiror shall deem necessary or advisable to familiarize itself with such records, properties and other matters; *provided, however*, that such access or investigation shall not interfere materially with the normal operations of the Company or any of its Subsidiaries. Upon request, the Company and each of its Subsidiaries will furnish Acquiror or its Representatives attorneys' responses to auditors' requests for information regarding the Company or such Subsidiary, as the case may be, and such financial and operating data and other information reasonably requested by Acquiror (*provided*, such disclosure would not result in the waiver by the Company or any of its Subsidiaries of any claim of attorney-client privilege). No investigation by Acquiror or any of its Representatives shall affect the representations and warranties made by the Company in this Agreement. This **Section 5.1(a)** shall not require the disclosure of any information the disclosure of which to Acquiror, in the Company's reasonable judgment, would be prohibited by

any applicable Legal Requirement or would result in the breach of any agreement with any third party in effect on the date of this Agreement. If any of the restrictions in the preceding sentence shall apply, the Company and Acquiror will make appropriate alternative disclosure arrangements, including adopting additional specific procedures to protect the confidentiality of sensitive material and to ensure compliance with any applicable Legal Requirement.

(b) Subject to the requirements of any Regulatory Authority, the Company shall allow, and cause each of its Subsidiaries to allow, a Representative of Acquiror to attend, as an observer only, all meetings of the board of directors and committees of the board of directors of the Company or its Subsidiaries, including any committee meetings. The Company shall give, and cause each of its Subsidiaries to give, reasonable notice to Acquiror of any such meeting and, if known, the agenda for or business to be discussed at such meeting. Subject to the terms of this Section 5.2(b), the Company shall provide, and cause each of its Subsidiaries to provide, to Acquiror all information provided to the directors on all such boards or members of such committees in connection with all such meetings or otherwise provided to the directors or members, and to provide any other financial reports or other analysis prepared for senior management of the Company or its Subsidiaries. It is understood by the parties that Acquiror's Representative is not a director and will not have any voting rights with respect to matters discussed at these meetings and that Acquiror is not managing the business or affairs of the Company or any of its Subsidiaries. Notwithstanding the foregoing, Acquiror shall not be permitted to attend any portion of a meeting and the Company shall not be required, with respect to itself or any of its Subsidiaries, to provide Acquiror with any materials, to the extent such attendance or providing such materials (i) would violate any applicable Legal Requirement, (ii) in any case where the Company has been advised by counsel that attendance by Acquiror or that Acquiror's receipt of such materials could result in the loss or waiver of the attorney-client privilege or similar protection of the Company Board or the Company or any of its Subsidiaries or (iii) relate to this Agreement, the Merger, an Adverse Recommendation or any Unsolicited Proposal, Acquisition Transaction or Superior Proposal.

(c) All information obtained by Acquiror in accordance with this **Section 5.1** shall be treated in confidence as provided in that certain letter agreement dated June 11, 2014, between Acquiror and the Company (the "**Confidentiality Agreement**").

Section 5.2 Operation of the Company and Company Subsidiaries.

(a) Except as Previously Disclosed, as expressly contemplated by or permitted by this Agreement, as required by any applicable Legal Requirement, or with the prior written consent of Acquiror, during the period from the date of this Agreement to the earlier of the Closing Date or the termination of this Agreement pursuant to its terms, the Company shall, and shall cause each of its Subsidiaries to: (i) conduct its business in the Ordinary Course of Business in all material respects; (ii) use commercially reasonable efforts to maintain and preserve intact its business organization and advantageous business relationships; and (iii) take no action that is intended to or would reasonably be expected to adversely affect or materially delay the ability of the Company, Merger Sub or Acquiror to obtain any of the Requisite Regulatory Approvals, to perform its covenants and agreements under this Agreement or to consummate the Contemplated Transactions.

25

(b) Except as Previously Disclosed, as expressly contemplated by or permitted by this Agreement, as required by any applicable Legal Requirement, or with the prior written consent of Acquiror, during the period from the date of this Agreement to the earlier of the Closing Date or the termination of this Agreement pursuant to its terms, the Company will not, and will cause each of its Subsidiaries not to:

(i) other than pursuant to the terms of a Contract to which the Company is party, each as outstanding on the date of this Agreement: (A) issue, sell or otherwise permit to become outstanding, or dispose of or encumber or pledge, or authorize or propose the creation of, any additional shares of Company Common Stock; or (B) permit any additional shares of Company Common Stock to become subject to new grants;

(ii) (A) make, declare, pay or set aside for payment any dividend on or in respect of, or declare or make any distribution on any shares of Company Common Stock (other than dividends from its wholly owned Subsidiaries to it or another of its wholly owned Subsidiaries); or (B) directly or indirectly adjust, split, combine, redeem, reclassify, purchase or otherwise acquire, any shares of Company Common Stock;

(iii) amend the terms of, waive any rights under, terminate, knowingly violate the terms of or enter into: (A) any Company Material Contract; (B) any material restriction on the ability of the Company or its Subsidiaries to conduct its business as it is presently being conducted; or (C) any Contract or other binding obligation relating to any class of the Company Common Stock or rights associated therewith or any outstanding instrument of indebtedness;

(iv) enter into loan transactions not in accordance with, or consistent with, past practices of the Bank;

(v) (A) enter into any new credit or new lending relationships that would require an exception to the Bank's loan policy as in effect as of the date of this Agreement or that are not in strict compliance with the provisions of such loan policy; or (B) other than incident to a reasonable loan restructuring, renewal or modification, extend additional credit to any Person and any director or officer of, or any owner of a material interest in, such Person (any of the foregoing with respect to a Person being referred to as a "**Borrowing Affiliate**") if such Person or such Borrowing Affiliate is the obligor under any indebtedness to the Company or any of its Subsidiaries which constitutes a nonperforming loan or against any part of such indebtedness the Company or any of its Subsidiaries has established loss reserves or any part of which has been charged-off by the Company or any of its Subsidiaries; *provided, however*, that if the Bank desires to take an action described in this **Section 5.2(b)(v)**, the Bank will provide Acquiror with written notice (such notice to contain sufficient detail and information to enable Acquiror to make an informed decision) of such desire, and Acquiror will have one (1) Business Day to consent or not consent to the action; *provided further*, that if Acquiror does not respond to the Bank within the one (1) Business Day period, Acquiror will be deemed to have consented to the action in question;

(vi) maintain an allowance for loan and lease losses which is not adequate in all material respects under the requirements of GAAP to provide for possible losses,

26

net of recoveries relating to Company Loans previously charged off, on Company Loans and leases outstanding (including accrued interest receivable);

(vii) fail to: (A) charge-off any Company Loans or leases that would be deemed uncollectible in accordance with GAAP or any applicable Legal Requirement; or (B) place on non-accrual any Company Loans or leases that are past due greater than ninety (90) days;

(viii) sell, transfer, mortgage, encumber, license, let lapse, cancel, abandon or otherwise dispose of or discontinue any of its assets, deposits, business or properties, except for sales, transfers, mortgages, encumbrances, licenses, lapses, cancellations, abandonments or other dispositions or discontinuances in the Ordinary Course of Business and in a transaction that, together with other such transactions, is not material to the Company and its Subsidiaries, taken as a whole;

(ix) buy or sell any security held, or intended to be held, for investment not in accordance with its current investment policy;

(x) acquire (other than by way of foreclosures or acquisitions of control in a fiduciary or similar capacity or in satisfaction of debts previously contracted in good faith, in each case in the Ordinary Course of Business) all or any portion of the assets, business, deposits or properties of any other entity;

(xi) amend the Company Certificate of Incorporation or the Company Bylaws, or similar governing documents of any of its Subsidiaries;

(xii) implement or adopt any change in its accounting principles, practices or methods, other than as may be required by GAAP or applicable regulatory accounting requirements;

(xiii) except as permitted by this Agreement or as required by any applicable Legal Requirement or the terms of any Company Benefit Plan existing as of the date hereof: (A) increase in any manner the compensation or benefits of any of the current or former directors or employees of the Company or its Subsidiaries (collectively, "**Company Employees**"), other than increases to Company Employees in the Ordinary Course of Business; (B) become a party to, establish, amend, commence participation in, terminate or commit itself to the adoption of any stock option plan or other stock-based compensation plan, compensation, severance, pension, retirement, profit-sharing, welfare benefit, or other employee benefit plan or agreement or employment agreement with or for the benefit of any Company Employee (or newly hired employees), other than any extension (or initial contract with newly hired employees) that ends not later than the Effective Time; (C) accelerate the vesting of or lapsing of restrictions with respect to any stock-based compensation or other long-term incentive compensation under any Company Benefit Plans; (D) cause the funding of any rabbi trust or similar arrangement or take any action to fund or in any other way secure the payment of compensation or benefits under any Company Benefit Plan; or (E) materially change any actuarial assumptions used to calculate funding obligations with respect to any Company Benefit Plan that is required by applicable Legal Requirements to be funded or change the manner in

27

which contributions to such plans are made or the basis on which such contributions are determined, except as may be required by GAAP or applicable Legal Requirement;

(xiv) incur or guarantee any indebtedness for borrowed money other than in the Ordinary Course of Business;

(xv) enter into any new line of business or materially change its lending, investment, underwriting, risk and asset liability management and other banking and operating policies;

(xvi) settle any action, suit, claim or proceeding against it or any of its Subsidiaries, except for an action, suit, claim or proceeding that is settled in an amount and for consideration not in excess of \$50,000 and that would not: (A) impose any material restriction on the business of the Company or its Subsidiaries; or (B) create precedent for claims that is reasonably likely to be material to it or its Subsidiaries;

(xvii) make application for the opening, relocation or closing of any, or open, relocate or close any, branch office, loan production office or other significant office or operations facility;

(xviii) make or change any material Tax elections, change or consent to any change in it or its Subsidiaries' method of accounting for Tax purposes (except as required by applicable Tax law), take any material position on any material Tax Return filed on or after the date of this Agreement, settle or compromise any material Tax liability, claim or assessment, enter into any closing agreement, waive or extend any statute of limitations with respect to a material amount of Taxes, surrender any right to claim a refund for a material amount of Taxes, or file any material amended Tax Return; or

(xix) agree to take, make any commitment to take, or adopt any resolutions of the Company Board in support of, any of the actions prohibited by this **Section 5.2**.

Section 5.3 **Negative Covenant.** Except as otherwise expressly permitted by this Agreement, between the date of this Agreement and the Closing, the Company shall, and shall cause each of its Subsidiaries to, refrain, without the prior written consent of Acquiror, from taking any affirmative action, or fail to take any reasonable action within its control, as a result of which any of the changes or events listed in **Section 3.15** is likely to occur.

Section 5.4 **Advice of Changes.** Between the date of this Agreement and Closing, the Company shall promptly notify Acquiror in writing if the Company attains Knowledge of any fact or condition that causes or constitutes a breach of any of the representations and warranties of the Company as of the date of this Agreement, or if the Company attains Knowledge of the occurrence after the date of this Agreement of any fact or condition that would (except as expressly contemplated by this Agreement) cause or constitute a breach of any such representation or warranty had such representation or warranty been made as of the time of occurrence or discovery of such fact or condition. If any such fact or condition would require any change in the Company Disclosure Schedules if the Company Disclosure Schedules were dated the date of the occurrence or discovery of any such fact or condition, the Company will

28

promptly deliver to Acquiror a supplement to the Company Disclosure Schedules specifying such change. During the same period, the Company will promptly notify Acquiror of the occurrence of any breach of any covenant of the Company in this Agreement or of the occurrence of any event that might reasonably be expected to make the satisfaction of the conditions in **Article 8** impossible or unlikely.

Section 5.5 Other Offers. During the period from the date of this Agreement to the earlier of the Closing Date or the termination of this Agreement in accordance with its terms, the Company will not, and will cause each of its Subsidiaries and their respective Representatives not to, solicit, initiate or knowingly encourage any inquiries or proposals from, discuss or negotiate with, provide any nonpublic information to, any Person (other than Acquiror) relating to any potential Acquisition Transaction. Notwithstanding the foregoing, in the event that the Company Board (or applicable committee) determines in good faith and after consultation with outside legal counsel that (a) an Unsolicited Proposal constitutes or is reasonably likely to result in a Superior Proposal and (b) the failure to take any such action with respect to such Unsolicited Proposal is reasonably likely to result in a breach of its fiduciary duties under any applicable Legal Requirement, the Company and its Representatives may: (i) furnish information with respect to the Company and its Subsidiaries to such Person making such Unsolicited Proposal pursuant to a customary confidentiality agreement; (ii) participate in discussions or negotiations regarding such Unsolicited Proposal; and (iii) terminate this Agreement in order to enter into an agreement with respect to such Unsolicited Proposal if, in the cause of clause (iii), the Company Board (or applicable committee) determines that such Unsolicited Proposal constitutes a Superior Proposal; *provided, however*, that the Company may not terminate this Agreement pursuant to this **Section 5.5** unless and until (x) five (5) Business Days have elapsed following the delivery to Acquiror of a written notice of such determination by the Company Board (or applicable committee) and, during such five (5) Business-Day period, the Company engages in good faith negotiations with Acquiror (if Acquiror so desires) so that the Unsolicited Proposal ceases to constitute a Superior Proposal, and (y) at the end of such five (5) Business-Day period, the Company Board (or applicable committee) continues, in good faith and after consultation with outside legal counsel, to believe the Unsolicited Proposal at issue constitutes a Superior Proposal. In addition to the foregoing obligations of the Company, the Company shall promptly advise Acquiror orally and subsequently in writing of any request for information with respect to any Unsolicited Proposal or the Company's receipt of an Acquisition Proposal, the material terms and conditions of such request or Unsolicited Proposal and the identity of the Person making such request or Unsolicited Proposal. The Company shall keep Acquiror reasonably informed of the status and material terms (including amendments or proposed amendments) of any such request or Unsolicited Proposal, including the status of any discussions or negotiations with respect to any Superior Proposal.

Section 5.6 Shareholders' Meeting. The Company shall, as promptly as reasonably practicable after the date of this Agreement, take all action necessary, including as required by and in accordance with the DGCL, the Company Certificate of Incorporation and the Company Bylaws to duly call, give notice of, convene and hold a meeting of its shareholders (the "**Company Shareholders' Meeting**") for the purpose of obtaining the Company Shareholder Approval, including the preparation and mailing of the Proxy Statement to the Company's shareholders. The Company and the Company Board will use their reasonable best efforts to obtain from its shareholders the votes required by the DGCL in favor of the adoption of this

29

Agreement. Except as otherwise provided in this **Section 5.6**, the Proxy Statement shall include the recommendation of the Company Board that the Company's shareholders vote in favor of the adoption of this Agreement, and the Company Board will not withdraw, qualify or modify (or publicly propose or resolve to withdraw, qualify or modify), in a manner adverse to Acquiror, the Company Board's recommendation to the Company's shareholders that the Company's shareholders vote in favor of the adoption of this Agreement (an "**Adverse Recommendation**"). However, if, at any time prior to the time the Company Shareholder Approval is obtained, the Company Board, after consultation with outside counsel, determines in good faith that the failure to effect an Adverse Recommendation would reasonably be expected to result in a violation of its fiduciary duties under Delaware law, then, in submitting this Agreement at the Company Shareholders' Meeting, the Company Board may do one or more of the following: (a) submit this Agreement without recommendation, in which case the Company Board may communicate the basis for its lack of a recommendation to the shareholders in the Proxy Statement or an appropriate amendment or supplement thereto; or (b) make an Adverse Recommendation or publicly propose or resolve to make an Adverse Recommendation, in which case the Company Board may include such Adverse Recommendation in the Proxy Statement or an appropriate amendment or supplement thereto. Notwithstanding the foregoing, nothing in this **Section 5.6** shall limit the Company's right to terminate this Agreement in accordance with **Section 5.5** with respect to a Superior Proposal.

Section 5.7 Information Provided to Acquiror. The Company agrees that the information concerning the Company or any of its Subsidiaries that is provided or to be provided by the Company to Acquiror for inclusion in any documents to be filed with any Regulatory Authority in connection with the Contemplated Transactions will at the respective times such documents are filed, not be false or misleading with respect to any material fact, or omit to state any material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. Notwithstanding the foregoing, the Company shall have no responsibility for the truth or accuracy of any information with respect to Acquiror or any of its Subsidiaries or any of their Affiliates contained in any document submitted to, or other communication with, any Regulatory Authority.

Section 5.8 Operating Functions. Subject to any limitations imposed by any Regulatory Authority, the Company and the Bank shall cooperate with Acquiror and Acquiror Bank in connection with planning for the efficient and orderly combination of the parties and the operation of Acquiror Bank (including the former operations of the Bank) after the Bank Merger, and in preparing for the consolidation of appropriate operating functions to be effective on the Effective Date or such later date as Acquiror may decide. The Company shall take any action Acquiror may reasonably request prior to the Effective Time to facilitate the combination of the operations of the Bank with Acquiror Bank. Without limiting the foregoing, the Company shall provide office space and support services (and other reasonably requested support and assistance) in connection with the foregoing, and senior officers of the Company and Acquiror shall meet from time to time as the Company or Acquiror may reasonably request, to review the financial and operational affairs of the Company and the Bank, and the Company shall give due consideration to Acquiror's input on such matters, with the understanding that, notwithstanding any other provision contained in this Agreement: (a) neither Acquiror nor Acquiror Bank shall under any circumstance be permitted to exercise control of the Company, the Bank or any of the Company's other Subsidiaries prior to the Effective Time; (b) neither the Company nor any of its

30

Subsidiaries shall be under any obligation to act in a manner that could reasonably be deemed to constitute anti-competitive behavior under federal or state antitrust laws; and (c) neither the Company nor any of its Subsidiaries shall be required to agree to any material obligation that is not contingent upon the consummation of the Merger.

Section 5.9 **Voting and Support Agreement.** Concurrently with the execution and delivery of this Agreement, the Company shall cause to be executed and delivered to Acquiror a voting and support agreement, in the form attached hereto as **Exhibit A**, approving this Agreement and the consummation of the Contemplated Transactions, executed by each member of the Company Board.

Section 5.10 **Company Benefit Plans.** At the request of Acquiror made not later than 30 calendar days before the Closing, the Company will take all appropriate action to amend or terminate, prior to the Effective Time, any Company Benefit Plan; *provided* that the winding up of such Company Benefit Plan may occur after the Effective Time. Prior to the Effective Time, the Company shall accrue the costs associated with any payments due under any Company Benefit Plan, including without limitation any change of control or severance agreements, retention or stay bonus programs, or other similar arrangements, including without limitation the agreements listed on **Schedule 1**.

Section 5.11 **Title to Real Estate.** As soon as practical after the date hereof, but in any event no later than thirty (30) days after the date hereof, the Company shall obtain and deliver to Acquiror, with respect to all interests in real property owned by the Company and its Subsidiaries, an owner's preliminary report of title covering a date subsequent to the date hereof, issued by a title insurance company that is reasonably acceptable to Acquiror, showing fee simple title in the Company or its Subsidiary in such real property with coverage over all standard exceptions and subject to no liens, mortgages, security interests, encumbrances or charges of any kind except for any Permitted Exceptions. The cost of obtaining any preliminary report of title discussed in this **Section 5.11** shall be borne by the Company.

Section 5.12 **Surveys.** Acquiror may, in its discretion, within forty-five (45) days after the date hereof, require the Company to provide, at Acquiror's expense and as soon as practicable prior to the Closing, a current American Land Title Association survey of any or all parcels of real property owned by the Company and its Subsidiaries, other than property carried as OREO, disclosing no survey defects that would materially impair the use thereof for the purposes for which it is held or materially impair the value of such property.

Section 5.13 **Environmental Investigation.**

(a) Acquiror may, in its discretion, within forty-five (45) days after the date of this Agreement, require the Company to order, at Acquiror's expense, a Phase I environmental site assessment to be delivered only to Acquiror for each parcel of real property in which the Company or any of its Subsidiaries holds an interest (each a "**Phase I Report**"), conducted by an independent professional consultant reasonably acceptable to Acquiror to determine if any real property in which the Company or any of its Subsidiaries holds any interest contains or gives evidence of any adverse environmental condition or any violations of Environmental Laws on any such property. If a Phase I Report discloses any violations or adverse environmental

31

conditions, or reports a reasonable suspicion thereof, then Acquiror may promptly obtain, at the Acquiror's expense, a Phase II environmental report with respect to any affected property which report shall contain an estimate of the cost of any remediation or other follow-up work that may be necessary to address those violations or conditions in accordance with applicable Legal Requirements (each a "**Phase II Report**," and collectively referred to with the associated Phase I Report, an "**Environmental Report**"). Acquiror shall have no duty to act upon any information produced by an Environmental Report for the benefit of the Company or any of its Subsidiaries or any other Person, but shall provide such information to the Company upon the Company's request.

(b) Upon receipt of the estimate of the costs of all follow-up work to an Environmental Report, Acquiror and the Company shall attempt to agree upon a course of action for remediation of any adverse environmental condition or violation suspected, found to exist, or that would tend to be indicated by an Environmental Report. The estimated total cost for completing all necessary work plans or removal or remediation actions is referred to collectively as the "**Remediation Cost**." If the aggregate Remediation Cost for the total parcels of property in which the Company or its Subsidiaries holds an interest exceeds \$500,000, Acquiror or the Company may, at its sole option, terminate this Agreement. In any event, the Remediation Cost shall be accrued by the Company as a Transaction Cost pursuant to **Section 2.4**.

Section 5.14 **Additional Accruals and Reserves.** At Acquiror's request, the Company will cause the Bank to establish such additional accruals and reserves as may be necessary to conform the Bank's accounting and credit loss reserve practices and methods to those of Acquiror and Acquiror's plans with respect to the conduct of the Bank's business after the Merger; *provided* that no such additional accruals or reserves will impact the calculation of minimum Adjusted Net Worth as contemplated under **Section 8.11**; and *provided further*, that Acquiror acknowledges that establishing such accruals and reserves and provision for such costs and expenses will not (a) be deemed to cause the Company Financial Statements to have been prepared other than in accordance with GAAP, (b) constitute or result in a Material Adverse Effect with respect to the Company, or (c) constitute a breach of any provision of this Agreement by the Company.

ARTICLE 6 ACQUIROR'S COVENANTS

Section 6.1 **Advice of Changes.** Between the date of this Agreement and Closing, Acquiror shall promptly notify the Company in writing if Acquiror attains Knowledge of any fact or condition that causes or constitutes a breach of any of the representations and warranties of Acquiror as of the date of this Agreement, or if Acquiror attains Knowledge of the occurrence after the date of this Agreement of any fact or condition that would (except as expressly contemplated by this Agreement) cause or constitute a breach of any such representation or warranty had such representation or warranty been made as of the time of occurrence or discovery of such fact or condition. During the same period, Acquiror will promptly notify the Company of the occurrence of any breach of any covenant of Acquiror in this Agreement or of the occurrence of any event that might reasonably be expected to make the satisfaction of the conditions in **Article 9** impossible or unlikely.

32

Section 6.2 **Indemnification.**

(a) Acquiror will, for a period of two (2) years after the Effective Time, indemnify and hold harmless each person entitled to indemnification from the Company or the Bank against all liabilities arising out of actions or omissions occurring at or before the Effective Time (including the transactions contemplated by this Agreement) to the fullest extent permitted by law but only to the same extent and subject to the conditions set forth in

the respective Certificate of Incorporation (or similar organizational document) and Bylaws of the Company and the Bank and any indemnification agreements entered into by the Company or the Bank before the date of this Agreement.

(b) After the Effective Time, directors, officers and employees of the Company or the Bank who become directors, officers or employees of Acquiror or its Subsidiaries, except for the indemnification rights provided for in **Section 6.2(a)**, will have indemnification rights having prospective application only. The prospective indemnification rights will consist of such rights to which directors, officers and employees of Acquiror and its Subsidiaries would be entitled under the charter and bylaw (in each case, or similar organizational document) of Acquiror or the particular Subsidiary of Acquiror for which they are serving as an officer, director or employee and under such directors' and officers' liability insurance policy as Acquiror may then make available to officers, directors and employees of Acquiror and its Subsidiaries. At the Effective Time, any executive officer or director of the Company or the Bank who becomes an officer or director of Acquiror (including any Subsidiary of Acquiror) will be included in Acquiror's directors' and officers' liability insurance policy.

ARTICLE 7 COVENANTS OF ALL PARTIES; ADDITIONAL AGREEMENTS

Section 7.1 **Regulatory Approvals.** Acquiror and the Company and their respective Subsidiaries will cooperate and use all reasonable best efforts to as promptly as possible prepare and make all appropriate filings for and effect and obtain all Requisite Regulatory Approvals, and the parties will comply with the terms of such Requisite Regulatory Approvals. Each of Acquiror, Merger Sub and the Company will have the right to review in advance, and to the extent practicable each will consult with the other, in each case subject to applicable Legal Requirements relating to the exchange of information, with respect to all substantive written information submitted to any Regulatory Authority in connection with the Requisite Regulatory Approvals. In exercising the foregoing right, each of the parties will act reasonably and as promptly as practicable. Each party agrees that it will consult with the other party with respect to obtaining all permits, consents, approvals and authorizations of all Regulatory Authorities necessary or advisable to consummate the Contemplated Transactions, and each party will keep the other party apprised of the status of material matters relating to completion of the Contemplated Transactions. Acquiror and the Company will, upon request, furnish the other party with all information concerning itself, its Subsidiaries, directors, officers and stockholders and such other matters as may be reasonably necessary or advisable in connection with any filing, notice or application made by or on behalf of such other party or any of its Subsidiaries with or to any Regulatory Authority in connection with the Contemplated Transactions (but excluding any information contained therein regarding Acquiror and its business or operations for which confidential treatment has been or will be requested).

33

Section 7.2 **Publicity.** Neither the Company nor Acquiror shall, and neither the Company nor Acquiror shall permit any of its Subsidiaries to, issue or cause the publication of any press release or other public announcement with respect to, or otherwise make any public statement or, except as otherwise specifically provided in this Agreement, any disclosure of nonpublic information to a third party, concerning, the Contemplated Transactions without the prior consent (which shall not be unreasonably withheld or delayed) of Acquiror, in the case of a proposed announcement, statement or disclosure by the Company, or the Company, in the case of a proposed announcement, statement or disclosure by Acquiror; *provided, however*, that Acquiror and the Company may, without the prior consent of the other, issue or cause the publication of any press release or other public announcement to the extent required by applicable Legal Requirements or by the NASDAQ Rules.

Section 7.3 **Reasonable Best Efforts; Cooperation.** Each of Acquiror and the Company agrees to exercise good faith and use its reasonable best efforts to satisfy the various covenants and conditions to Closing in this Agreement, and to consummate the Contemplated Transactions as promptly as practicable. Neither Acquiror nor the Company will intentionally take or intentionally permit to be taken any action that would be a breach of the terms or provisions of this Agreement. Between the date of this Agreement and the Closing Date, each of Acquiror and the Company will, and will cause each Subsidiary of Acquiror and the Company, respectively, and all of their respective Affiliates and Representatives to, cooperate with respect to all filings that any party is required by any applicable Legal Requirements to make in connection with the Contemplated Transactions. Subject to applicable Legal Requirements and the instructions of any Regulatory Authority, each party shall keep the other party reasonably apprised of the status of matters relating to the completion of the Contemplated Transactions, including promptly furnishing the other party with copies of notices or other written communications received by it or any of its Subsidiaries from any Regulatory Authority with respect to such transactions.

Section 7.4 **Employees and Employee Benefits.**

(a) All individuals employed by the Company or any of its Subsidiaries immediately prior to the Closing (“**Covered Employees**”) shall automatically become employees of Acquiror as of the Closing for the purposes of the Acquiror Benefit Plans and shall receive credit for unused vacation time and their years of service with the Company in calculating their vacation time under Acquiror’s applicable paid time off policies. As soon as administratively practicable following the Closing, Acquiror shall, or shall cause the Surviving Entity to, maintain employee benefit plans and compensation opportunities for the benefit of Covered Employees that provide employee benefits and compensation opportunities that, in the aggregate, are substantially comparable to the employee benefits and compensation opportunities that are made available to similarly-situated employees of Acquiror under the Acquiror Benefit Plans; *provided, however*, that: (i) in no event shall any Covered Employee be eligible to participate in any closed or frozen Acquiror Benefit Plan; (ii) until such time as Acquiror shall cause the Covered Employees to participate in the Acquiror Benefit Plans, a Covered Employee’s continued participation in the corresponding Company Benefit Plans shall be deemed to satisfy the foregoing provisions of this sentence (it being understood that participation in the Acquiror Benefit Plans may commence at different times with respect to each Acquiror Benefit Plan); and (iii) if any Covered Employee is terminated by Acquiror without cause on or

34

before the first anniversary of the Closing and is not entitled to contractual severance or change in control benefits, such Covered Employee shall be provided with severance benefits as described in **Section 7.4** of the Acquiror Disclosure Schedules.

(b) For all purposes (other than purposes of benefit accruals) under the Acquiror Benefit Plans providing benefits to the Covered Employees (the “**New Plans**”), each Covered Employee shall be credited with his or her years of service with the Company and its Subsidiaries and their respective predecessors to the same extent as such Covered Employee was entitled to credit for such service under any applicable Company Benefit Plan in which such Covered Employee participated or was eligible to participate immediately prior to the Transition Date; *provided, however*, that the foregoing shall not apply to the extent that its application would result in a duplication of benefits with respect to the same period of service.

(c) In addition, and without limiting the generality of the foregoing, as of the Transition Date, Acquiror shall, or shall cause the Surviving Entity to, use commercially reasonable efforts to provide that: (i) each Covered Employee shall be immediately eligible to participate, without any waiting time, in any and all New Plans to the extent coverage under such New Plan is similar in type to an applicable Company Benefit Plan in which such Covered Employee was participating immediately prior to the Transition Date (such Company Benefit Plans prior to the Transition Date collectively, the “Old Plans”); (ii) for purposes of each New Plan providing medical, dental, pharmaceutical, vision or similar benefits to any Covered Employee, all pre-existing condition exclusions and actively-at-work requirements of such New Plan shall be waived for such Covered Employee and his or her covered dependents, unless such conditions would not have been waived under the Old Plan in which such Covered Employee, as applicable, participated or was eligible to participate immediately prior to the Transition Date; and (iii) any eligible expenses incurred by such Covered Employee and his or her covered dependents during the portion of the plan year of the Old Plan ending on the Transition Date shall be taken into account under such New Plan for purposes of satisfying all deductible, coinsurance and maximum out-of-pocket requirements applicable to such Covered Employee and his or her covered dependents for the applicable plan year as if such amounts had been paid in accordance with such New Plan.

Section 7.5 **Transaction Costs and Adjusted Net Worth.** The parties acknowledge and agree that **Schedule 2** attached hereto sets forth their agreement with respect to the Company’s good faith estimate of Transaction Costs (segregated by payee, to the extent reasonably known or anticipated). No fewer than five (5) Business Days prior to the Closing Date, the Company shall deliver to Acquiror a revised good faith estimate of the Transaction Costs and the Adjusted Net Worth, which shall be subject to the approval of Acquiror, which approval shall not be unreasonably withheld.

ARTICLE 8 CONDITIONS PRECEDENT TO OBLIGATIONS OF ACQUIROR AND MERGER SUB

The obligations of Acquiror and Merger Sub to consummate the Contemplated Transactions and to take the other actions required to be taken by Acquiror and Merger Sub at the Closing are subject to the satisfaction, at or prior to the Closing, of each of the following conditions (any of which may be waived by Acquiror and Merger Sub, in whole or in part):

35

Section 8.1 **Accuracy of Representations and Warranties.** All of the representations and warranties of the Company set forth in this Agreement (except to the extent such representations and warranties expressly relate to an earlier date) shall be true and correct in all material respects with the same force and effect as if all of such representations and warranties were made at the Closing Date.

Section 8.2 **Performance by the Company.** The Company shall have performed or complied in all material respects with all of the covenants and obligations to be performed or complied with by it under the terms of this Agreement on or prior to the Closing Date.

Section 8.3 **Shareholder Approvals.** The Company Shareholder Approval shall have been obtained. The total number of the Dissenting Shares shall be no greater than ten percent (10%) of the number of shares of Company Common Stock outstanding as of the Closing Date.

Section 8.4 **No Proceedings.** Since the date of this Agreement, there must not have been commenced or threatened against the Company or any of its Subsidiaries any Proceeding: (a) involving any challenge to, or seeking damages or other relief in connection with, any of the Contemplated Transactions; or (b) that may have the effect of preventing, delaying, making illegal or otherwise interfering with any of the Contemplated Transactions.

Section 8.5 **Regulatory Approvals.** All Requisite Regulatory Approvals shall have been obtained and shall remain in full force and effect and all statutory waiting periods in respect thereof shall have expired or been terminated and there shall not be any action taken, or any Legal Requirement enacted, entered, enforced or deemed applicable to the Contemplated Transactions, by any Regulatory Authority, in connection with the grant of a Requisite Regulatory Approval, which shall have imposed a restriction or condition on, or requirement of, such approval that would, after the Effective Time, reasonably be expected to materially restrict or burden Acquiror: (a) in connection with the Contemplated Transactions; or (b) with respect to the business or operations of Acquiror or any of its Subsidiaries.

Section 8.6 **Officers’ Certificate.** Acquiror shall have received a certificate signed on behalf of the Company by an executive officer of the Company certifying as to the matters set forth in Sections 8.1 and 8.2.

Section 8.7 **Opinion of Counsel.** Acquiror shall have received the opinion of Hunton & Williams LLP, counsel for the Company, dated as of the Closing Date, and in form substantially similar to **Exhibit B** and reasonably satisfactory to Acquiror and its counsel.

Section 8.8 **No Material Adverse Effect.** From the date of this Agreement to the Closing, there shall be and have been no change in the financial condition, assets or business of the Company or any of its Subsidiaries that has had or would reasonably be expected to have a Material Adverse Effect on the Company.

Section 8.9 **Consents.** The Company shall have obtained or caused to be obtained (a) all written consents, if any, required under the Company Material Contracts, and (b) all other written consents, permissions and approvals as required under any agreements, contracts, appointments, indentures, plans, trusts or other arrangements with third parties required to effect the transactions contemplated by this Agreement.

36

Section 8.10 **Other Documents.** Acquiror shall have received at the Closing such other customary documents, certificates, or instruments as reasonably requested by Acquiror and its counsel evidencing compliance by the Company with the terms and conditions of this Agreement, including good standing certificates, certificates of Regulatory Authorities and secretary certificates.

Section 8.11 **Minimum Adjusted Net Worth.** As of the Closing Date, the Company shall have an Adjusted Net Worth of no less than \$28,000,000.

ARTICLE 9
CONDITIONS PRECEDENT TO THE OBLIGATIONS OF THE COMPANY

The obligations of the Company to consummate the Contemplated Transactions and to take the other actions required to be taken by the Company at the Closing are subject to the satisfaction, at or prior to the Closing, of each of the following conditions (any of which may be waived by the Company, in whole or in part):

Section 9.1 Accuracy of Representations and Warranties. All of the representations and warranties of Acquiror and Merger Sub set forth in this Agreement (except to the extent such representations and warranties expressly relate to an earlier date) shall be true and correct with the same force and effect as if all of such representations and warranties were made at the Closing Date, except for any untrue or incorrect representations or warranties that individually or in the aggregate do not have a Material Adverse Effect on Acquiror or on the Company's rights under this Agreement.

Section 9.2 Performance of Acquiror and Merger Sub. Acquiror and Merger Sub shall have performed or complied in all material respects with all of the covenants and obligations to be performed or complied with by them under the terms of this Agreement on or prior to the Closing Date.

Section 9.3 Shareholder Approvals. The Company Shareholder Approval shall have been obtained.

Section 9.4 No Proceedings. Since the date of this Agreement, there must not have been commenced or threatened against Acquiror or any of its Subsidiaries any Proceeding: (a) involving any challenge to, or seeking damages or other relief in connection with, any of the Contemplated Transactions; or (b) that may have the effect of preventing, delaying, making illegal or otherwise interfering with any of the Contemplated Transactions, in either case that would have a Material Adverse Effect on Acquiror.

Section 9.5 Officers' Certificate. The Company shall have received a certificate signed on behalf of Acquiror and Merger Sub by an executive officer of Acquiror certifying as to the matters set forth in **Sections 9.1** and **9.2**.

Section 9.6 Other Documents. The Company shall have received at the Closing such other customary documents, certificates, or instruments as reasonably requested by the Company and its counsel evidencing compliance by Acquiror with the terms and conditions of this

37

Agreement, including good standing certificates, certificates of Regulatory Authorities and secretary certificates.

Section 9.7 Fairness Opinion. The Company Board shall have received prior to Closing an opinion from Sheshunoff & Co. Investment Banking that the Merger Consideration to be paid to the shareholders is fair to the shareholders from a financial point of view.

ARTICLE 10
TERMINATION

Section 10.1 Termination of Agreement. This Agreement may be terminated only as set forth below, whether before or after approval of the matters presented in connection with the Merger by the shareholders of the Company:

(a) by mutual consent of the Acquiror Board and Company Board, each evidenced by appropriate written resolutions;

(b) by Acquiror if the Company shall have breached or failed to perform any of its representations, warranties, covenants or agreements set forth in this Agreement (except for breaches of **Section 5.5** or **Section 5.6**, which are separately addressed in **Section 10.1(g)**), which breach or failure to perform, either individually or together with other such breaches, in the aggregate, if occurring or continuing on the date on which the Closing would otherwise occur would result in the failure of any of the conditions set forth in **Article 8**; *provided*, that such breach or failure is not a result of the failure by Acquiror or Merger Sub to perform and comply in all material respects with any of their obligations under this Agreement that are to be performed or complied with by them prior to or on the date required hereunder;

(c) by the Company if Acquiror shall have breached or failed to perform any of its representations, warranties, covenants or agreements set forth in this Agreement, which breach or failure to perform, either individually or together with other such breaches, in the aggregate, if occurring or continuing on the date on which the Closing would otherwise occur would result in the failure of any of the conditions set forth in **Article 9**, *provided*, that such breach or failure is not a result of the failure by the Company to perform and comply in all material respects with any of its obligations under this Agreement that are to be performed or complied with by it prior to or on the date required hereunder;

(d) by Acquiror or the Company if: (i) any Regulatory Authority that must grant a Requisite Regulatory Approval has denied approval of any of the Contemplated Transactions and such denial has become final and nonappealable; or (ii) any application, filing or notice for a Requisite Regulatory Approval has been withdrawn at the request or recommendation of the applicable Regulatory Authority and a petition for rehearing shall not have been granted or an amended application shall not have been accepted for filing by the applicable Regulatory Authority within the sixty (60) day period following such withdrawal;

(e) by Acquiror or the Company if the Effective Time shall not have occurred at or before February 28, 2015 (the "**Termination Date**"); *provided, however*, that the right to terminate this Agreement under this **Section 10.1(e)** shall not be available to any party to this Agreement whose failure to fulfill any of its obligations (excluding warranties and

38

representations) under this Agreement has been the cause of or resulted in the failure of the Effective Time to occur on or before such date;

(f) by Acquiror or the Company if any court of competent jurisdiction or other Regulatory Authority shall have issued a judgment, Order, injunction, rule or decree, or taken any other action restraining, enjoining or otherwise prohibiting any of the Contemplated Transactions and such

judgment, Order, injunction, rule, decree or other action shall have become final and nonappealable;

- (g) by Acquiror if the Company materially breaches any of its obligations under **Section 5.5** or **Section 5.6**;
- (h) by the Company pursuant to **Section 5.5**; or
- (i) by the Company or Acquiror pursuant to **Section 5.13(b)**.

Section 10.2 **Effect of Termination or Abandonment.** In the event of the termination of this Agreement and the abandonment of the Merger pursuant to Section 10.1, this Agreement shall become null and void, and, subject to **Section 10.3**, there shall be no liability of one party to the other or any restrictions on the future activities on the part of any party to this Agreement, or its respective directors, officers or stockholders, except that the Confidentiality Agreement, this **Section 10.2**, **Section 10.3** and **Article 11** shall survive the termination hereof.

Section 10.3 **Fees and Expenses.**

- (a) Except as otherwise provided in this **Section 10.3**, all fees and expenses incurred in connection with this Agreement, the Merger and the other Contemplated Transactions shall be paid by the party incurring such fees or expenses, whether or not the Merger is consummated.
- (b) Subject to **Section 10.3(e)**, if this Agreement is terminated by Acquiror pursuant to **Section 10.1(b)**, then the Company shall pay to Acquiror, within ten (10) Business Days after such termination, the amount of \$1.0 million by wire transfer of immediately available funds to such account as Acquiror shall designate. Notwithstanding the foregoing, if this Agreement is terminated by Acquiror as a result of the Company's willful breach of this Agreement, then in addition to recovery of the fee set forth in this **Section 10.3(b)**, Acquiror shall be entitled to recover such other amounts, including consequential damages, as it may be entitled to receive at law or in equity.
- (c) If this Agreement is terminated by the Company pursuant to **Section 10.1(c)**, then Acquiror shall pay to the Company, within ten (10) Business Days after such termination, the amount of \$1.0 million by wire transfer of immediately available funds to such account as the Company shall designate. Notwithstanding the foregoing, if this Agreement is terminated by the Company as a result of Acquiror's willful breach of this Agreement, then in addition to recovery of the fee set forth in this **Section 10.3(c)**, the Company shall be entitled to recover such other amounts, including consequential damages, as it may be entitled to receive at law or in equity.

39

-
- (d) If this Agreement is terminated by Acquiror pursuant to **Section 10.1(g)** or by the Company pursuant to **Section 10.1(h)**, then the Company shall pay to Acquiror, within ten (10) Business Days after such termination, the amount of \$1,500,000 (the "**Company Termination Fee**") by wire transfer of immediately available funds to such account as Acquiror shall designate. In no event shall the Company pay the Company Termination Fee on more than one occasion.
 - (e) If: (i) this Agreement is terminated by Acquiror pursuant to **Section 10.1(b)**; and (ii) within nine (9) months after such termination the Company shall enter into a definitive written agreement with respect to an Acquisition Transaction, the Company shall pay to Acquiror, within ten (10) Business Days after the consummation of such Acquisition Transaction, the Company Termination Fee (less the amount payable by the Company to Acquiror pursuant to **Section 10.3(b)**) by wire transfer of immediately available funds to such account as Acquiror shall designate; *provided, however*, that for purposes of this paragraph, Acquisition Transaction has the meaning ascribed thereto in **Section 12.1(i)**, except that references in that Section to "20%" shall be replaced by "50%."
 - (f) All payments made pursuant to this **Section 10.3** shall constitute liquidated damages and the receipt thereof shall be the sole and exclusive remedy of the receiving party against the party making such payment, its Affiliates and their respective directors, officers and stockholders for all losses and damages suffered as a result of the failure of the Merger and other transactions contemplated herein to be consummated or for a breach or failure to perform any term herein or otherwise, and upon any payment made pursuant to this Section 10.3, no party shall have any further liability or obligation to the other party relating to or arising out of this Agreement, the Merger or the other transactions contemplated herein.
 - (g) Notwithstanding anything to the contrary, no Termination Fee shall be paid by the Company if Acquiror terminates this Agreement solely due to the failure of the Company to satisfy the minimum Adjusted Net Worth closing condition set forth in **Section 8.11**; *provided, however*, if Acquiror is also entitled to terminate this Agreement pursuant to **Section 10.1(b)**, then Acquiror would be entitled to the Termination Fee.

ARTICLE 11
MISCELLANEOUS

Section 11.1 **Survival.** Except for covenants that are expressly to be performed after the Closing, none of the representations, warranties and covenants contained herein shall survive beyond the Closing.

Section 11.2 **Governing Law.** All questions concerning the construction, validity and interpretation of this Agreement and the performance of the obligations imposed by this Agreement shall be governed by the internal laws of the State of Illinois applicable to Contracts made and wholly to be performed in such state without regard to conflicts of laws (except to the extent the mandatory provisions of Delaware and Nevada law apply to the Merger).

Section 11.3 **Assignments, Successors and No Third Party Rights.** Neither party to this Agreement may assign any of its rights under this Agreement (whether by operation of law

40

or otherwise) without the prior written consent of the other party. Any purported assignment in contravention hereof shall be null and void. Subject to the preceding sentence, this Agreement and every representation, warranty, covenant, agreement and provision hereof shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns. Nothing expressed or referred to in this Agreement will be construed to

give any Person other than the parties to this Agreement any legal or equitable right, remedy or claim under or with respect to this Agreement or any provision of this Agreement. The representations and warranties in this Agreement are the product of negotiations among the parties hereto and are for the sole benefit of the parties. Any inaccuracies in such representations and warranties are subject to waiver by the parties hereto in accordance with Section 11.5 without notice or liability to any other Person. In some instances, the representations and warranties in this Agreement may represent an allocation among the parties hereto of risks associated with particular matters regardless of the knowledge of any of the parties hereto. Consequently, persons other than the parties may not rely upon the representations and warranties in this Agreement as characterizations of actual facts or circumstances as of the date of this Agreement or as of any other date.

Section 11.4 Modification. This Agreement may be amended, modified or supplemented by the parties at any time before or after the Company Shareholder Approval is obtained; *provided, however*, that after the Company Shareholder Approval is obtained, there may not be, without further approval of the Company's shareholders, any amendment of this Agreement that requires further approval under applicable Legal Requirements or decreases the amount of Merger Consideration other than as contemplated in this Agreement. This Agreement may not be amended, modified or supplemented except by an instrument in writing signed on behalf of each of the parties.

Section 11.5 Extension of Time; Waiver. At any time prior to the Effective Time, the parties may, to the extent permitted by applicable Legal Requirements: (a) extend the time for the performance of any of the obligations or other acts of the other party; (b) waive any inaccuracies in the representations and warranties contained in this Agreement or in any document delivered pursuant to this Agreement; or (c) waive compliance with or amend, modify or supplement any of the agreements or conditions contained in this Agreement which are for the benefit of the waiving party. Any agreement on the part of a party to any such extension or waiver shall be valid only if set forth in a written instrument signed on behalf of such party. Neither the failure nor any delay by any party in exercising any right, power or privilege under this Agreement or the documents referred to in this Agreement will operate as a waiver of such right, power or privilege, and no single or partial exercise of any such right, power or privilege will preclude any other or further exercise of such right, power or privilege or the exercise of any other right, power or privilege. Except as provided in **Article 10**, the rights and remedies of the parties to this Agreement are cumulative and not alternative. To the maximum extent permitted by applicable Legal Requirements: (x) no claim or right arising out of this Agreement or the documents referred to in this Agreement can be discharged by one party, in whole or in part, by a waiver or renunciation of the claim or right unless in writing signed by the other party; (y) no waiver that may be given by a party will be applicable except in the specific instance for which it is given; and (z) no notice to or demand on one party will be deemed to be a waiver of any obligation of such party or of the right of the party giving such notice or demand to take further

action without notice or demand as provided in this Agreement or the documents referred to in this Agreement.

Section 11.6 Notices. All notices, consents, waivers and other communications under this Agreement shall be in writing (which shall include facsimile communication and electronic mail) and shall be deemed to have been duly given if delivered by hand or by nationally recognized overnight delivery service (receipt requested), mailed by registered or certified U.S. mail (return receipt requested) postage prepaid or sent by facsimile (with confirmation) or electronic mail (with confirmation) to the parties at the following addresses (or at such other address for a party as shall be specified by like notice):

If to Acquiror, to:

First Busey Corporation
100 W. University Avenue
P.O. Box 1728
Champaign, Illinois 61824-1728
Telephone: (217) 365-4544
Facsimile: (217) 351-6551
Attention: Robin N. Elliott (robin.elliott@busey.com)

with copies to:

Barack Ferrazzano Kirschbaum & Nagelberg LLP
200 W. Madison Street, Suite 3900
Chicago, Illinois 60606
Telephone: (312) 984-3100
Facsimile: (312) 984-3150
Attention: Robert M. Fleetwood (robert.fleetwood@bfkn.com)

If to the Company, to:

Herget Financial Corp.
33 South 4th Street
Pekin, Illinois 61554
Telephone: (309) 347-0230
Facsimile: (309) 347-0154
Attention: Charles R. Schermerhorn

with copies to:

Hunton & Williams LLP
1445 Ross Avenue, Suite 3700

or to such other Person or place as the Company shall furnish to Acquiror or Acquiror shall furnish to the Company in writing. Except as otherwise provided herein, all such notices, consents, waivers and other communications shall be effective: (a) if delivered by hand, when delivered; (b) if delivered by overnight delivery service, on the next Business Day after deposit with such service; (c) if mailed in the manner provided in this **Section 11.6**, five (5) Business Days after deposit with the U.S. Postal Service; and (d) if by facsimile, on the next Business Day.

Section 11.7 **Entire Agreement.** This Agreement, the Schedules and any documents executed by the parties pursuant to this Agreement and referred to herein, together with the Confidentiality Agreement, constitute the entire understanding and agreement of the parties hereto and supersede all other prior agreements and understandings, written or oral, relating to such subject matter between the parties.

Section 11.8 **Severability.** Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable Legal Requirements, but if any provision of this Agreement is held to be prohibited by or invalid under applicable Legal Requirements, such provision will be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement unless the consummation of the Contemplated Transactions is adversely affected thereby.

Section 11.9 **Further Assurances.** The parties agree: (a) to furnish upon request to each other such further information; (b) to execute and deliver to each other such other documents; and (c) to do such other acts and things; all as the other party may reasonably request for the purpose of carrying out the intent of this Agreement and the documents referred to in this Agreement.

Section 11.10 **Counterparts.** This Agreement and any amendments thereto may be executed in any number of counterparts (including by facsimile or other electronic means), each of which shall be deemed an original, but all of which together shall constitute one and the same agreement and shall become effective when counterparts have been signed by each of the parties and delivered to the other party, it being understood that each party need not sign the same counterpart.

ARTICLE 12 DEFINITIONS

Section 12.1 **Definitions.** In addition to those terms defined throughout this Agreement, the following terms, when used herein, shall have the following meanings:

(a) **“Acquiror Articles of Incorporation”** means the Amended and Restated Articles of Incorporation of First Busey Corporation, as amended.

(b) **“Acquiror Bank”** means Busey Bank, an Illinois chartered bank headquartered in Champaign, Illinois, and a wholly-owned subsidiary of Acquiror.

(c) **“Acquiror Benefit Plan”** means any: (i) qualified or nonqualified “employee pension benefit plan” (as defined in Section 3(2) of ERISA) or other deferred compensation or retirement plan or arrangement; (ii) “employee welfare benefit plan” (as defined in Section 3(1) of ERISA) or other health, welfare or similar plan or arrangement; (iii) “employee benefit plan” (as defined in Section 3(3) of ERISA); (iv) equity-based plan or arrangement (including any stock option, stock purchase, stock ownership, stock appreciation, restricted stock, restricted stock unit, phantom stock or similar plan, agreement or award); (v) other paid time off, compensation, severance, bonus, profit-sharing or incentive plan or arrangement; (vi) other employee benefit plan, practice, policy or arrangement of any kind, whether written or oral, and whether for the benefit of a single individual or more than one (1) individual; or (vii) change in control agreement or employment or severance agreement, in each case with respect to clauses (i) through (vii) of this definition, to which contributions have at any time been made by Acquiror or any of its Subsidiaries or any Acquiror ERISA Affiliate or under which any employee, former employee, director, agent or independent contractor of Acquiror or any of its Subsidiaries or any beneficiary thereof is covered, is eligible for coverage or has benefit rights, and for which Acquiror or any of its Subsidiaries has or may have liability, including by reason of having an Acquiror ERISA Affiliate.

(d) **“Acquiror Board”** means the board of directors of Acquiror.

(e) **“Acquiror Bylaws”** means the First Busey Corporation Amended and Restated By-Laws, as amended.

(f) **“Acquiror ERISA Affiliate”** means each “person” (as defined in Section 3(9) of ERISA) that is treated as a single employer with Acquiror or any of its Subsidiaries for purposes of Section 414 of the Code.

(g) **“Acquiror Material Contract”** means any Contract or understanding (whether written or oral) that is a “material contract” within the meaning of Item 601(b)(10) of the SEC’s Regulation S-K.

(h) **“Acquiror SEC Reports”** means the annual, quarterly and other reports, schedules, forms, statements and other documents (including exhibits and all other information incorporated therein) filed or furnished by Acquiror with the SEC under the Securities Act, the Exchange Act, or the regulations thereunder, since January 1, 2011.

(i) **“Acquisition Transaction”** means, with respect to the Company, any of the following: (i) a merger or consolidation, or any similar transaction (other than the Merger) of any company with either the Company or the Bank; (ii) a purchase, lease or other acquisition of all or

substantially all the assets of either the Company or the Bank; (iii) a purchase or other acquisition of “beneficial ownership” by any “person” or “group” (as such terms are defined in Section 13(d)(3) of the Exchange Act) (including by way of merger, consolidation, share exchange or otherwise) that, upon the consummation of such purchase or acquisition, would cause such person or group to become the beneficial owner of securities representing 20% or more of the voting power of the Company or the Bank; or (iv) a tender or exchange offer to acquire securities representing 20% or more of the voting power of the Company.

(j) **“Adjusted Net Worth”** means the total consolidated common tangible shareholders’ equity of the Company as of the Closing Date, calculated in accordance with GAAP and reflecting the recognition of or accrual for all Transaction Costs. For the avoidance of doubt, Adjusted Net Worth as of June 30, 2014 was \$28.703 million (total consolidated assets of \$273.875 million (prior to Transaction Costs), less total consolidated liabilities of \$242.826 million, less Intangible Assets of \$0.923 million, less Transaction Costs of \$1.423 million).

(k) **“Affiliate”** means, with respect to any specified Person, any other Person directly or indirectly Controlling, Controlled by or under common Control with, such specified Person.

(l) **“Bank”** means Herget Bank, National Association, a national bank headquartered in Pekin, Illinois, and a wholly-owned subsidiary of the Company.

(m) **“Bank Merger”** means the merger of the Bank with and into, and under the charter of, Acquiror Bank.

(n) **“Business Day”** means any day except Saturday, Sunday and any day on which banks in Champaign, Illinois, or Pekin, Illinois, are authorized or required by law or other government action to close.

(o) **“Code”** means the Internal Revenue Code of 1986, as amended.

(p) **“Company Benefit Plan”** means any: (i) qualified or nonqualified “employee pension benefit plan” (as defined in Section 3(2) of ERISA) or other deferred compensation or retirement plan or arrangement; (ii) “employee welfare benefit plan” (as defined in Section 3(1) of ERISA) or other health, welfare or similar plan or arrangement; (iii) “employee benefit plan” (as defined in Section 3(3) of ERISA); (iv) equity-based compensation plan or arrangement (including any stock option, stock purchase, stock ownership, stock appreciation, restricted stock, restricted stock unit, phantom stock or similar plan, agreement or award); (v) other paid time off, compensation, severance, bonus, profit-sharing or incentive plan or arrangement; (vi) other employee benefit plan, practice, policy or arrangement of any kind, whether written or oral, and whether for the benefit of a single individual or more than one (1) individual; or (vii) change in control agreement or employment or severance agreement, in each case with respect to clauses (i) through (vii) of this definition, to which (A)

45

contributions have at any time been made by the Company or any of its Subsidiaries or any Company ERISA Affiliate or under which any employee, former employee, director, agent or independent contractor of the Company or any of its Subsidiaries or any beneficiary thereof is covered, is eligible for coverage or has payment or other benefit rights, and (B) for which the Company or any of its Subsidiaries has or may have liability, including by reason of having a Company ERISA Affiliate.

(q) **“Company Board”** means the board of directors of the Company.

(r) **“Company Bylaws”** means the Bylaws of Herget Financial Corp, as amended.

(s) **“Company Certificate of Incorporation”** means the Certificate of Incorporation of Herget Financial Corp., as amended.

(t) **“Company Common Stock”** means the common stock, \$1.00 par value per share, of the Company.

(u) **“Company ERISA Affiliate”** means each “person” (as defined in Section 3(9) of ERISA) that is treated as a single employer with the Company or any of its Subsidiaries for purposes of Section 414 of the Code.

(v) **“Company Shareholder Approval”** means the adoption of this Agreement by the shareholders of the Company, in accordance with the DGCL and the Company Certificate of Incorporation.

(w) **“Contemplated Transactions”** means all of the transactions contemplated by this Agreement, including: (i) the Merger; (ii) the Bank Merger, and (iii) the performance by Acquiror, Merger Sub and the Company of their respective covenants and obligations under this Agreement.

(x) **“Contract”** means any agreement, contract, obligation, promise or understanding (whether written or oral and whether express or implied) that is legally binding: (i) under which a Person has or may acquire any rights; (ii) under which such Person has or may become subject to any obligation or liability; or (iii) by which such Person or any of the assets owned or used by such Person is or may become bound.

(y) **“Control”, “Controlling” or “Controlled”** when used with respect to any specified Person, means the power to vote 25 percent (25%) or more of any class of voting securities of a Person, the power to control in any manner the election of a majority of the directors or partners of such Person, or the power to exercise a controlling influence over the management or policies of such Person.

(z) **“CRA”** means the Community Reinvestment Act, as amended.

(aa) **“DGCL”** means the General Corporation Law of the State of Delaware, as amended.

46

(bb) **“DOL”** means the U.S. Department of Labor.

- (cc) “**Environment**” means surface or subsurface soil or strata, surface waters and sediments, navigable waters, groundwater, drinking water supply and ambient air.
- (dd) “**Environmental Laws**” means any federal, state or local law, statute, ordinance, rule, regulation, code, order, permit or other legally binding requirement applicable to the business or assets of the Company or any of its Subsidiaries that imposes liability or standards of conduct with respect to the Environment and/or Hazardous Materials.
- (ee) “**ERISA**” means the Employee Retirement Income Security Act of 1974, as amended.
- (ff) “**Exchange Act**” means the Securities Exchange Act of 1934, as amended.
- (gg) “**FDIC**” means the Federal Deposit Insurance Corporation.
- (hh) “**Federal Reserve**” means the Board of Governors of the Federal Reserve System.
- (ii) “**GAAP**” means generally accepted accounting principles in the U.S., consistently applied.
- (jj) “**Hazardous Materials**” means any hazardous, toxic or dangerous substance, waste, contaminant, pollutant, gas or other material that is classified as such under Environmental Laws or is otherwise regulated under Environmental Laws.
- (kk) “**Immediate Family Member**” means a Person’s spouse, parents, stepparents, children, stepchildren, mothers and fathers-in-law, sons and daughters-in-law, siblings, brothers and sisters-in-law, and any other Person (other than a tenant or employee) sharing such Person’s household.
- (ll) “**Intangible Assets**” means any asset that is considered an intangible asset under GAAP, including, without limitation, any goodwill and any other identifiable intangible assets recorded in accordance with GAAP, but excluding any mortgage servicing assets recorded as an intangible asset.
- (mm) “**IRS**” means the U.S. Internal Revenue Service.
- (nn) “**Knowledge**” means, assuming due inquiry under the facts or circumstances, the actual knowledge of the chief executive officer, president, chief financial officer, chief credit officer or general counsel of Acquiror or the Company, as the context requires.
- (oo) “**Legal Requirement**” means any federal, state, local, municipal, foreign, international, multinational or other Order, constitution, law, ordinance, regulation, rule, policy statement, directive, statute or treaty.

47

- (pp) “**Material Adverse Effect**” as used with respect to a party, means an event, change, effect or occurrence which, individually or together with any other event, change, effect or occurrence: (i) is materially adverse to the business, properties, financial condition or results of operations of such party and its Subsidiaries, taken as a whole; or (ii) materially impairs the ability of such party to perform its obligations under this Agreement or to consummate the Merger and the other Contemplated Transactions on a timely basis; *provided* that, in determining whether a Material Adverse Effect has occurred, there shall be excluded any effect to the extent attributable to or resulting from: (A) changes in Legal Requirements generally affecting banks, bank holding companies or financial holding companies, and the interpretation of such Legal Requirements by courts or governmental authorities; (B) changes in GAAP or regulatory accounting requirements; (C) changes or events generally affecting banks, bank holding companies or financial holding companies, or the economy or the financial, securities or credit markets, including changes in prevailing interest rates, liquidity and quality, currency exchange rates, price levels or trading volumes in the U.S. or foreign securities markets; and (D) the effects of the actions expressly permitted or required by this Agreement or that are taken with the prior written consent of the other party in contemplation of the Contemplated Transactions; except with respect to clauses (A), (B) and (C), to the extent that the effects of such change are disproportionately adverse to the financial condition, results of operations or business of such party and its Subsidiaries, taken as a whole, as compared to other companies in the industry in which such party and its Subsidiaries operate.
- (qq) “**Merger Consideration**” means \$34,100,000, as adjusted pursuant to Section 2.4.
- (rr) “**Merger Consideration Per Share**” means: (i) the Merger Consideration, *divided by* (ii) the Outstanding Company Shares.
- (ss) “**NASDAQ Rules**” means the listing rules of the NASDAQ Global Select Market.
- (tt) “**NRS**” means the provisions of the Nevada Revised Statutes governing business corporations, limited liability companies and mergers of business entities (NRS Sections 78.010 *et seq.*, 86.011 *et seq.*, and 92A.005 *et seq.*, respectively).
- (uu) “**Order**” means any award, decision, injunction, judgment, order, ruling, extraordinary supervisory letter, policy statement, memorandum of understanding, resolution, agreement, directive, subpoena or verdict entered, issued, made, rendered or required by any court, administrative or other governmental agency, including any Regulatory Authority, or by any arbitrator.
- (vv) “**Ordinary Course of Business**” shall include any action taken by a Person only if such action is consistent with the past practices of such Person and is similar in nature and magnitude to actions customarily taken in the ordinary course of the normal day-to-day operations of other Persons that are in the same line of business as such Person.
- (ww) “**OREO**” means real estate owned by a Person and designated as “other real estate owned.”

48

- (xx) “**Outstanding Company Shares**” means the shares of Company Common Stock issued and outstanding immediately prior to the Effective Time.
- (yy) “**PBGC**” means the U.S. Pension Benefit Guaranty Corporation.
- (zz) “**Person**” means any individual, corporation (including any non-profit corporation), general or limited partnership, limited liability company, foundation, joint venture, estate, trust, association, organization, labor union or other entity or Regulatory Authority.
- (aaa) “**Proceeding**” means any action, arbitration, audit, hearing, investigation, litigation or suit (whether civil, criminal, administrative, investigative or informal) commenced, brought, conducted or heard by or before, or otherwise involving, any judicial or governmental authority, including a Regulatory Authority, or arbitrator.
- (bbb) “**Proxy Statement**” shall mean a proxy statement prepared by the Company for use in connection with the Company Shareholders’ Meeting.
- (ccc) “**Regulatory Authority**” means any federal, state or local governmental body, agency, court or authority that, under applicable Legal Requirements: (i) has supervisory, judicial, administrative, police, enforcement, taxing or other power or authority over the Company, Acquiror, or any of their respective Subsidiaries; (ii) is required to approve, or give its consent to, the Contemplated Transactions; or (iii) with which a filing must be made in connection therewith.
- (ddd) “**Representative**” means with respect to a particular Person, any director, officer, manager, employee, agent, consultant, advisor or other representative of such Person, including legal counsel, accountants and financial advisors.
- (eee) “**Requisite Regulatory Approvals**” means all necessary documentation, applications, notices, petitions, filings, permits, consents, approvals and authorizations from all applicable Regulatory Authorities for approval of the Contemplated Transactions.
- (fff) “**SEC**” means the Securities and Exchange Commission.
- (ggg) “**Securities Act**” means the Securities Act of 1933, as amended.
- (hhh) “**Subsidiary**,” with respect to any Person has the meaning assigned to the term “Significant Subsidiary” in Rule 1-02 or Regulation S-X promulgated under the Exchange Act.
- (iii) “**Superior Proposal**” means an Unsolicited Proposal that is determined in good faith by the Company Board (or an applicable committee), after consultation with the Company’s financial advisor, to be on terms that are more favorable from a financial point of view to the shareholders of the Company than the Merger and has a reasonable prospect of being consummated in accordance with its terms.
- (jjj) “**Tax**” means any tax (including any income tax, franchise tax, capital gains tax, value-added tax, sales tax, property tax, escheat tax, use tax, payroll tax, gift tax or

estate tax), levy, assessment, tariff, duty (including any customs duty), deficiency or other fee, and any related charge or amount (including any fine, penalty, interest or addition to tax), imposed, assessed or collected by or under the authority of any Regulatory Authority or payable pursuant to any tax-sharing agreement or any other Contract relating to the sharing or payment of any such tax, levy, assessment, tariff, duty, deficiency or fee.

- (kkk) “**Tax Return**” means any return (including any information return), report, statement, schedule, notice, form or other document or information filed with or submitted to, or required to be filed with or submitted to, any Regulatory Authority in connection with the determination, assessment, collection or payment of any Tax or in connection with the administration, implementation, or enforcement of or compliance with any Legal Requirement relating to any Tax.
- (lll) “**Transition Date**” means, with respect to any Covered Employee, the date Acquiror or the Surviving Entity commences providing benefits to such employee with respect to each New Plan and that immediately follows the termination of the corresponding Old Plan; provided that in the case of any Company Benefit Plan that Acquiror requires to be terminated on or before the Effective Time under **Section 5.10**, the Transition Date shall be not later than the Effective Time.
- (mmm) “**Unsolicited Proposal**” means an Acquisition Transaction that was not, after the date of this Agreement, solicited, initiated or knowingly encouraged or facilitated by the Company, any of its Subsidiaries or any of their respective Representatives or Affiliates.
- (nnn) “**U.S.**” means the United States of America.

Section 12.2 Principles of Construction.

(a) In this Agreement, unless otherwise stated or the context otherwise requires, the following uses apply: (i) actions permitted under this Agreement may be taken at any time and from time to time in the actor’s sole discretion; (ii) references to a statute shall refer to the statute and any successor statute, and to all regulations promulgated under or implementing the statute or its successor, as in effect at the relevant time; (iii) in computing periods from a specified date to a later specified date, the words “from” and “commencing on” (and the like) mean “from and including,” and the words “to,” “until” and “ending on” (and the like) mean “to, but excluding”; (iv) references to a governmental or quasi-governmental agency, authority or instrumentality shall also refer to a regulatory body that succeeds to the functions of the agency, authority or instrumentality; (v) indications of time of day mean Central Time; (vi) “including” means “including, but not limited to”; (vii) all references to sections, schedules and exhibits are to sections, schedules and exhibits in or to this Agreement unless otherwise specified; (viii) all words used in this Agreement will be construed to be of such gender or number as the circumstances and context require; (ix) the captions and headings of articles, sections, schedules and exhibits appearing in or attached to this Agreement have been inserted solely for convenience of reference and shall not be considered a part of this Agreement nor shall any of them affect the meaning or interpretation of this

time to time, and any and all modifications, extensions, renewals, substitutions or replacements thereof.

(b) The schedules of each of the Company and Acquiror referred to in this Agreement (the “**Company Disclosure Schedules**” and the “**Acquiror Disclosure Schedules**”, respectively, and collectively the “**Schedules**”) shall consist of items, the disclosure of which with respect to a specific party is necessary or appropriate either in response to an express disclosure requirement contained in a provision hereof or as an exception to one or more representations or warranties contained herein or to one or more covenants contained herein, which Schedules were delivered by each of the Company and Acquiror to the other before the date of this Agreement. In the event of any inconsistency between the statements in the body of this Agreement and those in the Schedules (other than an exception expressly set forth as such in the Schedules), the statements in the body of this Agreement will control. For purposes of this Agreement, “**Previously Disclosed**” means information set forth by the Company or Acquiror in the applicable paragraph of its Schedules, or any other paragraph of its Schedules (so long as it is reasonably clear from the context that the disclosure in such other paragraph of its Schedule is also applicable to the section of this Agreement in question).

(c) All accounting terms not specifically defined herein shall be construed in accordance with GAAP.

(d) With regard to each and every term and condition of this Agreement and any and all agreements and instruments subject to the terms hereof, the parties hereto understand and agree that the same have or has been mutually negotiated, prepared and drafted, and that if at any time the parties hereto desire or are required to interpret or construe any such term or condition or any agreement or instrument subject hereto, no consideration shall be given to the issue of which party hereto actually prepared, drafted or requested any term or condition of this Agreement or any agreement or instrument subject hereto.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers on the day and year first written above.

ACQUIROR:

FIRST BUSEY CORPORATION

By: /s/ Van A. Dukeman

Name: Van A. Dukeman

Title: President and Chief Executive Officer

COMPANY:

HERGET FINANCIAL CORP.

By: /s/ Charles R. Schermerhorn

Name: Charles R. Schermerhorn

Title: President and Chief Executive Officer

MERGER SUB:

FBC ACQUISITION LLC

By: **First Busey Corporation**, its sole member and manager

By: /s/ Robin N. Elliott

Name: Robin N. Elliott

Title: Chief Financial Officer

[Signature Page to Agreement and Plan of Merger]

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, Van A. Dukeman, President and Chief Executive Officer of First Busey Corporation, certify that:

- 1) I have reviewed this Quarterly Report on Form 10-Q of First Busey Corporation;
- 2) Based on my knowledge, this Quarterly Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Quarterly Report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this Quarterly Report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this Quarterly Report;
- 4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Quarterly Report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this Quarterly Report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Quarterly Report based on such evaluation; and
 - d) disclosed in this Quarterly Report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ VAN A. DUKEMAN

Van A. Dukeman
President and Chief Executive Officer

Date: November 6, 2014

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, Robin N. Elliott, Chief Financial Officer of First Busey Corporation, certify that:

- 1) I have reviewed this Quarterly Report on Form 10-Q of First Busey Corporation;
- 2) Based on my knowledge, this Quarterly Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Quarterly Report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this Quarterly Report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this Quarterly Report;
- 4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Quarterly Report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this Quarterly Report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Quarterly Report based on such evaluation; and
 - d) disclosed in this Quarterly Report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ ROBIN N. ELLIOTT

Robin N. Elliott
Chief Financial Officer

Date: November 6, 2014

The following certification is provided by the undersigned Chief Executive Officer of First Busey Corporation on the basis of such officer's knowledge and belief for the sole purpose of complying with 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

CERTIFICATION

I hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the accompanying Quarterly Report of First Busey Corporation on Form 10-Q for the quarter ended September 30, 2014, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in such Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of First Busey Corporation as of and for the periods covered by the Quarterly Report.

/s/ VAN A. DUKEMAN

Van A. Dukeman
President and Chief Executive Officer

Date: November 6, 2014

The following certification is provided by the undersigned Chief Financial Officer of First Busey Corporation on the basis of such officer's knowledge and belief for the sole purpose of complying with 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

CERTIFICATION

I hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the accompanying Quarterly Report of First Busey Corporation on Form 10-Q for the quarter ended September 30, 2014, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in such Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of First Busey Corporation as of and for the periods covered by the Quarterly Report.

/s/ ROBIN N. ELLIOTT

Robin N. Elliott
Chief Financial Officer

Date: November 6, 2014