
UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-Q

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

For the Quarterly Period Ended September 30, 2023

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)

100 W. University Ave.

Champaign, Illinois

(Address of principal executive offices)

37-1078406

(I.R.S. Employer Identification No.)

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)

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

Title of each class	Trading Symbol (s)	Name of each exchange on which registered
Common Stock, \$.001 par value	BUSE	The Nasdaq Stock Market LLC

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

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 2, 2023
Common Stock, \$.001 par value	55,258,904

FIRST BUSEY CORPORATION
FORM 10-Q
September 30, 2023

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GLOSSARY

We use acronyms, abbreviations, and other terms throughout this Quarterly Report, as defined in the glossary below:

Term	Definition
2020 Equity Plan	First Busey's 2020 Equity Incentive Plan
ACL	Allowance for credit losses
Amended 2020 Equity Plan	First Busey's Amended 2020 Equity Incentive Plan
Annual Report	Annual report filed with the SEC on Form 10-K pursuant to Section 13 or 15(d) of the Exchange Act
AOCI	Accumulated other comprehensive income (loss)
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
Basel III	2010 capital accord adopted by the international Basel Committee on Banking Supervision
Basel III Rule	Regulations promulgated by U.S. federal banking agencies – the OCC, the Federal Reserve, and the FDIC – to both enforce implementation of certain aspects of the Basel III capital reforms and effect certain changes required by the Dodd-Frank Wall Street Reform and Consumer Protection Act
bps	basis points
CAC	Cummins-American Corp.
CECL	ASU 2016-13, codified as ASC Topic 326 “Financial Instruments-Credit Losses,” which established the Current Expected Credit Losses methodology for measuring credit losses on financial instruments
COVID-19	Coronavirus disease 2019
DSU	Deferred stock unit
ESPP	Employee Stock Purchase Plan
Exchange Act	Securities Exchange Act of 1934, as amended
Fair value	The price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date, as defined in ASC Topic 820 “Fair Value Measurement”
FASB	Financial Accounting Standards Board
FDIC	Federal Deposit Insurance Corporation
Federal Reserve	Board of Governors of the Federal Reserve System
FHLB	Federal Home Loan Bank
First Busey	First Busey Corporation, together with its wholly-owned consolidated subsidiaries; also, “Busey,” the “Company,” “we,” “us,” and “our”
First Busey Risk Management	First Busey Risk Management, Inc.
FirsTech	FirsTech, Inc.
FOMC	Federal Open Market Committee
GAAP	U.S. Generally Accepted Accounting Principles
LIBOR	London Interbank Offered Rate
Nasdaq	National Association of Securities Dealers Automated Quotations
NMTC	New Markets Tax Credit
OCI	Other comprehensive income (loss)
OREO	Other real estate owned
PCD	Purchased credit deteriorated
PPP	Paycheck Protection Program

Term	Definition
PSU	Performance-based restricted stock unit
Quarterly Report	Quarterly report filed with the SEC on Form 10-Q pursuant to Section 13 or 15(d) of the Exchange Act
RSU	Restricted stock unit
SBA	U.S. Small Business Administration
SEC	U.S. Securities and Exchange Commission
SOFR	Secured Overnight Financing Rate published by the Federal Reserve
TDR	Troubled debt restructuring
U.S.	United States of America
U.S. Treasury	U.S. Department of the Treasury

PART I—FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

FIRST BUSEY CORPORATION
CONSOLIDATED BALANCE SHEETS (Unaudited)
(dollars in thousands)

	As of	
	September 30, 2023	December 31, 2022
Assets		
Cash and cash equivalents:		
Cash and due from banks	\$ 122,574	\$ 117,513
Interest-bearing deposits	215,345	109,651
Total cash and cash equivalents	337,919	227,164
Debt securities available for sale	2,182,841	2,461,393
Debt securities held to maturity	882,614	918,312
Equity securities	8,782	11,535
Loans held for sale	3,051	1,253
Portfolio loans (net of ACL of \$91,710 at September 30, 2023, and \$91,608 at December 31, 2022)	7,764,450	7,634,094
Premises and equipment, net	122,538	126,524
Right of use assets	11,500	12,829
Goodwill	317,873	317,873
Other intangible assets, net	38,470	46,423
Cash surrender value of bank owned life insurance	181,955	180,485
Other assets	406,257	398,792
Total assets	\$ 12,258,250	\$ 12,336,677
Liabilities and stockholders' equity		
Liabilities		
Deposits:		
Noninterest-bearing	\$ 2,918,574	\$ 3,393,666
Interest-bearing	7,413,788	6,677,614
Total deposits	10,332,362	10,071,280
Securities sold under agreements to repurchase	183,702	229,806
Short-term borrowings	12,000	351,054
Long-term debt	21,000	30,000
Subordinated notes, net of unamortized issuance costs	222,666	222,038
Junior subordinated debt owed to unconsolidated trusts	71,946	71,810
Lease liabilities	11,783	12,995
Other liabilities	212,633	201,717
Total liabilities	11,068,092	11,190,700
Outstanding commitments and contingent liabilities (see Notes 4 and 9)		
Stockholders' equity		
Common stock, (\$.001 par value; 100,000,000 shares authorized)	58	58
Additional paid-in capital	1,324,438	1,320,980
Retained earnings	224,698	168,769
AOCI	(290,730)	(273,278)
Total stockholders' equity before treasury stock	1,258,464	1,216,529
Treasury stock at cost	(68,306)	(70,552)
Total stockholders' equity	1,190,158	1,145,977
Total liabilities and stockholders' equity	\$ 12,258,250	\$ 12,336,677
Shares		
Common shares issued	58,116,969	58,116,970
Less: Treasury shares	(2,774,952)	(2,837,846)
Common shares outstanding	55,342,017	55,279,124

See accompanying [Notes to Consolidated Financial Statements \(Unaudited\)](#).

FIRST BUSEY CORPORATION
CONSOLIDATED STATEMENTS OF INCOME (Unaudited)
(dollars in thousands, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Interest income				
Interest and fees on loans	\$ 99,844	\$ 76,081	\$ 284,423	\$ 202,530
Interest and dividends on investment securities:				
Taxable interest income	20,549	17,436	60,224	47,370
Non-taxable interest income	685	813	2,136	2,482
Other interest income	1,591	1,085	3,890	1,720
Total interest income	122,669	95,415	350,673	254,102
Interest expense				
Deposits	37,068	3,565	78,576	7,835
Federal funds purchased and securities sold under agreements to repurchase	1,327	459	3,772	665
Short-term borrowings	1,964	190	12,527	426
Long-term debt	425	372	1,331	859
Senior notes	—	—	—	637
Subordinated notes	3,103	3,738	9,300	9,243
Junior subordinated debt owed to unconsolidated trusts	991	786	2,849	2,148
Total interest expense	44,878	9,110	108,355	21,813
Net interest income	77,791	86,305	242,318	232,289
Provision for credit losses	364	2,364	1,944	3,764
Net interest income after provision for credit losses	77,427	83,941	240,374	228,525
Noninterest income				
Wealth management fees	14,235	12,508	43,594	42,422
Fees for customer services	7,502	7,627	21,560	26,122
Payment technology solutions	5,226	5,080	15,772	15,045
Mortgage revenue	311	438	871	1,697
Income on bank owned life insurance	1,001	958	3,682	2,716
Realized net gains (losses) on securities	(33)	(74)	(207)	52
Unrealized net gains (losses) recognized on equity securities	(252)	78	(2,753)	(2,376)
Other income	3,018	4,318	8,349	12,046
Total noninterest income	31,008	30,933	90,868	97,724
Noninterest expense				
Salaries, wages, and employee benefits	39,677	39,762	119,867	117,226
Data processing	5,930	5,447	17,472	15,800
Net occupancy expense of premises	4,594	4,705	13,896	14,492
Furniture and equipment expenses	1,638	1,799	5,065	5,874
Professional fees	1,542	1,579	4,573	4,693
Amortization of intangible assets	2,555	2,871	7,953	8,833
Interchange expense	1,786	1,574	5,509	4,606
FDIC insurance	1,475	882	4,483	3,108
Other expense	11,748	12,117	31,735	35,572
Total noninterest expense	70,945	70,736	210,553	210,204
Income before income taxes	37,490	44,138	120,689	116,045
Income taxes	6,824	8,477	23,873	22,121
Net income	\$ 30,666	\$ 35,661	\$ 96,816	\$ 93,924
Basic earnings per common share	\$ 0.55	\$ 0.64	\$ 1.75	\$ 1.70
Diluted earnings per common share	\$ 0.54	\$ 0.64	\$ 1.72	\$ 1.67
Dividends declared per share of common stock	\$ 0.24	\$ 0.23	\$ 0.72	\$ 0.69

See accompanying [Notes to Consolidated Financial Statements \(Unaudited\)](#).

FIRST BUSEY CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (Unaudited)
(dollars in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net income	\$ 30,666	\$ 35,661	\$ 96,816	\$ 93,924
OCI:				
Unrealized/Unrecognized gains (losses) on debt securities:				
Net unrealized holding gains (losses) on debt securities available for sale, net of taxes of \$10,746, \$27,631, \$6,728, and \$84,519, respectively	(26,950)	(69,306)	(16,872)	(211,988)
Net unrealized gains (losses) on debt securities transferred to held to maturity from available for sale, net of taxes of \$0, \$0, \$0, and \$13,812, respectively	—	—	—	(34,644)
Reclassification adjustment for realized (gains) losses on debt securities available for sale included in net income, net of taxes of \$(9), \$(21), \$(59), and \$8, respectively	24	53	148	(20)
Amortization of unrecognized losses on securities transferred to held to maturity, net of taxes of \$(420), \$(515), \$(1,346), and \$(1,396), respectively	1,056	1,291	3,379	3,500
Net change in unrealized/unrecognized gains (losses) on debt securities	(25,870)	(67,962)	(13,345)	(243,152)
Unrealized gains (losses) on cash flow hedges:				
Net unrealized holding gains (losses) on cash flow hedges, net of taxes of \$2,220, \$4,061, \$3,412, and \$8,604, respectively	(5,577)	(10,192)	(8,563)	(21,587)
Reclassification adjustment for realized (gains) losses on cash flow hedges included in net income, net of taxes of \$(652), \$(104), \$(1,776), and \$199, respectively	1,638	266	4,456	(498)
Net change in unrealized gains (losses) on cash flow hedges	(3,939)	(9,926)	(4,107)	(22,085)
Net change in AOCI	(29,809)	(77,888)	(17,452)	(265,237)
Total comprehensive income (loss)	\$ 857	\$ (42,227)	\$ 79,364	\$ (171,313)

See accompanying [Notes to Consolidated Financial Statements \(Unaudited\)](#).

FIRST BUSEY CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (Unaudited)
(dollars in thousands, except per share amounts)

Three Months Ended September 30, 2023

	Shares	Common Stock	Additional Paid-in Capital	Retained Earnings	AOCI	Treasury Stock	Total Stockholders' Equity
Balance, June 30, 2023	55,290,847	\$ 58	\$ 1,325,173	\$ 207,660	\$ (260,921)	\$ (70,022)	\$ 1,201,948
Net income	—	—	—	30,666	—	—	30,666
OCI, net of tax	—	—	—	—	(29,809)	—	(29,809)
Repurchase of stock	(65,123)	—	—	—	—	(1,278)	(1,278)
Issuance of treasury stock for ESPP	11,291	—	(106)	—	—	290	184
Net issuance of treasury stock for RSU/PSU/DSU vesting and related tax	105,002	—	(3,593)	—	—	2,704	(889)
Cash dividends on common stock at \$0.24 per share	—	—	—	(13,267)	—	—	(13,267)
Stock dividend equivalents on RSUs/PSUs/DSUs	—	—	361	(361)	—	—	—
Stock-based compensation	—	—	2,603	—	—	—	2,603
Balance, September 30, 2023	<u>55,342,017</u>	<u>\$ 58</u>	<u>\$ 1,324,438</u>	<u>\$ 224,698</u>	<u>\$ (290,730)</u>	<u>\$ (68,306)</u>	<u>\$ 1,190,158</u>

Nine Months Ended September 30, 2023

	Shares	Common Stock	Additional Paid-in Capital	Retained Earnings	AOCI	Treasury Stock	Total Stockholders' Equity
Balance, December 31, 2022	55,279,124	\$ 58	\$ 1,320,980	\$ 168,769	\$ (273,278)	\$ (70,552)	\$ 1,145,977
Net income	—	—	—	96,816	—	—	96,816
OCI, net of tax	—	—	—	—	(17,452)	—	(17,452)
Repurchase of stock	(110,123)	—	—	—	—	(2,209)	(2,209)
Issuance of treasury stock for ESPP	51,885	—	(451)	—	—	1,335	884
Net issuance of treasury stock for RSU/PSU/DSU vesting and related tax	120,137	—	(4,083)	—	—	3,094	(989)
Net issuance of treasury stock for warrants exercised	994	—	(17)	—	—	26	9
Cash dividends on common stock at \$0.72 per share	—	—	—	(39,806)	—	—	(39,806)
Stock dividend equivalents on RSUs/PSUs/DSUs	—	—	1,081	(1,081)	—	—	—
Stock-based compensation	—	—	6,928	—	—	—	6,928
Balance, September 30, 2023	<u>55,342,017</u>	<u>\$ 58</u>	<u>\$ 1,324,438</u>	<u>\$ 224,698</u>	<u>\$ (290,730)</u>	<u>\$ (68,306)</u>	<u>\$ 1,190,158</u>

(continued)

FIRST BUSEY CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (Unaudited) (Continued)
(dollars in thousands, except per share amounts)

Three Months Ended September 30, 2022

	Shares	Common Stock	Additional Paid-in Capital	Retained Earnings	AOCI	Treasury Stock	Total Stockholders' Equity
Balance, June 30, 2022	55,335,703	\$ 58	\$ 1,317,675	\$ 124,685	\$ (211,107)	\$ (69,354)	\$ 1,161,957
Net income	—	—	—	35,661	—	—	35,661
OCI, net of tax	—	—	—	—	(77,888)	—	(77,888)
Repurchase of stock	(130,000)	—	—	—	—	(3,088)	(3,088)
Issuance of treasury stock for ESPP	10,993	—	(77)	—	—	283	206
Net issuance of treasury stock for RSU/DSU vesting and related tax	15,738	—	(434)	—	—	405	(29)
Cash dividends on common stock at \$0.23 per share	—	—	—	(12,707)	—	—	(12,707)
Stock dividend equivalents on RSUs/DSUs at \$0.23 per share	—	—	281	(281)	—	—	—
Stock-based compensation	—	—	2,476	—	—	—	2,476
Balance, September 30, 2022	55,232,434	\$ 58	\$ 1,319,921	\$ 147,358	\$ (288,995)	\$ (71,754)	\$ 1,106,588

Nine Months Ended September 30, 2022

	Shares	Common Stock	Additional Paid-in Capital	Retained Earnings	AOCI	Treasury Stock	Total Stockholders' Equity
Balance, December 31, 2021	55,434,910	\$ 58	\$ 1,316,984	\$ 92,463	\$ (23,758)	\$ (66,635)	\$ 1,319,112
Net income	—	—	—	93,924	—	—	93,924
OCI, net of tax	—	—	—	—	(265,237)	—	(265,237)
Repurchase of stock	(388,614)	—	—	—	—	(9,912)	(9,912)
Issuance of treasury stock for ESPP	50,033	—	(271)	—	—	1,288	1,017
Net issuance of treasury stock for RSU/DSU vesting and related tax	136,105	—	(4,383)	—	—	3,505	(878)
Cash dividends on common stock at \$0.69 per share	—	—	—	(38,159)	—	—	(38,159)
Stock dividend equivalents on RSUs/DSUs at \$0.69 per share	—	—	870	(870)	—	—	—
Stock-based compensation	—	—	6,721	—	—	—	6,721
Balance, September 30, 2022	55,232,434	\$ 58	\$ 1,319,921	\$ 147,358	\$ (288,995)	\$ (71,754)	\$ 1,106,588

See accompanying [Notes to Consolidated Financial Statements \(Unaudited\)](#).

FIRST BUSEY CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
(dollars in thousands)

	Nine Months Ended September 30,	
	2023	2022
Cash flows provided by (used in) operating activities		
Net income	\$ 96,816	\$ 93,924
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Provision for credit losses	1,944	3,764
Amortization of intangible assets	7,953	8,833
Amortization of mortgage servicing rights	2,155	2,757
Amortization of NMTC	6,740	4,668
Depreciation and amortization of premises and equipment	7,052	8,035
Net amortization (accretion) on portfolio loans	5,399	2,524
Net amortization (accretion) of premium (discount) on investment securities	11,351	15,820
Net amortization (accretion) of premium (discount) on time deposits	(223)	(318)
Net amortization (accretion) of premium (discount) on FHLB advances and other borrowings	764	1,152
Impairment of OREO and other repossessed assets	113	611
Impairment of fixed assets held for sale	—	427
Impairment of mortgage servicing rights	1	(9)
Impairment of leases	—	84
Unrealized (gains) losses recognized on equity securities, net	2,753	2,376
(Gain) loss on sales of equity securities, net	—	(24)
(Gain) loss on sales of debt securities, net	207	(28)
(Gain) loss on sales of loans, net	(603)	(1,777)
(Gain) loss on sales of OREO	4	56
(Gain) loss on sales of premises and equipment	(197)	(666)
(Gain) loss on life insurance proceeds	(759)	—
(Increase) decrease in cash surrender value of bank owned life insurance	(2,923)	(2,716)
Provision for deferred income taxes	(2,000)	(3)
Stock-based compensation	6,928	6,721
Mortgage loans originated for sale	(28,663)	(63,986)
Proceeds from sales of mortgage loans	27,418	84,732
(Increase) decrease in other assets	(15,072)	(45,575)
Increase (decrease) in other liabilities	171	(3,364)
Net cash provided by (used in) operating activities	127,329	118,018
Cash flows provided by (used in) investing activities		
Purchases of equity securities	(6,169)	(14,820)
Purchases of debt securities available for sale	(7,796)	(279,831)
Proceeds from sales of equity securities	6,169	15,418
Proceeds from paydowns and maturities of debt securities held to maturity	38,172	51,552
Proceeds from paydowns and maturities of debt securities available for sale	253,648	370,274
Purchases of FHLB and other bank stock	(30,957)	—
Proceeds from the redemption of FHLB and other bank stock	43,926	225
Net (increase) decrease in loans	(137,843)	(484,701)
Cash paid for premiums on bank-owned life insurance	(80)	(101)
Proceeds from life insurance	2,292	219
Purchases of premises and equipment	(6,750)	(4,006)
Proceeds from disposition of premises and equipment	3,881	4,182
Proceeds from sales of OREO	781	2,662
Net cash provided by (used in) investing activities	159,274	(338,927)

(continued)

FIRST BUSEY CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited) (Continued)
(dollars in thousands)

	Nine Months Ended September 30,	
	2023	2022
Cash flows provided by (used in) financing activities		
Net increase (decrease) in deposits	\$ 261,305	\$ (166,862)
Net change in federal funds purchased and securities sold under agreements to repurchase	(46,104)	(35,542)
Proceeds from FHLB advances	265,000	—
Repayment of FHLB advances	(604,054)	(5,507)
Proceeds from other borrowings, net of debt issuance costs	—	98,094
Repayment of other borrowings	(9,000)	(109,000)
Cash dividends paid	(39,806)	(38,159)
Purchase of treasury stock	(2,209)	(9,912)
Cash paid for withholding taxes on stock-based payments	(989)	(878)
Proceeds from stock warrants exercised	9	—
Issuance of treasury stock for ESPP	—	(271)
Net cash provided by (used in) financing activities	<u>(175,848)</u>	<u>(268,037)</u>
Net increase (decrease) in cash and cash equivalents	\$ 110,755	\$ (488,946)
Cash and cash equivalents, beginning of period	227,164	836,095
Cash and cash equivalents, ending of period	<u>\$ 337,919</u>	<u>\$ 347,149</u>

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash payments for:

Interest	\$ 89,572	\$ 19,465
Income taxes	23,594	30,506

Non-cash investing and financing activities:

OREO acquired in settlement of loans	144	132
Transfer of debt securities available for sale to held to maturity	—	985,199

See accompanying [Notes to Consolidated Financial Statements \(Unaudited\)](#).

FIRST BUSEY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Note 1: Significant Accounting Policies

Nature of Operations

First Busey Corporation, a Nevada corporation organized in 1980, is a \$12.3 billion financial holding company headquartered in Champaign, Illinois. Busey's common stock is traded on The Nasdaq Global Select Market under the symbol "BUSE."

First Busey operates and reports its business in three segments: Banking, Wealth Management, and FirsTech.

- The *Banking* operating segment provides a full range of banking services to individual and corporate customers through its banking center network in Illinois; the St. Louis, Missouri metropolitan area; southwest Florida; and Indianapolis, Indiana.
- The *Wealth Management* operating segment provides a full range of asset management, investment, brokerage, fiduciary, philanthropic advisory, tax preparation, and farm management services to individuals, businesses, and foundations.
- The *FirsTech* operating segment provides comprehensive and innovative payment technology solutions including online, mobile, and voice-recognition bill payments; money management and credit card networks; direct debit services; lockbox remittance processing for payments made by mail; and walk-in payments. FirsTech also provides additional tools to help clients with billing, reconciliation, bill reminders, and treasury services.

For additional information about First Busey's operating segments, see "[Note 14. Operating Segments and Related Information](#)."

Basis of Financial Statement Presentation

These unaudited consolidated financial statements and related notes should be read in conjunction with the [audited consolidated financial statements](#) included in [Busey's 2022 Annual Report](#). These interim unaudited consolidated financial statements serve to update our 2022 Annual Report and may not include all information and notes necessary to constitute a complete set of financial statements.

We prepared these unaudited consolidated financial statements in conformity with GAAP. We have eliminated intercompany accounts and transactions. We have also reclassified certain prior year amounts to conform to the current period presentation. These reclassifications did not have a material impact on our consolidated financial condition or results of operations.

In our opinion, the unaudited consolidated financial statements reflect all normal, recurring adjustments needed to present fairly our results for the interim periods. The results of operations for interim periods are not necessarily indicative of the results that may be expected for the full year or any other interim period.

Use of Estimates

In preparing the accompanying unaudited consolidated financial statements in conformity with GAAP, Busey's management is required to make estimates and assumptions that affect the amounts reported in the financial statements and the disclosures provided. 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 debt securities available for sale, fair value of assets acquired and liabilities assumed in business combinations, goodwill, income taxes, and the determination of the ACL.

FIRST BUSEY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Impact of Recently Adopted Accounting Standards

In July 2023, the FASB issued ASU 2023-03 “*Presentation of Financial Statements (Topic 205), Income Statement—Reporting Comprehensive Income (Topic 220), Distinguishing Liabilities from Equity (Topic 480), Equity (Topic 505), and Compensation—Stock Compensation (Topic 718)*” pursuant to: (i) SEC Staff Accounting Bulletin No. 120, which provided interpretive guidance related to estimating the fair value of share-based payment transactions while in possession of material non-public information; (ii) an SEC Staff Announcement at the March 24, 2022, Emerging Issues Task Force Meeting, which provided interpretive guidance on accounting for share-based payments to employees and non-employees; and (iii) Staff Accounting Bulletin Topic 6.B, Accounting Series Release 280—General Revision of Regulation S-X: Income or Loss Applicable to Common Stock, which provided interpretive guidance on the reporting of income or loss applicable to common stock. This update was reflected in the Accounting Standards Codification upon issuance. Adoption of this standard did not have a material impact on Busey’s financial position or results of operations.

In March 2022, the FASB issued ASU 2022-02 “*Financial Instruments—Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures*,” which eliminates the TDR accounting model for creditors that have already adopted CECL. In lieu of the TDR accounting model, loan refinancing and restructuring guidance in ASC Subtopic 310-20-35-9 through 35-11 “*Receivables—Nonrefundable Fees and Other Costs—Subsequent Measurement—Loan Refinancing or Restructuring*” will apply to all loan modifications, including those made for borrowers experiencing financial difficulty. This standard also enhances disclosure requirements related to certain loan modifications. Additionally, this standard introduces new requirements to disclose gross write-off information in the vintage disclosures of financing receivables by credit quality indicator and class of financing receivable by year of origination. This standard applies prospectively. For the transition method related to the recognition and measurement of TDRs, there is an option to apply a modified retrospective transition method, resulting in a cumulative-effect adjustment to retained earnings in the period of adoption. This standard became effective for Busey beginning January 1, 2023. Adoption of this standard did not have a material impact on Busey’s financial position or results of operations.

In March 2022, the FASB issued ASU 2022-01 “*Derivatives and Hedging (Topic 815): Fair Value Hedging—Portfolio Layer Method*,” which replaces the current last-of-layer hedge accounting method with an expanded portfolio layer method that permits multiple hedged layers of a single closed portfolio. The scope of the portfolio layer method is also expanded to include non-prepayable financial assets. This update also provides additional guidance on the accounting for and disclosure of hedge basis adjustments that are applicable to the portfolio layer method, and specifies how hedge basis adjustments should be considered when determining credit losses for the assets included in the closed portfolio. Amendments related to hedge basis adjustments which are included in this standard apply on a modified retrospective basis by means of a cumulative-effect adjustment to the opening balance of retained earnings on the initial application date. Amendments related to disclosure which are included in this standard may be applied on a prospective basis from the initial application date, or on a retrospective basis to each prior period presented after the date of adoption of the amendments in ASU 2017-12 “*Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities*.” This standard became effective for Busey beginning January 1, 2023. Adoption of this standard did not have a material impact on Busey’s financial position or results of operations.

ASU 2021-08 “*Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*” requires measurement and recognition in accordance with ASC Topic 606 “*Revenue from Contracts with Customers*” for contract assets and contract liabilities acquired in a business combination. This update became effective for Busey beginning January 1, 2023. This standard applied prospectively to all business combinations that occurred on or after the date of adoption. Adoption of this standard did not have an impact on Busey’s financial position or results of operations.

FIRST BUSEY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Recently Issued Accounting Standards Not Yet Adopted

In March 2023, the FASB issued ASU 2023-02 “*Investments—Equity Method and Joint Ventures (Topic 323)*,” permitting an election to use the proportional amortization method to account for equity investments made primarily for the purpose of receiving income tax credits and other income tax benefits, regardless of the tax credit program from which the income tax credits are received, provided that certain conditions are met. The proportional amortization method results in the cost of the investment being amortized in proportion to the income tax credits and other income tax benefits received, with the amortization of the investment and the income tax credits being presented net in the income statement as a component of income tax expense. This standard must be applied on a retrospective or modified retrospective basis, and is applicable for Busey beginning on January 1, 2024. Early adoption is permitted. Busey is currently evaluating the potential effect on the Company’s financial position and results of operations, and upon adoption expects changes to be reflected in the Other Expense and Income Taxes line items in the Consolidated Statements of Income (Unaudited).

In March 2023, the FASB issued ASU 2023-01 “*Leases (Topic 842): Common Control Arrangements*,” which requires amortization over the useful life of leasehold improvements (not the lease term) when the lease is between entities under common control, and any value of such leasehold improvements remaining at the end of the lease term is to be accounted for as a transfer between entities under common control. This standard may be adopted either prospectively, or retrospectively, and is effective for Busey beginning January 1, 2024. Early adoption is permitted. Busey does not expect adoption of this standard to have a material impact on the Company’s financial position and results of operations.

In June 2022, the FASB issued ASU 2022-03 “*Fair Value Measurements (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions*,” which clarifies that contractual restrictions on the sale of equity securities are not considered in measuring the fair value of those equity securities, and further that contractual sale restrictions cannot be recognized and measured as a separate unit of account. This standard applies prospectively, and is effective for Busey beginning January 1, 2024. Early adoption is permitted. Busey is currently evaluating the potential effect on the Company’s financial position and results of operations.

Subsequent Events

Busey has evaluated subsequent events for potential recognition and/or disclosure through the date the unaudited consolidated financial statements included in this Quarterly Report were issued. The Company issued a [Form 8-K on October 24, 2023](#), regarding the departure of a named executive officer, and during the fourth quarter of 2023 expects to record related severance expenses according to [Schedule 1 of the Separation Letter that was filed as Exhibit 10.1 to the Form 8-K](#). Other than this, there were no significant subsequent events for the quarter ended September 30, 2023, through the filing date of these unaudited consolidated financial statements.

FIRST BUSEY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Note 2: Debt Securities

Busey's portfolio of debt securities includes both available for sale and held to maturity securities. The tables below provide the amortized cost, unrealized gains and losses, and fair values of debt securities summarized by major category (*dollars in thousands*):

	As of September 30, 2023			
	Amortized Cost	Unrealized		Fair Value
		Gross Gains	Gross Losses	
Debt securities available for sale				
U.S. Treasury securities	\$ 51,522	\$ —	\$ (1,392)	\$ 50,130
Obligations of U.S. government corporations and agencies	10,071	2	(254)	9,819
Obligations of states and political subdivisions ¹	254,549	6	(27,758)	226,797
Asset-backed securities	486,517	—	(7,069)	479,448
Commercial mortgage-backed securities	120,117	—	(19,817)	100,300
Residential mortgage-backed securities ²	1,343,324	—	(254,528)	1,088,796
Corporate debt securities	251,194	91	(23,734)	227,551
Total debt securities available for sale	\$ 2,517,294	\$ 99	\$ (334,552)	\$ 2,182,841

1. Includes securities marked at par, with no gain or loss to report.

2. Gross gains on Residential mortgage-backed securities were insignificant, rounding to zero thousand.

	Amortized Cost	Unrecognized		Fair Value
		Gross Gains	Gross Losses	
	Debt securities held to maturity			
Commercial mortgage-backed securities	\$ 459,866	\$ —	\$ (93,401)	\$ 366,465
Residential mortgage-backed securities	422,748	—	(87,537)	335,211
Total debt securities held to maturity	\$ 882,614	\$ —	\$ (180,938)	\$ 701,676

FIRST BUSEY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

	As of December 31, 2022			
	Amortized Cost	Unrealized		Fair Value
		Gross Gains	Gross Losses	
Debt securities available for sale				
U.S. Treasury securities	\$ 117,805	\$ —	\$ (3,744)	\$ 114,061
Obligations of U.S. government corporations and agencies	20,097	3	(321)	19,779
Obligations of states and political subdivisions	283,481	106	(26,075)	257,512
Asset-backed securities	489,558	—	(19,683)	469,875
Commercial mortgage-backed securities	124,423	—	(16,029)	108,394
Residential mortgage-backed securities	1,463,971	2	(220,717)	1,243,256
Corporate debt securities	273,118	33	(24,635)	248,516
Total debt securities available for sale	\$ 2,772,453	\$ 144	\$ (311,204)	\$ 2,461,393

	Amortized Cost	Unrecognized		Fair Value
		Gross Gains	Gross Losses	
	Debt securities held to maturity			
Commercial mortgage-backed securities	\$ 474,820	\$ —	\$ (63,738)	\$ 411,082
Residential mortgage-backed securities	443,492	—	(69,279)	374,213
Total debt securities held to maturity	\$ 918,312	\$ —	\$ (133,017)	\$ 785,295

Maturities of Debt Securities

Amortized cost and fair value of debt securities, by contractual maturity or pre-refunded date, are shown below. Mortgages underlying mortgage-backed securities and asset-backed securities may be called or prepaid; therefore, actual maturities could differ from the contractual maturities. All mortgage-backed securities were issued by U.S. government corporations and agencies (*dollars in thousands*):

	As of September 30, 2023	
	Amortized Cost	Fair Value
	Debt securities available for sale	
Due in one year or less	\$ 109,189	\$ 106,940
Due after one year through five years	312,419	289,027
Due after five years through ten years	431,297	389,702
Due after ten years	1,664,389	1,397,172
Debt securities available for sale	\$ 2,517,294	\$ 2,182,841
Debt securities held to maturity		
Due after one year through five years	\$ 63,474	\$ 58,144
Due after five years through ten years	40,076	34,985
Due after ten years	779,064	608,547
Debt securities held to maturity	\$ 882,614	\$ 701,676

FIRST BUSEY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Gains and Losses on Debt Securities Available for Sale

Realized gains and losses related to sales and calls of debt securities available for sale are summarized as follows (*dollars in thousands*):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Realized gains and losses on debt securities				
Gross gains on debt securities	\$ 10	\$ —	\$ 20	\$ 114
Gross (losses) on debt securities	(43)	(74)	(227)	(86)
Realized net gains (losses) on debt securities ¹	<u>\$ (33)</u>	<u>\$ (74)</u>	<u>\$ (207)</u>	<u>\$ 28</u>

1. Net gains (losses) on sales of securities reported in the Consolidated Statements of Income (Unaudited) include sales of equity securities, excluded in this table.

Debt securities with carrying amounts of \$819.8 million on September 30, 2023, and \$746.7 million on December 31, 2022, were pledged as collateral for public deposits, securities sold under agreements to repurchase, and for other purposes as required.

Debt Securities in an Unrealized or Unrecognized Loss Position

The following information pertains to debt securities with gross unrealized or unrecognized losses, aggregated by investment category and the length of time that individual securities have been in a continuous loss position (*dollars in thousands*):

	As of September 30, 2023					
	Less than 12 months		12 months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Debt securities available for sale						
U.S. Treasury securities	\$ —	\$ —	\$ 50,130	\$ (1,392)	\$ 50,130	\$ (1,392)
Obligations of U.S. government corporations and agencies	1,983	(6)	7,699	(248)	9,682	(254)
Obligations of states and political subdivisions	45,778	(1,219)	177,195	(26,539)	222,973	(27,758)
Asset-backed securities	—	—	479,448	(7,069)	479,448	(7,069)
Commercial mortgage-backed securities	—	—	100,300	(19,817)	100,300	(19,817)
Residential mortgage-backed securities	431	(10)	1,088,344	(254,518)	1,088,775	(254,528)
Corporate debt securities	1,457	(2)	219,074	(23,732)	220,531	(23,734)
Debt securities available for sale with gross unrealized losses	<u>\$ 49,649</u>	<u>\$ (1,237)</u>	<u>\$ 2,122,190</u>	<u>\$ (333,315)</u>	<u>\$ 2,171,839</u>	<u>\$ (334,552)</u>

	12 months or more		Total	
	Fair Value	Unrecognized Losses	Fair Value	Unrecognized Losses
Debt securities held to maturity				
Commercial mortgage-backed securities	\$ 366,465	\$ (93,401)	\$ 366,465	\$ (93,401)
Residential mortgage-backed securities	335,211	(87,537)	335,211	(87,537)
Debt securities held to maturity with gross unrecognized losses	<u>\$ 701,676</u>	<u>\$ (180,938)</u>	<u>\$ 701,676</u>	<u>\$ (180,938)</u>

FIRST BUSEY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

	As of December 31, 2022																																														
	Less than 12 months		12 months or more		Total																																										
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses																																									
Debt securities available for sale																																															
U.S. Treasury securities ¹	\$ 74	\$ —	\$ 113,987	\$ (3,744)	\$ 114,061	\$ (3,744)																																									
Obligations of U.S. government corporations and agencies	19,603	(321)	—	—	19,603	(321)																																									
Obligations of states and political subdivisions	166,147	(10,059)	75,217	(16,016)	241,364	(26,075)																																									
Asset-backed securities	390,164	(15,648)	79,711	(4,035)	469,875	(19,683)																																									
Commercial mortgage-backed securities	89,428	(12,623)	18,966	(3,406)	108,394	(16,029)																																									
Residential mortgage-backed securities	366,221	(38,111)	876,668	(182,606)	1,242,889	(220,717)																																									
Corporate debt securities	39,037	(5,079)	204,310	(19,556)	243,347	(24,635)																																									
Debt securities available for sale with gross unrealized losses	<u>\$ 1,070,674</u>	<u>\$ (81,841)</u>	<u>\$ 1,368,859</u>	<u>\$ (229,363)</u>	<u>\$ 2,439,533</u>	<u>\$ (311,204)</u>																																									
	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th rowspan="2"></th> <th colspan="2" style="text-align: center;">Less than 12 months</th> <th colspan="2" style="text-align: center;">12 months or more</th> <th colspan="2" style="text-align: center;">Total</th> </tr> <tr> <th style="text-align: center;">Fair Value</th> <th style="text-align: center;">Unrecognized Losses</th> <th style="text-align: center;">Fair Value</th> <th style="text-align: center;">Unrecognized Losses</th> <th style="text-align: center;">Fair Value</th> <th style="text-align: center;">Unrecognized Losses</th> </tr> </thead> <tbody> <tr> <td colspan="7">Debt securities held to maturity</td> </tr> <tr> <td>Commercial mortgage-backed securities</td> <td style="text-align: right;">\$ 58,065</td> <td style="text-align: right;">\$ (8,009)</td> <td style="text-align: right;">\$ 353,017</td> <td style="text-align: right;">\$ (55,729)</td> <td style="text-align: right;">\$ 411,082</td> <td style="text-align: right;">\$ (63,738)</td> </tr> <tr> <td>Residential mortgage-backed securities</td> <td style="text-align: right;">—</td> <td style="text-align: right;">—</td> <td style="text-align: right;">374,213</td> <td style="text-align: right;">(69,279)</td> <td style="text-align: right;">374,213</td> <td style="text-align: right;">(69,279)</td> </tr> <tr> <td>Debt securities held to maturity with gross unrecognized losses</td> <td style="text-align: right;"><u>\$ 58,065</u></td> <td style="text-align: right;"><u>\$ (8,009)</u></td> <td style="text-align: right;"><u>\$ 727,230</u></td> <td style="text-align: right;"><u>\$ (125,008)</u></td> <td style="text-align: right;"><u>\$ 785,295</u></td> <td style="text-align: right;"><u>\$ (133,017)</u></td> </tr> </tbody> </table>							Less than 12 months		12 months or more		Total		Fair Value	Unrecognized Losses	Fair Value	Unrecognized Losses	Fair Value	Unrecognized Losses	Debt securities held to maturity							Commercial mortgage-backed securities	\$ 58,065	\$ (8,009)	\$ 353,017	\$ (55,729)	\$ 411,082	\$ (63,738)	Residential mortgage-backed securities	—	—	374,213	(69,279)	374,213	(69,279)	Debt securities held to maturity with gross unrecognized losses	<u>\$ 58,065</u>	<u>\$ (8,009)</u>	<u>\$ 727,230</u>	<u>\$ (125,008)</u>	<u>\$ 785,295</u>	<u>\$ (133,017)</u>
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1. Unrealized losses for U.S. Treasury securities that had been in a continuous unrealized loss position for less than 12 months were insignificant, rounding to zero thousand.

Additional information about debt securities in an unrealized or unrecognized loss position is presented in the tables below (*dollars in thousands*):

	As of September 30, 2023		
	Available for Sale	Held to Maturity	Total
Debt securities with gross unrealized or unrecognized losses, fair value	\$ 2,171,839	\$ 701,676	\$ 2,873,515
Gross unrealized or unrecognized losses on debt securities	334,552	180,938	515,490
Ratio of gross unrealized or unrecognized losses to debt securities with gross unrealized or unrecognized losses	15.4 %	25.8 %	17.9 %
Count of debt securities	1,001	55	1,056
Count of debt securities in an unrealized or unrecognized loss position	982	55	1,037

FIRST BUSEY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

	As of December 31, 2022		
	Available for Sale	Held to Maturity	Total
Debt securities with gross unrealized or unrecognized losses, fair value	\$ 2,439,533	\$ 785,295	\$ 3,224,828
Gross unrealized or unrecognized losses on debt securities	311,204	133,017	444,221
Ratio of gross unrealized or unrecognized losses to debt securities with gross unrealized or unrecognized losses	12.8 %	16.9 %	13.8 %
Count of debt securities	1,091	55	1,146
Count of debt securities in an unrealized or unrecognized loss position	1,032	55	1,087

Unrealized and unrecognized losses were related to changes in market interest rates and market conditions that do not represent credit-related impairments. Busey does not intend to sell securities that are in an unrealized or unrecognized loss position, and it is more likely than not that the Company will recover the amortized cost prior to being required to sell the debt securities. Full collection of the amounts due according to the contractual terms of the debt securities is expected; therefore, no ACL was recorded in relation to debt securities, and the impairment related to noncredit factors on debt securities available for sale is recognized in AOCI, net of applicable taxes. As of September 30, 2023, Busey did not hold general obligation bonds of any single issuer, the aggregate of which exceeded 10% of the Company's stockholders' equity.

Note 3: Portfolio Loans

Loan Categories

Busey's lending can be summarized in two primary categories: commercial and retail. Lending is further classified into five primary areas of loans: commercial loans, commercial real estate loans, real estate construction loans, retail real estate loans, and retail other loans. Distributions of the loan portfolio by loan category and class is presented in the following table (*dollars in thousands*):

	As of	
	September 30, 2023	December 31, 2022
Commercial loans		
Commercial	\$ 1,943,449	\$ 1,974,154
Commercial real estate	3,353,753	3,261,873
Real estate construction	527,598	530,469
Total commercial loans	5,824,800	5,766,496
Retail loans		
Retail real estate	1,715,445	1,657,082
Retail other	315,915	302,124
Total retail loans	2,031,360	1,959,206
Total portfolio loans	7,856,160	7,725,702
ACL	(91,710)	(91,608)
Portfolio loans, net	\$ 7,764,450	\$ 7,634,094

Net deferred loan origination costs included in the balances above were \$13.4 million as of September 30, 2023, compared to \$14.0 million as of December 31, 2022. Net accretable purchase accounting adjustments included in the balances above reduced loans by \$4.9 million as of September 30, 2023, and \$5.9 million as of December 31, 2022. Commercial balances include loans originated under the PPP with an amortized cost of \$0.6 million as of September 30, 2023, and \$0.8 million as of December 31, 2022.

Busey did not purchase any retail real estate loans during the three or nine months ended September 30, 2023, or 2022.

FIRST BUSEY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Pledged Loans

Busey had loans pledged to the FHLB and Federal Reserve for liquidity as set forth in the table below (*dollars in thousands*):

	As of	
	September 30, 2023	December 31, 2022
Pledged loans		
FHLB	\$ 4,852,634	\$ 5,095,448
Federal Reserve Bank	858,312	804,718
Total pledged loans	\$ 5,710,946	\$ 5,900,166

Risk Grading

Busey utilizes a loan grading scale to assign a risk grade to all of its loans. A description of the general characteristics of each grade is as follows:

- *Pass* – This category includes loans that are all considered acceptable credits, ranging from investment or near investment grade, to loans made to borrowers who exhibit credit fundamentals that meet or exceed industry standards.
- *Watch* – This category includes loans that warrant a higher-than-average level of monitoring to ensure that weaknesses do not cause the inability of the credit to perform as expected. These loans are not necessarily a problem due to other inherent strengths of the credit, such as guarantor strength, but have above average concern and monitoring.
- *Special mention* – This category 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.
- *Substandard* – This category includes “Substandard” loans, determined 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.
- *Substandard non-accrual* – This category includes 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 with a value that is difficult to determine.

All loans are graded at their inception. Commercial lending relationships that are \$1.0 million or less are usually processed through an expedited underwriting process. Most commercial loans greater than \$1.0 million are included in a portfolio review at least annually. Commercial loans greater than \$0.35 million that have a grading of special mention or worse are typically reviewed on a quarterly basis. Interim reviews may take place if circumstances of the borrower warrant a more frequent review.

FIRST BUSEY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

The following table is a summary of risk grades segregated by category and class of portfolio loans (*dollars in thousands*):

	As of September 30, 2023					
	Pass	Watch	Special Mention	Substandard	Substandard Non-accrual	Total
Commercial loans						
Commercial	\$ 1,533,562	\$ 350,820	\$ 24,705	\$ 28,734	\$ 5,628	\$ 1,943,449
Commercial real estate	2,944,191	351,494	44,771	11,739	1,558	3,353,753
Real estate construction	513,218	9,027	—	5,353	—	527,598
Total commercial loans	4,990,971	711,341	69,476	45,826	7,186	5,824,800
Retail loans						
Retail real estate	1,698,692	10,245	642	1,824	4,042	1,715,445
Retail other	315,845	—	—	—	70	315,915
Total retail loans	2,014,537	10,245	642	1,824	4,112	2,031,360
Total portfolio loans	\$ 7,005,508	\$ 721,586	\$ 70,118	\$ 47,650	\$ 11,298	\$ 7,856,160

	As of December 31, 2022					
	Pass	Watch	Special Mention	Substandard	Substandard Non-accrual	Total
Commercial loans						
Commercial	\$ 1,668,495	\$ 201,758	\$ 46,540	\$ 51,187	\$ 6,174	\$ 1,974,154
Commercial real estate	2,851,709	326,455	43,526	34,539	5,644	3,261,873
Real estate construction	502,904	25,164	1	2,400	—	530,469
Total commercial loans	5,023,108	553,377	90,067	88,126	11,818	5,766,496
Retail loans						
Retail real estate	1,639,599	10,520	1,338	2,529	3,096	1,657,082
Retail other	301,971	—	—	—	153	302,124
Total retail loans	1,941,570	10,520	1,338	2,529	3,249	1,959,206
Total portfolio loans	\$ 6,964,678	\$ 563,897	\$ 91,405	\$ 90,655	\$ 15,067	\$ 7,725,702

Risk grades of portfolio loans and net charge-offs are presented in the tables below by loan class, further sorted by origination year (*dollars in thousands*):

FIRST BUSEY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

As of and For The Nine Months Ended September 30, 2023

Risk Grade Ratings	Term Loans Amortized Cost Basis by Origination Year						Revolving Loans	Total
	2023	2022	2021	2020	2019	Prior		
Commercial								
Pass	\$ 279,467	\$ 255,619	\$ 181,603	\$ 74,600	\$ 39,483	\$ 152,523	\$ 550,267	\$ 1,533,562
Watch	112,285	59,685	44,244	25,119	7,526	24,532	77,429	350,820
Special Mention	616	541	651	1,104	499	6,937	14,357	24,705
Substandard	8,901	912	1,119	445	3,948	1,859	11,550	28,734
Substandard non-accrual	583	—	2,605	103	130	507	1,700	5,628
Total commercial	401,852	316,757	230,222	101,371	51,586	186,358	655,303	1,943,449
Current period charge-offs	—	—	420	—	316	997	—	1,733
Commercial real estate								
Pass	352,661	850,371	778,662	404,109	281,889	258,207	18,292	2,944,191
Watch	82,748	45,945	69,450	33,694	79,906	34,700	5,051	351,494
Special Mention	18,753	1,597	13,762	3,908	3,330	3,421	—	44,771
Substandard	1,882	193	904	2,987	1,831	3,898	44	11,739
Substandard non-accrual	225	533	165	25	—	610	—	1,558
Total commercial real estate	456,269	898,639	862,943	444,723	366,956	300,836	23,387	3,353,753
Current period charge-offs	—	—	—	—	239	936	—	1,175
Real estate construction								
Pass	152,897	171,900	104,963	54,943	1,365	3,899	23,251	513,218
Watch	1,065	4,453	253	3,214	42	—	—	9,027
Substandard	5,353	—	—	—	—	—	—	5,353
Total real estate construction	159,315	176,353	105,216	58,157	1,407	3,899	23,251	527,598
Retail real estate								
Pass	201,140	379,512	420,164	162,295	71,102	274,617	189,862	1,698,692
Watch	767	2,704	2,877	973	579	596	1,749	10,245
Special Mention	204	55	—	—	—	383	—	642
Substandard	73	73	295	53	82	1,010	238	1,824
Substandard non-accrual	—	538	56	187	101	2,434	726	4,042
Total retail real estate	202,184	382,882	423,392	163,508	71,864	279,040	192,575	1,715,445
Current period charge-offs	—	5	—	29	62	156	—	252
Retail other								
Pass	86,096	102,834	25,977	8,172	6,388	1,539	84,839	315,845
Substandard non-accrual	—	63	—	3	3	1	—	70
Total retail other	86,096	102,897	25,977	8,175	6,391	1,540	84,839	315,915
Current period charge-offs	4	71	157	1	—	250	—	483
Total portfolio loans	\$ 1,305,716	\$ 1,877,528	\$ 1,647,750	\$ 775,934	\$ 498,204	\$ 771,673	\$ 979,355	\$ 7,856,160
Total current period charge-offs	\$ 4	\$ 76	\$ 577	\$ 30	\$ 617	\$ 2,339	\$ —	\$ 3,643

FIRST BUSEY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

As of December 31, 2022

Risk Grade Ratings	Term Loans Amortized Cost Basis by Origination Year						Revolving Loans	Total
	2022	2021	2020	2019	2018	Prior		
Commercial								
Pass	\$ 479,893	\$ 266,122	\$ 136,445	\$ 52,046	\$ 50,764	\$ 135,000	\$ 548,225	\$ 1,668,495
Watch	54,195	49,382	3,288	7,201	1,258	2,160	84,274	201,758
Special Mention	1,958	937	1,642	974	1,000	17,024	23,005	46,540
Substandard	8,926	1,165	570	6,671	2,382	5,191	26,282	51,187
Substandard non-accrual	21	3,292	226	135	—	100	2,400	6,174
Total commercial	544,993	320,898	142,171	67,027	55,404	159,475	684,186	1,974,154
Commercial real estate								
Pass	883,688	819,133	478,452	297,525	161,409	198,419	13,083	2,851,709
Watch	77,346	56,113	64,282	96,664	21,592	5,758	4,700	326,455
Special Mention	11,943	5,389	12,386	1,420	6,917	5,471	—	43,526
Substandard	5,340	13,528	3,454	1,907	10,248	62	—	34,539
Substandard non-accrual	—	3,959	33	—	1,647	5	—	5,644
Total commercial real estate	978,317	898,122	558,607	397,516	201,813	209,715	17,783	3,261,873
Real estate construction								
Pass	219,112	191,724	68,015	1,490	1,901	1,751	18,911	502,904
Watch	8,530	12,019	3,169	48	—	1,398	—	25,164
Special Mention	—	—	—	1	—	—	—	1
Substandard	2,400	—	—	—	—	—	—	2,400
Total real estate construction	230,042	203,743	71,184	1,539	1,901	3,149	18,911	530,469
Retail real estate								
Pass	396,547	456,158	175,148	77,569	56,887	267,387	209,903	1,639,599
Watch	2,928	2,991	1,846	1,444	1,063	27	221	10,520
Special Mention	945	—	—	—	—	393	—	1,338
Substandard	77	732	198	81	141	1,293	7	2,529
Substandard non-accrual	10	191	107	32	390	1,708	658	3,096
Total retail real estate	400,507	460,072	177,299	79,126	58,481	270,808	210,789	1,657,082
Retail other								
Pass	134,567	43,512	13,141	13,086	5,646	991	91,028	301,971
Substandard non-accrual	14	134	3	—	—	2	—	153
Total retail other	134,581	43,646	13,144	13,086	5,646	993	91,028	302,124
Total portfolio loans	\$ 2,288,440	\$ 1,926,481	\$ 962,405	\$ 558,294	\$ 323,245	\$ 644,140	\$ 1,022,697	\$ 7,725,702

FIRST BUSEY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Past Due and Non-accrual Loans

An analysis of the amortized cost basis of portfolio loans that are past due and still accruing, or on a non-accrual status, is as follows (*dollars in thousands*):

	As of September 30, 2023			
	Loans past due, still accruing			Non-accrual Loans
	30-59 Days	60-89 Days	90+Days	
Past due and non-accrual loans				
Commercial loans:				
Commercial	\$ —	\$ 112	\$ 51	\$ 5,628
Commercial real estate	—	109	—	1,558
Real estate construction	—	244	—	—
Past due and non-accrual commercial loans	—	465	51	7,186
Retail loans:				
Retail real estate	3,643	840	558	4,042
Retail other	914	72	100	70
Past due and non-accrual retail loans	4,557	912	658	4,112
Total past due and non-accrual loans	\$ 4,557	\$ 1,377	\$ 709	\$ 11,298

	As of December 31, 2022			
	Loans past due, still accruing			Non-accrual Loans
	30-59 Days	60-89 Days	90+Days	
Past due and non-accrual loans				
Commercial loans:				
Commercial	\$ 2	\$ —	\$ —	\$ 6,174
Commercial real estate	124	—	—	5,644
Past due and non-accrual commercial loans	126	—	—	11,818
Retail loans:				
Retail real estate	4,709	1,239	673	3,096
Retail other	414	60	—	153
Past due and non-accrual retail loans	5,123	1,299	673	3,249
Total past due and non-accrual loans	\$ 5,249	\$ 1,299	\$ 673	\$ 15,067

Gross interest income recorded on 90+ days past due loans, and that would have been recorded on non-accrual loans if they had been accruing interest in accordance with their original terms, was \$0.2 million and \$0.9 million for the three and nine months ended September 30, 2023, respectively, and was \$0.3 million and \$0.8 million for the three and nine months ended September 30, 2022, 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, 2023. Interest collected on these loans and recognized on a cash basis was insignificant for the three months ended September 30, 2022, and was \$0.4 million for the nine months ended September 30, 2022.

FIRST BUSEY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Loan Modification Disclosures Pursuant to ASU 2022-02

The following tables show the amortized cost basis of loans that were modified for borrowers experiencing financial difficulty during the periods indicated, disaggregated by class of financing receivable and type of concession granted (*dollars in thousands*):

Loan class:	Three Months Ended September 30, 2023			
	Interest Rate Reduction ¹	% of Total Class of Financing Receivable ²	Term Extension ³	% of Total Class of Financing Receivable ²
Commercial	\$ —	— %	\$ 12,026	0.6 %
Commercial real estate	880	— %	553	— %
Total of loans modified during the period⁴	\$ 880	— %	\$ 12,579	0.2 %

1. For one loan, the default rate was removed once forbearance was entered.
2. Modified loans represent an insignificant portion of commercial real estate loans, rounding to zero percent.
3. Modifications to extend loan terms also included, in some cases, interest rate increases during the extension period.
4. All modifications were for loans classified as substandard.

Loan class:	Nine Months Ended September 30, 2023					
	Interest Rate Reduction ¹	% of Total Class of Financing Receivable ²	Payment Deferral ³	% of Total Class of Financing Receivable ²	Term Extension ⁴	% of Total Class of Financing Receivable ²
Commercial	\$ —	— %	\$ —	— %	\$ 17,334	0.9 %
Commercial real estate	880	— %	225	— %	1,003	— %
Real estate construction	—	— %	—	— %	5,353	1.0 %
Total of loans modified during the period⁵	\$ 880	— %	\$ 225	— %	\$ 23,690	0.3 %

1. For one loan, the default rate was removed once forbearance was entered.
2. Modified loans represent an insignificant portion of commercial real estate loans, rounding to zero percent.
3. A loan with payment deferral was modified to defer all principal payments until the end of the loan term, which was shortened.
4. Modifications to extend loan terms also included, in some cases, interest rate increases during the extension period.
5. Modifications include two loans on non-accrual status, and the remaining loans were classified as substandard.

The following table summarizes the effects of loan modifications made during the periods indicated, for borrowers experiencing financial difficulty:

Loan class:	Three Months Ended September 30, 2023		Nine Months Ended September 30, 2023	
	Weighted Average Interest Rate Reduction	Weighted Average Term Extension	Weighted Average Interest Rate Reduction	Weighted Average Term Extension
Commercial		15.3 months		14.3 months
Commercial real estate	2.50 %	9.0 months	2.50 %	11.2 months
Real estate construction				12.0 months
Total financial effect	2.50 %	15.0 months	2.50 %	13.7 months

FIRST BUSEY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

No financing receivables had payment defaults during the three months ended September 30, 2023, after having been modified during the 12 months before default for borrowers experiencing financial difficulty. The following table provides the amortized cost basis of financing receivables that had a payment default during the nine months ended September 30, 2023, after having been modified during the 12 months before default for borrowers experiencing financial difficulty (*dollars in thousands*). A default occurs when a loan is 90 days or more past due or transferred to non-accrual status.

	Nine Months Ended September 30, 2023	
	Payment Deferral	Term Extension
Loan class:		
Commercial	\$ —	\$ 500
Commercial real estate	225	—
Amortized cost of modified loans with subsequent defaults	<u>\$ 225</u>	<u>\$ 500</u>

Busey closely monitors the performance of the loans that are modified to borrowers experiencing financial difficulty to understand the effectiveness of its modification efforts. The following table depicts the payment performance of loans modified on or after January 1, 2023, the date we adopted ASU 2022-02 (*dollars in thousands*):

	As of September 30, 2023	
	Current	Non-accrual
Loan class:		
Commercial	\$ 16,834	\$ 500
Commercial real estate	1,883	225
Real estate construction	5,353	—
Amortized cost of modified loans	<u>\$ 24,070</u>	<u>\$ 725</u>

TDR Disclosures Prior to the Adoption of ASU 2022-02

At December 31, 2022, performing TDR's were \$3.0 million and non-performing TDR's were \$0.5 million.

No loans were newly designated as a TDR during the three months ended September 30, 2022, and one loan was newly designated as a TDR during the nine months ended September 30, 2022. There were no TDRs entered into during the 12 months ended September 30, 2022, that had subsequent defaults during the three or nine months ended September 30, 2022. Gross interest income that would have been recorded in the three and nine months ended September 30, 2022, if TDRs had performed in accordance with their original terms compared with their modified terms, was insignificant.

Collateral Dependent Loans

Management's evaluation as to the ultimate collectability of loans includes 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. Collateral dependent loans are loans in which repayment is expected to be provided solely by the underlying collateral and there are no other available and reliable sources of repayment. Loans are written down to the lower of cost or fair value of underlying collateral, less estimated costs to sell. The Company had \$10.0 million and \$14.0 million of collateral dependent loans secured by real estate or business assets as of September 30, 2023, and December 31, 2022, respectively.

Foreclosures

As of September 30, 2023, Busey had \$1.0 million of residential real estate in the process of foreclosure. Busey follows Federal Housing Finance Agency guidelines on single-family foreclosures and real estate owned evictions on portfolio loans.

FIRST BUSEY CORPORATION
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Loans Evaluated Individually

Busey evaluates loans with disparate risk characteristics on an individual basis. The following tables provide details of loans evaluated individually, segregated by loan category and class. The unpaid principal balance represents customer outstanding contractual principal balances excluding any partial charge-offs. Recorded investment represents the amortized cost of customer balances net of any partial charge-offs recognized on the loan. Average recorded investment is calculated using the most recent four quarters (*dollars in thousands*):

	As of September 30, 2023					
	Unpaid Principal Balance	Recorded Investment			Related Allowance	Average Recorded Investment
		With No Allowance	With Allowance	Total		
Loans evaluated individually						
Commercial loans:						
Commercial	\$ 10,007	\$ 597	\$ 4,909	\$ 5,506	\$ 1,576	\$ 6,058
Commercial real estate	3,946	1,289	116	1,405	116	4,866
Real estate construction	—	—	—	—	—	100
Commercial loans evaluated individually	13,953	1,886	5,025	6,911	1,692	11,024
Retail loans:						
Retail real estate	213	61	25	86	25	1,196
Retail loans evaluated individually	213	61	25	86	25	1,196
Total loans evaluated individually	<u>\$ 14,166</u>	<u>\$ 1,947</u>	<u>\$ 5,050</u>	<u>\$ 6,997</u>	<u>\$ 1,717</u>	<u>\$ 12,220</u>

	As of December 31, 2022					
	Unpaid Principal Balance	Recorded Investment			Related Allowance	Average Recorded Investment
		With No Allowance	With Allowance	Total		
Loans evaluated individually						
Commercial loans:						
Commercial	\$ 9,589	\$ 656	\$ 5,918	\$ 6,574	\$ 2,476	\$ 6,761
Commercial real estate	8,039	2,334	3,903	6,237	2,000	5,219
Real estate construction	247	247	—	247	—	260
Commercial loans evaluated individually	17,875	3,237	9,821	13,058	4,476	12,240
Retail loans:						
Retail real estate	2,733	2,564	25	2,589	25	2,311
Retail loans evaluated individually	2,733	2,564	25	2,589	25	2,311
Total loans evaluated individually	<u>\$ 20,608</u>	<u>\$ 5,801</u>	<u>\$ 9,846</u>	<u>\$ 15,647</u>	<u>\$ 4,501</u>	<u>\$ 14,551</u>

Allowance for Credit Losses

Management estimates the ACL balance using relevant available information from internal and external sources relating to past events, current conditions, and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses. The cumulative loss rate used as the basis for the estimate of credit losses is comprised of Busey's historical loss experience beginning in 2010. Due to the continued economic uncertainty in the markets in which the Company operates, Busey will continue to utilize a forecast period of 12 months with an immediate reversion to historical loss rates beyond this forecast period in its ACL estimate. PPP loans were excluded from the ACL calculation as they are 100% government guaranteed.

FIRST BUSEY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

The following tables summarize activity in the ACL attributable to each loan category. Allocation of a portion of the ACL to one category does not preclude its availability to absorb losses in other categories (*dollars in thousands*):

	Three Months Ended September 30, 2023					
	Commercial	Commercial Real Estate	Real Estate Construction	Retail Real Estate	Retail Other	Total
ACL balance, June 30, 2023	\$ 24,510	\$ 33,656	\$ 5,071	\$ 24,675	\$ 3,727	\$ 91,639
Provision for credit losses	(1,306)	745	104	674	147	364
Charged-off	(758)	(102)	—	(144)	(111)	(1,115)
Recoveries	187	392	31	128	84	822
ACL balance, September 30, 2023	<u>\$ 22,633</u>	<u>\$ 34,691</u>	<u>\$ 5,206</u>	<u>\$ 25,333</u>	<u>\$ 3,847</u>	<u>\$ 91,710</u>

	Nine Months Ended September 30, 2023					
	Commercial	Commercial Real Estate	Real Estate Construction	Retail Real Estate	Retail Other	Total
ACL balance, December 31, 2022	\$ 23,860	\$ 38,299	\$ 6,457	\$ 18,193	\$ 4,799	\$ 91,608
Provision for credit losses	79	(3,006)	(1,404)	6,975	(700)	1,944
Charged-off	(1,733)	(1,175)	—	(252)	(483)	(3,643)
Recoveries	427	573	153	417	231	1,801
ACL balance, September 30, 2023	<u>\$ 22,633</u>	<u>\$ 34,691</u>	<u>\$ 5,206</u>	<u>\$ 25,333</u>	<u>\$ 3,847</u>	<u>\$ 91,710</u>

	Three Months Ended September 30, 2022					
	Commercial	Commercial Real Estate	Real Estate Construction	Retail Real Estate	Retail Other	Total
ACL balance, June 30, 2022	\$ 23,359	\$ 37,182	\$ 5,669	\$ 17,984	\$ 4,563	\$ 88,757
Provision for credit losses	615	598	216	684	251	2,364
Charged-off	(381)	—	—	(220)	(218)	(819)
Recoveries	102	19	86	172	41	420
ACL balance, September 30, 2022	<u>\$ 23,695</u>	<u>\$ 37,799</u>	<u>\$ 5,971</u>	<u>\$ 18,620</u>	<u>\$ 4,637</u>	<u>\$ 90,722</u>

	Nine Months Ended September 30, 2022					
	Commercial	Commercial Real Estate	Real Estate Construction	Retail Real Estate	Retail Other	Total
ACL balance, December 31, 2021	\$ 23,855	\$ 38,249	\$ 5,102	\$ 17,589	\$ 3,092	\$ 87,887
Provision for credit losses	123	408	663	826	1,744	3,764
Charged-off	(589)	(1,372)	—	(253)	(409)	(2,623)
Recoveries	306	514	206	458	210	1,694
ACL balance, September 30, 2022	<u>\$ 23,695</u>	<u>\$ 37,799</u>	<u>\$ 5,971</u>	<u>\$ 18,620</u>	<u>\$ 4,637</u>	<u>\$ 90,722</u>

FIRST BUSEY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

The following tables present the ACL and amortized cost of portfolio loans by loan category and class (*dollars in thousands*):

	As of September 30, 2023					
	Portfolio Loans			ACL Attributed to Portfolio Loans		
	Collectively Evaluated for Impairment	Individually Evaluated for Impairment	Total	Collectively Evaluated for Impairment	Individually Evaluated for Impairment	Total
Portfolio loans and related ACL						
Commercial loans:						
Commercial	\$ 1,937,943	\$ 5,506	\$ 1,943,449	\$ 21,057	\$ 1,576	\$ 22,633
Commercial real estate	3,352,348	1,405	3,353,753	34,575	116	34,691
Real estate construction	527,598	—	527,598	5,206	—	5,206
Commercial loans and related ACL	5,817,889	6,911	5,824,800	60,838	1,692	62,530
Retail loans:						
Retail real estate	1,715,359	86	1,715,445	25,308	25	25,333
Retail other	315,915	—	315,915	3,847	—	3,847
Retail loans and related ACL	2,031,274	86	2,031,360	29,155	25	29,180
Portfolio loans and related ACL	\$ 7,849,163	\$ 6,997	\$ 7,856,160	\$ 89,993	\$ 1,717	\$ 91,710
As of December 31, 2022						
	Portfolio Loans			ACL Attributed to Portfolio Loans		
	Collectively Evaluated for Impairment	Individually Evaluated for Impairment	Total	Collectively Evaluated for Impairment	Individually Evaluated for Impairment	Total
	Portfolio loans and related ACL					
Commercial loans:						
Commercial	\$ 1,967,580	\$ 6,574	\$ 1,974,154	\$ 21,384	\$ 2,476	\$ 23,860
Commercial real estate	3,255,636	6,237	3,261,873	36,299	2,000	38,299
Real estate construction	530,222	247	530,469	6,457	—	6,457
Commercial loans and related ACL	5,753,438	13,058	5,766,496	64,140	4,476	68,616
Retail loans:						
Retail real estate	1,654,493	2,589	1,657,082	18,168	25	18,193
Retail other	302,124	—	302,124	4,799	—	4,799
Retail loans and related ACL	1,956,617	2,589	1,959,206	22,967	25	22,992
Portfolio loans and related ACL	\$ 7,710,055	\$ 15,647	\$ 7,725,702	\$ 87,107	\$ 4,501	\$ 91,608

FIRST BUSEY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Note 4: Leases
Busey as the Lessee

Busey has operating leases consisting primarily of equipment leases and real estate leases for banking centers, ATM locations, and office space. The following table summarizes lease-related information and balances reported in our Consolidated Balance Sheets (Unaudited) for the periods presented (*dollars in thousands*):

	As of	
	September 30, 2023	December 31, 2022
Lease balances		
Right of use assets	\$ 11,500	\$ 12,829
Lease liabilities	11,783	12,995
Supplemental information		
Year through which lease terms extend	2037	2037
Weighted average remaining lease term, in years	8.49	8.90
Weighted average discount rate	3.56 %	3.45 %

The following table represents lease costs and cash flows related to leases for the periods presented (*dollars in thousands*):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Lease costs				
Operating lease costs	\$ 615	\$ 563	\$ 1,836	\$ 1,762
Variable lease costs	9	214	27	436
Short-term lease costs	15	5	37	15
Total lease cost ¹	<u>\$ 639</u>	<u>\$ 782</u>	<u>\$ 1,900</u>	<u>\$ 2,213</u>

Cash flows related to leases

Cash paid for amounts included in the measurement of lease liabilities:

Operating lease cash flows – Fixed payments	\$ 586	\$ 1,076	\$ 1,720	\$ 2,445
Operating lease cash flows – Liability reduction	483	464	1,423	1,741
Right of use assets obtained during the period in exchange for operating lease liabilities	199	1,127	208	1,182

1. Lease costs are included in net occupancy and equipment expense in the Consolidated Statements of Income (Unaudited).

FIRST BUSEY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Busey was obligated under noncancelable operating leases for office space and other commitments, as follows (*dollars in thousands*):

	As of September 30, 2023
Rent commitments	
Remainder of 2023	\$ 566
2024	2,044
2025	1,764
2026	1,442
2027	1,276
2028	1,255
Thereafter	5,478
Total undiscounted cash flows	13,825
Less: Amounts representing interest	2,042
Present value of net future minimum lease payments	\$ 11,783

Busey as the Lessor

Busey occasionally leases parking lots and office space to outside parties. Revenues recorded in connection with these leases, reported in Other income on our Consolidated Statements of Income (Unaudited), are summarized as follows (*dollars in thousands*):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Rental income	\$ 152	\$ 146	\$ 526	\$ 519

Note 5: Deposits

The composition of Busey's deposits is as follows (*dollars in thousands*):

	As of	
	September 30, 2023	December 31, 2022
Deposits		
Noninterest-bearing demand deposits	\$ 2,918,574	\$ 3,393,666
Interest-bearing transaction deposits	2,856,192	2,857,818
Saving deposits and money market deposits	2,890,944	2,964,421
Time deposits	1,666,652	855,375
Total deposits	\$ 10,332,362	\$ 10,071,280

FIRST BUSEY CORPORATION
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Additional information about Busey's deposits follows (*dollars in thousands*):

	As of	
	September 30, 2023	December 31, 2022
Brokered savings deposits and money market deposits	\$ 6,055	\$ 1,303
Brokered time deposits	283	275
Aggregate amount of time deposits with a minimum denomination of \$100,000	976,513	416,445
Aggregate amount of time deposits with a minimum denomination that meets or exceeds the FDIC insurance limit of \$250,000	350,276	120,377

Scheduled maturities of time deposits are as follows (*dollars in thousands*):

	As of September 30, 2023
Time deposits by schedule of maturities	
Remainder of 2023	\$ 251,302
2024	1,322,335
2025	52,337
2026	19,438
2027	12,888
2028	7,813
Thereafter	539
Time deposits	<u>\$ 1,666,652</u>

Note 6: Borrowings

Securities Sold Under Agreements to Repurchase

Securities sold under agreements to repurchase, which are classified as secured borrowings, generally mature daily. 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 Busey's safekeeping agent. Busey may be required to provide additional collateral based on fluctuations in the fair value of the underlying securities. Securities sold under agreements to repurchase were as follows (*dollars in thousands*):

	As of	
	September 30, 2023	December 31, 2022
Securities sold under agreements to repurchase	\$ 183,702	\$ 229,806
Weighted average rate for securities sold under agreements to repurchase	3.07 %	1.91 %

Term Loan

On May 28, 2021, Busey entered into a Second Amended and Restated Credit Agreement, pursuant to which Busey has access to (i) a \$40.0 million revolving line of credit with a termination date of April 30, 2022, and (ii) a \$60.0 million term loan with a maturity date of May 31, 2026. The loans had an annual interest rate of 1.75% plus the one-month LIBOR rate. On April 30, 2022, the agreement was amended, effecting an extension of the termination date for the revolving line of credit to April 30, 2023, and providing for the transition from a LIBOR-indexed interest rate to a SOFR-indexed interest rate. Under the terms of the amendment, the loans now have an annual interest rate of 1.80% plus the one-month forward-looking term rate based on SOFR. On April 30, 2023, the agreement was further amended to extend the term for the revolving line of credit to April 30, 2024.

FIRST BUSEY CORPORATION
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Proceeds of the term loan were used to fund a part of the cash portion of the merger consideration related to the acquisition of CAC in the second quarter of 2021, and for general corporate purposes. The total outstanding balance on the term loan was \$33.0 million as of September 30, 2023, of which \$12.0 million was short-term and \$21.0 million was long-term. Quarterly payments on the term loan reduce the outstanding principal balance by \$3.0 million each quarter.

As of September 30, 2023, there was no balance outstanding on the revolving credit facility. The revolving credit facility incurs a non-usage fee based on any undrawn amounts.

Short-term Borrowings

Busey's short-term borrowings include loans maturing within one year of the loan origination date, as well as the current portion of long-term debt that is due within 12 months. Short-term borrowings are summarized as follows (*dollars in thousands*):

	As of	
	September 30, 2023	December 31, 2022
Short-term borrowings		
FHLB advances maturing in less than one year from date of origination, and the current portion of long-term FHLB advances due within 12 months	\$ —	\$ 339,054
Term Loan, current portion due within 12 months	12,000	12,000
Total short-term debt	<u>\$ 12,000</u>	<u>\$ 351,054</u>

Funds borrowed from the FHLB, listed above, consisted of four notes with a weighted average interest rate of 4.28% and a weighted average maturity period of five days as of December 31, 2022.

Federal funds purchased are short-term borrowings that generally mature between one day and 90 days. During the first quarter of 2023, Busey purchased federal funds to test operational availability to access funds if needed. Busey had no federal funds purchased as of September 30, 2023, or December 31, 2022.

Long-term Debt

Busey's long-term debt consists of loans maturing more than one year from the loan origination date, excluding the current portion that is due within 12 months. Long-term debt is summarized as follows (*dollars in thousands*):

	As of	
	September 30, 2023	December 31, 2022
Long-term debt		
Term Loan	\$ 21,000	\$ 30,000
Total long-term debt	<u>\$ 21,000</u>	<u>\$ 30,000</u>

Subordinated Notes

On June 1, 2020, Busey issued \$125.0 million of fixed-to-floating rate subordinated notes that mature on June 1, 2030. The subordinated notes, which qualify as Tier 2 capital for Busey, bear interest at an annual rate of 5.25% for the first five years after issuance and thereafter bear interest at a floating rate equal to a three-month benchmark rate plus a spread of 5.11%, as calculated on each applicable determination date. Interest on the subordinated notes is payable semi-annually on each June 1 and December 1 during the five-year fixed-term, and thereafter on March 1, June 1, September 1, and December 1 of each year, commencing on September 1, 2025. The subordinated notes have an optional redemption, in whole or in part, on any interest payment date on or after June 1, 2025. The subordinated notes are unsecured obligations of the Company.

FIRST BUSEY CORPORATION
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On June 2, 2022, Busey issued \$100.0 million aggregate principal amount of 5.000% fixed-to-floating rate subordinated notes maturing June 15, 2032, which qualify as Tier 2 capital for regulatory purposes. The price to the public for the subordinated notes was 100% of the principal amount of the subordinated notes. Interest on the subordinated notes accrues at a rate equal to (i) 5.000% per annum from the original issue date to, but excluding, June 15, 2027, payable semiannually in arrears, and (ii) a floating rate per annum equal to a benchmark rate, which is expected to be the Three-Month Term SOFR (as defined in the subordinated notes), plus a spread of 252 basis points from and including June 15, 2027, payable quarterly in arrears. The subordinated notes have an optional redemption, in whole or in part, on any interest payment date on or after June 15, 2027.

Unamortized debt issuance costs related to senior notes and subordinated notes are presented in the following table (*dollars in thousands*):

	As of	
	September 30, 2023	December 31, 2022
Unamortized debt issuance costs		
Subordinated notes issued in 2020	\$ 859	\$ 1,220
Subordinated notes issued in 2022	1,475	1,742
Total unamortized debt issuance costs	<u>\$ 2,334</u>	<u>\$ 2,962</u>

Note 7: Regulatory Capital

First Busey Corporation and Busey Bank are subject to various regulatory capital requirements administered by federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory—and possibly additional discretionary—actions by regulators that, if undertaken, could have a direct material effect on Busey's consolidated financial statements. Capital amounts and classification also are subject to qualitative judgments by regulators about components, risk weightings, and other factors.

Banking regulations identify five capital categories for insured depository institutions: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized. As of September 30, 2023, and December 31, 2022, all capital ratios of First Busey Corporation and Busey Bank exceeded well capitalized levels under the applicable regulatory capital adequacy guidelines. Management believes that no events or changes have occurred subsequent to September 30, 2023, that would change this designation.

Current Expected Credit Loss Model

On August 26, 2020, the FDIC and other federal banking agencies adopted a final rule which provided banking organizations that adopted CECL during 2020 with the option to delay for two years the estimated impact of CECL on regulatory capital and to phase in the aggregate impact of the deferral on regulatory capital over a subsequent three-year period. Under this final rule, because the Company has elected to use the deferral option, the regulatory capital impact of our transition adjustments recorded on January 1, 2020, arising from the adoption of CECL, was deferred for two years. In addition, 25 percent of the ongoing impact of CECL on our ACL, retained earnings, and average total consolidated assets from January 1, 2020, through the end of the two-year deferral period, each as reported for regulatory capital purposes, has been added to the deferred transition amounts (“adjusted transition amounts”) and deferred for the two-year period. On January 1, 2022, at the conclusion of the two-year period, the adjusted transition amounts began to be phased-in for regulatory capital purposes at a rate of 25 percent per year, with the phased-in amounts included in regulatory capital at the beginning of each year.

FIRST BUSEY CORPORATION
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Capital Amounts and Ratios

The following tables summarize regulatory capital requirements applicable to First Busey Corporation and Busey Bank (*dollars in thousands*):

	As of September 30, 2023					
	Actual		Minimum Capital Requirement		Minimum To Be Well Capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Common equity Tier 1 capital to risk weighted assets						
First Busey	\$ 1,144,403	12.52 %	\$ 411,165	4.50 %	\$ 593,905	6.50 %
Busey Bank	\$ 1,356,565	14.89 %	\$ 409,979	4.50 %	\$ 592,192	6.50 %
Tier 1 capital to risk weighted assets						
First Busey	\$ 1,218,403	13.33 %	\$ 548,220	6.00 %	\$ 730,960	8.00 %
Busey Bank	\$ 1,356,565	14.89 %	\$ 546,639	6.00 %	\$ 728,852	8.00 %
Total capital to risk weighted assets						
First Busey	\$ 1,527,627	16.72 %	\$ 730,960	8.00 %	\$ 913,700	10.00 %
Busey Bank	\$ 1,440,789	15.81 %	\$ 728,852	8.00 %	\$ 911,064	10.00 %
Leverage ratio of Tier 1 capital to average assets						
First Busey	\$ 1,218,403	10.08 %	\$ 483,272	4.00 %	N/A	N/A
Busey Bank	\$ 1,356,565	11.26 %	\$ 481,856	4.00 %	\$ 602,321	5.00 %

FIRST BUSEY CORPORATION
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	As of December 31, 2022					
	Actual		Minimum Capital Requirement		Minimum To Be Well Capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Common equity Tier 1 capital to risk weighted assets						
First Busey	\$ 1,081,686	11.96 %	\$ 406,980	4.50 %	\$ 587,861	6.50 %
Busey Bank	\$ 1,306,716	14.49 %	\$ 405,736	4.50 %	\$ 586,063	6.50 %
Tier 1 capital to risk weighted assets						
First Busey	\$ 1,155,686	12.78 %	\$ 542,640	6.00 %	\$ 723,521	8.00 %
Busey Bank	\$ 1,306,716	14.49 %	\$ 540,981	6.00 %	\$ 721,308	8.00 %
Total capital to risk weighted assets						
First Busey	\$ 1,457,994	16.12 %	\$ 723,521	8.00 %	\$ 904,401	10.00 %
Busey Bank	\$ 1,384,024	15.35 %	\$ 721,308	8.00 %	\$ 901,635	10.00 %
Leverage ratio of Tier 1 capital to average assets						
First Busey	\$ 1,155,686	9.45 %	\$ 489,124	4.00 %	N/A	N/A
Busey Bank	\$ 1,306,716	10.72 %	\$ 487,541	4.00 %	\$ 609,426	5.00 %

Capital Conservation Buffer

In July 2013, U.S. federal banking authorities approved the Basel III Rule for strengthening international capital standards. The Basel III Rule introduced a capital conservation buffer, composed entirely of common equity Tier 1 capital, which is added to the minimum risk-weighted asset ratios. The capital conservation buffer is not a minimum capital requirement; however, banking institutions with a ratio of common equity Tier 1 capital to risk-weighted assets below the capital conservation buffer will face constraints on dividends, equity repurchases, and discretionary bonus payments based on the amount of the shortfall. In order to refrain from restrictions on dividends, equity repurchases, and discretionary bonus payments, banking institutions must maintain minimum ratios of (i) common equity Tier 1 capital to risk-weighted assets of at least 7.0%, (ii) Tier 1 capital to risk-weighted assets of at least 8.5%, and (iii) total capital to risk-weighted assets of at least 10.5%.

Note 8: Stock-Based Compensation

Stock Options

Busey has outstanding stock options assumed from acquisitions. A summary of the status of, and changes in, the Company's stock option awards for the nine months ended September 30, 2023, follows:

	Shares	Weighted- Average Exercise Price	Weighted- Average Remaining Contractual Life
Options outstanding at December 31, 2022	26,106	\$ 23.53	3.88
Forfeited	(4,180)	23.53	
Options outstanding at September 30, 2023	<u>21,926</u>	23.53	3.13
Options exercisable at September 30, 2023	21,926	23.53	3.13

FIRST BUSEY CORPORATION
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Amended 2020 Equity Plan

The 2020 Equity Plan was approved by stockholders at the 2020 Annual Meeting of Stockholders. A description of the 2020 Equity Plan can be found in [Appendix A](#) within [Busey's Proxy Statement for the 2020 Annual Meeting of Stockholders filed on April 9, 2020](#). The Amended 2020 Equity Plan was approved by stockholders at the 2023 Annual Meeting of Stockholders. The terms of the Amended 2020 Equity Plan are substantially identical to those of the stockholder approved 2020 Equity Plan, other than a 1,350,000 increase in the number of shares authorized for issuance under the plan. More information can be found in [Appendix A](#) within [Busey's Proxy Statement for the 2023 Annual Meeting of Stockholders filed on April 14, 2023](#).

Under the terms of the 2020 Equity Plan, Busey has granted RSU, PSU, and DSU awards. Upon vesting and delivery, shares are expected, though not required, to be issued from treasury. There were 1,525,987 shares available for issuance under the Amended 2020 Equity Plan as of September 30, 2023.

RSU Awards

Busey grants RSUs to members of management periodically throughout the year. Each RSU is equivalent to one share of Busey's common stock. These units have requisite service periods ranging from one year to five years, subject to accelerated vesting upon eligible retirement from the Company. Recipients earn quarterly dividend equivalents on their respective units which entitle the recipients to additional units. Therefore, dividends earned each quarter compound based upon the updated unit balances.

On March 22, 2023, under the terms of the 2020 Equity Plan, Busey granted 224,316 RSUs to members of management. The grant date fair value of the award totaled \$4.6 million and will be recognized as compensation expense over the requisite service period ranging from one year to five years. The terms of these awards included an accelerated vesting provision upon eligible retirement from the Company, after a one-year minimum requisite service period. Subsequent to the requisite service period, the awards will become 100% vested.

A summary of changes in Busey's RSU awards for the nine months ended September 30, 2023, is as follows:

	RSU Awards	
	Shares	Weighted-Average Grant Date Fair Value
Nonvested at December 31, 2022	1,096,931	\$ 23.61
Granted	224,316	20.44
Dividend equivalents earned	43,841	20.53
Vested	(150,806)	29.91
Forfeited	(14,145)	22.00
Nonvested at September 30, 2023	1,200,137	22.13

PSU Awards

Busey grants PSUs, which are restricted stock units that are subject to certain performance criteria, to members of management periodically throughout the year. Each PSU is equivalent to one share of Busey's common stock. The number of units that ultimately vest will be determined based on the achievement of the market or other performance goals, subject to accelerated service-based vesting conditions upon eligible retirement from the Company.

On March 22, 2023, under the terms of the 2020 Equity Plan, Busey granted a target of 104,643 PSUs with a maximum award of 167,429 units. The actual number of units issued at the vesting date could range from 0% to 160% of the initial grant, depending on attaining a market-based total stockholder return performance goal. The grant date fair value of the award was \$2.0 million and will be recognized in compensation expense over the performance period ending December 31, 2025.

FIRST BUSEY CORPORATION
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On March 22, 2023, under the terms of the 2020 Equity Plan, Busey granted a target of 104,643 PSUs with a maximum award of 167,429 units. The actual number of units issued at the vesting date could range from 0% to 160% of the initial grant, depending on attaining an adjusted return on average tangible common equity performance goal. The grant date fair value of the award was \$2.1 million and will be recognized in compensation expense over the performance period ending December 31, 2025. The actual amount of compensation expense recognized may vary, subject to achievement of the performance goal.

On March 22, 2023, under the terms of the 2020 Equity Plan, Busey granted a target of 15,045 PSUs with a maximum award of 30,090 units. The actual number of units issued at the vesting date could range from 0% to 200% of the initial grant, depending on attaining a performance goal based upon the compounded annual revenue growth rate of the FirsTech operating segment. The grant date fair value of the award was \$0.3 million and will be recognized in compensation expense over the performance period ending December 31, 2025, subject to achievement of the performance goal.

A summary of changes in Busey’s PSU awards for the nine months ended September 30, 2023, is as follows:

	PSU Awards	
	Shares ¹	Weighted-Average Grant Date Fair Value
Nonvested at December 31, 2022	285,351	\$ 25.40
Granted	224,331	20.04
Dividend equivalents earned	92	22.85
Vested	(13,155)	25.50
Forfeited	(40,159)	24.98
Nonvested at September 30, 2023	456,460	22.80
Vested and outstanding at September 30, 2023 ²	13,063	25.52

1. Shares for PSU awards represent target shares at the grant date.

2. Reported at target, as performance determination and settlement activity will take place in the fourth quarter of 2023.

DSU Awards

Busey grants DSUs, which are restricted stock units with a deferred settlement date, to its directors and advisory directors. Each DSU is equivalent to one share of Busey’s common stock. DSUs vest over a one-year period following the grant date. Under both the 2020 Equity Plan and the Amended 2020 Equity Plan, DSUs are generally subject to the same terms as RSUs, except that following vesting of DSUs, settlement occurs within 30 days following the earlier of separation from the board or a change in control of the Company. After vesting and prior to delivery, these units will continue to earn dividend equivalents.

On March 22, 2023, under the terms of the 2020 Equity Plan, Busey granted 41,548 DSUs to directors and advisory directors. The grant date fair value of the award totaled \$0.8 million and will be recognized as compensation expense over the requisite service period of one year. Subsequent to the requisite service period, the awards will become 100% vested.

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A summary of changes in Busey's DSU awards for the nine months ended September 30, 2023, is as follows:

	DSU Awards	
	Shares	Weighted-Average Grant Date Fair Value
Nonvested at December 31, 2022	31,085	\$ 25.75
Granted	41,548	20.44
Dividend equivalents earned	6,010	20.48
Vested	(36,078)	25.04
Forfeited	(73)	20.44
Nonvested at September 30, 2023	42,492	20.42
Vested and outstanding at September 30, 2023	142,347	23.58

2021 Employee Stock Purchase Plan

The First Busey Corporation 2021 ESPP was approved at Busey's 2021 Annual Meeting of Stockholders and details can be found in [Appendix A](#) within [First Busey's Definitive Proxy Statement filed with the SEC on April 8, 2021](#). The purpose of the 2021 ESPP is to provide a means through which our employees may acquire a proprietary interest in the Company by purchasing shares of our common stock at a 15% discount through voluntary payroll deductions, to assist us in retaining the services of our employees and securing and retaining the services of new employees, and to provide incentives for our employees to exert maximum efforts toward our success.

The 2021 ESPP initially reserved for issuance and purchase an aggregate of 600,000 shares of Busey's common stock. The first offering under the 2021 ESPP began on July 1, 2021. There were 460,340 shares available for issuance under the 2021 ESPP as of September 30, 2023.

Stock-based Compensation Expense

Busey did not record any stock option compensation expense for the three or nine months ended September 30, 2023, or 2022. As of September 30, 2023, the Company did not have any unrecognized stock option compensation expense.

Busey recognized compensation expense related to nonvested RSU, PSU, and DSU awards, as well as the 2021 ESPP, as summarized in the table below (*dollars in thousands*):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Stock-based compensation expense				
RSU awards	\$ 1,177	\$ 1,072	\$ 3,428	\$ 3,521
PSU awards ¹	1,180	1,172	2,724	2,342
DSU awards	213	196	620	679
2021 ESPP	33	36	156	179
Total stock-based compensation expense	\$ 2,603	\$ 2,476	\$ 6,928	\$ 6,721

1. Expense for PSU awards with a market-based total stockholder return performance goal represents amounts based on target shares at the grant date. Expense for PSU awards with return on average tangible common equity and compounded annual revenue growth rate performance goals represents amounts based on target shares at the grant date, adjusted for performance expectations as of the date indicated.

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Unamortized compensation expense related to nonvested RSU, PSU, and DSU awards is summarized in the table below (*dollars in thousands*):

	As of	
	September 30, 2023	December 31, 2022
Unamortized stock-based compensation		
RSU awards	\$ 9,437	\$ 8,570
PSU awards ¹	5,942	4,279
DSU awards	403	175
Total unamortized stock-based compensation	\$ 15,782	\$ 13,024
Weighted average period over which expense is to be recognized	2.5 years	2.5 years

1. Unamortized expense for PSU awards with a market-based total stockholder return performance goal represents amounts based on target shares at grant date. Unamortized expense for PSU awards with return on average tangible common equity and compounded annual revenue growth rate performance goals represents amounts based on target shares at grant date, adjusted for performance expectations as of the date indicated.

Note 9: Outstanding Commitments and Contingent Liabilities

Legal Matters

Busey is a party to legal actions which arise in the normal course of its business activities. Legal and administrative proceedings are subject to inherent uncertainties, and while unfavorable outcomes could occur, Busey does not believe at this time that any potential liabilities relating to pending or potential legal matters are likely to have a material impact on Busey's results of operations or financial position.

Credit Commitments and Contingencies

A summary of the contractual amount of Busey's exposure to off-balance-sheet risk relating to the Company's commitments to extend credit and standby letters of credit follows (*dollars in thousands*):

	As of	
	September 30, 2023	December 31, 2022
Financial instruments whose contract amounts represent credit risk		
Commitments to extend credit	\$ 2,130,938	\$ 1,991,769
Standby letters of credit	36,847	33,008
Total commitments	\$ 2,167,785	\$ 2,024,777

Note 10: Derivative Financial Instruments

Busey utilizes interest rate swap agreements as part of its asset liability management strategy to help manage its interest rate risk position. Additionally, Busey enters into derivative financial instruments, including interest rate lock commitments issued to residential loan customers for loans that will be held for sale; forward sales commitments to sell residential mortgage loans to investors; and interest rate swaps, risk participation agreements, and foreign currency exchange contracts with customers and other third parties. See "[Note 11: Fair Value Measurements](#)" for further discussion of the fair value measurement of such derivatives.

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To secure its obligations under derivative contracts, Busey pledged cash and held collateral as follows (*dollars in thousands*):

	As of	
	September 30, 2023	December 31, 2022
Cash pledged to secure obligations under derivative contracts	\$ 34,210	\$ 38,609
Collateral held to secure obligations under derivative contracts	34,620	29,830

Derivative Instruments Designated as Hedges

Busey entered into derivative instruments designated as cash flow hedges. For a derivative instrument that is designated and qualifies as a cash flow hedge, the change in fair value of the derivative instrument is reported as a component of OCI and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. Changes in fair value of components excluded from the assessment of effectiveness are recognized in current earnings.

Interest Rate Swaps Designated as Cash Flow Hedges

Interest rate swaps with notional amounts totaling \$350.0 million as of both September 30, 2023, and December 31, 2022, were designated as cash flow hedges. Busey entered into one \$50.0 million interest rate swap to hedge the risks of variability in cash flows for future interest payments attributable to changes in the contractually specified 3-month LIBOR benchmark interest rate on the Busey's junior subordinated debt owed to unconsolidated trusts (Debt Swap). In addition, Busey entered into one \$300.0 million receive fixed pay floating interest rate swap to reduce Busey's asset sensitivity (Loan Swap). Duration was added to our loan portfolio by fixing a portion of floating prime based loans. Interest rates had risen above their historical lows allowing Busey to lock in a portion of its loan portfolio to reduce asset sensitivity while creating a more stable margin in a volatile rate market. These hedges were determined to be highly effective during the period, and Busey expects its hedges to remain highly effective during the remaining terms of the swaps. Changes in fair value were recorded net of tax in OCI.

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A summary of the interest-rate swaps designated as cash flow hedges is presented below (*dollars in thousands*):

	Location	As of	
		September 30, 2023	December 31, 2022
Debt Swap			
Notional amount		\$ 50,000	\$ 50,000
Weighted average fixed pay rates		1.79 %	1.79 %
Weighted average variable 3-month LIBOR receive rates		5.55 %	4.77 %
Weighted average maturity		0.96 years	1.71 years
Loan Swap			
Notional amount		\$ 300,000	\$ 300,000
Weighted average fixed receive rates		4.81 %	4.81 %
Weighted average variable Prime pay rates		8.50 %	7.32 %
Weighted average maturity		5.35 years	6.10 years
Gross aggregate fair value of the swaps			
Gross aggregate fair value of swap assets	Other assets	\$ 1,886	\$ 2,535
Gross aggregate fair value of swap liabilities	Other liabilities	37,725	32,367
Balances carried in AOCI			
Unrealized gains (losses) on cash flow hedges, net of tax	AOCI	\$ (25,092)	\$ (20,985)

Busey expects to reclassify unrealized gains and losses from OCI to interest income and interest expense as shown in the following table, during the next 12 months (*dollars in thousands*). Amounts actually recognized could differ from these expectations due to changes in interest rates, hedge de-designations, and the addition of other hedges subsequent to September 30, 2023.

	As of September 30, 2023
Unrealized gains (losses) in OCI expected to be recognized in income	
Unrealized losses expected to be reclassified from OCI to interest income	\$ (922)
Unrealized gains expected to be reclassified from OCI to interest expense	481
Net unrealized gains (losses) in OCI expected to be recognized in net interest income	<u>\$ (441)</u>

Interest expense recorded on these swap transactions was as follows for the periods presented (*dollars in thousands*):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Interest on swap transactions				
Increase (decrease) in interest income on swap transactions	\$ (2,771)	\$ (405)	\$ (7,500)	\$ 947
(Increase) decrease in interest expense on swap transactions	481	35	1,268	(250)
Net increase (decrease) in net interest income on swap transactions	<u>\$ (2,290)</u>	<u>\$ (370)</u>	<u>\$ (6,232)</u>	<u>\$ 697</u>

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The following table reflects the net gains (losses) relating to cash flow derivative instruments that were recorded in AOCI and the Consolidated Statements of Income (Unaudited) during the periods presented (*dollars in thousands*):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Unrealized gains (losses) on cash flow hedges				
Net gain (loss) recognized in OCI, net of tax	\$ (5,577)	\$ (10,192)	\$ (8,563)	\$ (21,587)
(Gain) loss reclassified from OCI to interest income, net of tax	1,982	(24)	5,362	(992)
(Gain) loss reclassified from OCI to interest expense, net of tax	(344)	290	(906)	494
Net change in unrealized gains (losses) on cash flow hedges, net of tax	\$ (3,939)	\$ (9,926)	\$ (4,107)	\$ (22,085)

Derivative Instruments Not Designated as Hedges

Interest Rate Swaps Not Designated as Hedges

Busey may offer derivative contracts to its customers in connection with their risk management needs. Busey manages the risk associated with these contracts by entering into equal and offsetting derivative agreements with third-party dealers. These contracts support variable rate, commercial loan relationships totaling \$628.3 million as of September 30, 2023, and \$576.9 million as of December 31, 2022. These derivatives generally work together as an economic interest rate hedge, but Busey did not designate them for hedge accounting treatment. Consequently, changes in fair value of the corresponding derivative financial asset or liability are recorded as either a charge or credit to current earnings during the period in which the changes occurred.

Amounts and fair values of derivative assets and liabilities related to customer interest rate swaps recorded in the Consolidated Balance Sheets (Unaudited) are summarized as follows (*dollars in thousands*):

	As of September 30, 2023			
	Derivative Asset		Derivative Liability	
	Notional Amount	Fair Value	Notional Amount	Fair Value
Derivatives not designated as hedging instruments				
Interest rate swaps – pay floating, receive fixed	\$ 9,320	\$ 99	\$ 618,971	\$ 44,914
Interest rate swaps – pay fixed, receive floating	618,971	44,914	9,320	99
Total derivatives not designated as hedging instruments	\$ 628,291	\$ 45,013	\$ 628,291	\$ 45,013
	As of December 31, 2022			
	Derivative Asset		Derivative Liability	
	Notional Amount	Fair Value	Notional Amount	Fair Value
Derivatives not designated as hedging instruments				
Interest rate swaps – pay floating, receive fixed	\$ 48,728	\$ 370	\$ 528,183	\$ 39,685
Interest rate swaps – pay fixed, receive floating	528,183	39,685	48,728	370
Total derivatives not designated as hedging instruments	\$ 576,911	\$ 40,055	\$ 576,911	\$ 40,055

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Changes in fair value of these derivative assets and liabilities are recorded in noninterest expense in the Consolidated Statements of Income (Unaudited) and summarized as follows (*dollars in thousands*):

	Location	Three Months Ended September 30,		Nine Months Ended September 30,	
		2023	2022	2023	2022
Interest rate swaps					
Pay floating, receive fixed	Noninterest expense	\$ 9,007	\$ 18,317	\$ 4,646	\$ 21,792
Pay fixed, receive floating	Noninterest expense	(9,007)	(18,317)	(4,646)	(21,792)
Net change in fair value of interest rate swaps		\$ —	\$ —	\$ —	\$ —

Risk Participation Agreements

To manage the credit risk exposure related to customer-facing swaps, Busey entered into risk participation agreements in conjunction with loan participation arrangements with other financial institutions. Under these risk participation agreements, Busey purchased a portion of the credit exposure, paying an up-front fee, and will receive a payment from the counterparty if the loan customer defaults on its obligations.

Busey also entered into a risk participation agreement under which Busey sold a portion of its credit exposure, receiving an up-front fee, and will be required to make a payment to the counterparty if the loan customer defaults on its obligations.

The notional amount of the risk participation agreements reflect Busey's pro-rata share of the derivative instrument, consistent with its share of the related participated loan. The risk participation agreements mature between 2024 and 2029, and are summarized as follows (*dollars in thousands*):

	As of	
	September 30, 2023	December 31, 2022
Risk participation agreements purchased		
Number of risk participation agreements	3	2
Notional amount	\$ 34,274	\$ 18,899
Fair value	7	5
Risk participation agreements sold		
Number of risk participation agreements	1	—
Notional amount	\$ 20,001	—
Fair value	—	—

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Foreign Currency Forward Contracts

Busey entered into foreign currency exchange contracts to support the business requirements of its customers. Foreign currency contracts involve the exchange of one currency for another on a specified date and at a specified rate. These contracts are executed on behalf of Busey's customers and are used by customers to manage fluctuations in foreign exchange rates. Busey minimizes its exposure by entering into similar offsetting positions with other financial institutions. Busey is subject to the credit risk that another party will fail to perform. Amounts and fair values of derivative assets and liabilities related to foreign currency contracts recorded in the Consolidated Balance Sheets (Unaudited) are summarized as follows (*dollars in thousands*):

	As of September 30, 2023			
	Derivative Asset		Derivative Liability	
	Notional Amount	Fair Value	Notional Amount	Fair Value
Foreign currency forward contracts				
Foreign currency exchange forward contract (Buy)	\$ 354	\$ 58	\$ —	\$ —
Foreign currency exchange forward contract (Sell)	—	—	344	(48)
Total foreign currency forward contracts	<u>\$ 354</u>	<u>\$ 58</u>	<u>\$ 344</u>	<u>\$ (48)</u>

Mortgage Banking DerivativesInterest Rate Lock Commitments

Interest rate lock commitments that meet the definition of derivative financial instruments under ASC Topic 815 “*Derivatives and Hedging*” are carried at their fair values in other assets or other liabilities in the Consolidated Balance Sheets (Unaudited), with changes in the fair values of the corresponding derivative financial assets or liabilities recorded as either a charge or credit to current earnings during the period in which the changes occurred.

Forward Sales Commitments

Busey economically hedges mortgage loans held for sale and interest rate lock commitments issued to its residential loan customers related to loans that will be held for sale by obtaining corresponding forward sales commitments with an investor to sell the loans at an agreed-upon price at the time the interest rate locks are issued to the customers. Forward sales commitments that meet the definition of derivative financial instruments under ASC Topic 815 “*Derivatives and Hedging*” are carried at their fair values in other assets or other liabilities in the Consolidated Balance Sheets (Unaudited). While such forward sales commitments generally served as an economic hedge to mortgage loans held for sale and interest rate lock commitments, Busey did not designate them for hedge accounting treatment. Changes in fair value of the corresponding derivative financial asset or liability were recorded as either a charge or credit to current earnings during the period in which the changes occurred.

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Amounts and fair values of mortgage banking derivatives included in the Consolidated Balance Sheets (Unaudited) are summarized as follows (*dollars in thousands*):

	Location	As of September 30, 2023		As of December 31, 2022	
		Notional Amount	Fair Value	Notional Amount	Fair Value
Derivatives with positive fair value					
Interest rate lock commitments	Other assets	\$ 715	\$ 4	\$ 1,517	\$ 16
Forward sales commitments	Other assets	3,249	66	83	1
Mortgage banking derivatives recorded in other assets		<u>\$ 3,964</u>	<u>\$ 70</u>	<u>\$ 1,600</u>	<u>\$ 17</u>
Derivatives with negative fair value					
Interest rate lock commitments	Other liabilities	\$ 1,366	\$ 16	\$ 83	\$ 1
Forward sales commitments	Other liabilities	1,795	12	2,757	39
Mortgage banking derivatives recorded in other liabilities		<u>\$ 3,161</u>	<u>\$ 28</u>	<u>\$ 2,840</u>	<u>\$ 40</u>

Net gains (losses) relating to these derivative instruments are summarized as follows for the periods presented (*dollars in thousands*):

	Location	Three Months Ended September 30,		Nine Months Ended September 30,	
		2023	2022	2023	2022
Net gains (losses)					
Interest rate lock commitments	Mortgage revenue	\$ (16)	\$ (111)	\$ (28)	\$ 38
Forward sales commitments	Mortgage revenue	60	295	92	82
Net gains (losses)		<u>\$ 44</u>	<u>\$ 184</u>	<u>\$ 64</u>	<u>\$ 120</u>

Note 11: 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 (exit price) 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. ASC Topic 820 “*Fair Value Measurement*” 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.

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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.

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. While management believes Busey'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.

Financial Assets and Financial Liabilities Measured at Fair Value on a Recurring Basis

Debt Securities Available for Sale

Debt securities classified as available for sale are reported at fair value utilizing Level 2 inputs. Busey obtains fair value measurements from an independent pricing service. 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 applies available information, focusing on observable market data such as benchmark curves, benchmarking of like securities, sector groupings, and matrix pricing, to prepare evaluations.

The independent pricing service uses model processes, such as the Option Adjusted Spread model, to assess interest rate impact and develop prepayment scenarios. Models and processes take into account market conventions. 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.

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. 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.

Equity Securities

Equity securities are reported at fair value utilizing Level 1 or Level 2 inputs. Fair value measurements of mutual funds, when held, are determined using unadjusted quoted prices in active markets for identical assets at the measurement date and are classified as Level 1. Fair value measurements of stock utilize quoted prices for identical or similar assets in markets that are not active and are classified as Level 2.

Derivative Assets and Derivative Liabilities

The majority of our derivative assets and derivative liabilities are reported at fair value utilizing Level 2 or Level 3 inputs. Fair values of derivative assets and liabilities are determined based on prices that are obtained from a third-party which uses observable market inputs and, with the exception of our risk participation agreements, are classified as Level 2. Due to the significance of unobservable inputs, derivative assets related to our risk participation agreements are classified as Level 3.

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The following tables summarize financial assets and financial liabilities measured at fair value on a recurring basis as of September 30, 2023, and December 31, 2022, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value (*dollars in thousands*):

	As of September 30, 2023			
	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total Fair Value
Debt securities available for sale:				
U.S. Treasury securities	\$ —	\$ 50,130	\$ —	\$ 50,130
Obligations of U.S. government corporations and agencies	—	9,819	—	9,819
Obligations of states and political subdivisions	—	226,797	—	226,797
Asset-backed securities	—	479,448	—	479,448
Commercial mortgage-backed securities	—	100,300	—	100,300
Residential mortgage-backed securities	—	1,088,796	—	1,088,796
Corporate debt securities	—	227,551	—	227,551
Equity securities	—	8,782	—	8,782
Derivative assets	—	47,027	7	47,034
Derivative liabilities	—	82,814	—	82,814

	As of December 31, 2022			
	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total Fair Value
Debt securities available for sale:				
U.S. Treasury securities	\$ —	\$ 114,061	\$ —	\$ 114,061
Obligations of U.S. government corporations and agencies	—	19,779	—	19,779
Obligations of states and political subdivisions	—	257,512	—	257,512
Asset-backed securities	—	469,875	—	469,875
Commercial mortgage-backed securities	—	108,394	—	108,394
Residential mortgage-backed securities	—	1,243,256	—	1,243,256
Corporate debt securities	—	248,516	—	248,516
Equity securities	—	11,535	—	11,535
Derivative assets	—	42,607	5	42,612
Derivative liabilities	—	72,462	—	72,462

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

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).

Loans Evaluated Individually

Busey does not record portfolio loans at fair value on a recurring basis. However, periodically, a loan is evaluated individually and is reported at the fair value of the underlying collateral, less estimated costs to sell, if repayment is expected solely from the collateral. If the collateral value is not sufficient, a specific reserve is recorded. 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 unobservable inputs, fair values of individually evaluated collateral dependent loans have been classified as Level 3.

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OREO and Other Repossessed Assets

Non-financial assets measured at fair value, upon initial recognition or subsequent impairment, include OREO and other repossessed assets. OREO properties and other repossessed assets are measured using a combination of observable inputs, including recent appraisals, and unobservable inputs. Due to the significance of unobservable inputs, the fair values of all OREO and other repossessed assets have been classified as Level 3.

Bank Property Held for Sale

Bank property held for sale represents certain banking center office buildings which Busey has closed and consolidated with other existing banking centers. Bank property held for sale is measured at the lower of amortized cost or fair value less estimated costs to sell. Fair values were based upon discounted appraisals or real estate listing prices. Due to the significance of unobservable inputs, fair values of all bank property held for sale have been classified as Level 3.

The following tables summarize assets and liabilities measured at fair value on a non-recurring basis for the periods presented, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value (*dollars in thousands*):

	As of September 30, 2023			
	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total Fair Value
Loans evaluated individually, net of related allowance	\$ —	\$ —	\$ 3,333	\$ 3,333
Bank property held for sale with impairment	—	—	4,286	4,286

	As of December 31, 2022			
	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total Fair Value
Loans evaluated individually, net of related allowance	\$ —	\$ —	\$ 5,345	\$ 5,345
Bank property held for sale with impairment	—	—	7,923	7,923

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 (*dollars in thousands*):

	As of September 30, 2023			
	Fair Value	Valuation Techniques	Unobservable Input	Range (Weighted Average)
Loans evaluated individually, net of related allowance	\$ 3,333	Appraisal of collateral	Appraisal adjustments	-10.5% to -100.0% (-34.0)%
Bank property held for sale with impairment	4,286	Appraisal of collateral or real estate listing price	Appraisal adjustments	-6.2% to -64.9% (-38.4)%

	As of December 31, 2022			
	Fair Value	Valuation Techniques	Unobservable Input	Range (Weighted Average)
Loans evaluated individually, net of related allowance	\$ 5,345	Appraisal of collateral	Appraisal adjustments	-22.7% to -100.0% (-45.7)%
Bank property held for sale with impairment	7,923	Appraisal of collateral or real estate listing price	Appraisal adjustments	-0.7% to -70.1% (-35.1)%

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Financial Assets and Financial Liabilities That Are Not Carried at Fair Value

Estimated fair values of financial instruments that are not carried at fair value in Busey's Consolidated Balance Sheets (Unaudited), segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value, were as follows (*dollars in thousands*):

	As of September 30, 2023		As of December 31, 2022	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Level 1 inputs:				
Cash and cash equivalents	\$ 337,919	\$ 337,919	\$ 227,164	\$ 227,164
Level 2 inputs:				
Debt securities held to maturity	882,614	701,676	918,312	785,295
Loans held for sale	3,051	3,059	1,253	1,276
Accrued interest receivable	47,889	47,889	43,372	43,372
Level 3 inputs:				
Portfolio loans, net	7,764,450	7,241,479	7,634,094	7,320,422
Mortgage servicing rights	3,870	18,758	5,861	18,284
Other servicing rights	1,675	2,144	1,914	2,331
Financial liabilities				
Level 2 inputs:				
Time deposits	\$ 1,666,652	\$ 1,643,625	\$ 855,375	\$ 830,596
Securities sold under agreements to repurchase	183,702	183,702	229,806	229,806
Short-term borrowings	12,000	12,027	351,054	351,085
Long-term debt	21,000	21,020	30,000	30,052
Junior subordinated debt owed to unconsolidated trusts	71,946	55,662	71,810	59,111
Accrued interest payable	22,761	22,761	3,978	3,978
Level 3 inputs:				
Subordinated notes, net of unamortized issuance costs	222,666	198,812	222,038	208,562

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Note 12: Earnings Per Common Share

Basic earnings per share is computed by dividing net income for the period by the weighted average number of common shares outstanding, which include DSUs that are vested but not delivered. Diluted earnings per common share is computed using the treasury stock method and reflects the potential dilution that could occur if Busey's outstanding stock options and warrants were exercised, stock units were vested, and ESPP shares were issued.

Earnings per common share have been computed as follows (*dollars in thousands, except per share amounts*):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net income	\$ 30,666	\$ 35,661	\$ 96,816	\$ 93,924
Weighted average number of common shares outstanding, basic	55,486,700	55,349,547	55,441,980	55,399,424
Dilutive effect of common stock equivalents:				
Options	—	249	—	1,606
Warrants	—	1,708	432	1,749
RSU awards	640,714	624,576	638,495	661,173
PSU awards	165,868	81,268	126,787	37,393
DSU awards	16,792	10,414	14,996	14,275
ESPP	5,418	5,402	7,934	8,136
Weighted average number of common shares outstanding, diluted	56,315,492	56,073,164	56,230,624	56,123,756
Basic earnings per common share	\$ 0.55	\$ 0.64	\$ 1.75	\$ 1.70
Diluted earnings per common share	\$ 0.54	\$ 0.64	\$ 1.72	\$ 1.67

Average shares that were excluded from the computation of diluted earnings per common share because their effect would have been anti-dilutive are summarized in the table below for the periods presented:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Anti-dilutive common stock equivalents				
Options	21,926	—	22,219	10,389
RSU awards	—	—	52,594	51,883
PSU awards	85,074	160,391	137,918	226,771
Total anti-dilutive common stock equivalents	107,000	160,391	212,731	289,043

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Note 13: Accumulated Other Comprehensive Income (Loss)

The following tables present changes in AOCI by component, net of tax, for the periods indicated (*dollars in thousands*):

	Three Months Ended September 30,					
	2023			2022		
	Before Tax	Tax Effect	Net of Tax	Before Tax	Tax Effect	Net of Tax
Unrealized/Unrecognized gains (losses) on debt securities						
Balance at beginning of period	\$ (335,359)	\$ 95,591	\$ (239,768)	\$ (277,310)	\$ 79,047	\$ (198,263)
Unrealized holding gains (losses) on debt securities available for sale, net	(37,696)	10,746	(26,950)	(96,937)	27,631	(69,306)
Amounts reclassified from AOCI, net	33	(9)	24	74	(21)	53
Amortization of unrecognized losses on securities transferred to held to maturity	1,476	(420)	1,056	1,806	(515)	1,291
Balance at end of period	<u>\$ (371,546)</u>	<u>\$ 105,908</u>	<u>\$ (265,638)</u>	<u>\$ (372,367)</u>	<u>\$ 106,142</u>	<u>\$ (266,225)</u>
Unrealized gains (losses) on cash flow hedges						
Balance at beginning of period	\$ (29,586)	\$ 8,433	\$ (21,153)	\$ (17,963)	\$ 5,119	\$ (12,844)
Unrealized holding gains (losses) on cash flow hedges, net	(7,797)	2,220	(5,577)	(14,253)	4,061	(10,192)
Amounts reclassified from AOCI, net	2,290	(652)	1,638	370	(104)	266
Balance at end of period	<u>\$ (35,093)</u>	<u>\$ 10,001</u>	<u>\$ (25,092)</u>	<u>\$ (31,846)</u>	<u>\$ 9,076</u>	<u>\$ (22,770)</u>
Total AOCI	<u>\$ (406,639)</u>	<u>\$ 115,909</u>	<u>\$ (290,730)</u>	<u>\$ (404,213)</u>	<u>\$ 115,218</u>	<u>\$ (288,995)</u>

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	Nine Months Ended September 30,					
	2023			2022		
	Before Tax	Tax Effect	Net of Tax	Before Tax	Tax Effect	Net of Tax
Unrealized/Unrecognized gains (losses) on debt securities						
Balance at beginning of period	\$ (352,878)	\$ 100,585	\$ (252,293)	\$ (32,272)	\$ 9,199	\$ (23,073)
Unrealized holding gains (losses) on debt securities available for sale, net	(23,600)	6,728	(16,872)	(296,507)	84,519	(211,988)
Unrecognized losses on debt securities transferred to held to maturity from available for sale	—	—	—	(48,456)	13,812	(34,644)
Amounts reclassified from AOCI, net	207	(59)	148	(28)	8	(20)
Amortization of unrecognized losses on securities transferred to held to maturity	4,725	(1,346)	3,379	4,896	(1,396)	3,500
Balance at end of period	<u>\$ (371,546)</u>	<u>\$ 105,908</u>	<u>\$ (265,638)</u>	<u>\$ (372,367)</u>	<u>\$ 106,142</u>	<u>\$ (266,225)</u>
Unrealized gains (losses) on cash flow hedges						
Balance at beginning of period	\$ (29,350)	\$ 8,365	\$ (20,985)	\$ (958)	\$ 273	\$ (685)
Unrealized holding gains (losses) on cash flow hedges, net	(11,975)	3,412	(8,563)	(30,191)	8,604	(21,587)
Amounts reclassified from AOCI, net	6,232	(1,776)	4,456	(697)	199	(498)
Balance at end of period	<u>\$ (35,093)</u>	<u>\$ 10,001</u>	<u>\$ (25,092)</u>	<u>\$ (31,846)</u>	<u>\$ 9,076</u>	<u>\$ (22,770)</u>
Total AOCI	<u>\$ (406,639)</u>	<u>\$ 115,909</u>	<u>\$ (290,730)</u>	<u>\$ (404,213)</u>	<u>\$ 115,218</u>	<u>\$ (288,995)</u>

Note 14: Operating Segments and Related Information

Busey has three reportable operating segments: Banking, FirsTech, and Wealth Management. Busey's three operating segments are strategic business units that are separately managed, as they offer different products and services and have different marketing strategies.

The Banking Operating Segment

The Banking operating segment provides a full range of banking services to individual and corporate customers through First Busey Corporation's wholly-owned bank subsidiary, Busey Bank, with 58 banking centers in Illinois; the St. Louis, Missouri, metropolitan area; southwest Florida; and Indianapolis, Indiana.

Banking services offered to individual customers include customary types of demand and savings deposits, money transfers, safe deposit services, individual retirement accounts and other fiduciary services, automated teller machines, and technology-based networks, as well as a variety of loan products including residential real estate, home equity lines of credit, and consumer loans. Banking services offered to corporate customers include commercial, commercial real estate, real estate construction, and agricultural loans, as well as commercial depository services such as cash management.

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The Wealth Management Operating Segment

The Wealth Management operating segment provides a full range of asset management, investment, brokerage, fiduciary, philanthropic advisory, tax preparation, and farm management services to individuals, businesses, and foundations. Services are provided through Busey Capital Management, Inc., a wholly-owned subsidiary of Busey Bank, and Busey Wealth Management, a division of Busey Bank.

Wealth management services tailored to individuals include trust and estate advisory services and financial planning. Business services include business succession planning and employee retirement plan services. Services for foundations include investment strategy consulting and fiduciary services.

The FirsTech Operating Segment

The FirsTech operating segment provides comprehensive and innovative payment technology solutions through Busey Bank's wholly-owned subsidiary, FirsTech. FirsTech's multi-channel payment platform allows businesses to collect payments from their customers in a variety of ways to enable fast, frictionless payments. Payment method vehicles include, but are not limited to, text-based mobile bill pay; interactive voice response; electronic payment concentration delivered to Automated Clearing House networks, money management, and credit card networks; walk-in payment processing for customers at retail pay agents; customer service payments made over a telephone; direct debit services; and lockbox remittance processing for customers to make payments by mail. FirsTech also provides additional tools to help clients with billing, reconciliation, bill reminders, and treasury services.

FirsTech's client base represents a diverse set of industries, with a higher concentration in highly regulated industries, such as financial institutions, utility, insurance, and telecommunications industries.

Segment Financial Information

The segment financial information provided below has been derived from information used by management to monitor and manage Busey's financial performance. The accounting policies of the three operating segments are the same as those described in the summary of significant accounting policies in "[Note 1. Significant Accounting Policies](#)" in [Busey's 2022 Annual Report](#). The Company accounts for intersegment revenue and transfers at current market value.

Following is a summary of selected financial information for the Company's operating segments. The "other" category included in the tables below consists of the parent company, First Busey Risk Management, and the elimination of intercompany transactions (*dollars in thousands*):

	Goodwill		Total Assets	
	As of		As of	
	September 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
Operating segment				
Banking	\$ 294,773	\$ 294,773	\$ 12,104,706	\$ 12,199,960
Wealth Management	14,108	14,108	98,755	84,082
FirsTech	8,992	8,992	50,689	48,715
Other	—	—	4,100	3,920
Consolidated total	<u>\$ 317,873</u>	<u>\$ 317,873</u>	<u>\$ 12,258,250</u>	<u>\$ 12,336,677</u>

FIRST BUSEY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net interest income				
Banking	\$ 81,794	\$ 90,916	\$ 254,394	\$ 244,820
FirsTech	14	15	41	50
Other	(4,017)	(4,626)	(12,117)	(12,581)
Total net interest income	<u>\$ 77,791</u>	<u>\$ 86,305</u>	<u>\$ 242,318</u>	<u>\$ 232,289</u>
Noninterest income				
Banking	\$ 11,983	\$ 13,559	\$ 34,716	\$ 42,827
Wealth Management	14,350	12,514	43,993	42,425
FirsTech	5,665	5,578	16,954	16,333
Other	(990)	(718)	(4,795)	(3,861)
Total noninterest income	<u>\$ 31,008</u>	<u>\$ 30,933</u>	<u>\$ 90,868</u>	<u>\$ 97,724</u>
Noninterest expense				
Banking	\$ 55,172	\$ 55,273	\$ 163,314	\$ 165,220
Wealth Management	8,059	7,682	24,821	23,533
FirsTech	5,245	5,109	16,303	14,601
Other	2,469	2,672	6,115	6,850
Total noninterest expense	<u>\$ 70,945</u>	<u>\$ 70,736</u>	<u>\$ 210,553</u>	<u>\$ 210,204</u>
Income before income taxes				
Banking	\$ 38,241	\$ 46,838	\$ 123,852	\$ 118,663
Wealth Management	6,291	4,832	19,172	18,892
FirsTech	434	484	692	1,782
Other	(7,476)	(8,016)	(23,027)	(23,292)
Total income before income taxes	<u>\$ 37,490</u>	<u>\$ 44,138</u>	<u>\$ 120,689</u>	<u>\$ 116,045</u>
Net income				
Banking	\$ 31,189	\$ 37,082	\$ 98,689	\$ 94,032
Wealth Management	4,781	3,756	14,571	14,688
FirsTech	317	353	505	1,300
Other	(5,621)	(5,530)	(16,949)	(16,096)
Total net income	<u>\$ 30,666</u>	<u>\$ 35,661</u>	<u>\$ 96,816</u>	<u>\$ 93,924</u>

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

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OVERVIEW

First Busey Corporation is a \$12.3 billion financial holding company headquartered in Champaign, Illinois. Our common stock is traded on The Nasdaq Global Select Market under the symbol “BUSE.”

Our three operating segments provide a full range of banking, wealth management, and payment technology solutions through our subsidiaries, Busey Bank and FirsTech, in Illinois; the St. Louis, Missouri metropolitan area; southwest Florida; and Indianapolis, Indiana.

The following discussion and analysis are intended to assist readers in understanding Busey’s financial condition and results of operations during the three and nine months ended September 30, 2023, and should be read in conjunction with our [Consolidated Financial Statements \(unaudited\)](#) and the related [Notes to the Consolidated Financial Statements \(unaudited\)](#) included in this Quarterly Report, as well as [our 2022 Annual Report](#).

Busey’s Conservative Banking Strategy

Busey’s financial strength is built on a long-term conservative operating approach. That focus will not change now or in the future.

The quality of our core deposit franchise is a critical value driver of our institution, and we have seen relative stability in our deposit franchise. Busey remains substantially core deposit¹ funded, with robust liquidity and significant market share in the communities we serve. As of September 30, 2023, our loan to deposit ratio was 76.0% and core deposits represented 96.6% of total deposits. Furthermore, we have sufficient on- and off-balance sheet liquidity to manage deposit fluctuations and the liquidity needs of our customers.

Our credit performance reflects our highly diversified, conservatively underwritten loan portfolio, which has been originated predominantly to established customers with tenured relationships with our Company. Our approach to lending and our underwriting standards are designed to emphasize relationship banking rather than transactional banking. In addition, as a matter of both policy and practice, we limit concentration exposures in any particular loan segment. As a result, asset quality remains strong by both Busey’s historical and current industry trends.

Busey’s conservative banking strategy is reflected in the strength of our capital base. We strive to consistently maintain capital ratios well in excess of thresholds required to be designated as well capitalized by applicable regulatory guidelines, thereby ensuring financial strength and flexibility across economic and operating cycles. At September 30, 2023, our leverage ratio of Tier 1 capital to average assets was 10.1%, our common equity Tier 1 capital to risk weighted assets ratio was 12.5%, and our total capital to risk weighted assets ratio was 16.7%.

¹ Core deposits is a non-GAAP financial measure. For a reconciliation of non-GAAP measures to the most directly comparable GAAP financial measures, see [“Item 2. Management’s Discussion and Analysis—Non-GAAP Financial Information”](#) included in this Quarterly Report.

OPERATING PERFORMANCE

Key Performance Metrics

Operating performance metrics presented in the table below have been derived from information used by management to monitor and manage Busey's financial performance (*dollars in thousands, except per share amounts*):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Reported: Net income	\$ 30,666	\$ 35,661	\$ 96,816	\$ 93,924
Adjusted: Net income ¹	\$ 30,730	\$ 36,435	\$ 96,889	\$ 95,620
Reported: Diluted earnings per common share	\$ 0.54	\$ 0.64	\$ 1.72	\$ 1.67
Adjusted: Diluted earnings per common share ¹	\$ 0.55	\$ 0.65	\$ 1.72	\$ 1.70
Reported: Return on average assets ²	1.00 %	1.13 %	1.06 %	1.00 %
Adjusted: Return on average assets ^{1,2}	1.00 %	1.15 %	1.06 %	1.02 %
Reported: Return on average tangible common equity ^{1,2}	14.31 %	17.41 %	15.50 %	14.81 %
Adjusted: Return on average tangible common equity ^{1,2}	14.34 %	17.79 %	15.51 %	15.08 %
Reported: Pre-provision net revenue ¹	\$ 38,139	\$ 46,498	\$ 125,593	\$ 122,133
Adjusted: Pre-provision net revenue ¹	\$ 40,491	\$ 48,800	\$ 132,067	\$ 129,421
Reported: Pre-provision net revenue to average assets ^{1,2}	1.24 %	1.47 %	1.37 %	1.30 %
Adjusted: Pre-provision net revenue to average assets ^{1,2}	1.32 %	1.54 %	1.44 %	1.38 %

1. A non-GAAP financial measure. For a reconciliation of non-GAAP measures to the most directly comparable GAAP financial measures, see ["Item 2. Management's Discussion and Analysis—Non-GAAP Financial Information"](#) included in this Quarterly Report.

2. Annualized measure.

Non-Operating Expenses and Non-GAAP Measures

Busey views certain non-operating items, including acquisition-related and restructuring charges, as adjustments to net income reported under GAAP. Non-operating pretax adjustments were as follows for the periods presented (*dollars in thousands*):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Non-operating costs				
Acquisition related expenses ¹	\$ 79	\$ 4	\$ 91	\$ 1,043
Restructuring charges ²	—	953	—	1,052
Total non-operating costs	\$ 79	\$ 957	\$ 91	\$ 2,095

1. Acquisition expenses related to completed acquisitions and exploratory due diligence.

2. Restructuring charges related to previously disclosed restructuring and efficiency plans.

A reconciliation of non-GAAP measures, which Busey believes facilitates the assessment of its financial results and peer comparability, is included in tabular form in this Quarterly Report. See ["Item 2. Management's Discussion and Analysis—Non-GAAP Financial Information."](#)

Banking Center Markets

Busey Bank serves the Illinois banking market with 46 banking centers. Our Illinois markets feature several Fortune 1000 companies. Those organizations, coupled with large healthcare and higher education sectors, anchor the communities in which they are located and have provided a comparatively stable foundation for housing, employment, and small business. Ten of our banking centers in Illinois are located within the Chicago Metropolitan Statistical Area, and 12 of our banking centers in Illinois are located within the St. Louis Metropolitan Statistical Area.

Busey Bank has eight banking centers in Missouri. St. Louis, Missouri has a diverse economy with major employment sectors including health care, financial services, professional and business services, and retail. We have a total of 20 banking centers within the boundaries of the St. Louis Metropolitan Statistical Area, including branches in both Illinois and Missouri.

Busey Bank has three banking centers in southwest Florida, an area which has experienced strong population growth, job growth, and an expanded housing market, as well as the benefits of a tourism and winter resort economy.

Busey Bank has one banking center in the Indianapolis, Indiana area, which is the most populous city of Indiana with a diverse economy, due in part to it serving as the headquarters of many large corporations.

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, assuming a federal income tax rate of 21.0%. 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.

Consolidated Average Balance Sheets and Interest Rates (Unaudited)

The following tables show our unaudited Consolidated Average Balance Sheets (*dollars in thousands*), and details the major categories of assets and liabilities, the interest income earned on interest-earning assets, the interest expense paid for interest-bearing liabilities, and the related interest yields for the periods shown. Average information is provided on a daily average basis.

	Three Months Ended September 30,					
	2023			2022		
	Average Balance	Income/ Expense	Yield/ Rate⁵	Average Balance	Income/ Expense	Yield/ Rate⁵
Assets						
Interest-bearing bank deposits and federal funds sold	\$ 132,856	\$ 1,591	4.75 %	\$ 207,917	\$ 1,085	2.07 %
Investment securities:						
U.S. Government obligations	64,904	135	0.83 %	174,357	267	0.61 %
Obligations of states and political subdivisions ¹	234,158	1,654	2.80 %	284,069	1,900	2.65 %
Other securities	2,849,697	19,627	2.73 %	3,209,327	16,298	2.01 %
Loans held for sale	2,267	37	6.48 %	4,195	53	5.01 %
Portfolio loans ^{1, 2}	7,834,285	100,178	5.07 %	7,617,918	76,355	3.98 %
Total interest-earning assets^{1, 3}	11,118,167	\$ 123,222	4.40 %	11,497,783	\$ 95,958	3.31 %
Cash and due from banks	119,874			123,480		
Premises and equipment	122,955			130,367		
ACL	(93,070)			(89,019)		
Other assets	934,857			869,245		
Total assets	\$ 12,202,783			\$ 12,531,856		
Liabilities and stockholders' equity						
Interest-bearing transaction deposits	\$ 2,818,124	\$ 12,443	1.75 %	\$ 2,880,802	\$ 1,582	0.22 %
Savings and money market deposits	2,828,673	11,108	1.56 %	3,311,327	1,058	0.13 %
Time deposits	1,570,666	13,517	3.41 %	800,996	925	0.46 %
Federal funds purchased and repurchase agreements	190,112	1,327	2.77 %	233,032	459	0.78 %
Borrowings ⁴	384,864	5,492	5.66 %	307,255	4,300	5.55 %
Junior subordinated debt issued to unconsolidated trusts	71,916	991	5.47 %	71,736	786	4.35 %
Total interest-bearing liabilities	7,864,355	\$ 44,878	2.26 %	7,605,148	\$ 9,110	0.48 %
Net interest spread ¹			2.13 %			2.83 %
Noninterest-bearing deposits	2,925,244			3,583,693		
Other liabilities	204,777			161,567		
Stockholders' equity	1,208,407			1,181,448		
Total liabilities and stockholders' equity	\$ 12,202,783			\$ 12,531,856		
Interest income / earning assets ^{1, 3}	\$ 11,118,167	\$ 123,222	4.40 %	\$ 11,497,783	\$ 95,958	3.31 %
Interest expense / earning assets	11,118,167	44,878	1.60 %	11,497,783	9,110	0.31 %
Net interest margin¹		\$ 78,344	2.80 %		\$ 86,848	3.00 %

1. On a tax-equivalent basis and assuming a federal income tax rate of 21.0%. For a reconciliation of non-GAAP measures to the most directly comparable GAAP financial measures, see ["Item 2. Management's Discussion and Analysis—Non-GAAP Financial Information"](#) included in this Quarterly Report.

2. Non-accrual loans have been included in average portfolio loans.

3. Interest income includes tax-equivalent adjustments of \$0.6 million and \$0.5 million for the three months ended September 30, 2023, and 2022, respectively.

4. Includes short-term and long-term borrowings. Interest expense includes non-usage fees on a revolving loan.

5. Annualized.

	Nine Months Ended September 30,					
	2023			2022		
	Average Balance	Income/Expense	Yield/Rate ⁵	Average Balance	Income/Expense	Yield/Rate ⁵
Assets						
Interest-bearing bank deposits and federal funds sold	\$ 119,393	\$ 3,890	4.36 %	\$ 331,664	\$ 1,720	0.69 %
Investment securities:						
U.S. Government obligations	91,468	478	0.70 %	186,493	836	0.60 %
Obligations of states and political subdivisions ¹	244,139	5,123	2.81 %	293,161	5,762	2.63 %
Other securities	2,918,447	57,327	2.63 %	3,345,611	43,913	1.75 %
Loans held for sale	1,955	86	5.87 %	6,376	168	3.52 %
Portfolio loans ^{1, 2}	7,767,378	285,441	4.91 %	7,387,582	203,338	3.68 %
Total interest-earning assets ^{1, 3}	11,142,780	\$ 352,345	4.23 %	11,550,887	\$ 255,737	2.96 %
Cash and due from banks	117,977			123,881		
Premises and equipment	125,069			132,977		
ACL	(92,912)			(88,744)		
Other assets	932,318			828,815		
Total assets	\$ 12,225,232			\$ 12,547,816		
Liabilities and stockholders' equity						
Interest-bearing transaction deposits	\$ 2,745,757	\$ 28,930	1.41 %	\$ 2,742,105	\$ 2,446	0.12 %
Savings and money market deposits	2,847,211	22,777	1.07 %	3,399,782	2,310	0.09 %
Time deposits	1,293,309	26,869	2.78 %	855,219	3,079	0.48 %
Federal funds purchased and repurchase agreements	207,014	3,772	2.44 %	246,481	665	0.36 %
Borrowings ⁴	583,056	23,158	5.31 %	296,034	11,165	5.04 %
Junior subordinated debt issued to unconsolidated trusts	71,871	2,849	5.30 %	71,693	2,148	4.01 %
Total interest-bearing liabilities	7,748,218	\$ 108,355	1.87 %	7,611,314	\$ 21,813	0.38 %
Net interest spread ¹			2.36 %			2.58 %
Noninterest-bearing deposits	3,082,884			3,569,562		
Other liabilities	198,272			147,295		
Stockholders' equity	1,195,858			1,219,645		
Total liabilities and stockholders' equity	\$ 12,225,232			\$ 12,547,816		
Interest income / earning assets ^{1, 3}	\$ 11,142,780	\$ 352,345	4.23 %	\$ 11,550,887	\$ 255,737	2.96 %
Interest expense / earning assets	11,142,780	108,355	1.30 %	11,550,887	21,813	0.25 %
Net interest margin ¹		\$ 243,990	2.93 %		\$ 233,924	2.71 %

1. On a tax-equivalent basis and assuming a federal income tax rate of 21.0%. For a reconciliation of non-GAAP measures to the most directly comparable GAAP financial measures, see ["Item 2. Management's Discussion and Analysis—Non-GAAP Financial Information"](#) included in this Quarterly Report.

2. Non-accrual loans have been included in average portfolio loans.

3. Interest income includes tax-equivalent adjustments of \$1.7 million and \$1.6 million for the nine months ended September 30, 2023, and 2022, respectively.

4. Includes short-term and long-term borrowings. Interest expense includes non-usage fees on a revolving loan.

5. Annualized.

Notable changes in average assets and average liabilities are summarized as follows for the periods presented (*dollars in thousands*):

	Three Months Ended September 30,		Change	% Change
	2023	2022		
Average interest-earning assets	\$ 11,118,167	\$ 11,497,783	\$ (379,616)	(3.3)%
Average interest-bearing liabilities	7,864,355	7,605,148	259,207	3.4 %
Average noninterest-bearing deposits	2,925,244	3,583,693	(658,449)	(18.4)%
Total average deposits	10,142,707	10,576,818	(434,111)	(4.1)%
Total average liabilities	10,994,376	11,350,408	(356,032)	(3.1)%
Average noninterest-bearing deposits as a percent of total average deposits	28.8 %	33.9 %	(510) bps	
Total average deposits as a percent of total average liabilities	92.3 %	93.2 %	(90) bps	

	Nine Months Ended September 30,		Change	% Change
	2023	2022		
Average interest-earning assets	\$ 11,142,780	\$ 11,550,887	\$ (408,107)	(3.5)%
Average interest-bearing liabilities	7,748,218	7,611,314	136,904	1.8 %
Average noninterest-bearing deposits	3,082,884	3,569,562	(486,678)	(13.6)%
Total average deposits	9,969,161	10,566,668	(597,507)	(5.7)%
Total average liabilities	11,029,374	11,328,171	(298,797)	(2.6)%
Average noninterest-bearing deposits as a percent of total average deposits	30.9 %	33.8 %	(290) bps	
Total average deposits as a percent of total average liabilities	90.4 %	93.3 %	(290) bps	

Changes in net interest income and net interest margin are summarized as follows for the periods presented (*dollars in thousands*):

	Three Months Ended September 30,		Change	% Change
	2023	2022		
Net interest income				
Interest income, on a tax-equivalent basis ¹	\$ 123,222	\$ 95,958	\$ 27,264	28.4 %
Interest expense	(44,878)	(9,110)	(35,768)	(392.6)%
Net interest income, on a tax-equivalent basis ¹	\$ 78,344	\$ 86,848	\$ (8,504)	(9.8)%
Net interest margin ^{1, 2}	2.80 %	3.00 %	(20) bps	

	Nine Months Ended September 30,		Change	% Change
	2023	2022		
Net interest income				
Interest income, on a tax-equivalent basis ¹	\$ 352,345	\$ 255,737	\$ 96,608	37.8 %
Interest expense	(108,355)	(21,813)	(86,542)	(396.7)%
Net interest income, on a tax-equivalent basis ¹	\$ 243,990	\$ 233,924	\$ 10,066	4.3 %
Net interest margin ^{1, 2}	2.93 %	2.71 %	22 bps	

1. Assuming a federal income tax rate of 21.0%. For a reconciliation of non-GAAP measures to the most directly comparable GAAP financial measures, see [“Item 2. Management’s Discussion and Analysis—Non-GAAP Financial Information”](#) included in this Quarterly Report.

2. Net interest income expressed as a percentage of average earning assets, stated on a tax-equivalent basis.

The FOMC raised rates by 25 basis points during the third quarter of 2023, and by a total of 525 basis points since the onset of the current FOMC tightening cycle that began in the first quarter of 2022. Rising rates initially have a positive impact on net interest margin, as assets, in particular commercial loans, reprice more quickly and to a greater extent than liabilities. As deposit and funding costs increase in response to the tightening rate cycle, and we experience deposit migration into higher cost offerings and funding alternatives, some of the net interest margin expansion is reversed.

Net interest spread represents the difference between the average rate earned on earning assets and the average rate paid on interest-bearing liabilities, and is presented in the table below for the periods indicated:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net interest spread ¹	2.13 %	2.83 %	2.36 %	2.58 %

1. Calculated on a tax-equivalent basis

The net interest margin discussion above is based upon the results and average balances for the three and nine months ended September 30, 2023, and 2022. Annualized net interest margins for the quarterly periods indicated were as follows:

	2023	2022
First Quarter	3.13 %	2.45 %
Second Quarter	2.86 %	2.68 %
Third Quarter	2.80 %	3.00 %
Fourth Quarter		3.24 %

Management attempts to mitigate the effects of an unpredictable interest-rate environment through effective portfolio management, prudent loan underwriting and pricing discipline, and operational efficiencies. For a description of accounting policies underlying the recognition of interest income and expense, refer to the [Notes to Consolidated Financial Statements](#) in [Busey’s 2022 Annual Report](#).

Noninterest Income

Changes in noninterest income are summarized as follows for the periods presented (*dollars in thousands*):

	Three Months Ended September 30,		Change	% Change
	2023	2022		
Noninterest income				
Wealth management and payment technology income:				
Wealth management fees	\$ 14,235	\$ 12,508	\$ 1,727	13.8 %
Payment technology solutions	5,226	5,080	146	2.9 %
Combined, wealth management fees and payment technology solutions	19,461	17,588	1,873	10.6 %
Fees for customer services	7,502	7,627	(125)	(1.6)%
Mortgage revenue	311	438	(127)	(29.0)%
Income on bank owned life insurance	1,001	958	43	4.5 %
Securities income:				
Realized net gains (losses) on securities	(33)	(74)	41	55.4 %
Unrealized net gains (losses) recognized on equity securities	(252)	78	(330)	(423.1)%
Net securities gains (losses)	(285)	4	(289)	(7225.0)%
Other income	3,018	4,318	(1,300)	(30.1)%
Total noninterest income	\$ 31,008	\$ 30,933	\$ 75	0.2 %

	Nine Months Ended September 30,		Change	% Change
	2023	2022		
Noninterest income				
Wealth management and payment technology solutions income:				
Wealth management fees	\$ 43,594	\$ 42,422	\$ 1,172	2.8 %
Payment technology solutions	15,772	15,045	727	4.8 %
Combined, wealth management fees and payment technology solutions	59,366	57,467	1,899	3.3 %
Fees for customer services	21,560	26,122	(4,562)	(17.5)%
Mortgage revenue	871	1,697	(826)	(48.7)%
Income on bank owned life insurance	3,682	2,716	966	35.6 %
Securities income:				
Realized net gains (losses) on securities	(207)	52	(259)	(498.1)%
Unrealized net gains (losses) recognized on equity securities	(2,753)	(2,376)	(377)	(15.9)%
Net securities gains (losses)	(2,960)	(2,324)	(636)	(27.4)%
Other income	8,349	12,046	(3,697)	(30.7)%
Total noninterest income	\$ 90,868	\$ 97,724	\$ (6,856)	(7.0)%
Assets under care as of period end	\$ 11,547,697	\$ 10,748,756	\$ 798,941	7.4 %

Total noninterest income was \$31.0 million for the three months ended September 30, 2023, an increase of 0.2% from the comparable period in 2022, and was \$90.9 million for the nine months ended September 30, 2023, a decrease of 7.0% from the comparable period in 2022. Combined, revenues from wealth management fees and payment technology solutions represented 62.8% and 65.3% of Busey's noninterest income for the three and nine months ended September 30, 2023, respectively, providing a complement to spread-based revenue from traditional banking activities. On a combined basis, revenue from these two critical operating areas was \$19.5 million for the three months ended September 30, 2023, a 10.6% increase from the comparable period in 2022, and was \$59.4 million for the nine months ended September 30, 2023, a 3.3% increase from the comparable period in 2022.

Wealth management fees were \$14.2 million for the three months ended September 30, 2023, a 13.8% increase from the comparable period in 2022, and were \$43.6 million for the nine months ended September 30, 2023, a 2.8% increase from the comparable period for 2022. Busey's Wealth Management division ended the third quarter of 2023 with \$11.5 billion in assets under care, an increase of 7.4% compared to the balance on September 30, 2022. Our portfolio management team continues to produce solid results in the face of volatile markets.

Payment technology solutions revenue relates to our payment processing company, FirsTech. Payment technology solutions revenue was \$5.2 million for the three months ended September 30, 2023, a 2.9% increase from the comparable period in 2022, and was \$15.8 million for the nine months ended September 30, 2023, a 4.8% increase from the comparable period in 2022. Increased merchant processing, lockbox processing, and online bill payment income drove the increases, which were partially offset by reductions in agent and programming income.

Fees for customer services were \$7.5 million for the three months ended September 30, 2023, a 1.6% decrease from the comparable period in 2022, and were \$21.6 million for the nine months ended September 30, 2023, a 17.5% decrease from the comparable period in 2022. Beginning on July 1, 2022, we became subject to the Durbin Amendment of the Dodd-Frank Act. The Durbin Amendment required the Federal Reserve to establish a maximum permissible interchange fee for many types of debit transactions, which resulted in a reduction in fee income. Year-over-year declines are attributable primarily to the impact of the Durbin Amendment and modifications implemented to overdraft and non-sufficient funds fee structures.

Mortgage revenue was \$0.3 million for the three months ended September 30, 2023, a 29.0% decrease from the comparable period in 2022, and was \$0.9 million for the nine months ended September 30, 2023, a 48.7% decrease from the comparable period in 2022. Decreases primarily resulted from declines in mortgage origination and sold-loan mortgage volume. General economic conditions and interest rate volatility may impact fees in future quarters.

Income on bank owned life insurance was \$1.0 million for the three months ended September 30, 2023, a 4.5% increase from the comparable period in 2022, and was \$3.7 million for the nine months ended September 30, 2023, a 35.6% increase from the comparable period in 2022. Year to date increases resulted from \$0.8 million earnings on death proceeds and a \$0.2 million increase in the cash surrender value of the insurance policies.

Net securities losses were \$0.3 million for the three months ended September 30, 2023, compared to an insignificant amount of net securities gains during the three months ended September 30, 2022. Losses for the three months ended September 30, 2023, were comprised primarily of unrealized net losses recognized on equity securities. Net securities losses were \$3.0 million for the nine months ended September 30, 2023, a 27.4% increase from the comparable period in 2022, and were comprised of \$0.2 million of realized net losses on securities and \$2.8 million of unrealized net losses recognized on equity securities.

Other income was \$3.0 million for the three months ended September 30, 2023, a 30.1% decrease from the comparable period in 2022, and was \$8.3 million for the nine months ended September 30, 2023, a 30.7% decrease from the comparable period in 2022. Primary drivers of the fluctuation in other income during the three and nine months ended September 30, 2023, included lower income recognized on venture capital investments, reduced gains on commercial loan sales, and declines in swap origination fees, partially offset by increased dividend income on FHLB stock. In addition, gains on fixed asset disposals were lower for the nine months ended September 30, 2023.

Noninterest Expense

Changes in noninterest expense are summarized as follows for the periods presented (*dollars in thousands*):

	Three Months Ended September 30,		Change	% Change
	2023	2022		
Noninterest expense				
Salaries, wages, and employee benefits	\$ 39,677	\$ 39,762	\$ (85)	(0.2)%
Data processing	5,930	5,447	483	8.9 %
Premises expenses:				
Net occupancy expense of premises	4,594	4,705	(111)	(2.4)%
Furniture and equipment expenses	1,638	1,799	(161)	(8.9)%
Combined, net occupancy expense of premises and furniture and equipment expenses	6,232	6,504	(272)	(4.2)%
Professional fees	1,542	1,579	(37)	(2.3)%
Amortization of intangible assets	2,555	2,871	(316)	(11.0)%
Interchange expense	1,786	1,574	212	13.5 %
FDIC insurance	1,475	882	593	67.2 %
Other expense	11,748	12,117	(369)	(3.0)%
Total noninterest expense	\$ 70,945	\$ 70,736	\$ 209	0.3 %
Income taxes	\$ 6,824	\$ 8,477	\$ (1,653)	(19.5)%
Effective income tax rate	18.2 %	19.2 %	(100) bps	
Efficiency ratio ¹	62.4 %	57.6 %	480 bps	
Adjusted efficiency ratio ¹	62.3 %	56.8 %	550 bps	

1. The efficiency ratio and adjusted efficiency ratio are non-GAAP financial measures. For a reconciliation of non-GAAP measures to the most directly comparable financial GAAP measures, see "[Item 2. Management's Discussion and Analysis—Non-GAAP Financial Information](#)" included in this Quarterly Report.

	Nine Months Ended September 30,		Change	% Change
	2023	2022		
Noninterest expense				
Salaries, wages, and employee benefits	\$ 119,867	\$ 117,226	\$ 2,641	2.3 %
Data processing	17,472	15,800	1,672	10.6 %
Premises expenses:				
Net occupancy expense of premises	13,896	14,492	(596)	(4.1)%
Furniture and equipment expenses	5,065	5,874	(809)	(13.8)%
Combined, net occupancy expense of premises and furniture and equipment expenses	18,961	20,366	(1,405)	(6.9)%
Professional fees	4,573	4,693	(120)	(2.6)%
Amortization of intangible assets	7,953	8,833	(880)	(10.0)%
Interchange expense	5,509	4,606	903	19.6 %
FDIC insurance	4,483	3,108	1,375	44.2 %
Other expense	31,735	35,572	(3,837)	(10.8)%
Total noninterest expense	\$ 210,553	\$ 210,204	\$ 349	0.2 %
Income taxes	\$ 23,873	\$ 22,121	\$ 1,752	7.9 %
Effective income tax rate	19.8 %	19.1 %	70 bps	
Efficiency ratio ¹	60.0 %	60.3 %	(30) bps	
Adjusted efficiency ratio ¹	60.0 %	59.7 %	30 bps	
Full-time equivalent associates as of period-end	1,484	1,513	(29)	(1.9)%

1. The efficiency ratio and adjusted efficiency ratio are non-GAAP financial measures. For a reconciliation of non-GAAP measures to the most directly comparable financial GAAP measures, see “[Item 2. Management’s Discussion and Analysis—Non-GAAP Financial Information](#)” included in this Quarterly Report.

Total noninterest expense was \$70.9 million for the three months ended September 30, 2023, a 0.3% increase from the comparable period in 2022, and was \$210.6 million for the nine months ended September 30, 2023, a 0.2% increase from the comparable period in 2022. During a time of decades-high inflation, we have effectively managed our noninterest expense, and have been purposeful in our efforts to rationalize our expense base given our economic outlook and our view on the future of banking.

Salaries, wages, and employee benefits were \$39.7 million for the three months ended September 30, 2023, a 0.2% decrease from the comparable period in 2022, and were \$119.9 million for the nine months ended September 30, 2023, a 2.3% increase from the comparable period in 2022. Our total associate base consisted of 1,484 full-time equivalents as of September 30, 2023, compared to 1,513 at September 30, 2022. Current trends continue to reflect a competitive labor market, maintaining pressure on costs related to attracting and maintaining our skilled workforce.

Data processing expense was \$5.9 million for the three months ended September 30, 2023, a 8.9% increase from the comparable period in 2022, and was \$17.5 million for the nine months ended September 30, 2023, a 10.6% increase from the comparable period in 2022. Increases were primarily attributable to Company-wide investments in technology enhancements, as well as inflation-driven price increases.

Combined, net occupancy expense of premises and furniture and equipment expense totaled \$6.2 million for the three months ended September 30, 2023, a 4.2% decrease from the comparable period in 2022, and \$19.0 million for the nine months ended September 30, 2023, a 6.9% decrease from the comparable period in 2022. Decreases were primarily attributable to declines in depreciation expense, lease costs, and taxes.

Professional fees were \$1.5 million for the three months ended September 30, 2023, a 2.3% decrease from the comparable period in 2022. The decrease was primarily attributable to reduced consulting fees during the quarter, partially offset by increased legal and payroll service fees. Professional fees were \$4.6 million for the nine months ended September 30, 2023, a 2.6% decrease from the comparable period in 2022. The decrease was primarily attributable to a recapture of legal expenses related to the payoff of a large classified asset in the second quarter of 2023, partially offset by increases in payroll service and audit fees.

Amortization of intangible assets was \$2.6 million for the three months ended September 30, 2023, an 11.0% decrease from the comparable period in 2022, and \$8.0 million for the nine months ended September 30, 2023, a 10.0% decrease from the comparable period for 2022, due to the use of an accelerated amortization methodology.

Interchange expense was \$1.8 million for the three months ended September 30, 2023, a 13.5% increase from the comparable period in 2022, and was \$5.5 million for the nine months ended September 30, 2023, a 19.6% increase from the comparable period in 2022. Fluctuations in interchange expense were primarily the result of increased payment and volume activity at FirsTech.

FDIC insurance expense was \$1.5 million for the three months ended September 30, 2023, a 67.2% increase from the comparable period in 2022, and \$4.5 million for the nine months ended September 30, 2023, a 44.2% increase from the comparable period in 2022. Increases were the result of an FDIC final rule to increase the initial base deposit insurance assessment rate applicable to all depository institutions by two basis points beginning in 2023.

Other expense was \$11.7 million for the three months ended September 30, 2023, a 3.0% decrease from the comparable period in 2022, and was \$31.7 million for the nine months ended September 30, 2023, a 10.8% decrease from the comparable period in 2022. Decreases were across multiple expense categories as a result of expense discipline.

The efficiency ratio², which is a measure commonly used by management and the banking industry, measures the amount of expense incurred to generate a dollar of revenue. Our efficiency ratio was 62.4% for the three months ended September 30, 2023, compared to 57.6% for the same period in 2022, and was 60.0% for the nine months ended September 30, 2023, compared to 60.3% for the same period in 2022.

Our adjusted efficiency ratio² was 62.3% for the three months ended September 30, 2023, compared to 56.8% for the same period in 2022, and was 60.0% for the nine months ended September 30, 2023, compared to 59.7% for the same period in 2022.

Taxes

Effective income tax rates of 18.2% and 19.8% for the three and nine months ended September 30, 2023, respectively, were lower than the combined federal and state statutory rate of approximately 28.0% due to tax exempt interest income, such as municipal bond interest and bank owned life insurance income, and investments in various tax credits. We continue to monitor evolving federal and state tax legislation and its potential impact on operations on an ongoing basis. As of September 30, 2023, we were not under examination by any tax authority; however, we have received an inquiry from the State of Illinois regarding our prior franchise tax filings. In the event the Company is required to amend our prior franchise tax filings, we could incur additional expenses.

² The efficiency ratio and adjusted efficiency ratio are non-GAAP financial measures. For a reconciliation of non-GAAP measures to the most directly comparable GAAP financial measures, see "[Item 2. Management's Discussion and Analysis—Non-GAAP Financial Information](#)" included in this Quarterly Report.

FINANCIAL CONDITION

Balance Sheet

Changes in significant items included in our Consolidated Balance Sheets (Unaudited) are summarized as follows as of each of the dates indicated (*dollars in thousands*):

	As of		Change	% Change
	September 30, 2023	December 31, 2022		
Assets				
Debt securities available for sale	\$ 2,182,841	\$ 2,461,393	\$ (278,552)	(11.3)%
Debt securities held to maturity	882,614	918,312	(35,698)	(3.9)%
Portfolio loans, net of ACL	7,764,450	7,634,094	130,356	1.7 %
Total assets	\$ 12,258,250	\$ 12,336,677	\$ (78,427)	(0.6)%
Liabilities				
Deposits:				
Noninterest-bearing	\$ 2,918,574	\$ 3,393,666	\$ (475,092)	(14.0)%
Interest-bearing	7,413,788	6,677,614	736,174	11.0 %
Total deposits	10,332,362	10,071,280	261,082	2.6 %
Securities sold under agreements to repurchase	183,702	229,806	(46,104)	(20.1)%
Short-term borrowings	12,000	351,054	(339,054)	(96.6)%
Subordinated notes, net of unamortized issuance costs	222,666	222,038	628	0.3 %
Total liabilities	\$ 11,068,092	\$ 11,190,700	\$ (122,608)	(1.1)%
Stockholders' equity	\$ 1,190,158	\$ 1,145,977	\$ 44,181	3.9 %

Portfolio Loans

We believe that making sound and profitable loans is a necessary and desirable means of employing funds available for investment. Busey 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, we attempt to focus our lending on short to intermediate-term (0-10 years) loans in geographic areas within 125 miles of our lending offices. Loans originated outside of these areas are generally to existing customers of Busey Bank. We attempt to utilize government-assisted lending programs, such as the SBA and U.S. Department of Agriculture lending programs, when prudent. Generally, loans are collateralized by assets, primarily real estate, and guaranteed by individuals. 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 Busey Bank's lending policies and procedures on a regular basis. Management routinely (at least quarterly) reviews the ACL in conjunction with reports related to loan production, loan quality, concentrations of credit, loan delinquencies, non-performing loans, and potential problem loans. Our 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. Significant underwriting factors, in addition to location, duration, a sound and profitable cash flow basis, and the borrower's character, include the quality of the borrower's financial history, the liquidity of the underlying collateral, and the reliability of the valuation of the underlying collateral.

Busey Bank maintains a well-diversified loan portfolio and, as a matter of policy and practice, limits concentration exposure in any particular loan segment.

At no time is a borrower's total borrowing relationship permitted to exceed Busey Bank's regulatory lending limit. We generally limit such relationships to amounts substantially less than the regulatory limit. Loans to related parties, including executive officers and directors of First Busey Corporation and its subsidiaries, are reviewed for compliance with regulatory guidelines.

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

Busey Bank's lending activities can be summarized into two primary categories: commercial and retail. Lending is further classified into five primary areas: commercial loans, commercial real estate loans, real estate construction loans, retail real estate loans, and retail other loans. A description of each of the five primary areas can be found in [Busey's 2022 Annual Report](#). A significant majority of our portfolio lending activity occurs in the Illinois and Missouri markets, with the remainder in the Florida and Indiana markets.

Geographic distributions of portfolio loans, based on originations, by category and class were as follows (*dollars in thousands*):

	September 30, 2023				
	Illinois	Missouri	Florida	Indiana	Total
Commercial loans					
Commercial	\$ 1,486,278	\$ 384,978	\$ 26,368	\$ 45,825	\$ 1,943,449
Commercial real estate	2,269,230	692,680	222,827	169,016	3,353,753
Real estate construction	318,865	90,541	59,477	58,715	527,598
Total commercial loans	4,074,373	1,168,199	308,672	273,556	5,824,800
Retail loans					
Retail real estate	1,278,795	228,397	128,646	79,607	1,715,445
Retail other	311,326	1,877	1,367	1,345	315,915
Total retail loans	1,590,121	230,274	130,013	80,952	2,031,360
Total portfolio loans	\$ 5,664,494	\$ 1,398,473	\$ 438,685	\$ 354,508	\$ 7,856,160
ACL					(91,710)
Portfolio loans, net of ACL					\$ 7,764,450

	December 31, 2022				
	Illinois	Missouri	Florida	Indiana	Total
Commercial loans					
Commercial	\$ 1,401,165	\$ 466,904	\$ 52,925	\$ 53,160	\$ 1,974,154
Commercial real estate	2,180,767	680,532	220,939	179,635	3,261,873
Real estate construction	326,154	131,782	31,212	41,321	530,469
Total commercial loans	3,908,086	1,279,218	305,076	274,116	5,766,496
Retail loans					
Retail real estate	1,253,069	210,048	122,397	71,568	1,657,082
Retail other	296,719	2,565	1,788	1,052	302,124
Total retail loans	1,549,788	212,613	124,185	72,620	1,959,206
Total portfolio loans	\$ 5,457,874	\$ 1,491,831	\$ 429,261	\$ 346,736	\$ 7,725,702
ACL					(91,608)
Portfolio loans, net of ACL					\$ 7,634,094

Busey generated \$130.5 million, or 1.7%, in net loan growth during the nine months ended September 30, 2023. Reported loan growth figures over that period have been dampened by a \$146.6 million decline in line utilization, consistent with trends seen across the industry, as well as a \$47.5 million reduction in classified assets achieved by Busey over the same period. Changes in portfolio loan balances were as follows (*dollars in thousands*):

	As of		Change	% Change
	September 30, 2023	December 31, 2022		
Commercial loans				
Commercial	\$ 1,943,449	\$ 1,974,154	\$ (30,705)	(1.6)%
Commercial real estate	3,353,753	3,261,873	91,880	2.8 %
Real estate construction	527,598	530,469	(2,871)	(0.5)%
Total commercial loans	5,824,800	5,766,496	58,304	1.0 %
Retail loans				
Retail real estate	1,715,445	1,657,082	58,363	3.5 %
Retail other	315,915	302,124	13,791	4.6 %
Total retail loans	2,031,360	1,959,206	72,154	3.7 %
Total portfolio loans	7,856,160	7,725,702	130,458	1.7 %
ACL	(91,710)	(91,608)	(102)	(0.1)%
Portfolio loans, net of ACL	\$ 7,764,450	\$ 7,634,094	\$ 130,356	1.7 %

Excluding the amortized cost of PPP loans, changes in commercial loan balances were as follows (*dollars in thousands*):

	As of		Change	% Change
	September 30, 2023	December 31, 2022		
Total commercial loans	\$ 5,824,800	\$ 5,766,496	\$ 58,304	1.0 %
Less: PPP loans amortized cost	(598)	(845)	247	29.2 %
Commercial loan balances, excluding PPP loans	\$ 5,824,202	\$ 5,765,651	\$ 58,551	1.0 %

As has been our practice, we remain steadfast in our conservative approach to underwriting and disciplined approach to pricing, particularly given our outlook for the economy in the coming quarters. This posture will continue to impact loan growth, which we expect to remain modest over the next several quarters.

Allowance and Provision for Credit Losses

The ACL is a significant estimate in our unaudited consolidated financial statements, affecting both earnings and capital. The methodology adopted influences, and is influenced by, Busey Bank's overall credit risk management processes. The ACL is recorded in accordance with GAAP to provide an adequate reserve for expected credit losses that is reflective of management's best estimate of what is expected to be collected. Estimates of credit losses are based on a careful consideration of all significant factors affecting collectability as of the evaluation date. The ACL is established through the provision for credit loss expense charged to income. Provision expenses were recorded as follows for each of the periods indicated (*dollars in thousands*):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Provision for credit losses	\$ 364	\$ 2,364	\$ 1,944	\$ 3,764

The ACL and the ratio of ACL to portfolio loan balances is presented below by loan category and class, as of each of the dates indicated (*dollars in thousands*):

	As of September 30, 2023			As of December 31, 2022		
	Portfolio Loans	ACL	Ratio of ACL to Portfolio Loans	Portfolio Loans	ACL	Ratio of ACL to Portfolio Loans
Commercial						
Commercial	\$ 1,943,449	\$ 22,633	1.16 %	\$ 1,974,154	\$ 23,860	1.21 %
Commercial real estate	3,353,753	34,691	1.03 %	3,261,873	38,299	1.17 %
Real estate construction	527,598	5,206	0.99 %	530,469	6,457	1.22 %
Total commercial	5,824,800	62,530	1.07 %	5,766,496	68,616	1.19 %
Retail						
Retail real estate	1,715,445	25,333	1.48 %	1,657,082	18,193	1.10 %
Retail other	315,915	3,847	1.22 %	302,124	4,799	1.59 %
Total retail	2,031,360	29,180	1.44 %	1,959,206	22,992	1.17 %
Total	\$ 7,856,160	\$ 91,710	1.17 %	\$ 7,725,702	\$ 91,608	1.19 %

As of September 30, 2023, management believed the level of the ACL to be appropriate based upon the information available. However, additional losses may be identified in our loan portfolio as new information is obtained. The ongoing impacts of CECL will be dependent upon changes in economic conditions and forecasts, originated and acquired loan portfolio composition, prepayment speeds, credit performance trends, portfolio duration, and other factors.

Non-Performing Loans and Non-Performing Assets

Loans are considered past due if the required principal or 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 guidelines. 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 principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Typically, loans are secured by collateral. When a loan is classified as non-accrual and determined to be collateral dependent, it is appropriately reserved or charged down through the ACL 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.

The following table sets forth information concerning non-performing loans and performing restructured loans, as of each of the dates indicated (*dollars in thousands*):

	As of		Change	% Change
	September 30, 2023	December 31, 2022		
Portfolio loans	\$ 7,856,160	\$ 7,725,702	\$ 130,458	1.7 %
Loans 30 – 89 days past due	5,934	6,548	(614)	(9.4)%
Total assets	12,258,250	12,336,677	(78,427)	(0.6)%
Non-performing assets				
Non-performing loans:				
Non-accrual loans	\$ 11,298	\$ 15,067	\$ (3,769)	(25.0)%
Loans 90+ days past due and still accruing	709	673	36	5.3 %
Total non-performing loans	12,007	15,740	(3,733)	(23.7)%
OREO and other repossessed assets	96	850	(754)	(88.7)%
Total non-performing assets	12,103	16,590	(4,487)	(27.0)%
Substandard (excludes 90+ days past due)	47,518	90,489	(42,971)	(47.5)%
Classified assets	<u>\$ 59,621</u>	<u>\$ 107,079</u>	<u>\$ (47,458)</u>	<u>(44.3)%</u>
ACL	\$ 91,710	\$ 91,608	\$ 102	0.1 %
Bank Tier 1 Capital	1,356,565	1,306,716	49,849	3.8 %
Ratios				
ACL to portfolio loans	1.17 %	1.19 %	(2) bps	
ACL to non-accrual loans	811.74 %	608.00 %	20,374 bps	
ACL to non-performing loans	763.80 %	582.01 %	18,179 bps	
ACL to non-performing assets	757.75 %	552.19 %	20,556 bps	
Non-accrual loans to portfolio loans	0.14 %	0.20 %	(6) bps	
Non-performing loans to portfolio loans	0.15 %	0.20 %	(5) bps	
Non-performing assets to total assets	0.10 %	0.13 %	(3) bps	
Non-performing assets to portfolio loans and OREO and other repossessed assets	0.15 %	0.21 %	(6) bps	
Classified assets to Bank Tier 1 Capital and ACL	4.12 %	7.66 %	(354) bps	

Asset quality remains strong by both historical and current industry trends, and our operating mandate and focus have been on emphasizing credit quality over asset growth. Non-performing loan balances decreased by 23.7% to \$12.0 million as of September 30, 2023, compared to \$15.7 million as of December 31, 2022. We saw a 44.3% decline in classified assets from \$107.1 million as of December 31, 2022 to \$59.6 million as of September 30, 2023. Classified assets represented 4.1% of the Busey Bank's Tier 1 Capital and reserves at September 30, 2023, down from 7.7% at December 31, 2022. Continued disciplined credit management resulted in non-performing loans as a percentage of portfolio loans of 0.15% as of September 30, 2023, compared to 0.20% as of December 31, 2022. Meanwhile, non-performing assets declined to 0.10% of total assets at September 30, 2023, from 0.13% at December 31, 2022. Our allowance for credit losses provided 757.7% coverage of our non-performing assets at September 30, 2023, up from 552.2% at December 31, 2022.

Asset quality metrics remain dependent upon market-specific economic conditions, and specific measures may fluctuate from period to period. If economic conditions were to deteriorate, we would expect the credit quality of our loan portfolio to decline and loan defaults to increase.

Potential Problem Loans

Potential problem loans are loans classified as substandard which are not individually evaluated, non-accrual, or 90+ days past due, but where current information indicates that the borrower may not be able to comply with loan repayment terms. Management assesses the potential for loss on such loans and considers the effect of any potential loss in determining its provision for expected credit losses. Potential problem loans decreased to \$47.5 million as of September 30, 2023, compared to \$89.2 million as of December 31, 2022. Management continues to monitor these loans and anticipates that restructurings, guarantees, additional collateral, or other planned actions will result in full repayment of the debts. As of September 30, 2023, management identified no other loans that represent or result from trends or uncertainties which would be expected to materially impact future operating results, liquidity, or capital resources.

COVID-19 Modifications

To alleviate some of the financial hardships faced as a result of COVID-19, Busey offered a Financial Relief Program to qualifying customers. The program included options for short-term loan payment deferrals and certain fee waivers. We had no commercial or retail loans remaining in the program as of September 30, 2023. In comparison, we had eight payment deferred commercial loans totaling \$20.6 million that were on interest-only payment terms, and one payment deferred retail loans totaling \$0.1 million as of December 31, 2022.

Deposits

Total deposits increased by 2.6% to \$10.3 billion as of September 30, 2023, compared to \$10.1 billion as of December 31, 2022. Growth in our deposit base coupled with cash flows from our securities portfolio allows us to fund loan growth while limiting our reliance on higher cost wholesale funding alternatives. We focus on deepening our relationships with customers to maintain and protect our strong core deposit³ franchise. As of September 30, 2023, our average customer tenure was 16.4 years for retail customers and 12.3 years for commercial customers. Core deposits include non-brokered transaction accounts, money market and savings deposit accounts, and time deposits of \$250,000 or less. Core deposits represented 96.6% of total deposits as of September 30, 2023, compared to 98.8% as of December 31, 2022.

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 federal funds sold. Balances of these assets are dependent on our operating, investing, lending, and financing activities during any given period. Average liquid assets are summarized in the table below (*dollars in thousands*):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Average liquid assets				
Cash and due from banks	\$ 119,874	\$ 123,480	\$ 117,977	\$ 123,881
Interest-bearing bank deposits	132,856	207,917	119,393	331,664
Total average liquid assets	\$ 252,730	\$ 331,397	\$ 237,370	\$ 455,545
Average liquid assets as a percent of average total assets	2.1 %	2.6 %	1.9 %	3.6 %

³ Core deposits is a non-GAAP financial measure. For a reconciliation of non-GAAP measures to the most directly comparable GAAP financial measures, see [“Item 2. Management’s Discussion and Analysis—Non-GAAP Financial Information”](#) included in this Quarterly Report.

Cash and unencumbered securities on our Consolidated Balance Sheets (Unaudited) are summarized as follows (*dollars in thousands*):

	As of	
	September 30, 2023	December 31, 2022
Cash and unencumbered securities		
Total cash and cash equivalents	\$ 337,919	\$ 227,164
Debt securities available for sale	2,182,841	2,461,393
Debt securities available for sale pledged as collateral	(621,740)	(746,675)
Cash and unencumbered securities	<u>\$ 1,899,020</u>	<u>\$ 1,941,882</u>

Busey's primary sources of funds consist of deposits, investment maturities and sales, loan principal repayments, and capital funds. Additional liquidity is provided by the ability to borrow from the FHLB, the Federal Reserve, and our revolving credit facility, as summarized in the table below (*dollars in thousands*):

	As of	
	September 30, 2023	December 31, 2022
Additional borrowing capacity available from:		
FHLB	\$ 1,785,012	\$ 1,765,388
Federal Reserve Bank	710,198	659,680
Federal funds purchased	482,500	482,500
Revolving credit facility	40,000	40,000
Additional borrowing capacity	<u>\$ 3,017,710</u>	<u>\$ 2,947,568</u>

Further, the company could utilize brokered deposits as additional sources of liquidity, as needed.

As of September 30, 2023, 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

Busey Bank routinely enters into commitments to extend credit and standby letters of credit in the normal course of business to meet the financing needs of its customers. The balance of commitments to extend credit represents future cash requirements and some of these commitments may expire without being drawn upon.

The following table summarizes our outstanding commitments and reserves for unfunded commitments (*dollars in thousands*):

	As of	
	September 30, 2023	December 31, 2022
Outstanding loan commitments and standby letters of credit	\$ 2,167,785	\$ 2,024,777
Reserve for unfunded commitments	6,244	6,601

The following table summarizes our provision for unfunded commitments expenses (releases) for the periods presented (*dollars in thousands*):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Provision for unfunded commitments expense (release)	\$ 13	\$ (320)	\$ (357)	\$ 525

We anticipate we will have sufficient funds available to meet current loan commitments, including loan applications received and in process prior to the issuance of firm commitments.

Capital Resources

Our capital ratios are in excess of those required to be considered “well-capitalized” pursuant to applicable regulatory guidelines. The Federal Reserve Board uses capital adequacy guidelines in its examination and regulation of bank holding companies and their subsidiary banks. Risk-based capital ratios are established by allocating assets and certain off-balance-sheet commitments into risk-weighted categories. These balances are then multiplied by the factor appropriate for that risk-weighted category. In order to refrain from restrictions on dividends, equity repurchases, and discretionary bonus payments, banking institutions must maintain capital in excess of regulatory minimum capital requirements. The table below presents minimum capital ratios that include the capital conservation buffer in comparison to the capital ratios for First Busey and Busey Bank as of September 30, 2023:

	Minimum Capital Requirements with Capital Buffer	As of September 30, 2023	
		First Busey	Busey Bank
Common Equity Tier 1 Capital to Risk Weighted Assets	7.00 %	12.52 %	14.89 %
Tier 1 Capital to Risk Weighted Assets	8.50 %	13.33 %	14.89 %
Total Capital to Risk Weighted Assets	10.50 %	16.72 %	15.81 %
Leverage Ratio of Tier 1 Capital to Average Assets	6.50 %	10.08 %	11.26 %

For further discussion of capital resources and requirements, see “[Note 7: Regulatory Capital.](#)”

NON-GAAP FINANCIAL INFORMATION

This Quarterly Report contains certain financial information determined by methods other than in accordance with GAAP. Management uses these non-GAAP financial measures and non-GAAP ratios, together with the related GAAP financial measures, in analysis of Busey's performance and in making business decisions, as well as for comparison to Busey's peers. We believe the adjusted measures are useful for investors and management to understand the effects of certain non-core and non-recurring noninterest items and provide additional perspective on our performance over time.

Non-GAAP disclosures have inherent limitations and are not audited. They should not be considered in isolation or as a substitute for the results reported in accordance with GAAP, nor are they necessarily comparable to non-GAAP performance measures that may be presented by other companies. Tax effected numbers included in these non-GAAP disclosures are based on estimated statutory rates and effective rates as appropriate.

A listing of Busey's non-GAAP financial measures and ratios are shown in the table below, together with the related GAAP financial measures.

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GAAP Financial Measures	Related Non-GAAP Financial Measures	Related Non-GAAP Ratios
Net interest income	Pre-provision net revenue	Pre-provision net revenue to average assets
Total noninterest income		
Net security gains and losses		
Total noninterest expense	Adjusted pre-provision net revenue	Adjusted pre-provision net revenue to average assets
		Adjusted diluted earnings per share
Net income	Adjusted net income	Adjusted return on average assets
		Adjusted return on average tangible common equity
		Return on average tangible common equity
Average common equity	Average tangible common equity	Adjusted return on average tangible common equity
Net interest income	Tax-equivalent net interest income	Net interest margin
	Adjusted net interest income	Adjusted net interest margin
		Efficiency ratio
Net interest income		Adjusted efficiency ratio
Total noninterest income	Tax-equivalent revenue	Adjusted core efficiency ratio
Net security gains and losses		
Total noninterest expense	Non-interest expense excluding amortization of intangible assets	Efficiency ratio
Amortization of intangible assets	Adjusted noninterest expense	Adjusted efficiency ratio
	Adjusted core expense	Adjusted core efficiency ratio
Total noninterest expense	Noninterest expense, excluding non-operating adjustments	
Total assets	Tangible assets	Tangible common equity to tangible assets
Goodwill and other intangible assets, net		
Total stockholders' equity	Tangible common equity	Tangible common equity to tangible assets
Goodwill and other intangible assets, net	Tangible book value	Tangible book value per common share
Portfolio loans	Core loans	Core loans to portfolio loans
		Core loans to core deposits
Total deposits	Core deposits	Core deposits to total deposits
		Core loans to core deposits

A reconciliation of non-GAAP financial measures to what management believes to be the most directly comparable GAAP financial measures appears below.

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES (unaudited)

**Pre-Provision Net Revenue, Adjusted Pre-Provision Net Revenue,
Pre-Provision Net Revenue to Average Assets, and
Adjusted Pre-Provision Net Revenue to Average Assets**

(dollars in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
PRE-PROVISION NET REVENUE				
Net interest income	\$ 77,791	\$ 86,305	\$ 242,318	\$ 232,289
Total noninterest income	31,008	30,933	90,868	97,724
Net security (gains) losses	285	(4)	2,960	2,324
Total noninterest expense	(70,945)	(70,736)	(210,553)	(210,204)
Pre-provision net revenue	38,139	46,498	125,593	122,133
Non-GAAP adjustments:				
Acquisition and other restructuring expenses	79	957	91	2,095
Provision for unfunded commitments	13	(320)	(357)	525
Amortization of New Markets Tax Credits	2,260	1,665	6,740	4,668
Adjusted pre-provision net revenue	\$ 40,491	\$ 48,800	\$ 132,067	\$ 129,421
Pre-provision net revenue, annualized	[a] \$ 151,312	\$ 184,476	\$ 167,917	\$ 163,291
Adjusted pre-provision net revenue, annualized	[b] 160,644	193,609	176,573	173,035
Average total assets	[c] 12,202,783	12,531,856	12,225,232	12,547,816
Reported: Pre-provision net revenue to average assets ¹	[a÷c] 1.24 %	1.47 %	1.37 %	1.30 %
Adjusted: Pre-provision net revenue to average assets ¹	[b÷c] 1.32 %	1.54 %	1.44 %	1.38 %

1. Annualized measure.

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES (unaudited)
Adjusted Net Income, Adjusted Diluted Earnings Per Share, Adjusted Return on Average Assets, Average Tangible Common Equity, Return on Average Tangible Common Equity, and Adjusted Return on Average Tangible Common Equity
(dollars in thousands, except per share amounts)

		Three Months Ended September 30,		Nine Months Ended September 30,	
		2023	2022	2023	2022
NET INCOME ADJUSTED FOR NON-OPERATING ITEMS					
Net income	[a]	\$ 30,666	\$ 35,661	\$ 96,816	\$ 93,924
Non-GAAP adjustments:					
Acquisition expenses:					
Salaries, wages, and employee benefits		—	—	—	587
Data processing		—	—	—	214
Professional fees, occupancy, and other		79	4	91	242
Other restructuring expenses:					
Loss on leases or fixed asset impairment		—	877	—	976
Professional fees, occupancy, and other		—	76	—	76
Related tax benefit ¹		(15)	(183)	(18)	(399)
Adjusted net income	[b]	<u>\$ 30,730</u>	<u>\$ 36,435</u>	<u>\$ 96,889</u>	<u>\$ 95,620</u>
DILUTED EARNINGS PER SHARE					
Diluted average common shares outstanding	[c]	56,315,492	56,073,164	56,230,624	56,123,756
Reported: Diluted earnings per share	[a÷c]	\$ 0.54	\$ 0.64	\$ 1.72	\$ 1.67
Adjusted: Diluted earnings per share	[b÷c]	\$ 0.55	\$ 0.65	\$ 1.72	\$ 1.70
RETURN ON AVERAGE ASSETS					
Net income, annualized	[d]	\$ 121,664	\$ 141,481	\$ 129,443	\$ 125,576
Adjusted net income, annualized	[e]	121,918	144,552	129,540	127,844
Average total assets	[f]	12,202,783	12,531,856	12,225,232	12,547,816
Reported: Return on average assets ²	[d÷f]	1.00 %	1.13 %	1.06 %	1.00 %
Adjusted: Return on average assets ²	[e÷f]	1.00 %	1.15 %	1.06 %	1.02 %
RETURN ON AVERAGE TANGIBLE COMMON EQUITY					
Average common equity		\$ 1,208,407	\$ 1,181,448	\$ 1,195,858	\$ 1,219,645
Average goodwill and other intangible assets, net		(358,025)	(368,981)	(360,654)	(371,873)
Average tangible common equity	[g]	<u>\$ 850,382</u>	<u>\$ 812,467</u>	<u>\$ 835,204</u>	<u>\$ 847,772</u>
Reported: Return on average tangible common equity ²	[d÷g]	14.31 %	17.41 %	15.50 %	14.81 %
Adjusted: Return on average tangible common equity ²	[e÷g]	14.34 %	17.79 %	15.51 %	15.08 %

1. The year-to-date tax benefits were calculated by multiplying year-to-date acquisition expenses and other restructuring expenses by the effective tax rates for the year-to-date periods. The annual effective tax rates used in this calculation were 19.8% for the nine months ended September 30, 2023, and 19.1% for the nine months ended September 30, 2022. Quarterly tax benefits were calculated as the year-to-date amounts less the sum of amounts applied to previous quarters.

2. Annualized measure.

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES (unaudited)
Adjusted Net Interest Income and Adjusted Net Interest Margin
(dollars in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net interest income	\$ 77,791	\$ 86,305	\$ 242,318	\$ 232,289
Non-GAAP adjustments:				
Tax-equivalent adjustment ¹	553	543	1,672	1,635
Tax-equivalent net interest income	78,344	86,848	243,990	233,924
Purchase accounting accretion related to business combinations	(277)	(830)	(1,093)	(2,588)
Adjusted net interest income	\$ 78,067	\$ 86,018	\$ 242,897	\$ 231,336
Tax-equivalent net interest income, annualized [a]	\$ 310,821	\$ 344,560	\$ 326,214	\$ 312,756
Adjusted net interest income, annualized [b]	309,722	341,267	324,752	309,295
Average interest-earning assets [c]	11,118,167	11,497,783	11,142,780	11,550,887
Reported: Net interest margin ² [a÷c]	2.80 %	3.00 %	2.93 %	2.71 %
Adjusted: Net interest margin ² [b÷c]	2.79 %	2.97 %	2.91 %	2.68 %

1. The tax-equivalent adjustments were calculated using an estimated federal income tax rate of 21%, applied to non-taxable interest income on investments and loans.

2. Annualized measure.

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES (unaudited)
Noninterest Expense Excluding Amortization of Intangible Assets, Adjusted Noninterest Expense, Adjusted Core Expense, Noninterest Expense Excluding Non-operating Adjustments, Efficiency Ratio, Adjusted Efficiency Ratio, and Adjusted Core Efficiency Ratio
(dollars in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net interest income	\$ 77,791	\$ 86,305	\$ 242,318	\$ 232,289
Non-GAAP adjustments:				
Tax-equivalent adjustment ¹	553	543	1,672	1,635
Tax-equivalent net interest income	78,344	86,848	243,990	233,924
Total noninterest income	31,008	30,933	90,868	97,724
Non-GAAP adjustments:				
Net security (gains) losses	285	(4)	2,960	2,324
Noninterest income excluding net securities gains and losses	31,293	30,929	93,828	100,048
Tax-equivalent revenue [a]	\$ 109,637	\$ 117,777	\$ 337,818	\$ 333,972
Total noninterest expense	\$ 70,945	\$ 70,736	\$ 210,553	\$ 210,204
Non-GAAP adjustments:				
Amortization of intangible assets [b]	(2,555)	(2,871)	(7,953)	(8,833)
Non-interest expense excluding amortization of intangible assets [c]	68,390	67,865	202,600	201,371
Non-operating adjustments:				
Salaries, wages, and employee benefits	—	—	—	(587)
Data processing	—	—	—	(214)
Lease or fixed asset impairment	—	(877)	—	(976)
Professional fees and other	(79)	(80)	(91)	(318)
Adjusted noninterest expense [f]	68,311	66,908	202,509	199,276
Provision for unfunded commitments	(13)	320	357	(525)
Amortization of New Markets Tax Credits	(2,260)	(1,665)	(6,740)	(4,668)
Adjusted core expense [g]	\$ 66,038	\$ 65,563	\$ 196,126	\$ 194,083
Noninterest expense, excluding non-operating adjustments [f-b]	\$ 70,866	\$ 69,779	\$ 210,462	\$ 208,109
Reported: Efficiency ratio [c÷a]	62.38 %	57.62 %	59.97 %	60.30 %
Adjusted: Efficiency ratio [f÷a]	62.31 %	56.81 %	59.95 %	59.67 %
Adjusted: Core efficiency ratio [g÷a]	60.23 %	55.67 %	58.06 %	58.11 %

1. The tax-equivalent adjustments were calculated using an estimated federal income tax rate of 21%, applied to non-taxable interest income on investments and loans.

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES (unaudited)
Tangible Book Value and Tangible Book Value Per Common Share
(dollars in thousands, except per share amounts)

		As of	
		September 30, 2023	December 31, 2022
Total stockholders' equity		\$ 1,190,158	\$ 1,145,977
Goodwill and other intangible assets, net		(356,343)	(364,296)
Tangible book value	[a]	<u>\$ 833,815</u>	<u>\$ 781,681</u>
Ending number of common shares outstanding	[b]	55,342,017	55,279,124
Tangible book value per common share	[a÷b]	\$ 15.07	\$ 14.14

Tangible Assets, Tangible Common Equity, and Tangible Common Equity to Tangible Assets
(dollars in thousands)

		As of	
		September 30, 2023	December 31, 2022
Total assets		\$ 12,258,250	\$ 12,336,677
Non-GAAP adjustments:			
Goodwill and other intangible assets, net		(356,343)	(364,296)
Tax effect of other intangible assets ¹		7,354	8,847
Tangible assets²	[a]	<u>\$ 11,909,261</u>	<u>\$ 11,981,228</u>
Total stockholders' equity		\$ 1,190,158	\$ 1,145,977
Non-GAAP adjustments:			
Goodwill and other intangible assets, net		(356,343)	(364,296)
Tax effect of other intangible assets ¹		7,354	8,847
Tangible common equity²	[b]	<u>\$ 841,169</u>	<u>\$ 790,528</u>
Tangible common equity to tangible assets²	[b÷a]	7.06%	6.60%

1. Net of estimated deferred tax liability, calculated using the estimated statutory tax rate of 28%.

2. Tax-effected measure.

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES (unaudited)

**Core Loans, Core Loans to Portfolio Loans,
Core Deposits, Core Deposits to Total Deposits, and Core Loans to Core Deposits**
(dollars in thousands)

		As of	
		September 30, 2023	December 31, 2022
Portfolio loans	[a]	\$ 7,856,160	\$ 7,725,702
Non-GAAP adjustments:			
PPP loans amortized cost		(598)	(845)
Core loans	[b]	\$ 7,855,562	\$ 7,724,857
Total deposits	[c]	\$ 10,332,362	\$ 10,071,280
Non-GAAP adjustments:			
Brokered transaction accounts		(6,055)	(1,303)
Time deposits of \$250,000 or more		(350,276)	(120,377)
Core deposits	[d]	\$ 9,976,031	\$ 9,949,600
RATIOS			
Core loans to portfolio loans	[b÷a]	99.99%	99.99%
Core deposits to total deposits	[d÷c]	96.55%	98.79%
Core loans to core deposits	[b÷d]	78.74%	77.64%

FORWARD-LOOKING STATEMENTS

Statements made in this document, 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 Busey's financial condition, results of operations, plans, objectives, future performance, and business. Forward-looking statements, which may be based upon beliefs, expectations, and assumptions of 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, state, national, and international economy (including effects of inflationary pressures and supply chain constraints); (ii) the economic impact of any future terrorist threats or attacks, widespread disease or pandemics (including the Coronavirus Disease 2019 pandemic), or other adverse external events that could cause economic deterioration or instability in credit markets (including Russia's invasion of Ukraine and the Israeli-Palestinian conflict); (iii) changes in state and federal laws, regulations, and governmental policies concerning Busey's general business (including changes in response to the recent failures of other banks); (iv) changes in accounting policies and practices (v) changes in interest rates and prepayment rates of Busey's assets (including the impact of the LIBOR phase-out and the recent and potential additional rate increases by the Federal Reserve); (vi) increased competition in the financial services sector (including from non-bank competitors such as credit unions and fintech companies) and the inability to attract new customers; (vii) changes in technology and the ability to develop and maintain secure and reliable electronic systems; (viii) the loss of key executives or associates; (ix) changes in consumer spending; (x) unexpected results of current and/or future acquisitions, which may include failure to realize the anticipated benefits of any acquisition and the possibility that transaction costs may be greater than anticipated; (xi) unexpected outcomes of existing or new litigation involving Busey; (xii) fluctuations in the value of securities held in our securities portfolio; (xiii) concentrations within our loan portfolio, large loans to certain borrowers, and large deposits from certain clients; (xiv) the concentration of large deposits from certain clients who have balances above current FDIC insurance limits and may withdraw deposits to diversify their exposure; (xv) the level of non-performing assets on our balance sheets; (xvi) interruptions involving our information technology and communications systems or third-party servicers; (xvii) breaches or failures of our information security controls or cybersecurity-related incidents; and (xviii) the economic impact of exceptional weather occurrences such as tornadoes, hurricanes, floods, blizzards, and droughts. 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 Busey and our business, including additional factors that could materially affect our financial results, is included in our filings with the SEC.

CRITICAL ACCOUNTING ESTIMATES

Busey has established various accounting policies that govern the application of GAAP in the preparation of its unaudited consolidated financial statements. Significant accounting policies are described in "[Note 1. Significant Accounting Policies](#)" of [Busey's 2022 Annual Report](#).

Critical accounting estimates are those that are critical to the portrayal and understanding of Busey's financial condition and results of operations and require management to make assumptions that are difficult, subjective, or complex. These estimates involve judgments, assumptions, 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. Further, changes in accounting standards could impact our critical accounting estimates. Management has reviewed these critical accounting estimates and related disclosures with our Audit Committee. The following accounting policies could be deemed critical:

Fair Value of Debt Securities Available for Sale

Fair values of debt securities available for sale are measurements from an independent pricing service and are based on 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. Different fair value estimates could result from the use of different judgments and estimates to determine the fair values of securities.

Realized securities gains or losses are reported in the Consolidated Statements of Income (Unaudited). The cost of securities sold is based on the specific identification method.

A debt security available for sale is impaired if the fair value of the security declines below its amortized cost basis. To determine the appropriate accounting, we must first determine if we intend to sell the security or if it is more likely than not that we will be required to sell the security before the fair value increases to at least the amortized cost basis. If either of those selling events is expected, we will write down the amortized cost basis of the security to its fair value. This is achieved by writing off any previously recorded allowance related to the debt security, if applicable, and recognizing any incremental impairment through earnings. If we do not intend to sell the security, nor believe it more likely than not that we will be required to sell the security before the fair value recovers to the amortized cost basis, we must determine whether any of the decline in fair value has resulted from a credit loss, or if it is entirely the result of noncredit factors.

We consider the following factors in assessing whether the decline is due to a credit loss:

- Extent to which the fair value is less than the amortized cost basis;
- Adverse conditions specifically related to the security, an industry, or a geographic area (for example, changes in the financial condition of the issuer of the security, or in the case of an asset-backed debt security, in the financial condition of the underlying loan obligors);
- Payment structure of the debt security and the likelihood of the issuer being able to make payments that increase in the future;
- Failure of the issuer of the security to make scheduled interest or principal payments; and
- Any changes to the rating of the security by a rating agency.

Impairment related to a credit loss must be measured using the discounted cash flow method. Credit loss recognition is limited to the fair value of the security. Impairment is recognized by establishing an allowance for the debt security through the provision for credit losses. Impairment related to noncredit factors is recognized in AOCI, net of applicable taxes.

Fair Value of Assets Acquired and Liabilities Assumed in Business Combinations

Business combinations are accounted for using the acquisition method of accounting. Under the acquisition method of accounting, assets acquired and liabilities assumed are recorded at their estimated fair value on the date of acquisition. Fair values are determined based on the definition of “fair value” defined in ASC Topic 820 “*Fair Value Measurement*” as “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.”

The fair value of a loan portfolio acquired in a business combination generally requires greater levels of management estimates and judgment than other assets acquired or liabilities assumed. Acquired loans are in the scope of ASC Topic 326 “*Financial Instruments—Credit Losses*.” However, the offset to record the allowance on acquired loans at the date of acquisition depends on whether or not the loan is classified as PCD. The allowance for PCD loans is recorded through a gross-up effect, while the allowance for acquired non-PCD loans is recorded through provision expense, consistent with originated loans. Thus, the determination of which loans are PCD and non-PCD can have a significant effect on the accounting for these loans.

Goodwill

Goodwill represents the excess of purchase price over the fair value of net assets acquired using the acquisition method of accounting. Determining the fair value often involves estimates based on third-party valuations, such as appraisals, or internal valuations based on discounted cash flow analyses or other valuation techniques. Goodwill is not amortized. Instead, we assess the potential for impairment on an annual basis or more frequently if events and circumstances indicate that goodwill might be impaired.

Income Taxes

Busey estimates income tax expense based on amounts expected to be owed to federal and state tax jurisdictions. Estimated income tax expense is reported in the Consolidated Statements of Income (Unaudited). Accrued and deferred taxes, as reported in other assets or other liabilities in the Consolidated Balance Sheets (Unaudited), represent the net estimated amount due to or to be received from taxing jurisdictions either currently or in the future. Management judgment is involved in estimating accrued and deferred taxes, as it may be necessary to evaluate the risks and merits of the tax treatment of transactions, filing positions, and taxable income calculations after considering tax-related statutes, regulations, and other relevant factors. Because of the complexity of tax laws and interpretations, interpretation is subject to judgment.

Allowance for Credit Losses

Busey calculates the ACL at each reporting date. We recognize an allowance for the lifetime expected credit losses for the amount we do not expect to collect. Measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported book value. The calculation also contemplates that Busey may not be able to make or obtain such forecasts for the entire life of the financial assets and requires a reversion to historical credit loss information.

In determining the ACL, management relies predominantly on a disciplined credit review and approval process that extends to the full range of Busey’s credit exposure. The ACL must be determined on a collective (pool) basis when similar risk characteristics exist. On a case-by-case basis, we may conclude a loan should be evaluated on an individual basis based on disparate risk characteristics.

Loans deemed uncollectible are charged against and reduce the ACL. A provision for credit losses is charged to current expense and acts to replenish the ACL in order to maintain the ACL at a level that management deems adequate. Determining the ACL involves significant judgments and assumptions by management. Because of the nature of the judgments and assumptions made by management, actual results may differ from these judgments and assumptions.

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 a type of market risk to earnings and capital arising from movements in interest rates. Interest rate risk is the most significant market risk affecting 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 Busey’s business activities.

Busey has an asset-liability committee, whose policy is to meet at least quarterly, to review current market conditions and to structure the Consolidated Balance Sheets (Unaudited) to optimize stability in net interest income in consideration of projected future changes in interest rates.

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 one-year and a two-year time horizon and net interest income is calculated under current market rates and assuming permanent instantaneous shifts of +/-100, +/-200, +/-300, and +/-400 basis points. The model assumes immediate and sustained shifts in the federal funds rate and other market rate indices and 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. Assets and liabilities are assumed to remain constant as of the measurement date; variable-rate assets and liabilities are repriced based on repricing frequency; and prepayment speeds on loans are projected for both declining and rising rate environments.

Busey’s interest rate risk resulting from immediate and sustained changes 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, 2023	(7.11)%	(5.45)%	(3.66)%	(1.87)%	1.59%	3.21%	4.86%	6.55%
December 31, 2022	(21.24)%	(14.74)%	(8.08)%	(3.95)%	3.05%	6.11%	9.18%	12.27%

	Year-Two: Basis Point Changes							
	-400	-300	-200	- 100	+100	+200	+300	+400
September 30, 2023	(10.93)%	(8.11)%	(5.33)%	(2.67)%	1.90%	3.85%	5.86%	7.94%
December 31, 2022	(27.82)%	(19.56)%	(10.76)%	(5.27)%	3.94%	7.91%	11.94%	16.02%

Interest rate risk is monitored and managed within approved policy limits and any temporary exceptions to policy in periods of rapid rate movement are approved and documented. The calculation of potential effects of hypothetical interest rate changes is based on numerous assumptions and should not be relied upon as indicative of actual results. Actual results would likely differ from simulated results due to the timing, magnitude, and frequency of interest rate changes as well as changes in market conditions and management strategies.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

An evaluation of our disclosure controls and procedures, as defined in Rule 13a-15(e) under the Exchange Act, was carried out as of September 30, 2023, 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, 2023, 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 was (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 three months ended September 30, 2023, no change occurred in our internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

As part of the ordinary course of business, First Busey Corporation 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 Corporation 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 Busey in which any director, officer, or affiliate of 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 [Part I—Item 1A](#) of [Busey’s 2022 Annual Report](#).

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES, USE OF PROCEEDS, AND ISSUER PURCHASES OF EQUITY SECURITIES

On February 3, 2015, Busey’s board of directors authorized the Company to repurchase up to an aggregate of 666,667 shares of its common stock. The repurchase plan has no expiration date, and has been amended to increase the number of shares available for repurchase as follows:

- On May 22, 2019, Busey’s board of directors approved an amendment to increase the authorized shares under the repurchase plan by 1,000,000 shares.
- On February 5, 2020, Busey’s board of directors approved an amendment to increase the authorized shares under the repurchase plan by an additional 2,000,000 shares.
- On May 24, 2023, Busey’s board of directors approved an amendment to increase the authorized shares under the repurchase plan by an additional 2,000,000 shares.

During the third quarter of 2023, Busey purchased 65,123 shares under the repurchase plan. As of September 30, 2023, the Company had 2,037,087 shares that may still be purchased under the plan.

Period	Total Number of Shares Purchased	Weighted Average Price Paid per Common Share	Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares That May Yet Be Purchased Under the Plans or Programs
July 1-31, 2023	9,365	\$ 19.82	9,365	2,092,845
August 1-31, 2023	4,194	\$ 20.01	4,194	2,088,651
September 1-30, 2023	51,564	\$ 19.56	51,564	2,037,087
Three months ended September 30, 2023	65,123	\$ 19.63	65,123	
Nine months ended September 30, 2023	110,123	\$ 20.06	110,123	

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

ITEM 5. OTHER INFORMATION

During the fiscal quarter ended September 30, 2023, none of the Company's directors or executive officers adopted or terminated any contract, instruction, or written plan for the purchase or sale of Company securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or any non-Rule 10b5-1 trading arrangement.

ITEM 6. EXHIBITS

Exhibit Number	Description of Exhibit	Incorporated herein by reference				Filed Herewith
		Filing Entity ¹ (File No.)	Form	Exhibit	Filing Date	
31.1	Certification of Principal Executive Officer, pursuant to Rule 13a-14(a) and Rule 15d-14(a)					X
31.2	Certification of Principal Financial Officer, pursuant to Rule 13a-14(a) and Rule 15d-14(a)					X
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 First Busey's Chief Executive Officer					X
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 First Busey's Chief Financial Officer					X
101.INS	iXBRL Instance Document					
101.SCH	iXBRL Taxonomy Extension Schema					
101.CAL	iXBRL Taxonomy Extension Calculation Linkbase					
101.LAB	iXBRL Taxonomy Extension Label Linkbase					
101.PRE	iXBRL Taxonomy Extension Presentation Linkbase					
101.DEF	iXBRL Taxonomy Extension Definition Linkbase					
104.0	Cover Page Interactive Data File (formatted as inline XBRL with applicable taxonomy extension information contained in Exhibits 101)					

SIGNATURES

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

Date: November 2, 2023

FIRST BUSEY CORPORATION
(Registrant)

By: /s/ VAN A. DUKEMAN

Van A. Dukeman
Chairman, President and Chief Executive Officer
(Principal Executive Officer)

By: /s/ JEFFREY D. JONES

Jeffrey D. Jones
Chief Financial Officer
(Principal Financial Officer)

By: /s/ SCOTT A. PHILLIPS

Scott A. Phillips
Corporate Controller and Principal Accounting Officer
(Principal Accounting Officer)

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, Van A. Dukeman, Chairman, 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

Chairman, President and Chief Executive Officer

Date: November 2, 2023

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, Jeffrey D. Jones, 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/ JEFFREY D. JONES

Jeffrey D. Jones

Chief Financial Officer

Date: November 2, 2023

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, 2023, 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

Chairman, President and Chief Executive Officer

Date: November 2, 2023

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, 2023, 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/ JEFFREY D. JONES

Jeffrey D. Jones

Chief Financial Officer

Date: November 2, 2023