UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

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

For the Quarterly Period Ended 9/30/2016

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

Commission File No. 0-15950

FIRST BUSEY CORPORATION
(Exact name of registrant as specified in its charter)

Nevada	**37-1078406**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
100 W. University Ave. **Champaign, Illinois** (Address of principal executive offices)	**61820** (Zip code)

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

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

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

Yes x No o

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

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

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

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

Yes o No x

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

Class	Outstanding at November 8, 2016
Common Stock, $.001 par value	38,207,190

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

FIRST BUSEY CORPORATION and Subsidiaries
CONSOLIDATED BALANCE SHEETS
September 30, 2016 and December 31, 2015
(Unaudited)

	September 30, 2016	December 31, 2015
	(dollars in thousands)	
Assets		
Cash and due from banks (interest-bearing 2016 $288,016; 2015 $250,404)	$ 358,337	$ 319,280
Federal funds sold	2,498	—
Cash and cash equivalents	$ 360,835	$ 319,280
Securities available for sale, at fair value	774,683	834,838
Securities held to maturity, at amortized cost	50,460	49,832
Loans held for sale	266,382	9,351
Portfolio loans (net of allowance for loan losses 2016 $47,847; 2015 $47,487)	3,759,766	2,580,252
Premises and equipment, net	80,287	63,088
Goodwill	102,356	25,510
Other intangible assets, net	19,743	7,432
Cash surrender value of bank owned life insurance	79,455	43,103
Deferred tax asset, net	20,651	21,638
Other assets	77,623	44,652
Total assets	$ 5,592,241	$ 3,998,976
Liabilities and Stockholders' Equity		
Liabilities		
Deposits:		
Noninterest-bearing	$ 996,750	$ 881,685
Interest-bearing	3,339,756	2,407,421
Total deposits	$ 4,336,506	$ 3,289,106
Securities sold under agreements to repurchase	212,363	172,972
Short-term borrowings	246,700	—
Long-term debt	80,000	80,000
Junior subordinated debt owed to unconsolidated trusts	70,834	55,000
Other liabilities	49,764	28,712
Total liabilities	$ 4,996,167	$ 3,625,790
Commitments and contingencies (See Note 13- Outstanding Commitments and Contingent Liabilities)		
Stockholders' Equity		
Common stock, $.001 par value, authorized 66,666,667 shares; shares issued 2016 38,869,519; 2015 29,427,738	39	29
Additional paid-in capital	783,409	591,053
Accumulated deficit	(168,552)	(190,265)
Accumulated other comprehensive income	6,758	2,340
Total stockholders' equity before treasury stock	$ 621,654	$ 403,157
Common stock shares held in treasury at cost, 2016 662,512; 2015 732,887	(25,580)	(29,971)
Total stockholders' equity	$ 596,074	$ 373,186
Total liabilities and stockholders' equity	$ 5,592,241	$ 3,998,976
Common shares outstanding at period end	38,207,007	28,694,851

See accompanying notes to unaudited Consolidated Financial Statements.

FIRST BUSEY CORPORATION and Subsidiaries
CONSOLIDATED STATEMENTS OF INCOME
For the Nine Months Ended September 30, 2016 and 2015
(Unaudited)

	2016	2015
	(dollars in thousands, except per share amounts)	
Interest income:		
Interest and fees on loans	$ 104,333	$ 73,851
Interest and dividends on investment securities:		
Taxable interest income	10,585	10,588
Non-taxable interest income	2,332	2,464
Total interest income	$ 117,250	$ 86,903
Interest expense:		
Deposits	$ 4,998	$ 3,624
Federal funds purchased and securities sold under agreements to repurchase	274	132
Short-term borrowings	461	—
Long-term debt	155	31
Junior subordinated debt owed to unconsolidated trusts	1,337	900
Total interest expense	$ 7,225	$ 4,687
Net interest income	$ 110,025	$ 82,216
Provision for loan losses	4,050	600
Net interest income after provision for loan losses	$ 105,975	$ 81,616

Non-interest income:				
Trust fees	$	15,112	$	15,385
Commissions and brokers' fees, net		2,095		2,402
Remittance processing		8,558		8,372
Service charges on deposit accounts		11,562		9,292
Other service charges and fees		5,512		4,883
Gain on sales of loans, net		8,130		4,843
Security gains (losses), net		1,230		(21)
Other income		3,969		3,321
Total non-interest income	$	56,168	$	48,477
Non-interest expense:				
Salaries and wages	$	44,103	$	41,181
Employee benefits		11,472		7,215
Net occupancy expense of premises		8,300		6,496
Furniture and equipment expense		4,564		3,793
Data processing		12,677		9,843
Amortization of intangible assets		3,157		2,384
Regulatory expense		2,274		1,813
Other expense		16,904		14,217
Total non-interest expense	$	103,451	$	86,942
Income before income taxes	$	58,692	$	43,151
Income taxes		20,453		14,828
Net income	$	38,239	$	28,323
Preferred stock dividends		—		545
Net income available to common stockholders	$	38,239	$	27,778
Basic earnings per common share	$	1.12	$	0.96
Diluted earnings per common share	$	1.11	$	0.95
Dividends declared per share of common stock	$	0.51	$	0.45

See accompanying notes to unaudited Consolidated Financial Statements.

FIRST BUSEY CORPORATION and Subsidiaries
CONSOLIDATED STATEMENTS OF INCOME
For the Three Months Ended September 30, 2016 and 2015
(Unaudited)

		2016		2015
		(dollars in thousands, except per share amounts)		
Interest income:				
Interest and fees on loans	$	43,002	$	25,099
Interest and dividends on investment securities:				
Taxable interest income		3,398		3,791
Non-taxable interest income		788		840
Total interest income	$	47,188	$	29,730
Interest expense:				
Deposits	$	2,099	$	1,175
Federal funds purchased and securities sold under agreements to repurchase		102		44
Short-term borrowings		263		—
Long-term debt		55		10
Junior subordinated debt owed to unconsolidated trusts		538		306
Total interest expense	$	3,057	$	1,535
Net interest income	$	44,131	$	28,195
Provision for loan losses		1,950		100
Net interest income after provision for loan losses	$	42,181	$	28,095
Non-interest income:				
Trust fees	$	4,520	$	4,542
Commissions and brokers' fees, net		740		799
Remittance processing		2,803		2,897
Service charges on deposit accounts		4,518		3,312
Other service charges and fees		1,977		1,614
Gain on sales of loans, net		4,526		1,549
Security gains (losses), net		11		—
Other income		1,650		1,176
Total non-interest income	$	20,745	$	15,889
Non-interest expense:				
Salaries and wages	$	17,197	$	13,365
Employee benefits		4,519		2,352
Net occupancy expense of premises		3,401		2,090
Furniture and equipment expense		1,836		1,319
Data processing		4,430		3,082
Amortization of intangible assets		1,282		807

Regulatory expense	802	610
Other expense	5,948	4,325
Total non-interest expense	$ 39,415	$ 27,950
Income before income taxes	$ 23,511	$ 16,034
Income taxes	8,089	5,408
Net income	$ 15,422	$ 10,626
Preferred stock dividends	—	182
Net income available to common stockholders	$ 15,422	$ 10,444
Basic earnings per common share	$ 0.40	$ 0.36
Diluted earnings per common share	$ 0.40	$ 0.36
Dividends declared per share of common stock	$ 0.17	$ 0.15

See accompanying notes to unaudited Consolidated Financial Statements.

FIRST BUSEY CORPORATION and Subsidiaries
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the Three and Nine Months Ended September 30, 2016 and 2015
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
	(dollars in thousands)			
Net income	$ 15,422	$ 10,626	$ 38,239	$ 28,323
Other comprehensive income, before tax:				
Securities available for sale:				
Unrealized net (losses) gains on securities:				
Unrealized net holding (losses) gains arising during period	$ (2,017)	$ 2,512	$ 8,582	$ 1,661
Reclassification adjustment for (gains) losses included in net income	(11)	—	(1,230)	21
Other comprehensive (loss) income, before tax	$ (2,028)	$ 2,512	$ 7,352	$ 1,682
Income tax (benefit) expense related to items of other comprehensive income	(815)	1,005	2,934	673
Other comprehensive (loss) income, net of tax	$ (1,213)	$ 1,507	$ 4,418	$ 1,009
Comprehensive income	$ 14,209	$ 12,133	$ 42,657	$ 29,332

See accompanying notes to unaudited Consolidated Financial Statements.

FIRST BUSEY CORPORATION and Subsidiaries
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
For the Nine Months Ended September 30, 2016 and 2015
(Unaudited)

(dollars in thousands, except per share amounts)

	Preferred Stock	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Treasury Stock	Total
Balance, December 31, 2014	$ 72,664	$ 29	$ 593,746	$ (210,384)	$ 5,817	$ (28,233)	$ 433,639
Net income	—	—	—	28,323	—	—	28,323
Other comprehensive income	—	—	—	—	1,009	—	1,009
Issuance of treasury stock for employee stock purchase plan	—	—	(495)	—	—	745	250
Net issuance of treasury stock for restricted stock unit vesting and related tax benefit	—	—	(3,784)	—	—	3,643	(141)
Issuance of treasury stock	—	—	—	—	—	34	34
Cash dividends on common stock of $0.45 per share	—	—	—	(13,041)	—	—	(13,041)
Stock dividend equivalents on restricted stock units of $0.45 per share	—	—	185	(185)	—	—	—
Stock-based employee compensation	—	—	1,001	—	—	—	1,001
Preferred stock dividends	—	—	—	(545)	—	—	(545)
Purchase of treasury stock	—	—	—	—	—	(6,296)	(6,296)
Cash paid in lieu of fractional shares in reverse stock split	—	—	(5)	—	—	—	(5)

Balance, September 30, 2015	$ 72,664	$ 29	$ 590,648	$ (195,832)	$ 6,826	$ (30,107)	$ 444,228
Balance, December 31, 2015	$ —	$ 29	$ 591,053	$ (190,265)	$ 2,340	$ (29,971)	$ 373,186
Net income	—	—	—	38,239	—	—	38,239
Other comprehensive income	—	—	—	—	4,418	—	4,418
Stock issued for acquisition of Pulaski, net of stock issuance costs	—	10	195,188	—	—	—	195,198
Issuance of treasury stock for employee stock purchase plan	—	—	(552)	—	—	805	253
Net issuance of treasury stock for restricted stock unit vesting and related tax benefit	—	—	(2,929)	—	—	2,668	(261)
Net issuance of stock options exercised, net of shares redeemed	—	—	(923)	—	—	923	—
Cash dividends on common stock of $0.51 per share	—	—	—	(16,253)	—	—	(16,253)
Stock dividend equivalents on restricted stock units of $0.51 per share	—	—	263	(263)	—	—	—
Stock dividend accrued on restricted stock awards assumed with the Pulaski acquisition at $0.17 per share	—	—	—	(10)	—	—	(10)
Stock-based employee compensation	—	—	1,309	—	—	—	1,309
Return of equity trust shares	—	—	—	—	—	(5)	(5)
Balance, September 30, 2016	$ —	$ 39	$ 783,409	$ (168,552)	$ 6,758	$ (25,580)	$ 596,074

See accompanying notes to unaudited Consolidated Financial Statements.

FIRST BUSEY CORPORATION and Subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Nine Months Ended September 30, 2016 and 2015
(Unaudited)

	2016	2015
	(dollars in thousands)	
Cash Flows from Operating Activities		
Net income	$ 38,239	$ 28,323
Adjustments to reconcile net income to net cash provided by operating activities:		
Stock-based and non-cash compensation	1,309	1,001
Depreciation	5,330	4,267
Amortization of intangible assets	3,157	2,384
Provision for loan losses	4,050	600
Provision for deferred income taxes	(1,948)	(1,986)
Amortization of security premiums and discounts, net	5,407	6,336
Accretion of premiums and discounts on time deposits and trust preferred securities, net	(529)	—
Accretion of premiums and discounts on portfolio loans, net	(4,329)	(1,222)
Net security (gains) losses	(1,230)	21
Gain on sales of loans, net	(8,130)	(4,843)
Net losses on disposition of premises and equipment	36	145
Premises and equipment impairment	650	670
Increase in cash surrender value of bank owned life insurance	(1,257)	(1,090)
Change in assets and liabilities:		
Decrease in other assets	5,790	2,028
Increase (decrease) in other liabilities	1,125	(2,937)
Decrease in interest payable	(61)	(98)
(Increase) decrease in income taxes receivable	(1,073)	3,742
Net cash provided by operating activities before activities for loans originated for sale	$ 46,536	$ 37,341
Loans originated for sale	(1,218,032)	(228,307)
Proceeds from sales of loans	1,139,884	229,604
Net cash (used in) provided by operating activities	$ (31,612)	$ 38,638
Cash Flows from Investing Activities		
Proceeds from sales of securities classified available for sale	49,378	15,302
Proceeds from sales of securities classified held to maturity	399	—
Proceeds from maturities of securities classified available for sale	183,329	152,165
Proceeds from maturities of securities classified held to maturity	1,333	408
Purchase of securities classified available for sale	(121,633)	(235,905)
Purchase of securities classified held to maturity	(2,103)	(16,025)
Net decrease (increase) in portfolio loans	62,154	(54,656)
Proceeds from disposition of premises and equipment	864	311

Proceeds from sale of other real estate owned ("OREO") properties	3,911	927
Purchases of premises and equipment	(6,748)	(3,265)
Net cash received in acquisitions	25,575	12,114
Proceeds from the redemption of Federal Home Loan Bank ("FHLB") stock	17,640	—
Purchase of FHLB stock	(23,478)	—
Net cash provided by (used in) investing activities	$ 190,621	$ (128,624)

(continued on next page)

FIRST BUSEY CORPORATION and Subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)
For the Nine Months Ended September 30, 2016 and 2015
(Unaudited)

	2016	2015
	(dollars in thousands)	
Cash Flows from Financing Activities		
Net decrease in certificates of deposit	$ (131,917)	$ (66,625)
Net (decrease) increase in demand, money market and savings deposits	(48,112)	34,406
Proceeds from FHLB short term advances	57,700	—
Repayment of FHLB long term advances	(4,906)	—
Proceeds from short-term borrowings	10,000	—
Cash dividends paid	(16,263)	(13,586)
Value of shares surrendered upon vesting of restricted stock units to satisfy tax obligations	(261)	(269)
Net increase (decrease) in securities sold under agreements to repurchase	16,551	(21,932)
Cash payment for fractional shares related to reverse stock split	—	(5)
Purchase of treasury stock	—	(6,296)
Common stock issuance costs	(246)	—
Net cash used in financing activities	$ (117,454)	$ (74,307)
Net increase (decrease) in cash and cash equivalents	$ 41,555	$ (164,293)
Cash and cash equivalents, beginning of period	$ 319,280	$ 339,438
Cash and cash equivalents, ending of period	$ 360,835	$ 175,145

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash payments for:		
Interest	$ 6,658	$ 4,751
Income taxes	$ 13,900	$ 9,570
Non-cash investing and financing activities:		
Real estate acquired in settlement of loans	$ 2,175	$ 399

See accompanying notes to unaudited Consolidated Financial Statements.

FIRST BUSEY CORPORATION and Subsidiaries
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Basis of Presentation

The accompanying unaudited Consolidated Financial Statements of First Busey Corporation ("First Busey" or the "Company"), a Nevada corporation, have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC") for interim financial information and with the instructions to Form 10-Q, and do not include certain information and footnote disclosures required by U.S. generally accepted accounting principles ("GAAP") for complete annual financial statements. Accordingly, these financial statements should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 2015 on file with the SEC.

On May 20, 2015, at the Company's Annual Meeting of Stockholders, the Company's stockholders approved a resolution to authorize the board of directors to implement a reverse stock split of the Company's common stock at a ratio of one-for-three (the "Reverse Stock Split"). On August 17, 2015, the board of directors authorized the Reverse Stock Split, which became effective on September 8, 2015.

The accompanying Consolidated Balance Sheet as of December 31, 2015, which has been derived from audited financial statements, and the unaudited Consolidated Financial Statements have been prepared in accordance with GAAP and reflect all adjustments that are, in the opinion of management, necessary for the fair presentation of the financial position and results of operations as of the dates and for the periods presented. All such adjustments are of a normal recurring nature. The results of operations for the three and nine months ended September 30, 2016 are not necessarily indicative of the results that may be expected for the year ending December 31, 2016.

On April 30, 2016, First Busey completed its acquisition of Pulaski Financial Corp., a Missouri corporation ("Pulaski"), and Pulaski Bank, National Association ("Pulaski Bank"). The unaudited Consolidated Financial Statements include the accounts of the Company, Busey Bank and Busey Bank's wholly owned subsidiary, FirsTech, Inc., Pulaski Bank and Pulaski Bank's wholly owned subsidiaries, Pulaski Service Corporation and Priority Property Holdings, LLC (each as of April 30, 2016) and Busey Wealth Management, Inc. and its wholly owned subsidiary, Busey Trust Company. All material intercompany transactions and balances have been eliminated in consolidation. Certain prior-year amounts have been reclassified to conform to the current presentation with no effect on net income or stockholders' equity.

In preparing the accompanying unaudited Consolidated Financial Statements, the Company's management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses for the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the fair value of investment securities, the fair value of assets acquired and liabilities assumed in business combinations and the determination of the allowance for loan losses.

Effective January 1, 2016, the Company elected to account for all loans held for sale at fair value. Prior to this change, the Company accounted for loans held for sale at the lower of cost or fair value. See Note 17 - Fair Value Measurements for further discussion.

The Company has evaluated subsequent events for potential recognition and/or disclosure through the date the unaudited Consolidated Financial Statements included in this Quarterly Report on Form 10-Q were issued. On November 4, 2016, Pulaski Bank was merged with and into Busey Bank. In addition, on October 21, 2016 a return of capital and associated surplus to the Company from Busey Bank was executed as discussed in Note 14 — Capital. Other than the bank merger and return of capital and associated surplus, there were no significant subsequent events for the quarter ended September 30, 2016 through the filing date of these unaudited Consolidated Financial Statements that warranted adjustment to or disclosure in the unaudited Consolidated Financial Statements.

Note 2: Acquisitions

Pulaski Financial Corp.

On April 30, 2016, First Busey completed its acquisition of Pulaski. Pulaski Bank, which was Pulaski's wholly owned bank subsidiary prior to the acquisition, offers a full line of quality retail and commercial banking products through thirteen full-service branch offices in the St. Louis metropolitan area. Pulaski Bank also offers mortgage loan products through loan production offices in the St. Louis, Kansas City, Chicago, and Omaha-Council Bluffs metropolitan areas and other locations across the Midwest. The operating results of Pulaski are included with the Company's results of operations since the date of acquisition. First Busey operated Pulaski Bank as a separate subsidiary from May 1, 2016 until November 4, 2016 when it was merged with and into Busey Bank. At that time, Pulaski Bank's branches became branches of Busey Bank.

Under the terms of the definitive agreement, at the effective time of the acquisition, each share of Pulaski common stock issued and outstanding was converted into 0.79 shares of First Busey common stock and cash in lieu of fractional shares. The market value of the 9.4 million shares of First Busey common stock issued at the effective time of the acquisition was approximately $193.0 million based on First Busey's closing stock price of $20.44 on April 29, 2016. In addition, all of the options to purchase shares of Pulaski common stock that were outstanding at the acquisition date were converted into options to purchase shares of First Busey common stock, adjusted for the 0.79 exchange ratio.

The acquisition of Pulaski allows the Company to significantly expand its geographic presence through a premier St. Louis banking franchise with an almost 100-year history and a strong regional residential lending presence. In addition, this transaction is strategically compelling and financially attractive because it creates a Midwest community bank with greater scale and operating efficiency, along with geographic and balance sheet diversification. It also provides cross-sale opportunities to the Company's Wealth Management operating segment. Pulaski has a deep and experienced management team to assist in post-acquisition integration and market expansion, and a similar culture to First Busey to facilitate a successful integration process. By acquiring organizations with a similar philosophy in markets that complement the Company's existing customer base, First Busey intends to expand its franchise through balanced, integrated growth strategies that generate value.

This transaction was accounted for using the acquisition method of accounting and, accordingly, assets acquired, liabilities assumed, and consideration exchanged were recorded at their estimated fair values on the date of acquisition. Fair values are subject to refinement for up to one year after the closing date of April 30, 2016 as additional information regarding the closing date fair values becomes available. The total consideration paid, which was used to determine the amount of goodwill resulting from the transaction, also included the fair value of outstanding Pulaski stock options that were converted into options to purchase common shares of First Busey. As the total consideration paid for Pulaski exceeded the net assets acquired, goodwill of $76.8 million was recorded as a result of the acquisition. Goodwill recorded in the transaction, which reflects the synergies expected from the acquisition and the enhanced revenue opportunities from the Company's broader service capabilities in the St. Louis market, is not tax deductible, and was assigned to the Banking operating segment.

First Busey incurred $0.8 million and $3.1 million in pre-tax expenses related to the acquisition of Pulaski for the three and nine months ended September 30, 2016, respectively, including professional and legal fees of $0.2 million and $1.1 million, respectively, to directly consummate the acquisition, all of which are reported as a component of non-interest expense in the accompanying unaudited Consolidated Financial Statements. The remainder of the expenses primarily relate to data processing conversion expenses and restructuring expenses.

The following table presents the assets acquired and liabilities assumed of Pulaski as of April 30, 2016 and their fair value estimates *(dollars in thousands)*:

	As Recorded by Pulaski	Fair Value Adjustments		As Recorded by First Busey
Assets acquired:				
Cash and cash equivalents	$ 25,580	$ —		$ 25,580
Securities	47,895	105	(a)	48,000
Loans held for sale	184,856	—		184,856
Portfolio loans	1,243,913	(14,452)	(b)	1,229,461
Premises and equipment	17,236	95	(c)	17,331

OREO	5,022	(2,534)	(d)	2,488
Goodwill	3,939	(3,939)	(e)	—
Other intangible assets	—	15,468	(f)	15,468
Other assets	70,365	(338)	(g)	70,027
Total assets acquired	1,598,806	(5,595)		1,593,211
Liabilities assumed:				
Deposits	1,226,906	1,102	(h)	1,228,008
Other borrowings	205,840	906	(i)	206,746
Trust preferred securities	19,589	(3,805)	(j)	15,784
Other liabilities	24,594	(524)	(k)	24,070
Total liabilities assumed	1,476,929	(2,321)		1,474,608
Net assets acquired	$ 121,877	$ (3,274)		$ 118,603
Consideration paid:				
Cash				$ 5
Common stock				192,990
Fair value of stock options assumed				2,454
Total consideration paid				195,449
Goodwill				$ 76,846

Explanation:

(a) Fair value adjustments of the securities portfolio as of the acquisition date.
(b) Fair value adjustments based on the Company's evaluation of the acquired loan portfolio, write-off of net deferred loan costs and elimination of the allowance for loan losses recorded by Pulaski. $16.9 million is expected to be accreted over the estimated four year remaining life of the respective loans in a manner that approximates the level yield method.
(c) Fair value adjustments based on the Company's evaluation of the acquired premises and equipment.
(d) Fair value adjustment based on the Company's evaluation of the acquired OREO portfolio.
(e) Eliminate Pulaski's existing goodwill.
(f) Recording of the core deposit intangible asset on the acquired core deposit accounts. Amount to be amortized using a sum of years digits method over a 14 year useful life.
(g) Fair value adjustment of other assets at the acquisition date.
(h) Fair value adjustment to time deposits. Amount to be accreted over two years in a manner that approximates the level yield method.
(i) Fair value adjustment to the FHLB borrowings. Such borrowings were repaid shortly after the acquisition date, so there will be no discount accretion.
(j) Fair value adjustment to the trust preferred securities at the acquisition date. Amount to be accreted over the weighted average remaining life of 18 years in a manner that approximates the level yield method.
(k) Fair value adjustment of other liabilities at the acquisition date.

The loans acquired in this transaction were recorded at fair value with no carryover of any existing allowance for loan losses. Loans that were not deemed to be credit-impaired at the acquisition date were accounted for under FASB ASC 310-20, *Receivables-Nonrefundable Fees and Other Costs* and were subsequently considered as part of the Company's determination of the adequacy of the allowance for loan losses. Purchased credit-impaired ("PCI") loans, which are loans with evidence of credit quality deterioration at the date of acquisition, were accounted for under FASB ASC 310-30, *Receivables — Loans and Debt Securities Acquired with Deteriorated Credit Quality*. As of the acquisition date, the aggregate principal outstanding and aggregate fair value of the acquired performing loans, including loans held for sale, both rounded to $1.4 billion. The difference between the aggregate principal balance outstanding and aggregate fair value of $16.6 million is expected to be accreted over the estimated four year remaining life of the respective loans in a manner that approximates the level yield method. As of the acquisition date, the aggregate principal balance outstanding of PCI loans totaled $21.2 million and the aggregate fair value of PCI loans totaled $9.7 million, which became such loans' new carrying value. During the third quarter of 2016, PCI loans with a carrying value of $6.2 million were sold to outside parties. For PCI loans, the difference between contractually required payments at the acquisition date and the cash flow expected to be collected is referred to as the non-accretable difference. Further, the excess of cash flows expected at acquisition over the fair value is referred to as the accretable yield. The accretable yield, as of the acquisition date, of $0.3 million on PCI loans was expected to be recognized over the estimated four year remaining life of the respective loans in a manner that approximates the level yield method; however, the majority was accelerated in the third quarter of 2016 due to the loan sale.

Since the acquisition date, Pulaski Bank earned total revenues of $33.3 million and net income of $8.8 million, which are included in the Company's Consolidated Statements of Income for the nine months ended September 30, 2016. The following table provides the unaudited pro forma information for the results of operations for the three and nine months ended September 30, 2016 and 2015, as if the acquisition had occurred on January 1, 2015. The pro forma results combine the historical results of Pulaski with the Company's Consolidated Statements of Income, adjusted for the impact of the application of the acquisition method of accounting including loan discount accretion, intangible assets amortization, and deposit and trust preferred securities premium accretion, net of taxes. The pro forma results have been prepared for comparative purposes only and are not necessarily indicative of the results that would have been obtained had the acquisition actually occurred on January 1, 2015. No assumptions have been applied to the pro forma results of operations regarding possible revenue enhancements, expense efficiencies or asset dispositions. Only the acquisition related expenses that have been incurred as of September 30, 2016 are included in net income in the table below. Acquisition related expenses that were recognized and are included in the pro forma net income for the three and nine months ended September 30, 2016 totaled $0.8 million and $8.1 million, respectively, on a pre-tax basis. Such expenses consisted primarily of professional fees to transact the acquisition, data processing conversion expenses and compensation to certain officers required under employment agreements.

	Pro Forma Three Months Ended September 30,		Pro Forma Nine Months Ended September 30,	
	2016	2015	2016	2015

	(dollars in thousands)			
Total revenues (net interest income plus non-interest income)	$ 63,600	$ 61,855	$ 184,677	$ 184,917
Net income	14,600	15,028	36,408	42,565
Diluted earnings per common share	0.38	0.38	0.94	1.09

Herget Financial Corp.

On January 8, 2015, First Busey acquired Herget Financial Corp. ("Herget Financial"), headquartered in Pekin, Illinois and its wholly owned bank subsidiary, Herget Bank, National Association ("Herget Bank"). First Busey operated Herget Bank as a separate banking subsidiary from January 9, 2015 until March 13, 2015, when it was merged with and into Busey Bank. At that time, Herget Bank's branches in Pekin, Illinois became branches of Busey Bank. The operating results of Herget Financial are included in the Company's results of operations since the date of acquisition. This transaction was accounted for using the acquisition method of accounting and, accordingly, assets acquired, liabilities assumed, and consideration exchanged were recorded at estimated fair values on the date of acquisition.

Expenses related to the acquisition of Herget Financial for the first nine months of 2016 were insignificant. During the first nine months of 2015, pre-tax expenses related to the acquisition of Herget Financial totaled $1.0 million. The 2015 expenses were comprised primarily of system conversion, restructuring, legal, consulting, regulatory and marketing costs, all of which are reported as a component of non-interest expense in the accompanying unaudited Consolidated Financial Statements.

Note 3: Recent Accounting Pronouncements

Accounting Standards Update ("ASU") 2014-09, "Revenue from Contracts with Customers (Topic 606)." ASU 2014-09 outlines a single model for companies to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. ASU 2014-09 will require that companies recognize revenue based on the value of transferred goods or services as they occur in the contract and will also require additional disclosures. The new authoritative guidance was originally effective for reporting periods after December 15, 2016. In August 2015, *ASU 2015-14, "Revenue from Contracts with Customers (Topic 606)"* was issued to delay the effective date of ASU 2014-09 by one year. The Company is evaluating the impact this guidance will have on its Consolidated Financial Statements and related disclosures.

ASU 2016-01, "Financial Instruments — Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities." ASU 2016-01 is intended to improve the recognition and measurement of financial instruments by, among other things, requiring: equity investments, with certain exceptions, to be measured at fair value with changes in fair value recognized in net income; public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes; separate presentation of financial assets and financial liabilities by measurement category and form of financial assets on the balance sheet or the accompanying notes to the financial statements; eliminating the requirement for public business entities to disclose the method and significant assumptions used to estimate the fair value that is to be required to be disclosed for financial instruments measured at amortized cost on the balance sheet; and requiring an entity to present separately in other comprehensive income the portion of the total change in fair value of a liability resulting from the change in the instrument-specific credit risk when the organization has elected to measure the liability at fair value in accordance with the fair value option for financial instruments. ASU 2016-01 will be effective on January 1, 2018 and the Company is evaluating the impact this guidance will have on its Consolidated Financial Statements and related disclosures.

ASU 2016-02, "Leases (Topic 842)." ASU 2016-02 intends to increase transparency and comparability among organizations by recognizing all lease transactions (with terms in excess of 12 months) on the balance sheet as a lease liability and a right-of-use asset. The guidance also requires qualitative and quantitative disclosures designed to assess the amount, timing and uncertainty of cash flows arising from leases. This guidance is effective for annual reporting periods beginning after December 15, 2018, including interim periods within those fiscal years. Upon adoption, the lessee will apply the new standard retrospectively to all periods presented or retrospectively using a cumulative effect adjustment in the year of adoption. The Company is evaluating the impact this guidance will have on its Consolidated Financial Statements and related disclosures.

ASU 2016-09, "Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting." ASU 2016-09 is intended to simplify several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities and classification on the statement of cash flows. This guidance is effective for reporting periods after December 15, 2016, and interim periods within those fiscal years with early adoption permitted. The Company elected to early adopt this update in the third quarter of the current fiscal year and adoption of this did not have a significant impact to its Consolidated Financial Statements and related disclosures.

ASU 2016-13, "Financial Instruments — Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments." ASU 2016-13 implements a comprehensive change in estimating the allowances for loan losses from the current model of losses inherent in the loan portfolio to a current expected credit loss model that generally is expected to result in earlier recognition of allowances for losses. Further, purchase accounting rules have been modified as well as credit losses on held to maturity debt securities. ASU 2016-13 will be effective in the first quarter of 2020. The Company is evaluating the impact this guidance will have on its Consolidated Financial Statements and related disclosures.

ASU 2016-15, "Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments." ASU 2016-15 provides clarification regarding how certain cash receipts and cash payment are presented and classified in the Consolidated Statements of Cash Flows. This update is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years, with early adoption permitted. The Company does not expect the adoption of this guidance to have a material impact to its Consolidated Financial Statements.

Note 4: Securities

Securities are classified as held to maturity when First Busey has the ability and management has the intent to hold those securities to maturity. Accordingly, they are stated at cost, adjusted for amortization of premiums and accretion of discounts. Securities are classified as available for sale when First Busey may decide to sell those securities due to changes in market interest rates, liquidity needs, changes in yields on alternative investments, and for other reasons. They are carried at fair value with unrealized gains and losses, net of taxes, reported in other comprehensive income.

The amortized cost, unrealized gains and losses and fair values of securities are summarized as follows:

September 30, 2016:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(dollars in thousands)			
Available for sale				
U.S. Treasury securities	$ 64,822	$ 444	$ —	$ 65,266
Obligations of U.S. government corporations and agencies	105,071	465	—	105,536
Obligations of states and political subdivisions	161,535	2,443	(38)	163,940
Residential mortgage-backed securities	285,095	4,871	(8)	289,958
Corporate debt securities	143,713	2,600	(19)	146,294
Total debt securities	760,236	10,823	(65)	770,994
Mutual funds and other equity securities	3,192	497	—	3,689
Total	$ 763,428	$ 11,320	$ (65)	$ 774,683
Held to maturity				
Obligations of states and political subdivisions	$ 46,957	$ 1,056	$ (1)	$ 48,012
Commercial mortgage-backed securities	3,503	103	—	3,606
Total	$ 50,460	$ 1,159	$ (1)	$ 51,618

December 31, 2015:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(dollars in thousands)			
Available for sale				
U.S. Treasury securities	$ 65,003	$ 189	$ (1)	$ 65,191
Obligations of U.S. government corporations and agencies	132,547	211	(153)	132,605
Obligations of states and political subdivisions	176,764	2,154	(306)	178,612
Residential mortgage-backed securities	304,978	2,922	(351)	307,549
Corporate debt securities	150,001	307	(1,503)	148,805
Total debt securities	829,293	5,783	(2,314)	832,762
Mutual funds and other equity securities	1,642	434	—	2,076
Total	$ 830,935	$ 6,217	$ (2,314)	$ 834,838
Held to maturity				
Obligations of states and political subdivisions	$ 48,835	$ 449	$ (34)	$ 49,250
Commercial mortgage-backed securities	997	24	—	1,021
Total	$ 49,832	$ 473	$ (34)	$ 50,271

The amortized cost and fair value of debt securities as of September 30, 2016, by contractual maturity or pre-refunded date, are shown below. Mutual funds and other equity securities do not have stated maturity dates and therefore are not included in the following maturity summary. Mortgages underlying mortgage-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 agencies and corporations.

	Available for sale		Held to maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(dollars in thousands)			
Due in one year or less	$ 145,340	$ 145,696	$ 3,558	$ 3,560
Due after one year through five years	301,947	306,250	18,642	18,925
Due after five years through ten years	55,178	57,294	25,020	25,807
Due after ten years	257,771	261,754	3,240	3,326
Total	$ 760,236	$ 770,994	$ 50,460	$ 51,618

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
	(dollars in thousands)			
Gross security gains	$ 136	$ —	$ 1,381	$ 1
Gross security (losses)	(125)	—	(151)	(22)
Net security gains (losses)	$ 11	$ —	$ 1,230	$ (21)

The tax provision for the net realized gains and losses was insignificant for the three months ended September 30, 2016. The tax provision for the net realized gains and losses was $0.4 million for the nine months ended September 30, 2016. The tax provision for the net realized gains and losses was insignificant for the nine months ended September 30, 2015.

During the second quarter of 2016, the Company sold one held to maturity security, which was an obligation of state and political subdivisions, with a fair value of $0.4 million due to significant credit deterioration. The sale resulted in an insignificant loss during the second quarter.

Investment securities with carrying amounts of $619.1 million and $627.4 million on September 30, 2016 and December 31, 2015, respectively, were pledged as collateral for public deposits, securities sold under agreements to repurchase and for other purposes as required or permitted by law.

Information pertaining to securities with gross unrealized losses at September 30, 2016 and December 31, 2015, aggregated by investment category and length of time that individual securities have been in a continuous loss position, follows:

September 30, 2016:

	Continuous unrealized losses existing for less than 12 months, gross		Continuous unrealized losses existing for greater than 12 months, gross		Total, gross	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
			(dollars in thousands)			
Available for sale						
Obligations of U.S. government corporations and agencies(1)	$ 15,032	$ —	$ —	$ —	$ 15,032	$ —
Obligations of states and political subdivisions	12,965	(34)	1,160	(4)	14,125	(38)
Residential mortgage-backed securities(1)	2,209	(8)	—	—	2,209	(8)
Corporate debt securities	624	(19)	—	—	624	(19)
Total temporarily impaired securities	$ 30,830	$ (61)	$ 1,160	$ (4)	$ 31,990	$ (65)
Held to maturity						
Obligations of states and political subdivisions	$ 909	$ (1)	$ —	$ —	$ 909	$ (1)
Total temporarily impaired securities	$ 909	$ (1)	$ —	$ —	$ 909	$ (1)

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

December 31, 2015:

	Continuous unrealized losses existing for less than 12 months, gross		Continuous unrealized losses existing for greater than 12 months, gross		Total, gross	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
			(dollars in thousands)			
Available for sale						
U.S. Treasury securities	$ 364	$ (1)	$ —	$ —	$ 364	$ (1)
Obligations of U.S. government corporations and agencies	52,154	(153)	—	—	52,154	(153)
Obligations of states and political subdivisions	40,026	(159)	11,419	(147)	51,445	(306)
Residential mortgage-backed securities	93,608	(351)	—	—	93,608	(351)
Corporate debt securities	99,148	(1,503)	—	—	99,148	(1,503)
Total temporarily impaired securities	$ 285,300	$ (2,167)	$ 11,419	$ (147)	$ 296,719	$ (2,314)
Held to maturity						
Obligations of states and political subdivisions(2)	$ 8,451	$ (34)	$ 91	$ —	$ 8,542	$ (34)
Total temporarily impaired securities	$ 8,451	$ (34)	$ 91	$ —	$ 8,542	$ (34)

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

Securities are periodically evaluated for other-than-temporary impairment ("OTTI"). The total number of securities in the investment portfolio in an unrealized loss position as of September 30, 2016 was 58, and represented a loss of 0.20% of the aggregate carrying value. As of September 30, 2016, the Company does not intend to sell such securities and it is more-likely-than-not that the Company will recover the amortized cost prior to being required to sell the securities. Full collection of the amounts due according to the contractual terms of the securities is expected; therefore, the Company does not consider these investments to be OTTI at September 30, 2016.

The Company had available for sale obligations of state and political subdivisions with aggregate fair values of $164.0 million and $178.6 million as of September 30, 2016 and December 31, 2015, respectively. In addition, the Company had held to maturity obligations of state and political subdivisions with aggregate fair values of $48.0 million and $49.3 million as of September 30, 2016 and December 31, 2015, respectively.

As of September 30, 2016, the aggregate fair value of the Company's obligations of state and political subdivisions portfolio was comprised of $177.9 million of general obligation bonds and $34.1 million of revenue bonds issued by 263 issuers, primarily consisting of states, counties, cities, towns, villages and school districts. The Company held investments in general obligation bonds in 29 states (including the District of Columbia), including seven states in which the aggregate fair value exceeded $5.0 million. The Company held investments in revenue bonds in 16 states, including two states where the aggregate fair value exceeded $5.0 million.

As of December 31, 2015, the aggregate fair value of the Company's obligations of state and political subdivisions portfolio was comprised of $193.4 million of general obligation bonds and $34.4 million of revenue bonds issued by 278 issuers, primarily consisting of states, counties, cities, towns, villages and school districts. The Company held investments in general obligation bonds in 29 states (including the District of Columbia), including seven states in which the aggregate fair value exceeded $5.0 million. The Company held investments in revenue bonds in 17 states, including two states where the aggregate fair value exceeded $5.0 million.

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

September 30, 2016:

U.S. State	Number of Issuers	Amortized Cost	Fair Value	Average Exposure Per Issuer (Fair Value)
		(dollars in thousands)		
Illinois	73	$ 65,300	$ 66,709	$ 914
Wisconsin	33	23,647	23,879	724
Michigan	38	24,587	25,125	661
Pennsylvania	10	10,758	10,846	1,085
Texas	16	10,789	10,948	684
Ohio	10	10,660	10,768	1,077
Iowa	3	5,333	5,376	1,792
Other	45	23,761	24,275	539
Total general obligations bonds	228	$ 174,835	$ 177,926	$ 780

December 31, 2015:

U.S. State	Number of Issuers	Amortized Cost	Fair Value	Average Exposure Per Issuer (Fair Value)
		(dollars in thousands)		
Illinois	77	$ 64,455	$ 65,557	$ 851
Wisconsin	36	30,889	31,079	863
Michigan	39	27,923	28,339	727
Pennsylvania	10	12,601	12,650	1,265
Texas	18	12,117	12,165	676
Ohio	10	10,723	10,705	1,071
Iowa	3	5,550	5,571	1,857
Other	48	26,938	27,375	570
Total general obligations bonds	241	$ 191,196	$ 193,441	$ 803

The general obligation bonds are diversified across many issuers, with $3.4 million being the largest exposure to a single issuer at September 30, 2016 and December 31, 2015. Accordingly, as of September 30, 2016 and December 31, 2015, the Company did not hold general obligation bonds of any single issuer, the aggregate book or market value of which exceeded 10% of the Company's stockholders' equity. Of the general obligation bonds in the Company's portfolio, 98.3% had been rated by at least one nationally recognized statistical rating organization and 1.7% were unrated, based on the aggregate fair value as of September 30, 2016. Of the general obligation bonds in the Company's portfolio, 97.6% had been rated by at least one nationally recognized statistical rating organization and 2.4% were unrated, based on the aggregate fair value as of December 31, 2015.

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

September 30, 2016:

U.S. State	Number of Issuers	Amortized Cost	Fair Value	Average Exposure Per Issuer (Fair Value)
		(dollars in thousands)		
Indiana	7	$ 7,610	$ 7,693	$ 1,099
Illinois	7	7,974	8,127	1,161
Other	21	18,073	18,206	867
Total revenue bonds	35	$ 33,657	$ 34,026	$ 972

December 31, 2015:

U.S. State	Number of Issuers	Amortized Cost	Fair Value	Average Exposure Per Issuer (Fair Value)
		(dollars in thousands)		
Indiana	9	$ 10,187	$ 10,173	$ 1,130
Illinois	7	8,450	8,478	1,211
Other	21	15,766	15,770	751

Total revenue bonds	37	$ 34,403	$ 34,421	$ 930

The revenue bonds are diversified across many issuers and revenue sources with $3.8 million and $3.0 million being the largest exposure to a single issuer at each of September 30, 2016 and December 31, 2015, respectively. Accordingly, as of September 30, 2016 and December 31, 2015, the Company did not hold revenue bonds of any single issuer, the aggregate book or market value of which exceeded 10% of the Company's stockholders' equity. Of the revenue bonds in the Company's portfolio, 96.8% had been rated by at least one nationally recognized statistical rating organization and 3.2% were unrated, based on the fair value as of September 30, 2016. All of the revenue bonds in the Company's portfolio had been rated by at least one nationally recognized statistical rating organization as of December 31, 2015. Some of the primary types of revenue bonds held in the Company's portfolio include: primary education or government building lease rentals secured by ad valorem taxes, utility systems secured by utility system net revenues, housing authorities secured by mortgage loans or principal receipts on mortgage loans, secondary education secured by student fees/tuitions, and pooled issuances (i.e. bond bank) consisting of multiple underlying municipal obligors.

Substantially all of the Company's obligations of state and political subdivision securities are owned by its subsidiary banks**,** which have adopted First Busey's investment policy requiring that state and political subdivision securities purchased be investment grade. Such investment policy also limits the amount of rated state and political subdivision securities to an aggregate 100% of the subsidiary banks' Total Capital (as defined by federal regulations) at the time of purchase and an aggregate 15% of Total Capital for unrated state and political subdivision securities issued by municipalities having taxing authority or located in counties/micropolitan statistical areas/metropolitan statistical areas in which an office is located. The investment policy states fixed income investments that are not Office of the Comptroller of the Currency Type 1 securities (U.S. Treasuries, agencies, municipal government general obligation and, for well-capitalized institutions, most municipal revenue bonds) should be analyzed prior to acquisition to determine that (1) the security has low risk of default by the obligor, and (2) the full and timely repayment of principal and interest is expected over the expected life of the investment.

All securities in First Busey's obligations of state and political subdivision securities portfolio are subject to ongoing review. Factors that may be considered as part of ongoing monitoring of state and political subdivision securities include credit rating changes by nationally recognized statistical rating organizations, market valuations, third-party municipal credit analysis, which may include indicative information regarding the issuer's capacity to pay, market and economic data and such other factors as are available and relevant to the security or the issuer such as its budgetary position and sources, strength and stability of taxes and/or other revenue.

Note 5: Loans

Distributions of loans were as follows:

	September 30, 2016	December 31, 2015
	(dollars in thousands)	
Commercial	$ 945,779	$ 656,576
Commercial real estate	1,582,338	1,208,429
Real estate construction	187,463	96,568
Retail real estate	1,342,840	660,542
Retail other	15,575	14,975
Total gross loans	$ 4,073,995	$ 2,637,090
Less loans held for sale(1)	266,382	9,351
Gross portfolio loans	$ 3,807,613	$ 2,627,739
Less allowance for loan losses	47,847	47,487
Net portfolio loans	$ 3,759,766	$ 2,580,252

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

Net portfolio loans increased $1.2 billion as of September 30, 2016 as compared to December 31, 2015 primarily as a result of the Pulaski acquisition. Net deferred loan origination costs included in the table above were $2.3 million as of September 30, 2016 and $0.9 million as of December 31, 2015. Net accretable purchase accounting adjustments included in the table above reduced loans by $14.8 million as of September 30, 2016 and $2.2 million as of December 31, 2015.

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

Management reviews and approves the Company's lending policies and procedures on a routine basis. The policies for legacy Pulaski loans are similar in nature to Busey Bank's policies and the Company is migrating Pulaski's loan production towards the Busey Bank policies. Management routinely (at least quarterly) reviews the Company's allowance for loan losses in conjunction with reports related to loan production, loan quality, concentrations of credit, loan delinquencies and non-performing and potential problem loans. The Company's underwriting standards are designed to encourage relationship banking rather than transactional banking. Relationship banking implies a primary banking relationship with the borrower that includes, at a minimum, an active deposit banking relationship in addition to the lending relationship. The integrity and character of the borrower are significant factors in the Company's loan underwriting decisions. As a part of underwriting, tangible positive or negative evidence of the borrower's integrity and character are sought out. Additional significant underwriting factors beyond

location, duration, a sound and profitable cash flow basis and the borrower's character 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.

At no time is a borrower's total borrowing relationship permitted to exceed the Company's regulatory lending limit and the Company generally limits such relationships to amounts substantially less than the regulatory limit. Loans to related parties, including executive officers and directors of the Company and its subsidiaries, are reviewed for compliance with regulatory guidelines by the Company's board of directors at least annually.

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

The Company's lending activities can be summarized into five primary areas: commercial loans, commercial real estate loans, real estate construction loans, retail real estate loans, and other retail loans. A description of each of the lending areas can be found in the Company's Annual Report on Form 10-K for the year ended December 31, 2015. The significant majority of the Company's portfolio lending activity occurs in its Illinois and Missouri markets, with the remainder in the Indiana and Florida markets.

The Company 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 strong credits, ranging from investment or near investment grade, to loans made to borrowers who exhibit credit fundamentals that exceed industry standards and loan policy guidelines and loans that exhibit acceptable credit fundamentals.

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

- *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.

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

All loans are graded at their inception. Most commercial lending relationships that are $1.0 million or less are processed through an expedited underwriting process. If the credit receives a pass grade, it is aggregated into a homogenous pool of either: $0.35 million or less, or $0.35 million to $1.0 million. These pools are monitored on a regular basis and reviewed annually. 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 reviewed on a quarterly basis. Interim reviews may take place if circumstances of the borrower warrant a more timely review.

Portfolio loans in the highest grades, represented by the pass and watch categories, totaled $3.6 billion at September 30, 2016, compared to $2.5 billion at December 31, 2015. Portfolio loans in the lowest grades, represented by the special mention, substandard and doubtful, totaled $187.0 million at September 30, 2016, compared to $166.8 million at December 31, 2015.

The following table is a summary of risk grades segregated by category of portfolio loans (excluding loans held for sale, accretable purchase accounting adjustments, and non-posted and clearings):

	September 30, 2016				
	Pass	Watch	Special Mention	Substandard	Doubtful
	(dollars in thousands)				
Commercial	$ 814,048	$ 64,515	$ 32,948	$ 29,908	$ 6,972
Commercial real estate	1,434,896	65,193	53,056	28,079	5,418
Real estate construction	132,992	46,061	8,893	1,035	417
Retail real estate	1,041,798	19,031	12,826	3,513	3,272
Retail other	14,951	34	474	12	174
Total	$ 3,438,685	$ 194,834	$ 108,197	$ 62,547	$ 16,253

	December 31, 2015				
	Pass	Watch	Special Mention	Substandard	Doubtful
	(dollars in thousands)				
Commercial	$ 553,294	$ 57,703	$ 27,142	$ 10,966	$ 7,617
Commercial real estate	1,068,568	58,238	51,418	29,781	1,496
Real estate construction	65,284	15,053	14,755	1,157	366

Retail real estate	607,398	21,637	13,974	4,204	3,139
Retail other	14,172	64	644	—	130
Total	$ 2,308,716	$ 152,695	$ 107,933	$ 46,108	$ 12,748

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

An analysis of portfolio loans that are past due and still accruing or on a non-accrual status is as follows:

	September 30, 2016			
	Loans past due, still accruing			Non-accrual Loans
	30-59 Days	60-89 Days	90+Days	
	(dollars in thousands)			
Commercial	$ 2,748	$ 180	$ 76	$ 6,972
Commercial real estate	812	69	3,729	5,418
Real estate construction	54	—	—	417
Retail real estate	3,205	566	25	3,272
Retail other	52	23	—	174
Total	$ 6,871	$ 838	$ 3,830	$ 16,253

	December 31, 2015			
	Loans past due, still accruing			Non-accrual Loans
	30-59 Days	60-89 Days	90+Days	
	(dollars in thousands)			
Commercial	$ 598	$ 162	$ 15	$ 7,617
Commercial real estate	1,037	27	—	1,496
Real estate construction	—	—	—	366
Retail real estate	1,278	160	—	3,139
Retail other	19	1	—	130
Total	$ 2,932	$ 350	$ 15	$ 12,748

A loan is classified as impaired when, based on current information and events, it is probable the Company will be unable to collect scheduled principal and interest payments when due according to the terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Loans graded substandard or doubtful and loans classified as a troubled debt restructuring ("TDR") are assessed for impairment by the Company.

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

The gross interest income that would have been recorded in the three and nine months ended September 30, 2016 if impaired loans had been current in accordance with their original terms was $0.3 million and $0.7 million, respectively. The amount of interest collected on those loans and recognized on a cash basis that was included in interest income was insignificant for the three and nine months ended September 30, 2016.

The Company's loan portfolio includes certain loans that have been modified in a TDR, where concessions have been granted to borrowers who have experienced financial difficulties. The Company will restructure a loan for its customer after evaluating whether the borrower is able to meet the terms of the loan over the long term, though unable to meet the terms of the loan in the near term due to individual circumstances.

The Company considers the customer's past performance, previous and current credit history, the individual circumstances surrounding the customer's current difficulties and the customer's plan to meet the terms of the loan in the future prior to restructuring the terms of the loan. Generally, all five primary areas of lending are restructured through short-term interest rate relief, short-term principal payment relief, short-term principal and interest payment relief or forbearance (debt forgiveness). Once a restructured loan exceeds 90 days past due or is placed on non-accrual status, it is classified as non-performing. A summary of restructured loans as of September 30, 2016 and December 31, 2015 is as follows:

Restructured loans:	September 30, 2016	December 31, 2015
	(dollars in thousands)	
In compliance with modified terms	$ 8,131	$ 8,770
30 — 89 days past due	59	60
Included in non-performing loans	1,402	643
Total	$ 9,592	$ 9,473

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

Performing loans classified as a TDR during the three months ended September 30, 2016 included one retail real estate modification for short-term principal payment relief, with a recorded investment of $0.2 million. Performing loans classified as TDRs during the nine months ended September 30, 2016 included three commercial real estate modifications for short-term principal payment relief, with an aggregate recorded investment of $0.3 million and three retail real estate modifications for short-term principal payment relief, with an aggregate recorded investment of $0.5 million.

Performing loans classified as a TDR during the three months ended September 30, 2015 included one commercial modification for short-term principal payment relief, with a recorded investment of $0.2 million. Performing loans classified as TDRs during the nine months ended September 30, 2015 included one commercial modification for short-term principal payment relief, with a recorded investment of $0.2 million, one retail real estate modification for short-term interest rate relief, with a recorded investment of $0.1 million, and four retail real estate modifications for short-term principal payment relief, with an aggregate recorded investment of $0.4 million.

The gross interest income that would have been recorded in the three and nine months ended September 30, 2016 and 2015 if performing TDRs had been performing in accordance with their original terms compared with their modified terms was insignificant.

There were no TDRs that were entered into during the last twelve months that were subsequently classified as non-performing and had payment defaults (a default occurs when a loan is 90 days or more past due or transferred to non-accrual) during the three months ended September 30, 2016. TDRs that were entered into during the last twelve months that were subsequently classified as non-performing and had payment defaults during the nine months ended September 30, 2016 consisted of one retail real estate modification totaling $0.1 million and one insignificant retail other modification.

There were no TDRs that were entered into during the prior twelve months that were subsequently classified as non-performing and had payment defaults during the three months ended September 30, 2015. TDRs that were entered into during the prior twelve months that were subsequently classified as non-performing and had payment defaults during the nine months ended September 30, 2015 consisted of one commercial real estate modification totaling $0.4 million and one commercial modification totaling $0.6 million.

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

	September 30, 2016					
	Unpaid Contractual Principal Balance	Recorded Investment with No Allowance	Recorded Investment with Allowance	Total Recorded Investment	Related Allowance	Average Recorded Investment
	(dollars in thousands)					
Commercial	$ 15,250	$ 7,135	$ 94	$ 7,229	$ 94	$ 8,190
Commercial real estate	14,192	10,977	2,146	13,123	843	8,250
Real estate construction	1,543	854	23	877	23	871
Retail real estate	12,412	10,919	400	11,319	140	12,946
Retail other	261	174	3	177	3	188
Total	$ 43,658	$ 30,059	$ 2,666	$ 32,725	$ 1,103	$ 30,445

	December 31, 2015					
	Unpaid Contractual Principal Balance	Recorded Investment with No Allowance	Recorded Investment with Allowance	Total Recorded Investment	Related Allowance	Average Recorded Investment
	(dollars in thousands)					
Commercial	$ 14,302	$ 3,362	$ 8,238	$ 11,600	$ 3,304	$ 4,482
Commercial real estate	5,865	4,018	1,363	5,381	459	8,700
Real estate construction	1,569	830	29	859	29	833
Retail real estate	12,378	11,108	452	11,560	152	12,070
Retail other	272	233	5	238	5	261
Total	$ 34,386	$ 19,551	$ 10,087	$ 29,638	$ 3,949	$ 26,346

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.

Allowance for Loan Losses

The allowance for loan losses represents an estimate of the amount of probable losses believed to be inherent in the Company's loan portfolio at the balance sheet date. The allowance for loan losses is calculated geographically, by class of loans. The allowance calculation involves a high degree of estimation that management attempts to mitigate through the use of objective historical data where available. Loan losses are charged against the allowance for loan losses when management believes the uncollectibility of the loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance. Overall, the Company believes the allowance methodology is consistent with prior periods and the balance was adequate to cover the estimated losses in the Company's loan portfolio at September 30, 2016 and December 31, 2015.

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

The Company's component for adversely graded loans attempts to quantify the additional risk of loss inherent in the special mention and substandard portfolios. The substandard portfolio has an additional allocation of 3.00% placed on such loans, which is an estimate of the additional loss inherent in these loan grades based upon a review of overall historical charge-offs. As of September 30, 2016, the Company believed this reserve remained adequate. Special mention loans have an additional allocation of 1.00% placed on such loans, which is an estimate of the additional loss inherent in these loan grades. As of September 30, 2016, the Company believed this reserve remained adequate.

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

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

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

Based on each component's risk factor, a qualitative adjustment to the reserve may be applied to the appropriate loan categories. During the third quarter of 2016, the Company did not make adjustments to any qualitative factors. The Company will continue to monitor its qualitative factors on a quarterly basis.

The Company holds acquired loans from business combinations with uncollected principal balances. These loans are carried net of a fair value adjustment for credit risk and interest rates and are only included in the allowance calculation to the extent that the reserve requirement exceeds the fair value adjustment. However, as the acquired loans renew, it is generally necessary to establish an allowance, which represents an amount that, in management's opinion, will be adequate to absorb probable credit losses in such loans. The balance of all acquired loans which did not require a related allowance for loan losses as of September 30, 2016 totaled approximately $1.0 billion.

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

	As of and for the Three Months Ended September 30, 2016					
	Commercial	Commercial Real Estate	Real Estate Construction	Retail Real Estate	Retail Other	Total
	(dollars in thousands)					
Beginning balance	$ 10,146	$ 20,275	$ 1,623	$ 12,979	$ 335	$ 45,358
Provision for loan loss	1,502	(786)	212	1,002	20	1,950
Charged-off	(374)	(19)	—	(860)	(112)	(1,365)
Recoveries	92	37	169	1,506	100	1,904
Ending Balance	$ 11,366	$ 19,507	$ 2,004	$ 14,627	$ 343	$ 47,847

	As of and for the Nine Months Ended September 30, 2016					
	Commercial	Commercial Real Estate	Real Estate Construction	Retail Real Estate	Retail Other	Total
	(dollars in thousands)					
Beginning balance	$ 13,115	$ 18,604	$ 1,763	$ 13,714	$ 291	$ 47,487
Provision for loan loss	2,747	1,110	(83)	104	172	4,050
Charged-off	(5,248)	(301)	(24)	(1,305)	(327)	(7,205)
Recoveries	752	94	348	2,114	207	3,515
Ending Balance	$ 11,366	$ 19,507	$ 2,004	$ 14,627	$ 343	$ 47,847

	As of and for the Three Months Ended September 30, 2015					
	Commercial	Commercial Real Estate	Real Estate Construction	Retail Real Estate	Retail Other	Total
	(dollars in thousands)					
Beginning balance	$ 9,955	$ 20,945	$ 2,221	$ 14,278	$ 321	$ 47,720
Provision for loan loss	(311)	(231)	(64)	709	(3)	100
Charged-off	—	(589)	—	(430)	(56)	(1,075)
Recoveries	68	50	58	239	52	467
Ending Balance	$ 9,712	$ 20,175	$ 2,215	$ 14,796	$ 314	$ 47,212

	As of and for the Nine Months Ended September 30, 2015					
	Commercial	Commercial Real Estate	Real Estate Construction	Retail Real Estate	Retail Other	Total
	(dollars in thousands)					
Beginning balance	$ 10,041	$ 20,639	$ 2,795	$ 13,662	$ 316	$ 47,453
Provision for loan loss	(561)	394	(810)	1,525	52	600
Charged-off	(77)	(1,297)	—	(1,028)	(241)	(2,643)
Recoveries	309	439	230	637	187	1,802
Ending Balance	$ 9,712	$ 20,175	$ 2,215	$ 14,796	$ 314	$ 47,212

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

	As of September 30, 2016					
	Commercial	Commercial Real Estate	Real Estate Construction	Retail Real Estate	Retail Other	Total
	(dollars in thousands)					
Amount allocated to:						
Loans individually evaluated for impairment	$ 94	$ 843	$ 23	$ 140	$ 3	$ 1,103
Loans collectively evaluated for impairment	11,272	18,664	1,981	14,487	340	46,744
Ending Balance	$ 11,366	$ 19,507	$ 2,004	$ 14,627	$ 343	$ 47,847
Loans:						
Loans individually evaluated for impairment	$ 5,659	$ 12,052	$ 522	$ 10,897	$ 177	$ 29,307
Loans collectively evaluated for impairment	938,550	1,569,215	186,586	1,065,139	15,398	3,774,888
PCI loans evaluated for Impairment	1,570	1,071	355	422	—	3,418
Ending Balance	$ 945,779	$ 1,582,338	$ 187,463	$ 1,076,458	$ 15,575	$ 3,807,613

	As of December 31, 2015					
	Commercial	Commercial Real Estate	Real Estate Construction	Retail Real Estate	Retail Other	Total
	(dollars in thousands)					
Amount allocated to:						
Loans individually evaluated for impairment	$ 3,304	$ 459	$ 29	$ 152	$ 5	$ 3,949
Loans collectively evaluated for impairment	9,811	18,145	1,734	13,562	286	43,538
Ending Balance	$ 13,115	$ 18,604	$ 1,763	$ 13,714	$ 291	$ 47,487
Loans:						
Loans individually evaluated for impairment	$ 11,600	$ 5,005	$ 527	$ 11,560	$ 238	$ 28,930
Loans collectively evaluated for impairment	644,976	1,203,048	95,709	639,631	14,737	2,598,101
PCI loans evaluated for Impairment	—	376	332	—	—	708
Ending Balance	$ 656,576	$ 1,208,429	$ 96,568	$ 651,191	$ 14,975	$ 2,627,739

Note 6: OREO

OREO represents properties acquired through foreclosure or other proceedings in settlement of loans. OREO is held for sale and is recorded at the date of foreclosure at the fair value of the properties less estimated costs of disposal, which establishes a new cost basis. Any adjustment to fair value at the time of transfer to OREO is charged to the allowance for loan losses. Properties are evaluated regularly to ensure each recorded amount is supported by its current fair value, and valuation allowances to reduce the carrying amount due to subsequent declines in fair value less estimated costs to dispose are recorded as necessary. Revenue, expense, gains and losses from the operations of foreclosed assets are included in operations. At September 30, 2016, the Company held $1.7 million in commercial OREO, $0.6 million in residential OREO and an insignificant amount of other repossessed assets. At December 31, 2015, the Company held $0.5 million in commercial OREO, $0.3 million in residential OREO and an insignificant amount of other repossessed assets. At September 30, 2016 the Company had $1.8 million of residential real estate in the process of foreclosure.

The following table summarizes activity related to OREO:

	Nine Months Ended September 30, 2016	Year Ended December 31, 2015
	(dollars in thousands)	
OREO:		
Beginning balance	$ 783	$ 216
Additions, transfers from loans	2,175	1,251
Additions, fair value from Herget Financial acquisition	—	284
Additions, fair value from Pulaski acquisition	2,488	—
Proceeds from sales of OREO	(3,911)	(1,090)
Gain on sales of OREO	818	122
Valuation allowance for OREO	(29)	—
Ending balance	$ 2,324	$ 783

Note 7: Deposits

We continue to focus on deepening our relationship value with customers, which, in turn, fosters deposit growth. In addition, deposit growth was impacted in 2016 by the April 30, 2016 Pulaski acquisition. Total deposits at September 30, 2016 include $1.1 billion in deposits held at Pulaski Bank.

The composition of deposits is as follows:

	September 30, 2016	December 31, 2015
	(dollars in thousands)	
Demand deposits, noninterest-bearing	$ 996,750	$ 881,685
Interest-bearing transaction deposits, saving deposits and money market deposits	2,511,914	1,949,370
Time deposits	827,842	458,051
Total	$ 4,336,506	$ 3,289,106

Interest-bearing transaction deposits included $35.0 million and $7.8 million of reciprocal brokered transaction deposits at September 30, 2016 and December 31, 2015, respectively. Savings deposits included $25.3 million of reciprocal brokered deposits at September 30, 2016. There were no reciprocal brokered deposits in savings deposits at December 31, 2015.

The aggregate amount of time deposits with a minimum denomination of $100,000 was approximately $373.0 million and $128.1 million at September 30, 2016 and December 31, 2015, respectively. The aggregate amount of time deposits with a minimum denomination that meets or exceeds the FDIC insurance limit of $250,000 was approximately $80.6 million and $23.2 million at September 30, 2016 and December 31, 2015, respectively. National deposits of $0.2 million and $0.4 million were included in the balance of time deposits as of September 30, 2016 and December 31, 2015, respectively. The Company had reciprocal brokered time deposits of $95.5 million and $0.4 million at September 30, 2016 and December 31, 2015, respectively, included in the balance of time deposits. The Company had brokered deposits of $5.0 million at September 30, 2016, which are included in the balance of time deposits. There were no brokered deposits at December 31, 2015.

As of September 30, 2016, the scheduled maturities of time deposits, in thousands, are as follows:

October 1, 2016 — September 30, 2017	$ 567,583
October 1, 2017 — September 30, 2018	157,364
October 1, 2018 — September 30, 2019	69,110
October 1, 2019 — September 30, 2020	16,601
October 1, 2020 — September 30, 2021	17,083
Thereafter	101
	$ 827,842

Note 8: Borrowings

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

Short-term borrowings include FHLB advances which mature in less than one year from date of origination.

On November 20, 2015, the Company entered into a credit agreement with a national bank to make available a revolving loan facility to the Company in the maximum principal amount of $20.0 million. The loan has an annual interest rate of 2.50% plus the one-month LIBOR rate and has a maturity date of November 19, 2016. The loan also bears a non-usage fee calculated based on the average daily principal balance of the loan outstanding during the prior fiscal quarter. The Company had $10.0 million outstanding on September 30, 2016. The Company had no outstanding amount on December 31, 2015.

The following table sets forth the distribution of securities sold under agreements to repurchase and short-term borrowings and weighted average interest rates:

	September 30, 2016	December 31, 2015
	(dollars in thousands)	
Securities sold under agreements to repurchase		
Balance at end of period	$ 212,363	$ 172,972
Weighted average interest rate at end of period	0.21%	0.18%
Maximum outstanding at any month end in year-to-date period	$ 212,363	$ 202,376
Average daily balance for the year-to-date period	$ 176,946	$ 179,662
Weighted average interest rate during period(1)	0.21%	0.10%
Short-term borrowings, FHLB advances		
Balance at end of period	$ 236,700	$ —
Weighted average interest rate at end of period	0.45%	—%
Maximum outstanding at any month end in year-to-date period	$ 236,700	$ —
Average daily balance for the year-to-date period	$ 91,134	$ —
Weighted average interest rate during period(1)	0.54%	—%
Short-term borrowings, revolving loan		
Balance at end of period	$ 10,000	$ —
Weighted average interest rate at end of period	3.06%	—%
Maximum outstanding at any month end in year-to-date period	$ 10,000	$ —
Average daily balance for the year-to-date period	$ 2,628	$ —
Weighted average interest rate during period(1) (2)	4.73%	—%

(1) The weighted average interest rate is computed by dividing total annualized interest for the year-to-date period by the average daily balance outstanding.
(2) Includes interest and non-usage fee.

Long-term debt is summarized as follows:

	September 30, 2016	December 31, 2015
	(dollars in thousands)	
Notes payable, FHLB, ranging in original maturity from nineteen months to ten years, collateralized by FHLB deposits, residential and commercial real estate loans and FHLB stock.	$ 80,000	$ 80,000

As of September 30, 2016, funds borrowed from the FHLB, listed above, consisted of variable-rate notes maturing through September 2024, with interest rates ranging from 0.15% to 0.26%. The weighted average rate on these long-term advances was 0.19% as of September 30, 2016. As of December 31, 2015, funds borrowed from the FHLB, listed above, consisted of variable-rate notes maturing through September 2024, with interest rates ranging from 0.10% to 0.28%. The weighted average rate on these long-term advances was 0.15% as of December 31, 2015.

Note 9: Junior Subordinated Debt Owed to Unconsolidated Trusts

First Busey maintains statutory trusts for the sole purpose of issuing and servicing trust preferred securities and related trust common securities. The proceeds from such issuances were used by the trusts to purchase junior subordinated notes of the Company, which are the sole assets of each trust. Concurrent with the issuance of the trust preferred securities, the Company issued guarantees for the benefit of the holders of the trust preferred securities. The trust preferred securities are issues that qualify, and are treated by the Company, as Tier 1 regulatory capital. The Company owns all of the common securities of each trust. The trust preferred securities issued by each trust rank equally with the common securities in right of payment, except that if an event of default under the indenture governing the notes has occurred and is continuing, the preferred securities will rank senior to the common securities in right of payment. In connection with the Pulaski acquisition, the Company acquired similar statutory trusts maintained by Pulaski. The Company had $70.8 million and $55.0 million of junior subordinated debt owed to unconsolidated trusts at September 30, 2016 and December 31, 2015, respectively.

The trust preferred securities are subject to mandatory redemption, in whole or in part, upon repayment of the junior subordinated notes at par value at the stated maturity date or upon redemption. Each trust’s ability to pay amounts due on the trust preferred securities is solely dependent upon the Company making payment on the related junior subordinated notes. The Company’s obligations under the junior subordinated notes and other relevant trust agreements, in aggregate, constitute a full and unconditional guarantee by the Company of each trust’s obligations under the trust preferred securities issued by each trust. The Company has the right to defer payment of interest on the notes, in which case the distributions on the trust preferred securities will also be deferred, for up to five years, but not beyond the stated maturity date in the table above. The Company does not expect to exercise this right.

Under current banking regulations, bank holding companies are allowed to include qualifying trust preferred securities in their Tier 1 Capital for regulatory capital purposes, subject to a 25% limitation to all core (Tier 1) capital elements, net of goodwill and other intangible assets less any associated deferred tax liability. As of September 30, 2016, 100% of the trust preferred securities noted in the table above qualified as Tier 1 capital under the final rule adopted in March 2005.

Note 10: Earnings Per Common Share

Earnings per common share have been computed as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
	(in thousands, except per share data)			
Net income available to common stockholders	$ 15,422	$ 10,444	$ 38,239	$ 27,778
Shares:				
Weighted average common shares outstanding	38,256	28,989	34,009	28,992
Dilutive effect of outstanding options, warrants and restricted stock units as determined by the application of the treasury stock method	398	153	309	171
Weighted average common shares outstanding, as adjusted for diluted earnings per share calculation	38,654	29,142	34,318	29,163
Basic earnings per common share	$ 0.40	$ 0.36	$ 1.12	$ 0.96
Diluted earnings per common share	$ 0.40	$ 0.36	$ 1.11	$ 0.95

Basic earnings per share are computed by dividing net income available to common stockholders for the period by the weighted average number of common shares outstanding, which include deferred stock units that are vested but not delivered.

Diluted earnings per common share are computed using the treasury stock method and reflects the potential dilution that could occur if the Company's outstanding stock options were exercised and restricted stock units were vested. Stock options and restricted stock units for which the exercise or the grant price exceeds the average market price over the period have an anti-dilutive effect and are excluded from the calculation. At September 30, 2016, 28,350 outstanding options, 191,278 warrants and 132,017 restricted stock units were anti-dilutive and excluded from the calculation of common stock equivalents. At September 30, 2015, 86,568 outstanding options, 191,278 warrants, and 112,433 restricted stock units were anti-dilutive and excluded from the calculation of common stock equivalents.

Note 11: Share-based Compensation

The Company grants share-based compensation awards to its employees and members of its board of directors as provided for under the Company's 2010 Equity Incentive Plan. The Company currently grants share-based compensation in the form of restricted stock units ("RSUs") and deferred stock units ("DSUs"). The Company grants RSUs to members of management periodically throughout the year. Each RSU is equivalent to one share of the Company's common stock. These units have a requisite service periods ranging from one to five years. The Company annually grants share-based awards in the form of DSUs, which are RSUs with a deferred settlement date, to its board of directors. Each DSU is equivalent to one share of the Company's common stock. The DSUs vest over a twelve-month period following the grant date or on the date of the next Annual Meeting of Stockholders, whichever is earlier. These units generally are subject to the same terms as RSUs under the Company's 2010 Equity Incentive Plan, except that, following vesting, settlement occurs within 30 days following the earlier of separation from the board or a change in control of the Company. Subsequent to vesting and prior to delivery, these units will continue to earn dividend equivalents. The Company also has outstanding stock options granted prior to 2011.

Under the terms of the Company's 2010 Equity Incentive Plan, the Company is allowed, but not required, to source stock option exercises and grants of RSUs and DSUs from its inventory of treasury stock. As of September 30, 2016, the Company held 662,512 shares in treasury. On February 3, 2015, First Busey announced that its board of directors approved a repurchase plan under which the Company is authorized to repurchase up to an aggregate of 666,667 shares of its common stock. The repurchase plan has no expiration date and replaced the prior repurchase plan that was originally approved in 2008. During the third quarter of 2015, the Company purchased 333,333 shares under this repurchase plan. At September 30, 2016 the Company had 333,334 shares that may yet be purchased under the plan.

A description of the 2010 Equity Incentive Plan, which was amended in 2015, can be found in the Company's Proxy Statement for the 2015 Annual Meeting of Stockholders. The Company's 2010 Equity Incentive Plan is designed to encourage ownership of its common stock by its employees and directors, to provide additional incentive for them to promote the success of its business, and to attract and retain talented personnel. All of the Company's employees and directors, and those of its subsidiaries, are eligible to receive awards under the plan.

In relation to the Pulaski acquisition, the Company assumed stock options that were previously issued under shareholder approved Pulaski incentive plans. At the effective time of the acquisition, each outstanding option to purchase shares of Pulaski common stock was converted automatically into a stock option exercisable for that number of shares of First Busey common stock equal to (i) the number of shares of Pulaski common stock subject to the Pulaski stock option immediately prior to the effective time multiplied by (ii) the exchange ratio (rounded down to the nearest whole share), with an exercise price per share equal to (A) the exercise price per share of Pulaski common stock of the Pulaski stock option immediately prior to the effective time divided by (B) the exchange ratio (rounded up to the nearest whole cent). Each Pulaski stock option assumed and converted continues to be subject to the same terms and conditions, as applicable immediately prior to the effective time. All Pulaski stock options are fully vested.

A summary of the status of and changes in the Company's stock option awards for the nine months ended September 30, 2016 follows:

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term
Outstanding at beginning of year	96,568	$ 43.64	
Converted options from Pulaski	309,700	13.29	
Granted	—	—	
Exercised	(44,538)	15.12	
Forfeited	(394)	13.87	
Expired	(50,718)	58.23	
Outstanding at end of period	310,618	$ 15.12	1.89
Exercisable at end of period	310,618	$ 15.12	1.89

The Company did not record any stock option compensation expense for the three or nine months ended September 30, 2016 or 2015.

A summary of the changes in the Company's stock unit awards for the nine months ended September 30, 2016, is as follows:

	Restricted Stock Units	Weighted-Average Grant Date Fair Value	Director Deferred Stock Units	Weighted-Average Grant Date Fair Value
Non-vested at beginning of year	424,930	$ 17.10	24,763	$ 19.25
Granted	126,669	22.44	22,428	22.44
Dividend equivalents earned	11,228	20.44	1,891	20.53
Vested	(54,913)	14.61	(14,301)	20.10
Forfeited	(5,274)	18.11	—	—
Non-vested at end of period	502,640	$ 18.78	34,781	$ 21.03
Outstanding at end of period	502,640	$ 18.78	92,775	$ 18.50

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

On July 11, 2016, under the terms of the 2010 Equity Incentive Plan, the Company granted 126,669 RSUs to members of management. As the stock price on the grant date of July 11, 2016 was $22.44, total compensation cost to be recognized is $2.8 million. This cost will be recognized over a period of five years. Subsequent to the requisite service period, the awards will vest 100%.

In addition, on July 11, 2016, under the terms of the 2010 Equity Incentive Plan, the Company granted 15,830 DSUs to directors. As the stock price on the grant date of July 11, 2016 was $22.44, total compensation cost to be recognized is $0.4 million. The Company also granted 1,250 DSUs to a new director on July 25, 2016. As the stock price on the grant date of July 25, 2016 was $22.39, total compensation cost to be recognized is insignificant. These costs will be recognized over the requisite service period of one year from the date of grant or the next Annual Meeting of Stockholders; whichever is earlier. Further, the Company granted 5,348 DSUs to the Chairman of the Board. As the stock price on the grant date of July 11, 2016 was $22.44, total compensation cost to be recognized is $0.1 million. This cost will be recognized over a period of five years. Subsequent to the requisite service period, the awards will vest 100%.

In relation to the Pulaski acquisition, the Company also assumed performance based restricted stock unit awards. At the effective time of the acquisition, the number of Pulaski common shares covered by each award was fixed at the target level under Pulaski's existing plan and automatically converted into a service-based restricted stock unit award of First Busey common stock that is equal to the number of shares of Pulaski common stock multiplied by the exchange ratio. Following the change in control, each restricted stock award will vest, without regard to any performance metrics, on the earlier to occur of September 30, 2017 or the award holders' involuntary termination of employment for reasons other than cause or voluntary termination of employment for good reason, as specified in the award agreement. Dividends related to these units are accrued and will be paid in cash upon vesting. At September 30, 2016 these awards represented 53,004 First Busey restricted stock units.

The Company recognized $0.5 million and $0.4 million of compensation expense related to non-vested stock units for the three months ended September 30, 2016 and 2015, respectively. The Company recognized $1.3 million and $1.0 million of compensation expense related to non-vested stock units for the nine months ended September 30, 2016 and 2015, respectively. As of September 30, 2016, there was $6.4 million of total unrecognized compensation cost related to these non-vested stock units. This cost is expected to be recognized over a period of 3.6 years.

Note 12: Income Taxes

At September 30, 2016, the Company was not under examination by any tax authority.

Note 13: Outstanding Commitments and Contingent Liabilities

Legal Matters

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

Credit Commitments and Contingencies

The Company is a party to credit-related financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit. Those instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the Consolidated Balance Sheets.

The Company's exposure to credit loss is represented by the contractual amount of those commitments. The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments. A summary of the contractual amount of the Company's exposure to off-balance-sheet risk relating to the Company's commitments to extend credit and standby letters of credit follows:

	September 30, 2016	December 31, 2015
	(dollars in thousands)	
Financial instruments whose contract amounts represent credit risk:		
Commitments to extend credit	$ 939,666	$ 618,551
Standby letters of credit	17,001	15,325

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

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer's obligation to a third party. Those guarantees are primarily issued to support public and private borrowing arrangements, including bond financing and similar transactions and primarily have terms of one year or less. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Company holds collateral, which may include accounts receivable, inventory, property and equipment, and income producing properties, supporting those commitments if deemed necessary. In the event the customer does not perform in accordance with the terms of the agreement with the third party, the Company would be required to fund the commitment. The maximum potential amount of future payments the Company could be required to make is represented by the contractual amount shown in the summary above. If the commitment is funded, the Company would be entitled to seek recovery from the customer. As of September 30, 2016 and December 31, 2015, no amounts were recorded as liabilities for the Company's potential obligations under these guarantees.

Other Commitments

From time to time, the Company will sign contracts for construction projects relating to the Company's facilities.

Note 14: Capital

The ability of the Company to pay cash dividends to its stockholders and to service its debt was historically dependent on the receipt of cash dividends from its subsidiaries. Under applicable regulatory requirements, an Illinois state-chartered bank such as Busey Bank may not pay dividends in excess of its net profits. Because Busey Bank has been in a retained earnings deficit position since 2009, it has not been able to pay dividends since that time. With prior approval from its regulators, however, an Illinois state-chartered bank in this situation may be able to reduce its capital stock, by amending its charter to decrease the authorized number of shares, and then make a subsequent distribution to its holding company. Using this approach, and with the approval of its regulators, Busey Bank has distributed funds to the Company, the most recent of which was $30.0 million on October 21, 2016. The Company expects to seek regulatory approval for additional capital distributions in future periods.

Pulaski Bank is a national bank regulated by the Office of the Comptroller of the Currency ("OCC"). Under federal regulations, the approval of the OCC is required prior to any capital distribution when the total amount of capital distributions for the current calendar year exceeds net income for that year plus retained net income for the preceding two years. In connection with the application of the acquisition method of accounting, Pulaski Bank's retained earnings were reduced to zero at the date of the acquisition. Accordingly, the amount of Pulaski Bank's capital available for distribution to the Company without prior regulatory approval is limited to Pulaski Bank's undistributed earnings since the date of the acquisition.

The Company and both of its subsidiary banks are subject to regulatory capital requirements administered by federal and/or state agencies that involve the quantitative measure of their assets, liabilities, and certain off-balance-sheet items, as calculated under regulatory accounting practices. Quantitative measures established by regulations to ensure capital adequacy require the Company and the banks to maintain minimum dollar amounts and ratios of such to risk weighted assets (as defined in the regulations and set forth in the table below) of total capital, Tier 1 capital and Common Equity Tier 1 capital, and for both of the subsidiary banks, Tier 1 capital to average assets. Failure to meet minimum capital requirements may cause regulatory bodies to initiate certain discretionary and/or mandatory actions that, if undertaken, could have a direct material effect on our financial statements. The Company, as a financial holding company, is required to be "well capitalized" in the capital categories shown in the table below. As of September 30, 2016, the Company and both of its subsidiary banks met all capital adequacy requirements to which they were subject, including the guidelines to be considered "well capitalized."

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act") established minimum capital levels for bank holding companies on a consolidated basis. The components of Tier 1 capital are restricted to capital instruments that, at the time of signing, were considered to be Tier 1 capital for insured depository institutions. Under this legislation, the Company is able to maintain its trust preferred securities as Tier 1 capital, but it will have to comply with new capital mandates in other respects, and it will not be able to raise Tier 1 capital through the issuance of trust preferred securities in the future.

In July 2013, the U.S. federal banking authorities approved the implementation of the Basel III regulatory capital reforms and issued rules effecting certain changes required by the Dodd-Frank Act (the "Basel III Rules"). The Basel III Rules are applicable to all U.S. banks that are subject to minimum capital requirements, as well as to bank and savings and loan holding companies other than "small bank holding companies" (generally non-public bank holding companies with consolidated assets of less than $1 billion). The Basel III Rules not only increased most of the required minimum regulatory capital ratios, but they also introduced a new Common Equity Tier 1 Capital ratio and the concept of a capital conservation buffer. The Basel III Rules also expanded the definition of capital as in effect currently by establishing criteria that instruments must meet to be considered Additional Tier 1 Capital (Tier 1 Capital in addition to Common Equity) and Tier 2 Capital. A number of instruments that generally qualified as Tier 1 Capital under the old guidelines no longer qualify, or their qualifications will change, as the Basel III Rules are being fully implemented.

The Basel III Rules also permitted banking organizations with less than $15.0 billion in assets to retain, through a one-time election, the past treatment for accumulated other comprehensive income, which did not affect regulatory capital. First Busey and both of its subsidiary banks made this election in the first quarter of 2015 to avoid variations in the level of their capital depending on fluctuations in the fair value of their securities portfolio. The Basel III Rules maintained the general structure of the prompt corrective action framework, while incorporating increased requirements. The prompt corrective action guidelines were also revised to add the Common Equity Tier 1 Capital ratio. Under the final capital rules that became effective on January 1, 2015, there was a requirement for a Common Equity Tier 1 capital conservation buffer of 2.5% of risk weighted assets which is in addition to the other minimum risk based capital standards in the rule. Failure to maintain the buffer will result in restrictions on the Company's ability to make capital distributions, including the payment of dividends, and to pay discretionary bonuses to executive officers. The capital buffer requirement is being phased-in over three years beginning in 2016. The table below includes the 0.625% increase for 2016 in the minimum capital requirement ratios. The capital buffer requirement effectively raises the minimum required Common Equity Tier 1 Capital ratio to 7.0%, the Tier 1 Capital ratio to 8.5%, and the Total Capital ratio to 10.5% on a fully phased-in basis on January 1, 2019. As of September 30, 2016, the Company and both of its subsidiary banks were in compliance with the current phase of the Basel III Rules and management believes that the Company and both of its subsidiary banks would meet all capital adequacy requirements under the Basel III Rules on a fully phased-in basis as if such requirements had been in effect.

	Actual		Minimum Capital Requirement with Capital Buffer		Minimum To Be Well Capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
			(dollars in thousands)			
As of September 30, 2016:						
Total Capital (to Risk Weighted Assets)						
Consolidated	$ 599,782	13.91%	$ 371,888	8.625%	$ 431,175	10.00%
Busey Bank	$ 430,356	14.24%	$ 260,677	8.625%	$ 302,234	10.00%
Pulaski Bank	$ 140,824	11.20%	$ 108,433	8.625%	$ 125,719	10.00%

Tier 1 Capital (to Risk Weighted Assets)									
Consolidated	$	551,711	12.80%	$	285,653	6.625%	$	344,940	8.00%
Busey Bank	$	392,261	12.98%	$	200,230	6.625%	$	241,787	8.00%
Pulaski Bank	$	137,181	10.91%	$	83,289	6.625%	$	100,576	8.00%
Common Equity Tier 1 Capital (to Risk Weighted Assets)									
Consolidated	$	478,569	11.10%	$	220,977	5.125%	$	280,264	6.50%
Busey Bank	$	392,261	12.98%	$	154,895	5.125%	$	196,452	6.50%
Pulaski Bank	$	137,181	10.91%	$	64,431	5.125%	$	81,718	6.50%
Tier 1 Capital (to Average Assets)									
Consolidated	$	551,711	10.26%	$	215,014	4.00%		N/A	N/A
Busey Bank	$	392,261	10.17%	$	154,289	4.00%	$	192,861	5.00%
Pulaski Bank	$	137,181	9.12%	$	60,168	4.00%	$	75,210	5.00%

Note 15: Operating Segments and Related Information

The Company has three reportable operating segments, Banking, Remittance Processing and Wealth Management. The Banking operating segment provides a full range of banking services to individual and corporate customers through its branch network in downstate Illinois, Missouri, southwest Florida and through its branch in Indianapolis, Indiana. Banking services for Busey Bank and Pulaski Bank are aggregated into the Banking operating segment as they have similar operations and activities. The Remittance Processing operating segment provides for online bill payments, lockbox and walk-in payments. The Wealth Management operating segment provides a full range of asset management, investment and fiduciary services to individuals, businesses and foundations, tax preparation, philanthropic advisory services and farm and brokerage services.

The Company'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 "other" category consists of the Parent Company and the elimination of intercompany transactions.

The segment financial information provided below has been derived from the internal accounting system used by management to monitor and manage the financial performance of the Company. The accounting policies of the three segments are the same as those described in the summary of significant accounting policies in the Company's Annual Report on Form 10-K for the year ended December 31, 2015.

Effective for the year ended December 31, 2015, the Company realigned its operating segments. Results for the operating segments were revised for prior periods to reflect the impact of this realignment.

Following is a summary of selected financial information for the Company's operating segments *(dollars in thousands)*:

	Goodwill		Total Assets	
	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015
Banking	$ 81,670	$ 4,824	$ 5,557,222	$ 3,944,031
Remittance Processing	8,992	8,992	31,665	30,231
Wealth Management	11,694	11,694	27,071	27,651
Other	—	—	(23,717)	(2,937)
Totals	$ 102,356	$ 25,510	$ 5,592,241	$ 3,998,976

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Net interest income:				
Banking	$ 44,645	$ 28,420	$ 111,206	$ 82,870
Remittance Processing	13	14	41	40
Wealth Management	77	67	207	206
Other	(604)	(306)	(1,429)	(900)
Total net interest income	$ 44,131	$ 28,195	$ 110,025	$ 82,216
Non-interest income:				
Banking	$ 12,684	$ 7,881	$ 31,404	$ 22,940
Remittance Processing	2,891	2,973	8,827	8,518
Wealth Management	5,477	5,389	17,545	17,930
Other	(307)	(354)	(1,608)	(911)
Total non-interest income	$ 20,745	$ 15,889	$ 56,168	$ 48,477
Non-interest expense:				
Banking	$ 31,278	$ 21,114	$ 80,217	$ 65,981
Remittance Processing	2,091	2,186	6,538	6,337
Wealth Management	5,090	3,964	12,899	12,123
Other	956	686	3,797	2,501
Total non-interest expense	$ 39,415	$ 27,950	$ 103,451	$ 86,942
Income before income taxes:				
Banking	$ 24,102	$ 15,086	$ 58,343	$ 39,229
Remittance Processing	813	801	2,330	2,221
Wealth Management	463	1,492	4,853	6,013

Other	(1,867)	(1,345)	(6,834)	(4,312)
Total income before income taxes	$ 23,511	$ 16,034	$ 58,692	$ 43,151
Net income:				
Banking	$ 15,590	$ 9,733	$ 37,716	$ 25,518
Remittance Processing	486	479	1,394	1,329
Wealth Management	284	894	2,902	3,590
Other	(938)	(480)	(3,773)	(2,114)
Total net income	$ 15,422	$ 10,626	$ 38,239	$ 28,323

Note 16: Derivative Financial Instruments

The Company originates and purchases 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 loan investors and foreign currency forward contracts. See Note 17 - Fair Value Measurements for further discussion of the fair value measurement of such derivatives.

Interest Rate Lock Commitments. At September 30, 2016, the Company had issued $384.1 million of unexpired interest rate lock commitments to loan customers. Such 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 unaudited Consolidated Financial Statements, 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. At September 30, 2016, the Company had issued $626.5 million of unexpired forward sales commitments to mortgage loan investors. Typically, the Company 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 best-efforts 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 unaudited Consolidated Financial Statements. While such forward sales commitments generally served as an economic hedge to the mortgage loans held for sale and interest rate lock commitments, the Company did not designate them for hedge accounting treatment. Consequently, 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.

The fair values of these derivative assets and liabilities recorded in the consolidated balance sheets at September 30, 2016 are summarized as follows *(dollars in thousands)*:

	September 30, 2016
Fair value recorded in other assets	$ 6,325
Fair value recorded in other liabilities	9,664

The gross gains and losses on these derivative assets and liabilities recorded in non-interest income and expense in the Consolidated Statements of Income for the nine months ended September 30, 2016 are summarized as follows *(dollars in thousands)*:

	September 30, 2016
Gross gains	$ 18,867
Gross losses	(19,804)
Net losses	(937)

At September 30, 2016, the impact of the net loss on derivative financial instruments related to interest rate lock commitments issued to residential loan customers for loans that will be held for sale and forward sales commitments to sell residential mortgage loans to loan investors was almost entirely offset by a corresponding increase in the fair value of loans held for sale.

Foreign Currency Derivatives. The Company has originated certain loan agreements that settle in non-U.S. dollar denominations. The gross balance of such loans, translated into U.S. dollars, was $1.0 million at September 30, 2016. The Company enters into foreign currency forward contracts to mitigate the economic effect of fluctuations in foreign currency exchange rates on these non-U.S. dollar denominated loans. Such foreign currency forward contracts 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 unaudited Consolidated Financial Statements. While such forward contracts generally served as an economic hedge to certain loans, the Company did not designate them for hedge accounting treatment. Consequently, 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. The gross gains and losses on these derivative assets and liabilities recorded in non-interest income and expense in the Consolidated Statements of Income for the nine months ended September 30, 2016 was insignificant.

The notional amount and fair values, denominated in U.S. dollars, of open foreign currency forward contracts were as follows:

	September 30, 2016 (dollars in thousands)
Notional amount	$ 999
Fair value recorded in other liabilities	3

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

Note 17: Fair Value Measurements

The fair value of an asset or liability is the price that would be received by selling that asset or paid in transferring that liability in an orderly transaction occurring in the principal market (or most advantageous market in the absence of a principal market) for such asset or liability. In estimating fair value, the Company utilizes valuation techniques that are consistent with the market approach, the income approach and/or the cost approach. Such valuation techniques are consistently applied. Inputs to valuation techniques include the assumptions that market participants would use in pricing an asset or liability. FASB ASC Topic 820 establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

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

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

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

A description of the valuation methodologies used for instruments measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below. These valuation methodologies were applied to those Company assets and liabilities that are carried at fair value.

There were no transfers between levels during the quarter ended September 30, 2016.

In general, fair value is based upon quoted market prices, when available. If such quoted market prices are not available, fair values are measured utilizing independent valuation techniques of identical or similar securities for which significant assumptions are derived primarily from or corroborated by observable data. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value. These adjustments may include amounts to reflect, among other things, counterparty credit quality and the company’s creditworthiness as well as unobservable parameters. Any such valuation adjustments are applied consistently over time. The Company’s valuation methodologies may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. While management believes the Company’s valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date. Furthermore, the reported fair value amounts have not been comprehensively revalued since the presentation dates and, therefore, estimates of fair value after the balance sheet date may differ significantly from the amounts presented herein.

Securities Available for Sale. Securities classified as available for sale are reported at fair value utilizing level 1 and level 2 measurements. For mutual funds and other equity securities, unadjusted quoted prices in active markets for identical assets are utilized to determine fair value at the measurement date and have been classified as level 1 in the ASC 820 fair value hierarchy. For all other securities, the Company obtains fair value measurements from an independent pricing service. The independent pricing service evaluations are based on market data. The independent pricing service utilizes evaluated pricing models that

vary by asset class and incorporate available trade, bid and other market information. Because many fixed income securities do not trade on a daily basis, the independent pricing service applies available information as appropriate through processes such as benchmark curves, benchmarking of like securities, sector groupings, and matrix pricing, to prepare evaluations. In addition, the independent pricing service uses model processes, such as the Option Adjusted Spread model, to assess interest rate impact and develop prepayment scenarios. The models and processes take into account market 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.

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

Loans held for sale. Beginning on January 1, 2016, the Company elected to adopt the fair value option for all residential mortgage loans held for sale and to account for such loans at their fair values with changes in fair value recognized in earnings, consistent with the provisions in ASC 820. The Company accounted for held for sale loans that were originated prior to January 1, 2016 under the lower of cost or fair value option, with any corresponding adjustments recorded as a valuation adjustment, if necessary. Such fair value adjustments are recorded as a component of gain on sales of loans, net in the accompanying unaudited Consolidated Financial Statements. The fair value of the mortgage loans held for sale are measured using observable quoted market or contract prices or market price equivalents and are classified as level 2 in the ASC 820 fair value hierarchy.

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

The following table summarizes financial assets and financial liabilities measured at fair value on a recurring basis as of September 30, 2016 and December 31, 2015, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value *(dollars in thousands)*:

	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total Fair Value
September 30, 2016				
Securities available for sale				
U.S. Treasury securities	$ —	$ 65,266	$ —	$ 65,266
Obligations of U.S. government corporations and agencies	—	105,536	—	105,536
Obligations of states and political subdivisions	—	163,940	—	163,940
Residential mortgage-backed securities	—	289,958	—	289,958
Corporate debt securities	—	146,294	—	146,294
Mutual funds and other equity securities	3,689	—	—	3,689
Loans				
Loans held for sale	—	266,382	—	266,382
Derivative assets				
Derivative financial assets	—	6,325	—	6,325
Derivative liabilities				
Foreign currency forward contracts	—	3	—	3
Derivative financial liabilities	—	9,664	—	9,664

	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total Fair Value
December 31, 2015				
Securities available for sale				
U.S. Treasury securities	$ —	$ 65,191	$ —	$ 65,191
Obligations of U.S. government corporations and agencies	—	132,605	—	132,605
Obligations of states and political subdivisions	—	178,612	—	178,612
Residential mortgage-backed securities	—	307,549	—	307,549
Corporate debt securities	—	148,805	—	148,805
Mutual funds and other equity securities	2,076	—	—	2,076
Derivative assets				
Foreign currency forward contracts	—	4	—	4
Derivative liabilities				
Foreign currency forward contracts	—	2	—	2

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

Impaired Loans. The Company does not record loans at fair value on a recurring basis. However, periodically, a loan is considered impaired and is reported at the fair value of the underlying collateral, less estimated costs to sell, if repayment is expected solely from the collateral. Impaired loans measured at fair value typically consist of loans on non-accrual status and restructured loans in compliance with modified terms. Collateral values are estimated using a combination of observable inputs, including recent appraisals, and unobservable inputs based on customized discounting criteria. Due to the significance of the unobservable inputs, all impaired loan fair values have been classified as level 3 in the ASC 820 fair value hierarchy.

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

The following table summarizes assets and liabilities measured at fair value on a non-recurring basis as of September 30, 2016 and December 31, 2015, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value *(dollars in thousands)*:

	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total Fair Value
September 30, 2016				
Impaired loans	$ —	$ —	$ 1,563	$ 1,563
OREO(1)	—	—	—	—
December 31, 2015				
Impaired loans	$ —	$ —	$ 6,138	$ 6,138
OREO(1)	—	—	—	—

(1)OREO fair value was less than one thousand dollars.

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)*:

Quantitative Information about Level 3 Fair Value Measurements			
Fair Value	Valuation	Unobservable	Range

		Estimate	Techniques	Input	(Weighted Average)
September 30, 2016					
Impaired loans	$	1,563	Appraisal of collateral	Appraisal adjustments	-1.5% to -100.0% (-36.6)%
OREO(1)		—	Appraisal of collateral	Appraisal adjustments	-100.0% (-100.0)%
December 31, 2015					
Impaired loans	$	6,138	Appraisal of collateral	Appraisal adjustments	-4.3% to -100.0% (-30.9)%
OREO(1)		—	Appraisal of collateral	Appraisal adjustments	-100.0% (-100.0)%

(1)OREO fair value was less than one thousand dollars.

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

	September 30, 2016 Carrying Amount	September 30, 2016 Fair Value	December 31, 2015 Carrying Amount	December 31, 2015 Fair Value
Financial assets:				
Level 1 inputs:				
Cash and due from banks	$ 358,337	$ 358,337	$ 319,280	$ 319,280
Federal funds sold	2,498	2,498	—	—
Level 2 inputs:				
Securities held to maturity	50,460	51,618	49,832	50,271
Loans held for sale(2)	—	—	9,351	9,492
Accrued interest receivable	15,817	15,817	12,122	12,122
Level 3 inputs:				
Net portfolio loans	3,759,766	3,795,090	2,580,252	2,583,458
Mortgage servicing rights	3,092	4,853	3,475	5,896
Financial liabilities:				
Level 2 inputs:				
Deposits	$ 4,336,506	$ 4,335,196	$ 3,289,106	$ 3,286,677
Securities sold under agreements to repurchase	212,363	212,363	172,972	172,972
Short-term borrowings	246,700	246,700	—	—
Long-term debt	80,000	80,000	80,000	80,000
Junior subordinated debt owed to unconsolidated trusts	70,834	70,834	55,000	55,000
Accrued interest payable	998	998	438	438

(2)Effective January 1, 2016, measured at fair value on a recurring basis.

FASB ASC Topic 825 requires disclosure of the fair value of financial assets and financial liabilities, including those financial assets and financial liabilities that are not measured and reported at fair value on a recurring basis or non-recurring basis. A detailed description of the valuation methodologies used in estimating the fair value of financial instruments is set forth in the Company's Annual Report on Form 10-K for the year ended December 31, 2015 or is described below.

The fair value of net portfolio loans reflects general changes in the interest rate curve used to calculate fair values based on cash flows. The carrying amount approximates fair value for federal funds sold and is classified as level 1 in the ASC 820 fair value hierarchy. The fair value of mortgage servicing rights is estimated by discounting the future cash flows and classified as level 3 in the ASC 820 fair value hierarchy. The estimated fair value of short-term borrowings, which includes advances from the FHLB, is determined by discounting the future cash flows of existing advances using rates currently available on advances from the FHLB having similar characteristics and is classified as level 2 in the ASC 820 fair value hierarchy.

Note 18: Liability for Loans Sold

The Company records an estimated liability for probable amounts due to the Company's loan investors under contractual obligations related to residential mortgage loans originated for sale that were previously sold and became delinquent or defaulted, or were determined to contain certain documentation or other underwriting deficiencies. Under standard representations and warranties and early payment default clauses in the Company's mortgage sale agreements, the Company could be required to repurchase mortgage loans sold to investors or reimburse the investors for losses incurred on loans (collectively "repurchase") in the event of borrower default within a defined period after origination (generally 90 days), or in the event of breaches of contractual representations or warranties made at the time of sale that are not remedied within a defined period after the Company receives notice of such breaches (generally 90 days). In addition, the Company may be required to refund the profit received from the sale of a loan to an investor if the borrower pays off the loan within a defined period after origination, which is generally 120 days.

The Company establishes a mortgage repurchase liability related to these events that reflects management's estimate of losses on loans for which the Company could have a repurchase obligation based on a combination of factors. Such factors incorporate the volume of loans sold in current and previous periods, borrower default expectations, historical investor repurchase demand and appeals success rates (where the investor rescinds the demand based on a cure of the defect or acknowledges that the loan satisfies the investor's applicable representations and warranties), and estimated loss severity. Payments made to investors as reimbursement for losses incurred are charged against the mortgage repurchase liability. Loans repurchased from investors are initially recorded at fair value, which becomes the Company's new accounting basis. Any difference between the loan's fair value and the outstanding principal amount is charged or credited to the mortgage repurchase liability, as appropriate. Subsequent to repurchase, such loans are carried in loans on the Company's balance sheet. Loans repurchased with deteriorated credit quality at the date of repurchase are accounted for under ASC Topic 310-30.

The liability for loans sold of $1.9 million at September 30, 2016 represents the Company's best estimate of the probable losses that the Company will incur for various early default provisions and contractual representations and warranties associated with the sales of mortgage loans. Because the level of mortgage loan repurchase losses depends upon economic factors, investor demand strategies and other external conditions that may change over the life of the underlying loans, the level of the liability for mortgage loan repurchase losses is difficult to estimate and requires considerable management judgment. In addition, the Company does not service the loans that it sells to investors and is generally unable to track the remaining unpaid balances or delinquency status after sale. As a result, there may be a range of possible losses in excess of the estimated liability that cannot be estimated. Management maintains regular contact with the Company's investors to monitor and address their repurchase demand practices and concerns.

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

The following is management's discussion and analysis of the financial condition of First Busey Corporation and its subsidiaries (referred to herein as "First Busey," "Company," "we," or "our") at September 30, 2016 (unaudited), as compared with June 30, 2016 (unaudited), December 31, 2015 and September 30, 2015 (unaudited), and the results of operations for the three and nine months ended September 30, 2016 (unaudited) and 2015 (unaudited), and the three months ended June 30, 2016 (unaudited) when applicable. Management's discussion and analysis should be read in conjunction with the Company's unaudited Consolidated Financial Statements and notes thereto appearing elsewhere in this Quarterly Report, as well as the Company's Annual Report on Form 10-K for the year ended December 31, 2015.

EXECUTIVE SUMMARY

Recent Acquisition

On April 30, 2016, the Company completed its acquisition of Pulaski, a Missouri corporation headquartered in St. Louis and its wholly owned subsidiary bank, Pulaski Bank. This acquisition creates a Midwest community bank with greater scale and improved operating efficiency, along with geographic and balance sheet diversification. Financial results for the second and third quarters of 2016 were significantly impacted by the Pulaski acquisition, resetting the baseline for financial performance in current and future quarters in a multitude of positive ways. At the date of the acquisition, the fair value of Pulaski's total assets was $1.6 billion, including $1.4 billion in loans, and $1.2 billion in deposits. Net income before taxes was positively impacted by $1.7 million and $1.3 million due to Pulaski purchase accounting amortization for the third and second quarter of 2016, respectively, net of amortization expense of intangibles. During the third quarter of 2016, First Busey incurred $0.8 million of pre-tax acquisition expenses related to the acquisition of Pulaski. During the nine months ended September 30, 2016, expenses related to the acquisition of Pulaski totaled $3.1 million pre-tax, comprised primarily of data processing, legal and consulting costs and restructuring costs. First Busey operated Pulaski Bank as a separate subsidiary from May 1, 2016 until November 4, 2016 when it was merged with and into Busey Bank.

Operating Results

First Busey's net income and net income available to common stockholders for the third quarter of 2016 was $15.4 million, or $0.40 per fully-diluted common share. The Company reported net income and net income available to common stockholders of $12.4 million, or $0.35 per fully-diluted common share, for the second quarter of 2016 and net income of $10.6 million and net income available to common stockholders of $10.4 million, or $0.36 per fully-diluted common share, for the third quarter of 2015. The Company's year-to-date net income and net income available to common stockholders through September 30, 2016 was $38.2 million, or $1.11 per fully-diluted common share, compared to net income of $28.3 million and net income available to common stockholders of $27.8 million, or $0.95 per fully-diluted common share, for the comparable period of 2015. Year-to-date net income available to common stockholders through September 30, 2016 increased 37.7% over the comparable period of 2015.

Revenues from trust fees, commissions and brokers' fees, and remittance processing activities represented 38.9% of the Company's non-interest income for the quarter ended September 30, 2016, providing a balance to revenue from traditional banking activities. As Pulaski generated no legacy fee income from these businesses, the addition of these service offerings in its markets should provide attractive growth opportunities.

Trust fees and commissions and brokers' fees decreased seasonally to $5.3 million for the third quarter of 2016 compared to $5.7 million for the second quarter of 2016, but were stable compared to the third quarter of 2015. Trust fees and commission and brokers' fees decreased to $17.2 million for the nine months ended September 30, 2016 compared to $17.8 million for the nine months ended September 30, 2015. Income before income taxes from the wealth management segment decreased to $0.5 million for the third quarter of 2016 compared to $2.2 million for the second quarter of 2016, and $1.5 million for the third quarter of 2015. Income before income taxes from the wealth management segment for the third quarter of 2016 was negatively impacted by restructuring costs of $1.3 million designed to increase efficiency and drive down future costs, as we continue to refine our operating model. Income before income taxes for the wealth management segment was $4.9 million for the nine months ended September 30, 2016 compared to $6.0 million for the nine months ended September 30, 2015.

Remittance processing revenue remained stable at $2.8 million for the third quarter of 2016, compared to the second quarter of 2016, and decreased slightly from $2.9 million for the third quarter of 2015. Remittance processing revenue increased to $8.6 million for the nine months ended September 30, 2016 compared to $8.4 million for the nine months ended September 30, 2015. Income before income taxes from the remittance processing segment was $0.8 million for the third quarter of 2016, unchanged from the second quarter of 2016 and the third quarter of 2015. Income before income taxes was $2.3 million for the nine months ended September 30, 2016, which represented an increase of 4.9% from the nine months ended September 30, 2015.

Asset Quality

While much internal focus has been directed toward growth, the Company's commitment to credit quality remains strong. The September 30, 2016 and June 30, 2016 asset metrics reflect the post combination results of acquiring Pulaski. As of September 30, 2016, the Company reported a decrease in non-performing loans to $20.1 million compared to $22.8 million as of June 30, 2016 and $8.0 million as of September 30, 2015. The reduction in non-performing loans in the third quarter of 2016 was positively impacted by a loan sale to outside parties of $7.6 million.

The Company recorded net recoveries of $0.5 million for the third quarter of 2016 which were favorably impacted by the loan sale mentioned above, compared to net charge-offs of $0.9 million for the second quarter of 2016 and net charge-offs of $0.6 million for the third quarter of 2015. The allowance for loan losses as a percentage of gross portfolio loans increased to 1.26% at September 30, 2016 compared to 1.20% at June 30, 2016, but decreased from 1.84% at September 30, 2015. The Company recorded a provision for loan losses of $2.0 million in the third quarter of 2016, compared to $1.1 million in the second quarter of 2016 and $0.1 million in the third quarter of 2015. For the first nine months of 2016, the provision for loan losses was $4.1 million, compared to $0.6 million for the same period of 2015. The increase in provision for loan losses from 2015 was primarily driven by the Pulaski acquisition and resulting acquisition accounting, which does not permit the carryover of the allowance for loan losses on acquired loans. Instead, these loans are carried net of a fair value adjustment made at the merger date for credit risk and interest rates and are included in the allowance calculation only to the extent that the reserve requirement exceeds such credit-related fair value adjustment. However, as the acquired loans renew and as Pulaski Bank originates new loan production, it is generally necessary to establish an allowance for losses, which represents an amount that, in management's opinion, will be adequate to absorb probable credit losses.

With a continued commitment to asset quality and the strength of our balance sheet, near-term loan losses are expected to remain generally low. While these results are encouraging, asset quality metrics can be generally influenced by market-specific economic conditions, and specific measures may fluctuate from quarter to quarter.

The key metrics are as follows *(dollars in thousands):*

	As of and for the Three Months Ended			
	September 30, 2016	**June 30, 2016**	**March 31, 2015**	**December 31, 2015**
		(dollars in thousands)		
Total gross loans(1)	$ **4,073,995**	$ 4,059,091	$ 2,585,512	$ 2,637,090
Commercial loans(2)	**2,715,580**	2,685,933	1,920,953	1,961,573
Allowance for loan losses	**47,847**	45,358	45,171	47,487
Non-performing loans				
Non-accrual loans	**16,253**	22,443	17,368	12,748
Loans 90+ days past due	**3,830**	334	452	15
Loans 30-89 days past due	**7,709**	9,754	2,436	3,282
Other non-performing assets	**2,324**	3,267	463	783
Non-performing assets to total loans and non-performing assets	**0.5%**	0.6%	0.7%	0.5%
Allowance as a percentage of non-performing loans	**238.2%**	199.1%	253.5%	372.1%
Allowance for loan losses to total gross loans	**1.2%**	1.1%	1.7%	1.8%
Allowance for loan losses to gross portfolio loans	**1.3%**	1.2%	1.8%	1.8%

(1)Includes loans held for sale.
(2)Includes loans categorized as commercial, commercial real estate and real estate construction.

Economic Conditions of Markets

The Company has 28 banking centers serving Illinois. Our primary downstate Illinois markets of Champaign, Macon, McLean and Peoria counties are anchored by several strong, familiar and stable organizations. Champaign County is home to the University of Illinois — Urbana/Champaign ("U of I"), the University's primary campus. U of I has in excess of 44,000 students. Additionally, Champaign County healthcare providers serve a significant area of downstate Illinois and western Indiana. Macon County is home to the North American headquarters for Archer Daniels Midland ("ADM"), a Fortune 100 company and one of the largest agricultural processors in the world. ADM's presence in Macon County supports many derivative businesses in the agricultural processing arena. Additionally, Macon County is home to Millikin University, and its healthcare providers serve a significant role in the market. McLean County is home to State Farm, Country Financial, Illinois State University and Illinois Wesleyan University. State Farm, a Fortune 100 company, is the largest employer in McLean County, and Country Financial and the universities provide additional stability to a growing area of downstate Illinois. Peoria County is home to Caterpillar Inc., a Fortune 100 company, and Bradley University, in addition to a large healthcare presence serving much of the western portion of downstate Illinois. Caterpillar Inc. announced significant restructuring and cost cutting initiatives that began in the third quarter of 2015 and, while no substantial direct exposure exists, we will continue to monitor the potential impact to the surrounding community and our customers. The institutions noted above, coupled with a large agricultural sector, anchor the communities in which they are located, and have provided a comparatively stable foundation for housing, employment and small business.

The State of Illinois, where a large portion of the Company's customer base is located, continues to be one of the most troubled of any state in the United States with pension under-funding, continued budget deficits and a declining credit outlook. A continued budget impasse led to Illinois lawmakers approving a stopgap state budget that funds education for a year and other areas for six months on June 30, 2016. Additionally, the Company is located in markets with significant universities and healthcare companies, which rely heavily on state funding and contracts. Payment lapses by the State of Illinois to its vendors and government sponsored entities may have negative effects on our primary market areas.

The recent acquisition of Pulaski expands our presence into the St. Louis, Missouri metropolitan area, which is the largest metropolitan area in Missouri and the twentieth largest in the United States. The bi-state metropolitan area includes seven counties in Missouri and eight counties in Illinois. The area is home to 19 Fortune 1000 companies, including Express Scripts, Emerson Electric, Centene and Monsanto. St. Louis has a diverse economy with its major employment sectors including health care, financial services, professional and business services, and retail. Pulaski Bank has 13 full-service branch offices in the St. Louis metropolitan area, all of which are located in the city of St. Louis, or the adjacent counties of St. Louis County and St. Charles County. St. Charles County has been one of the fastest-growing counties in the country for decades. The county features a cross-section of industry, as well as extensive retail and some agriculture. Pulaski's geographic concentration in only three of the 15 counties included in the St. Louis metropolitan area gives the

Company tremendous expansion opportunities into the other neighboring counties. Pulaski Bank also offers mortgage loan products through loan production offices in the St. Louis, Kansas City, Chicago, and Omaha-Council Bluffs metropolitan areas and other locations across the Midwest.

The Company has one banking center in the Indianapolis, Indiana area, which is the most populous city of Indiana with a diverse economy. Many large corporations are headquartered in Indianapolis and it is the host to numerous conventions and sporting events annually.

The Company had six banking centers in southwest Florida on September 30, 2016. On October 28, 2016, one branch in the Florida market closed and was consolidated into the remaining branch network, which supports more efficient deployment of the Company's resources. Southwest Florida has shown continuing signs of improvement in areas such as job growth and the housing market over the last few years.

OPERATING PERFORMANCE

Net interest income

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

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

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

AVERAGE BALANCE SHEETS AND INTEREST RATES
THREE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015

	2016			2015			Change in income/ expense due to(1)		
	Average Balance	Income/ Expense	Yield/ Rate(3)	Average Balance	Income/ Expense	Yield/ Rate(3)	Average Volume	Average Yield/Rate	Total Change
				(dollars in thousands)					
Assets									
Interest-bearing bank deposits	$ 203,515	$ 216	0.42%	$ 193,003	$ 122	0.25%	$ 7	$ 87	$ 94
Federal funds sold	2,346	1	0.17%	—	—	—%	1	—	1
Investment securities									
U.S. Government obligations	192,882	564	1.16%	217,046	632	1.16%	(72)	4	(68)
Obligations of states and political subdivisions(1)	212,799	1,546	2.89%	237,095	1,660	2.78%	(178)	64	(114)
Other securities	427,882	2,283	2.12%	492,319	2,669	2.15%	(351)	(35)	(386)
Loans held for sale(1)	257,893	2,393	3.69%	16,817	198	4.67%	2,245	(50)	2,195
Portfolio loans(1) (2)	3,797,567	41,031	4.30%	2,528,099	25,005	3.92%	13,468	2,558	16,026
Total interest-earning assets(1)	$ 5,094,884	$ 48,034	3.75%	$ 3,684,379	$ 30,286	3.26%	$ 15,120	$ 2,628	$ 17,748
Cash and due from banks	75,242			91,619					
Premises and equipment	80,956			64,637					
Allowance for loan losses	(45,761)			(47,750)					
Other assets	293,897			141,513					
Total Assets	$ 5,499,218			$ 3,934,398					
Liabilities and Stockholders' Equity									
Interest-bearing transaction, savings and money market deposits	$ 2,488,513	$ 907	0.14%	$ 1,982,986	$ 564	0.11%	$ 160	$ 183	$ 343
Time deposits	859,107	1,192	0.55%	488,756	611	0.50%	506	75	581
Short-term borrowings:									
Repurchase agreements	188,557	102	0.22%	174,352	44	0.10%	4	54	58
Other	147,032	263	0.71%	—	—	—%	132	131	263
Long-term debt	80,000	55	0.27%	50,000	10	0.08%	9	36	45
Junior subordinated debt owed to unconsolidated trusts	70,802	538	3.02%	55,000	306	2.21%	101	131	232
Total interest-bearing liabilities	$ 3,834,011	$ 3,057	0.32%	$ 2,751,094	$ 1,535	0.22%	$ 912	$ 610	$ 1,522
Net interest spread(1)			3.43%			3.04%			
Noninterest-bearing deposits	1,023,963			711,703					
Other liabilities	52,398			28,536					
Stockholders' equity	588,846			443,065					
Total Liabilities and Stockholders' Equity	$ 5,499,218			$ 3,934,398					
Interest income / earning assets(1)	$ 5,094,884	$ 48,034	3.75%	$ 3,684,379	$ 30,286	3.26%			
Interest expense / earning assets	$ 5,094,884	$ 3,057	0.24%	$ 3,684,379	$ 1,535	0.16%			
Net interest margin(1)		$ 44,977	3.51%		$ 28,751	3.10%	$ 14,208	$ 2,018	$ 16,226

(1)On a tax-equivalent basis assuming a federal income tax rate of 35%.
(2)Non-accrual loans have been included in average portfolio loans.
(3)Annualized.

AVERAGE BALANCE SHEETS AND INTEREST RATES
NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015

	2016			2015			Change in income/ expense due to(1)		
	Average Balance	Income/ Expense	Yield/ Rate(3)	Average Balance	Income/ Expense	Yield/ Rate(3)	Average Volume	Average Yield/Rate	Total Change
	(dollars in thousands)								
Assets									
Interest-bearing bank deposits	$ 253,078	$ 886	0.47%	$ 259,433	$ 495	0.26%	$ (12)	$ 403	$ 391
Federal funds sold	1,356	2	0.20%	—	—	—%	1	1	2
Investment securities									
U.S. Government obligations	195,168	1,678	1.15%	224,818	1,976	1.18%	(254)	(44)	(298)
Obligations of states and political subdivisions(1)	215,436	4,616	2.86%	239,099	4,925	2.75%	(498)	189	(309)
Other securities	437,577	6,991	2.13%	435,536	6,982	2.14%	36	(27)	9
Loans held for sale(1)	133,216	3,776	3.79%	16,211	573	4.73%	3,339	(136)	3,203
Portfolio loans(1) (2)	3,254,698	101,398	4.16%	2,492,564	73,575	3.95%	23,615	4,208	27,823
Total interest-earning assets(1)	$ 4,490,529	$ 119,347	3.55%	$ 3,667,661	$ 88,526	3.23%	$ 26,227	$ 4,594	$ 30,821
Cash and due from banks	69,267			91,964					
Premises and equipment	73,112			65,256					
Allowance for loan losses	(46,899)			(47,913)					
Other assets	225,637			141,479					
Total Assets	$ 4,811,646			$ 3,918,447					
Liabilities and Stockholders' Equity									
Interest-bearing transaction, savings and money market deposits	$ 2,260,482	$ 2,216	0.13%	$ 1,943,089	$ 1,614	0.11%	$ 281	$ 321	$ 602
Time deposits	691,485	2,782	0.54%	511,183	2,010	0.53%	727	45	772
Short-term borrowings:									
Federal funds purchased	128	1	1.04%	—	—	—%	1	—	1
Repurchase agreements	176,946	273	0.21%	177,937	132	0.10%	(1)	142	141
Other	93,762	461	0.66%	121	—	—%	—	461	461
Long-term debt	80,000	155	0.26%	50,000	31	0.08%	27	97	124
Junior subordinated debt owed to unconsolidated trusts	63,762	1,337	2.80%	55,000	900	2.19%	158	279	437
Total interest-bearing liabilities	$ 3,366,565	$ 7,225	0.29%	$ 2,737,330	$ 4,687	0.23%	$ 1,193	$ 1,345	$ 2,538
Net interest spread(1)			3.26%			3.00%			
Noninterest-bearing deposits	912,006			713,520					
Other liabilities	39,915			27,917					
Stockholders' equity	493,160			439,680					
Total Liabilities and Stockholders' Equity	$ 4,811,646			$ 3,918,447					
Interest income / earning assets(1)	$ 4,490,529	$ 119,347	3.55%	$ 3,667,661	$ 88,526	3.23%			
Interest expense / earning assets	$ 4,490,529	$ 7,225	0.21%	$ 3,667,661	$ 4,687	0.17%			
Net interest margin(1)		$ 112,122	3.34%		$ 83,839	3.06%	$ 25,034	$ 3,249	$ 28,283

(1) On a tax-equivalent basis assuming a federal income tax rate of 35%.
(2) Non-accrual loans have been included in average portfolio loans.
(3) Annualized.

Average balance sheets and interest rates were impacted by the April 30, 2016 Pulaski acquisition. Total average interest-earning assets increased $1.4 billion, or 38.3%, to $5.1 billion for the three month period ended September 30, 2016, as compared to $3.7 billion for the same period in 2015. Total average interest-earning assets increased $822.9 million, or 22.4%, to $4.5 billion for the nine month period ended September 30, 2016, as compared to $3.7 billion for the same period in 2015.

Total average interest-bearing liability balances increased $1.0 billion, or 39.4%, to $3.8 billion for the three month period ended September 30, 2016, as compared to $2.8 billion for the same period in 2015. Total average interest-bearing liability balances increased $629.2 million, or 23.0%, to $3.4 billion for the nine month period ended September 30, 2016, as compared to $2.7 billion for the same period in 2015.

Net interest income, on a tax-equivalent basis, increased $16.2 million for the three month period ended September 30, 2016, as compared to the same period of 2015. Pulaski contributed $14.4 million to the three month period ended September 30, 2016 inclusive of purchase accounting accretion and amortization of $2.2 million. Net interest income, on a tax-equivalent basis, increased $28.3 million for the nine month period ended September 30, 2016, as compared to the same period of 2015. Pulaski contributed $24.8 million to the nine month period ended September 30, 2016 inclusive of purchase accounting accretion and amortization of $3.9 million.

Net interest margin

Net interest margin, our net interest income expressed as a percentage of average earning assets stated on a tax-equivalent basis, increased to 3.51% for the three month period ended September 30, 2016, compared to 3.10% for the same period in 2015. Net interest margin increased to 3.34% for the nine month period ended September 30, 2016 compared to 3.06% for the same period in 2015. Net interest margin for the three and nine month periods ended September 30, 2016 were impacted by purchase accounting accretion and amortization related to the Pulaski acquisition.

Quarterly net interest margins for 2016 and 2015 were as follows:

	2016	2015
First Quarter	3.10%	3.03%
Second Quarter	3.32%	3.05%
Third Quarter	3.51%	3.10%

Fourth Quarter	—	3.23%

The net interest spread, which represents the difference between the average rate earned on earning assets and the average rate paid on interest-bearing liabilities, also on a tax-equivalent basis, was 3.43% for the three month period ended September 30, 2016, compared to 3.04% for the same period in 2015 and was 3.26% for the nine month period ended September 30, 2016, compared to 3.00% for the same period in 2015.

Management attempts to mitigate the effects of the interest-rate environment through effective portfolio management, prudent loan underwriting and operational efficiencies. Please refer to the Notes to Consolidated Financial Statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2015 for accounting policies underlying the recognition of interest income and expense.

Non-interest income

	Three Months Ended September 30,				Nine Months Ended September 30,			
(dollars in thousands)	2016	2015	$ Change	% Change	2016	2015	$ Change	% Change
Trust fees	$ 4,520	$ 4,542	$ (22)	(0.5)%	$ 15,112	$ 15,385	$ (273)	(1.8)%
Commissions and brokers' fees, net	740	799	(59)	(7.4)%	2,095	2,402	(307)	(12.8)%
Remittance processing	2,803	2,897	(94)	(3.2)%	8,558	8,372	186	2.2%
Service charges on deposit accounts	4,518	3,312	1,206	36.4%	11,562	9,292	2,270	24.4%
Other service charges and fees	1,977	1,614	363	22.5%	5,512	4,883	629	12.9%
Gain on sales of loans, net	4,526	1,549	2,977	192.2%	8,130	4,843	3,287	67.9%
Security (losses) gains, net	11	—	11	—%	1,230	(21)	1,251	NM
Other income	1,650	1,176	474	40.3%	3,969	3,321	648	19.5%
Total non-interest income	$ 20,745	$ 15,889	$ 4,856	30.6%	$ 56,168	$ 48,477	$ 7,691	15.9%

NM — percentage change not meaningful

Total non-interest income of $20.7 million for the three month period ended September 30, 2016 increased by 30.6% as compared to $15.9 million for the same period in 2015. Total non-interest income of $56.2 million for the nine month period ended September 30, 2016 increased by 15.9% as compared to $48.5 million for the same period in 2015. The results were inclusive of Pulaski since the transaction closed on April 30, 2016.

Combined Wealth Management revenue, consisting of trust fees and commissions and brokers' fees, net, was stable at $5.3 million for the third quarter of 2016 and 2015. Combined Wealth Management revenue, consisting of trust fees and commissions and brokers' fees, net, decreased to $17.2 million for the nine months ended September 30, 2016 compared to $17.8 million for the nine months ended September 30, 2015. As Pulaski generated no legacy fee income from these businesses, the addition of these service offerings in its markets should provide attractive growth opportunities.

Remittance processing revenue of $2.8 million for the three months ended September 30, 2016 decreased slightly compared to $2.9 million for the same period of 2015. Remittance processing revenue increased to $8.6 million for the nine months ended September 30, 2016 compared to $8.4 million for the nine months ended September 30, 2015. Remittance processing adds important diversity to our revenue stream while widening our array of service offerings to larger commercial clients within our footprint and nationally.

Overall, service charges on deposit accounts combined with other service charges and fees increased to $6.5 million for the three month period ended September 30, 2016 as compared to $4.9 million for the same period of 2015 and increased to $17.1 million for the nine month period ended September 30, 2016 compared to $14.2 million for the same period of 2015. Evolving regulation, product changes and changing behaviors by our client base may impact the revenue derived from charges on deposit accounts.

Gain on sales of loans, net, increased to $4.5 million for the three month period ended September 30, 2016 compared to $1.5 million for the same period of 2015 and increased to $8.1 million for the nine month period ended September 30, 2016 compared to $4.8 million for the same period of 2015. The Company has historically held a leading residential loan market position in its primary markets in Central Illinois, while Pulaski has been a leading residential mortgage loan producer in the Midwest, primarily through offices in the St. Louis, Kansas City, Chicago and Omaha-Council Bluffs metropolitan areas, with origination capabilities in other markets through its internet-based Consumer Direct channel. These positions, combined with strong loan demand fueled by the improved housing market and continued low interest rates, resulted in the increases for the three and nine month periods in gain on sales of loans, net. Beginning on January 1, 2016, the Company prospectively adopted an alternative conforming approach to the accounting for loan fees and costs for mortgage loans held for sale, which reclassifies origination costs, including related compensation expense from salary and wages, to gain on sales of loans. On a comparative basis to the prior year, this reduced gains by $1.9 million for the first nine months of 2016 with a related reduction in non-interest expense, primarily in salaries and wages and employee benefits.

Security gains, net, increased for the three and nine month periods ended September 30, 2016 compared to the same period of 2015. The increase for the nine month period was primarily related to a first quarter 2016 strategic bond trade that repositioned the investment portfolio to maintain future net interest margin strength and simultaneously elevated the current economic value to shareholders through non-interest income. The Company sold $31.1 million of seasoned To-Be-Announced eligible residential mortgage-backed securities to take advantage of a price floor phenomenon, with related gains of $1.1 million on the sale. The sales proceeds were reinvested within normal investment parameters at similar yields to the securities sold.

Other income increased 40.3% for the three months ended September 30, 2016 compared to the same period of 2015 and increased 19.5% for the nine month period ended September 30, 2016 compared to the same period of 2015 across multiple revenue sources.

Non-interest expense

(dollars in thousands)	Three Months Ended September 30, 2016	2015	$ Change	% Change	Nine Months Ended September 30, 2016	2015	$ Change	% Change
Compensation expense:								
Salaries and wages	$ 17,197	$ 13,365	$ 3,832	28.7%	$ 44,103	$ 41,181	$ 2,922	7.1%
Employee benefits	4,519	2,352	2,167	92.1%	11,472	7,215	4,257	59.0%
Total compensation expense	$ 21,716	$ 15,717	$ 5,999	38.2%	$ 55,575	$ 48,396	$ 7,179	14.8%
Net occupancy expense of premises	$ 3,401	$ 2,090	$ 1,311	62.7%	$ 8,300	$ 6,496	$ 1,804	27.8%
Furniture and equipment expenses	1,836	1,319	517	39.2%	4,564	3,793	771	20.3%
Data processing	4,430	3,082	1,348	43.7%	12,677	9,843	2,834	28.8%
Amortization of intangible assets	1,282	807	475	58.9%	3,157	2,384	773	32.4%
Regulatory expense	802	610	192	31.5%	2,274	1,813	461	25.4%
Other expense	5,948	4,325	1,623	37.5%	16,904	14,217	2,687	18.9%
Total non-interest expense	$ 39,415	$ 27,950	$ 11,465	41.0%	$ 103,451	$ 86,942	$ 16,509	19.0%
Income taxes	$ 8,089	$ 5,408	$ 2,681	49.6%	$ 20,453	$ 14,828	$ 5,625	37.9%
Effective rate on income taxes	34.4%	33.7%			34.8%	34.4%		
Efficiency ratio	58.0%	60.8%			60.0%	63.9%		
Full-time equivalent employees (“FTEs”) as of period-end	1,320	789						

Total non-interest expense of $39.4 million for the three month period ended September 30, 2016 increased by $11.5 million as compared to $27.9 million for the same period in 2015. Total non-interest expense of $103.4 million for the nine month period ended September 30, 2016 increased by $16.5 million as compared to $86.9 million for the same period in 2015. Non-recurring expenses related to the Pulaski acquisition impacted 2016 while those related to the Herget Financial acquisition impacted 2015. During the nine month period ended September 30, 2016, the Company incurred $3.1 million of expenses related to the Pulaski acquisition, comprised primarily of data processing, restructuring, and legal and consulting costs. During the nine month period ended September 30, 2015, the Company incurred $1.0 million of expenses related to the Herget Financial acquisition, comprised primarily of data processing, restructuring, legal and consulting and marketing costs. Non-recurring expenses relating to the integration of Pulaski may cause a temporary rise in expenses in the fourth quarter of 2016; however, the Company expects to realize operating efficiencies creating a positive impact on earnings in 2017.

Total compensation expense of $21.7 million increased $6.0 million for the three month period ended September 30, 2016 as compared to the same period in 2015 and increased $7.2 million to $55.6 million for the nine month period ended September 30, 2016 as compared to the same period in 2015. For the third quarter and first nine months of 2016, the change in salaries and wages and employee benefits was due to an increased number of employees resulting from the Pulaski acquisition and $1.6 million in restructuring costs. The FTEs increased to 1,320 at September 30, 2016, which included 527 FTEs from Pulaski, compared to 789 at September 30, 2015. Additionally, beginning on January 1, 2016, the Company adopted a conforming

approach to the accounting for loan fees and costs for mortgage loans held for sale, which reclassifies related compensation expense from salary and wages to gain on sales of loans, net.

Combined net occupancy expense of premises and furniture and equipment expenses of $5.2 million for the three month period ended September 30, 2016, increased compared to the same period in 2015. Combined net occupancy expense of premises and furniture and equipment expenses of $12.9 million for the nine month period ended September 30, 2016, increased compared to the same period in 2015. Pulaski added 13 full-service branches and several loan production offices. We continue to evaluate our branch network and operations for appropriate cost control measures while seeking improvements in service delivery to our customers.

Data processing expense for the three month period ended September 30, 2016 of $4.4 million increased from $3.0 million for the same period of 2015 and data processing expense for the nine month period ended September 30, 2016 of $12.7 million increased from $9.8 million for the same period of 2015. The 2016 increase was primarily due to additional Pulaski data processing expense and non-recurring software conversion expenses. The nine month period ended September 30, 2016 included $1.4 million of non-recurring software conversion expenses related to the Pulaski acquisition. The nine month period ended September 30, 2015 included $0.7 million of non-recurring software conversion expenses related to Herget Financial. The 2016 data processing expense increase was also related to supporting new sources of remittance processing revenue growth.

Amortization of intangible assets increased for the three and nine month periods ended September 30, 2016 compared to the same periods in 2015 as a result of the Pulaski acquisition.

Regulatory expense increased 31.5% for the three month period ended September 30, 2016 compared to the same period in 2015 and increased 25.4% for the nine month period ended September 30, 2016 compared to the same period in 2015 primarily as a result of the Pulaski acquisition.

Other expense of $5.9 million for the three month period ended September 30, 2016 increased $1.6 million compared to the same period in 2015. Other expense of $16.9 million for the nine month period ended September 30, 2016 increased $2.7 million compared to the same period in 2015. The increase in 2016 expenses were largely due to Pulaski acquisition related expenses.

The effective rate on income taxes, or income taxes divided by income before taxes, of 34.4% and 34.8% for the three and nine months ended September 30, 2016, respectively, was lower than the combined federal and state statutory rate of approximately 40% due to fairly stable amounts of tax preferred interest income, such as municipal bond interest and bank owned life insurance income, accounting for a portion of our taxable income. As taxable income increases, we expect our effective tax rate to increase. The Company continues to monitor evolving state tax legislation and its potential impact on operations on an ongoing basis.

The efficiency ratio represents total non-interest expense, less amortization charges, as a percentage of tax-equivalent net interest income plus non-interest income, less security gains and losses. The efficiency ratio, which is a non-GAAP financial measure commonly used by management and the investment community in the banking industry, measures the amount of expense that is incurred to generate a dollar of revenue. The efficiency ratio of 58.0% for the three month period ended September 30, 2016 improved from 60.8% in the comparable period in 2015. The efficiency ratio for the first nine months of 2016 was 60.0%, an improvement from 63.9% for the same period of 2015. Non-recurring expenses relating to the integration of Pulaski may have a negative impact on the efficiency ratio for the remainder of 2016; however, the Company expects to realize operating efficiencies creating a positive impact in 2017. We will continue to examine appropriate avenues to improve efficiency, with an emphasis on revenue growth.

FINANCIAL CONDITION

Significant balance sheet items

	September 30, 2016	December 31, 2015	$ Change	% Change
	(dollars in thousands)			
Assets				
Securities, including available for sale and held to maturity	$ 825,143	$ 884,670	$ (59,527)	(6.7)%
Total loans, net	4,026,148	2,589,603	1,436,545	55.5%
Total assets	$ 5,592,241	$ 3,998,976	$ 1,593,265	39.8%
Liabilities				
Deposits:				
Noninterest-bearing	$ 996,750	$ 881,685	$ 115,065	13.1%
Interest-bearing	3,339,756	2,407,421	932,335	38.7%
Total deposits	$ 4,336,506	$ 3,289,106	$ 1,047,400	31.8%
Securities sold under agreements to repurchase	$ 212,363	$ 172,972	$ 39,391	22.8%
Short-term borrowings	246,700	—	246,700	100%
Long-term debt	80,000	80,000	—	—%
Total liabilities	$ 4,996,167	$ 3,625,790	$ 1,370,377	37.8%
Stockholders' equity	$ 596,074	$ 373,186	$ 222,888	59.7%

The Company's balance sheet was significantly impacted by the Pulaski acquisition. At the date of the acquisition, the fair value of Pulaski's total assets was $1.6 billion, including $1.4 billion in loans, and $1.2 billion in deposits. Our priorities continue to focus around balance sheet strength, profitability and growth. With an active growth plan, our strong capital position, an attractive core funding base and a sound credit foundation, we feel confident that we are well positioned for the future.

Loan portfolio

Geographic distributions of loans by category were as follows:

	September 30, 2016				
	Illinois	Florida	Indiana	Missouri	Total
	(dollars in thousands)				
Commercial	$ 573,385	$ 19,304	$ 24,566	$ 328,524	$ 945,779
Commercial real estate	858,320	149,994	129,489	444,535	1,582,338
Real estate construction	63,161	11,488	41,786	71,028	187,463
Retail real estate	513,883	106,900	17,005	705,052	1,342,840
Retail other	12,881	787	—	1,907	15,575
Total gross loans	$ 2,021,630	$ 288,473	$ 212,846	$ 1,551,046	$ 4,073,995
Less loans held for sale(1)					266,382
Gross portfolio loans					$ 3,807,613
Less allowance for loan losses					47,847
Net portfolio loans					$ 3,759,766

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

	December 31, 2015			
	Illinois	Florida	Indiana	Total
	(dollars in thousands)			
Commercial	$ 606,542	$ 16,141	$ 33,893	$ 656,576
Commercial real estate	907,628	166,885	133,916	1,208,429
Real estate construction	47,466	15,032	34,070	96,568
Retail real estate	532,001	108,978	19,563	660,542

Retail other	14,125	850	—	14,975
Total gross loans	$ 2,107,762	$ 307,886	$ 221,442	$ 2,637,090
Less loans held for sale(1)				9,351
Gross portfolio loans				$ 2,627,739
Less allowance for loan losses				47,487
Net portfolio loans				$ 2,580,252

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

Total gross loans as of September 30, 2016 increased $1.4 billion from December 31, 2015 as a result of the Pulaski acquisition. During the quarter ended September 30, 2016, the Company saw a favorable shift in the mix of its portfolio loans, which included an increase of $59.5 million in commercial loans, partially offset by a $29.8 million decrease in commercial real estate and real estate construction loans compared to the second quarter of 2016. Strong residential loan demand drove an increase in loans held for sale at September 30, 2016 to $266.4 million from $9.4 million on December 31, 2015, with Pulaski contributing $241.9 million of the change. The increased loans held for sale balance adds positive momentum going into the fourth quarter by generating net interest income until loans are delivered to investors, at which point gains on sale of loans are recognized.

Allowance for Loan Losses

Our allowance for loan losses was $47.8 million, or 1.2% of total gross loans, at September 30, 2016, compared to $47.5 million, or 1.8% of total gross loans, at December 31, 2015. Our allowance for loan losses was 1.3% of gross portfolio loans at September 30, 2016, compared to 1.8% at December 31, 2015.

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

As of September 30, 2016, management believed the level of the allowance and coverage of non-performing loans to be appropriate based upon the information available. However, additional losses may be identified in our loan portfolio as new information is obtained. We may need to provide for additional loan losses in the future as management continues to identify potential problem loans and gains further information concerning existing problem loans.

Provision for Loan Losses

The provision for loan losses is a current charge against income and represents an amount which management believes is sufficient to maintain an appropriate allowance for known and probable losses in the loan portfolio. In assessing the appropriateness of the allowance for loan losses, management considers the size and quality of the loan portfolio measured against prevailing economic conditions, regulatory guidelines, historical loan loss experience and credit quality of the portfolio. When a determination is made by management to charge-off a loan balance, such write-off is charged against the allowance for loan losses. We continue to attempt to identify problem loan situations on a proactive basis. Once problem loans are identified, adjustments to the provision for loan losses are made based upon all information available at that time. The provision reflects management's analysis of additional allowance for loan losses necessary to cover probable losses in our loan portfolio.

The provision for loan losses increased to $2.0 million for the second quarter of 2016 compared $0.1 million in the same period of 2015. The provision for loan losses for the nine months ended September 30, 2016 increased to $4.1 million compared to $0.6 million in the same period of 2015. Pulaski Bank recorded $2.0 million in provision expense in the third quarter of 2016 related to new and renewed production.

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

Non-performing Loans

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

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

	September 30, 2016	June 30, 2016	March 31, 2016	December 31, 2015
		(dollars in thousands)		
Non-accrual loans	$ 16,253	$ 22,443	$ 17,368	$ 12,748
Loans 90+ days past due and still accruing	3,830	334	452	15
Total non-performing loans	$ 20,083	$ 22,777	$ 17,820	$ 12,763
OREO	$ 2,324	$ 3,267	$ 463	$ 783
Total non-performing assets	$ 22,407	$ 26,044	$ 18,283	$ 13,546
Allowance for loan losses	$ 47,847	$ 45,358	$ 45,171	$ 47,487
Allowance for loan losses to total gross loans	1.2%	1.1%	1.7%	1.8%

Allowance for loan losses to gross portfolio loans	1.3%	1.2%	1.8%	1.8%
Allowance for loan losses to non-performing loans	238.2%	199.1%	253.5%	372.1%
Non-performing loans to loans, before allowance for loan losses	0.5%	0.6%	0.7%	0.5%
Non-performing loans and OREO to loans, before allowance for loan losses	0.5%	0.6%	0.7%	0.5%

The September 30, 2016 asset metrics reflect the post combination results of acquiring Pulaski. Total non-performing assets were $22.4 million at September 30, 2016, compared to $13.5 million at December 31, 2015. Non-performing assets as a percentage of total loans and non-performing assets continued to be favorably low at 0.5% on September 30, 2016, as this ratio has varied between 0.3% and 1.3% over the last three years. Asset quality metrics can be generally influenced by market-specific economic conditions beyond the control of the Company, and specific measures may fluctuate from quarter to quarter. The Company continues to proactively address credit matters.

Potential Problem Loans

Potential problem loans are those loans which are not categorized as impaired, restructured, non-accrual or 90+ days past due, but where current information indicates that the borrower may not be able to comply with present loan repayment terms. Management assesses the potential for loss on such loans as it would with other problem loans and has considered the effect of any potential loss in determining its provision for probable loan losses. Potential problem loans totaled $46.1 million at September 30, 2016, compared to $29.2 million at December 31, 2015. Management continues to monitor these credits and anticipates that restructurings, guarantees, additional collateral or other planned actions will result in full repayment of the debts. As of September 30, 2016, management identified no other loans that represent or result from trends or uncertainties which management reasonably expected to materially impact future operating results, liquidity or capital resources. As of September 30, 2016, management was not aware of any information about any other credits which caused management to have serious doubts as to the ability of such borrower(s) to comply with the loan repayment terms.

LIQUIDITY

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

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

As of September 30, 2016, management believed that adequate liquidity existed to meet all projected cash flow obligations. We seek to achieve a satisfactory degree of liquidity by actively managing both assets and liabilities. Asset management guides the proportion of liquid assets to total assets, while liability management monitors future funding requirements and prices liabilities accordingly.

OFF-BALANCE-SHEET ARRANGEMENTS

At September 30, 2016, the Company had outstanding standby letters of credit of $17.0 million and commitments to extend credit of $939.7 million to its customers. Since these commitments generally have fixed expiration dates and many will expire without being drawn upon, the total commitment level does not necessarily represent future cash requirements. These commitments are made in the ordinary course of business to meet the financing needs of the Company's customers. As of September 30, 2016, no amounts were recorded as liabilities for the Company's potential obligations under these 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. For 2016, the guidelines, including the capital conservation buffer, require bank holding companies and their subsidiary banks to maintain a total capital to total risk-weighted asset ratio of not less than 8.625%, Tier 1 capital to total risk-weighted asset ratio of not less than 6.625%, Common Equity Tier 1 capital to total risk-weighted asset ratio of not less than 5.125% and a Tier 1 leverage ratio of not less than 4.00%. These minimum capital requirements increase annually until the Basel III Rules are fully phased-in on January 1, 2019. As of September 30, 2016, First Busey had a total capital to total risk-weighted asset ratio of 13.91%, a Tier 1 capital to risk-weighted asset ratio of 12.80%, Common Equity Tier 1 capital to risk-weighted asset ratio of 11.10% and a Tier 1 leverage ratio of 10.26%; Busey Bank had ratios of 14.24%, 12.98%, 12.98% and 10.17%, respectively; and Pulaski Bank had ratios of 11.20%, 10.91%, 10.91% and 9.12%, respectively.

FORWARD LOOKING STATEMENTS

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

CRITICAL ACCOUNTING ESTIMATES

Critical accounting estimates are those that are critical to the portrayal and understanding of First Busey's financial condition and results of operations and require management to make assumptions that are difficult, subjective or complex. These estimates involve judgments, estimates and uncertainties that are susceptible to change. In the event that different assumptions or conditions were to prevail, and depending on the severity of such changes, the possibility of a materially different financial condition or materially different results of operations is a reasonable likelihood.

Our significant accounting policies are described in Note 1 of the Company's Annual Report on Form 10-K for the year ended December 31, 2015. The majority of these accounting policies do not require management to make difficult, subjective or complex judgments or estimates or the variability of the estimates is not material. However, the following policies could be deemed critical:

Fair Value of Investment Securities. Securities are classified as held to maturity when First Busey has the ability and management has the positive intent to hold those securities to maturity. Accordingly, they are stated at cost, adjusted for amortization of premiums and accretion of discounts. First Busey had $50.5 million of securities classified as held to maturity at September 30, 2016. First Busey had no securities classified as trading at September 30, 2016. Securities are classified as available for sale when First Busey may decide to sell those securities due to changes in market interest rates, liquidity needs, changes in yields on alternative investments, and for other reasons. They are carried at fair value with unrealized gains and losses, net of taxes, reported in other comprehensive income. As of September 30, 2016, First Busey had $774.7 million of securities classified as available for sale. For equity securities, unadjusted quoted prices in active markets for identical assets are utilized to determine fair value at the measurement date. For all other securities, we obtain fair value measurements from an independent pricing service. The fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, live trading levels, trade execution data, market consensus prepayment speeds, credit information and the security's terms and conditions, among other things. Due to the limited nature of the market for certain securities, the fair value and potential sale proceeds could be materially different in the event of a sale.

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

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

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. Analysis is conducted under the standard of fair value which is defined in FASB ASC Topic 820 — *Fair Value Measurements and Disclosures* 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 the remainder of assets acquired or liabilities assumed. At the date of acquisition, when the loans have evidence of credit deterioration since origination and it is probable that the Company will not collect all contractually required principal and interest payments, the difference between contractually required payments and the cash flows expected to be collected at acquisition is referred to as the non-accretable difference. The Company must estimate expected cash flows at each future reporting date. Subsequent decreases in the expected cash flows will generally result in a provision for loan losses. Subsequent increases in the expected cash flows will generally result in a credit to the provision for loan losses up to the amount of the non-accretable difference, then adjustments to the accretable yield, which will increase interest income.

Allowance for Loan Losses. First Busey has established an allowance for loan losses which represents its estimate of the probable losses inherent in the loan portfolio as of the date of the financial statements and reduces the total loans outstanding by an estimate of uncollectible loans. Loans deemed uncollectible are charged against and reduce the allowance. A provision for loan losses is charged to current expense. This provision acts to replenish the allowance for loan losses and to maintain the allowance at a level that management deems adequate. Acquired loans from business combinations with uncollected principal balances are carried net of a fair value adjustment for credit and interest rates. These loans are only included in the allowance calculation to the extent that the reserve requirement exceeds the fair value adjustment. However, as the acquired loans renew, it is generally necessary to establish an allowance which represents an amount that, in management's opinion, will be adequate to absorb probable credit losses in such loans.

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

The allowance consists of specific and general components. The specific component considers loans that are classified as impaired. For such loans that are classified as impaired, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying amount of that loan. The general component covers non-classified loans and classified loans not considered impaired, and is based on historical loss experience adjusted for qualitative factors. Other adjustments may be made to the allowance for pools of loans after an assessment of internal or external influences on credit quality that are not fully reflected in the historical loss experience.

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

ITEM 3. QUANTITATIVE AND QUALITATIVE

DISCLOSURES ABOUT MARKET RISK

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

First Busey has an asset-liability committee, whose policy is to meet at least quarterly, to review current market conditions and attempts to structure the balance sheet to ensure stable net interest income despite potential changes in interest rates with all other variables constant.

As interest rate changes do not impact all categories of assets and liabilities equally or simultaneously, the asset-liability committee primarily relies on balance sheet and income simulation analysis to determine the potential impact of changes in market interest rates on net interest income. In these standard simulation models, the balance sheet is projected over a year-one time horizon and a year-two time horizon, and net interest income is calculated under current market rates and then assuming permanent instantaneous shifts of +/-100, +/-200, +/-300 and +/-400 basis points. Management measures such changes assuming immediate and sustained shifts in the federal funds rate and other market rate indices and the corresponding shifts in other non-market rate indices based on their historical changes relative to changes in the federal funds rate and other market indices. The model assumes assets and liabilities remain constant at the measurement date balances. The model uses repricing frequency on all variable-rate assets and liabilities. Prepayment speeds on loans have been adjusted to incorporate expected prepayment speeds in both a declining and rising rate environment. As of September 30, 2016 and December 31, 2015, due to the current low interest rate environment, a downward adjustment in federal fund rates was not meaningful.

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

	Year-One: Basis Point Changes							
	-400	-300	-200	-100	+100	+200	+300	+400
September 30, 2016	NA	NA	NA	NA	(0.42)%	(1.11)%	(1.96)%	(3.35)%
December 31, 2015	NA	NA	NA	NA	(0.01)%	(0.33)%	(1.00)%	(1.93)%

	Year-Two: Basis Point Changes							
	-400	-300	-200	-100	+100	+200	+300	+400
September 30, 2016	NA	NA	NA	NA	2.83%	4.90%	6.91%	7.82%
December 31, 2015	NA	NA	NA	NA	3.04%	5.58%	7.59%	8.95%

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

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

An evaluation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) was carried out as of September 30, 2016, 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, 2016, our disclosure controls and procedures were effective in ensuring that the information we are required to disclose in the reports we file or submit under the Exchange Act is (i) accumulated and communicated to our management (including the Chief Executive Officer and Chief Financial Officer) to allow timely decisions regarding required disclosure, and (ii) recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms.

Changes in Internal Control over Financial Reporting

During the quarter ended September 30, 2016, First Busey did not make any changes in its internal control over financial reporting or other factors that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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

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

ITEM 1A. RISK FACTORS

There have been no material changes to the risk factors disclosed in Item 1A of Part I of the Company's 2015 Annual Report on Form 10-K.

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

On February 3, 2015, First 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 replaced the prior repurchase plan that was originally approved in 2008. There were no purchases made by or on behalf of First Busey of shares of its common stock during the quarter ended September 30, 2016. At September 30, 2016, the Company had 333,334 shares that may yet be purchased under the plan.

ITEM 3. DEFAULTS UPON SENIOR SECURITES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

ITEM 5. OTHER INFORMATION

(a) None.

(b) None.

ITEM 6. EXHIBITS

*10.1	Employment Agreement by and among First Busey Corporation, Busey Bank and Curt Anderson, dated February 1, 2014.
*10.2	Employment Agreement by and among First Busey Corporation, Busey Bank and Amy Randolph, dated February 1, 2014.
*31.1	Certification of Principal Executive Officer, pursuant to Rule 13a-14(a) and Rule 15d-14(a).
*31.2	Certification of Principal Financial Officer, pursuant to Rule 13a-14(a) and Rule 15d-14(a).
*32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, from the Company's Chief Executive Officer.
*32.2	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, from the Company's Chief Financial Officer.
*101	Interactive Data File
	Interactive data files pursuant to Rule 405 of Regulation S-T: (i) Consolidated Balance Sheets at September 30, 2016 and December 31, 2015; (ii) Consolidated Statements of Income for the three and nine months ended September 30, 2016 and 2015; (iii) Consolidated Statements of Comprehensive Income for the three and nine months ended September 30, 2016 and 2015; (iv) Consolidated Statements of Stockholders' Equity for the nine months ended September 30, 2016 and 2015; (v) Consolidated Statements of Cash Flows for the nine months ended September 30, 2016 and 2015; and (vi) Notes to Unaudited Consolidated Financial Statements.

*Filed herewith

SIGNATURES

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

FIRST BUSEY CORPORATION
(Registrant)

By: /s/ VAN A. DUKEMAN

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

By: /s/ ROBIN N. ELLIOTT

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

By: /s/ SUSAN K. MILLER

Susan K. Miller
Deputy Chief Financial Officer and Chief Accounting Officer
(Principal accounting officer)

Date: November 8, 2016

Execution Copy

EMPLOYMENT AGREEMENT

This **EMPLOYMENT AGREEMENT** (this "**Agreement**") is by and among First Busey Corporation ("**First Busey**"), Busey Bank (the "**Bank**," and together with First Busey, "**Employer**") and Curt Anderson ("**Executive**," and together with Employer, the "**Parties**").

RECITALS

A. The Bank is a wholly owned subsidiary of First Busey.

B. Executive is currently employed by Employer pursuant to that certain employment agreement dated July 30, 2007, as subsequently amended (the "**Prior Employment Agreement**");

C. Employer has determined it to be in its best interests to enter into this Agreement pertaining to the employment of Executive as of and following the Effective Date (as defined below).

D. Executive desires to be employed by Employer as of and following the Effective Date in accordance with the terms of this Agreement.

NOW, THEREFORE, in consideration of the foregoing and of the respective covenants and agreements of the Parties contained herein, the Parties hereby agree as follows:

AGREEMENTS

Section 1. **Prior Employment Agreement**. This Agreement supersedes all of the terms and conditions of the Prior Employment Agreement and any such Prior Employment Agreement shall become null and void as of the Effective Time, and the parties thereunder shall have no rights or interests therein.

Section 2. **Term with Automatic Renewal Provision.** This Agreement shall be effective as of February 1, 2014 (the "**Effective Date**"). Subject to the terms of this Agreement, the term of this Agreement (the "**Term**") and Executive's employment hereunder shall be for a period of one (1) year commencing as of the Effective Date. The Term shall automatically renew for one (1) additional year at the end of the then existing Term, unless either Party provides written notice to the other Party not less than ninety (90) days prior to the end of the then existing Term that such Party does not wish to extend the Term.

Section 3. **Employment.**

(a) **Positions and Duties.** Subject to the terms of this Agreement, Executive shall devote Executive's full business time, energies and talent to serving as the Executive Vice President, Senior Managing Director of Busey Wealth Management, at the direction of the President and Chief Executive Officer of Busey Wealth Management (the "**CEO**") and the Executive Managing Director of Busey Wealth Management (the "**EMD**" and individually or collectively with the CEO, "**CEO/EMD**"). Executive shall perform all duties assigned to Executive faithfully, loyally and efficiently, and shall have such duties, authority and responsibilities as may be assigned to Executive from time to time by the CEO/EMD, which duties, authority and responsibilities shall include those customarily held by such officer of comparable companies, subject always to the charter and bylaw provisions and policies of Employer and the directions of the CEO/EMD. Executive shall perform the duties required by this Agreement at Employer's principal place of business unless the nature of such duties requires otherwise. Notwithstanding the foregoing, during the Term, Executive may devote reasonable time to activities other than those required under this Agreement, including activities of a charitable, educational, religious or similar nature (including professional associations) to the extent such activities do not in any material way inhibit, prohibit, interfere with or conflict with Executive's duties under this Agreement or conflict in any material way with the business of Employer.

(b) **Transfers.** The Board of Directors of First Busey (the "**Board**") may, in its sole discretion, cause Executive's employment to be transferred from Employer to any wholly-owned subsidiary of First Busey, in which case all references in this Agreement to "**Employer**" shall be deemed to refer to such subsidiary (and First Busey, if applicable).

Section 4. **Compensation and Benefits.** Subject to the terms of this Agreement, during the Term of this Agreement, Employer shall compensate Executive for Executive's services as follows:

(a) **Base Compensation.** Executive's annual base salary rate shall be Two Hundred and Twenty-Five Thousand Dollars ($225,000.00) (the "**Base Salary**"), which shall be payable in accordance with Employer's normal payroll practices as are in effect from time to time. Beginning in 2014 and annually thereafter, the Board shall review Executive's Base Salary at such time as it reviews Employer's executive compensation to determine whether Executive's Base Salary should be maintained at its existing level or increased, with any increase being effective as determined by the Board.

(b) **Discretionary Performance Bonus.** Employer shall consider Executive for a bonus each year during the Term based on performance criteria established by the Board and/or the CEO/EMD and any other factors deemed by the Board to be appropriate. Bonuses shall be awarded, if at all, in the sole discretion of the Board, and nothing in this Agreement shall require the payment of a bonus in any given year. For purposes of this Agreement, bonuses shall be considered earned when all corporate action has been taken to determine such bonuses. Payment of any such bonus shall be made as soon as practicable after it is earned, but in no event later than two and one-half (2½) months following the end of the calendar year in which it is earned; provided that, Bonuses shall not be considered earned until the Board has made all determinations and taken all actions necessary to establish such bonuses.

(c) **Long Term Incentive Program.** Executive shall be eligible to participate in Employer's long-term equity incentive program, as determined in the sole discretion of the Board (or an authorized committee thereof).

(d) **Profit Sharing Benefit.** Executive shall be eligible to receive an annual profit sharing benefit based on the combined amount of Executive's Base Salary and, if

applicable, Executive's discretionary performance bonus, after Executive meets the eligibility requirements of the applicable profit sharing plan. The Board shall decide the exact amount of this benefit annually in its sole discretion. Employer shall contribute this benefit for the account of Executive to Employer's tax-qualified retirement plan and/or any nonqualified deferred compensation plan that Employer establishes or maintains. All such profit sharing benefit payments shall be determined and governed by the terms of the applicable plan. Employer shall have no obligation to continue to maintain any particular benefit plan or arrangement and the profit sharing benefit described in this **Section 4(d)** may be amended or terminated by Employer at any time for any reason or no reason, *provided* such amendment or termination applies to all other similarly situated senior executives of Employer.

(e) **Reimbursement of Expenses.** Employer shall reimburse Executive for all travel, entertainment and other out-of-pocket expenses that Executive reasonably and necessarily incurs in the performance of Executive's duties under this Agreement. Executive shall document these expenses to the extent necessary to comply with all applicable laws and Employer policies. Any reimbursement payments hereunder shall be made as soon as practicable, and when taxable to Executive, in no event later than two and one-half (2½) months following the end of the year in which the corresponding expenses are incurred.

(f) **Other Benefits.** Executive shall be eligible to participate, subject to the terms thereof, in all Employer retirement plans and health, dental, life insurance and similar plans, as may be in effect from time to time with respect to similarly situated senior executives. In addition to the foregoing benefits, Executive shall continue to be eligible to participate in Employer's key life insurance program following the Effective Date (which entry date was March 1, 2009) with a death benefit amount of one million dollars ($1,000,000.00), subject to insurability and all other terms of such program.

(g) **Vacations.** Executive shall be subject to Employer's general vacation policy as may be in effect from time to time, but shall accrue not less than twenty-five (25) days of paid vacation annually.

(h) **Withholding.** Employer may withhold any applicable federal, state and local withholding and other taxes from payments that become due or allowances that are provided to Executive.

(i) **Equity Compensation.** Employer shall grant to Executive during each of 2014, 2015, and 2016, at the time equity grants are made to other senior officers of the Employer, restricted stock units, with a grant date fair value of One Hundred Thousand Dollars ($100,000.00) each, with such awards to be based upon the standard terms and conditions of the Employer's restricted stock unit award agreements, with such awards cliff-vesting in their entirety on their respective fifth anniversary of grant provided that Executive has remained employed with Employer at all times through such vesting dates.

Section 5. Rights and Payments Upon Termination. Either Party may terminate Executive's employment under this Agreement pursuant to the terms of this **Section 5**. Executive's right to benefits and payments, if any, for periods after the effective date of

Executive's termination of employment with Employer (the "**Termination Date**") shall be determined in accordance with this **Section 5**:

(a) **Termination Without Cause.** Either Party may terminate this Agreement and Executive's employment hereunder for any reason by delivering written notice of termination to the other Party no fewer than thirty (30) days before the Termination Date (*provided* that such notice shall not be required in a Termination for Cause (as defined below)), which date shall be specified in the notice of termination. Employer may provide for an earlier Termination Date, *provided* Employer pays to Executive the Base Salary that would have been earned during such notice period. Any payment in lieu of notice pursuant to this **Section 5(a)** shall be made in a single lump sum on the first payroll date following the Termination Date. If Executive voluntarily terminates Executive's employment under this Agreement other than pursuant to **Section 5(c)** (Termination for Good Reason), then Employer shall be required to pay Executive the Accrued Amounts, and Employer shall have no further obligations to Executive under this Agreement. "**Accrued Amounts**" shall be the following amounts as have accrued through the Termination Date: (i) earned but unpaid Base Salary, (ii) earned but unpaid bonus under **Section 4(b)**, (iii) accrued but unpaid vacation pay; and (iv) provided Executive submits the required documentation in accordance with established policies and within thirty (30) days of the Termination Date, unreimbursed business expenses incurred during the Term.

(b) **Termination for Cause.** Employer may terminate this Agreement and Executive's employment hereunder immediately for Cause by delivering written notice of termination to Executive (with such notice being delivered no less than thirty (30) days before the Termination Date in the event of a termination based on either a curable breach or failure under subsection (vii) below or subsection (viii) below). "**Cause**" for termination shall exist if: (i) Executive engages in one (1) or more unsafe or unsound banking practices or material violations of a law or regulation applicable to Employer or any subsidiary; (ii) Executive engages in any repeated violations of a policy of Employer after being warned in writing by the Board or the CEO/EMD not to violate such policy; (iii) Executive engages in any single violation of a policy of Employer if such violation materially and adversely affects the business or affairs of Employer; (iv) Executive fails to timely implement a direction or order of the Board or the CEO/EMD, unless such direction or order would violate the law; (v) Executive engages in a breach of fiduciary duty or act of dishonesty involving the affairs of Employer; (vi) Executive is removed or suspended from banking pursuant to Section 8(e) of the Federal Deposit Insurance Act or any other applicable state or federal law; (vii) Executive commits a material breach of Executive's obligations under this Agreement, and if such breach is determined to be curable by the CEO/EMD or the Board, Executive fails to cure such breach during the thirty (30)-day notice period, if applicable; (viii) Executive materially fails to perform Executive's duties to Employer with the degree of skill, care or competence expected by the Board or the CEO/EMD following written notice by the CEO/EMD or the Board, and if such failure is determined to be curable by the CEO/EMD or the Board, Executive fails to cure such failure during the thirty (30)-day notice period, if applicable; or (ix) Executive is found guilty of, or pleads *nolo contendere* to, a felony or an act of dishonesty in connection with the performance of Executive's duties as an officer of Employer, or an act that disqualifies Executive from serving as an officer or director of Employer. If Executive's employment is terminated pursuant to this **Section 5(b)**, then

Employer shall be required to pay Executive the Accrued Amounts, and Employer shall have no further obligations to Executive under this Agreement.

(c) **Termination for Good Reason.** Prior to Executive's termination for Good Reason (as defined below), Executive shall give Employer written notice of the occurrence of the event or condition that Executive believes constitutes a Good Reason within thirty (30) days of the initial existence of such event or condition, which written notice shall provide detailed facts, and not mere conclusions, to support Executive's claim of termination for Good Reason. If Employer determines that the events or conditions exist as alleged by Executive, and does not cure such events or conditions within thirty (30) days of Executive's written notice, then this Agreement and Executive's employment hereunder shall terminate on the thirtieth (30^{th}) day following Executive's written notice. "**Good Reason**" means the occurrence of any one (1) or more of the following, without Executive's prior consent: (i) a material adverse change in the nature, scope or status of Executive's position, authorities or duties from those in effect in accordance with **Section 3(a)** immediately following the Effective Date; (ii) a reduction in Executive's Base Salary, unless such reduction applies to all similarly situated senior executives of Employer; (iii) Employer changes the primary location of Executive's employment to a place that is more than fifty (50) miles from Executive's primary location of employment as of the Effective Date; or (iv) Employer otherwise commits a material breach of its obligations under this Agreement.

(d) **Termination upon Change in Control.** Following a Change in Control, this Agreement and Executive's employment hereunder may be terminated in accordance with **Section 5(a)**, **(b)**, or **(c)** by delivering written notice of termination to the other Party no less than thirty (30) days before the Termination Date.

(i) A "**Change in Control**" shall be deemed to have occurred upon the first to occur of the following: (A) any "person" (within the meaning of Section 13(d) or 14(d) of the Securities Exchange Act of 1934 (the "**1934 Act**")), other than a trustee or other fiduciary holding securities under an employee benefit plan of First Busey or a corporation owned directly or indirectly by the stockholders of First Busey in substantially the same proportions as their ownership of stock of First Busey, is or becomes a "beneficial owner" (within the meaning of Rule 13d-3 of the 1934 Act), directly or indirectly, of securities representing more than fifty percent (50%) of the combined voting power of the then outstanding voting securities of First Busey; (B) during any period of twelve (12) consecutive months, the individuals who at the beginning of such period constitute the Board (and any new director whose election by the Board or nomination for election by First Busey's stockholders was approved by a vote of at least a majority of the directors when still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority of the Board; or (C) the consummation of (1) a merger or consolidation of First Busey with any other corporation, other than a merger or consolidation that would result in the voting securities of First Busey outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than fifty percent (50%) of the total voting power represented by the voting securities of First Busey or such surviving entity outstanding immediately after such merger or consolidation; or (2) a complete

liquidation or dissolution of, or an agreement for the sale or other disposition of all or substantially all of the assets of, First Busey.

(ii) Notwithstanding **Section 5(d)(i)**, a Change in Control shall not be deemed to have occurred if Executive agrees in writing that the transaction or event in question does not constitute a Change in Control for the purposes of this Agreement.

(e) **Termination upon Disability.** Employer shall not terminate this Agreement and Executive's employment hereunder if Executive becomes "disabled" within the meaning of Employer's then current employee disability program or, at Employer's election, as determined by a physician selected by Employer, unless, as a result of such disability, Executive is unable to perform Executive's duties with the requisite level of skill and competence for a period of six (6) consecutive months. Thereafter, Employer may terminate this Agreement for Cause in accordance with **Section 5(b)**.

(f) **Termination upon Death.** This Agreement shall terminate if Executive dies during the Term, effective on the date of Executive's death. Any payments that are owing to Executive under this Agreement or otherwise at the time of Executive's death shall be made to whomever Executive may designate in writing as Executive's beneficiary, or absent such a designation, to the executor or administrator of Executive's estate. Termination of this Agreement under this **Section 5(f)** shall be deemed to be a termination in accordance with **Section 5(b)**.

(g) **Severance Benefits.** Employer shall pay severance benefits to Executive as follows:

(i) If this Agreement and Executive's employment hereunder are terminated by Employer without Cause pursuant to **Section 5(a)**, or by Executive for Good Reason pursuant to **Section 5(c)**, Employer shall pay Executive an amount equal to one hundred percent (100%) (or two hundred percent (200%) if the foregoing terminations occur within one (1) year after the occurrence of a Change in Control) of the sum of (A) Executive's then applicable Base Salary, plus (B) the amount of the most recent performance bonus that Employer paid to Executive pursuant to **Section 4(b)** (the "**Severance Payment**"). Employer shall also reimburse Executive for up to twelve (12) months (or eighteen (18) months if the foregoing terminations occur within one (1) year after the occurrence of a Change in Control) for continuing coverage under Employer's health insurance pursuant to the health care continuation rules of the Consolidated Omnibus Budget Reconciliation Act of 1985 ("**COBRA**"), *provided* that Executive remains eligible for, and elects, such COBRA continuation for such period following the Termination Date, and *provided*, *further*, that, to the extent Executive paid a portion of the premium for such benefits while employed, Executive shall continue to pay such portion during the period of continuation hereunder, and any period of continuation hereunder shall be credited against Executive's continuation rights under COBRA.

(ii) Subject to Executive's execution of an irrevocable general release and waiver of claims as required by **Section 5(j)**, all payments that become due to Executive under this **Section 5(g)** shall be made in substantially equal installments in accordance with

Employer's regular payroll practices then in effect for a one (1)-year period (or two (2)-year period if following a Change in Control) beginning on the regular payroll date occurring on or closest before the sixtieth (60th) day following the Termination Date; *provided*, *however*, that if the Termination Date occurs on or after November 2nd in any year, such payments shall not commence until the first payroll date in January of the next year. Employer shall be obligated to make all payments that become due to Executive under this **Section 5(g)** whether or not Executive obtains other employment following termination or takes steps to mitigate any damages that Executive claims to have sustained as a result of termination. The payments provided for in this **Section 5(g)** are intended to supplement any compensation or other benefits that have accrued or vested with respect to Executive or for Executive's account as of the Termination Date.

(iii) The Parties intend that no portion of any payment under this Agreement, or payments to or for the benefit of Executive under any other agreement or plan, be deemed to be an "**Excess Parachute Payment**" as defined in Section 280G of the Internal Revenue Code of 1986 (the "**Code**"). The present value of any payments to or for the benefit of Executive in the nature of compensation, as determined by the legal counsel or certified public accountants for Employer in accordance with Code Section 280G(d)(4), receipt of which is contingent on a Change in Control, and to which Code Section 280G applies (in the aggregate "**Total Payments**"), shall be reduced, as necessary, such that the payment does not exceed an amount equal to one dollar ($1.00) less than the maximum amount that Employer may pay without loss of deduction under Code Section 280G(a), *provided* that any such reduction shall be in accordance with Code Section 409A.

(iv) If Employer is not permitted to make any payments that may become due to Executive under this **Section 5(g)** because First Busey or the Bank is not in compliance with any regulatory-mandated minimum capital requirements or if making the payments would cause the Bank's capital to fall below such minimum capital requirements, then Employer shall delay making such payments until the earliest possible date it could resume making the payments without violating such minimum capital requirements. Further, if Employer is not permitted to make any payments that may become due to Executive under this **Section 5(g)** because of the operation of any other applicable law or regulation, then Employer shall delay making such payments until the earliest possible date it could resume making the payments without violating such applicable law or regulation.

(h) **<u>Payment Equalization</u>.** If Employer is paying, or in the case of a lump sum, has paid, Executive a Severance Payment pursuant to **Section 5(g)(i)**, then Executive shall not seek or apply for unemployment compensation under the Illinois Unemployment Act 820 ILCS 405/100 et seq. or any other state or federal unemployment compensation law at any time prior to a date following the final payment made hereunder or with respect to the period during which such payments were or were to be made until the final payment is made.

(i) **<u>Specified Employee</u>.** If at the time of any payment hereunder Executive is considered to be a Specified Employee (as defined below) and such payment is required to be treated as deferred compensation under Code Section 409A, then, to the extent required by Code Section 409A, payments shall be delayed to the date that is six (6) months after the

Termination Date. For purposes of Code Section 409A, all installment payments of deferred compensation made hereunder, or pursuant to another plan or arrangement, shall be deemed to be separate payments and, accordingly, the aforementioned deferral shall only apply to separate payments that would occur during the six (6)-month deferral period and all other payments shall be unaffected.

(i) All payments delayed pursuant to this **Section 5(i)** shall be accumulated and paid in a lump-sum, catch-up payment as of the first (1^{st}) day of the seventh (7^{th}) month following the Termination Date (or, if earlier, the date of death of Executive), with all such delayed payments being credited with interest (compounded monthly) for such period of delay equal to the prime rate in effect on the first (1^{st}) day of such six (6)-month period. Any portion of the benefits hereunder that were not otherwise due to be paid during the six (6)-month period following the Termination Date shall be paid to Executive in accordance with the payment schedule established herein.

(ii) The term "**Specified Employee**" means any person who holds a position with Employer of senior vice president or higher and has compensation greater than that stated in Code Section 416(i)(1)(A)(i). The determination of whether Executive is a Specified Employee shall be based upon the twelve (12)-month period ending on each December 31^{st} (such twelve (12)-month period is referred to below as the "identification period"). If Executive is determined to be a Specified Employee during the identification period, he shall be treated as a Specified Employee for purposes of this Agreement during the twelve (12)-month period that begins on the April 1^{st} following the close of such identification period. For purposes of determining whether Executive is a Specified Employee under Code Section 416(i), compensation shall mean Executive's W-2 compensation as reported by Employer for a particular calendar year.

(j) **<u>Release</u>.** As a condition to Employer's obligation to pay any severance benefit under **Section 5(g)**, Executive shall execute a general release of, and waiver of claims against, Employer and its subsidiaries and affiliates, substantially in the form attached hereto as <u>Exhibit A</u> on or before the sixtieth (60th) day following the Termination Date. For the avoidance of doubt, in order for such release to be deemed effective for purposes of this Agreement, any applicable revocation period with respect to such release and waiver must have expired on or before such sixtieth (60th) day.

Section 6. **<u>Confidentiality</u>.** Executive acknowledges that the nature of Executive's employment shall require that Executive produce and have access to records, data, trade secrets and information that are not available to the public regarding Employer and its subsidiaries and affiliates ("**Confidential Information**"). Executive shall hold in confidence and not directly or indirectly disclose any Confidential Information to third parties unless disclosure becomes reasonably necessary in connection with Executive's performance of Executive's duties hereunder, or the Confidential Information lawfully becomes available to the public from other sources, or Executive is authorized in writing by Employer to disclose it or Executive is required to make disclosure by a law or pursuant to the authority of any administrative agency or judicial body. All Confidential Information and all other records, files, documents and other materials or copies thereof relating to the business of Employer or any of its subsidiaries or affiliates that

Executive prepares or uses shall be the sole property of Employer. Executive's access to and use of Employer's computer systems, networks and equipment, and all Employer information contained therein, shall be restricted to legitimate business purposes on behalf of Employer; any other access to or use of such systems, network and equipment is without authorization and is prohibited. The restrictions contained in this **Section 6** shall extend to any personal computers or other electronic devices of Executive that are used for business purposes relating to Employer. Executive shall not transfer any Employer information to any personal computer or other electronic device that is not otherwise used for any business purpose relating to Employer. Executive shall promptly return all originals and copies of any Confidential Information and other records, files, documents and other materials to Employer if Executive's employment with Employer is terminated for any reason.

Section 7. **Non-Competition and Non-Solicitation Covenants.** The primary service area of Employer's business in which Executive will actively participate extends separately to an area that encompasses a twenty-five (25)-mile radius from each banking and other office location of Employer and its subsidiaries and affiliates and a fifty (50)-mile radius from Employer's main office in Champaign, Illinois (collectively, the "**Restrictive Area**"). As an essential ingredient and in consideration of this Agreement and Executive's employment by Employer, Executive shall not, for a period of one (1) year after termination of Executive's employment with Employer for any reason and whether such termination of employment is during the Term or after the termination or expiration of the Term (the "**Restrictive Period)**, directly or indirectly compete with the business of Employer, including by doing any of the following (the "**Restrictive Covenant**"):

(a) engage or invest in, own, manage, operate, control, finance, participate in the ownership, management, operation or control of, be employed by, associate with or in any manner be connected with, serve as an employee, officer or director of or consultant to, lend his name or any similar name to, lend his credit to, or render services or advice to any person, firm, partnership, corporation, trust or other entity that owns or operates, a bank, savings and loan association, credit union or similar financial institution (a "**Financial Institution**") with any office located, or to be located at an address identified in a filing with any regulatory authority, within the Restrictive Area; *provided*, *however*, that in the event a successor to First Busey succeeds to or assumes First Busey's rights and obligations under this Agreement in connection with a Change in Control, this **Section 7(a)** shall apply only to the primary service areas of First Busey as they existed immediately before the Change in Control;

(b) directly or indirectly, for himself or any Financial Institution: (i) induce or attempt to induce any officer of Employer or any of its subsidiaries or affiliates, or any employee who previously reported to Executive, to leave the employ of Employer or any of its subsidiaries or affiliates; (ii) in any way interfere with the relationship between Employer or any of its subsidiaries or affiliates and any such officer or employee; (iii) employ, or otherwise engage as an employee, independent contractor or otherwise, any such officer or employee; or (iv) induce or attempt to induce any customer, supplier, licensee or business relation of Employer of any of its subsidiaries or affiliates to cease doing business with Employer or any of its subsidiaries or affiliates or in any way interfere with the relationship between Employer or any of its subsidiaries or affiliates and any of their respective customers, suppliers, licensees or business

relations, where Executive had personal contact with, or has accessed Confidential Information in the preceding twelve (12) months with respect to, such customers, suppliers, licensees or business relations; or

(c) directly or indirectly, for himself or any Financial Institution, solicit the business of any person or entity known to Executive to be a customer of Employer or any of its subsidiaries or affiliates, where Executive, or any person reporting to Executive, had personal contact with such person or entity, with respect to products, activities or services that compete in whole or in part with the products, activities or services of Employer or any of its subsidiaries or affiliates.

The foregoing Restrictive Covenant shall not prohibit Executive from owning directly or indirectly capital stock or similar securities that are listed on a securities exchange or quoted on the National Association of Securities Dealers Automated Quotation System that do not represent more than one percent (1%) of the outstanding capital stock of any Financial Institution.

Section 8. **Remedies for Breach.** Executive has reviewed the provisions of this Agreement with legal counsel, or has been given adequate opportunity to seek such counsel, and Executive acknowledges that the covenants contained herein are reasonable with respect to their duration, geographical area and scope. Executive further acknowledges that the restrictions contained in this Agreement are reasonable and necessary for the protection of the legitimate business interests of Employer, that they create no undue hardships, that any violation of these restrictions would cause substantial injury to Employer and its interests, that Employer would not have agreed to enter into this Agreement without receiving Executive's agreement to be bound by these restrictions and that such restrictions were a material inducement to Employer to enter into this Agreement. During the Restrictive Period, Employer shall have the right to communicate the existence and terms of this Agreement to any third party with whom Executive may seek or obtain future employment or other similar arrangement. In addition, in the event of any violation or threatened violation of the restrictions contained in this Agreement, Employer, in addition to and not in limitation of, any other rights, remedies or damages available to Employer under this Agreement or otherwise at law or in equity, shall be entitled to preliminary and permanent injunctive relief to prevent or restrain any such violation by Executive and any and all persons directly or indirectly acting for or with him, as the case may be. If Executive violates the Restrictive Covenant and Employer brings legal action for injunctive or other relief, Employer shall not, as a result of the time involved in obtaining such relief, be deprived of the benefit of the full period of the Restrictive Covenant. Accordingly, the Restrictive Covenant shall be deemed to have the duration specified herein computed from the date the relief is granted but reduced by the time between the period when the Restrictive Period began to run and the date of the first violation of the Restrictive Covenant by Executive.

Section 9. **Indemnity; Other Protections.**

(a) **Indemnification.** Employer shall indemnify Executive (and, upon Executive's death, Executive's heirs, executors and administrators) to the fullest extent permitted by law against all expenses, including reasonable attorneys' fees, court and investigative costs,

judgments, fines and amounts paid in settlement (collectively, "**Expenses**") reasonably incurred by Executive in connection with or arising out of any pending, threatened or completed action, suit or proceeding in which Executive becomes involved by reason of Executive's having been an officer or director of Employer. The indemnification rights provided for herein are not exclusive and shall supplement any rights to indemnification that Executive may have under any applicable bylaw or charter provision of Employer, or any resolution of Employer or any applicable statute.

(b) **Advancement of Expenses.** In the event that Executive becomes a party, or is threatened to be made a party, to any pending, threatened or completed action, suit or proceeding for which Employer is permitted or required to indemnify Executive under this Agreement, any applicable bylaw or charter provision of Employer, any resolution of Employer, or any applicable statute, Employer shall, to the fullest extent permitted by law, advance all Expenses incurred by Executive in connection with the investigation, defense, settlement, or appeal of any threatened, pending or completed action, suit or proceeding, subject to receipt by Employer of a written undertaking from Executive to reimburse Employer for all Expenses actually paid by Employer to or on behalf of Executive in the event it shall be ultimately determined that Employer cannot lawfully indemnify Executive for such Expenses, and to assign to Employer all rights of Executive to indemnification under any policy of directors' and officers' liability insurance to the extent of the amount of Expenses actually paid by Employer to or on behalf of Executive.

(c) **Litigation.** Unless precluded by an actual or potential conflict of interest, Employer shall have the right to recommend counsel to Executive to represent Executive in connection with any claim covered by this **Section 9**. Further, Executive's choice of counsel, Executive's decision to contest or settle any such claim and the terms and amount of the settlement of any such claim shall be subject to Employer's prior written approval, which approval shall not be unreasonably withheld by Employer.

Section 10. **General Provisions.**

(a) **Amendment.** Except as set forth explicitly herein, this Agreement may not be amended or modified except by written agreement signed by Executive and First Busey.

(b) **Successors; Assignment.** This Agreement shall be binding upon and inure to the benefit of Executive, Employer and their respective personal representatives, successors and assigns. Except as set forth in **Section 7(a)**, for the purposes of this Agreement, any successor or assign of Employer shall be deemed to be "**Employer**." Employer shall require any successor or assign of Employer or any direct or indirect purchaser or acquirer of all or substantially all of the business, assets or liabilities of Employer, whether by transfer, purchase, merger, consolidation, stock acquisition or otherwise, to assume and agree in writing to perform this Agreement and Employer's obligations hereunder in the same manner and to the same extent as Employer would have been required to perform them if no such transaction had occurred.

(c) **Entire Agreement.** This Agreement constitutes the entire agreement between the Parties concerning the subject matter hereof, and supersedes all prior negotiations,

undertakings, agreements and arrangements with respect thereto, whether written or oral. The provisions of this Agreement shall be regarded as divisible and separate; if any provision is declared invalid or unenforceable, the validity and enforceability of the remaining provisions shall not be affected. In the event any provision of this Agreement (including any provision of the Restrictive Covenant) is held to be overbroad as written, such provision shall be deemed to be amended to narrow the application of such provision to the extent necessary to make such provision enforceable according to applicable law.

(d) **Survival.** The provisions of **Section 6** (Confidentiality), **Section 7** (Non-Competition and Non-Solicitation Covenants), **Section 8** (Remedies for Breach), **Section 9** (Indemnity; Other Protections) and **Section 10** (General Provisions) shall survive the expiration or termination of this Agreement for any reason.

(e) **Governing Law and Enforcement.** This Agreement shall be construed and the legal relations of the Parties shall be determined in accordance with the laws of the State of Illinois without reference to the law regarding conflicts of law.

(f) **Arbitration.** Any dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration conducted at a location selected by Employer within fifty (50) miles from Champaign-Urbana, Illinois, in accordance with the rules of the American Arbitration Association.

(g) **Prevailing Party Legal Fees.** Should either Party initiate any action or proceeding to enforce this Agreement or any provision hereof, or for damages by reason of any alleged breach of this Agreement or of any provision hereof, or for a declaration of rights hereunder, the prevailing Party in any such action or proceeding shall be entitled to receive from the other Party all costs and expenses, including reasonable attorneys' fees, incurred by the prevailing Party in connection with such action or proceeding; *provided, however*, that reasonable attorneys' fees shall be limited to the fees of the last attorney to represent the Party and to the lesser of the fees incurred as a result of the reasonable hourly rate of the attorney or any contingent or other arrangement for the payment of legal fees. The payment, if any, of costs and expenses to either Party under this **Section 10(g)** shall be made no later than two and one-half (2½) months following the end of the year in which a final adjudication is made in the action or proceeding.

(h) **Waiver.** No waiver by either Party at any time of any breach by the other Party of, or compliance with, any condition or provision of this Agreement to be performed by the other Party shall be deemed a waiver of any similar or dissimilar provisions or conditions at the same time or any prior or subsequent time.

(i) **Notices.** Notices pursuant to this Agreement shall be in writing and shall be deemed given when received; and, if mailed, shall be mailed by United States registered or certified mail, return receipt requested, postage prepaid; and if to Employer, addressed to the principal headquarters of First Busey, attention: President and Chief Executive Officer; and if to Executive, to the address for Executive as most currently reflected in the corporate records or to such other address as Executive has most recently provided to Employer.

(j) **Code Section 409A.** To the extent any provision of this Agreement or action by Employer would subject Executive to liability for interest or additional taxes under Code Section 409A, it shall be deemed null and void, to the extent permitted by law and deemed advisable by Employer. It is intended that this Agreement will comply with Code Section 409A, and this Agreement shall be administered accordingly, and interpreted and construed on a basis consistent with such intent. Notwithstanding anything herein to the contrary, no termination or other similar payments and benefits hereunder shall be payable on account of Executive's termination of employment unless Executive's termination of employment constitutes a "separation from service" within the meaning of Section 409A. To the extent any reimbursements or in-kind benefit payments under this Agreement are subject to Code Section 409A, such reimbursements and in-kind benefit payments shall be made in accordance with Treasury Regulation §1.409A-3(i)(1)(iv). This Agreement may be amended to the extent necessary (including retroactively) by Employer to maintain to the maximum extent practicable the original intent of this Agreement while avoiding the application of taxes or interest under Code Section 409A. The preceding shall not be construed as a guarantee of any particular tax effect for

Executive's compensation and benefits and Employer does not guarantee that any compensation or benefits provided under this Agreement will satisfy the provisions of Code Section 409A.

(k) **<u>Clawback</u>.** Any amount or benefit received under this Agreement shall be subject to potential cancellation, recoupment, rescission, payback, or other action in accordance with the terms of any applicable Employer clawback policy (the "**Policy**") or any applicable law, as may be in effect from time to time. Executive acknowledges and consents to Employer's application, implementation, and enforcement of (i) the Policy or any similar policy established by Employer that may apply to Executive and (ii) any provision of applicable law relating to cancellation, rescission, payback, or recoupment of compensation, as well as Executive's express agreement that Employer may take such actions as may be necessary to effectuate the Policy, any similar policy, or applicable law, without further consideration or action.

(l) **<u>Construction</u>.** This Agreement shall be deemed drafted equally by the Parties. Any presumption or principle that the language of this Agreement is to be construed against any Party shall not apply. Whenever used in this Agreement, the singular includes the plural and vice versa (where applicable); the words "hereof," "herein," "hereto," "hereby," "hereunder," and other words of similar import refer to this Agreement as a whole (including exhibits); all references to sections, schedules and exhibits are to sections, schedules and exhibits in or to this Agreement unless otherwise specified; the words "include," "includes" and "including" means "include, without limitation," "includes, without limitation" and "including, without limitation," respectively; any reference to a document or set of documents, and the rights and obligations of the parties under any such documents, means such document or documents as amended from time to time, and any and all modifications, extensions, renewals, substitutions or replacements thereof; and references to a statute shall refer to the statute and any amendments and any successor statutes, and to all regulations promulgated under or implementing the statute, as amended, or its successors, as in effect at the relevant time. The headings used in this Agreement are for convenience only, shall not be deemed to constitute a part hereof, and shall not be deemed to limit, characterize or in any way affect the construction or enforcement of the provisions of this Agreement. This Agreement may be executed in any number of identical

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counterparts, any of which may contain the signatures of less than all Parties, and all of which together shall constitute a single agreement. All remedies of any Party are cumulative and not alternative, and are in addition to any other remedies available at law, in equity or otherwise.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the Effective Date.

FIRST BUSEY CORPORATION and BUSEY BANK	**EXECUTIVE**
By: /s/ VAN A. DUKEMAN	/s/ CURT ANDERSON
Van A. Dukeman President and Chief Executive Officer of First Busey Corporation	Curt Anderson

Signature Page to Curt Anderson Employment Agreement

<u>Exhibit A to Employment Agreement</u>

<u>AGREEMENT AND RELEASE</u>

This Agreement and Release (this "**Release**") is made and entered into as of (the "**Release Date**"), by and among First Busey Corporation ("**First Busey**"), Busey Bank (the "**Bank**" and together with First Busey, "**Employer**") and ("**Executive**," and together with Employer, the "**Parties**"). In consideration of the mutual covenants hereinafter set forth, the Parties hereby agree as follows:

Section 1. **<u>Separation</u>.** Executive's employment with Employer shall end effective .

Section 2. **<u>Payment and Benefits</u>.** In consideration of the promises made in this Release, First Busey has agreed to pay Executive the compensation and benefits as provided in that certain employment agreement made and entered into as of , by and among the Parties (the "**Employment Agreement**"). Executive understands and acknowledges that the compensation and benefits provided under this Section 2 constitute an amount in excess of that to which Executive would be entitled without entering into this Release. Executive acknowledges that such compensation and benefits are being provided by First Busey, in part, as consideration for Executive entering into this Release, including the release of claims and waiver of rights provided in Section 3 of this Release.

Section 3. **<u>Release of Claims and Waiver of Rights</u>.** Executive, on Executive's own behalf and that of Executive's heirs, executors, attorneys, administrators, successors and assigns, fully releases and discharges Employer, its predecessors, successors, subsidiaries, affiliates and assigns, and its and their directors, officers, trustees, employees, and agents, in their individual and official capacities, and the current and former trustees and administrators of any retirement or other benefit plan applicable to the employees or former employees of Employer, in their individual and official capacities (the "**Released Parties**"), from any and all liability, claims, demands and actions, including liability, claims, demands and actions arising under Employer's policies and procedures, whether formal or informal; the United States or State of Illinois Constitutions; the Civil Rights Act of 1964; the Civil Rights Act of 1991; the Illinois Human Rights Act; the Employee Retirement Income Security Act of 1974; the Age Discrimination in Employment Act; Executive Order 11246; and any other federal, state or local statute, ordinance or regulation with respect to employment, and in addition thereto, from any other liability, claims, demands and actions with respect to Executive's employment with Employer or other association with Employer through the Release Date, including the termination of Executive's employment with Employer, any right of payment for disability or any other statutory or contractual right of payment or any claim for relief on the basis of any alleged tort or breach of contract under the common law of the State of Illinois or any other state, including defamation, intentional or negligent infliction of emotional distress, breach of the covenant of good faith and fair dealing, promissory estoppel, and negligence. Executive represents that Executive has not assigned or filed any claim, demand, action or charge against the Released Parties. Executive further acknowledges that Executive is aware that statutes exist that render null and void releases and discharges of any claims, rights, demands, liabilities, actions and causes of action that are unknown to the releasing or discharging party at the time of execution of the release and discharge. Executive hereby expressly waives, surrenders and

agrees to forego any protection to which Executive would otherwise be entitled by virtue of the existence of any such statute in any jurisdiction, including the State of Illinois.

Section 4. **__Covenant Not to Sue__.** Executive shall not bring, file, charge, claim, sue or cause, assist, or permit to be brought, filed, charged or claimed any action, cause of action, or proceeding regarding or in any way related to any of the claims described in Section 3 of this Release; Executive's release of claims and waiver of rights provided in Section 3 of this Release is, shall constitute and may be pleaded as, a bar to any such claim, action, cause of action or proceeding. If any government agency or court assumes jurisdiction of any charge, complaint or cause of action covered by this Release, Executive shall not seek and shall not accept any personal equitable or monetary relief in connection with any investigation, civil action, suit or legal proceeding.

Section 5. **__Mutual Non-Disparagement__.** At all times following the signing of this Release, neither Party shall engage in any vilification of the other, and each Party shall refrain from making any false, negative, critical or disparaging statements, implied or expressed, concerning the other, including management style, methods of doing business, the quality of products and services, or role in the community. Executive acknowledges that the only persons whose statements may be attributed to Employer for purposes of this covenant not to make disparaging statements shall be each member of the Board of Directors of Employer, the CEO/EMD and executive officers that report directly to the CEO/EMD. The Parties shall do nothing that would damage the other's business reputation or good will.

Section 6. **__Representations by Executive__.** Executive warrants that Executive is legally competent to execute this Release and that Executive has not relied on any statements or explanations made by Employer or its attorneys. Moreover, Executive acknowledges that Executive has been afforded the opportunity to be advised by legal counsel regarding the terms of this Release, including the release of all claims and waiver of rights set forth in Section 3 of this Release. Executive acknowledges that Executive has been offered **[twenty-one (21)]** days to consider this Release. After being so advised, and without coercion of any kind, Executive freely, knowingly and voluntarily enters into this Release. **[Executive further acknowledges that Executive may revoke this Release within seven (7) days after Executive has signed this Release and further understands that this Release shall not become effective or enforceable until seven (7) days after Executive has signed this Release, as evidenced by the date set forth below Executive's signature on this Release. Any revocation of this Release by Executive must be in writing and addressed to the principal headquarters of First Busey, attention: President and Chief Executive Officer. If sent by mail, any revocation must be postmarked within the seven (7)-day period and sent by certified mail, return receipt requested.]** In addition, Executive represents that Executive has returned all property of Employer that is in Executive's possession, custody or control, including all documents, records and tangible property that are not publicly available and reflect, refer or relate to Employer or Employer's business affairs, operations or customers, and all copies of the foregoing.

Section 7. **__No Admissions__.** Employer denies that it or any of its employees or agents have taken any improper action against Executive. This Release shall not be admissible in any proceeding as evidence of improper action by Employer or any of its employees or agents.

Section 8. **__Confidentiality__.** Executive and Employer shall keep the existence and the terms of this Release confidential, except for Executive's immediate family members or their legal or tax advisors in connection with services related hereto and except as may be required by law or in connection with the preparation of tax returns.

Section 9. **__Non-Waiver__.** Employer's waiver of a breach of this Release by Executive shall not be construed or operate as a waiver of any subsequent breach by Executive of the same or of any other provision of this Release.

Section 10. **__Restrictive Covenants__.** Executive shall abide by the terms set forth in Sections 5 and 6 of the Employment Agreement.

Section 11. **__Construction__.** The terms set forth in Section 9 of the Employment Agreement shall apply to this Release, *provided* that the word "Release" shall take the place of the word "Agreement" in such Section 9, where applicable.

IN WITNESS WHEREOF, the Parties have executed this Release as of dates set forth below their respective signatures below.

FIRST BUSEY CORPORATION and BUSEY BANK	EXECUTIVE
By: ______________________	______________________
[Name] President and Chief Executive Officer of First Busey Corporation	[Name]
Date: ______________________	Date: ______________________

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "**Agreement**"), is by and among First Busey Corporation ("**First Busey**"), Busey Bank (the "**Bank**," and together with First Busey, "**Employer**"), and Amy Randolph ("**Executive**," and together with Employer, the "**Parties**").

RECITALS

A. The Bank is a wholly owned subsidiary of First Busey.

B. Employer has determined it to be in its best interests to secure the employment of the Executive and to enter into this Agreement pertaining to the employment of the Executive as of and following the Effective Date, as defined below.

C. Executive desires to be employed by Employer as of and following the Effective Date in accordance with the terms of this Agreement.

NOW, THEREFORE, in consideration of the foregoing and of the respective covenants and agreements of the Parties contained herein, the Parties hereby agree as follows:

AGREEMENTS

Section 1. Term with Automatic Renewal Provision. This Agreement shall be effective as of April 1, 2014 (the "**Effective Date**"). Subject to the terms of this Agreement, the term of this Agreement (the "**Term**") and Executive's employment hereunder shall be for a period of one (1) year commencing as of the Effective Date. The Term shall automatically renew for one (1) additional year at the end of the then existing Term, unless either Party provides written notice to the other Party not less than thirty (30) days prior to the end of the then existing Term that such Party does not intend to extend the Term.

Section 2. Employment.

(a) Position and Duties. Subject to the terms of this Agreement, Executive shall devote Executive's full business time, energies and talent to serving as the Executive Vice President/Pillar Relations (Human Relations, Marketing and Customer Experience) of the Employer. Executive shall perform all duties assigned to Executive faithfully, loyally and efficiently and shall have such duties, authority and responsibilities as may be assigned to Executive from time to time by the Executive Vice President/Chief Financial Officer (the "**CFO**"), which duties, authority and responsibilities shall include those customarily held by such officer of comparable companies, subject always to the charter and bylaw provisions and the policies of Employer and the directions of the CFO. Executive shall perform the duties required by this Agreement at Employer's principal place of business unless the nature of such duties requires otherwise. Notwithstanding the foregoing, during the Term, Executive may devote reasonable time to activities other than those required under this Agreement, including activities of a charitable, educational, religious or similar nature (including professional associations) to the extent such activities do not in any material way inhibit, prohibit, interfere with or conflict with Executive's duties under this Agreement or conflict in any material way with the business of Employer.

(b) Transfers. The Board of Directors of First Busey (the "**Board**") may, in its sole discretion, cause Executive's employment to be transferred from Employer to any wholly-owned subsidiary of First Busey, in which case all references in this Agreement to "**Employer**" shall be deemed to refer to such subsidiary (and First Busey, if applicable).

Section 3. Compensation and Benefits. Subject to the terms of this Agreement, during the Term of this Agreement, Employer shall compensate Executive for Executive's services as follows:

(a) Base Compensation. Executive's annual base salary rate shall be one hundred and eighty thousand dollars ($180,000) ("**Base Salary**"), which shall be payable in accordance with Employer's normal payroll practices as are in effect from time to time. The Board shall annually review Executive's Base Salary at such time as it reviews its executives' compensation to determine whether Executive's Base Salary should be maintained at its existing level or increased, with any increase being effective as determined by the Board.

(b) Discretionary Performance Bonus. Employer shall consider Executive for a bonus each year during the Term based on performance criteria established by the Board and/or Executive's senior officers and any other factors deemed by the Board to be appropriate. Bonuses shall be awarded, if at all, in the sole discretion of the Board, and nothing in this Agreement shall require the payment of a bonus in any given year. For purposes of this Agreement, bonuses shall be considered earned when all corporate action has been taken to determine such bonuses. Payment of any such bonus shall be made as soon as practicable after it is earned, but in no event later than two and one-half (2½) months following the end of the calendar year in which it is earned.

(c) Long Term Incentive Program. Executive shall be eligible to participate in Employer's long-term equity incentive program, as determined in the sole discretion of the Board (or an authorized committee thereof). Executive shall be recommended for a grant of restricted stock or restricted stock units when such equity awards are granted to other senior executives of Employer on or around July 1, 2014.

(d) Profit Sharing Benefit. Executive shall be eligible to receive an annual profit sharing benefit based on the combined amount of Executive's Base Salary and, if applicable, Executive's discretionary performance bonus, after Executive meets the eligibility requirements of the applicable profit sharing plan. The Board shall decide the exact amount of this benefit annually in its sole discretion. Employer shall contribute this benefit for the account of Executive to Employer's tax-qualified retirement plans and/or any nonqualified deferred compensation plan that Employer establishes or maintains. All such profit sharing benefit payments shall be determined and governed by the terms of the applicable plan. Employer shall have no obligation to continue to maintain any particular benefit plan or arrangement and the profit sharing benefit described in this **Section 3(d)** may be amended or terminated by Employer at any time for any reason or no reason, provided such amendment or termination applies to all other similarly situated officers of Employer.

(e) **Reimbursement of Expenses.** Employer shall reimburse Executive for all travel, entertainment and other out-of-pocket expenses that Executive reasonably and necessarily incurs in the performance of Executive's duties under this Agreement. Executive shall document these expenses to the extent necessary to comply with all applicable laws and Employer policies. Any reimbursement payments hereunder shall be made as soon as practicable, and when taxable to Executive, in no event later than two and one-half (2½) months following the end of the year in which the corresponding expenses are incurred.

(f) **Other Benefits.** Executive shall be eligible to participate, subject to the terms thereof, in all Employer retirement plans and health, dental, life and similar plans, as may be in effect from time to time with respect to similarly situated senior executives. In addition to the foregoing benefits, Executive shall continue to be eligible to participate in Employer's key life insurance program following the Effective Date with a death benefit amount of two hundred and fifty thousand dollars ($250,000), which amount shall be increased to one million dollars ($1,000,000), subject to insurability and all other terms of such program.

(g) **Vacations.** Executive shall be subject to Employer's general vacation policy as may be in effect from time to time, but shall accrue not less than twenty (20) days of paid vacation annually.

(h) **Withholding.** Employer may withhold any applicable federal, state and local withholding and other taxes from payments that become due or allowances that are provided to Executive.

Section 4. **Rights and Payments Upon Termination.** Either Party may terminate Executive's employment under this Agreement pursuant to the terms of this **Section 4**. Executive's right to benefits and payments, if any, for periods after the effective date of Executive's termination of employment with Employer (the "**Termination Date**") shall be determined in accordance with this **Section 4**:

(a) **Termination Without Cause.** Either Party may terminate this Agreement and Executive's employment hereunder for any reason by delivering written notice of termination to the other Party no fewer than thirty (30) days before the Termination Date (*provided* that such notice shall not be required in a Termination for Cause), which date shall be specified in the notice of termination. Employer may provide for an earlier Termination Date *provided* Employer pays to Executive the Base Salary that would have been earned during such notice period. Any payment in lieu of notice pursuant to this **Section 4(a)** shall be made in a single lump sum on the first payroll date following the Termination Date. If Executive voluntarily terminates Executive's employment under this Agreement other than pursuant to **Section 4(c)** (Termination for Good Reason), then Employer shall be required to pay Executive the Accrued Amounts and Employer shall have no further obligations to Executive under this Agreement. "**Accrued Amounts**" shall include the following amounts as have accrued through the Termination Date: (i) earned but unpaid Base Salary, (ii) earned but unpaid bonus under **Section 3(b)**, (iii) accrued but unpaid vacation pay; and (iv) provided Executive submits the required documentation in accordance with established policies and within thirty (30) days of the Termination Date, unreimbursed business expenses incurred during the Term.

(b) **Termination for Cause.** Employer may terminate this Agreement and Executive's employment hereunder immediately for Cause by delivering written notice of termination to Executive (with such notice being delivered no less than thirty (30) days before the effective date of termination in the event of a termination based on either a curable breach under subsection (vii) below or subsection (viii) below). "**Cause**" for termination shall exist if: (i) Executive engages in one (1) or more unsafe and unsound banking practices or material violations of a law or regulation applicable to Employer or any subsidiary, (ii) Executive engages in any repeated violations of a policy of Employer after being warned in writing by the Board or one of Executive's senior officers not to violate such policy, (iii) Executive engages in any single violation of a policy of Employer if such violation materially and adversely affects the business or affairs of Employer, (iv) Executive fails to timely implement a direction or order of the Board and/or one of Executive's senior officers, unless such direction or order would violate the law; (v) Executive engages in a breach of fiduciary duty or act of dishonesty involving the affairs of Employer; (vi) Executive is removed or suspended from banking pursuant to Section 8(e) of the Federal Deposit Insurance Act or any other applicable state or federal law; (vii) Executive commits a material breach of Executive's obligations under this Agreement; (viii) Executive fails to perform Executive's duties to Employer with the degree of skill, care or competence expected by the Board and/or Executive's senior officers; or (ix) Executive is found guilty of, or pleads *nolo contendere* to, a felony or an act of dishonesty in connection with the performance of Executive's duties as an officer of Employer, or an act that disqualifies Executive from serving as an officer or director of Employer. If Executive's employment is terminated pursuant to this **Section 4(b)**, then Employer shall be required to pay Executive the Accrued Amounts and Employer shall have no further obligations to Executive under this Agreement.

(c) **Termination for Good Reason.** Prior to Executive's termination for Good Reason (as defined below), Executive shall give Employer written notice of the occurrence of the event or condition that Executive believes constitutes a Good Reason within thirty (30) days of the initial existence of such event or condition, which written notice shall provide detailed facts, and not mere conclusions, to support Executive's claim of termination for Good Reason. If Employer determines that the events or conditions exist as alleged by Executive and does not cure such events or conditions within thirty (30) days of Executive's written notice, then this Agreement and Executive's employment hereunder shall terminate on the thirtieth (30th) day following Executive's written notice. "**Good Reason**" means the occurrence of any one (1) or more of the following, without Executive's prior consent: (i) a material adverse change in the nature, scope or status of Executive's position, authorities or duties from those in effect in accordance with **Section 2(a)** immediately following the Effective Date; (ii) a reduction in Executive's Base Salary, unless such reduction applies to all similarly situated senior executives of Employer; (iii) Employer changes the primary location of Executive's employment to a place that is more than fifty (50) miles from Executive's primary location of employment as of the Effective Date; or (iv) Employer otherwise commits a material breach of its obligations under this Agreement.

(d) **Termination upon Change in Control.** Following a Change in Control, this Agreement and Executive's employment hereunder may be terminated in accordance with **Section 4(a)**, **(b)**, or **(c)** by delivering written notice of termination to the other Party no less than thirty (30) days before the Termination Date.

(i) A "**Change in Control**" shall be deemed to have occurred upon the first to occur of the following: (A) any "person" (within the meaning of Section 13(d) or 14(d) of the Securities Exchange Act of 1934 (the "**1934 Act**")), other than a trustee or other fiduciary holding securities under an employee benefit plan of First Busey or a corporation owned directly or indirectly by the stockholders of First Busey in substantially the same proportions as their ownership of stock of First Busey, is or becomes a "beneficial owner" (within the meaning of Rule 13d-3 of the 1934 Act), directly or indirectly, of securities representing more than fifty percent (50%) of the combined voting power of the then outstanding voting securities of First Busey; (B) during any period of twelve (12) consecutive months, the individuals who at the beginning of such period constitute the Board (and any new director whose election by the Board or nomination for election by First Busey's stockholders was approved by a vote of at least a majority of the directors when still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority of the Board; or (C) the consummation of (1) a merger or consolidation of First Busey with any other corporation, other than a merger or consolidation that would result in the voting securities of First Busey outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than fifty percent (50%) of the total voting power represented by the voting securities of First Busey or such surviving entity outstanding immediately after such merger or consolidation; or (2) a complete liquidation or dissolution or an agreement for the sale or other disposition of all or substantially all of the assets of First Busey.

(ii) Notwithstanding **Section 4(d)(i)**, a Change in Control shall not be deemed to have occurred if Executive agrees in writing that the transaction or event in question does not constitute a Change in Control for the purposes of this Agreement.

(e) **Termination upon Disability.** Employer shall not terminate this Agreement and Executive's employment hereunder if Executive becomes "disabled" within the meaning of Employer's then current employee disability program or, at Employer's election, as determined by a physician selected by Employer, unless as a result of such disability, Executive is unable to perform Executive's duties with the requisite level of skill and competence for a period of six (6) consecutive months. Thereafter, Employer may terminate this Agreement for Cause in accordance with **Section 4(b)**.

(f) **Termination upon Death.** This Agreement shall terminate if Executive dies during the Term, effective on the date of Executive's death. Any payments that are owing to Executive under this Agreement or otherwise at the time of Executive's death shall be made to whomever Executive may designate in writing as Executive's beneficiary, or absent such a designation, to the executor or administrator of Executive's estate. Termination of this Agreement under this **Section 4(f)** shall be deemed to be a termination in accordance with **Section 4(b)**.

(g) **Severance Benefits.** Employer shall pay severance benefits to Executive as follows:

(i) If this Agreement and Executive's employment hereunder are terminated by Employer without Cause pursuant to **Section 4(a)**, or by Executive for Good Reason pursuant to **Section 4(c)**, Employer shall pay Executive an amount equal to one hundred percent (100%) (or two hundred percent (200%) if the foregoing terminations occur within one (1) year after the occurrence of a Change in Control) of the sum of (A) Executive's then applicable Base Salary, plus (B) the amount of the most recent performance bonus that Employer paid to Executive pursuant to **Section 3(b)** (the "**Severance Payment**").

(ii) All payments that become due to Executive under this **Section 4(g)** shall be made in substantially equal installments in accordance with Employer's regular payroll practices then in effect over the one (1) year period *provided* that the initial payment shall be made on the first regular payroll date occurring on or after the thirtieth (30th) day following the Termination Date; *provided*, *however*, that no payment or benefit shall ever be due to Executive under this **Section 4(g)** unless Executive has delivered to Employer on or before the thirtieth (30th) day following the Termination Date an irrevocable general release and waiver of claims as required by **Section 4(j)**. For avoidance of doubt, any applicable revocation period associated with such release and waiver shall expire on or before the thirtieth (30th) day following the Termination Date in order for Executive to be eligible to receive any payments or benefits under this **Section 4(g)**. Employer shall be obligated to make all payments that become due to Executive under this **Section 4(g)** whether or not Executive obtains other employment following termination or takes steps to mitigate any damages that Executive claims to have sustained as a result of termination. The payments provided for in this **Section 4(g)** are intended to supplement any compensation or other benefits that have accrued or vested with respect to Executive or for Executive's account as of the Termination Date.

(iii) Employer and Executive intend that no portion of any payment under this Agreement, or payments to or for the benefit of Executive under any other agreement or plan, be deemed to be an "**Excess Parachute Payment**" as defined in Section 280G of the Internal Revenue Code of 1986 (the "**Code**"). The present value of any payments to or for the benefit of Executive in the nature of compensation, as determined by the legal counsel or certified public accountants for Employer in accordance with Code Section 280G(d)(4), receipt of which is contingent on the Change in Control of Employer, and to which Code Section 280G applies (in the aggregate "**Total Payments**"), shall be reduced, as necessary, such that the payment does not exceed an amount equal to one dollar ($1.00) less than the maximum amount that Employer may pay without loss of deduction under Code Section 280G(a), *provided* that any such reduction shall be in accordance with Code Section 409A.

(iv) If Employer is not permitted to make any payments that may become due to Executive under this **Section 4(g)** because First Busey or the Bank is not in compliance with any regulatory-mandated minimum capital requirements or if making the payments would cause the Bank's capital to fall below such minimum capital requirements, then Employer shall delay making such payments until the earliest possible date it could resume making the payments without violating such minimum capital requirements. Further, if Employer is not permitted to make any payments that may become due to Executive under this **Section 4(g)** because of the operation of any other applicable law or regulation, then Employer

shall delay making such payments until the earliest possible date it could resume making the payments without violating such applicable law or regulation.

(h) **Payment Equalization.** If Employer is paying, or in the case of a lump sum, has paid, Executive a Severance Payment pursuant to **Section 4(g)(i)**, then Executive shall not seek or apply for unemployment compensation under the Illinois Unemployment Act 820 ILCS 405/100 et seq. or any other state or federal unemployment compensation law at any time prior to a date following the final payment made hereunder or with respect to the period during which such payments were or were to be made until the final payment is made.

(i) **Specified Employee.** If at the time of any payment hereunder Executive is considered to be a Specified Employee (as defined below); and such payment is required to be treated as deferred compensation under Code Section 409A, then, to the extent required by Code Section 409A, payments may be delayed to the date that is six (6) months after the Termination Date. For purposes of Code Section 409A, all installment payments of deferred compensation made hereunder, or pursuant to another plan or arrangement, shall be deemed to be separate payments and, accordingly, the aforementioned deferral shall only apply to separate payments that would occur during the six (6)-month deferral period and all other payments shall be unaffected.

(i) All payments delayed pursuant to this **Section 4(i)** shall be accumulated and paid in a lump-sum, catch-up payment as of the first (1st) day of the seventh (7th) month following the Termination Date (or, if earlier, the date of death of Executive), with all such delayed payments being credited with interest (compounded monthly) for such period of delay equal to the prime rate in effect on the first (1st) day of such six (6)-month period. Any portion of the benefits hereunder that were not otherwise due to be paid during the six (6)-month period following the Termination Date shall be paid to Executive in accordance with the payment schedule established herein.

(ii) The term "**Specified Employee**" means any person who holds a position with Employer of senior vice president or higher and has compensation greater than that stated in Code Section 416(i)(1)(A)(i). The determination of whether Executive is a Specified Employee shall be based upon the twelve (12)-month period ending on each December 31st (such twelve (12)-month period is referred to below as the "identification period"). If Executive is determined to be a Specified Employee during the identification period Executive shall be treated as a Specified Employee for purposes of this Agreement during the twelve (12)-month period that begins on the April 1st following the close of such identification period. For purposes of determining whether Executive is a Specified Employee under Code Section 416(i), compensation shall mean Executive's W-2 compensation as reported by Employer for a particular calendar year.

(j) **Release.** As a condition to Employer's obligation to pay any severance benefit under **Section 4(g)**, Executive shall execute a general release of, and waiver of claims against, Employer and its subsidiaries and affiliates, substantially in the form attached hereto as Exhibit A on or before the thirtieth (30th) day following the Termination Date. For the avoidance of doubt, in order for such release to be deemed effective for purposes of this

Agreement, any applicable revocation period with respect to such release and waiver must have expired on or before such thirtieth (30th) day.

Section 5. **Confidentiality.** Executive acknowledges that the nature of Executive's employment shall require that Executive produce and have access to records, data, trade secrets and information that are not available to the public regarding Employer and its subsidiaries and affiliates ("**Confidential Information**"). Executive shall hold in confidence and not directly or indirectly disclose any Confidential Information to third parties unless disclosure becomes reasonably necessary in connection with Executive's performance of Executive's duties hereunder, or the Confidential Information lawfully becomes available to the public from other sources, or Executive is authorized in writing by Employer to disclose it, or Executive is required to make disclosure by a law or pursuant to the authority of any administrative agency or judicial body. All Confidential Information and all other records, files, documents and other materials or copies thereof relating to the business of Employer or any of its subsidiaries or affiliates that Executive prepares or uses shall always be the sole property of Employer. Executive's access to and use of Employer's computer systems, networks and equipment, and all Employer information contained therein, shall be restricted to legitimate business purposes on behalf of Employer; any other access to or use of such systems, network and equipment is without authorization and is prohibited. The restrictions contained in this **Section 5** shall extend to any personal computers or other electronic devices of Executive that are used for business purposes relating to Employer. Executive shall not transfer any Employer information to any personal computer or other electronic device that is not otherwise used for any business purpose relating to Employer. Executive shall promptly return all originals and copies of any Confidential Information and other records, files, documents and other materials to Employer if Executive's employment with Employer is terminated for any reason.

Section 6. **Non-Competition and Non-Solicitation Covenants**. Employer and Executive agree that the primary service area of Employer's business in which Executive will actively participate extends separately to an area that encompasses a fifty (50) mile radius from each banking and other office location of Employer and its subsidiaries and affiliates and a fifty (50) mile radius from Employer's main office in Champaign, Illinois (collectively, the "**Restrictive Area**"). Therefore, as an essential ingredient of and in consideration of this Agreement and Executive's employment by Employer, Executive hereby agrees that for a period of one (1) year after termination of Executive's employment with Employer for any reason and whether such termination of employment is during the Term or after the termination or expiration of the Term (the "**Restrictive Period)**, Executive shall not directly or indirectly compete with the business of Employer, including by doing any of the following (the "**Restrictive Covenant**"):

(a) engage or invest in, own, manage, operate, control, finance, participate in the ownership, management, operation or control of, be employed by, associate with or in any manner be connected with, serve as an employee, officer or director of or consultant to, lend Executive's name or any similar name to, lend Executive's credit to, or render services or advice to any person, firm, partnership, corporation, trust or other entity that owns or operates, a bank, savings and loan association, credit union or similar financial institution (a "**Financial**

Institution") with any office located, or to be located at an address identified in a filing with any regulatory authority, within the Restrictive Area;

(b) directly or indirectly, for Executive or any Financial Institution: (i) induce or attempt to induce any officer of Employer or any of its subsidiaries or affiliates, or any employee who previously reported to Executive, to leave the employ of Employer or any of its subsidiaries or affiliates; (ii) in any way interfere with the relationship between Employer or any of its subsidiaries or affiliates and any such officer or employee; (iii) employ, or otherwise engage as an employee, independent contractor or otherwise, any such officer or employee; or (iv) induce or attempt to induce any customer, supplier, licensee or business relation of Employer of any of its subsidiaries or affiliates to cease doing business with Employer or any of its subsidiaries or affiliates or in any way interfere with the relationship between Employer or any of its subsidiaries or affiliates and any of their respective customers, suppliers, licensees or business relations, where Executive had personal contact with, or has accessed Confidential Information in the preceding twelve (12) months with respect to, such customers, suppliers, licensees or business relations; or

(c) directly or indirectly, for Executive or any Financial Institution, solicit the business of any person or entity known to Executive to be a customer of Employer or any of its subsidiaries or affiliates, where Executive, or any person reporting to Executive, had personal contact with such person or entity, with respect to products, activities or services that compete in whole or in part with the products, activities or services of Employer or any of its subsidiaries or affiliates.

(d) The foregoing Restrictive Covenant shall not prohibit Executive from owning directly or indirectly capital stock or similar securities that are listed on a securities exchange or quoted on the National Association of Securities Dealers Automated Quotation System that do not represent more than one percent (1%) of the outstanding capital stock of any Financial Institution.

Section 7. **Remedies for Breach.** Executive has reviewed the provisions of this Agreement with legal counsel, or has been given adequate opportunity to seek such counsel, and Executive acknowledges and expressly agrees that the covenants contained herein are reasonable with respect to their duration, geographical area and scope. Executive further acknowledges that the restrictions contained in this Agreement are reasonable and necessary for the protection of the legitimate business interests of Employer, that they create no undue hardships, that any violation of these restrictions would cause substantial injury to Employer and its interests, that Employer would not have agreed to enter into this Agreement without receiving Executive's agreement to be bound by these restrictions and that such restrictions were a material inducement to Employer to enter into this Agreement. Executive hereby acknowledges and agrees that during the Restrictive Period, Employer shall have the right to communicate the existence and terms of this Agreement to any third party with whom Executive may seek or obtain future employment or other similar arrangement. In addition, in the event of any violation or threatened violation of the restrictions contained in this Agreement, Employer, in addition to and not in limitation of, any other rights, remedies or damages available to Employer under this Agreement or otherwise at law or in equity, shall be entitled to preliminary and permanent

injunctive relief to prevent or restrain any such violation by Executive and any and all persons directly or indirectly acting for or with Executive, as the case may be. If Executive violates the Restrictive Covenant and Employer brings legal action for injunctive or other relief, Employer shall not, as a result of the time involved in obtaining such relief, be deprived of the benefit of the full period of the Restrictive Covenant. Accordingly, the Restrictive Covenant shall be deemed to have the duration specified herein computed from the date the relief is granted but reduced by the time between the period when the Restrictive Period began to run and the date of the first violation of the Restrictive Covenant by Executive.

Section 8. **Indemnity; Other Protections.**

(a) **Indemnification.** Employer shall indemnify Executive (and, upon Executive's death, Executive's heirs, executors and administrators) to the fullest extent permitted by law against all expenses, including reasonable attorneys' fees, court and investigative costs, judgments, fines and amounts paid in settlement (collectively, "**Expenses**") reasonably incurred by Executive in connection with or arising out of any pending, threatened or completed action, suit or proceeding in which Executive becomes involved by reason of Executive's having been an officer or director of Employer. The indemnification rights provided for herein are not exclusive and shall supplement any rights to indemnification that Executive may have under any applicable bylaw or charter provision of Employer, or any resolution of Employer, or any applicable statute.

(b) **Advancement of Expenses.** In the event that Executive becomes a party, or is threatened to be made a party, to any pending, threatened or completed action, suit or proceeding for which Employer is permitted or required to indemnify Executive under this Agreement, any applicable bylaw or charter provision of Employer, any resolution of Employer, or any applicable statute, Employer shall, to the fullest extent permitted by law, advance all Expenses incurred by Executive in connection with the investigation, defense, settlement, or appeal of any threatened, pending or completed action, suit or proceeding, subject to receipt by Employer of a written undertaking from Executive to reimburse Employer for all Expenses actually paid by Employer to or on behalf of Executive in the event it shall be ultimately determined that Employer cannot lawfully indemnify Executive for such Expenses, and to assign to Employer all rights of Executive to indemnification under any policy of directors' and officers' liability insurance to the extent of the amount of Expenses actually paid by Employer to or on behalf of Executive.

(c) **Litigation.** Unless precluded by an actual or potential conflict of interest, Employer shall have the right to recommend counsel to Executive to represent Executive in connection with any claim covered by this **Section 8**. Further, Executive's choice of counsel, Executive's decision to contest or settle any such claim, and the terms and amount of the settlement of any such claim shall be subject to Employer's prior written approval, which approval shall not be unreasonably withheld by Employer.

Section 9. **General Provisions.**

(a) **Amendment.** Except as set forth explicitly herein, this Agreement may not be amended or modified except by written agreement signed by Executive and First Busey.

(b) **Successors; Assignment.** This Agreement shall be binding upon and inure to the benefit of Executive, Employer and their respective personal representatives, successors and assigns. For the purposes of this Agreement, any successor or assign of Employer shall be deemed to be "**Employer**." Employer shall require any successor or assign of Employer or any direct or indirect purchaser or acquirer of all or substantially all of the business, assets or liabilities of Employer, whether by transfer, purchase, merger, consolidation, stock acquisition or otherwise, to assume and agree in writing to perform this Agreement and Employer's obligations hereunder in the same manner and to the same extent as Employer would have been required to perform them if no such transaction had occurred.

(c) **Entire Agreement.** This Agreement constitutes the entire agreement between the Parties concerning the subject matter hereof, and supersedes all prior negotiations, undertakings, agreements and arrangements with respect thereto, whether written or oral. The provisions of this Agreement shall be regarded as divisible and separate; if any provision is ever declared invalid or unenforceable, the validity and enforceability of the remaining provisions shall not be affected. In the event any provision of this Agreement (including any provision of the Restrictive Covenant) is held to be overbroad as written, such provision shall be deemed to be amended to narrow the application of such provision to the extent necessary to make such provision enforceable according to applicable law.

(d) **Survival.** The provisions of **Section 5** (Confidentiality), **Section 6** (Non-Competition and Non-Solicitation Covenants), **Section 7** (Remedies for Breach), **Section 8** (Indemnity; Other Protections) and **Section 9** (General Provisions) shall survive the expiration or termination of this Agreement for any reason.

(e) **Governing Law and Enforcement.** This Agreement shall be construed and the legal relations of the Parties shall be determined in accordance with the laws of the State of Illinois without reference to the law regarding conflicts of law.

(f) **Arbitration.** Any dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration conducted at a location selected by Employer within fifty (50) miles from Champaign, Illinois, in accordance with the rules of JAMS.

(g) **Prevailing Party Legal Fees.** Should either Party initiate any action or proceeding to enforce this Agreement or any provision hereof, or for damages by reason of any alleged breach of this Agreement or of any provision hereof, or for a declaration of rights hereunder, the prevailing Party in any such action or proceeding shall be entitled to receive from the other Party all costs and expenses, including reasonable attorneys' fees, incurred by the prevailing Party in connection with such action or proceeding; *provided, however,* that reasonable attorneys' fees shall be limited to the fees of the last attorney to represent the Party

and to the lesser of the fees incurred as a result of the reasonable hourly rate of the attorney or any contingent or other arrangement for the payment of legal fees. The payment, if any, of costs and expenses to either Party under this **Section 9(g)** shall be made no later than two and one-half (2½) months following the end of the year in which a final adjudication is made in the action or proceeding.

(h) **Waiver.** No waiver by either Party at any time of any breach by the other Party of, or compliance with, any condition or provision of this Agreement to be performed by the other Party, shall be deemed a waiver of any similar or dissimilar provisions or conditions at the same time or any prior or subsequent time.

(i) **Notices.** Notices pursuant to this Agreement shall be in writing and shall be deemed given when received; and, if mailed, shall be mailed by United States registered or certified mail, return receipt requested, postage prepaid; and if to Employer, addressed to the principal headquarters of First Busey, attention: President and Chief Executive Officer; and, if to Executive, to the address for Executive as most currently reflected in the corporate records, or to such other address as Executive has most recently provided to Employer.

(j) **Code Section 409A.** To the extent any provision of this Agreement or action by Employer would subject Executive to liability for interest or additional taxes under Code Section 409A, it shall be deemed null and void, to the extent permitted by law and deemed advisable by Employer. It is intended that this Agreement will comply with Code Section 409A, and this Agreement shall be administered accordingly, and interpreted and construed on a basis consistent with such intent. Notwithstanding anything herein to the contrary, no termination or other similar payments and benefits hereunder shall be payable on account of Executive's termination of employment unless Executive's termination of employment constitutes a "separation from service" within the meaning of Section 409A. To the extent any reimbursements or in-kind benefit payments under this Agreement are subject to Code Section 409A, such reimbursements and in-kind benefit payments shall be made in accordance with Treasury Regulation §1.409A-3(i)(1)(iv). This Agreement may be amended to the extent necessary (including retroactively) by Employer to maintain to the maximum extent practicable the original intent of this Agreement while avoiding the application of taxes or interest under Code Section 409A. The preceding shall not be construed as a guarantee of any particular tax effect for Executive's compensation and benefits and Employer does not guarantee that any compensation or benefits provided under this Agreement will satisfy the provisions of Code Section 409A.

(k) **Claw-back**. Any amount or benefit received hereunder shall be subject to potential cancellation, recoupment, rescission, payback or other action in accordance with the terms of any applicable Employer claw-back policy (the "**Policy**") or any applicable law, as may be in effect from time to time. Executive acknowledges and consents to Employer's application, implementation and enforcement of (i) the Policy or any similar policy established by Employer that may apply to Executive and (ii) any provision of applicable law relating to cancellation, rescission, payback or recoupment of compensation, as well as Executive's express agreement that Employer may take such actions as may be necessary to effectuate the Policy, any similar policy or applicable law without further consideration or action.

(l) **Construction.** This Agreement shall be deemed drafted equally by the Parties. Any presumption or principle that the language of this Agreement is to be construed against any Party shall not apply. Whenever used in this Agreement, the singular includes the plural and vice versa (where applicable); the words "hereof," "herein," "hereto," "hereby," "hereunder," and other words of similar import refer to this Agreement as a whole (including exhibits); all references to sections, schedules and exhibits are to sections, schedules and exhibits in or to this Agreement unless otherwise specified; the words "include," "includes" and "including" means "include, without limitation," "includes, without limitation" and "including, without limitation," respectively; any reference to a document or set of documents, and the rights and obligations of the parties under any such documents, means such document or documents as amended from time to time, and any and all modifications, extensions, renewals, substitutions or replacements thereof; and references to a statute shall refer to the statute and any amendments and any successor statutes, and to all regulations promulgated under or implementing the statute, as amended, or its successors, as in effect at the relevant time. The headings used in this Agreement are for convenience only, shall not be deemed to constitute a part hereof, and shall not be deemed to limit, characterize or in any way affect the construction or enforcement of the provisions of this Agreement. This Agreement may be executed in any number of identical counterparts, any of which may contain the signatures of less than all Parties, and all of which together shall constitute a single agreement. All remedies of any Party are cumulative and not alternative, and are in addition to any other remedies available at law, in equity or otherwise.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

FIRST BUSEY CORPORATION and

BUSEY BANK

By: /s/ VAN DUKEMAN
Van Dukeman
President and Chief Executive Officer
of First Busey Corporation

/s/ AMY RANDOLPH
Amy Randolph

Address

Exhibit A to Employment Agreement

AGREEMENT AND RELEASE

This Agreement and Release (this "**Release**") is made and entered into as of (the "**Release Date**"), by and among First Busey Corporation ("**First Busey**"), Busey Bank (the "**Bank**" and together with First Busey, "**Employer**") and ("**Executive**," and together with Employer, the "**Parties**"). In consideration of the mutual covenants hereinafter set forth, the Parties hereby agree as follows:

Section 1. **Separation.** Executive's employment with Employer shall end effective .

Section 2. **Payment and Benefits.** In consideration of the promises made in this Release, First Busey has agreed to pay Executive the compensation and benefits as provided in that certain employment agreement made and entered into as of , by and among the Parties (the "**Employment Agreement**"). Executive understands and acknowledges that the compensation and benefits provided under this Section 2 constitute an amount in excess of that to which Executive would be entitled without entering into this Release. Executive acknowledges that such compensation and benefits are being provided by First Busey as consideration for Executive entering into this Release, including the release of claims and waiver of rights provided in Section 3 of this Release.

Section 3. **Release of Claims and Waiver of Rights.** Executive, on Executive's own behalf and that of Executive's heirs, executors, attorneys, administrators, successors and assigns, fully releases and discharges Employer, its predecessors, successors, subsidiaries, affiliates and assigns, and its and their directors, officers, trustees, employees, and agents, in their individual and official capacities, and the current and former trustees and administrators of any retirement or other benefit plan applicable to the employees or former employees of Employer, in their individual and official capacities (the "**Released Parties**"), from any and all liability, claims, demands and actions, including liability, claims, demands and actions arising under Employer's policies and procedures, whether formal or informal; the United States or State of Illinois Constitutions; the Civil Rights Act of 1964; the Civil Rights Act of 1991; the Illinois Human Rights Act; the Employee Retirement Income Security Act of 1974; the Age Discrimination in Employment Act; Executive Order 11246; and any other federal, state or local statute, ordinance or regulation with respect to employment, and in addition thereto, from any other liability, claims, demands and actions with respect to Executive's employment with Employer or other association with Employer through the Release Date, including the termination of Executive's employment with Employer, any right of payment for disability or any other statutory or contractual right of payment or any claim for relief on the basis of any alleged tort or breach of contract under the common law of the State of Illinois or any other state, including defamation, intentional or negligent infliction of emotional distress, breach of the covenant of good faith and fair dealing, promissory estoppel, and negligence. Executive represents that Executive has not assigned or filed any claim, demand, action or charge against the Released Parties. Executive further acknowledges that Executive is aware that statutes exist that render null and void releases and discharges of any claims, rights, demands, liabilities, actions and causes of action that are unknown to the releasing or discharging party at the time of execution of the release and discharge. Executive hereby expressly waives, surrenders and

agrees to forego any protection to which Executive would otherwise be entitled by virtue of the existence of any such statute in any jurisdiction, including the State of Illinois.

Section 4. **Covenant Not to Sue.** Executive shall not bring, file, charge, claim, sue or cause, assist, or permit to be brought, filed, charged or claimed any action, cause of action, or proceeding regarding or in any way related to any of the claims described in Section 3 of this Release; Executive's release of claims and waiver of rights provided in Section 3 of this Release is, shall constitute and may be pleaded as, a bar to any such claim, action, cause of action or proceeding. If any government agency or court assumes jurisdiction of any charge, complaint or cause of action covered by this Release, Executive shall not seek and shall not accept any personal equitable or monetary relief in connection with any investigation, civil action, suit or legal proceeding.

Section 5. **Mutual Non-Disparagement.** At all times following the signing of this Release, neither Party shall engage in any vilification of the other, and each Party shall refrain from making any false, negative, critical or disparaging statements, implied or expressed, concerning the other, including management style, methods of doing business, the quality of products and services, role in the community, or treatment of employees. Executive acknowledges that the only persons whose statements may be attributed to Employer for purposes of this covenant not to make disparaging statements shall be each member of the Board of Directors of Employer, the CEO and Executive's immediate superior officer. The Parties shall do nothing that would damage the other's business reputation or good will.

Section 6. **Representations by Executive.** Executive warrants that Executive is legally competent to execute this Release and that Executive has not relied on any statements or explanations made by Employer or its attorneys. Moreover, Executive acknowledges that Executive has been afforded the opportunity to be advised by legal counsel regarding the terms of this Release, including the release of all claims and waiver of rights set forth in Section 3 of this Release. Executive acknowledges that Executive has been offered **[twenty-one (21)]** days to consider this Release. After being so advised, and without coercion of any kind, Executive freely, knowingly and voluntarily enters into this Release. **[Executive further acknowledges that Executive may revoke this Release within seven (7) days after Executive has signed this Release and further understands that this Release shall not become effective or enforceable until seven (7) days after Executive has signed this Release, as evidenced by the date set forth below Executive's signature on this Release. Any revocation of this Release by Executive must be in writing and addressed to the principal headquarters of First Busey, attention:**

President and Chief Executive Officer. If sent by mail, any revocation must be postmarked within the seven (7)-day period and sent by certified mail, return receipt requested.] In addition, Executive represents that Executive has returned all property of Employer that is in Executive's possession, custody or control, including all documents, records and tangible property that are not publicly available and reflect, refer or relate to Employer or Employer's business affairs, operations or customers, and all copies of the foregoing.

Section 7. **No Admissions.** Employer denies that it or any of its employees or agents have taken any improper action against Executive. This Release shall not be admissible in any proceeding as evidence of improper action by Employer or any of its employees or agents.

Section 8. **Confidentiality.** Executive and Employer shall keep the existence and the terms of this Release confidential, except for Executive's immediate family members or their legal or tax advisors in connection with services related hereto and except as may be required by law or in connection with the preparation of tax returns.

Section 9. **Non-Waiver.** Employer's waiver of a breach of this Release by Executive shall not be construed or operate as a waiver of any subsequent breach by Executive of the same or of any other provision of this Release.

Section 10. **Restrictive Covenants.** Executive shall abide by the terms set forth in Sections 5 and 6 of the Employment Agreement.

Section 11. **Construction.** The terms set forth in Section 9 of the Employment Agreement shall apply to this Release, *provided* that the word "Release" shall take the place of the word "Agreement" in such Section 9, where applicable.

IN WITNESS WHEREOF, the Parties have executed this Release as of dates set forth below their respective signatures below.

FIRST BUSEY CORPORATION and BUSEY BANK	**EXECUTIVE**
By: ____________________	____________________
[Name] President and Chief Executive Officer of First Busey Corporation	[Name]
Date: ____________________	Date: ____________________

EXHIBIT 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

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

1) I have reviewed this Quarterly Report on Form 10-Q of First Busey Corporation;

2) Based on my knowledge, this Quarterly Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Quarterly Report;

3) Based on my knowledge, the financial statements, and other financial information included in this Quarterly Report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this Quarterly Report;

4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Quarterly Report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this Quarterly Report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Quarterly Report based on such evaluation; and

   d) disclosed in this Quarterly Report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ VAN A. DUKEMAN

Van A. Dukeman
President and Chief Executive Officer

Date: November 8, 2016

EXHIBIT 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

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

1) I have reviewed this Quarterly Report on Form 10-Q of First Busey Corporation;

2) Based on my knowledge, this Quarterly Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Quarterly Report;

3) Based on my knowledge, the financial statements, and other financial information included in this Quarterly Report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this Quarterly Report;

4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Quarterly Report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this Quarterly Report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Quarterly Report based on such evaluation; and

   d) disclosed in this Quarterly Report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ ROBIN N. ELLIOTT

Robin N. Elliott
Chief Financial Officer

Date: November 8, 2016

EXHIBIT 32.1

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, 2016, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in such Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of First Busey Corporation as of and for the periods covered by the Quarterly Report.

/s/ VAN A. DUKEMAN

Van A. Dukeman
President and Chief Executive Officer

Date: November 8, 2016

EXHIBIT 32.2

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, 2016, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in such Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of First Busey Corporation as of and for the periods covered by the Quarterly Report.

/s/ ROBIN N. ELLIOTT

Robin N. Elliott
Chief Financial Officer

Date: November 8, 2016