Section 1: 10-Q (10-Q)

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-Q

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

For the Quarterly Period Ended 6/30/2019

☐ **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	**61820**
(Address of principal executive offices)	(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 ☑ No ☐

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

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

Large accelerated filer	☑	Accelerated filer ☐
Non-accelerated filer	☐	Smaller reporting company ☐
Emerging growth company	☐	

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

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

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

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

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

Class	Outstanding at August 7, 2019
Common Stock, $.001 par value	55,386,636

FIRST BUSEY CORPORATION
FORM 10-Q
June 30, 2019

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

FIRST BUSEY CORPORATION and Subsidiaries
CONSOLIDATED BALANCE SHEETS
(Unaudited)

	June 30, 2019		Decen
		(dollars in thousands)	
Assets			
Cash and due from banks	$	113,346	$
Interest-bearing deposits		306,861	
Total cash and cash equivalents		420,207	
Debt securities available for sale		1,848,073	
Debt securities held to maturity (fair value 2019 $15,934; 2018 $603,360)		15,708	
Equity securities		5,362	
Loans held for sale, at fair value		39,607	
Portfolio loans (net of allowance for loan losses 2019 $51,375; 2018 $50,648)		6,480,751	
Premises and equipment, net		149,726	
Right of use asset		10,426	
Goodwill		314,343	
Other intangible assets, net		60,984	
Cash surrender value of bank owned life insurance		173,150	
Other assets		94,330	
Total assets	$	9,612,667	$
Liabilities and Stockholders' Equity			
Liabilities			
Deposits:			
Noninterest-bearing	$	1,766,681	$
Interest-bearing		6,066,541	
Total deposits		7,833,222	
Securities sold under agreements to repurchase		190,846	
Short-term borrowings		30,761	
Long-term debt		86,772	
Senior notes, net of unamortized issuance costs		39,607	
Subordinated notes, net of unamortized issuance costs		59,197	
Junior subordinated debt owed to unconsolidated trusts		71,230	
Lease liability		10,531	
Other liabilities		86,893	
Total liabilities		8,409,059	
Outstanding commitments and contingent liabilities (see Note 10*)*			
Stockholders' Equity			
Common stock, $.001 par value, authorized 66,666,667 shares; 55,910,733 shares issued 2019 and 49,185,581 shares issued 2018		56	
Additional paid-in capital		1,246,160	
Accumulated deficit		(44,878)	
Accumulated other comprehensive income (loss)		14,627	
Total stockholders' equity before treasury stock		1,215,965	
Treasury stock, at cost (2019 524,097 shares; 2018 310,745 shares)		(12,357)	
Total stockholders' equity		1,203,608	
Total liabilities and stockholders' equity	$	9,612,667	$
Common shares outstanding at period end		55,386,636	

See accompanying notes to unaudited consolidated financial statements.

FIRST BUSEY CORPORATION and Subsidiaries
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	Three Months Ended June 30,		Six Months Ended Ju	
	2019	2018	2019	
	(dollars in thousands, except per share amounts)			
Interest income:				
Interest and fees on loans	$ 78,031	$ 62,290	$ 149,820	$
Interest and dividends on investment securities:				
Taxable interest income	11,152	6,323	21,336	
Non-taxable interest income	1,200	1,204	2,276	
Other interest income	1,083	508	2,315	
Total interest income	91,466	70,325	175,747	
Interest expense:				
Deposits	14,154	6,904	26,654	
Federal funds purchased and securities sold under agreements to repurchase	627	372	1,210	
Short-term borrowings	494	457	685	
Long-term debt	741	213	1,320	
Senior notes	399	399	799	
Subordinated notes	731	794	1,462	
Junior subordinated debt owed to unconsolidated trusts	892	814	1,806	
Total interest expense	18,038	9,953	33,936	
Net interest income	73,428	60,372	141,811	
Provision for loan losses	2,517	2,258	4,628	
Net interest income after provision for loan losses	70,911	58,114	137,183	
Non-interest income:				
Fees for customer services	9,696	7,290	17,793	
Trust fees	8,318	6,735	16,433	
Commissions and brokers' fees, net	1,170	883	2,084	
Remittance processing	3,717	3,566	7,497	
Mortgage revenue	2,851	1,573	4,796	
Net (losses) gains on sales of securities	(10)	160	(184)	
Unrealized (losses) gains recognized on equity securities	(1,016)	—	(800)	
Other income	3,170	2,595	6,222	
Total non-interest income	27,896	22,802	53,841	
Non-interest expense:				
Salaries, wages and employee benefits	34,268	25,472	66,609	
Net occupancy expense of premises	4,511	3,689	8,713	
Furniture and equipment expenses	2,352	1,790	4,447	
Data processing	5,616	4,030	10,017	
Amortization of intangible assets	2,412	1,490	4,506	
Other expense	18,861	10,834	30,891	
Total non-interest expense	68,020	47,305	125,183	
Income before income taxes	30,787	33,611	65,841	
Income taxes	6,702	8,749	16,287	
Net income	$ 24,085	$ 24,862	$ 49,554	$
Basic earnings per common share	$ 0.43	$ 0.51	$ 0.91	$
Diluted earnings per common share	$ 0.43	$ 0.51	$ 0.90	$
Dividends declared per share of common stock	$ 0.21	$ 0.20	$ 0.42	$

See accompanying notes to unaudited consolidated financial statements.

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FIRST BUSEY CORPORATION and Subsidiaries
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	Three Months Ended June 30,		Six Montl June
	2019	2018	2019
		(dollars in thousands)	
Net income	**$ 24,085**	$ 24,862	**$ 49,554**
Other comprehensive income (loss), before tax:			
Debt securities available for sale:			
Unrealized net gains/(losses) on securities:			
Unrealized net holding gains (losses) arising during period	**18,214**	(1,666)	**25,014**
Unrealized gains on debt securities transferred from held to maturity to available for sale	**—**	—	**4,780**
Reclassification adjustment for losses (gains) included in net income	**10**	—	**193**
Other comprehensive income (loss), before tax	**18,224**	(1,666)	**29,987**
Income tax expense (benefit) related to items of other comprehensive income	**5,192**	(475)	**8,548**
Other comprehensive income (loss), net of tax	**13,032**	(1,191)	**21,439**
Comprehensive income	**$ 37,117**	$ 23,671	**$ 70,993**

See accompanying notes to unaudited consolidated financial statements.

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

	Shares	Common Stock	Additional Paid-in Capital	Accumulated (Deficit)	Accumulated Other Comprehensive Income (loss)	Treasury Stock
Balance, March 31, 2019	55,624,627	$ 56	$ 1,247,340	$ (57,125)	$ 1,595	$ (5,725
Net income	—	—	—	24,085	—	—
Other comprehensive income	—	—	—	—	13,032	—
Repurchase of stock	(333,334)	—	—	—	—	(8,433
Issuance of treasury stock for employee stock purchase plan	4,419	—	29	—	—	84
Net issuance of treasury stock for restricted/deferred stock unit vesting and related tax	81,962	—	(2,364)	—	—	174
Net issuance of treasury stock for stock options exercised, net of shares redeemed and related tax	8,962	—	(19)	—	—	1,543
Cash dividends common stock at $0.21 per share	—	—	—	(11,681)	—	—
Stock dividend equivalents restricted stock units at $0.21 per share	—	—	157	(157)	—	—
Stock-based compensation	—	—	1,017	—	—	—
Balance, June 30, 2019	**55,386,636**	**$ 56**	**$ 1,246,160**	**$ (44,878)**	**$ 14,627**	**$ (12,357**
Balance, December 31, 2018	48,874,836	$ 49	$ 1,080,084	$ (72,167)	$ (6,812)	$ (6,190
Net income	—	—	—	49,554	—	—
Other comprehensive income	—	—	—	—	21,439	—
Stock issued in acquisition of Banc Ed, net of stock issuance costs	6,725,152	7	166,274	—	—	—
Repurchase of stock	(333,334)	—	—	—	—	(8,433
Issuance of treasury stock for employee stock purchase plan	16,150	—	79	—	—	306
Net issuance of treasury stock for restricted/deferred stock unit vesting and related tax	91,032	—	(2,535)	—	—	345
Net issuance of treasury stock for stock options exercised, net of shares redeemed and related tax	12,800	—	(91)	—	—	1,615
Cash dividends common stock at $0.42 per share	—	—	—	(21,947)	—	—
Stock dividend equivalents restricted stock units at $0.42 per share	—	—	318	(318)	—	—
Stock-based compensation	—	—	2,031	—	—	—
Balance, June 30, 2019	**55,386,636**	**$ 56**	**$ 1,246,160**	**$ (44,878)**	**$ 14,627**	**$ (12,357**

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

	Shares	Common Stock	Additional Paid-in Capital	Accumulated (Deficit)	Accumulated Other Comprehensive Income (loss)	Treasury Stock
Balance, March 31, 2018	48,717,239	$ 49	$ 1,084,411	$ (119,467)	$ (9,674)	$ (13,173
Net income	—	—	—	24,862	—	—
Other comprehensive loss	—	—	—	—	(1,191)	—
Issuance of treasury stock for employee stock purchase plan	3,030	—	(80)	—	—	172
Net issuance of treasury stock for restricted/deferred stock unit vesting and related tax	31,832	—	(1,875)	—	—	1,803
Net issuance of treasury stock for stock options exercised, net of shares redeemed and related tax	24,303	—	(1,161)	—	—	1,377
Cash dividends common stock at $0.20 per share	—	—	—	(9,743)	—	—
Stock dividend equivalents restricted stock units at $0.20 per share	—	—	154	(156)	—	—
Stock-based compensation	—	—	874	—	—	—
Balance, June 30, 2018	48,776,404	$ 49	$ 1,082,323	$ (104,504)	$ (10,865)	$ (9,821
Balance, December 31, 2017	48,684,943	$ 49	$ 1,084,889	$ (132,122)	$ (2,810)	$ (15,003
Net income	—	—	—	46,779	—	—
Other comprehensive loss	—	—	—	—	(7,450)	—
Tax Cuts and Jobs Act of 2017 reclassification	—	—	—	605	(605)	—
Issuance of treasury stock for employee stock purchase plan	11,748	—	(328)	—	—	666
Net issuance of treasury stock for restricted/deferred stock unit vesting and related tax	31,832	—	(1,875)	—	—	1,803
Net issuance of treasury stock for stock options exercised, net of shares redeemed and related tax	47,881	—	(2,367)	—	—	2,713
Cash dividends common stock at $0.40 per share	—	—	—	(19,482)	—	—
Stock dividend equivalents restricted stock units at $0.40 per share	—	—	282	(284)	—	—
Stock-based compensation	—	—	1,722	—	—	—
Balance, June 30, 2018	48,776,404	$ 49	$ 1,082,323	$ (104,504)	$ (10,865)	$ (9,821

See accompanying notes to unaudited consolidated financial statements.

FIRST BUSEY CORPORATION and Subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ende	
	2019	
	(dollars in thou	
Cash Flows from Operating Activities		
Net income	$ 49,554	$
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	4,628	
Amortization of intangible assets (excluding Mortgage Servicing Rights ("MSR"))	4,506	
Amortization of mortgage servicing rights	1,222	
Depreciation and amortization of premises and equipment	5,674	
Net amortization (accretion) of premium (discount) on portfolio loans	(5,729)	
Net amortization (accretion) of premium (discount) on investment securities	2,843	
Net amortization (accretion) of premium (discount) on time deposits	(802)	
Net amortization (accretion) of premium (discount) on Federal Home Loan Bank ("FHLB") advances and other borrowings	125	
Impairment of other real estate owned ("OREO")	18	
Impairment of fixed assets held for sale	—	
Impairment of MSR	1,822	
Change in fair value of loans held for sale, net	(800)	
Change in fair value of equity securities, net	800	
(Gain) loss on sales of securities, net	184	
(Gain) loss on sale of loans, net	(5,615)	
(Gain) loss on sale of OREO	(83)	
(Gain) loss on sale of premises and equipment	116	
(Gain) loss life insurance proceeds	(1,016)	
Provision for deferred income taxes	3,816	
Stock-based and non-cash compensation	2,031	
Decrease in deferred compensation	(3,339)	
Increase in cash surrender value of bank owned life insurance	(1,970)	
Mortgage loans originated for sale	(244,781)	
Proceeds from sales of mortgage loans	239,252	
Net change in operating assets and liabilities:		
(Increase) decrease in other assets	1,176	
(Decrease) in other liabilities	(16,268)	
Net cash provided by operating activities	$ 37,364	$
Cash Flows from Investing Activities		
Purchases of debt securities held to maturity	—	
Purchases of debt securities available for sale	(227,182)	
Purchase of FHLB stock	(3,700)	
Proceeds from sales of equity securities	958	
Proceeds from sales of debt securities available for sale	227,371	
Proceeds from paydowns and maturities of debt securities held to maturity	13,922	
Proceeds from paydowns and maturities of debt securities available for sale	146,566	
Proceeds from the redemption of FHLB stock	3,720	
Net cash (received) paid in acquisitions	(49,387)	
Net change in loans	(89,642)	
Cash paid for premiums on bank-owned life insurance	(3)	
Purchases of premises and equipment	(5,918)	
Proceeds from life insurance	1,672	
Proceeds from disposition of premises and equipment	3	
Capitalized expenditures on OREO	(2)	
Proceeds from sale of OREO	1,119	
Net cash provided by (used in) investing activities	$ 19,497	$

FIRST BUSEY CORPORATION and Subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
(Unaudited)

	Six Months Ende	
	2019	
	(dollars in thou	
Cash Flows from Financing Activities		
Net change in deposits	$ 145,499	$
Net change in federal funds purchased and securities sold under agreements to repurchase	(45,549)	
Proceeds from other borrowings	60,000	
Repayment of FHLB advances, net	(2,297)	
Repayment of other borrowings	(3,000)	
Cash dividends paid	(21,947)	
Purchase of treasury stock	(8,433)	
Cash paid for withholding taxes on share based payments	(835)	
Proceeds from stock options exercised	169	
Common stock issuance costs	(234)	
Net cash provided by (used in) financing activities	$ 123,373	$
Net increase in cash and cash equivalents	180,234	
Cash and cash equivalents, beginning of period	239,973	
Cash and cash equivalents, ending of period	$ 420,207	$
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash Payments for:		
Interest	$ 33,122	$
Income taxes	10,555	
Non-cash Investing and Financing Activities:		
OREO acquired in settlement of loans	1,396	
Transfer of debt securities held to maturity to available for sale	573,639	

See accompanying notes to unaudited consolidated financial statements.

FIRST BUSEY CORPORATION and Subsidiaries
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Significant Accounting Policies

Basis of Financial Statement Presentation

When preparing these unaudited consolidated financial statements of First Busey Corporation and its subsidiaries (“First Busey,” “Company,” “we,” or “our”), a Nevada corporation, we have assumed that you have read the audited consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2018 (“2018 Form 10-K”). These interim unaudited consolidated financial statements serve to update our 2018 Form 10-K and may not include all information and notes necessary to constitute a complete set of financial statements.

We prepared these unaudited consolidated financial statements in accordance with accounting principles generally accepted in the United States of America (“GAAP”). We have eliminated intercompany accounts and transactions. We have also reclassified certain prior year amounts to conform to the current period presentation. These reclassifications did not have a material impact on our consolidated financial condition or results of operations.

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

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. There were no significant subsequent events for the quarter ended June 30, 2019 through the issuance date of these unaudited consolidated financial statements that warranted adjustment to or disclosure in the unaudited consolidated financial statements.

Use of Estimates

In preparing the accompanying unaudited consolidated financial statements in conformity with GAAP, the Company’s management is required to make estimates and assumptions that affect the amounts reported in the financial statements and the disclosures provided. Actual results could differ from those estimates. Material estimates which are particularly susceptible to significant change in the near term relate to the fair value of investment securities, fair value of assets acquired and liabilities assumed in business combinations, goodwill, income taxes and the determination of the allowance for loan losses.

Leases

A determination is made at inception if an arrangement contains a lease. For arrangements that contain a lease, the Company recognizes the lease on the balance sheet as a right of use asset and corresponding lease liability. Lease-related assets, or right of use assets, are recognized on the lease commencement date at amounts equal to the respective lease liabilities, adjusted for prepaid lease payments, initial direct costs, and lease incentives received. Lease-related liabilities are recognized at the present value of the remaining contractual fixed lease payments, discounted using our incremental borrowing rate. Operating lease expense is recognized on a straight-line basis over the lease term, while variable lease payments are expensed as incurred.

Topic 842 requires the use of the rate implicit in the lease whenever this rate is readily determinable. If not readily determinable, the Company utilizes its incremental borrowing rate at lease inception, on a collateralized basis, over a similar term. For operating leases existing prior to January 1, 2019, the Company used a borrowing rate that corresponded to the remaining lease term.

The Company’s lease agreements often include one or more options to renew at the Company’s discretion. If at lease inception, the Company considers the exercising of a renewal option to be reasonably certain, the Company will include the extended term in the calculation of the right-of-use asset and lease liability.

Impact of recently adopted accounting standards

On January 1, 2019, the Company adopted *ASU No. 2016-02 “Leases (Topic 842)* and all subsequent ASUs that modified Topic 842. The Company made the following elections for all leases in connection with the adoption of this guidance:

- The Company elected the package of practical expedients to not reassess prior conclusions related to contracts containing leases, lease classification and initial direct costs;
- The Company did not elect the hindsight practical expedient;
- The Company elected the optional transition method that allows companies to use the effective date as the date of initial application on transition. As a result, the Company did not adjust financial information or make the newly required lease disclosures for periods before the effective date;
- The Company elected not to apply the above guidance to short-term leases;
- The Company elected to separate the lease components from the nonlease components and exclude the nonlease components from the right-of-use asset and lease liability; and
- The Company did not elect the land easement practical expedient.

At the date of adoption, the Company recorded approximately $8.1 million on its Consolidated Balance Sheets to reflect the right of use asset and associated lease liability. The Company utilized its incremental borrowing rate, on a collateralized basis, for the remaining contractual lease term.

ASU 2017-08, "Receivables - Nonrefundable Fees and Other Costs (Subtopic 310-20), Premium Amortization on Purchased Callable Debt Securities." ASU 2017-08 shortens the amortization period for certain callable debt securities held at a premium, requiring the premium to be amortized to the earliest call date. ASU 2017-08 does not require an accounting change for securities held at a discount; the discount continues to be amortized to maturity. This guidance was effective for annual reporting periods beginning after December 15, 2018, including interim periods within those fiscal years. The adoption of this guidance did not have a material impact on the Company’s consolidated financial statements.

ASU 2017-12, "Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities." ASU 2017-12 amends Topic 815 to reduce the cost and complexity of applying hedge accounting and expands the types of relationships that qualify for hedge accounting. The guidance eliminates the requirement to separately measure and report hedge ineffectiveness, requires all items that affect earnings to be presented in the same income statement line as the hedged item, provides for applying hedge accounting to additional hedging strategies, provides for new approaches to measuring the hedged item in fair value hedges of interest rate risk, and eases the requirements for effective testing and hedge documentation. This guidance was effective for annual reporting periods beginning after December 15, 2018, including interim periods within those fiscal years. During the first quarter of 2019, the Company adopted this guidance, reassessed classification of certain investments and transferred $573.6 million of securities from held to maturity to available for sale.

ASU 2018-07, "Compensation-Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting." ASU 2018-07 expands the scope of Topic 718 to include share-based payment transactions for acquiring goods and services from nonemployees. This guidance was effective for annual reporting periods beginning after December 15, 2018, including interim periods within those fiscal years. The adoption of this guidance did not have a material impact on the Company’s consolidated financial statements.

Recently issued accounting standards

ASU 2016-13, "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments." ASU 2016-13 implements a change from the current impaired loss model to an expected credit loss model over the life of an instrument, including loans and securities held to maturity. The expected credit loss model is expected to result in earlier recognition of losses. ASU 2016-13 is effective for fiscal years beginning after December 15, 2019 including interim periods with those years. The Company has developed and is executing a project plan to implement this guidance. The project plan includes an assessment of data, development of CECL methodologies, model validation, and parallel runs to assess the impact of CECL calculations on its consolidated financial statements and evaluation of related disclosures.

Note 2: Acquisition

The Banc Ed Corp.

On January 31, 2019, the Company completed its acquisition of The Banc Ed Corp. (“Banc Ed”). TheBANK of Edwardsville (“TheBANK”), Banc Ed’s wholly-owned bank subsidiary, will be merged with and into First Busey’s bank subsidiary, Busey Bank, in the fourth quarter of 2019. At the time of the bank merger, TheBANK’s banking offices will become branches of Busey Bank.

Under the terms of the Merger Agreement with Banc Ed, at the effective time of the acquisition, each share of Banc Ed common stock issued and outstanding was converted into the right to receive 8.2067 shares of the Company’s common stock, cash in lieu of fractional shares and $111.53 cash consideration per share. The market value of the 6.7 million shares of First Busey common stock issued at the effective time of the acquisition was approximately $166.5 million based on First Busey’s closing stock price of $24.76 on January 31, 2019.

This transaction was accounted for using the acquisition method of accounting and, accordingly, assets acquired, liabilities assumed, and consideration exchanged was recorded at estimated fair values on the date of acquisition. Fair values are considered provisional until final fair values are determined or the measurement period has passed, but no later than one year from the acquisition date. Reviews of third party valuations are still being performed by management. Therefore amounts are subject to change and could change materially from the provisional amounts disclosed below.

First Busey incurred $4.0 million and $5.0 million in pre-tax expenses related to the acquisition of Banc Ed for the three and six months ended June 30, 2019, respectively, primarily for professional and legal fees and deconversion expenses, all of which are reported as a component of non-interest expense in the accompanying unaudited Consolidated Statements of Income.

The following table presents the estimated fair value of Banc Ed's assets acquired and liabilities assumed as of January 31, 2019 *(dollars in thousands)*:

	Estimated Fair Value
Assets acquired:	
Cash and cash equivalents	$ 42,013
Securities	692,684
Loans held for sale	2,157
Portfolio loans	873,336
Premises and equipment	31,929
Other intangible assets	32,617
Mortgage servicing rights	6,946
Other assets	57,296
Total assets acquired	1,738,978
Liabilities assumed:	
Deposits	1,439,203
Other borrowings	63,439
Other liabilities	25,079
Total liabilities assumed	1,527,721
Net assets acquired	$ 211,257
Consideration paid:	
Cash	$ 91,400
Common stock	166,515
Total consideration paid	$ 257,915
Goodwill	$ 46,658

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 Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("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 were accounted for under *ASC 310-30, Receivables — Loans and Debt Securities Acquired with Deteriorated Credit Quality*. As of the acquisition date, the aggregate principal balance outstanding and aggregate fair value of the acquired performing loans were $889.3 and $871.0 million, respectively. The difference between the carrying value and aggregate fair value of $17.0 million will be accreted over the estimated 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 $3.9 million and the aggregate fair value of PCI loans totaled $2.3 million. The accretable discount of $0.2 million on PCI loans represents the amount by which the undiscounted expected cash flows on such loans exceed their carrying value. The amount by which the contractual payments exceeds the undiscounted expected cash flows represents the non-accretable difference. 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. At June 30, 2019, the carrying value of PCI loans acquired from Banc Ed was $1.7 million.

Since the acquisition date, Banc Ed earned total revenues of $33.0 million and net income of $7.1 million, which are included in the Company's unaudited Consolidated Statements of Income for the six months ended June 30, 2019. The following table provides the unaudited pro forma information for the results of operations for the three and six months ended June 30, 2019 and 2018, as if the acquisition had occurred January 1, 2018. The pro forma results combine the historical results of Banc Ed into the Company's unaudited Consolidated Statements of Income, including the impact of purchase accounting adjustments including loan discount accretion, intangible assets amortization, deposit accretion and premises 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, 2018. No assumptions have been applied to the pro forma results of operations regarding possible revenue enhancements, expense efficiencies or asset dispositions (*dollars in thousands)*:

	Pro Forma					
	Three Months Ended June 30,				Six Months Ended June	
	2019		2018		2019	
Total revenues (net interest income plus non-interest income)	$	101,324	$	105,517	$	201,976	$
Net income		26,947		30,578		54,337	
Diluted earnings per common share		0.48		0.55		0.97	

Note 3: Securities

The table below provides the amortized cost, unrealized gains and losses and fair values of debt securities summarized by major category *(dollars in thousands)*:

June 30, 2019:		Amortized Cost		Gross Unrealized Gains		Gross Unrealized Losses	
Debt securities available for sale							
U.S. Treasury securities	$	58,308	$	260	$	(33)	$
Obligations of U.S. government corporations and agencies		287,444		3,370		(48)	
Obligations of states and political subdivisions		274,301		4,683		(54)	
Commercial mortgage-backed securities		122,510		1,678		(33)	
Residential mortgage-backed securities		951,998		10,394		(1,255)	
Corporate debt securities		133,053		1,514		(17)	
Total	$	1,827,614	$	21,899	$	(1,440)	$
Debt securities held to maturity							
Obligations of states and political subdivisions[1]	$	15,708	$	226	$	—	$

[redacted] thousand dollars.

[redacted]

December 31, 2018:	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	
Debt securities available for sale				
U.S. Treasury securities	$ 25,824	$ 1	$ (414)	$
Obligations of U.S. government corporations and agencies	53,096	7	(761)	
Obligations of states and political subdivisions	171,131	484	(1,571)	
Commercial mortgage-backed securities	2,003	—	(61)	
Residential mortgage-backed securities	322,646	245	(7,143)	
Corporate debt securities	132,513	61	(376)	
Total	$ 707,213	$ 798	$ (10,326)	$
Debt securities held to maturity				
Obligations of states and political subdivisions	$ 33,947	$ 68	$ (87)	$
Commercial mortgage-backed securities	59,054	11	(1,003)	
Residential mortgage-backed securities	515,659	1,748	(6,037)	
Total	$ 608,660	$ 1,827	$ (7,127)	$

In adopting ASU 2017-12, the Company reassessed the classification of certain investments during the first quarter of 2019 and transferred $573.6 million of securities from held to maturity to available for sale. The transfer occurred at fair value and had a related unrealized loss of $4.8 million recorded in other comprehensive income.

The amortized cost and fair value of debt securities, by contractual maturity or pre-refunded date, are shown below. 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 *(dollars in thousands)*.

	Debt securities available for sale		Debt securities held to maturity	
June 30, 2019:	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$ 220,023	$ 220,304	$ 2,724	$ 2,729
Due after one year through five years	418,649	424,241	11,861	12,035
Due after five years through ten years	263,388	267,989	1,123	1,170
Due after ten years	925,554	935,539	—	—
Total	$ 1,827,614	$ 1,848,073	$ 15,708	$ 15,934

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Gross security gains	$ 391	$ —	$ 391	$ —
Gross security (losses)	(401)	—	(584)	—
Net (losses) gains on sales of securities[1]	$ (10)	$ —	$ (193)	$ —

[redacted]ties reported on the unaudited Consolidated Statements of Income includes sale of equity securities, excluded in this table.

[redacted]

Debt securities with carrying amounts of $755.1 million and $498.3 million on June 30, 2019 and December 31, 2018, 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 debt securities with gross unrealized losses aggregated by investment category and length of time that individual securities have been in a continuous loss position, follows *(dollars in thousands):*

	For less than 12 months, gross		For greater than 12 months, gross		Total, g	
June 30, 2019:	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**	**Fair Value**	
Debt securities available for sale						
U.S. Treasury securities	$ —	$ —	$ 24,768	$ (33)	$ 24,768	$
Obligations of U.S. government corporations and agencies[1]	51	—	22,468	(48)	22,519	
Obligations of states and political subdivisions	1,394	(8)	24,192	(46)	25,586	
Commercial mortgage-backed securities	—	—	14,746	(33)	14,746	
Residential mortgage-backed securities	13,629	(8)	183,552	(1,247)	197,181	
Corporate debt securities	1,765	(7)	15,049	(10)	16,814	
Total temporarily impaired securities	$ 16,839	$ (23)	$ 284,775	$ (1,417)	$ 301,614	$
Debt securities held to maturity						
Obligations of states and political subdivisions[1]	$ —	$ —	$ 500	$ —	$ 500	$

[redacted]and dollars.

	For less than 12 months, gross		For greater than 12 months, gross		Total, g	
December 31, 2018:	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**	**Fair Value**	
Debt securities available for sale						
U.S. Treasury securities	$ 995	$ (4)	$ 24,343	$ (410)	$ 25,338	$
Obligations of U.S. government corporations and agencies	749	(3)	50,744	(758)	51,493	
Obligations of states and political subdivisions	49,893	(460)	77,651	(1,111)	127,544	
Commercial mortgage-backed securities	—	—	1,942	(61)	1,942	
Residential mortgage-backed securities	48,387	(496)	247,573	(6,647)	295,960	
Corporate debt securities	90,713	(268)	15,083	(108)	105,796	
Total temporarily impaired securities	$ 190,737	$ (1,231)	$ 417,336	$ (9,095)	$ 608,073	$
Debt securities held to maturity						
Obligations of states and political subdivisions	$ 9,531	$ (33)	$ 9,538	$ (54)	$ 19,069	$
Commercial mortgage-backed securities	12,067	(212)	45,041	(791)	57,108	
Residential mortgage-backed securities	77,071	(974)	245,128	(5,063)	322,199	
Total temporarily impaired securities	$ 98,669	$ (1,219)	$ 299,707	$ (5,908)	$ 398,376	$

Debt securities are periodically evaluated for other-than-temporary impairment (“OTTI”). As of June 30, 2019, the Company’s debt security portfolio consisted of 1,273 securities. The total number of debt securities in the investment portfolio in an unrealized loss position as of June 30, 2019 was 126 and represented an unrealized loss of 0.47% of the aggregate amortized cost. The unrealized losses relate to changes in market interest rates and market conditions that do not represent credit-related impairments. Furthermore, 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 debt securities. Full collection of the amounts due according to the contractual terms of the debt securities is expected; therefore, the Company does not consider these investments to be OTTI at June 30, 2019. As of June 30, 2019, the Company did not hold general obligation bonds of any single issuer, the aggregate of which exceeded 10% of the Company’s stockholders’ equity.

[redacted]

Note 4: Portfolio loans

The distribution of portfolio loans is as follows *(dollars in thousands)*:

	June 30, 2019	December 31, 2018
Commercial	$ 1,668,098	$ 1,405,106
Commercial real estate	2,661,905	2,366,823
Real estate construction	429,326	288,197
Retail real estate	1,721,370	1,480,133
Retail other	51,427	28,169
Portfolio loans	$ 6,532,126	$ 5,568,428
Allowance for loan losses	(51,375)	(50,648)
Portfolio loans, net	$ 6,480,751	$ 5,517,780

Net deferred loan origination costs included in the table above were $5.4 million as of June 30, 2019 and $5.6 million as of December 31, 2018. Net accretable purchase accounting adjustments included in the table above reduced loans by $25.0 million as of June 30, 2019 and $13.9 million as of December 31, 2018.

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 tl 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 actio 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 inadequatel 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 classif 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 deficienc corrected.

- *Substandard Non-accrual*- This category includes loans that have all the characteristics of a "Substandard" loan with additional factors that make collection in full highly questionable aı 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.

The following table is a summary of risk grades segregated by category of portfolio loans (excluding accretable purchase accounting adjustments and clearings) *(dollars in thousands)*:

	June 30, 2019				
	Pass	Watch	Special Mention	Substandard	Substandard Non-accrual
Commercial	$ 1,378,041	$ 188,282	$ 48,181	$ 45,599	$ 10,647
Commercial real estate	2,367,741	178,859	85,837	29,926	12,780
Real estate construction	394,416	34,348	450	1,273	826
Retail real estate	1,674,105	16,038	6,317	9,235	8,529
Retail other	51,848	99	—	—	34
Total	$ 5,866,151	$ 417,626	$ 140,785	$ 86,033	$ 32,816

	December 31, 2018				
	Pass	Watch	Special Mention	Substandard	Substandard Non-accrual
Commercial	$ 1,126,257	$ 172,449	$ 47,000	$ 42,532	$ 17,953
Commercial real estate	2,106,711	137,214	85,148	36,205	10,298
Real estate construction	268,069	14,562	3,899	1,888	18
Retail real estate	1,448,964	6,425	6,792	5,435	6,698
Retail other	26,707	—	—	—	30
Total	$ 4,976,708	$ 330,650	$ 142,839	$ 86,060	$ 34,997

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

	June 30, 2019			
	Loans past due, still accruing			Non-accrual
	30-59 Days	60-89 Days	90+Days	Loans
Commercial	$ 2,745	$ 593	$ —	$ 10,647
Commercial real estate	4,519	608	38	12,780
Real estate construction	103	107	—	826
Retail real estate	8,140	987	220	8,529
Retail other	216	22	—	34
Total	$ 15,723	$ 2,317	$ 258	$ 32,816

	December 31, 2018			
	Loans past due, still accruing			Non-accrual
	30-59 Days	60-89 Days	90+Days	Loans
Commercial	$ 158	$ 140	$ 775	$ 17,953
Commercial real estate	148	558	—	10,298
Real estate construction	121	—	58	18
Retail real estate	4,578	1,368	766	6,698
Retail other	48	2	2	30
Total	$ 5,053	$ 2,068	$ 1,601	$ 34,997

The gross interest income that would have been recorded in the three months ended June 30, 2019 and 2018 if impaired loans had been current in accordance with their original terms was $0.4 million and $0.3 million, respectively. The gross interest income that would have been recorded in the six months ended June 30, 2019 and 2018 if impaired loans had been current in accordance with their original terms was $1.1 million and $0.7 million, respectively. The amount of interest collected on those loans and recognized on a cash basis that was included in interest income was insignificant for the three and six months ended June 30, 2019 and 2018.

A summary of troubled debt restructurings (“TDR”) loans is as follows *(dollars in thousands)*:

	June 30, 2019	December 31, 2018
In compliance with modified terms	$ 8,288	$ 8,319
30 — 89 days past due	321	127
Included in non-performing loans	3,503	392
Total	$ 12,112	$ 8,838

Loans classified as a TDR during the three and six months ended June 30, 2019, included one commercial loan for payment modification with a recorded investment of $0.6 million. Loans classified as a TDR during the three and six months ended June 30, 2018 included one retail real estate modification for short-term interest rate relief, with a recorded investment of $0.1 million.

The gross interest income that would have been recorded in the three and six months ended June 30, 2019 and 2018 if TDRs had performed in accordance with their original terms compared with their modified terms was insignificant.

One commercial real estate TDR, with a recorded investment of $3.2 million, that was entered into during the last twelve months, was 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 and six months ended June 30, 2019. 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 and six months ended June 30, 2018.

At June 30, 2019, the Company had $2.6 million of residential real estate in the process of foreclosure.

The following tables provide details of loans identified as impaired, 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 *(dollars in thousands)*.

	June 30, 2019					
	Unpaid Contractual Principal Balance	Recorded Investment with No Allowance	Recorded Investment with Allowance	Total Recorded Investment	Related Allowance	
Commercial	$ 16,668	$ 7,511	$ 3,856	$ 11,367	$ 2,358	$
Commercial real estate	19,784	10,498	7,686	18,184	1,367	
Real estate construction	1,329	1,186	—	1,186	—	
Retail real estate	15,322	13,367	474	13,841	474	
Retail other	62	34	—	34	—	
Total	$ 53,165	$ 32,596	$ 12,016	$ 44,612	$ 4,199	$

	December 31, 2018					
	Unpaid Contractual Principal Balance	Recorded Investment with No Allowance	Recorded Investment with Allowance	Total Recorded Investment	Related Allowance	
Commercial	$ 21,442	$ 6,858	$ 12,001	$ 18,859	$ 4,319	$
Commercial real estate	19,079	13,082	4,498	17,580	1,181	
Real estate construction	478	453	—	453	—	
Retail real estate	14,418	13,196	61	13,257	61	
Retail other	117	33	—	33	—	
Total	$ 55,534	$ 33,622	$ 16,560	$ 50,182	$ 5,561	$

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.

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. 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 recorded investment of all acquired loans as of June 30, 2019 totaled approximately $1.8 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 *(dollars in thousands)*:

	As of and for the Three Months Ended June 30, 2019					
	Commercial	Commercial Real Estate	Real Estate Construction	Retail Real Estate	Retail Other	
Beginning balance	$ 17,998	$ 20,097	$ 2,807	$ 9,503	$ 510	$
Provision for loan losses	1,161	(97)	411	941	101	
Charged-off	(2,563)	—	—	(200)	(178)	
Recoveries	137	188	87	369	103	
Ending balance	$ 16,733	$ 20,188	$ 3,305	$ 10,613	$ 536	$

	As of and for the Six Months Ended June 30, 2019					
	Commercial	Commercial Real Estate	Real Estate Construction	Retail Real Estate	Retail Other	
Beginning balance	$ 17,829	$ 21,137	$ 2,723	$ 8,471	$ 488	$
Provision for loan losses	2,954	(1,186)	413	2,298	149	
Charged-off	(4,370)	(15)	—	(717)	(308)	
Recoveries	320	252	169	561	207	
Ending balance	$ 16,733	$ 20,188	$ 3,305	$ 10,613	$ 536	$

	As of and for the Three Months Ended June 30, 2018					
	Commercial	Commercial Real Estate	Real Estate Construction	Retail Real Estate	Retail Other	
Beginning balance	$ 17,577	$ 22,090	$ 2,799	$ 9,836	$ 347	$
Provision for loan losses	1,720	909	35	(548)	142	
Charged-off	(1,916)	(110)	—	(412)	(115)	
Recoveries	205	158	81	417	90	
Ending balance	$ 17,586	$ 23,047	$ 2,915	$ 9,293	$ 464	$

	As of and for the Six Months Ended June 30, 2018					
	Commercial	Commercial Real Estate	Real Estate Construction	Retail Real Estate	Retail Other	
Beginning balance	$ 14,779	$ 21,813	$ 2,861	$ 13,783	$ 346	$
Provision for loan losses	4,723	2,445	37	(4,210)	271	
Charged-off	(2,697)	(1,425)	(97)	(942)	(322)	
Recoveries	781	214	114	662	169	
Ending balance	$ 17,586	$ 23,047	$ 2,915	$ 9,293	$ 464	$

The following table presents the allowance for loan losses and recorded investments in portfolio loans by category *(dollars in thousands)*:

	As of June 30, 2019					
	Commercial	Commercial Real Estate	Real Estate Construction	Retail Real Estate	Retail Other	
Allowance for loan losses						
Ending balance attributed to:						
Loans individually evaluated for impairment	$ 2,358	$ 1,367	$ —	$ 474	$ —	$
Loans collectively evaluated for impairment	14,375	18,821	3,305	10,139	536	
Ending balance	$ 16,733	$ 20,188	$ 3,305	$ 10,613	$ 536	$
Loans:						
Loans individually evaluated for impairment	$ 11,336	$ 15,723	$ 751	$ 12,668	$ 34	$
Loans collectively evaluated for impairment	1,656,731	2,643,721	428,140	1,707,529	51,393	
PCI loans evaluated for impairment	31	2,461	435	1,173	—	
Ending balance	$ 1,668,098	$ 2,661,905	$ 429,326	$ 1,721,370	$ 51,427	$

	As of December 31, 2018					
	Commercial	Commercial Real Estate	Real Estate Construction	Retail Real Estate	Retail Other	
Allowance for loan losses						
Ending balance attributed to:						
Loans individually evaluated for impairment	$ 4,319	$ 1,181	$ —	$ 61	$ —	$
Loans collectively evaluated for impairment	13,510	19,956	2,723	8,410	488	
Ending balance	$ 17,829	$ 21,137	$ 2,723	$ 8,471	$ 488	$
Loans:						
Loans individually evaluated for impairment	$ 18,441	$ 15,318	$ 453	$ 13,159	$ 33	$
Loans collectively evaluated for impairment	1,386,247	2,349,243	287,744	1,466,876	28,136	
PCI loans evaluated for impairment	418	2,262	—	98	—	
Ending balance	$ 1,405,106	$ 2,366,823	$ 288,197	$ 1,480,133	$ 28,169	$

Note 5: Deposits

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

	June 30, 2019	December 31, 2018
Demand deposits, noninterest-bearing	$ 1,766,681	$ 1,464,700
Interest-bearing transaction deposits	1,926,502	1,435,574
Saving deposits and money market deposits	2,390,228	1,852,044
Time deposits	1,749,811	1,497,003
Total	$ 7,833,222	$ 6,249,321

The Company held brokered saving deposits and money market deposits of $14.4 million and $17.5 million at June 30, 2019 and December 31, 2018, respectively.

The aggregate amount of time deposits with a minimum denomination of $100,000 was approximately $934.5 million and $673.7 million at June 30, 2019 and December 31, 2018, respectively. The aggregate amount of time deposits with a minimum denomination that meets or exceeds the Federal Deposit Insurance Corporation (“FDIC”) insurance limit of $250,000 was approximately $340.4 million and $264.1 million at June 30, 2019 and December 31, 2018, respectively. The Company held brokered time deposits of $108.8 million and $262.5 million at June 30, 2019 and December 31, 2018, respectively.

As of June 30, 2019, the scheduled maturities of time deposits are as follows *(dollars in thousands)*:

July 1, 2019 – June 30, 2020	$ 1,064,812
July 1, 2020 – June 30, 2021	389,392
July 1, 2021 – June 30, 2022	158,968
July 1, 2022 – June 30, 2023	63,863
July 1, 2023 – June 30, 2024	71,961
Thereafter	815
	$ 1,749,811

Note 6: Borrowings

Securities sold under agreements to repurchase, which are classified as secured borrowings, generally mature daily. Securities sold under agreements to repurchase are reflected at the amount of cash received in connection with the transaction. The underlying securities are held by 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 January 29, 2019, the Company entered into an Amended and Restated Credit Agreement providing for a $60.0 million term loan (the “Term Loan”) with a maturity date of November 30, 2023. The Term Loan has an annual interest rate of one-month LIBOR plus a spread of 1.50%. The proceeds of the Term Loan were used to fund the cash consideration related to the acquisition of Banc Ed. The Company had $57.0 million outstanding indebtedness on June 30, 2019, comprised of $6.0 million of short-term debt and $51.0 million of long-term debt.

The Amended and Restated Credit Agreement also retained the Company’s $20.0 million revolving facility with a maturity date of April 30, 2019. On April 19, 2019, the Company entered into an amendment to the Amended and Restated Credit Agreement to extend the maturity of its revolving loan facility to April 30, 2020. The revolving facility incurs a non-usage fee based on the undrawn amount. The Company had no outstanding balance under the revolving facility on June 30, 2019 or December 31, 2018.

Long-term debt is summarized as follows *(dollars in thousands)*:

	June 30, 2019	December 31, 2018
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.	$ 35,772	$ 50,000
Notes payable	51,000	—
Total long-term borrowings	$ 86,772	$ 50,000

As of June 30, 2019, long-term debt from the FHLB, consisted of variable-rate notes maturing through September 2024, with interest rates ranging from 2.15% to 3.04%. The weighted average rate on the long-term advances was 2.29% as of June 30, 2019. As of December 31, 2018, funds borrowed from the FHLB, listed above, consisted of variable-rate notes maturing through September 2024, with interest rates ranging from 2.20% to 2.41%. The weighted average rate on the long-term advances was 2.28% as of December 31, 2018.

On May 25, 2017, the Company issued $40.0 million of 3.75% senior notes that mature on May 25, 2022. The senior notes are payable semi-annually on each May 25 and November 25, commencing on November 25, 2017. Additionally, on May 25, 2017, the Company issued $60.0 million of fixed-to-floating rate subordinated notes that mature on May 25, 2027. The subordinated notes, which qualify as Tier 2 capital for First Busey, are at an initial rate of 4.75% for five years and thereafter at an annual floating rate equal to three-month LIBOR plus a spread of 2.919%. The subordinated notes are payable semi-annually on each May 25 and November 25, commencing on November 25, 2017 during the five year fixed-term and thereafter on February 25, May 25, August 25 and November 25 of each year, commencing on August 25, 2022. The subordinated notes have an optional redemption in whole or in part on any interest payment date on or after May 25, 2022. The senior notes and subordinated notes are unsecured obligations of the Company. Unamortized debt issuance costs related to the senior notes and subordinated notes totaled $0.4 million and $0.8 million, respectively, at June 30, 2019. Unamortized debt issuance costs related to the senior notes and subordinated notes totaled $0.5 million and $0.9 million, respectively, at December 31, 2018.

Note 7: 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 instruments 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 acquisition of Pulaski Financial Corp. ("Pulaski") in 2016, the Company acquired similar statutory trusts maintained by Pulaski and the fair value adjustment is being accreted over the weighted average remaining life. The Company had $71.2 million of junior subordinated debt owed to unconsolidated trusts at June 30, 2019 and December 31, 2018.

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.

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 June 30, 2019, 100% of the trust preferred securities qualified as Tier 1 capital under the final rule adopted in March 2005.

The Dodd-Frank Act mandated the Federal Reserve to establish minimum capital levels for holding companies on a consolidated basis as stringent as those required for FDIC-insured institutions. A result of this change is that the proceeds of hybrid instruments, such as trust preferred securities, are excluded from capital over a phase-out period. However, if such securities were issued prior to May 19, 2010 by bank holding companies with less than $15.0 billion of assets, they may be retained, subject to certain restrictions. Because the Company has assets of less than $15.0 billion, it is able to maintain its trust preferred proceeds as capital, but the Company has to comply with new capital mandates in other respects and will not be able to raise capital in the future through the issuance of trust preferred securities.

Note 8: Earnings Per Common Share

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

	Three Months Ended June 30,		Six Month June
	2019	2018	2019
Net income	$ 24,085	$ 24,862	$ 49,554
Shares:			
Weighted average common shares outstanding	55,638	48,815	54,464
Dilutive effect of outstanding options, warrants and restricted stock units as determined by the application of the treasury stock method	303	409	300
Weighted average common shares outstanding, as adjusted for diluted earnings per share calculation	55,941	49,224	54,764
Basic earnings per common share	$ 0.43	$ 0.51	$ 0.91
Diluted earnings per common share	$ 0.43	$ 0.51	$ 0.90

Basic earnings per share is computed by dividing net income 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 is computed using the treasury stock method and reflects the potential dilution that could occur if the Company’s outstanding stock options and warrants were exercised and restricted stock units were vested. At June 30, 2019, 169,258 outstanding restricted stock units, 48,107 outstanding stock options, and 191,278 warrants were anti-dilutive and excluded from the calculation of common stock equivalents. At June 30, 2018, 191,278 warrants were anti-dilutive and excluded from the calculation of common stock equivalents.

Note 9: Share-based Compensation

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 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 and advisory 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 Plan or the First Community 2016 Equity 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 and stock options assumed from acquisitions.

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. A description of the First Community 2016 Equity Incentive Plan can be found in the Proxy Statement of First Community Financial Partners, Inc. for the 2016 Annual Meeting of Stockholders.

Stock Option Plan

A summary of the status of and changes in the Company's stock option awards for the six months ended June 30, 2019 follows:

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term
Outstanding at beginning of period	87,600	$ 20.58	
Exercised	(21,799)	17.71	
Forfeited	(2,271)	23.53	
Expired	(5,176)	18.13	
Outstanding at end of period	58,354	$ 21.76	6.23
Exercisable at end of period	42,472	$ 21.09	5.80

The Company recorded an insignificant amount and $0.1 million in stock option compensation expense for the three and six months ended June 30, 2019, related to the converted options from First Community. The Company recorded an insignificant amount and $0.1 million in stock option compensation expense for the three and six months ended June 30, 2018, respectively. As of June 30, 2019, the Company had $0.1 million of unrecognized stock option expense. This cost is expected to be recognized in 2019.

Restricted Stock Unit Plan

A summary of the changes in the Company’s stock unit awards for the six months ended June 30, 2019, 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 period	690,495	$ 26.14	20,449	$ 27.93
Granted	—	—	—	—
Dividend equivalents earned	11,359	25.56	1,269	25.56
Vested	(104,760)	18.40	(20,195)	31.29
Forfeited	(4,712)	30.47	(1,523)	31.62
Non-vested at end of period	592,382	$ 27.46	—	$ —
Outstanding at end of period	592,382	$ 27.46	68,153	$ 22.27

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

The Company recognized $1.0 million and $0.8 million of compensation expense related to both non-vested RSUs and DSUs for the three months ended June 30, 2019 and 2018, respectively. The Company recognized $1.9 million and $1.6 million of compensation expense related to both non-vested RSUs and DSUs for the six months ended June 30, 2019 and 2018, respectively. As of June 30, 2019, there was $8.8 million of total unrecognized compensation cost related to these non-vested stock awards. This cost is expected to be recognized over a period of 3.3 years.

As of June 30, 2019, 766,824 shares remain available for issuance pursuant to the Company’s 2010 Equity Incentive Plan, 54,841 shares remain available for issuance pursuant to the Company’s Employee Stock Purchase Plan and 309,326 shares remain available for issuance pursuant to the First Community 2016 Equity Incentive Plan.

Note 10: 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

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 *(dollars in thousands)*:

	June 30, 2019	Decembe
Financial instruments whose contract amounts represent credit risk:		
Commitments to extend credit	$ 1,567,091	$
Standby letters of credit	37,560	

Note 11: Regulatory Capital

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

Banking regulations identify five capital categories for insured depository institutions: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized. As of June 30, 2019 and December 31, 2018, all capital ratios of the Company and the subsidiary banks exceeded the well capitalized levels under the applicable regulatory capital adequacy guidelines. Management believes that no events or changes have occurred subsequent to June 30, 2019 that would change this designation.

The following tables summarize the applicable holding company and bank regulatory capital requirements *(dollars in thousands)*:

	Actual		Minimum Capital Requirement		Minimun To Be We Capitalize
	Amount	Ratio	Amount	Ratio	Amount
As of June 30, 2019:					
Total Capital (to Risk Weighted Assets)					
Consolidated	$ 1,015,740	13.96 %	$ 581,993	8.00 %	$ 727,491
Busey Bank	$ 893,175	14.53 %	$ 491,782	8.00 %	$ 614,727
TheBANK	$ 194,755	17.34 %	$ 89,849	8.00 %	$ 112,312
Tier 1 Capital (to Risk Weighted Assets)					
Consolidated	$ 904,365	12.43 %	$ 436,495	6.00 %	$ 581,993
Busey Bank	$ 842,312	13.70 %	$ 368,837	6.00 %	$ 491,782
TheBANK	$ 194,243	17.30 %	$ 67,387	6.00 %	$ 89,849
Common Equity Tier 1 Capital (to Risk Weighted Assets)					
Consolidated	$ 830,365	11.41 %	$ 327,371	4.50 %	$ 472,869
Busey Bank	$ 842,312	13.70 %	$ 276,628	4.50 %	$ 399,573
TheBANK	$ 194,243	17.30 %	$ 50,540	4.50 %	$ 73,003
Tier 1 Capital (to Average Assets)					
Consolidated	$ 904,365	9.87 %	$ 366,386	4.00 %	N/A
Busey Bank	$ 842,312	11.40 %	$ 295,539	4.00 %	$ 369,424
TheBANK	$ 194,243	10.93 %	$ 71,062	4.00 %	$ 88,827

	Actual		Minimum Capital Requirement		Minimun To Be We Capitalize
	Amount	Ratio	Amount	Ratio	Amount
As of December 31, 2018:					
Total Capital (to Risk Weighted Assets)					
Consolidated	$ 894,572	14.83 %	$ 482,638	8.00 %	$ 603,297
Busey Bank	$ 854,351	14.19 %	$ 481,701	8.00 %	$ 602,126
Tier 1 Capital (to Risk Weighted Assets)					
Consolidated	$ 783,924	12.99 %	$ 361,978	6.00 %	$ 482,638
Busey Bank	$ 803,703	13.35 %	$ 361,276	6.00 %	$ 481,701
Common Equity Tier 1 Capital (to Risk Weighted Assets)					
Consolidated	$ 709,924	11.77 %	$ 271,484	4.50 %	$ 392,143
Busey Bank	$ 803,703	13.35 %	$ 270,957	4.50 %	$ 391,382
Tier 1 Capital (to Average Assets)					
Consolidated	$ 783,924	10.36 %	$ 302,704	4.00 %	N/A
Busey Bank	$ 803,703	10.64 %	$ 302,232	4.00 %	$ 377,789

In July 2013, the U.S. federal banking authorities approved the Basel III Rule for strengthening international capital standards. The Basel III Rule introduced a capital conservation buffer, composed entirely of Common Equity Tier 1 Capital ("CET1"), which is added to the minimum risk-weighted asset ratios. The capital conservation buffer is not a minimum capital requirement; however, banking institutions with a ratio of CET1 to risk-weighted assets below the capital conservation buffer will face constraints on dividends, equity repurchases and discretionary bonus payments based on the amount of the shortfall. In order to refrain from restrictions on dividends, equity repurchases and discretionary bonus payments, banking institutions must maintain minimum ratios of (i) CET1 to risk-weighted assets of at least 7.0%, (ii) Tier 1 capital to risk-weighted assets of at least 8.5%, and (iii) Total capital to risk-weighted assets of at least 10.5%.

The ability of the Company to pay cash dividends to its stockholders and to service its debt is 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 had been in an accumulated deficit position 2009 thru 2018, it was not able to pay dividends in prior years. With prior approval from its regulators, however, an Illinois state-chartered bank in that situation was 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 $40.0 million on October 12, 2018. Busey Bank returned to a positive retained earnings position in the second quarter of 2018 and, in 2019, returned to paying dividends.

Note 12: 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 banking center network in Illinois, St. Louis, Missouri metropolitan area, southwest Florida and through its banking center in Indianapolis, Indiana. Banking services for Busey Bank and TheBANK 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 information 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 "Note 1. Significant Accounting Policies" to Form 10-K. The Company accounts for intersegment revenue and transfers at current market value.

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

	Goodwill		Total Assets	
	June 30, 2019	December 31, 2018	June 30, 2019	Dece
Banking	$ 293,657	$ 246,999	$ 9,568,148	$
Remittance Processing	8,992	8,992	42,083	
Wealth Management	11,694	11,694	26,015	
Other	—	—	(23,579)	
Totals	$ 314,343	$ 267,685	$ 9,612,667	$

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2
Net interest income:				
Banking	$ 75,944	$ 62,109	$ 146,582	$
Remittance Processing	18	16	36	
Wealth Management	—	100	—	
Other	(2,534)	(1,853)	(4,807)	
Total net interest income	$ 73,428	$ 60,372	$ 141,811	$
Non-interest income:				
Banking	$ 15,659	$ 11,734	$ 28,442	$
Remittance Processing	4,117	3,987	8,298	
Wealth Management	9,594	7,808	18,727	
Other	(1,474)	(727)	(1,626)	
Total non-interest income	$ 27,896	$ 22,802	$ 53,841	$
Non-interest expense:				
Banking	$ 56,895	$ 37,855	$ 102,066	$
Remittance Processing	2,589	2,624	5,353	
Wealth Management	5,749	4,703	11,313	
Other	2,787	2,123	6,451	
Total non-interest expense	$ 68,020	$ 47,305	$ 125,183	$
Income before income taxes:				
Banking	$ 32,191	$ 33,730	$ 68,330	$
Remittance Processing	1,546	1,379	2,981	
Wealth Management	3,845	3,205	7,414	
Other	(6,795)	(4,703)	(12,884)	
Total income before income taxes	$ 30,787	$ 33,611	$ 65,841	$
Net income:				
Banking	$ 24,441	$ 24,904	$ 51,106	$
Remittance Processing	1,105	986	2,130	
Wealth Management	2,845	2,288	5,486	
Other	(4,306)	(3,316)	(9,168)	
Total net income	$ 24,085	$ 24,862	$ 49,554	$

Note 13: Derivative Financial Instruments

The Company enters into derivative financial instruments, including interest rate lock commitments issued to residential loan customers for loans that will be held for sale, forward sales commitments to sell residential mortgage loans to loan investors and derivatives to customers for interest rate swaps. See “Note 14: Fair Value Measurements” for further discussion of the fair value measurement of such derivatives.

Interest Rate Lock Commitments. At June 30, 2019 and December 31, 2018, the Company had issued $73.5 million and $27.2 million, respectively, 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 June 30, 2019 and December 31, 2018, the Company had issued $107.5 million and $48.6 million, respectively, 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. 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 derivative assets and liabilities related to interest rate lock commitments and forward sales commitments recorded in the unaudited Consolidated Balance Sheets are summarized as follows *(dollars in thousands)*:

	June 30, 2019	December 31, 2018
Fair value recorded in other assets	$ 1,135	$ 624
Fair value recorded in other liabilities	1,949	1,205

The gross gains and losses on these derivative assets and liabilities related to interest rate lock commitments and forward sales commitments recorded in non-interest income and expense in the unaudited Consolidated Statements of Income are summarized as follows *(dollars in thousands)*:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Gross gains	$ 1,929	$ 1,023	$ 3,007	$ 1,755
Gross (losses)	(1,949)	(1,054)	(3,067)	(2,108)
Net gains (losses)	$ (20)	$ (31)	$ (60)	$ (353)

The impact of the net gains or losses 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 are almost entirely offset by a corresponding change in the fair value of loans held for sale.

Derivatives to Customers. The Company may offer derivative contracts to its customers in connection with their risk management needs. These derivatives are primarily interest rate swaps. The Company manages the risk associated with these contracts by entering into an equal and offsetting derivative with a third-party dealer. With notional values of $407.4 million and $243.7 million at June 30, 2019 and December 31, 2018, respectively, these contracts support variable rate, commercial loan relationships totaling $203.7 million and $121.8 million, respectively. These derivatives generally worked together as an economic interest rate hedge, but 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 derivative assets and liabilities related to derivatives for customers for interest rate swaps recorded in the unaudited Consolidated Balance Sheets are summarized as follows *(dollars in thousands)*:

	June 30, 2019		December 31, 2018	
Fair value recorded in other assets	$	11,948	$	1,438
Fair value recorded in other liabilities		11,948		1,438

The gross gains and losses on these derivative assets and liabilities recorded in non-interest income and non-interest expense in the unaudited Consolidated Statements of Income are summarized as follows *(dollars in thousands)*:

	Three Months Ended June 30,				Six Months Ended June 30,			
	2019		2018		2019		2018	
Gross gains	$	73	$	489	$	164	$	1443
Gross losses		(73)		(489)		(164)		(1,443)
Net gains (losses)	$	—	$	—	$	—	$	—

The Company pledged $12.3 million in cash to secure its obligation under these contracts at June 30, 2019. The Company pledged $1.0 million in cash to secure its obligation under contracts at December 31, 2018.

Note 14: Fair Value Measurements

The fair value of an asset or liability is the price that would be received by selling that asset or paid in transferring that liability (exit price) in an orderly transaction occurring in the principal market (or most advantageous market in the absence of a principal market) for such asset or liability. ASC Topic 820, Fair Value Measurement, establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

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

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

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

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

In general, fair value is based upon quoted market prices, when available. If such quoted market prices are not available, fair values are measured utilizing independent valuation techniques of identical or similar securities for which significant assumptions are derived primarily from or corroborated by observable data. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value. These adjustments may include amounts to reflect, among other things, counterparty credit quality and the company's creditworthiness as well as unobservable parameters. Any such valuation adjustments are applied consistently over time. While management believes 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.

Debt securities available for sale. Debt securities available for sale are reported at fair value utilizing level 2 measurements. The Company obtains fair value measurements from an independent pricing service. The independent pricing service utilizes evaluated pricing models that vary by asset class and incorporate available trade, bid and other market information. Because many fixed income securities do not trade on a daily basis, the independent pricing service applies available information, focusing on observable market data such as benchmark curves, benchmarking of like securities, sector groupings, and matrix pricing, to prepare evaluations.

The independent pricing service uses model processes, such as the Option Adjusted Spread model, to assess interest rate impact and develop prepayment scenarios. 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. For certain security types, additional inputs may be used or some of the market inputs may not be applicable. Evaluators may prioritize inputs differently on any given day for any security based on market conditions, and not all inputs listed are available for use in the evaluation process for each security evaluation on a given day. Because the data utilized was observable, the securities have been classified as level 2.

Equity Securities. Equity securities are reported at fair value utilizing level 1 or level 2 measurements. For mutual funds, 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. For stock, quoted prices for identical or similar assets in markets that are not active are utilized and classified as level 2.

Loans Held for Sale. Loans held for sale are reported at fair value utilizing level 2 measurements. 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.

Derivative Assets and Derivative Liabilities. Derivative assets and derivative liabilities are reported at fair value utilizing level 2 measurements. The fair value of derivative assets and liabilities is determined based on prices that are obtained from a third-party which uses observable market inputs. Derivative assets and liabilities are classified as level 2.

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

June 30, 2019	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	
Fair value adjusted through comprehensive income:				
Debt securities available for sale				
U.S. Treasury securities	$ —	$ 58,535	$ —	$
Obligations of U.S. government corporations and agencies	—	290,766	—	
Obligations of states and political subdivisions	—	278,930	—	
Commercial mortgage-backed securities	—	124,155	—	
Residential mortgage-backed securities	—	961,137	—	
Corporate debt securities	—	134,550	—	
Fair value adjusted through current period earnings:				
Equity securities	—	5,362	—	
Loans held for sale	—	39,607	—	
Derivative assets	—	13,083	—	
Derivative liabilities	—	13,897	—	

December 31, 2018	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	
Debt securities available for sale				
U.S. Treasury securities	$ —	$ 25,411	$ —	$
Obligations of U.S. government corporations and agencies	—	52,342	—	
Obligations of states and political subdivisions	—	170,044	—	
Commercial mortgage-backed securities	—	1,942	—	
Residential mortgage-backed securities	—	315,748	—	
Corporate debt securities	—	132,198	—	
Fair value adjusted through period earnings:				
Equity securities	6,169	—	—	
Loans held for sale	—	25,895	—	
Derivative assets	—	2,062	—	
Derivative liabilities	—	2,643	—	

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 portfolio loans at fair value on a recurring basis. However, periodically, a loan is identified as 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.

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. Due to the significance of the unobservable inputs, all OREO fair values have been classified as level 3.

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

The following table summarizes assets and liabilities measured at fair value on a non-recurring basis, 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	
June 30, 2019				
Impaired loans	$ —	$ —	$ 7,817	$
OREO	—	—	84	
Bank property held for sale	—	—	1,832	
December 31, 2018				
Impaired loans	$ —	$ —	$ 10,999	$
OREO	—	—	55	
Bank property held for sale	—	—	1,832	

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 Estimate	Valuation Techniques	Unobservable Input	Rang (Weighted
June 30, 2019				
Impaired loans	$ 7,817	Appraisal of collateral	Appraisal adjustments	- 3.4 %
				(-29.4
OREO	84	Appraisal of collateral	Appraisal adjustments	- 25.0 %
				(-61.8
Bank property held for sale	1,832	Appraisal of collateral or real estate listing price	Appraisal adjustments	- 0.0 %
				(-28.3
December 31, 2018				
Impaired loans	$ 10,999	Appraisal of collateral	Appraisal adjustments	- 3.3 %
				(-24.1
OREO	55	Appraisal of collateral	Appraisal adjustments	- 25.0 %
				(-65.0
Bank property held for sale	1,832	Appraisal of collateral or real estate listing price	Appraisal adjustments	- 0.0 %
				(-28.3

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)*:

	June 30, 2019		December 31,	
	Carrying Amount	Fair Value	Carrying Amount	
Financial assets:				
Level 1 inputs:				
Cash and cash equivalents	$ 420,207	$ 420,207	$ 239,973	$
Level 2 inputs:				
Debt securities held to maturity	15,708	15,934	608,660	
Accrued interest receivable	28,614	28,614	22,314	
Level 3 inputs:				
Portfolio loans, net	6,480,751	6,447,502	5,517,780	
Mortgage servicing rights	8,692	12,772	3,315	
Other servicing rights	845	1,434	781	
Financial liabilities:				
Level 2 inputs:				
Time deposits	$ 1,749,811	$ 1,747,766	$ 1,497,003	$
Securities sold under agreements to repurchase	190,846	190,846	185,796	
Short-term borrowings	30,761	30,748	—	
Long-term debt	86,772	86,873	50,000	
Junior subordinated debt owed to unconsolidated trusts	71,230	65,073	71,155	
Accrued interest payable	7,380	7,380	6,568	
Level 3 inputs:				
Senior notes, net of unamortized issuance costs	39,607	40,419	39,539	
Subordinated notes, net of unamortized issuance costs	59,197	59,719	59,147	

A detailed description of the valuation methodologies used in estimating the fair value of financial instruments is set forth in the Company's 2018 Form 10-K.

Note 15: Leases

The Company has operating leases consisting primarily of equipment leases and real estate leases. The Company leases real estate property for bank branches, ATM locations, and office space with terms extending through 2032. As of June 30, 2019, the Company reported $10.4 million of right-of-use asset and $10.5 million lease liability in its unaudited Consolidated Balance Sheets.

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The following tables represents lease costs and other lease information for the periods presented *(dollars in thousands)*:

Lease Costs	Three Months Ended June 30, 2019	Six Months E June 30, 20
Operating lease costs	$ 584	$
Variable lease costs	119	
Short-term lease costs	8	
Sublease income	-	
Net lease cost	$ 711	$
Other information		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating lease cash flows – Fixed payments	$ 570	$
Operating lease cash flows – Liability reduction	490	
Right of use assets obtained during the period in exchange for operating lease liabilities	764	
Weighted average lease term (in years)	6.81	
Weighted average discount rate	3.04%	

At June 30, 2019, the Company was obligated under noncancelable operating leases for office space and other commitments. Rent expense under operating leases, included in net occupancy and equipment expense, was $0.7 million for the three months ended June 30, 2019 and 2018. Rent expense under operating leases, included in net occupancy and equipment expense, was $1.4 million for the six months ended June 30, 2019 and 2018.

Rent commitments were as follows *(dollars in thousands)*:

	June 30, 2019
2019	$
2020	
2021	
2022	
2023	
Thereafter	
Amounts representing interest	
Present value of net future minimum lease payments	$

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 as of June 30, 2019 (unaudited), as compared with December 31, 2018 and June 30, 2018 (unaudited), and the results of operations for the three and six months ended June 30, 2019 (unaudited) and 2018 (unaudited) and the three months ended March 31, 2019 (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 on Form 10-Q, as well as the Company's 2018 Form 10-K.

EXECUTIVE SUMMARY

Operating Results

The Company reported net income for the second quarter of 2019 of $24.1 million, or $0.43 per diluted common share, as compared to $25.5 million, or $0.48 per diluted common share, for the first quarter of 2019 and $24.9 million, or $0.51 per diluted common share, for the second quarter of 2018. Adjusted net income[1] for the second quarter of 2019 was $29.5 million, or $0.53 per diluted common share, as compared to $26.6 million, or $0.50 per diluted common share, for the first quarter of 2019 and $25.6 million, or $0.52 per diluted common share, for the second quarter of 2018.

Year-to-date net income through June 30, 2019 was $49.6 million, or $0.90 per diluted common share, compared to net income of $46.8 million, or $0.95 per diluted common share, for the comparable period of 2018. Year-to-date adjusted net income[1] for the first six months of 2019 was $56.1 million, or $1.02 per diluted common share, compared to $50.5 million or $1.03 per diluted common share for the first six months of 2018.

The Company views certain non-operating items, including acquisition-related and restructuring charges, as adjustments to net income reported under GAAP. Non-operating pretax adjustments for the second quarter of 2019 were $4.1 million of expenses related to acquisitions, $1.4 million of expenses related to other restructuring costs and $1.8 million related to mortgage servicing rights impairment from TheBANK. The reconciliation of non-GAAP measures (including adjusted net income, adjusted return on average assets, adjusted net interest margin, adjusted efficiency ratio, tangible book value, tangible book value per share and return on average tangible common equity), which the Company believes facilitates the assessment of its financial results and peer comparability, is included in tabular form in this Quarterly Report on Form 10-Q in the "Non-GAAP Financial Information" section.

On January 31, 2019, the Company completed its acquisition of Banc Ed, the holding company for TheBANK. TheBANK, founded in 1868, is a commercial bank headquartered in Edwardsville, Illinois. It is anticipated that TheBANK will be merged with and into First Busey's bank subsidiary, Busey Bank, in the fourth quarter of 2019. The Company's operating results and financial condition were materially impacted by this acquisition.

On May 13, 2019, the Company announced the execution of an Agreement and Plan of Merger in connection with the proposed acquisition by Busey Bank of Investors' Security Trust Company ("IST"), a Fort Myers, Florida wealth management firm. While the proposed acquisition is expected to add to the Company's wealth management offerings, it is not expected to have any immediate, material impact to the Company's earnings or overall business. Through this transaction, Busey Bank and IST broaden the expertise and level of service available to clients, from individuals and families to institutions and foundations. It is anticipated that IST will be merged with and into the wealth management division of Busey Bank in 2019, subject to customary closing conditions and required approvals.

[redacted]come, a non-GAAP financial measure, see "Non-GAAP Financial Information" included in this Quarterly Report on Form 10-Q.

[redacted]

Asset Quality

As of June 30, 2019, the Company reported non-performing loans of $33.1 million compared to $36.6 million at March 31, 2019. Non-performing loans were 0.51% of total portfolio loans as of June 30, 2019 compared to 0.56% as of March 31, 2019. 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 period to period. The key metrics are as follows *(dollars in thousands)*:

	As of			
	June 30, 2019	March 31 2019	December 31, 2018	Sep
Portfolio loans	$ 6,532,126	$ 6,515,081	$ 5,568,428	$
Allowance for loan losses	51,375	50,915	50,648	
Non-performing loans				
Non-accrual loans	32,816	36,230	34,997	
Loans 90+ days past due	258	356	1,601	
Loans 30-89 days past due	18,040	10,780	7,121	
Other non-performing assets	936	921	376	
Allowance as a percentage of non-performing loans	155.3 %	139.2 %	138.4 %	
Allowance for loan losses to portfolio loans	0.79 %	0.78 %	0.91 %	

Economic Conditions of Markets

Busey Bank has 44 banking centers serving Illinois. Our Illinois markets of Champaign, Macon, McLean, and Peoria counties and Southwest Chicago feature several Fortune 1000 companies. Those organizations, coupled with large healthcare and higher education sectors, anchor the communities in which they are located and have provided a comparatively stable foundation for housing, employment and small business. TheBANK has 19 banking centers in Southern Illinois.

The State of Illinois, where a large portion of the Company's customer base is located, continues to be troubled with pension under-funding, continued budget deficits and a declining credit outlook. Any possible payment lapses by the State of Illinois to its vendors and government sponsored entities may have negative effects on our primary market areas.

Busey Bank has 13 banking centers serving 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. The bi-state metropolitan area includes seven counties in Missouri and eight counties in Illinois; therefore, the Company's geographic concentration in only three of these 15 counties gives the Company expansion opportunities into neighboring counties. St. Louis has a diverse economy with major employment sectors including health care, financial services, professional and business services, and retail. St. Charles County has been one of the fastest-growing counties in the country for decades.

Busey Bank has five banking centers in southwest Florida, which has experienced job growth and an expanded housing market over the last several years.

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

Net interest income

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

Certain assets with tax favorable treatment are evaluated on a tax-equivalent basis. Tax-equivalent basis assumes an income tax rate of 21%. 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. All average information is provided on a daily average basis.

CONSOLIDATED AVERAGE BALANCE SHEETS AND INTEREST RATES
(UNAUDITED)

	Three Months Ended June 30,				
	2019			2018	
(dollars in thousands)	Average Balance	Income/ Expense	Yield/ Rate[5]	Average Balance	Income/ Expense
Assets					
Interest-bearing bank deposits and federal funds sold	$ 215,181	1,083	2.02 %	$ 115,599	$ 508
Investment securities:					
U.S. Government obligations	354,327	2,151	2.43 %	155,009	636
Obligations of states and political subdivisions[1]	294,371	2,181	2.97 %	290,802	1,882
Other securities	1,248,788	8,337	2.68 %	862,392	5,328
Loans held for sale	25,143	212	3.38 %	27,516	299
Portfolio loans[1], [2]	6,528,326	78,279	4.81 %	5,533,168	62,233
Total interest-earning assets[1], [3]	$ 8,666,136	$ 92,243	4.27 %	$ 6,984,486	$ 70,886
Cash and due from banks	113,233			102,640	
Premises and equipment	149,334			120,595	
Allowance for loan losses	(51,047)			(53,521)	
Other assets	645,022			499,341	
Total assets	$ 9,522,678			$ 7,653,541	
Liabilities and Stockholders' Equity					
Interest-bearing transaction deposits	$ 1,821,827	$ 2,489	0.55 %	$ 1,214,863	$ 782
Savings and money market deposits	2,400,751	3,581	0.60 %	2,004,299	1,641
Time deposits	1,747,830	8,084	1.86 %	1,400,548	4,481
Federal funds purchased and repurchase agreements	193,621	627	1.30 %	235,678	372
Borrowings [4]	258,662	2,365	3.67 %	250,552	1,863
Junior subordinated debt issued to unconsolidated trusts	71,194	892	5.03 %	71,046	814
Total interest-bearing liabilities	$ 6,493,885	$ 18,038	1.11 %	$ 5,176,986	$ 9,953
Net interest spread[1]			3.16 %		
Noninterest-bearing deposits	1,747,746			1,492,251	
Other liabilities	85,245			40,173	
Stockholders' equity	1,195,802			944,131	
Total liabilities and stockholders' equity	$ 9,522,678			$ 7,653,541	
Interest income / earning assets[1], [3]	$ 8,666,136	$ 92,243	4.27 %	$ 6,984,486	$ 70,886
Interest expense / earning assets	$ 8,666,136	$ 18,038	0.84 %	$ 6,984,486	$ 9,953
Net interest margin[1]		$ 74,205	3.43 %		$ 60,933

[redacted]g an income tax rate of 21%.

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

(3) Interest income includes a tax-equivalent adjustment of $0.8 million and $0.6 million for the three months ended June 30, 2019 and 2018, respectively.

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

(5) Annualized.

[redacted]

CONSOLIDATED AVERAGE BALANCE SHEETS AND INTEREST RATES
(UNAUDITED)

	Six Months Ended June 30,				
	2019			2018	
(dollars in thousands)	Average Balance	Income/ Expense	Yield/ Rate[5]	Average Balance	Income/ Expense
Assets					
Interest-bearing bank deposits and federal funds sold	$ 217,811	2,315	2.14 %	$ 116,956	$ 931
Investment securities:					
U.S. Government obligations	343,773	4,217	2.47 %	158,272	1,285
Obligations of states and political subdivisions[1]	280,405	4,118	2.96 %	299,976	3,861
Other securities	1,186,059	15,881	2.70 %	851,297	10,286
Loans held for sale	21,218	379	3.60 %	33,372	649
Portfolio loans[1], [2]	6,329,596	150,291	4.79 %	5,520,584	123,085
Total interest-earning assets[1], [3]	$ 8,378,862	$ 177,201	4.26 %	$ 6,980,457	$ 140,097
Cash and due from banks	109,714			105,667	
Premises and equipment	146,776			119,481	
Allowance for loan losses	(51,236)			(54,076)	
Other assets	614,859			507,162	
Total assets	$ 9,198,975			$ 7,658,691	
Liabilities and Stockholders' Equity					
Interest-bearing transaction deposits	$ 1,760,550	$ 4,967	0.57 %	$ 1,188,922	$ 1,452
Savings and money market deposits	2,303,358	6,285	0.55 %	2,015,561	3,160
Time deposits	1,718,587	15,402	1.81 %	1,389,595	8,279
Federal funds purchased and repurchase agreements	199,045	1,210	1.23 %	246,802	713
Borrowings [4]	227,460	4,266	3.78 %	264,205	3,696
Junior subordinated debt issued to unconsolidated trusts	71,175	1,806	5.12 %	71,028	1,529
Total interest-bearing liabilities	$ 6,280,175	$ 33,936	1.09 %	$ 5,176,113	$ 18,829
Net interest spread[1]			3.17 %		
Noninterest-bearing deposits	1,682,691			1,494,680	
Other liabilities	80,034			48,923	
Stockholders' equity	1,153,075			938,975	
Total liabilities and stockholders' equity	$ 9,195,975			$ 7,658,691	
Interest income / earning assets[1], [3]	$ 8,378,862	$ 177,201	4.26 %	$ 6,980,457	$ 140,097
Interest expense / earning assets	$ 8,378,862	$ 33,936	0.81 %	$ 6,980,457	$ 18,829
Net interest margin[1]		$ 143,265	3.45 %		$ 121,268

[redacted] an income tax rate of 21%.

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

(3) Interest income includes a tax-equivalent adjustment of $1.5 million and $1.1 million for the six months ended June 30, 2019 and 2018, respectively.

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

(5) Annualized.

[redacted]

Earning Assets, Sources of Funds and Net Interest Margin

Total average interest-earning assets increased $1.7 billion, or 24.1%, to $8.7 billion for the three months ended June 30, 2019, as compared to $7.0 billion for the same period in 2018. Total average interest-earning assets increased $1.4 billion, or 20.0%, to $8.4 billion for the six months ended June 30, 2019, as compared to $7.0 billion for the same period of 2018. Average loans have increased due to the Banc Ed acquisition and organic growth. Loans generally have notably higher yields compared to interest-bearing bank deposits and investment securities and our loan growth contributed to a positive effect on net interest margin.

Total average interest-bearing liabilities increased $1.3 billion, or 25.4%, to $6.5 billion for the three months ended June 30, 2019 as compared to $5.2 billion for the same period in 2018. Total average interest-bearing liabilities increased $1.1 billion, or 21.3%, to $6.3 billion for the six months ended June 30, 2019 as compared to $5.2 billion for the same period of 2018. Average noninterest-bearing deposits increased $255.5 million, or 17.1%, to $1.7 billion for the three months ended June 30, 2019, as compared to $1.5 billion for the same period of 2018. Average noninterest-bearing deposits increased $188.0 million, or 12.6%, to $1.7 billion for the six months ended June 30, 2019, as compared to $1.5 billion for the same period of 2018.

Interest income, on a tax-equivalent basis, increased $21.3 million, or 30.1%, to $92.2 million for the three months ended June 30, 2019, compared to $70.9 million in the same period of 2018. Interest income, on a tax-equivalent basis, increased $37.1 million, or 26.5%, to $177.2 million for the six months ended June 30, 2019, compared to $140.1 million in same period of 2018. The interest income increase related primarily to the increase in average loan balances. Interest expense increased during the three months ended June 30, 2019 by $8.0 million to $18.0 million, compared to $10.0 million in the same period of 2018. Interest expense increased during the six months ended June 30, 2019 by $15.1 million to $33.9 million, compared to $18.8 million in the same period of 2018. Funding costs have increased primarily due to resetting of time deposit rates to reflect market rate increases and additional borrowings in conjunction with the Banc Ed acquisition.

Net interest income, on a tax-equivalent basis, increased $13.3 million, or 21.8%, for the three months ended June 30, 2019 as compared to the same period of 2018. Net interest income, on a tax-equivalent basis, increased $22.0 million, or 18.1%, for the six months ended June 30, 2019 as compared to the same period of 2018.

Net interest margin, our net interest income expressed as a percentage of average earning assets stated on a tax-equivalent basis, decreased to 3.43% for the three months ended June 30, 2019, compared to 3.50% for the same period of 2018, and decreased to 3.45% for the six months ended June 30, 2019, compared to 3.50% for the same period of 2018. Net of purchase accounting accretion and amortization,[1] the net interest margin for the three months ended June 30, 2019 was 3.27%, a decrease from 3.33% for the same period in 2018, and was 3.29% for the six months ended June 30, 2019, a decrease from 3.32% for the same period of 2018.

The quarterly net interest margins were as follows:

	2019	2018
First Quarter	3.46 %	3.51 %
Second Quarter	3.43 %	3.50 %
Third Quarter	— %	3.41 %
Fourth Quarter	— %	3.38 %

(1) For a reconciliation of net interest margin net of purchase accounting accretion and amortization, a non-GAAP financial measure, see “Non-GAAP Financial Information” included in this Quar Form 10-Q.

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, was 3.16% for the three months ended June 30, 2019 compared to 3.30% in the same period of 2018, and was 3.17% for the six months ended June 30, 2019, compared to 3.32% for the same period of 2018, each on a tax-equivalent basis.

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 2018 Form 10-K for accounting policies underlying the recognition of interest income and expense.

Non-interest income (*dollars in thousands*):

	Three Months Ended June 30,				Six Months Ended June 30,		
	2019	2018	$ Change	% Change	2019	2018	$ Change
Fees for customer services	$ 9,696	$ 7,290	$ 2,406	33.0 %	$ 17,793	$ 14,236	$ 3,5
Trust fees	8,318	6,735	1,583	23.5 %	16,433	14,249	2,1
Commissions and brokers' fees, net	1,170	883	287	32.5 %	2,084	1,979	1
Remittance processing	3,717	3,566	151	4.2 %	7,497	6,958	5
Mortgage revenue	2,851	1,573	1,278	81.2 %	4,796	3,216	1,5
Net (losses) gains on sales of securities	(10)	160	(170)	(106.3)%	(184)	160	(3
Unrealized (losses) gains recognized on equity securities	(1,016)	—	(1,016)	(100.0)%	(800)	—	(8
Other income	3,170	2,595	575	22.2 %	6,222	4,490	1,7
Total non-interest income	$ 27,896	$ 22,802	$ 5,094	22.3 %	$ 53,841	$ 45,288	$ 8,5

Total non-interest income of $27.9 million for the three months ended June 30, 2019 increased by 22.3% as compared to $22.8 million for the same period in 2018. Total non-interest income of $53.8 million for the six months ended June 30, 2019 increased by 18.9% as compared to $45.3 million for the same period in 2018. Revenues from trust fees, commissions and brokers' fees and remittance processing activities represented 47.3% of the Company's non-interest income for the quarter ended June 30, 2019, providing a balance to revenue from traditional banking activities.

Trust fees and commissions and brokers' fees were $9.5 million for the second quarter of 2019 compared to $7.6 million for the second quarter of 2018. Trust fees and commissions and brokers' fees were $18.5 million for the six months ended June 30, 2019 compared to $16.2 million for the same period of 2018. The Company's wealth management division ended the second quarter of 2019 with $9.0 billion in assets under care compared to $7.0 billion in the second quarter of 2018.

Remittance processing revenue from the Company's subsidiary, FirsTech, of $3.7 million for the second quarter of 2019 increased from $3.6 million for the second quarter of 2018. For the first six months of 2019, remittance processing revenue increased to $7.5 million compared to $7.0 million for the same period of 2018. FirsTech experienced growth from both new clients and expansion of existing clients.

Fees for customer services increased 33.0% and 25.0% for the three and six months ended June 30, 2019, respectively, compared to the same period of 2018 as a result of the Banc Ed acquisition. Evolving regulation, product changes and changing behaviors by our customer base impact fees for customer services.

The mortgage line of business generated $2.9 million of revenue in the second quarter of 2019, an increase compared to $1.6 million of revenue in the second quarter of 2018, and increased to $4.8 million for the six months ended June 30, 2019 compared to $3.2 million for the same period of 2018, following a period of restructuring and additional revenue from TheBANK.

Non-interest expense (*dollars in thousands*):

	Three Months Ended June 30,				Six Months Ended June 30,		
	2019	2018	$ Change	% Change	2019	2018	$ Change
Salaries, wages and employee benefits	$ 34,268	$ 25,472	$ 8,796	34.5 %	$ 66,609	$ 54,291	$ 12,3
Net occupancy expense of premises	4,511	3,689	822	22.3 %	8,713	7,510	1,2
Furniture and equipment expenses	2,352	1,790	562	31.4 %	4,447	3,703	7
Data processing	5,616	4,030	1,586	39.4 %	10,017	8,375	1,6
Amortization of intangible assets	2,412	1,490	922	61.9 %	4,506	3,005	1,5
Other expense	18,861	10,834	8,027	74.1 %	30,891	21,461	9,4
Total non-interest expense	$ 68,020	$ 47,305	$ 20,715	43.8 %	$ 125,183	$ 98,345	$ 26,8
Income taxes	$ 6,702	$ 8,749	$ (2,047)	(23.4)%	$ 16,287	$ 17,027	$ (7
Effective rate on income taxes	21.8 %	26.0 %			24.7 %	26.7 %	
Efficiency ratio	63.6 %	54.8 %			60.9 %	57.3 %	
Full-time equivalent employees as of period-end	1,579	1,288					

Total non-interest expense of $68.0 million for the three months ended June 30, 2019 increased as compared to $47.3 million for the same period in 2018. Total non-interest expense of $125.2 million for the six months ended June 30, 2019 increased as compared to $98.3 million for the same period in 2018. The three and six months ended June 30, 2019 reflect increases from the Banc Ed acquisition.

Salaries, wages and employee benefits increased to $34.3 million for the three months ended June 30, 2019 as compared to $25.5 million for the same period in 2018, and increased to $66.6 million for the six months ended June 30, 2019 as compared to $54.3 million for the same period in 2018. The increases in salaries, wages and employee benefits primarily relates to fluctuations in the number of employees resulting from the Banc Ed acquisition.

Combined net occupancy expense of premises and furniture and equipment expenses were $6.9 million for the three months ended June 30, 2019 and $5.5 million for the three months ended June 30, 2018. Combined net occupancy expense of premises and furniture and equipment expenses were $13.2 million for the six months ended June 30, 2019 and $11.2 million for the six months ended June 30, 2018. The increase is primarily due to TheBANK adding 19 banking centers to our banking center network.

Data processing expense in the second quarter of 2019 of $5.6 million increased compared to $4.0 million in the second quarter of 2018. In the first six months of 2019, data processing expense increased to $10.0 million compared to $8.4 million for the same period of 2018. Variances are related to payment of conversion expenses and data processing related to TheBANK.

Amortization of intangible assets increased to $2.4 million for the three months ended June 30, 2019 compared to $1.5 million for the three months ended June 30, 2018, and increased to $4.5 million for the six months ended June 30, 2019 compared to $3.0 million for the six months ended June 30, 2018, as a result of the Banc Ed acquisition.

Other expense of $18.9 million for the three months ended June 30, 2019 was an increase compared to $10.8 million for the same period in 2018. Other expense of $30.9 million for the six months ended June 30, 2019 was an increase compared to $21.5 million for the same period in 2018. Variances are across multiple expense categories and include expenses related to acquisitions and other restructuring activities. In addition, included in other expense for the three and six months ended June 30, 2019 is MSR valuation impairment of $1.8 million and lease impairment of $0.4 million.

The effective income tax rate of 21.8% and 24.7% for the three and six months ended June 30, 2019, was lower than the combined federal and state statutory rate of approximately 28% due to tax exempt interest income, such as municipal bond interest and bank owned life insurance income, and investments in various federal and state tax credits.

The Company continues to monitor evolving federal and state tax legislation and its potential impact on operations on an ongoing basis. At June 30, 2019, the Company was not under examination by any tax authority.

The efficiency ratio[1] is calculated as 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 measure commonly used by management and the banking industry, measures the amount of expense incurred to generate a dollar of revenue. The efficiency ratio was 63.6% in the second quarter of 2019 as compared to 54.8% in the same period of 2018 and the efficiency ratio was 60.9% for the six months ended June 30, 2019 as compared to 57.3% in the comparable period of 2018. Operating costs have been influenced by acquisition, restructuring and other non-recurring items and the adjusted efficiency ratio[1], excluding the impact of such costs, was 56.6% for the quarter ended June 30, 2019 compared to 53.7% for the same period of 2018. The adjusted efficiency ratio[1] was 56.5% and 54.6% for the six month periods ended June 30, 2019 and 2018, respectively. While acquisition expenses may have a negative impact on the efficiency ratios, the Company expects to realize operating efficiencies creating a positive impact in future years.

[redacted] and adjusted efficiency ratio, non-GAAP financial measures, see “Non-GAAP Financial Information”.

FINANCIAL CONDITION

Significant Consolidated Balance Sheet items *(dollars in thousands)*:

	June 30, 2019	December 31, 2018	$ Change
Assets			
Debt securities available for sale	$ 1,848,073	$ 697,685	$ 1,150,388
Debt securities held to maturity	15,708	608,660	(592,952)
Portfolio loans, net	6,480,751	5,517,780	962,971
Total assets	$ 9,612,667	$ 7,702,357	$ 1,910,310
Liabilities			
Deposits:			
Noninterest-bearing	$ 1,766,681	$ 1,464,700	$ 301,981
Interest-bearing	6,066,541	4,784,621	1,281,920
Total deposits	$ 7,833,222	$ 6,249,321	$ 1,583,901
Securities sold under agreements to repurchase	$ 190,846	$ 185,796	$ 5,050
Short-term borrowings	30,761	—	30,761
Long-term debt	86,772	50,000	36,772
Senior notes, net of unamortized issuance costs	39,607	39,539	68
Subordinated notes, net of unamortized issuance costs	59,197	59,147	50
Junior subordinated debt owed to unconsolidated trusts	71,230	71,155	75
Total liabilities	$ 8,409,059	$ 6,707,393	$ 1,701,666
Stockholders’ equity	$ 1,203,608	$ 994,964	$ 208,644

Portfolio Loans

The Company believes that making sound loans is a necessary and desirable means of employing funds available for investment. Authorized personnel are expected to 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

[redacted]

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 originated outside of these areas are generally residential mortgage loans originated for sale in the secondary market or are loans to existing customers of the banks. The Company attempts to utilize government-assisted lending programs, such as the Small Business Administration and United States Department of Agriculture lending programs, when prudent. Generally, loans are collateralized by assets, primarily real estate, of the borrowers and guaranteed by individuals. The loans are expected to be repaid primarily from cash flows of the borrowers or from proceeds from the sale of selected assets of the borrowers.

Management reviews and approves the Company’s lending policies and procedures on a routine basis. Management routinely (at least quarterly) reviews the Company’s allowance for loan losses 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. 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. 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 retail other loans. A description of each of the lending areas can be found in the Company’s 2018 Form 10-K. 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.

Geographic distributions of portfolio loans by category were as follows *(dollars in thousands)*:

	June 30, 2019				
	Illinois	Missouri	Florida	Indiana	
Commercial	$ 1,185,675	$ 438,141	$ 15,991	$ 28,291	$
Commercial real estate	1,766,237	557,318	154,533	183,817	
Real estate construction	175,619	141,991	28,997	82,719	
Retail real estate	1,136,955	449,793	101,623	32,999	
Retail other	47,597	1,601	1,481	748	
Portfolio loans	$ 4,312,083	$ 1,588,844	$ 302,625	$ 328,574	$
Allowance for loan losses					
Portfolio loans, net					$

	December 31, 2018				
	Illinois	Missouri	Florida	Indiana	
Commercial	$ 972,072	$ 394,043	$ 17,954	$ 21,037	$
Commercial real estate	1,448,937	579,536	158,337	180,013	
Real estate construction	78,489	122,385	17,859	69,464	
Retail real estate	874,910	475,739	102,117	27,367	
Retail other	24,849	1,294	1,455	571	
Portfolio loans	$ 3,399,257	$ 1,572,997	$ 297,722	$ 298,452	$
Allowance for loan losses					
Portfolio loans, net					$

Portfolio loans increased $963.7 million, or 17.3%, as of June 30, 2019 compared to December 31, 2018, primarily due to the Banc Ed acquisition. Commercial balances (consisting of commercial, commercial real estate and real estate construction loans) increased $699.2 million from December 31, 2018. Retail real estate and retail other loans increased $264.5 million from December 31, 2018.

Allowance for Loan Losses

The Company recorded net charge-offs of $2.1 million for the second quarter of 2019 and $3.9 million for the six months ended June 30, 2019. The allowance for loan loss as a percentage of portfolio loans was 0.79% at June 30, 2019 as compared to 0.78% at March 31, 2019 and 0.91% at December 31, 2018. The decline in the allowance coverage ratio in 2019 is primarily attributed to the Banc Ed acquisition. Acquired loans are initially recorded at their acquisition date fair value so a separate allowance is not initially recognized. An allowance is recorded subsequent to acquisition to the extent the reserve requirement exceeds the recorded fair value adjustment.

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, a 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 for loan losses was $2.5 million and $2.3 million for the three months ended June 30, 2019 and 2018, respectively, and was $4.6 million and $3.3 million for the six months ended June 30, 2019 and 2018, respectively. As a result of acquisitions, the Company is holding acquired loans that are carried net of a fair value adjustment for credit and interest rate marks 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 and as the Company originates new loan production, it is necessary to establish an allowance for loan losses, which represents an amount that, in management’s opinion, will be adequate to absorb probable credit losses.

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 guidelines. Loans may be placed on non-accrual status regardless of whether or not such loans are considered past due. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Typically, loans are collateral dependent. When a collateral dependent loan is classified as non-accrual it is 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.

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

	June 30, 2019	March 31, 2019	December 31, 2018	Sep
Non-accrual loans	$ 32,816	$ 36,230	$ 34,997	$
Loans 90+ days past due and still accruing	258	356	1,601	
Total non-performing loans	33,074	36,586	36,598	
OREO	936	921	376	
Total non-performing assets	$ 34,010	$ 37,507	$ 36,974	$
Allowance for loan losses	$ 51,375	$ 50,915	$ 50,648	$
Allowance for loan losses to portfolio loans	0.79 %	0.78 %	0.91 %	
Allowance for loan losses to non-performing loans	155.3 %	139.2 %	138.4 %	
Non-performing loans to portfolio loans, before allowance for loan losses	0.5 %	0.6 %	0.7 %	
Non-performing assets to portfolio loans and OREO, before allowance for loan losses	0.5 %	0.6 %	0.7 %	

Total non-performing assets were $34.0 million at June 30, 2019, compared to $37.0 million at December 31, 2018. Non-performing assets as a percentage of portfolio loans and OREO continued to be favorably low at 0.5% on June 30, 2019. 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.

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 loan repayment terms. Management assesses the potential for loss on such loans and considers the effect of any potential loss in determining its provision for probable loan losses. Potential problem loans totaled $79.2 million at June 30, 2019, compared to $70.9 million at December 31, 2018. 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 June 30, 2019, management identified no other loans that represent or result from trends or uncertainties which would be expected to materially impact future operating results, liquidity or capital resources.

LIQUIDITY

Liquidity management is the process by which we ensure that adequate liquid funds are available to meet the present and future cash flow obligations arising in the daily operations of our business. These financial obligations consist of needs for funds to meet commitments to borrowers for extensions of credit, fund capital expenditures, honor withdrawals by customers, pay dividends to stockholders and pay operating expenses. Our most liquid assets are cash and due from banks, interest-bearing bank deposits and federal funds sold. 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 the ability to borrow from the FHLB, the Federal Reserve, First Busey’s revolving facility, or to utilize brokered deposits. As of June 30, 2019, the Company had additional capacity to borrow from the FHLB and Federal Reserve of $1.1 billion and $470.1 million, respectively. Additionally, the Company has an unused revolving facility of $20.0 million.

As of June 30, 2019, 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

The banks routinely enter into commitments to extend credit and standby letters of credit in the normal course of business to meet the financing needs of its customers. As of June 30, 2019 and December 31, 2018, we had outstanding loan commitments and standby letters of credit of $1.6 billion and $1.4 billion, respectively. The balance of commitments to extend credit represents future cash requirements and some of these commitments may expire without being drawn upon. We anticipate we will have sufficient funds available to meet current loan commitments, including loan applications received and in process prior to the issuance of firm commitments.

CAPITAL RESOURCES

Our capital ratios are in excess of those required to be considered “well-capitalized” pursuant to applicable regulatory guidelines. The Federal Reserve Board uses capital adequacy guidelines in its examination and regulation of bank holding companies and their subsidiary banks. Risk-based capital ratios are established by allocating assets and certain off-balance-sheet commitments into risk-weighted categories. These balances are then multiplied by the factor appropriate for that risk-weighted category. In order to refrain from restrictions on dividends, equity repurchases and discretionary bonus payments, bank holding companies and their subsidiary banks are required to maintain, including the capital conservation buffer, a total capital to total risk-weighted asset ratio of not less than 10.50%, Tier 1 capital to total risk-weighted asset ratio of not less than 8.50%, Common Equity Tier 1 capital to total risk-weighted asset ratio of not less than 7.0% and a Tier 1 leverage ratio of not less than 4.00%. The Basel III Rule was fully phased-in on January 1, 2019. See “Note 11: Regulatory Capital” for ratios and further discussion.

NON-GAAP FINANCIAL INFORMATION

This Quarterly Report on Form 10-Q contains certain financial information determined by methods other than in accordance with GAAP. These measures include adjusted net income, adjusted return on average assets, adjusted net interest margin, adjusted efficiency ratio, tangible common equity, tangible common equity to tangible assets and adjusted return on average tangible common equity. Management uses these non-GAAP measures, together with the related GAAP measures, to analyze the Company’s performance and to make business decisions. Management also uses these measures for peer comparisons.

A reconciliation to what management believes to be the most direct compared GAAP financial measures, for example, net income in the case of adjusted net income and adjusted return on average assets, total net interest income, total non-interest income and total non-interest expense in the case of adjusted efficiency ratio and total stockholders’ equity in the case of the tangible book value per share, appears below. The Company believes each of the adjusted measures is useful for investors and management to understand the effects of certain non-recurring non-interest items and provides additional perspective on the Company's performance over time as well as comparison to the Company's peers.

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

Reconciliation of Non-GAAP Financial Measures — Adjusted Net Income and Return on Average Assets
(dollars in thousands)

	Three Months Ended			Six Months Ended	
	June 30, 2019	**March 31, 2019**	**June 30, 2018**	**June 30, 2019**	
Net income	$ 24,085	$ 25,469	$ 24,862	$ 49,554	$
Acquisition expenses					
Salaries, wages, and employee benefits	43	—	—	43	
Data processing	327	7	34	334	
Other (includes professional and legal)	3,293	1,205	107	4,498	
Lease impairment	415	—	—	415	
Other restructuring costs					
Salaries, wages, and employee benefits	275	—	—	275	
Data processing	292	100	—	392	
Fixed asset impairment	—	—	817	—	
Other (includes professional and legal)	826	167	—	993	
MSR valuation impairment	1,822	—	—	1,822	
Related tax benefit	(1,880)	(334)	(230)	(2,214)	
Adjusted net income	$ 29,498	$ 26,614	$ 25,590	$ 56,112	$
Average total assets	$ 9,522,678	$ 8,865,642	$ 7,653,541	$ 9,198,975	$
Reported: Return on average assets[1]	1.01 %	1.17 %	1.30 %	1.09 %	
Adjusted: Return on average assets[1]	1.24 %	1.22 %	1.34 %	1.23 %	

[1] Annualized measure

Reconciliation of Non-GAAP Financial Measures — Adjusted Net Interest Margin
(dollars in thousands)

	Three Months Ended			Six Months Ended	
	June 30, 2019	**March 31, 2019**	**June 30, 2018**	**June 30, 2019**	
Reported: Net interest income	$ 73,428	$ 68,383	$ 60,372	$ 141,811	$
Tax-equivalent adjustment	777	677	561	1,454	
Purchase accounting accretion	(3,471)	(2,994)	(3,015)	(6,465)	
Adjusted: Net interest income	$ 70,734	$ 66,066	$ 57,918	$ 136,800	$
Average interest-earning assets	$ 8,666,136	$ 8,088,396	$ 6,984,486	$ 8,378,862	$
Reported: Net interest margin[1]	3.43 %	3.46 %	3.50 %	3.45 %	
Adjusted: Net Interest margin[1]	3.27 %	3.31 %	3.33 %	3.29 %	

[1] Annualized measure

Reconciliation of Non-GAAP Financial Measures — Adjusted Efficiency Ratio
(dollars in thousands)

	Three Months Ended			Six Months Ended	
	June 30, 2019	**March 31, 2019**	**June 30, 2018**	**June 30, 2019**	
Reported: Net Interest income	$ 73,428	$ 68,383	$ 60,372	$ 141,811	$
Tax-equivalent adjustment	777	677	561	1,454	
Tax equivalent interest income	$ 74,205	$ 69,060	$ 60,933	$ 143,265	$
Reported: Non-interest income	27,896	25,945	22,802	53,841	
Net (losses) gains on sales of securities and unrealized (losses) gains recognized on equity securities	(1,026)	42	160	(984)	
Adjusted: Non-interest income	$ 28,922	$ 25,903	$ 22,642	$ 54,825	$
Reported: Non-interest expense	68,020	57,163	47,305	125,183	
Amortization of intangible assets	(2,412)	(2,094)	(1,490)	(4,506)	
Non-operating adjustments:					
Salaries, wages, and employee benefits	(318)	—	—	(318)	
Data processing	(619)	(107)	(34)	(726)	
Other	(6,356)	(1,372)	(924)	(7,728)	
Adjusted: Non-interest expense	$ 58,315	$ 53,590	$ 44,857	$ 111,905	$
Reported: Efficiency ratio	63.62 %	57.99 %	54.82 %	60.92 %	
Adjusted: Efficiency ratio	56.55 %	56.43 %	53.67 %	56.49 %	

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Reconciliation of Non-GAAP Financial Measures — Tangible common equity to tangible assets, Tangible book value per share, Return on average tangible common equity

(dollars in thousands)

	Three Months Ended		
	June 30, 2019	March 31, 2019	Ju 2
Total Assets	$ 9,612,667	$ 9,537,334	$
Goodwill and other intangible assets, net	(375,327)	(377,739)	
Tax effect of other intangible assets, net	17,075	17,751	
Tangible assets	$ 9,254,415	$ 9,177,346	$
Total stockholders' equity	1,203,608	1,186,141	
Goodwill and other intangible assets, net	(375,327)	(377,739)	
Tax effect of other intangible assets, net	17,075	17,751	
Tangible common equity	$ 845,356	$ 826,153	$
Tangible common equity to tangible assets[(1)]	9.13 %	9.00 %	
Tangible book value per share	$ 14.95	$ 14.53	$
Average stockholders' common equity	$ 1,195,802	$ 1,109,872	$
Average goodwill and other intangible assets, net	(376,851)	(352,587)	
Average tangible stockholders' common equity	$ 818,951	$ 757,285	$
Reported: Return on average tangible common equity[(2)]	11.80 %	13.64 %	
Adjusted: Return on average tangible common equity[(2), (3)]	14.45 %	14.25 %	

	Six Months Ended	
	June 30, 2019	June 30, 2018
Average stockholders' common equity	$ 1,153,075	$ 938,975
Average goodwill and other intangible assets, net	(364,786)	(305,666)
Average tangible stockholders' common equity	$ 788,289	$ 633,309
Reported: Return on average tangible common equity[(2)]	12.68 %	14.90 %
Adjusted: Return on average tangible common equity[(2), (3)]	14.35 %	16.08 %

(1) Tax-effected measure
(2) Annualized measure
(3) Calculated using adjusted net income

FORWARD-LOOKING STATEMENTS

Statements made in this document, other than those concerning historical financial information, may be considered forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 with respect to the financial condition, results of operations, plans, objectives, future performance and business of the Company. Forward-looking statements, which may be based upon beliefs, expectations and assumptions of the Company's management and on information currently available to management, are generally identifiable by the use of words such as "believe," "expect," "anticipate," "plan," "intend," "estimate," "may," "will," "would," "could," "should" or other similar expressions. Additionally, all statements in this document, including forward-looking statements, speak only as of the date they are made, and we undertake no obligation to update any statement in light of new information or future events. A number of factors, many of which are beyond our ability to control or predict, could cause actual results to differ materially from those in our forward-looking statements. These factors include, among others, the following:

(i) the strength of the local, state, national and international economy (including the impact of tariffs, a U.S. withdrawal from or significant renegotiation of trade agreements, trade wars and other changes in trade regulations); (ii) changes in state and federal laws, regulations and governmental policies concerning the Company's general business; (iii) changes in interest rates and prepayment rates of the Company's assets; (iv) increased competition in the financial services sector and the inability to attract new customers; (v) changes in technology and the ability to develop and maintain secure and reliable electronic systems; (vi) the loss of key executives or employees; (vii) changes in consumer spending; (viii) unexpected results of current and/or future acquisitions, which may include failure to realize the anticipated benefits of any acquisition and the possibility that transaction costs may be greater than anticipated; (ix) unexpected outcomes of existing or new litigation involving the Company; (x) the economic impact of any future terrorist threats or attacks; (xi) the economic impact of exceptional weather occurrences such as tornadoes, hurricanes, floods, and blizzards; and (xii) changes in accounting policies and practices. These risks and uncertainties should be considered in evaluating forward-looking statements and undue reliance should not be placed on such statements. Additional information concerning the Company and its business, including additional factors that could materially affect its financial results, is included in the Company'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, assumptions and uncertainties that are susceptible to change. In the event that different assumptions or conditions were to prevail, and depending on the severity of such changes, the possibility of a materially different financial condition or materially different results of operations is a reasonable likelihood. Further, changes in accounting standards could impact the Company's critical accounting estimates.

Our significant accounting policies are described in Note 1 of the Company's 2018 Form 10-K. 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. The fair values of investment securities are measurements from an independent pricing service and are based on observable data that may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, live trading levels, trade execution data, market consensus prepayment speeds, credit information and the security's terms and conditions, among other things. The use of different judgments and estimates to determine the fair value of securities could result in a different fair value estimate.

Realized securities gains or losses are reported in the Consolidated Statements of Income. The cost of securities sold is based on the specific identification method. Declines in the fair value of debt securities below their amortized cost are evaluated to determine whether such declines 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 decline in fair value as an OTTI loss. If neither of these conditions are met, the Company evaluates whether a credit loss exists. The decline in fair value is separated into the amount of impairment related to the credit loss and the amount of impairment related to all other factors. The amount of the impairment related to credit loss is recognized in earnings, and the amount of impairment related to all other factors is recognized in other comprehensive income (loss).

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

The fair value of a loan portfolio acquired in a business combination generally requires greater levels of management estimates and judgment than other assets acquired or liabilities assumed. At the date of acquisition, when 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. At each future reporting date, the Company re-estimates the expected cash flows of the loans. 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 be offset against the allowance for loan losses to the extent an allowance has been established or will be recognized as interest income prospectively.

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

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

Allowance for 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 consolidated 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 and acts to replenish the allowance for loan losses in order 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 either 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 fair value of the collateral, if the loan is collateral-dependent or based on the discounted cash flows of the loan at the loan's effective interest rate. The amount of impairment and any subsequent changes are recorded through a charge to the provision for loan losses. For collateral dependent loans, the allowance is based upon the estimated fair value, net of selling costs, of the applicable collateral. The required allowance or actual loss on an impaired loan could differ significantly if the ultimate fair value of the collateral is significantly different from the fair value estimate.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is the risk of changes in asset values due to movements in underlying market rates and prices. Interest rate risk is a type of market risk to earnings and capital arising from movements in interest rates. Interest rate risk is the most significant market risk affecting 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 to structure the Consolidated Balance Sheets to maximize stable net interest income in consideration of projected future changes in interest rates.

As interest rate changes do not impact all categories of assets and liabilities equally or simultaneously, the asset-liability committee primarily relies on balance sheet and income simulation analysis to determine the potential impact of changes in market interest rates on net interest income. In these standard simulation models, the balance sheet is projected over a one-year and a two-year time horizon and net interest income is calculated under current market rates and assuming permanent instantaneous shifts of +/-100, +/-200, and +300 basis points. The model assumes immediate and sustained shifts in the federal funds rate and other market rate indices and corresponding shifts in other non-market rate indices based on their historical changes relative to changes in the federal funds rate and other market indices. Assets and liabilities are assumed to remain constant as of the measurement date; variable-rate assets and liabilities are repriced based on repricing frequency; and prepayment speeds on loans are projected for both declining and rising rate environments.

The interest rate risk of First Busey as a result of immediate and sustained changes in interest rates, expressed as a change in net interest income as a percentage of the net interest income calculated in the constant base model, was as follows:

	Year-One: Basis Point Changes				
	- 200	- 100	+100	+200	+300
June 30, 2019	(8.51)%	(4.58)%	1.10 %	2.77 %	4.26 %
December 31, 2018	(9.86)%	(3.58)%	1.08 %	2.01 %	2.88 %

	Year-Two: Basis Point Changes				
	- 200	- 100	+100	+200	+300
June 30, 2019	(11.53)%	(6.79)%	2.87 %	5.68 %	8.25 %
December 31, 2018	(13.71)%	(5.13)%	1.97 %	3.70 %	5.32 %

Interest rate risk is monitored and managed within approved policy limits. The calculation of potential effects of hypothetical interest rate changes is based on numerous assumptions and should not be relied upon as indicative of actual results. Actual results would likely differ from simulated results due to the timing, magnitude and frequency of interest rate changes as well as changes in market conditions and management strategies. 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 Exchange Act was carried out as of June 30, 2019, 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 June 30, 2019, our disclosure controls and procedures were effective in ensuring that the information we are required to disclose in the reports we file or submit under the Exchange Act was (i) accumulated and communicated to our management (including the Chief Executive Officer and Chief Financial Officer) to allow timely decisions regarding required disclosure, and (ii) recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms.

Changes in Internal Control over Financial Reporting

During the quarter ended June 30, 2019, 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 2018 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 originally approved in 2008. On May 22, 2019, First Busey's board of directors approved an amendment to increase the authorized shares under the repurchase program by 1,000,000 shares. On June 14, 2019, the Company repurchased 333,334 shares in a private transaction for $25.30 per share. At June 30, 2019, the Company had 1,000,000 shares that may still be purchased under the plan.

Period	Total number of shared purchased	Average price paid per share	Total Number of Shares Purchased as Part of Publicly Announced Programs	Maximum number of Shares Repurchased Under th
April 1-30, 2019	—	—	—	
May 1-31, 2019	—	—	—	
June 1-30, 2019	333,334	$ 25.30	333,334	

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

10.1	Employment Agreement Addendum by and between First Busey Corporation and Christopher M. Shroyer, dated April 23, 2019 (filed as Exhibit 99.2 to the Company's Form 8-K Commission on April 23, 2019 (Commission No. 0-15950), and incorporated herein by reference).
10.2	Letter Agreement by and between First Busey Corporation and Robin N. Elliott, dated April 23, 2019 (filed as Exhibit 99.3 to the Company's Form 8-K filed with the Commission o (Commission No. 0-15950), and incorporated herein by reference).
*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.INS	iXBRL Instance Document
101.SCH	iXBRL Taxonomy Extension Schema
101.CAL	iXBRL Taxonomy Extension Calculation Linkbase
101.LAB	iXBRL Taxonomy Extension Label Linkbase
101.PRE	iXBRL Taxonomy Extension Presentation Linkbase
101.DEF	iXBRL Taxonomy Extension Definition Linkbase

[redacted]

[redacted]

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 and Principal Accounting Officer)

Date: August 7, 2019

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Section 2: EX-31.1 (EX-31.1)

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: August 7, 2019

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Section 3: EX-31.2 (EX-31.2)

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: August 7, 2019

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Section 4: EX-32.1 (EX-32.1)

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 June 30, 2019, 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: August 7, 2019

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Section 5: EX-32.2 (EX-32.2)

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 June 30, 2019, 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: August 7, 2019

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