UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-Q

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

For the Quarterly Period Ended September 30, 2022

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

Commission File No. 0-15950

FIRST BUSEY CORPORATION

(Exact name of registrant as specified in its charter)

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

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

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

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

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 o

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 o	Non-accelerated filer o
Smaller reporting company	o	Emerging growth company o	

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. o

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

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

Class	Outstanding at November 3, 2022
Common Stock, $.001 par value	55,232,434

FIRST BUSEY CORPORATION
FORM 10-Q
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GLOSSARY

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

Term	Definition
2020 Equity Plan	First Busey's 2020 Equity Incentive Plan
ACL	Allowance for credit losses
Annual Report	Annual report filed with the SEC on Form 10-K pursuant to Section 13 or 15(d) of the Exchange Act
AOCI	Accumulated other comprehensive income (loss)
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
Basel III	2010 capital accord adopted by the international Basel Committee on Banking Supervision
Basel III Rule	Regulations promulgated by U.S. federal banking agencies – the OCC, the Federal Reserve, and the FDIC – to both enforce implementation of certain aspects of the Basel III capital reforms and effect certain changes required by the Dodd-Frank Wall Street Reform and Consumer Protection Act
bps	basis points
CAC	Cummins-American Corp.
CARES Act	Coronavirus Aid, Relief, and Economic Security Act
CECL	Current Expected Credit Losses
COVID-19	Coronavirus disease 2019
DSU	Deferred stock unit
ESPP	Employee Stock Purchase Plan
Exchange Act	Securities Exchange Act of 1934, as amended
Fair value	The price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date, as defined in ASC Topic 820 "*Fair Value Measurement*"
FDIC	Federal Deposit Insurance Corporation
Federal Reserve	Board of Governors of the Federal Reserve System
FHLB	Federal Home Loan Bank
First Busey	First Busey Corporation and its wholly-owned consolidated subsidiaries; also, "Busey," the "Company," "we," "us," and "our"
First Busey Risk Management	First Busey Risk Management, Inc.
FirsTech	FirsTech, Inc.
FOMC	Federal Open Market Committee
GAAP	U.S. Generally Accepted Accounting Principles
GSB	Glenview State Bank
Interagency Statement	Interagency Statement on Loan Modifications and Reporting for Financial Institutions Working with Customers Affected by the Coronavirus, issued on March 22, 2020, and revised on April 7, 2020
LIBOR	London Interbank Offered Rate
LOCOM	Lower of Cost or Market, an accounting approach under which loans are carried at amortized historical cost less loan write-offs and downward market value adjustments, as may be applicable
NM	Not meaningful
NMTC	New Markets Tax Credit
OCI	Other comprehensive income (loss)
OREO	Other real estate owned

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

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

FIRST BUSEY CORPORATION

CONSOLIDATED BALANCE SHEETS (Unaudited)
(dollars in thousands)

	As of	
	September 30, 2022	**December 31, 2021**
Assets		
Cash and cash equivalents:		
Cash and due from banks	$ 121,419	$ 102,983
Interest-bearing deposits	225,730	733,112
Total cash and cash equivalents	347,149	836,095
Debt securities available for sale	2,547,041	3,981,251
Debt securities held to maturity	936,328	—
Equity securities	11,341	13,571
Loans held for sale (2022 at LOCOM, 2021 at fair value)	4,546	23,875
Portfolio loans (net of ACL of $90,722 at September 30, 2022, and $87,887 at December 31, 2021)	7,579,392	7,101,111
Premises and equipment, net	128,175	136,147
Right of use assets	10,202	10,533
Goodwill	317,873	317,873
Other intangible assets, net	49,218	58,051
Cash surrender value of bank owned life insurance	179,533	176,940
Other assets	386,590	204,242
Total assets	$ 12,497,388	$ 12,859,689
Liabilities and Stockholders' Equity		
Liabilities		
Deposits:		
Noninterest-bearing	$ 3,628,169	$ 3,670,267
Interest-bearing	6,973,228	7,098,310
Total deposits	10,601,397	10,768,577
Securities sold under agreements to repurchase	234,597	270,139
Short-term borrowings	16,225	17,678
Long-term debt	33,000	46,056
Senior notes, net of unamortized issuance costs	—	39,944
Subordinated notes, net of unamortized issuance costs	221,835	182,773
Junior subordinated debt owed to unconsolidated trusts	71,765	71,635
Lease liabilities	10,311	10,591
Other liabilities	201,670	133,184
Total liabilities	11,390,800	11,540,577
Outstanding commitments and contingent liabilities (see Notes 9 and 15)		
Stockholders' Equity		
Common stock, ($.001 par value; 100,000,000 shares authorized)	58	58
Additional paid-in capital	1,319,921	1,316,984
Retained earnings	147,358	92,463
AOCI	(288,995)	(23,758)
Total stockholders' equity before treasury stock	1,178,342	1,385,747
Treasury stock at cost	(71,754)	(66,635)
Total stockholders' equity	1,106,588	1,319,112
Total liabilities and stockholders' equity	$ 12,497,388	$ 12,859,689
Shares		
Common shares issued	58,116,970	58,116,970
Less treasury shares	(2,884,536)	(2,682,060)
Common shares outstanding	55,232,434	55,434,910

See accompanying notes to unaudited consolidated financial statements.

FIRST BUSEY CORPORATION

CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

(dollars in thousands, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Interest income				
Interest and fees on loans	$ 76,081	$ 65,163	$ 202,530	$ 189,132
Interest and dividends on investment securities:				
Taxable interest income	17,436	11,324	47,370	29,016
Non-taxable interest income	813	915	2,482	2,878
Other interest income	1,085	462	1,720	857
Total interest income	95,415	77,864	254,102	221,883
Interest expense				
Deposits	3,565	3,059	7,835	10,086
Federal funds purchased and securities sold under agreements to repurchase	459	60	665	177
Short-term borrowings	190	112	426	195
Long-term debt	372	270	859	415
Senior notes	—	400	637	1,199
Subordinated notes	3,738	2,480	9,243	7,436
Junior subordinated debt owed to unconsolidated trusts	786	728	2,148	2,185
Total interest expense	9,110	7,109	21,813	21,693
Net interest income	86,305	70,755	232,289	200,190
Provision for credit losses	2,364	(1,869)	3,764	(10,365)
Net interest income after provision for credit losses	83,941	72,624	228,525	210,555
Noninterest income				
Wealth management fees	12,508	13,749	42,422	39,335
Fees for customer services	7,627	9,288	26,122	25,936
Payment technology solutions	5,080	4,620	15,045	13,771
Mortgage revenue	438	1,740	1,697	6,153
Income on bank owned life insurance	958	999	2,716	3,439
Realized net gains (losses) on securities	(74)	(5)	52	114
Unrealized net gains (losses) recognized on equity securities	78	62	(2,376)	2,482
Other income	4,318	2,806	12,046	6,485
Total noninterest income	30,933	33,259	97,724	97,715
Noninterest expense				
Salaries, wages, and employee benefits	39,762	41,949	117,226	107,222
Data processing	5,447	7,782	15,800	16,881
Net occupancy expense of premises	4,705	4,797	14,492	13,606
Furniture and equipment expenses	1,799	2,208	5,874	6,300
Professional fees	1,579	1,361	4,693	5,617
Amortization of intangible assets	2,871	3,149	8,833	8,200
Interchange expense	1,574	1,434	4,606	4,360
Other expense	12,999	10,807	38,680	28,425
Total noninterest expense	70,736	73,487	210,204	190,611
Income before income taxes	44,138	32,396	116,045	117,659
Income taxes	8,477	6,455	22,121	24,136
Net income	$ 35,661	$ 25,941	$ 93,924	$ 93,523
Basic earnings per common share	$ 0.64	$ 0.46	$ 1.70	$ 1.69
Diluted earnings per common share	$ 0.64	$ 0.46	$ 1.67	$ 1.67
Dividends declared per share of common stock	$ 0.23	$ 0.23	$ 0.69	$ 0.69

See accompanying notes to unaudited consolidated financial statements.

FIRST BUSEY CORPORATION

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net income	$ 35,661	$ 25,941	$ 93,924	$ 93,523
OCI:				
Unrealized gains (losses) on debt securities available for sale:				
Net unrealized holding gains (losses) on debt securities available for sale, net of taxes of $27,631, $4,902, $84,519, and $14,195, respectively	(69,306)	(12,296)	(211,988)	(35,606)
Unrealized gains (losses) on debt securities transferred to held to maturity from available for sale, net of taxes of $—, $—, $13,812, and $—, respectively	—	—	(34,644)	—
Reclassification adjustment for realized (gains) losses on debt securities available for sale included in net income, net of taxes of $(21), $(1), $8, and $7, respectively	53	4	(20)	(16)
Amortization of unrealized losses on securities transferred to held to maturity, net of taxes of $(515), $—, $(1,396), and $—, respectively	1,291	—	3,500	—
Net change in unrealized gains (losses) on debt securities available for sale	(67,962)	(12,292)	(243,152)	(35,622)
Unrealized gains (losses) on cash flow hedges:				
Net unrealized holding gains (losses) on cash flow hedges, net of taxes of $4,061, $2, $8,604, and $(134), respectively	(10,192)	(5)	(21,587)	336
Reclassification adjustment for realized (gains) losses on cash flow hedges included in net income, net of taxes of $(104), ($82), $199, and ($243), respectively	266	206	(498)	611
Net change in unrealized gains (losses) on cash flow hedges	(9,926)	201	(22,085)	947
Net change in AOCI	(77,888)	(12,091)	(265,237)	(34,675)
Total comprehensive income (loss)	$ (42,227)	$ 13,850	$ (171,313)	$ 58,848

See accompanying notes to unaudited consolidated financial statements.

FIRST BUSEY CORPORATION

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (Unaudited)

(dollars in thousands, except per share amounts)

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

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

FIRST BUSEY CORPORATION

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (Unaudited)

(dollars in thousands, except per share amounts)

	Three Months Ended September 30, 2021						
	Shares	Common Stock	Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Stockholders' Equity
Balance, June 30, 2021	56,330,616	$ 58	$ 1,316,716	$ 62,926	$ 10,725	$ (44,734)	$ 1,345,691
Net income	—	—	—	25,941	—	—	25,941
OCI, net of tax	—	—	—	—	(12,091)	—	(12,091)
Stock issued in acquisition, net of stock issuance costs	—	—	(29)	—	—	—	(29)
Repurchase of stock	(625,000)	—	—	—	—	(14,790)	(14,790)
Issuance of treasury stock for ESPP	14,658	—	(70)	—	—	377	307
Net issuance of treasury stock for RSU/DSU vesting and related tax	106,710		(3,738)	—	—	2,850	(888)
Cash dividends on common stock at $0.23 per share	—	—	—	(12,956)	—	—	(12,956)
Stock dividend equivalents on RSUs at $0.23 per share	—	—	268	(268)	—	—	—
Stock-based compensation	—	—	1,891	—	—	—	1,891
Balance, September 30, 2021	55,826,984	$ 58	$ 1,315,038	$ 75,643	$ (1,366)	$ (56,297)	$ 1,333,076

	Nine Months Ended September 30, 2021						
	Shares	Common Stock	Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Stockholders' Equity
Balance, December 31, 2020	54,404,379	$ 56	$ 1,253,360	$ 20,830	$ 33,309	$ (37,486)	$ 1,270,069
Net income	—	—	—	93,523	—	—	93,523
OCI, net of tax	—	—	—	—	(34,675)	—	(34,675)
Stock issued in acquisition, net of stock issuance costs	2,206,237	2	58,953				58,955
Repurchase of stock	(905,000)	—	—	—	—	(22,038)	(22,038)
Issuance of treasury stock for ESPP	14,658	—	(70)	—	—	377	307
Net issuance of treasury stock for RSU/DSU vesting and related tax	106,710	—	(3,738)	—	—	2,850	(888)
Cash dividends on common stock at $0.69 per share	—	—	—	(37,953)	—	—	(37,953)
Stock dividend equivalents on RSUs at $0.69 per share	—	—	757	(757)	—	—	—
Stock-based compensation	—	—	5,776	—	—	—	5,776
Balance, September 30, 2021	55,826,984	$ 58	$ 1,315,038	$ 75,643	$ (1,366)	$ (56,297)	$ 1,333,076

See accompanying notes to unaudited consolidated financial statements.

FIRST BUSEY CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
(dollars in thousands)

	Nine Months Ended September 30,	
	2022	**2021**
Cash Flows Provided by (Used in) Operating Activities		
Net income	$ 93,924	$ 93,523
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Provision for credit losses	3,764	(10,365)
Amortization of intangible assets	8,833	8,200
Amortization of mortgage servicing rights	2,757	4,202
Amortization of NMTC	4,668	4,308
Depreciation and amortization of premises and equipment	8,035	8,723
Net amortization (accretion) on portfolio loans	2,524	(4,860)
Net amortization (accretion) of premium (discount) on investment securities	15,820	17,263
Net amortization (accretion) of premium (discount) on time deposits	(318)	(929)
Net amortization (accretion) of premium (discount) on FHLB advances and other borrowings	1,152	620
Impairment of OREO and other repossessed assets	611	—
Impairment of fixed assets held for sale	427	—
Impairment of mortgage servicing rights	(9)	(542)
Impairment of leases	84	—
Unrealized (gains) losses recognized on equity securities, net	2,376	(2,482)
(Gain) loss on sales of equity securities, net	(24)	—
(Gain) loss on sales of debt securities, net	(28)	(114)
(Gain) loss on sales of loans, net	(1,777)	(8,202)
(Gain) loss on sales of OREO	56	163
(Gain) loss on sales of premises and equipment	(666)	(1,007)
(Gain) loss on life insurance proceeds	—	(493)
(Increase) decrease in cash surrender value of bank owned life insurance	(2,716)	(2,946)
Provision for deferred income taxes	(3)	2,326
Stock-based compensation	6,721	5,776
Mortgage loans originated for sale	(63,986)	(214,096)
Proceeds from sales of mortgage loans	84,732	244,356
(Increase) decrease in other assets	(45,575)	(17,099)
Increase (decrease) in other liabilities	(3,364)	(23,829)
Net cash provided by (used in) operating activities	$ 118,018	$ 102,496
Cash Flows Provided by (Used in) Investing Activities		
Purchases of equity securities	$ (14,820)	$ (11,017)
Purchases of debt securities available for sale	(279,831)	(2,048,554)
Proceeds from sales of equity securities	15,418	7,254
Proceeds from sales of debt securities available for sale	—	290,955
Proceeds from paydowns and maturities of debt securities held to maturity	51,552	—
Proceeds from paydowns and maturities of debt securities available for sale	370,274	641,754
Proceeds from the redemption of FHLB stock	225	—
Net cash received in (paid for) acquisitions (see Note 2)	—	228,279
Net (increase) decrease in loans	(484,701)	114,729
Cash paid for premiums on bank-owned life insurance	(101)	(118)
Proceeds from life insurance	219	3,232
Purchases of premises and equipment	(4,006)	(4,041)
Proceeds from disposition of premises and equipment	4,182	6,519
Proceeds from sales of OREO	2,662	1,452
Net cash provided by (used in) investing activities	$ (338,927)	$ (769,556)

FIRST BUSEY CORPORATION

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

	Nine Months Ended September 30,	
	2022	**2021**
Cash Flows Provided by (Used in) Financing Activities		
Net increase (decrease) in deposits	$ (166,862)	$ 816,551
Net change in federal funds purchased and securities sold under agreements to repurchase	(35,542)	48,977
Proceeds from FHLB advances	—	5,000
Repayment of FHLB advances	(5,507)	(4,492)
Proceeds from other borrowings, net of debt issuance costs	98,094	72,500
Repayment of other borrowings	(109,000)	(15,500)
Cash dividends paid	(38,159)	(37,953)
Purchase of treasury stock	(9,912)	(22,038)
Cash paid for withholding taxes on stock-based payments	(878)	(888)
Issuance of treasury stock for ESPP	(271)	361
Common stock issuance costs	—	(150)
Net cash provided by (used in) financing activities	$ (268,037)	$ 862,368
Net increase (decrease) in cash and cash equivalents	(488,946)	195,308
Cash and cash equivalents, beginning of period	836,095	688,537
Cash and cash equivalents, ending of period	$ 347,149	$ 883,845
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash payments for:		
Interest	$ 19,465	$ 16,257
Income taxes	30,506	19,586
Non-cash investing and financing activities:		
OREO acquired in settlement of loans	132	228
Transfer of debt securities available for sale to held to maturity	985,199	—

See accompanying notes to unaudited consolidated financial statements.

Note 1: Significant Accounting Policies

Nature of Operations

First Busey Corporation, a Nevada corporation organized in 1980, is a $12.5 billion financial holding company headquartered in Champaign, Illinois. Our common stock is traded on The Nasdaq Global Select Market under the symbol “BUSE.”

The Company operates and reports its business in three segments: Banking, FirsTech, and Wealth Management.

Banking

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

FirsTech

The FirsTech operating segment provides comprehensive and innovative payment technology solutions that include, but are not limited to, text-based mobile bill pay; electronic payment concentration delivered to Automated Clearing House networks, money management, and credit card networks; walk-in payment processing for customers at retail pay agents; customer service payments made over a telephone; direct debit services; and lockbox remittance processing for customers to make payments by mail. FirsTech also provides additional tools to help clients with billing, reconciliation, bill reminders, and treasury services.

Wealth Management

The Wealth Management operating segment provides a full range of asset management, investment, brokerage, fiduciary, philanthropic advisory, tax preparation, and farm management services to individuals, businesses, and foundations.

Basis of Financial Statement Presentation

These unaudited consolidated financial statements and related notes should be read in conjunction with the audited consolidated financial statements included in our 2021 Annual Report. These interim unaudited consolidated financial statements serve to update our 2021 Annual Report and may not include all information and notes necessary to constitute a complete set of financial statements.

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

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

Use of Estimates

In preparing the accompanying unaudited consolidated financial statements in conformity with GAAP, 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 debt securities available for sale, fair value of assets acquired and liabilities assumed in business combinations, goodwill, income taxes, and the determination of the ACL.

Change in Accounting Principle

Effective January 1, 2022, the Company elected to account for all newly originated loans held for sale at LOCOM. Prior to this change, the Company accounted for loans held for sale at fair value. This change did not have a material impact on our results of operations during the three or nine months ended September 30, 2022.

Impact of Recently Adopted Accounting Standards

ASU 2021-10 *"Government Assistance (Topic 832): Disclosures by Business Entities about Government Assistance"* establishes disclosure requirements for transactions with a government that have been accounted for by analogizing to a grant or contribution accounting model. Disclosures required under this standard include 1) the types of transactions, 2) the accounting for those transactions, and 3) the effect of those transactions on the consolidated financial statements. This update was effective for annual periods beginning January 1, 2022, and applies prospectively to all transactions within the scope of the amendments that are reflected in financial statements at the date of initial application and new transactions that are entered into after the date of initial application. Adoption of this standard did not have a material impact on First Busey's financial position or results of operations.

ASU 2021-05 *"Leases (Topic 842): Lessors—Certain Leases with Variable Lease Payments"* amends the lessor's classification of certain leases under ASC Topic 842. Under this updated guidance, leases that would otherwise be classified as a sales-type or direct financing lease must be classified by a lessor as an operating lease when the following conditions are met: 1) the contract includes variable lease payments that do not depend on an index or rate and 2) classification as a sales-type or direct financing lease would result in recognition of a selling loss at lease commencement. This guidance was effective for First Busey beginning January 1, 2022, and was applied on a prospective basis. Adoption of this standard did not have a material impact on the Company's financial position or results of operations.

ASU 2021-04 *"Earnings Per Share (Topic 260), Debt—Modifications and Extinguishments (Subtopic 470-50), Compensation—Stock Compensation (Topic 718), and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Issuer's Accounting for Certain Modifications or Exchanges of Freestanding Equity-Classified Written Call Options"* clarifies how an issuer should account for modifications or exchanges of equity-classified written call options (i.e. a warrant to purchase the issuer's common stock). This accounting standard requires the issuer to treat a modification of an equity-classified warrant that does not cause the warrant to become liability-classified as an exchange of the original warrant for a new warrant. This guidance applies whether the modification is structured as an amendment to the terms and conditions of the warrant or as termination of the original warrant and issuance of a new warrant. This guidance was effective for First Busey beginning January 1, 2022, and was applied on a prospective basis. Adoption of this standard did not have a material impact on the Company's financial position or results of operations.

Recently Issued Accounting Standards

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

ASU 2022-02 *"Financial Instruments—Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures"* eliminates the TDR accounting model for creditors that have already adopted CECL. In lieu of the TDR accounting model, loan refinancing and restructuring guidance in ASC Subtopic 310-20 "Investments—Debt Securities" will apply to all loan modifications, including those made for borrowers experiencing financial difficulty. This standard also enhances disclosure requirements related to certain loan modifications. Additionally, this standard introduces new requirements to disclose gross write-off information in the vintage disclosures of financing receivables by credit quality indicator and class of financing receivable by year of origination. This standard applies prospectively. For the transition method related to the recognition and measurement of TDRs, there is an option to apply a modified retrospective transition method, resulting in a cumulative-effect adjustment to retained earnings in the period of adoption. This standard is effective for First Busey beginning January 1, 2023. Early adoption is permitted. First Busey is currently evaluating the potential effect on the Company's financial position and results of operations.

ASU 2022-01 *"Derivatives and Hedging (Topic 815): Fair Value Hedging—Portfolio Layer Method"* replaces the current last-of-layer hedge accounting method with an expanded portfolio layer method that permits multiple hedged layers of a single closed portfolio. The scope of the portfolio layer method is also expanded to include non-prepayable financial assets. This update also provides additional guidance on the accounting for and disclosure of hedge basis adjustments that are applicable to the portfolio layer method, and specifies how hedge basis adjustments should be considered when determining credit losses for the assets included in the closed portfolio. Amendments related to hedge basis adjustments which are included in this standard apply on a modified retrospective basis by means of a cumulative-effect adjustment to the opening balance of retained earnings on the initial application date. Amendments related to disclosure which are included in this standard may be applied on a prospective basis from the initial application date, or on a retrospective basis to each prior period presented after the date of adoption of the amendments in ASU 2017-12 "Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities." This standard is effective for First Busey beginning January 1, 2023, and may be early adopted. First Busey is currently evaluating the potential effect on the Company's financial position and results of operations.

ASU 2021-08 *"Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers"* requires measurement and recognition in accordance with ASC Topic 606 *"Revenue from Contracts with Customers"* for contract assets and contract liabilities acquired in a business combination. This update is effective for First Busey beginning January 1, 2023, and may be adopted early. This standard applies prospectively to all business combinations that occur on or after the date it is adopted and, if applicable, retrospectively to all business combinations for which the acquisition date occurs on or after the beginning of the fiscal year that includes the interim period of early application. First Busey is currently evaluating the potential effect on the Company's financial position and results of operations.

COVID-19

Throughout the COVID-19 pandemic, First Busey operated as an essential community resource, providing approximately $1.1 billion in payroll assistance for small businesses and select nonprofits through low-interest, 100% government-guaranteed loans as part of the PPP. First Busey had $1.5 million in PPP loans outstanding, with an amortized cost of $1.4 million, as of September 30, 2022. In comparison, First Busey had $76.9 million in PPP loans outstanding, with an amortized cost of $75.0 million, as of December 31, 2021.

Subsequent Events

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 were issued. Early in the fourth quarter of 2022, we implemented a targeted restructuring and efficiency optimization plan that is expected to generate annual salary and benefits savings of $4.0 million to $4.4 million. We also expect to incur one-time severance-related costs associated with this initiative of $1.1 million to $1.3 million, most of which are expected to be realized in the fourth quarter of 2022. We expect to largely reinvest the anticipated savings to support ongoing growth initiatives across our franchise over the next several quarters. Other than this item, there were no significant subsequent events for the quarter ended September 30, 2022, through the filing date of these unaudited consolidated financial statements.

Note 2: Acquisitions

Cummins-American Corp.

Effective May 31, 2021, the Company completed its acquisition of CAC, the holding company for GSB. The partnership enhanced the Company's existing deposit, commercial banking, and wealth management presence in the Chicago-Naperville-Elgin, IL-IN-WI Metropolitan Statistical Area. GSB's results of operations were included in the Company's results of operations beginning June 1, 2021. First Busey operated GSB as a separate banking subsidiary until August 14, 2021, when it was merged with and into Busey Bank. At that time, all GSB banking centers became branches of Busey Bank.

Under the terms of the definitive agreement, each share of CAC common stock issued and outstanding as of the effective date was converted into the right to receive 444.4783 shares of First Busey common stock and $14,173.96 in cash, which reflects adjustments made to the cash consideration in accordance with the terms of the definitive agreement. The fair value of the common shares of First Busey issued as part of the consideration paid to the holders of CAC common stock was determined on the basis of the closing price of First Busey's common stock on May 28, 2021, the last trading day immediately preceding the acquisition date of May 31, 2021. As additional consideration provided to CAC's shareholders in the merger, CAC paid a special dividend to its shareholders in the amount of $60.0 million, or $12,087.58 per share of CAC common stock, on May 28, 2021.

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 were subject to refinement for up to one year after the closing date, as additional information regarding the closing date fair values became available, and were final as of May 31, 2022. The Company did not record any fair value adjustments during 2022.

As the total consideration paid for CAC exceeded the estimated fair value of net assets acquired, goodwill of $6.3 million was recorded as a result of the acquisition. The amount of goodwill recognized as a result of this transaction was fully tax deductible for federal income tax purposes in accordance with the Company's election pursuant to Section 338(h)(10) of the Internal Revenue Code. Goodwill recorded for this transaction reflects synergies expected from the acquisition and expansion within the Chicago-Naperville-Elgin, IL-IN-WI Metropolitan Statistical Area, and was assigned to the Banking operating segment.

During the three months ended September 30, 2022, First Busey did not incur any pre-tax acquisition expenses related to the acquisition of CAC. During the nine months ended September 30, 2022, First Busey incurred $0.8 million in pre-tax acquisition expenses related to the acquisition of CAC, comprised primarily of compensation expense and data processing expense.

Fair values of the assets acquired and liabilities assumed, as well as the fair value of consideration transferred, were as follows *(dollars in thousands)*:

		CAC May 31, 2021
Assets acquired		
Cash and cash equivalents	$	298,637
Securities		702,367
Portfolio loans, net of ACL		430,470
Premises and equipment		17,034
Other intangible assets		17,340
Mortgage servicing rights		629
Other assets		8,176
Total assets acquired		1,474,653
Liabilities assumed		
Deposits		1,315,671
Other borrowings		16,651
Other liabilities		19,205
Total liabilities assumed		1,351,527
Net assets acquired	$	123,126
Consideration paid:		
Cash	$	70,358
Common stock		59,105
Total consideration paid	$	129,463
Goodwill	$	6,337

The fair value of PCD financial assets was $60.5 million on the date of acquisition. Gross contractual amounts receivable relating to the PCD financial assets was $65.2 million. The Company estimated, on the date of acquisition, that $4.2 million of the contractual cash flows specific to the PCD financial assets will not be collected.

Note 3: Debt Securities

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

	As of September 30, 2022			
	Amortized Cost	Unrealized		Fair Value
		Gross Gains	Gross Losses	
Debt securities available for sale				
U.S. Treasury securities	$ 145,495	$ —	$ (4,653)	$ 140,842
Obligations of U.S. government corporations and agencies	25,287	4	(358)	24,933
Obligations of states and political subdivisions	298,653	35	(27,853)	270,835
Asset-backed securities	490,076	—	(23,552)	466,524
Commercial mortgage-backed securities	98,719	—	(10,968)	87,751
Residential mortgage-backed securities	1,538,308	1	(233,995)	1,304,314
Corporate debt securities	279,310	20	(27,488)	251,842
Total debt securities available for sale	$ 2,875,848	$ 60	$ (328,867)	$ 2,547,041
Debt securities held to maturity				
Commercial mortgage-backed securities	$ 486,116	$ —	$ (60,341)	$ 425,775
Residential mortgage-backed securities	450,212	—	(67,102)	383,110
Total debt securities held to maturity	$ 936,328	$ —	$ (127,443)	$ 808,885

	As of December 31, 2021			
	Amortized Cost	Unrealized		Fair Value
		Gross Gains	Gross Losses	
Debt securities available for sale				
U.S. Treasury securities	$ 166,768	$ 41	$ (1,047)	$ 165,762
Obligations of U.S. government corporations and agencies	37,579	891	—	38,470
Obligations of states and political subdivisions	300,602	7,760	(1,493)	306,869
Asset-backed securities	492,055	295	(164)	492,186
Commercial mortgage-backed securities	625,339	3,425	(13,766)	614,998
Residential mortgage-backed securities	2,095,104	8,889	(34,680)	2,069,313
Corporate debt securities	296,076	1,081	(3,504)	293,653
Total debt securities available for sale	$ 4,013,523	$ 22,382	$ (54,654)	$ 3,981,251

Maturities of debt securities

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

	As of September 30, 2022	
	Amortized Cost	Fair Value
Debt securities available for sale		
Due in one year or less	$ 176,516	$ 174,227
Due after one year through five years	410,372	379,095
Due after five years through ten years	353,968	319,381
Due after ten years	1,934,992	1,674,338
Debt securities available for sale	$ 2,875,848	$ 2,547,041
Debt securities held to maturity		
Due after one year through five years	46,961	43,738
Due after five years through ten years	65,516	58,346
Due after ten years	823,851	706,801
Debt securities held to maturity	$ 936,328	$ 808,885

Gains and losses on debt securities

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Realized gains and losses on debt securities				
Gross gains on debt securities	$ —	$ —	$ 114	$ 524
Gross (losses) on debt securities	(74)	(5)	(86)	(410)
Realized net gains (losses) on debt securities[1]	$ (74)	$ (5)	$ 28	$ 114

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

Debt securities with carrying amounts of $675.8 million on September 30, 2022, and $708.9 million on December 31, 2021, were pledged as collateral for public deposits, securities sold under agreements to repurchase, and for other purposes as required.

Debt securities in an unrealized loss position

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

	As of September 30, 2022					
	Less than 12 months		12 months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Debt securities available for sale						
U.S. Treasury securities	$ 2,067	$ (5)	$ 138,775	$ (4,648)	$ 140,842	$ (4,653)
Obligations of U.S. government corporations and agencies	21,629	(358)	—	—	21,629	(358)
Obligations of states and political subdivisions	220,960	(20,029)	41,779	(7,824)	262,739	(27,853)
Asset-backed securities	441,896	(21,681)	24,628	(1,871)	466,524	(23,552)
Commercial mortgage-backed securities	74,334	(8,761)	13,417	(2,207)	87,751	(10,968)
Residential mortgage-backed securities	557,046	(72,807)	747,141	(161,188)	1,304,187	(233,995)
Corporate debt securities	75,608	(9,426)	173,266	(18,062)	248,874	(27,488)
Debt securities available for sale with gross unrealized losses	$ 1,393,540	$ (133,067)	$ 1,139,006	$ (195,800)	$ 2,532,546	$ (328,867)
Debt securities held to maturity						
Commercial mortgage-backed securities	$ 109,085	$ (15,592)	$ 316,690	$ (44,749)	$ 425,775	$ (60,341)
Residential mortgage-backed securities	162,575	(29,243)	220,535	(37,859)	383,110	(67,102)
Debt securities held to maturity with gross unrealized losses	$ 271,660	$ (44,835)	$ 537,225	$ (82,608)	$ 808,885	$ (127,443)

	As of December 31, 2021					
	Less than 12 months		12 months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Debt securities available for sale						
U.S. Treasury securities	$ 163,653	$ (1,047)	$ —	$ —	$ 163,653	$ (1,047)
Obligations of states and political subdivisions	92,680	(1,493)	—	—	92,680	(1,493)
Asset-backed securities	89,983	(164)	—	—	89,983	(164)
Commercial mortgage-backed securities	389,078	(10,186)	85,905	(3,580)	474,983	(13,766)
Residential mortgage-backed securities	1,700,187	(33,453)	20,538	(1,227)	1,720,725	(34,680)
Corporate debt securities	241,153	(3,504)	—	—	241,153	(3,504)
Debt securities available for sale with gross unrealized losses	$ 2,676,734	$ (49,847)	$ 106,443	$ (4,807)	$ 2,783,177	$ (54,654)

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

	As of September 30, 2022		
	Available for Sale	Held to Maturity	Total
Debt securities with gross unrealized losses, fair value	$ 2,532,546	$ 808,885	$ 3,341,431
Gross unrealized losses on debt securities	$ 328,867	$ 127,443	$ 456,310
Ratio of gross unrealized losses to debt securities with gross unrealized losses	13.0 %	15.8 %	13.7 %
Count of debt securities	1,145	55	1,200
Count of debt securities in an unrealized loss position	1,109	55	1,164

	As of December 31, 2021		
	Available for Sale	Held to Maturity	Total
Debt securities with gross unrealized losses, fair value	$ 2,783,177	$ —	$ 2,783,177
Gross unrealized losses on debt securities	$ 54,654	$ —	$ 54,654
Ratio of gross unrealized losses to debt securities with gross unrealized losses	2.0 %	—	2.0 %
Count of debt securities	1,252	—	1,252
Count of debt securities in an unrealized loss position	373	—	373

Unrealized losses were related to changes in market interest rates and market conditions that do not represent credit-related impairments. The Company does not intend to sell securities that are in an unrealized loss position, and it is more likely than not that the Company will recover the amortized cost prior to being required to sell the debt securities. Full collection of the amounts due according to the contractual terms of the debt securities is expected; therefore, no ACL was recorded in relation to debt securities, and the impairment related to noncredit factors is recognized in AOCI, net of applicable taxes. As of September 30, 2022, the Company did not hold general obligation bonds of any single issuer, the aggregate of which exceeded 10% of the Company's stockholders' equity.

Note 4: Portfolio Loans

Loan Categories

The Company's lending can be summarized into five primary categories: commercial loans, commercial real estate loans, real estate construction loans, retail real estate loans, and retail other loans. Distributions of the loan portfolio by loan category were as follows *(dollars in thousands)*:

	As of	
	September 30, 2022	December 31, 2021
Portfolio loans		
Commercial	$ 1,945,893	$ 1,943,886
Commercial real estate	3,278,684	3,119,807
Real estate construction	499,560	385,996
Retail real estate	1,643,099	1,512,976
Retail other	302,878	226,333
Total portfolio loans	7,670,114	7,188,998
ACL	(90,722)	(87,887)
Portfolio loans, net	$ 7,579,392	$ 7,101,111

Net deferred loan origination costs included in the balances above were $13.7 million as of September 30, 2022, compared to $9.0 million as of December 31, 2021. Net accretable purchase accounting adjustments included in the balances above reduced loans by $6.4 million as of September 30, 2022, and $8.8 million as of December 31, 2021. Commercial balances include loans originated under the PPP with an amortized cost of $1.4 million as of September 30, 2022, and $75.0 million as of December 31, 2021.

There were no retail real estate loans purchased during the three or nine months ended September 30, 2022. There were also no retail real estate loans purchased during the three months ended September 30, 2021. The Company purchased $32.2 million of retail real estate loans during the nine months ended September 30, 2021.

Risk Grading

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 acceptable credits, ranging from investment or near investment grade, to loans made to borrowers who exhibit credit fundamentals that meet or exceed industry standards.

- *Watch* – This category includes loans that warrant a higher-than-average level of monitoring to ensure that weaknesses do not cause the inability of the credit to perform as expected. These loans are not necessarily a problem due to other inherent strengths of the credit, such as guarantor strength, but have above average concern and monitoring.

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

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

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

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

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

	As of September 30, 2022					
	Pass	Watch	Special Mention	Substandard	Substandard Non-accrual	Total
Portfolio loans						
Commercial	$ 1,707,528	$ 135,254	$ 58,189	$ 38,695	$ 6,227	$ 1,945,893
Commercial real estate	2,889,804	299,638	42,728	40,722	5,792	3,278,684
Real estate construction	475,099	22,011	2	2,400	48	499,560
Retail real estate	1,625,702	8,601	2,087	3,469	3,240	1,643,099
Retail other	302,760	—	—	—	118	302,878
Total portfolio loans	$ 7,000,893	$ 465,504	$ 103,006	$ 85,286	$ 15,425	$ 7,670,114

	As of December 31, 2021					
	Pass	Watch	Special Mention	Substandard	Substandard Non-accrual	Total
Portfolio loans						
Commercial	$ 1,747,756	$ 93,582	$ 69,427	$ 26,117	$ 7,004	$ 1,943,886
Commercial real estate	2,682,441	343,304	49,695	38,394	5,973	3,119,807
Real estate construction	369,797	13,793	6	2,400	—	385,996
Retail real estate	1,491,845	12,374	1,992	3,867	2,898	1,512,976
Retail other	226,262	—	—	—	71	226,333
Total portfolio loans	$ 6,518,101	$ 463,053	$ 121,120	$ 70,778	$ 15,946	$ 7,188,998

Risk grades of portfolio loans, further sorted by origination year are as follows *(dollars in thousands)*:

	As of September 30, 2022							
	Term Loans Amortized Cost Basis by Origination Year						Revolving Loans	
Risk Grade Ratings	**2022**	**2021**	**2020**	**2019**	**2018**	**Prior**		**Total**
Commercial								
Pass	$ 403,643	$ 315,433	$ 145,695	$ 60,284	$ 53,197	$ 149,627	$ 579,649	$ 1,707,528
Watch	27,665	18,423	4,263	8,372	1,404	3,144	71,983	135,254
Special Mention	1,772	691	1,325	1,078	3,102	17,538	32,683	58,189
Substandard	9,075	1,292	695	6,999	433	5,402	14,799	38,695
Substandard non-accrual	—	3,586	306	137	—	198	2,000	6,227
Total commercial	442,155	339,425	152,284	76,870	58,136	175,909	701,114	1,945,893
Commercial real estate								
Pass	765,398	880,522	501,085	332,768	171,177	222,947	15,907	2,889,804
Watch	69,877	44,756	50,799	95,446	18,821	13,338	6,601	299,638
Special Mention	3,010	4,737	15,598	1,517	6,994	10,872	—	42,728
Substandard	14,349	12,681	497	1,841	10,412	942	—	40,722
Substandard non-accrual	—	4,092	41	—	1,650	9	—	5,792
Total commercial real estate	852,634	946,788	568,020	431,572	209,054	248,108	22,508	3,278,684
Real estate construction								
Pass	176,071	191,006	84,748	1,570	2,012	1,949	17,743	475,099
Watch	3,100	3,666	3,269	10,533	—	1,443	—	22,011
Special Mention	—	—	—	2	—	—	—	2
Substandard	2,400	—	—	—	—	—	—	2,400
Substandard non-accrual	—	—	48	—	—	—	—	48
Total real estate construction	181,571	194,672	88,065	12,105	2,012	3,392	17,743	499,560
Retail real estate								
Pass	344,033	464,066	180,543	79,304	58,925	281,430	217,401	1,625,702
Watch	2,881	1,163	1,875	1,469	1,146	67	—	8,601
Special Mention	148	1,864	—	—	—	—	75	2,087
Substandard	—	1,163	207	82	142	1,868	7	3,469
Substandard non-accrual	—	150	110	—	390	1,985	605	3,240
Total retail real estate	347,062	468,406	182,735	80,855	60,603	285,350	218,088	1,643,099
Retail other								
Pass	121,375	47,136	14,999	15,909	7,677	2,124	93,540	302,760
Substandard non-accrual	14	89	3	—	10	2	—	118
Total retail other	121,389	47,225	15,002	15,909	7,687	2,126	93,540	302,878
Total portfolio loans	$ 1,944,811	$ 1,996,516	$ 1,006,106	$ 617,311	$ 337,492	$ 714,885	$ 1,052,993	$ 7,670,114

	As of December 31, 2021							
	Term Loans Amortized Cost Basis by Origination Year						Revolving Loans	Total
Risk Grade Ratings	**2021**	**2020**	**2019**	**2018**	**2017**	**Prior**		
Commercial								
Pass	$ 512,729	$ 228,811	$ 107,877	$ 84,873	$ 74,351	$ 122,418	$ 616,697	$ 1,747,756
Watch	13,847	5,913	14,274	5,060	1,361	2,866	50,261	93,582
Special Mention	7,062	898	5,961	4,025	6,790	11,845	32,846	69,427
Substandard	3,595	3,362	3,136	1,855	1,125	5,459	7,585	26,117
Substandard non-accrual	4,126	364	142	—	320	52	2,000	7,004
Total commercial	541,359	239,348	131,390	95,813	83,947	142,640	709,389	1,943,886
Commercial real estate								
Pass	969,548	637,550	425,850	235,928	200,373	198,002	15,190	2,682,441
Watch	51,560	38,820	123,324	48,088	46,761	32,608	2,143	343,304
Special Mention	9,542	7,060	6,585	10,098	6,357	9,870	183	49,695
Substandard	21,002	3,781	1,218	11,451	521	421	—	38,394
Substandard non-accrual	112	181	359	1,893	3,407	21	—	5,973
Total commercial real estate	1,051,764	687,392	557,336	307,458	257,419	240,922	17,516	3,119,807
Real estate construction								
Pass	202,082	123,491	31,927	3,155	738	1,223	7,181	369,797
Watch	7,886	4,159	54	—	1,574	120	—	13,793
Special Mention	—	—	6	—	—	—	—	6
Substandard	—	2,400	—	—	—	—	—	2,400
Total real estate construction	209,968	130,050	31,987	3,155	2,312	1,343	7,181	385,996
Retail real estate								
Pass	523,541	215,068	96,617	79,158	82,478	281,737	213,246	1,491,845
Watch	4,100	2,460	1,780	1,312	343	150	2,229	12,374
Special Mention	1,965	27	—	—	—	—	—	1,992
Substandard	1,369	232	12	71	165	1,687	331	3,867
Substandard non-accrual	235	63	—	16	227	1,705	652	2,898
Total retail real estate	531,210	217,850	98,409	80,557	83,213	285,279	216,458	1,512,976
Retail other								
Pass	59,366	22,305	26,126	16,189	7,180	1,326	93,770	226,262
Substandard non-accrual	34	10	—	14	13	—	—	71
Total retail other	59,400	22,315	26,126	16,203	7,193	1,326	93,770	226,333
Total portfolio loans	$ 2,393,701	$ 1,296,955	$ 845,248	$ 503,186	$ 434,084	$ 671,510	$ 1,044,314	$ 7,188,998

Past Due and Non-accrual Loans

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

	As of September 30, 2022			
	Loans past due, still accruing			Non-accrual Loans
	30-59 Days	60-89 Days	90+Days	
Past due and non-accrual loans				
Commercial	$ 19	$ 45	$ 625	$ 6,227
Commercial real estate	411	—	349	5,792
Real estate construction	—	—	—	48
Retail real estate	3,734	1,831	255	3,240
Retail other	262	5	—	118
Total past due and non-accrual loans	$ 4,426	$ 1,881	$ 1,229	$ 15,425

	As of December 31, 2021			
	Loans past due, still accruing			Non-accrual Loans
	30-59 Days	60-89 Days	90+Days	
Past due and non-accrual loans				
Commercial	$ 363	$ 10	$ 213	$ 7,004
Commercial real estate	151	441	—	5,973
Real estate construction	56	—	—	—
Retail real estate	3,312	1,830	693	2,898
Retail other	82	16	—	71
Total past due and non-accrual loans	$ 3,964	$ 2,297	$ 906	$ 15,946

Gross interest income recorded on 90+ days past due loans, and that would have been recorded on non-accrual loans if they had been accruing interest in accordance with their original terms, was $0.3 million and $0.8 million for the three and nine months ended September 30, 2022, respectively. Gross interest income recorded on 90+ days past due loans, and that would have been recorded on non-accrual loans if they had been accruing interest in accordance with their original terms, was $0.3 million and $1.2 million for the three and nine months ended September 30, 2021, 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 months ended September 30, 2022, and was $0.4 million for the nine months ended September 30, 2022. The amount of interest collected on those loans and recognized on a cash basis that was included in interest income was $0.4 million for the three and nine months ended September 30, 2021.

Troubled Debt Restructurings

TDR loan balances are summarized as follows *(dollars in thousands)*:

	As of	
	September 30, 2022	December 31, 2021
TDRs		
In compliance with modified terms	$ 1,940	$ 1,801
30 – 89 days past due	—	—
Non-performing TDRs	483	551
Total TDRs	$ 2,423	$ 2,352

Loans that were newly designated as TDRs during the periods presented, are summarized as follows *(dollars in thousands)*:

	Three Months Ended September 30, 2022			Nine Months Ended September 30, 2022		
		Recorded Investment			Recorded Investment	
	Number of Contracts	Rate Modification[1]	Payment Modification[1]	Number of Contracts	Rate Modification[1]	Payment Modification[1]
Commercial	—	$ —	$ —	1	$ —	$ 381

	Three Months Ended September 30, 2021			Nine Months Ended September 30, 2021		
		Recorded Investment			Recorded Investment	
	Number of Contracts	Rate Modification[1]	Payment Modification[1]	Number of Contracts	Rate Modification[1]	Payment Modification[1]
Commercial	—	$ —	$ —	1	$ 444	$ —

1. TDRs may include multiple concessions; those that include an interest rate concession and payment concession are shown in the rate modification column.

There were no TDRs entered into during the 12 months ended September 30, 2022, or 2021, that had subsequent defaults during the three or nine months ended September 30, 2022, or 2021. A default occurs when a loan is 90 days or more past due or transferred to non-accrual.

Gross interest income that would have been recorded in the three and nine months ended September 30, 2022, and 2021, if TDRs had performed in accordance with their original terms compared with their modified terms, was insignificant.

Collateral Dependent Loans

Management's evaluation as to the ultimate collectability of loans includes estimates regarding future cash flows from operations and the value of property, real and personal, pledged as collateral. These estimates are affected by changing economic conditions and the economic prospects of borrowers. Collateral dependent loans are loans in which repayment is expected to be provided solely by the underlying collateral and there are no other available and reliable sources of repayment. Loans are written down to the lower of cost or fair value of underlying collateral, less estimated costs to sell. The Company had $14.8 million and $7.9 million of collateral dependent loans secured by real estate or business assets as of September 30, 2022, and December 31, 2021, respectively.

Foreclosures

As of September 30, 2022, the Company had $1.0 million of residential real estate in the process of foreclosure. The Company follows Federal Housing Finance Agency guidelines on single-family foreclosures and real estate owned evictions on portfolio loans.

Loans Modified Under the CARES Act or Interagency Statement

The CARES Act provided financial institutions the option to temporarily suspend certain requirements under GAAP related to TDRs for a limited period of time to account for the effects of COVID-19. Federal regulatory agencies, in consultation with FASB, also issued an Interagency Statement to encourage financial institutions to work with borrowers affected by COVID-19, and to update guidance which allowed banks to modify loans of customers stressed by COVID-19 without having to classify the loan as a TDR. The Company's TDR loan totals do not include the following modified loans with payment deferrals that fall under the CARES Act or Interagency Statement, which suspended GAAP requirements related to TDR classification *(dollars in thousands)*:

	As of September 30, 2022		As of December 31, 2021	
	Number of Contracts	Recorded Investment	Number of Contracts	Recorded Investment
COVID-19 loan modifications				
Commercial loans:				
Interest-only deferrals	8	$ 20,556	32	$ 128,730
Retail loans:				
Mortgage and personal loan deferrals	1	99	2	137
Total COVID-19 loans modifications	9	$ 20,655	34	$ 128,867

Loans Evaluated Individually

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

	As of September 30, 2022					
		Recorded Investment				
	Unpaid Principal Balance	With No Allowance	With Allowance	Total	Related Allowance	Average Recorded Investment
Loans evaluated individually						
Commercial	$ 9,455	$ 547	$ 5,892	$ 6,439	$ 2,806	$ 7,488
Commercial real estate	7,497	1,663	4,035	5,698	2,000	5,216
Real estate construction	255	255	—	255	—	266
Retail real estate	2,258	2,089	25	2,114	25	2,526
Total loans evaluated individually	$ 19,465	$ 4,554	$ 9,952	$ 14,506	$ 4,831	$ 15,496

	As of December 31, 2021					
	Unpaid Principal Balance	Recorded Investment			Related Allowance	Average Recorded Investment
		With No Allowance	With Allowance	Total		
Loans evaluated individually						
Commercial	$ 10,247	$ 498	$ 6,490	$ 6,988	$ 3,564	$ 8,791
Commercial real estate	6,456	5,750	—	5,750	—	6,390
Real estate construction	272	272	—	272	—	282
Retail real estate	2,514	2,345	25	2,370	25	4,093
Total loans evaluated individually	$ 19,489	$ 8,865	$ 6,515	$ 15,380	$ 3,589	$ 19,556

Allowance for Credit Losses

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

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

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

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

	Three Months Ended September 30, 2021					
	Commercial	Commercial Real Estate	Real Estate Construction	Retail Real Estate	Retail Other	Total
ACL balance, June 30, 2021	$ 24,356	$ 39,974	$ 7,599	$ 20,505	$ 2,976	$ 95,410
Provision for credit losses	657	(25)	(1,503)	(1,155)	157	(1,869)
Charged-off	(764)	(191)	—	(155)	(98)	(1,208)
Recoveries	157	73	25	157	57	469
ACL balance, September 30, 2021	$ 24,406	$ 39,831	$ 6,121	$ 19,352	$ 3,092	$ 92,802

	Nine Months Ended September 30, 2021					
	Commercial	Commercial Real Estate	Real Estate Construction	Retail Real Estate	Retail Other	Total
ACL balance, December 31, 2020	$ 23,866	$ 46,230	$ 8,193	$ 21,992	$ 767	$ 101,048
Day 1 PCD[1]	3,546	336	—	129	167	4,178
Provision for credit losses	(1,428)	(6,109)	(2,082)	(3,028)	2,282	(10,365)
Charged-off	(2,026)	(812)	(209)	(315)	(349)	(3,711)
Recoveries	448	186	219	574	225	1,652
ACL balance, September 30, 2021	$ 24,406	$ 39,831	$ 6,121	$ 19,352	$ 3,092	$ 92,802

1. The Day 1 PCD is attributable to the CAC acquisition in the second quarter of 2021.

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

	As of September 30, 2022					
	Portfolio Loans			ACL Attributed to Portfolio Loans		
	Collectively Evaluated for Impairment	Individually Evaluated for Impairment	Total	Collectively Evaluated for Impairment	Individually Evaluated for Impairment	Total
Portfolio loan category						
Commercial	$ 1,939,454	$ 6,439	$ 1,945,893	$ 20,889	$ 2,806	$ 23,695
Commercial real estate	3,272,986	5,698	3,278,684	35,799	2,000	37,799
Real estate construction	499,305	255	499,560	5,971	—	5,971
Retail real estate	1,640,985	2,114	1,643,099	18,595	25	18,620
Retail other	302,878	—	302,878	4,637	—	4,637
Portfolio loans and related ACL	$ 7,655,608	$ 14,506	$ 7,670,114	$ 85,891	$ 4,831	$ 90,722

	As of December 31, 2021					
	Portfolio Loans			ACL Attributed to Portfolio Loans		
	Collectively Evaluated for Impairment	Individually Evaluated for Impairment	Total	Collectively Evaluated for Impairment	Individually Evaluated for Impairment	Total
Portfolio loan category						
Commercial	$ 1,936,898	$ 6,988	$ 1,943,886	$ 20,291	$ 3,564	$ 23,855
Commercial real estate	3,114,057	5,750	3,119,807	38,249	—	38,249
Real estate construction	385,724	272	385,996	5,102	—	5,102
Retail real estate	1,510,606	2,370	1,512,976	17,564	25	17,589
Retail other	226,333	—	226,333	3,092	—	3,092
Portfolio loans and related ACL	$ 7,173,618	$ 15,380	$ 7,188,998	$ 84,298	$ 3,589	$ 87,887

Note 5: Deposits

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

	As of	
	September 30, 2022	December 31, 2021
Deposits		
Demand deposits, noninterest-bearing	$ 3,628,169	$ 3,670,267
Interest-bearing transaction deposits	2,952,414	2,720,417
Saving deposits and money market deposits	3,220,627	3,442,244
Time deposits	800,187	935,649
Total deposits	$ 10,601,397	$ 10,768,577

Additional information about our deposits is as follows *(dollars in thousands)*:

	As of	
	September 30, 2022	December 31, 2021
Brokered savings deposits and money market deposits	$ 2,006	$ 2,248
Brokered time deposits	273	266
Aggregate amount of time deposits with a minimum denomination of $100,000	379,136	454,649
Aggregate amount of time deposits with a minimum denomination that meets or exceeds the FDIC insurance limit of $250,000	103,534	137,449

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

	As of September 30, 2022
Time deposits by schedule of maturities	
Remainder of 2022	$ 188,332
2023	431,060
2024	126,309
2025	23,078
2026	17,910
2027	12,844
Thereafter	654
Time deposits	$ 800,187

Note 6: Borrowings

Securities Sold Under Agreements to Repurchase

Securities sold under agreements to repurchase, which are classified as secured borrowings, generally mature daily. Securities sold under agreements to repurchase are reflected at the amount of cash received in connection with the transaction. The underlying securities are held by 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. Securities sold under agreements to repurchase were as follows *(dollars in thousands)*:

	As of	
	September 30, 2022	December 31, 2021
Securities sold under agreements to repurchase	$ 234,597	$ 270,139
Weighted average rate for securities sold under agreements to repurchase	0.98 %	0.08 %

Term Loan

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

Proceeds of the term loan were used to fund a part of the cash portion of the merger consideration related to the acquisition of CAC in the second quarter of 2021, and for general corporate purposes. As of September 30, 2022, there was no balance outstanding on the revolving credit facility and a total of $45.0 million outstanding on the term loan, of which $12.0 million was short-term and $33.0 million was long-term. The revolving credit facility incurs a non-usage fee based on any undrawn amounts. Quarterly payments on the term loan reduce the outstanding principal balance by $3.0 million each quarter.

Short-term Borrowings

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

	As of	
	September 30, 2022	December 31, 2021
Short-term borrowings		
FHLB advances maturing in less than one year from date of origination, and the current portion of long-term FHLB advances due within 12 months	$ 4,225	$ 5,678
Term Loan, current portion due within 12 months	12,000	12,000
Total short-term debt	$ 16,225	$ 17,678

Federal funds purchased are short-term borrowings that generally mature between one and 90 days. The Company had no federal funds purchased as of September 30, 2022, or December 31, 2021.

Long-term Debt

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

	As of	
	September 30, 2022	December 31, 2021
Long-term debt		
Notes payable, FHLB, original maturity of 5 years, collateralized by FHLB deposits, residential and commercial real estate loans and FHLB stock	$ —	$ 4,056
Term Loan	33,000	42,000
Total long-term debt	$ 33,000	$ 46,056

As of December 31, 2021, funds borrowed from the FHLB, listed above, consisted of one variable-rate note maturing in May 2023, with an interest rate of 3.04%. This note became due within 12 months during the second quarter of 2022, and the balance is now fully reflected in short-term borrowings.

Senior and Subordinated Notes

On May 25, 2017, the Company issued $40.0 million of 3.75% senior notes that matured and were redeemed on May 25, 2022. Additionally, on May 25, 2017, the Company issued $60.0 million of fixed-to-floating rate subordinated notes that were scheduled to mature on May 25, 2027, with an optional redemption in whole or in part on any interest payment date on or after May 25, 2022. The Company redeemed all outstanding $60.0 million fixed-to-floating rate subordinated notes during the third quarter of 2022. At the time of redemption, the redeemed subordinated notes carried interest at a floating rate of 3-month LIBOR plus 2.919%.

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

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

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

	As of	
	September 30, 2022	December 31, 2021
Unamortized debt issuance costs		
Senior notes issued in 2017	$ —	$ 56
Subordinated notes issued in 2017	—	549
Subordinated notes issued in 2020	1,337	1,678
Subordinated notes issued in 2022	1,828	—
Total unamortized debt issuance costs	$ 3,165	$ 2,283

Note 7: Regulatory Capital

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

Banking regulations identify five capital categories for insured depository institutions: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized. As of September 30, 2022, and December 31, 2021, all capital ratios of the Company and its subsidiary bank exceeded well capitalized levels under the applicable regulatory capital adequacy guidelines. Management believes that no events or changes have occurred subsequent to September 30, 2022, that would change this designation.

Current Expected Credit Loss Model

On March 27, 2020, the FDIC and other federal banking agencies published an interim final rule that provides those banking organizations adopting CECL during 2020 with the option to delay for two years the estimated impact of CECL on regulatory capital and to phase in the aggregate impact of the deferral on regulatory capital over a subsequent three-year period. On August 26, 2020, the CECL final rule was finalized and was substantially similar to the interim final rule. Under this final rule, because the Company has elected to use the deferral option, the regulatory capital impact of our transition adjustments recorded on January 1, 2020, arising from the adoption of CECL was deferred for two years, until January 1, 2022. In addition, 25 percent of the ongoing impact of CECL on our ACL, retained earnings, and average total consolidated assets from January 1, 2020, through the end of the two-year deferral period, each as reported for regulatory capital purposes, has been added to the deferred transition amounts (“adjusted transition amounts”) and deferred for the two-year period. At the conclusion of the two-year period the adjusted transition amounts began to be phased-in for regulatory capital purposes at a rate of 25 percent per year, with the phased-in amounts included in regulatory capital at the beginning of each year.

Changes in Capital Relating to Subordinated Debt

On May 25, 2017, the Company issued $60.0 million of fixed-to-floating rate subordinated notes that were scheduled to mature on May 25, 2027. The full balance of the subordinated note qualified as Tier 2 Capital for First Busey for the first five years, with a phase out beginning in the second quarter of 2022. The subordinated notes had an optional redemption in whole or in part on any interest payment date on or after May 25, 2022, and the Company redeemed them in full during the third quarter of 2022.

On June 2, 2022, the Company issued $100.0 million aggregate principal amount of 5.000% fixed-to-floating rate subordinated notes that mature on June 15, 2032, which qualify as Tier 2 Capital for regulatory purposes.

Capital Amounts and Ratios

The following tables summarize regulatory capital requirements applicable to the Company and its subsidiary bank *(dollars in thousands)*:

	As of September 30, 2022					
	Actual		Minimum Capital Requirement		Minimum To Be Well Capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Common Equity Tier 1 Capital to Risk Weighted Assets						
Consolidated	$ 1,056,206	11.79 %	$ 403,047	4.50 %	$ 582,179	6.50 %
Busey Bank	$ 1,288,945	14.45 %	$ 401,307	4.50 %	$ 579,665	6.50 %
Tier 1 Capital to Risk Weighted Assets						
Consolidated	$ 1,130,206	12.62 %	$ 537,396	6.00 %	$ 716,528	8.00 %
Busey Bank	$ 1,288,945	14.45 %	$ 535,076	6.00 %	$ 713,434	8.00 %
Total Capital to Risk Weighted Assets						
Consolidated	$ 1,431,308	15.98 %	$ 716,528	8.00 %	$ 895,660	10.00 %
Busey Bank	$ 1,365,046	15.31 %	$ 713,434	8.00 %	$ 891,793	10.00 %
Leverage Ratio of Tier 1 Capital to Average Assets						
Consolidated	$ 1,130,206	9.15 %	$ 494,124	4.00 %	N/A	N/A
Busey Bank	$ 1,288,945	10.47 %	$ 492,534	4.00 %	$ 615,668	5.00 %

	As of December 31, 2021					
	Actual		Minimum Capital Requirement		Minimum To Be Well Capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Common Equity Tier 1 Capital to Risk Weighted Assets						
Consolidated	$ 995,874	11.85 %	$ 378,334	4.50 %	$ 546,482	6.50 %
Busey Bank	$ 1,241,303	14.81 %	$ 377,096	4.50 %	$ 544,695	6.50 %
Tier 1 Capital to Risk Weighted Assets						
Consolidated	$ 1,069,874	12.73 %	$ 504,445	6.00 %	$ 672,594	8.00 %
Busey Bank	$ 1,241,303	14.81 %	$ 502,795	6.00 %	$ 670,394	8.00 %
Total Capital to Risk Weighted Assets						
Consolidated	$ 1,320,187	15.70 %	$ 672,594	8.00 %	$ 840,742	10.00 %
Busey Bank	$ 1,306,616	15.59 %	$ 670,394	8.00 %	$ 837,992	10.00 %
Leverage Ratio of Tier 1 Capital to Average Assets						
Consolidated	$ 1,069,874	8.52 %	$ 502,336	4.00 %	N/A	N/A
Busey Bank	$ 1,241,303	9.91 %	$ 501,104	4.00 %	$ 626,379	5.00 %

Capital Conservation Buffer

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

Note 8: Stock-Based Compensation

Stock Options

The Company has outstanding stock options assumed from acquisitions. A summary of the status of, and changes in, the Company's stock option awards for the nine months ended September 30, 2022, follows:

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life
Options outstanding at December 31, 2021	31,386	$ 23.53	4.88
Expired	(440)	23.53	
Options outstanding at September 30, 2022	30,946	$ 23.53	4.13
Options exercisable at September 30, 2022	30,946	$ 23.53	4.13

2020 Equity Plan

Under the terms of the 2020 Equity Plan, the Company has granted RSU, PSU, and DSU awards. Upon vesting/delivery, shares are expected (though not required) to be issued from treasury.

RSU Awards

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 year to five years, subject to accelerated vesting upon eligible retirement from the Company. Recipients earn quarterly dividend equivalents on their respective units which entitle the recipients to additional units. Therefore, dividends earned each quarter compound based upon the updated unit balances.

PSU Awards

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

DSU Awards

The Company grants DSUs, which are restricted stock units with a deferred settlement date, to its directors and advisory directors. Each DSU is equivalent to one share of the Company's common stock. DSUs vest over a one-year period following the grant date. These units generally are subject to the same terms as RSUs under the 2020 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. After vesting and prior to delivery, these units will continue to earn dividend equivalents.

Award Grants and Activity

A summary of changes in the Company's RSU, PSU, and DSU awards for the nine months ended September 30, 2022, is as follows:

	RSU Awards		PSU Awards		DSU Awards	
	Shares	Weighted-Average Grant Date Fair Value	Shares[1]	Weighted-Average Grant Date Fair Value	Shares	Weighted-Average Grant Date Fair Value
Nonvested at December 31, 2021	1,147,927	$ 23.97	113,915	$ 22.86	34,135	$ 24.59
Granted	156,483	25.79	195,240	26.14	32,658	25.79
Dividend equivalents earned	33,690	24.56	—	—	4,156	24.47
Vested	(152,992)	28.93	—	—	(40,140)	24.67
Forfeited	(35,172)	23.51	(4,556)	24.86	—	—
Nonvested at September 30, 2022	1,149,936	$ 23.59	304,599	$ 24.93	30,809	$ 25.75
Vested and outstanding at September 30, 2022					116,285	$ 22.82

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

On March 23, 2022, under the terms of the 2020 Equity Plan, the Company granted 156,483 RSUs to members of management. The grant date fair value of the award totaled $4.0 million and will be recognized as compensation expense over the requisite service period ranging from one year to five years. The terms of these awards included an accelerated vesting provision upon eligible retirement from the Company, after a one-year minimum requisite service period. Subsequent to the requisite service period, the awards will become 100% vested.

On March 23, 2022, the Company granted a target of 78,233 market-based PSUs with a maximum award of 125,173 units. The actual number of units issued at the vesting date could range from 0% to 160% of the initial grant, depending on attaining a market-based total shareholder return performance goal. The grant date fair value of the award is $2.1 million and will be recognized in compensation expense over the performance period ending December 31, 2024.

On March 23, 2022, the Company granted a target of 78,233 performance-based PSUs with a maximum award of 125,173 units. The actual number of units issued at the vesting date could range from 0% to 160% of the initial grant, depending on attaining a core return on average tangible common equity performance goal. The grant date fair value of the award is $2.0 million and will be recognized in compensation expense over the performance period ending December 31, 2024. The actual amount of compensation expense recognized may vary, subject to achievement of the performance goal.

Further, on March 23, 2022, the Company granted a target of 38,774 PSUs with a maximum award of 77,548 units. The actual number of units issued at the vesting date could range from 0% to 200% of the initial grant, depending on attaining a performance goal based upon the compounded annual revenue growth rate of the FirsTech operating segment. The grant date fair value of the award is $1.0 million and will be recognized in compensation expense over the performance period ending December 31, 2024, subject to achievement of the performance goal.

On March 23, 2022, the Company granted 32,658 DSUs to directors and advisory directors. The grant date fair value of the award totaled $0.8 million and will be recognized as compensation expense over the requisite service period of one year. Subsequent to the requisite service period, the awards will become 100% vested.

2021 Employee Stock Purchase Plan

The First Busey Corporation 2021 ESPP was approved at the Company's 2021 Annual Meeting of Stockholders and details can be found within First Busey's Definitive Proxy Statement filed with the SEC on April 8, 2021. The purpose of the 2021 ESPP is to provide a means through which our employees may acquire a proprietary interest in the Company by purchasing shares of our common stock at a 15% discount through voluntary payroll deductions, to assist us in retaining the services of our employees and securing and retaining the services of new employees, and to provide incentives for our employees to exert maximum efforts toward our success. The plan initially reserved for issuance and purchase an aggregate of 600,000 shares of the Company's common stock. The first offering under this plan began on July 1, 2021.

Stock-based Compensation Expense

The Company did not record any stock option compensation expense for the three or nine months ended September 30, 2022, or 2021. As of September 30, 2022, the Company did not have any unrecognized stock option compensation expense.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Stock-based compensation expense				
RSU awards	$ 1,072	$ 1,316	$ 3,521	$ 4,362
PSU awards[1]	1,172	290	2,342	619
DSU awards	196	231	679	741
2021 ESPP	36	54	179	54
Total stock-based compensation expense	$ 2,476	$ 1,891	$ 6,721	$ 5,776

1. Expense for market-based PSU awards represents amounts based on target shares at grant date. Expense for performance-based PSU awards represents amounts based on target shares at grant date, adjusted for performance expectations as of the date indicated.

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

	As of	
	September 30, 2022	December 31, 2021
Unamortized stock-based compensation		
RSU awards	$ 9,966	$ 10,204
PSU awards[1]	5,279	1,547
DSU awards	371	209
Total unamortized stock-based compensation	$ 15,616	$ 11,960
Weighted average period over which expense is to be recognized	2.6 yrs	2.9 yrs

1. Unamortized expense for market-based PSU awards represents amounts based on target shares at grant date. Unamortized expense for performance-based PSU awards represents amounts based on target shares at grant date, adjusted for performance expectations as of the date indicated.

Shares Available for Issuance Under Stock-based Compensation Plans

Shares remaining available for issuance pursuant to authorized stock-based compensation plans were as follows as of September 30, 2022:

Plan	Shares Remaining Available for Issuance Pursuant to the Plan
2020 Equity Plan	645,563
2021 Employee Stock Purchase Plan	519,577

Note 9: Outstanding Commitments and Contingent Liabilities

Legal Matters

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

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)*:

	As of	
	September 30, 2022	December 31, 2021
Financial instruments whose contract amounts represent credit risk		
Commitments to extend credit	$ 2,024,255	$ 1,983,655
Standby letters of credit	31,933	32,552
Total commitments	$ 2,056,188	$ 2,016,207

Note 10: Derivative Financial Instruments

The Company utilizes interest rate swap agreements as part of its asset liability management strategy to help manage its interest rate risk position. Additionally, 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 investors, and interest rate swaps with customers and other third parties. See "*Note 11: Fair Value Measurements*" for further discussion of the fair value measurement of such derivatives.

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

	As of	
	September 30, 2022	December 31, 2021
Cash pledged to secure obligations under derivative contracts	$ 36,048	$ 27,300
Collateral held to secure obligations under derivative contracts	31,550	—

Derivative Instruments Designated as Cash Flow Hedges

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

Interest Rate Swaps Designated as Cash Flow Hedges

Interest rate swaps with notional amounts totaling $350.0 million as of September 30, 2022, and $50.0 million as of December 31, 2021, were designated as cash flow hedges. The Company entered into one $50.0 million interest rate swap to hedge the risks of variability in cash flows (future interest payments) attributable to changes in the contractually specified 3-month LIBOR benchmark interest rate on the Company's junior subordinated debt owed to unconsolidated trusts (Debt Swap). In addition, during the first quarter of 2022, the Company entered into one $300.0 million receive fixed pay floating interest rate swap to reduce our asset sensitivity (Loan Swap). We added duration to our loan portfolio by fixing a portion of our floating prime based loans. Interest rates had risen above their historical lows allowing us to lock in a portion of our loan portfolio to reduce asset sensitivity while creating a more stable margin in a volatile rate market. These hedges were determined to be highly effective during the period, and the Company expects its hedges to remain highly effective during the remaining terms of the swaps. Changes in fair value were recorded net of tax in OCI.

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

	Location	As of September 30, 2022	As of December 31, 2021
Debt Swap			
Notional amount		$ 50,000	$ 50,000
Weighted average fixed pay rates		1.79 %	1.79 %
Weighted average variable 3-month LIBOR receive rates		3.29 %	0.20 %
Weighted average maturity, in years		1.96 yrs	2.71 yrs
Loan Swap			
Notional amount		$ 300,000	N/A
Weighted average fixed receive rates		4.81 %	N/A
Weighted average variable Prime pay rates		5.80 %	N/A
Weighted average maturity, in years		6.35 yrs	N/A
Gross aggregate fair value of the swaps			
Gross aggregate fair value of swap assets	Other assets	$ 2,486	$ —
Gross aggregate fair value of swap liabilities	Other liabilities	$ 34,515	$ 958
Balances carried in AOCI			
Unrealized gains (losses) on cash flow hedges, net of tax	AOCI	$ (22,770)	$ (685)

The Company expects to reclassify unrealized gains and losses from OCI to interest income and interest expense as shown in the following table *(dollars in thousands)*. Amounts actually recognized could differ from these expectations due to changes in interest rates, hedge de-designations, and the addition of other hedges subsequent to September 30, 2022.

	As of September 30, 2022
Unrealized gains (losses) in OCI expected to be recognized in income	
Unrealized gains expected to be reclassified from OCI to interest income	$ 190
Unrealized losses expected to be reclassified from OCI to interest expense	(247)
Net unrealized gains (losses) in OCI expected to be recognized in net interest income	$ (57)

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

	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
Interest income (expense) on swap transactions	$ (370)	$ (288)	$ 697	$ (854)

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Unrealized gains (losses) on cash flow hedges				
Gain (loss) recognized in OCI, net of tax	$ (10,192)	$ (5)	$ (21,587)	$ 336
(Gain) loss reclassified from OCI to interest expense, net of tax	266	206	(498)	611
Net change in unrealized gains (losses) on cash flow hedges	$ (9,926)	$ 201	$ (22,085)	$ 947

Derivative Instruments Not Designated as Hedges

Interest Rate Swaps Not Designated as Hedges

The Company may offer derivative contracts to its customers in connection with their risk management needs. The Company manages the risk associated with these contracts by entering into equal and offsetting derivative agreements with a third-party dealer. These contracts support variable rate, commercial loan relationships totaling $547.9 million and $491.4 million as of September 30, 2022, and December 31, 2021, 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.

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

	As of September 30, 2022			
	Derivative Asset		Derivative Liability	
	Notional Amount	Fair Value	Notional Amount	Fair Value
Derivatives not designated as hedging instruments				
Interest rate swaps – pay floating, receive fixed	$ 4,668	$ 46	$ 543,207	$ 42,001
Interest rate swaps – pay fixed, receive floating	543,207	42,001	4,668	46
Total derivatives not designated as hedging instruments	$ 547,875	$ 42,047	$ 547,875	$ 42,047

	As of December 31, 2021			
	Derivative Asset		Derivative Liability	
	Notional Amount	Fair Value	Notional Amount	Fair Value
Derivatives not designated as hedging instruments				
Interest rate swaps – pay floating, receive fixed	$ 404,572	$ 17,839	$ 86,784	$ 2,259
Interest rate swaps – pay fixed, receive floating	86,784	2,259	404,572	17,839
Total derivatives not designated as hedging instruments	$ 491,356	$ 20,098	$ 491,356	$ 20,098

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

		Three Months Ended September 30,		Nine Months Ended September 30,	
	Location	**2022**	**2021**	**2022**	**2021**
Interest rate swaps					
Pay floating, receive fixed	Noninterest expense	$ 18,317	$ (2,024)	$ 21,792	$ (11,355)
Pay fixed, receive floating	Noninterest expense	(18,317)	2,024	(21,792)	11,355
Net change in fair value of interest rate swaps		$ —	$ —	$ —	$ —

Risk Participation Agreement

To manage the credit risk exposure related to a customer-facing swap, the Company entered into two risk participation agreements in conjunction with loan participation arrangements with other financial institutions. The risk participation agreements mature in 2026 and 2028, and are summarized as follows *(dollars in thousands)*:

	As of	
	September 30, 2022	**December 31, 2021**
Risk participation agreements		
Notional amount	$ 18,921	$ 3,990
Fair value	4	11

Mortgage Banking Derivatives

Interest Rate Lock Commitments

Interest rate lock commitments that meet the definition of derivative financial instruments under ASC Topic 815 *"Derivatives and Hedging"* are carried at their fair values in other assets or other liabilities in the unaudited Consolidated Balance Sheets, 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

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 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 Balance Sheets. While such forward sales commitments generally served as an economic hedge to 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.

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

		As of September 30, 2022		As of December 31, 2021	
	Location	Notional Amount	Fair Value	Notional Amount	Fair Value
Derivatives with positive fair value					
Interest rate lock commitments	Other assets	$ 3,434	$ 42	$ 19,384	$ 206
Forward sales commitments	Other assets	4,107	134	1,884	10
Mortgage banking derivatives recorded in other assets		$ 7,541	$ 176	$ 21,268	$ 216
Derivatives with negative fair value					
Interest rate lock commitments	Other liabilities	$ 408	$ 4	$ 499	$ 6
Forward sales commitments	Other liabilities	4,342	52	41,002	439
Mortgage banking derivatives recorded in other liabilities		$ 4,750	$ 56	$ 41,501	$ 445

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

		Three Months Ended September 30,		Nine Months Ended September 30,	
	Location	2022	2021	2022	2021
Net gains (losses)					
Interest rate lock commitments	Mortgage revenue	$ (111)	$ 537	$ 38	$ 1,502
Forward sales commitments	Mortgage revenue	295	(1,438)	82	(3,616)
Net gains (losses)		$ 184	$ (901)	$ 120	$ (2,114)

Note 11: Fair Value Measurements

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

- *Level 1 Inputs* – Unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.
- *Level 2 Inputs* – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These might include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (such as interest rates, volatilities, prepayment speeds, credit risks, etc.) or inputs that are derived principally from or corroborated by market data by correlation or other means.
- *Level 3 Inputs* – Unobservable inputs for determining the fair values of assets or liabilities that reflect the Company's own assumptions about the assumptions that market participants would use in pricing the assets or liabilities.

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.

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

Debt Securities Available for Sale

Debt securities classified as available for sale are reported at fair value utilizing Level 2 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. Models and processes take into account market conventions. For each asset class, a team of evaluators gathers information from market sources and integrates relevant credit information, perceived market movements, and sector news into the evaluated pricing applications and models.

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

Equity Securities

Equity securities are reported at fair value utilizing Level 1 or Level 2 measurements. As applicable, for mutual funds, unadjusted quoted prices in active markets for identical assets are utilized to determine fair value at the measurement date and are 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 that were reported at fair value utilized Level 2 measurements at December 31, 2021. The fair values of the mortgage loans held for sale were measured using observable quoted market or contract prices or market price equivalents and were classified as Level 2.

Derivative Assets and Derivative Liabilities

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

The following tables summarize financial assets and financial liabilities measured at fair value on a recurring basis as of September 30, 2022, and December 31, 2021, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value *(dollars in thousands)*:

	As of September 30, 2022			
	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total Fair Value
Debt securities available for sale:				
U.S. Treasury securities	$ —	$ 140,842	$ —	$ 140,842
Obligations of U.S. government corporations and agencies	—	24,933	—	24,933
Obligations of states and political subdivisions	—	270,835	—	270,835
Asset-backed securities	—	466,524	—	466,524
Commercial mortgage-backed securities	—	87,751	—	87,751
Residential mortgage-backed securities	—	1,304,314	—	1,304,314
Corporate debt securities	—	251,842	—	251,842
Equity securities	—	11,341	—	11,341
Derivative assets	—	44,709	4	44,713
Derivative liabilities	—	76,589	—	76,589

	As of December 31, 2021			
	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total Fair Value
Debt securities available for sale:				
U.S. Treasury securities	$ —	$ 165,762	$ —	$ 165,762
Obligations of U.S. government corporations and agencies	—	38,470	—	38,470
Obligations of states and political subdivisions	—	306,869	—	306,869
Asset-backed securities	—	492,186	—	492,186
Commercial mortgage-backed securities	—	614,998	—	614,998
Residential mortgage-backed securities	—	2,069,313	—	2,069,313
Corporate debt securities	—	293,653	—	293,653
Equity securities	—	13,571	—	13,571
Loans held for sale	—	23,875	—	23,875
Derivative assets	—	20,314	—	20,314
Derivative liabilities	—	21,501	—	21,501

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

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

Loans Evaluated Individually

The Company does not record portfolio loans at fair value on a recurring basis. However, periodically, a loan is evaluated individually and is reported at the fair value of the underlying collateral, less estimated costs to sell, if repayment is expected solely from the collateral. If the collateral value is not sufficient, a specific reserve is recorded. Collateral values are estimated using a combination of observable inputs, including recent appraisals, and unobservable inputs based on customized discounting criteria. Due to the significance of unobservable inputs, fair values of individually evaluated collateral dependent loans have been classified as Level 3.

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OREO

Non-financial assets 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 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. Fair values were based upon discounted appraisals or real estate listing prices. Due to the significance of unobservable inputs, fair values of all bank property held for sale have been classified as Level 3.

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

	As of September 30, 2022			
	Level 1 Inputs	**Level 2 Inputs**	**Level 3 Inputs**	**Total Fair Value**
Loans evaluated individually, net of related allowance	$ —	$ —	$ 5,121	$ 5,121
OREO with subsequent impairment	—	—	274	274
Bank property held for sale with impairment	—	—	7,923	7,923

	As of December 31, 2021			
	Level 1 Inputs	**Level 2 Inputs**	**Level 3 Inputs**	**Total Fair Value**
Loans evaluated individually, net of related allowance	$ —	$ —	$ 2,926	$ 2,926
OREO with subsequent impairment	—	—	51	51
Bank property held for sale with impairment	—	—	10,103	10,103

The following table presents additional quantitative information about assets measured at fair value on a non-recurring basis for which the Company has utilized Level 3 inputs to determine fair value *(dollars in thousands)*:

	As of September 30, 2022			
	Fair Value	**Valuation Techniques**	**Unobservable Input**	**Range (Weighted Average)**
Loans evaluated individually, net of related allowance	$ 5,121	Appraisal of collateral	Appraisal adjustments	-41.8% to -100.0% (-48.5)%
OREO with subsequent impairment	274	Appraisal of collateral	Appraisal adjustments	-16.0% to -33.0% (-19.8)%
Bank property held for sale with impairment	7,923	Appraisal of collateral or real estate listing price	Appraisal adjustments	-0.7% to -70.1% (-35.1)%

	As of December 31, 2021			
	Fair Value	**Valuation Techniques**	**Unobservable Input**	**Range (Weighted Average)**
Loans evaluated individually, net of related allowance	$ 2,926	Appraisal of collateral	Appraisal adjustments	-50.0% to -100.0% (-55.1)%
OREO with subsequent impairment	51	Appraisal of collateral	Appraisal adjustments	-33.0% to -100.0% (-67.9)%
Bank property held for sale with impairment	10,103	Appraisal of collateral or real estate listing price	Appraisal adjustments	-0.7% to -70.1% (-41.3)%

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

Estimated fair values of financial instruments that are not carried at fair value in the Company's unaudited 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)*:

	As of September 30, 2022		As of December 31, 2021	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Level 1 inputs:				
Cash and cash equivalents	$ 347,149	$ 347,149	$ 836,095	$ 836,095
Level 2 inputs:				
Debt securities held to maturity	936,328	808,885	—	—
Loans held for sale[1]	4,546	4,555	—	—
Accrued interest receivable	37,409	37,409	31,064	31,064
Level 3 inputs:				
Portfolio loans, net	7,579,392	7,319,530	7,101,111	7,161,466
Mortgage servicing rights	6,564	18,815	8,608	12,133
Other servicing rights	1,862	2,253	1,830	2,268
Financial liabilities				
Level 2 inputs:				
Time deposits	$ 800,187	$ 775,441	$ 935,649	$ 935,778
Securities sold under agreements to repurchase	234,597	234,597	270,139	270,139
Short-term borrowings	16,225	16,255	17,678	17,673
Long-term debt	33,000	33,071	46,056	46,164
Junior subordinated debt owed to unconsolidated trusts	71,765	60,603	71,635	63,586
Accrued interest payable	5,075	5,075	2,728	2,728
Level 3 inputs:				
Senior notes, net of unamortized issuance costs	—	—	39,944	40,400
Subordinated notes, net of unamortized issuance costs	221,835	209,000	182,773	195,600

1. Effective January 1, 2022, recorded at LOCOM.

Note 12: Earnings Per Common Share

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net income	$ 35,661	$ 25,941	$ 93,924	$ 93,523
Weighted average number of common shares outstanding, basic	55,349,547	56,227,816	55,399,424	55,256,348
Dilutive effect of common stock equivalents:				
Options	249	122	1,606	1,009
Warrants	1,708	1,704	1,749	1,732
RSU awards	624,576	577,611	661,173	602,311
PSU awards	81,268	4,915	37,393	2,601
DSU awards	10,414	12,796	14,275	6,316
ESPP	5,402	7,554	8,136	2,518
Weighted average number of common shares outstanding, diluted	56,073,164	56,832,518	56,123,756	55,872,835
Basic earnings per common share	$ 0.64	$ 0.46	$ 1.70	$ 1.69
Diluted earnings per common share	$ 0.64	$ 0.46	$ 1.67	$ 1.67

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Anti-dilutive common stock equivalents				
Options	—	—	10,389	—
RSU awards	—	47,805	51,883	86,744
PSU awards	160,391	85,571	226,771	95,511
DSU awards	—	—	—	10,323
Total anti-dilutive common stock equivalents	160,391	133,376	289,043	192,578

Note 13: Accumulated Other Comprehensive Income (Loss)

The following table represents changes in AOCI by component, net of tax, for the period below *(dollars in thousands)*:

	Three Months Ended September 30,					
	2022			2021		
	Before Tax	Tax Effect	Net of Tax	Before Tax	Tax Effect	Net of Tax
Unrealized gains (losses) on debt securities available for sale						
Balance at beginning of period	$ (277,310)	$ 79,047	$ (198,263)	$ 17,013	$ (4,850)	$ 12,163
Unrealized holding gains (losses) on debt securities available for sale, net	(96,937)	27,631	(69,306)	(17,198)	4,902	(12,296)
Amounts reclassified from AOCI, net	74	(21)	53	5	(1)	4
Amortization of unrealized losses on securities transferred to held to maturity	1,806	(515)	1,291	—	—	—
Balance at end of period	$ (372,367)	$ 106,142	$ (266,225)	$ (180)	$ 51	$ (129)
Unrealized gains (losses) on cash flow hedges						
Balance at beginning of period	$ (17,963)	$ 5,119	$ (12,844)	$ (2,012)	$ 574	$ (1,438)
Unrealized holding gains (losses) on cash flow hedges, net	(14,253)	4,061	(10,192)	(7)	2	(5)
Amounts reclassified from AOCI, net	370	(104)	266	288	(82)	206
Balance at end of period	$ (31,846)	$ 9,076	$ (22,770)	$ (1,731)	$ 494	$ (1,237)
Total AOCI	$ (404,213)	$ 115,218	$ (288,995)	$ (1,911)	$ 545	$ (1,366)

	Nine Months Ended September 30,					
	2022			2021		
	Before Tax	Tax Effect	Net of Tax	Before Tax	Tax Effect	Net of Tax
Unrealized gains (losses) on debt securities available for sale						
Balance at beginning of period	$ (32,272)	$ 9,199	$ (23,073)	$ 49,644	$ (14,151)	$ 35,493
Unrealized holding gains (losses) on debt securities available for sale, net	(296,507)	84,519	(211,988)	(49,801)	14,195	(35,606)
Unrealized losses on debt securities transferred to held to maturity from available for sale	(48,456)	13,812	(34,644)	—	—	—
Amounts reclassified from AOCI, net	(28)	8	(20)	(23)	7	(16)
Amortization of unrealized losses on securities transferred to held to maturity	4,896	(1,396)	3,500	—	—	—
Balance at end of period	$ (372,367)	$ 106,142	$ (266,225)	$ (180)	$ 51	$ (129)
Unrealized gains (losses) on cash flow hedges						
Balance at beginning of period	$ (958)	$ 273	$ (685)	$ (3,055)	$ 871	$ (2,184)
Unrealized holding gains (losses) on cash flow hedges, net	(30,191)	8,604	(21,587)	470	(134)	336
Amounts reclassified from AOCI, net	(697)	199	(498)	854	(243)	611
Balance at end of period	$ (31,846)	$ 9,076	$ (22,770)	$ (1,731)	$ 494	$ (1,237)
Total AOCI	$ (404,213)	$ 115,218	$ (288,995)	$ (1,911)	$ 545	$ (1,366)

Note 14: Operating Segments and Related Information

The Company has three reportable operating segments: Banking, FirsTech, and Wealth Management. 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 Banking operating segment provides a full range of banking services to individual and corporate customers through its banking center network in Illinois; the St. Louis, Missouri metropolitan area; southwest Florida; and Indianapolis, Indiana. The FirsTech operating segment provides solutions for online, mobile, and voice-recognition bill payments; lockbox; and walk-in payments. The Wealth Management operating segment provides a full range of asset management, investment, brokerage, fiduciary, philanthropic advisory, tax preparation, and farm management services to individuals, businesses, and foundations.

The 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 operating segments are the same as those described in the summary of significant accounting policies in “*Note 1. Significant Accounting Policies*” in the Company’s 2021 Annual Report. The Company accounts for intersegment revenue and transfers at current market value.

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

	Goodwill		Total Assets	
	As of		As of	
	September 30, 2022	December 31, 2021	September 30, 2022	December 31, 2021
Operating segment				
Banking	$ 294,773	$ 294,773	$ 12,352,413	$ 12,746,833
FirsTech	8,992	8,992	48,499	47,481
Wealth Management	14,108	14,108	80,082	65,587
Other	—	—	16,394	(212)
Consolidated total	$ 317,873	$ 317,873	$ 12,497,388	$ 12,859,689

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net interest income				
Banking	$ 90,916	$ 74,672	$ 244,820	$ 211,377
FirsTech	15	19	50	60
Other	(4,626)	(3,936)	(12,581)	(11,247)
Total net interest income	$ 86,305	$ 70,755	$ 232,289	$ 200,190
Noninterest income				
Banking	$ 13,559	$ 14,976	$ 42,827	$ 42,798
FirsTech	5,578	5,030	16,333	14,700
Wealth Management	12,514	13,746	42,425	39,333
Other	(718)	(493)	(3,861)	884
Total noninterest income	$ 30,933	$ 33,259	$ 97,724	$ 97,715
Noninterest expense				
Banking	$ 55,273	$ 59,520	$ 165,220	$ 150,032
FirsTech	5,109	4,519	14,601	13,086
Wealth Management	7,682	7,679	23,533	20,961
Other	2,672	1,769	6,850	6,532
Total noninterest expense	$ 70,736	$ 73,487	$ 210,204	$ 190,611
Income before income taxes				
Banking	$ 46,838	$ 31,996	$ 118,663	$ 114,507
FirsTech	484	530	1,782	1,674
Wealth Management	4,832	6,068	18,892	18,373
Other	(8,016)	(6,198)	(23,292)	(16,895)
Total income before income taxes	$ 44,138	$ 32,396	$ 116,045	$ 117,659
Net income				
Banking	$ 37,082	$ 25,123	$ 94,032	$ 89,889
FirsTech	353	384	1,300	1,214
Wealth Management	3,756	4,719	14,688	14,285
Other	(5,530)	(4,285)	(16,096)	(11,865)
Total net income	$ 35,661	$ 25,941	$ 93,924	$ 93,523

Note 15: Leases

Busey as the Lessee

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

	As of	
	September 30, 2022	December 31, 2021
Lease balances		
Right of use assets	$ 10,202	$ 10,533
Lease liabilities	10,311	10,591
Supplemental information		
Year through which lease terms extend	2037	2031
Weighted average remaining lease term (in years)	8.61	6.47
Weighted average discount rate	2.91 %	2.16 %

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Lease costs				
Operating lease costs	$ 563	$ 656	$ 1,762	$ 1,828
Variable lease costs	214	94	436	394
Short-term lease costs	5	9	15	43
Total lease cost[1]	$ 782	$ 759	$ 2,213	$ 2,265
Cash flows related to leases				
Cash paid for amounts included in the measurement of lease liabilities:				
Operating lease cash flows – Fixed payments	$ 1,076	$ 620	$ 2,445	$ 1,756
Operating lease cash flows – Liability reduction	464	569	1,741	1,610
Right of use assets obtained during the period in exchange for operating lease liabilities	1,127	3,408	1,182	5,018

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

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

	As of September 30, 2022
Rent commitments	
Remainder of 2022	$ 539
2023	1,857
2024	1,573
2025	1,349
2026	1,059
2027	886
Thereafter	4,626
Total undiscounted cash flows	11,889
Less: Amounts representing interest	1,578
Present value of net future minimum lease payments	$ 10,311

Busey as the Lessor

Busey occasionally leases parking lots and office space to outside parties. Further, in connection with the acquisition of CAC in the second quarter of 2021, the Company acquired office buildings in Glenview, IL and Northbrook, IL, along with operating leases for space within these buildings that is rented to third parties. Revenues recorded in connection with these leases and reported in other income on our unaudited Consolidated Statements of Income are summarized as follows *(dollars in thousands)*:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Rental income	$ 146	$ 208	$ 519	$ 339

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

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OVERVIEW

First Busey is a $12.5 billion financial holding company headquartered in Champaign, Illinois. Our common stock is traded on The Nasdaq Global Select Market under the symbol "BUSE."

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

The following discussion and analysis are intended to assist readers in understanding First Busey's financial condition and results of operations during the three and nine months ended September 30, 2022, and should be read in conjunction with our unaudited consolidated financial statements and notes thereto included in this Quarterly Report, as well as our 2021 Annual Report.

CURRENT EVENTS

Hurricane Ian

On September 28, 2022, Hurricane Ian made landfall in southwest Florida impacting our operations in the region. We are focused on assisting our clients and employees as they navigate the challenges from this historic storm. Efforts undertaken to date include: 1) financial assistance for associates impacted by the storm; 2) creation of a relief center for associates to access much needed supplies; 3) staffing resource reallocation to support our southwest Florida operations; 4) fee waivers for impacted customers; and 5) loan modification programs for impacted commercial and residential customers. These are but a few of the initiatives and efforts implemented to date.

Efficiency Initiative

Early in the fourth quarter of 2022, we implemented a targeted restructuring and efficiency optimization plan that is expected to generate annual salary and benefits savings of $4.0 million to $4.4 million. We also expect to incur one-time severance-related costs associated with this initiative of $1.1 million to $1.3 million, most of which are expected to be realized in the fourth quarter. We expect to largely reinvest the anticipated savings to support ongoing growth initiatives across our franchise over the next several quarters.

EXECUTIVE SUMMARY

Operating Results

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

		Three Months Ended September 30,		Nine Months Ended September 30,	
		2022	2021	2022	2021
Reported:	Net income	$ 35,661	$ 25,941	$ 93,924	$ 93,523
Adjusted:	Net income[1]	$ 36,435	$ 32,845	$ 95,620	$ 102,831
Reported:	Diluted earnings per common share	$ 0.64	$ 0.46	$ 1.67	$ 1.67
Adjusted:	Diluted earnings per common share[1]	$ 0.65	$ 0.58	$ 1.70	$ 1.84
Reported:	Return on average assets[2]	1.13 %	0.81 %	1.00 %	1.08 %
Adjusted:	Return on average assets[1, 2]	1.15 %	1.03 %	1.02 %	1.19 %
Reported:	Return on average tangible common equity[1, 2]	17.41 %	10.60 %	14.81 %	13.12 %
Adjusted:	Return on average tangible common equity[1, 2]	17.79 %	13.43 %	15.08 %	14.43 %
Reported:	Pre-provision net revenue[1]	$ 46,498	$ 30,470	$ 122,133	$ 104,698
Adjusted:	Pre-provision net revenue[1]	$ 48,800	$ 39,409	$ 129,421	$ 119,648
Reported:	Pre-provision net revenue to average assets[1, 2]	1.47 %	0.95 %	1.30 %	1.21 %
Adjusted:	Pre-provision net revenue to average assets[1, 2]	1.54 %	1.23 %	1.38 %	1.38 %

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

Acquisitions

On May 31, 2021, First Busey completed its acquisition of CAC, the holding company for GSB. GSB was operated as a separate banking subsidiary from June 1, 2021, until August 14, 2021, when it was merged with and into Busey Bank. At that time GSB's banking centers became banking centers of Busey Bank. Upon completion of the GSB acquisition, we reset the baseline for the future financial performance of First Busey in a multitude of positive ways.

Non-operating Expenses and Non-GAAP Measures

First Busey views certain non-operating items, including acquisition-related and restructuring charges, as adjustments to net income reported under GAAP. Non-operating pre-tax adjustments for the three and nine months ended September 30, 2022, included $1.0 million and $2.1 million of expenses, respectively, related to acquisitions and restructuring.

A reconciliation of non-GAAP measures—including pre-provision net revenue, adjusted pre-provision net revenue, pre-provision net revenue to average assets, adjusted pre-provision net revenue to average assets, adjusted net income, adjusted diluted earnings per share, adjusted return on average assets, return on average tangible common equity, adjusted return on average tangible common equity, adjusted net interest income, adjusted net interest margin, adjusted noninterest expense, adjusted core expense, efficiency ratio, adjusted efficiency ratio, adjusted core efficiency ratio, tangible book value per common share, tangible common equity, tangible common equity to tangible assets, core loans, core loans to portfolio loans, core deposits, core deposits to total deposits, and core loans to core deposits—which First Busey believes facilitates the assessment of its financial results and peer comparability, is included in tabular form in *“Item 2. Management’s Discussion and Analysis—Non-GAAP Financial Information”* included in this Quarterly Report.

Banking Center Markets

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

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

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

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

Net Interest Income

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

Certain assets with tax favorable treatment are evaluated on a tax-equivalent basis, assuming a federal income tax rate of 21.0%. Tax favorable assets generally have lower contractual pre-tax yields than fully taxable assets. A tax-equivalent analysis is performed by adding the tax savings to the earnings on tax favorable assets. After factoring in the tax favorable effects of these assets, the yields may be more appropriately evaluated against alternative earning assets. In addition to yield, various other risks are factored into the evaluation process.

Consolidated Average Balance Sheets and Interest Rates (Unaudited)

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

	Three Months Ended September 30,					
	2022			2021		
	Average Balance	Income/ Expense	Yield/ Rate[5]	Average Balance	Income/ Expense	Yield/ Rate[5]
Assets						
Interest-bearing bank deposits and federal funds sold	$ 207,917	$ 1,085	2.07 %	$ 860,200	$ 462	0.21 %
Investment securities:						
U.S. Government obligations	174,357	267	0.61 %	251,553	416	0.66 %
Obligations of states and political subdivisions[1]	284,069	1,900	2.65 %	299,024	1,900	2.52 %
Other securities	3,209,327	16,298	2.01 %	3,171,163	10,167	1.27 %
Loans held for sale	4,195	53	5.01 %	15,589	99	2.52 %
Portfolio loans[1, 2]	7,617,918	76,355	3.98 %	7,133,108	65,418	3.64 %
Total interest-earning assets[1, 3]	$ 11,497,783	$ 95,958	3.31 %	$ 11,730,637	$ 78,462	2.65 %
Cash and due from banks	123,480			149,550		
Premises and equipment	130,367			144,334		
ACL	(89,019)			(96,682)		
Other assets	869,245			769,956		
Total assets	$ 12,531,856			$ 12,697,795		
Liabilities and Stockholders' Equity						
Interest-bearing transaction deposits	$ 2,880,802	$ 1,582	0.22 %	$ 2,809,669	$ 522	0.07 %
Savings and money market deposits	3,311,327	1,058	0.13 %	3,369,482	811	0.10 %
Time deposits	800,996	925	0.46 %	1,074,091	1,726	0.64 %
Federal funds purchased and repurchase agreements	233,032	459	0.78 %	221,813	60	0.11 %
Borrowings[4]	307,255	4,300	5.55 %	296,185	3,262	4.37 %
Junior subordinated debt issued to unconsolidated trusts	71,736	786	4.35 %	71,565	728	4.04 %
Total interest-bearing liabilities	$ 7,605,148	$ 9,110	0.48 %	$ 7,842,805	$ 7,109	0.36 %
Net interest spread[1]			2.83 %			2.29 %
Noninterest-bearing deposits	3,583,693			3,365,823		
Other liabilities	161,567			137,751		
Stockholders' equity	1,181,448			1,351,416		
Total liabilities and stockholders' equity	$ 12,531,856			$ 12,697,795		
Interest income / earning assets[1, 3]	$ 11,497,783	$ 95,958	3.31 %	$ 11,730,637	$ 78,462	2.65 %
Interest expense / earning assets	11,497,783	$ 9,110	0.31 %	$ 11,730,637	$ 7,109	0.24 %
Net interest margin[1]		$ 86,848	3.00 %		$ 71,353	2.41 %

1. On a tax-equivalent basis and assuming a federal income tax rate of 21.0%. For a reconciliation of non-GAAP measures to the most directly comparable GAAP financial measures, see *"Item 2. Management's Discussion and Analysis—Non-GAAP Financial Information"* included in this Quarterly Report.
2. Non-accrual loans have been included in average portfolio loans.
3. Interest income includes a tax-equivalent adjustment of $0.5 million and $0.6 million for the three months ended September 30, 2022, and 2021, respectively.
4. Includes short-term and long-term borrowings. Interest expense includes a non-usage fee on a revolving loan.
5. Annualized.

	Nine Months Ended September 30,					
	2022			2021		
	Average Balance	Income/ Expense	Yield/ Rate[5]	Average Balance	Income/ Expense	Yield/ Rate[5]
Assets						
Interest-bearing bank deposits and federal funds sold	$ 331,664	$ 1,720	0.69 %	$ 597,960	$ 857	0.19 %
Investment securities:						
U.S. Government obligations	186,493	836	0.60 %	166,300	1,375	1.11 %
Obligations of states and political subdivisions[1]	293,161	5,762	2.63 %	297,094	5,772	2.60 %
Other securities	3,345,611	43,913	1.75 %	2,645,746	25,513	1.29 %
Loans held for sale	6,376	168	3.52 %	23,060	401	2.32 %
Portfolio loans[1, 2]	7,387,582	203,338	3.68 %	6,921,226	189,743	3.67 %
Total interest-earning assets[1, 3]	$ 11,550,887	$ 255,737	2.96 %	$ 10,651,386	$ 223,661	2.81 %
Cash and due from banks	123,881			134,998		
Premises and equipment	132,977			138,257		
ACL	(88,744)			(98,522)		
Other assets	828,815			745,151		
Total assets	$ 12,547,816			$ 11,571,270		
Liabilities and Stockholders' Equity						
Interest-bearing transaction deposits	$ 2,742,105	$ 2,446	0.12 %	$ 2,534,979	$ 1,529	0.08 %
Savings and money market deposits	3,399,782	2,310	0.09 %	2,981,559	2,151	0.10 %
Time deposits	855,219	3,079	0.48 %	1,060,993	6,406	0.81 %
Federal funds purchased and repurchase agreements	246,481	665	0.36 %	203,777	177	0.12 %
Borrowings[4]	296,034	11,165	5.04 %	262,024	9,245	4.72 %
Junior subordinated debt issued to unconsolidated trusts	71,693	2,148	4.01 %	71,524	2,185	4.08 %
Total interest-bearing liabilities	$ 7,611,314	$ 21,813	0.38 %	$ 7,114,856	$ 21,693	0.41 %
Net interest spread[1]			2.58 %			2.40 %
Noninterest-bearing deposits	3,569,562			3,010,999		
Other liabilities	147,295			121,844		
Stockholders' equity	1,219,645			1,323,571		
Total liabilities and stockholders' equity	$ 12,547,816			$ 11,571,270		
Interest income / earning assets[1, 3]	$ 11,550,887	$ 255,737	2.96 %	$ 10,651,386	$ 223,661	2.81 %
Interest expense / earning assets	$ 11,550,887	$ 21,813	0.25 %	$ 10,651,386	$ 21,693	0.27 %
Net interest margin[1]		$ 233,924	2.71 %		$ 201,968	2.54 %

1. On a tax-equivalent basis and assuming a federal income tax rate of 21.0%. For a reconciliation of non-GAAP measures to the most directly comparable GAAP financial measures, see *"Item 2. Management's Discussion and Analysis—Non-GAAP Financial Information"* included in this Quarterly Report.
2. Non-accrual loans have been included in average portfolio loans.
3. Interest income includes a tax-equivalent adjustment of $1.6 million and $1.8 million for the nine months ended September 30, 2022, and 2021, respectively.
4. Includes short-term and long-term borrowings. Interest expense includes a non-usage fee on a revolving loan.
5. Annualized.

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

	Three Months Ended September 30,			
	2022	2021	Change	% Change
Average interest-earning assets	$ 11,497,783	$ 11,730,637	$ (232,854)	(2.0)%
Average interest-bearing liabilities	7,605,148	7,842,805	(237,657)	(3.0)%
Average noninterest-bearing deposits	3,583,693	3,365,823	217,870	6.5 %
Total average deposits	10,576,818	10,619,065	(42,247)	(0.4)%
Total average liabilities	11,350,408	11,346,379	4,029	— %
Average noninterest-bearing deposits as a percent of total average deposits	33.9 %	31.7 %	220 bps	
Total average deposits as a percent of total average liabilities	93.2 %	93.6 %	(40) bps	

	Nine Months Ended September 30,			
	2022	2021	Change	% Change
Average interest-earning assets	$ 11,550,887	$ 10,651,386	$ 899,501	8.4 %
Average interest-bearing liabilities	7,611,314	7,114,856	496,458	7.0 %
Average noninterest-bearing deposits	3,569,562	3,010,999	558,563	18.6 %
Total average deposits	10,566,668	9,588,530	978,138	10.2 %
Total average liabilities	11,328,171	10,247,699	1,080,472	10.5 %
Average noninterest-bearing deposits as a percent of total average deposits	33.8 %	31.4 %	240 bps	
Total average deposits as a percent of total average liabilities	93.3 %	93.6 %	(30) bps	

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

	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Change	% Change
Net interest income				
Interest income, on a tax-equivalent basis[1]	$ 95,958	$ 78,462	$ 17,496	22.3 %
Interest expense	(9,110)	(7,109)	(2,001)	28.1 %
Net interest income, on a tax-equivalent basis[1]	$ 86,848	$ 71,353	$ 15,495	21.7 %
Net interest margin[1, 2]	3.00 %	2.41 %	59 bps	

	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021	Change	% Change
Net interest income				
Interest income, on a tax-equivalent basis[1]	$ 255,737	$ 223,661	$ 32,076	14.3 %
Interest expense	(21,813)	(21,693)	(120)	0.6 %
Net interest income, on a tax-equivalent basis[1]	$ 233,924	$ 201,968	$ 31,956	15.8 %
Net interest margin[1, 2]	2.71 %	2.54 %	17 bps	

1. Assuming a federal income tax rate of 21.0%. For a reconciliation of non-GAAP measures to the most directly comparable GAAP financial measures, see *"Item 2. Management's Discussion and Analysis—Non-GAAP Financial Information"* included in this Quarterly Report.
2. Net interest income expressed as a percentage of average earning assets, stated on a tax-equivalent basis.

The FOMC raised rates by 150 basis points during the third quarter of 2022, and a total of 300 basis points during the first three quarters of 2022. Rising rates have a positive impact on net interest margin, as assets, in particular commercial loans, reprice more quickly and to a greater extent than liabilities. Given the timing of the FOMC meetings in September, the full benefit of the associated movement in rates to our net interest margin will be realized in subsequent quarters. In general, net interest margins have been impacted over the last two years by PPP loans, significant growth in the Company's liquidity position, organic portfolio loan growth over the past six quarters, and the issuance of debt, with more recent impacts resulting from rate increases.

First Busey remains substantially core deposit[1] funded, with robust liquidity and significant market share in the communities we serve. As of September 30, 2022, our loan to deposit ratio was 72.4% and core deposits represented 99.0% of total deposits.

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 2.83% and 2.58% for the three and nine months ended September 30, 2022, respectively, compared to 2.29% and 2.40% for the three and nine months ended September 30, 2021, each on a tax-equivalent basis.

The net interest margin discussion above is based upon the results and average balances for the three and nine months ended September 30, 2022, and 2021. Annualized net interest margins for the quarterly periods indicated were as follows:

	2022	2021
First Quarter	2.45 %	2.72 %
Second Quarter	2.68 %	2.50 %
Third Quarter	3.00 %	2.41 %
Fourth Quarter		2.36 %

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

Management attempts to mitigate the effects of an unpredictable interest-rate environment through effective portfolio management, prudent loan underwriting and pricing discipline, and operational efficiencies. For a description of accounting policies underlying the recognition of interest income and expense, refer to the Notes to Consolidated Financial Statements in the Company's 2021 Annual Report.

Noninterest Income

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

	Three Months Ended September 30,			
	2022	2021	Change	% Change
Noninterest income				
Wealth management and payment technology income:				
Wealth management fees	$ 12,508	$ 13,749	$ (1,241)	(9.0)%
Payment technology solutions	5,080	4,620	460	10.0 %
Combined, wealth management fees and payment technology solutions	17,588	18,369	(781)	(4.3)%
Fees for customer services	7,627	9,288	(1,661)	(17.9)%
Mortgage revenue	438	1,740	(1,302)	(74.8)%
Income on bank owned life insurance	958	999	(41)	(4.1)%
Securities income:				
Realized net gains (losses) on securities	(74)	(5)	(69)	NM
Unrealized net gains (losses) recognized on equity securities	78	62	16	25.8 %
Net securities gains (losses)	4	57	(53)	(93.0)%
Other income	4,318	2,806	1,512	53.9 %
Total noninterest income	$ 30,933	$ 33,259	$ (2,326)	(7.0)%

	Nine Months Ended September 30, 2022	2021	Change	% Change
Noninterest income				
Wealth management and payment technology income:				
Wealth management fees	$ 42,422	$ 39,335	$ 3,087	7.8 %
Payment technology solutions	15,045	13,771	1,274	9.3 %
Combined, wealth management fees and payment technology solutions	57,467	53,106	4,361	8.2 %
Fees for customer services	26,122	25,936	186	0.7 %
Mortgage revenue	1,697	6,153	(4,456)	(72.4)%
Income on bank owned life insurance	2,716	3,439	(723)	(21.0)%
Securities income:				
Realized net gains (losses) on securities	52	114	(62)	(54.4)%
Unrealized net gains (losses) recognized on equity securities	(2,376)	2,482	(4,858)	(195.7)%
Net securities gains (losses)	(2,324)	2,596	(4,920)	(189.5)%
Other income	12,046	6,485	5,561	85.8 %
Total noninterest income	$ 97,724	$ 97,715	$ 9	— %

Total noninterest income was $30.9 million for the three months ended September 30, 2022, a 7.0% decrease from the comparable period in 2021, and was $97.7 million for the nine months ended September 30, 2022, consistent with the comparable period in 2021. Results for the nine months ended September 30, 2021, included four months of operating income for GSB, whereas results for the same period in 2022 reflect the fully integrated acquisition for the complete period. Revenues from wealth management fees and payment technology solutions represented 56.9% and 58.8% of the Company's noninterest income for the three and nine months ended September 30, 2022, respectively, providing a complement to spread-based revenue from traditional banking activities. On a combined basis, revenue from these two critical operating areas was $17.6 million for the three months ended September 30, 2022, a 4.3% decrease from the comparable period in 2021, and was $57.5 million for the nine months ended September 30, 2022, an 8.2% increase from the comparable period in 2021.

Wealth management fees were $12.5 million for the three months ended September 30, 2022, a 9.0% decrease from the comparable period in 2021, and were $42.4 million for the nine months ended September 30, 2022, a 7.8% increase from the comparable period for 2021. First Busey's Wealth Management division ended the third quarter of 2022 with $10.7 billion in assets under care, compared to $12.7 billion as of December 31, 2021. The decrease in assets under care was principally due to a reduction in market valuations. Our portfolio management team continues to produce solid results in the face of very volatile markets. In the third quarter, Busey's core investment strategy outperformed its blended benchmark, which consists of 60% MSCI All Country World Index and 40% Bloomberg Intermediate Government/Credit Index.

Payment technology solutions revenue relates to our payment processing company, FirsTech. Payment technology solutions revenue was $5.1 million for the three months ended September 30, 2022, a 10.0% increase from the comparable period in 2021, and was $15.0 million for the nine months ended September 30, 2022, a 9.3% increase from the comparable period in 2021. FirsTech segment revenue was $5.6 million for the three months ended September 30, 2022, a 10.8% increase from the comparable period of 2021, and was $16.4 million for the nine months ended September 30, 2022, an 11.0% increase from the comparable period in 2021. FirsTech operations add important diversity to our revenue stream while widening our array of service offerings to larger commercial clients both within our footprint and nationally. We are currently making strategic investments in FirsTech to enhance future growth, including further upgrades to the product and engineering teams to build an Application Programming Interface (API) cloud-based platform to provide for fully integrated payment capabilities as well as the continued development of our Banking as a Service (BaaS) platform.

Fees for customer services were $7.6 million for the three months ended September 30, 2022, a 17.9% decrease from the comparable period in 2021, and were $26.1 million for the nine months ended September 30, 2022, a 0.7% increase from the comparable period in 2021. Beginning on July 1, 2022, we became subject to the Durbin Amendment of the Dodd-Frank Act. The Durbin Amendment requires the Federal Reserve to establish a maximum permissible interchange fee for many types of debit transactions, which resulted in a $2.4 million reduction in fee income during the three months ended September 30, 2022.

Mortgage revenue was $0.4 million for the three months ended September 30, 2022, a 74.8% decrease from the comparable period in 2021, and was $1.7 million for the nine months ended September 30, 2022, a 72.4% decrease from the comparable period in 2021. Decreases primarily resulted from declines in sold-loan mortgage volume and gain on sale premiums. General economic conditions and interest rate volatility may impact fees in future quarters.

Income on bank owned life insurance was $1.0 million for the three months ended September 30, 2022, a 4.1% decrease from the comparable period in 2021, and was $2.7 million for the nine months ended September 30, 2022, a 21.0% decrease from the comparable period in 2021. Decreases resulted from lower life insurance proceeds and a decline in earnings on the cash surrender value of the policies.

Other income was $4.3 million for the three months ended September 30, 2022, a $1.5 million increase from the comparable period in 2021, and was $12.0 million for the nine months ended September 30, 2022, a $5.6 million increase from the comparable period in 2021. Other income benefited from higher income recognized on venture capital investments, check sales, and swap origination fees, partially offset by losses on fixed asset disposal and lower commercial loan sale gains recorded during the three and nine months ended September 30, 2022.

Noninterest Expense

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

	Three Months Ended September 30,			
	2022	2021	Change	% Change
Noninterest expense				
Salaries, wages, and employee benefits	$ 39,762	$ 41,949	$ (2,187)	(5.2)%
Data processing	5,447	7,782	(2,335)	(30.0)%
Premises expenses:				
Net occupancy expense of premises	4,705	4,797	(92)	(1.9)%
Furniture and equipment expenses	1,799	2,208	(409)	(18.5)%
Combined, net occupancy expense of premises and furniture and equipment expenses	6,504	7,005	(501)	
Professional fees	1,579	1,361	218	16.0 %
Amortization of intangible assets	2,871	3,149	(278)	(8.8)%
Interchange expense	1,574	1,434	140	9.8 %
Other expense	12,999	10,807	2,192	20.3 %
Total noninterest expense	$ 70,736	$ 73,487	$ (2,751)	(3.7)%
Income taxes	$ 8,477	$ 6,455	$ 2,022	31.3 %
Effective income tax rate	19.2 %	19.9 %	(70) bps	
Efficiency ratio[1]	57.6 %	67.3 %	(970) bps	
Adjusted efficiency ratio[1]	56.8 %	59.0 %	(220) bps	

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

	Nine Months Ended September 30, 2022	2021	Change	% Change
Noninterest expense				
Salaries, wages, and employee benefits	$ 117,226	$ 107,222	$ 10,004	9.3 %
Data processing	15,800	16,881	(1,081)	(6.4)%
Premises expenses:				
Net occupancy expense of premises	14,492	13,606	886	6.5 %
Furniture and equipment expenses	5,874	6,300	(426)	(6.8)%
Combined, net occupancy expense of premises and furniture and equipment expenses	20,366	19,906	460	
Professional fees	4,693	5,617	(924)	(16.5)%
Amortization of intangible assets	8,833	8,200	633	7.7 %
Interchange expense	4,606	4,360	246	5.6 %
Other expense	38,680	28,425	10,255	36.1 %
Total noninterest expense	$ 210,204	$ 190,611	$ 19,593	10.3 %
Income taxes	$ 22,121	$ 24,136	$ (2,015)	(8.3)%
Effective income tax rate	19.1 %	20.5 %	(140) bps	
Efficiency ratio[1]	60.3 %	61.4 %	(110) bps	
Adjusted efficiency ratio[1]	59.7 %	57.5 %	220 bps	
Full-time equivalent employees as of period-end	1,513	1,462	51	3.5 %

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

Total noninterest expense was $70.7 million for the three months ended September 30, 2022, a 3.7% decrease from the comparable period in 2021, and was $210.2 million for the nine months ended September 30, 2022, a 10.3% increase from the comparable period in 2021. Results for the nine months ended September 30, 2021, included four months of operating expenses for GSB, whereas results for the same period in 2022 reflect the fully integrated acquisition for the complete period.

Salaries, wages, and employee benefits were $39.8 million for the three months ended September 30, 2022, a 5.2% decrease from the comparable period in 2021, and were $117.2 million for the nine months ended September 30, 2022, a 9.3% increase from the comparable period in 2021. Full-time equivalents were 1,513 as of September 30, 2022, compared to 1,462 at September 30, 2021. The Company continues to invest in talent across our business lines and our risk management infrastructure. Labor market trends over the past year reflected a shrinking labor supply, while job growth resulted in increased demands for a skilled workforce, putting further upward pressure on salaries, wages, and employee benefits.

Data processing expense was $5.4 million for the three months ended September 30, 2022, a 30.0% decrease from the comparable period in 2021, and was $15.8 million for the nine months ended September 30, 2022, a 6.4% decrease from the comparable period in 2021. Decreases were primarily attributable to higher expenses in 2021 related to the CAC acquisition. Excluding non-operating expenses, data processing expenses increased by $0.8 million and $2.3 million for the three and nine months ended September 30, 2022, compared to the same periods in 2021.

Combined, net occupancy expense of premises and furniture and equipment expense totaled $6.5 million for the three months ended September 30, 2022, a 7.2% decrease from the comparable period in 2021, and $20.4 million for the nine months ended September 30, 2022, a 2.3% increase from the comparable period in 2021. Year-over-year increases are primarily attributable to higher maintenance costs, elevated utility costs, and increased real estate taxes.

Professional fees were $1.6 million for the three months ended September 30, 2022, a 16.0% increase from the comparable period in 2021, and $4.7 million for the nine months ended September 30, 2022, a 16.5% decrease from the comparable period in 2021. Excluding non-operating expenses, professional fees increased by $0.3 million and $0.2 million for the three and nine months ended September 30, 2022, compared to the same periods in 2021.

Amortization of intangible assets was $2.9 million for the three months ended September 30, 2022, an 8.8% decrease from the comparable period in 2021, and $8.8 million for the nine months ended September 30, 2022, a 7.7% increase from the comparable period for 2021. Year-over-year increases primarily related to intangible assets acquired in the acquisition of CAC during the second quarter of 2021.

Interchange expense was $1.6 million for the three months ended September 30, 2022, a 9.8% increase from the comparable period in 2021, and was $4.6 million for the nine months ended September 30, 2022, a 5.6% increase from the comparable period in 2021. Fluctuations in interchange expense were primarily the result of increased payment and volume activity at FirsTech.

Other expense was $13.0 million for the three months ended September 30, 2022, a $2.2 million increase from the comparable period in 2021, and was $38.7 million for the nine months ended September 30, 2022, an $10.3 million increase from the comparable period in 2021. Increases were across multiple expense categories including marketing and business development, NMTC amortization, regulatory expenses, and fluctuations in provision for unfunded commitments.

The efficiency ratio[2], which is a measure commonly used by management and the banking industry, measures the amount of expense incurred to generate a dollar of revenue. Our efficiency ratios[2] were 57.6% and 60.3% for the three and nine months ended September 30, 2022, respectively, compared to 67.3% and 61.4% for the three and nine months ended September 30, 2021, respectively.

Our adjusted efficiency ratios[2] were 56.8% and 59.7% for the three and nine months ended September 30, 2022, respectively, compared to 59.0% and 57.5% for three and nine months ended September 30, 2021. The Company remains focused on expense discipline, while making necessary investments to promote the organic growth of our key business lines and related support and risk management functions.

Taxes

Effective income tax rates of 19.2% and 19.9% for the three and nine months ended September 30, 2022, respectively, were lower than the combined federal and state statutory rate of approximately 28.0% due to tax exempt interest income, such as municipal bond interest and bank owned life insurance income, and investments in various federal and state tax credits. We continue to monitor evolving federal and state tax legislation and its potential impact on operations on an ongoing basis. As of September 30, 2022, we were not under examination by any tax authority; however, we have received an inquiry from the State of Illinois regarding our prior franchise tax filings. In the event the Company is required to amend our prior franchise tax filings, we could incur additional expenses.

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

FINANCIAL CONDITION

Balance Sheet

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

	As of			
	September 30, 2022	December 31, 2021	Change	% Change
Assets				
Debt securities available for sale	$ 2,547,041	$ 3,981,251	$ (1,434,210)	(36.0)%
Debt securities held to maturity	936,328	—	936,328	N/A
Portfolio loans, net of ACL	7,579,392	7,101,111	478,281	6.7 %
Total assets	$ 12,497,388	$ 12,859,689	$ (362,301)	(2.8)%
Liabilities				
Deposits:				
Noninterest-bearing	$ 3,628,169	$ 3,670,267	$ (42,098)	(1.1)%
Interest-bearing	6,973,228	7,098,310	(125,082)	(1.8)%
Total deposits	$ 10,601,397	$ 10,768,577	$ (167,180)	(1.6)%
Securities sold under agreements to repurchase	$ 234,597	$ 270,139	$ (35,542)	(13.2)%
Subordinated notes, net of unamortized issuance costs	221,835	182,773	39,062	21.4 %
Junior subordinated debt owed to unconsolidated trusts	71,765	71,635	130	0.2 %
Total liabilities	$ 11,390,800	$ 11,540,577	$ (149,777)	(1.3)%
Stockholders' Equity	$ 1,106,588	$ 1,319,112	$ (212,524)	(16.1)%

Portfolio Loans

We believe that making sound and profitable loans is a necessary and desirable means of employing funds available for investment. First Busey maintains lending policies and procedures designed to focus lending efforts on the types, locations, and duration of loans most appropriate for its business model and markets. While not specifically limited, we attempt to focus our lending on short to intermediate-term (0-10 years) loans in geographic areas within 125 miles of our lending offices. Loans originated outside of these areas are generally to existing customers of Busey Bank. We attempt to utilize government-assisted lending programs, such as the SBA and U.S. Department of Agriculture lending programs, when prudent. Generally, loans are collateralized by assets, primarily real estate, and guaranteed by individuals. Loans are expected to be repaid primarily from cash flows of the borrowers or from proceeds from the sale of selected assets of the borrowers.

Management reviews and approves Busey Bank's lending policies and procedures on a regular basis. Management routinely (at least quarterly) reviews the ACL in conjunction with reports related to loan production, loan quality, concentrations of credit, loan delinquencies, non-performing loans, and potential problem loans. Our underwriting standards are designed to encourage relationship banking rather than transactional banking. Relationship banking implies a primary banking relationship with the borrower that includes, at a minimum, an active deposit banking relationship in addition to the lending relationship. Significant underwriting factors, in addition to location, duration, a sound and profitable cash flow basis, and the borrower's character, include the quality of the borrower's financial history, the liquidity of the underlying collateral, and the reliability of the valuation of the underlying collateral.

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

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

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

Busey Bank's lending activities can be summarized into 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 2021 Annual Report. A significant majority of our portfolio lending activity occurs in the Illinois and Missouri markets, with the remainder in the Florida and Indiana markets.

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

	September 30, 2022				
	Illinois	Missouri	Florida	Indiana	Total
Portfolio loans					
Commercial	$ 1,371,973	$ 475,655	$ 47,527	$ 50,738	$ 1,945,893
Commercial real estate	2,211,923	680,607	202,927	183,227	3,278,684
Real estate construction	290,248	135,102	41,062	33,148	499,560
Retail real estate	1,240,568	210,693	121,881	69,957	1,643,099
Retail other	297,772	2,177	1,699	1,230	302,878
Total portfolio loans	$ 5,412,484	$ 1,504,234	$ 415,096	$ 338,300	$ 7,670,114
ACL					(90,722)
Portfolio loans, net of ACL					$ 7,579,392

	December 31, 2021				
	Illinois	Missouri	Florida	Indiana	Total
Portfolio loans					
Commercial	$ 1,372,584	$ 463,085	$ 55,180	$ 53,037	$ 1,943,886
Commercial real estate	2,063,681	691,969	191,303	172,854	3,119,807
Real estate construction	199,471	120,785	31,265	34,475	385,996
Retail real estate	1,124,486	235,083	96,563	56,844	1,512,976
Retail other	219,000	3,684	2,181	1,468	226,333
Total portfolio loans	$ 4,979,222	$ 1,514,606	$ 376,492	$ 318,678	$ 7,188,998
ACL					(87,887)
Portfolio loans, net of ACL					$ 7,101,111

Changes in portfolio loan balances were as follows *(dollars in thousands)*:

	As of September 30, 2022	As of December 31, 2021	Change	% Change
Portfolio loans				
Commercial loans:				
Commercial	$ 1,945,893	$ 1,943,886	$ 2,007	0.1 %
Commercial real estate	3,278,684	3,119,807	158,877	5.1%
Real estate construction	499,560	385,996	113,564	29.4%
Commercial loan balances	5,724,137	5,449,689	274,448	5.0%
Retail loans:				
Retail real estate	1,643,099	1,512,976	130,123	8.6%
Retail other	302,878	226,333	76,545	33.8%
Retail loan balances	1,945,977	1,739,309	206,668	11.9%
Total portfolio loans	7,670,114	7,188,998	481,116	6.7%
ACL	(90,722)	(87,887)	(2,835)	3.2 %
Portfolio loans, net of ACL	$ 7,579,392	$ 7,101,111	$ 478,281	6.7%

Excluding the amortized cost of PPP loans, changes in commercial loan balances were as follows:

	As of September 30, 2022	As of December 31, 2021	Change	% Change
Commercial loan balances	$ 5,724,137	$ 5,449,689	$ 274,448	5.0%
PPP loans amortized cost	(1,426)	(74,958)	73,532	(98.1)%
Commercial loan balances, excluding PPP loans	$ 5,722,711	$ 5,374,731	$ 347,980	6.5%

As of September 30, 2022, the Company has experienced its sixth consecutive quarter of strong core loan[3] growth. As has been our practice, we remain steadfast in our disciplined underwriting.

Allowance and Provision for Credit Losses

The ACL is a significant estimate in our unaudited consolidated financial statements, affecting both earnings and capital. The methodology adopted influences, and is influenced by, Busey Bank's overall credit risk management processes. The ACL is recorded in accordance with GAAP to provide an adequate reserve for expected credit losses that is reflective of management's best estimate of what is expected to be collected. All estimates of credit losses should be based on a careful consideration of all significant factors affecting the collectability as of the evaluation date. The ACL is established through the provision for credit loss expense charged to income.

Provision for credit loss expenses increased for the three months ended September 30, 2022, due to a provision expense of $2.4 million, compared to a provision release of $1.9 million for the same period in 2021. Provision expense increased for the nine months ended September 30, 2022, due to a provision expense of $3.8 million, compared to a provision release of $10.4 million for the same period in 2021. Releases in 2021 reflect a normalization of the reserve balances following a build-up at the onset of the COVID-19.

[3] Core loans is a non-GAAP financial measure. For a reconciliation of non-GAAP measures to the most directly comparable GAAP financial measures, see *"Item 2. Management's Discussion and Analysis—Non-GAAP Financial Information"* included in this Quarterly Report.

The relationship between our portfolio loan balances and our ACL is summarized as follows, as of each of the dates indicated *(dollars in thousands)*:

		As of				
		September 30, 2022	**June 30, 2022**	**March 31, 2022**	**December 31, 2021**	**September 30, 2021**
Portfolio loans	[a]	$ 7,670,114	$ 7,497,778	$ 7,272,873	$ 7,188,998	$ 7,150,635
Non-GAAP adjustments:						
PPP loans amortized cost		(1,426)	(7,616)	(31,769)	(74,958)	(178,231)
Core loans[1]	[b]	$ 7,668,688	$ 7,490,162	$ 7,241,104	$ 7,114,040	$ 6,972,404
ACL	[c]	$ 90,722	$ 88,757	$ 88,213	$ 87,887	$ 92,802
Ratios						
ACL to portfolio loans	[c÷a]	1.18%	1.18%	1.21%	1.22%	1.30%
ACL to core loans[1]	[c÷b]	1.18%	1.18%	1.22%	1.24%	1.33%

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

As of September 30, 2022, management believed the level of the ACL to be appropriate based upon the information available. However, additional losses may be identified in our loan portfolio as new information is obtained. The ongoing impacts of CECL will be dependent upon changes in economic conditions and forecasts, originated and acquired loan portfolio composition, credit performance trends, portfolio duration, and other factors.

Non-performing Loans and Non-performing Assets

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

Typically, loans are secured by collateral. When a loan is classified as non-accrual and determined to be collateral dependent, it is appropriately reserved or charged down through the ACL to the fair value of our interest in the underlying collateral less estimated costs to sell. Our loan portfolio is collateralized primarily by real estate.

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

		As of				
		September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021
Portfolio loans	[a]	$ 7,670,114	$ 7,497,778	$ 7,272,873	$ 7,188,998	$ 7,150,635
Non-GAAP adjustments:						
PPP loans amortized cost		(1,426)	(7,616)	(31,769)	(74,958)	(178,231)
Core loans[1]	[b]	$ 7,668,688	$ 7,490,162	$ 7,241,104	$ 7,114,040	$ 6,972,404
Loans 30 – 89 days past due		$ 6,307	$ 5,157	$ 3,916	$ 6,261	$ 6,446
Total assets	[c]	12,497,388	12,356,433	12,567,509	12,859,689	12,899,330
Non-performing assets						
Non-performing loans:						
Non-accrual loans	[d]	15,425	15,840	12,488	15,946	25,369
Loans 90+ days past due and still accruing		1,229	1,654	197	906	491
Total non-performing loans	[e]	16,654	17,494	12,685	16,852	25,860
OREO and other repossessed assets	[f]	1,219	1,429	3,606	4,416	3,184
Total non-performing assets	[g]	$ 17,873	$ 18,923	$ 16,291	$ 21,268	$ 29,044
Substandard (excludes 90+ days past due)		84,148	84,411	79,962	70,565	51,740
Classified assets	[h]	$ 102,021	$ 103,334	$ 96,253	$ 91,833	$ 80,784
Performing TDRs (includes 30 – 89 days past due)		$ 1,940	$ 2,029	$ 1,771	$ 1,801	$ 2,083
ACL	[i]	$ 90,722	$ 88,757	$ 88,213	$ 87,887	$ 92,802
Bank Tier 1 Capital	[j]	$ 1,288,945	$ 1,265,418	$ 1,247,370	$ 1,241,303	$ 1,238,060
Ratios						
ACL to non-accrual loans	[i÷d]	588.15 %	560.33 %	706.38 %	551.15 %	365.81 %
ACL to non-performing loans	[i÷e]	544.75 %	507.36 %	695.41 %	521.52 %	358.86 %
ACL to non-performing assets	[i÷g]	507.59 %	469.04 %	541.48 %	413.24 %	319.52 %
Non-accrual loans to portfolio loans	[d÷a]	0.20 %	0.21 %	0.17 %	0.22 %	0.35 %
Non-performing loans to portfolio loans	[e÷a]	0.22 %	0.23 %	0.17 %	0.23 %	0.36 %
Non-performing loans to core loans[1]	[e÷b]	0.22 %	0.23 %	0.18 %	0.24 %	0.37 %
Non-performing assets to total assets	[g÷c]	0.14 %	0.15 %	0.13 %	0.17 %	0.23 %
Non-performing assets to portfolio loans and OREO	[g÷(a+f)]	0.23 %	0.25 %	0.22 %	0.30 %	0.41 %
Classified assets to Bank Tier 1 Capital and ACL	[h÷(i+j)]	7.39 %	7.63 %	7.21 %	6.91 %	6.07 %

1. Core loans is a non-GAAP financial measure. For a reconciliation of non-GAAP measures to the most directly comparable GAAP financial measures, see *"Item 2. Management's Discussion and Analysis—Non-GAAP Financial Information"* included in this Quarterly Report.

Asset quality remains strong by both historical as well as present-day industry standards. Non-performing loan balances decreased by 1.2% to $16.7 million as of September 30, 2022, compared with $16.9 million as of December 31, 2021. Continued disciplined credit management resulted in non-performing loans as a percentage of portfolio loans of 0.22% as of September 30, 2022, and 0.23% as of December 31, 2021.

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

Potential Problem Loans

Potential problem loans are loans classified as substandard which are not individually evaluated, 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 expected credit losses. Potential problem loans increased to $83.7 million as of September 30, 2022, compared to $70.5 million as of December 31, 2021. Management continues to monitor these credits and anticipates that restructurings, guarantees, additional collateral, or other planned actions will result in full repayment of the debts. As of September 30, 2022, management identified no other loans that represent or result from trends or uncertainties which would be expected to materially impact future operating results, liquidity, or capital resources.

COVID-19 Modifications

To alleviate some of the financial hardships faced as a result of COVID-19, the Company offered a Financial Relief Program to qualifying customers. The program included options for short-term loan payment deferrals and certain fee waivers. As of September 30, 2022, the Company had no loans remaining on full payment deferral, 8 commercial loans on interest-only payment deferral representing $20.6 million in loans, and one payment deferred retail loan representing $0.1 million in loans. In comparison, the Company had 32 commercial loans on interest-only payment deferral representing $128.7 million in loans, and two payment deferred retail loans representing $0.1 million as of December 31, 2021. As these deferrals expire, the Company will continue to monitor credits for potential problem loans.

Deposits

Total deposits decreased by 1.6% to $10.6 billion as of September 30, 2022, compared to $10.8 billion as of December 31, 2021. We focus on deepening our relationships with customers to foster core deposit[4] growth, allowing us to reduce our reliance on wholesale funding. Core deposits include non-brokered transaction accounts, money market deposit accounts, and time deposits of $250,000 or less. Fluctuations in deposit balances can be attributed to the retention of PPP loan funding in customer deposit accounts, the impacts of fiscal stimulus, inflation and related economic effects on our customers, as well as typical seasonality aspects within our portfolio.

LIQUIDITY

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

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[4] Core deposits is a non-GAAP financial measure. For a reconciliation of non-GAAP measures to the most directly comparable GAAP financial measures, see *"Item 2. Management's Discussion and Analysis—Non-GAAP Financial Information"* included in this Quarterly Report.

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 credit facility, or to utilize brokered deposits, as summarized in the table below *(dollars in thousands)*:

	As of	
	September 30, 2022	December 31, 2021
Additional borrowing capacity available from:		
FHLB	$ 1,824,424	$ 1,536,019
Federal Reserve	752,733	624,627
Revolving credit facility	40,000	40,000
Additional borrowing capacity	$ 2,617,157	$ 2,200,646

As of September 30, 2022, management believed that adequate liquidity existed to meet all projected cash flow obligations. We seek to achieve a satisfactory degree of liquidity by actively managing both assets and liabilities. Asset management guides the proportion of liquid assets to total assets, while liability management monitors future funding requirements and prices liabilities accordingly.

OFF-BALANCE-SHEET ARRANGEMENTS

Busey Bank routinely enters into commitments to extend credit and standby letters of credit in the normal course of business to meet the financing needs of its customers. We had outstanding loan commitments and standby letters of credit of $2.1 billion as of both September 30, 2022, and December 31, 2021. 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.

As of September 30, 2022, our reserve for unfunded commitments was $7.1 million, compared to $6.5 million as of December 31, 2021. We recorded a $0.3 million release of the provision for unfunded commitments for the three months ended September 30, 2022, compared with a provision release of $1.0 million for the same period in 2021. We recorded $0.5 million of expenses for the provision for unfunded commitments for the nine months ended September 30, 2022, compared to provision releases totaling $1.1 million for the same period in 2021.

CAPITAL RESOURCES

Our capital ratios are in excess of those required to be considered "well-capitalized" pursuant to applicable regulatory guidelines. The Federal Reserve Board uses capital adequacy guidelines in its examination and regulation of bank holding companies and their subsidiary banks. Risk-based capital ratios are established by allocating assets and certain off-balance-sheet commitments into risk-weighted categories. These balances are then multiplied by the factor appropriate for that risk-weighted category. In order to refrain from restrictions on dividends, equity repurchases, and discretionary bonus payments, banking institutions must maintain capital in excess of regulatory minimum capital requirements. The table below presents minimum capital ratios that include the capital conservation buffer in comparison to the capital ratios for First Busey and Busey Bank as of September 30, 2022:

	Minimum Capital Requirements with Capital Buffer	As of September 30, 2022	
		First Busey Corporation	Busey Bank
Common Equity Tier 1 Capital to Risk Weighted Assets	7.00 %	11.79 %	14.45 %
Tier 1 Capital to Risk Weighted Assets	8.50 %	12.62 %	14.45 %
Total Capital to Risk Weighted Assets	10.50 %	15.98 %	15.31 %
Leverage Ratio of Tier 1 Capital to Average Assets	6.50 %	9.15 %	10.47 %

For further discussion of capital resources and requirements, see "*Note 7: Regulatory Capital.*"

NON-GAAP FINANCIAL INFORMATION

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

A reconciliation of non-GAAP financial measures to what management believes to be the most directly comparable GAAP financial measures—specifically, net interest income, total noninterest income, net security gains and losses, and total noninterest expense in the case of pre-provision net revenue, adjusted pre-provision net revenue, pre-provision net revenue to average assets, and adjusted pre-provision net revenue to average assets; net income in the case of adjusted net income, adjusted diluted earnings per share, adjusted return on average assets, return on average tangible common equity, and adjusted return on average tangible common equity; net interest income in the case of adjusted net interest income and adjusted net interest margin; net interest income, total noninterest income, and total noninterest expense in the case of adjusted noninterest expense, adjusted core expense, efficiency ratio, adjusted efficiency ratio, and adjusted core efficiency ratio; total stockholders' equity in the case of tangible book value per common share; total assets and total stockholders' equity in the case of tangible common equity and tangible common equity to tangible assets; portfolio loans in the case of core loans and core loans to portfolio loans; total deposits in the case of core deposits and core deposits to total deposits; and portfolio loans and total deposits in the case of core loans to core deposits—appears below.

These non-GAAP disclosures have inherent limitations and are not audited. They should not be considered in isolation or as a substitute for operating 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 or effective rates as appropriate.

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES (unaudited)

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

(dollars in thousands)

		Three Months Ended		Nine Months Ended	
		September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
PRE-PROVISION NET REVENUE					
Net interest income		$ 86,305	$ 70,755	$ 232,289	$ 200,190
Total noninterest income		30,933	33,259	97,724	97,715
Net security (gains) losses		(4)	(57)	2,324	(2,596)
Total noninterest expense		(70,736)	(73,487)	(210,204)	(190,611)
Pre-provision net revenue		46,498	30,470	122,133	104,698
Non-GAAP adjustments:					
Acquisition and other restructuring expenses		957	8,677	2,095	11,710
Provision for unfunded commitments		(320)	(978)	525	(1,068)
Amortization of New Markets Tax Credits		1,665	1,240	4,668	4,308
Adjusted pre-provision net revenue		$ 48,800	$ 39,409	$ 129,421	$ 119,648
Pre-provision net revenue, annualized	[a]	$ 184,476	$ 120,886	$ 163,291	$ 139,981
Adjusted pre-provision net revenue, annualized	[b]	193,609	156,351	173,035	159,969
Average total assets	[c]	12,531,856	12,697,795	12,547,816	11,571,270
Reported: Pre-provision net revenue to average assets[1]	[a÷c]	1.47%	0.95%	1.30%	1.21%
Adjusted: Pre-provision net revenue to average assets[1]	[b÷c]	1.54%	1.23%	1.38%	1.38%

1. Annualized measure.

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES (unaudited)

Adjusted Net Income, Adjusted Diluted Earnings Per Share, Adjusted Return on Average Assets, Return on Average Tangible Common Equity, and Adjusted Return on Average Tangible Common Equity

(dollars in thousands, except per share amounts)

		Three Months Ended		Nine Months Ended	
		September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
NET INCOME ADJUSTED FOR NON-OPERATING ITEMS					
Net income	[a]	$ 35,661	$ 25,941	$ 93,924	$ 93,523
Non-GAAP adjustments:					
Acquisition expenses:					
Salaries, wages, and employee benefits		—	4,462	587	5,587
Data processing		—	3,182	214	3,557
Loss on leases or fixed asset impairment		—	—	—	—
Professional fees, occupancy, and other		4	776	242	2,309
Other restructuring expenses:					
Salaries, wages, and employee benefits		—	257	—	257
Data processing		—	—	—	—
Loss on leases or fixed asset impairment		877	—	976	—
Professional fees, occupancy, and other		76	—	76	—
MSR valuation impairment		—	—	—	—
Related tax benefit		(183)	(1,773)	(399)	(2,402)
TJCA related adjustment		$ —	$ —	$ —	$ —
Adjusted net income	[b]	$ 36,435	$ 32,845	$ 95,620	$ 102,831
DILUTED EARNINGS PER SHARE					
Diluted average common shares outstanding	[c]	56,073,164	56,832,518	56,123,756	55,872,835
Reported: Diluted earnings per share	[a÷c]	$ 0.64	$ 0.46	$ 1.67	$ 1.67
Adjusted: Diluted earnings per share	[b÷c]	$ 0.65	$ 0.58	$ 1.70	$ 1.84
RETURN ON AVERAGE ASSETS					
Net income, annualized	[d]	$ 141,481	$ 102,918	$ 125,576	$ 125,040
Adjusted net income, annualized	[e]	144,552	130,309	127,844	137,485
Average total assets	[f]	12,531,856	12,697,795	12,547,816	11,571,270
Reported: Return on average assets[1]	[d÷f]	1.13 %	0.81 %	1.00 %	1.08 %
Adjusted: Return on average assets[1]	[e÷f]	1.15 %	1.03 %	1.02 %	1.19 %
RETURN ON AVERAGE TANGIBLE COMMON EQUITY					
Average common equity		$ 1,181,448	$ 1,351,416	$ 1,219,645	$ 1,323,571
Average goodwill and other intangible assets, net		(368,981)	(380,885)	(371,873)	(370,829)
Average tangible common equity	[g]	$ 812,467	$ 970,531	$ 847,772	$ 952,742
Reported: Return on average tangible common equity[1]	[d÷g]	17.41 %	10.60 %	14.81 %	13.12 %
Adjusted: Return on average tangible common equity[1]	[e÷g]	17.79 %	13.43 %	15.08 %	14.43 %

1. Annualized measure.

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES (unaudited)

Adjusted Net Interest Income and Adjusted Net Interest Margin

(dollars in thousands)

		Three Months Ended		Nine Months Ended	
		September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Net interest income		$ 86,305	$ 70,755	$ 232,289	$ 200,190
Non-GAAP adjustments:					
Tax-equivalent adjustment		543	598	1,635	1,778
Tax-equivalent net interest income		86,848	71,353	233,924	201,968
Purchase accounting accretion related to business combinations		(830)	(1,799)	(2,588)	(5,682)
Adjusted net interest income		$ 86,018	$ 69,554	$ 231,336	$ 196,286
Tax-equivalent net interest income, annualized	[a]	$ 344,560	$ 283,085	$ 312,756	$ 270,030
Adjusted net interest income, annualized	[b]	341,267	275,948	309,295	262,434
Average interest-earning assets	[c]	11,497,783	11,730,637	11,550,887	10,651,386
Reported: Net interest margin[1]	[a÷c]	3.00 %	2.41 %	2.71 %	2.54 %
Adjusted: Net interest margin[1]	[b÷c]	2.97 %	2.35 %	2.68 %	2.46 %

1. Annualized measure.

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RECONCILIATION OF NON-GAAP FINANCIAL MEASURES (unaudited)

Adjusted Noninterest Expense, Adjusted Core Expense, Efficiency Ratio, Adjusted Efficiency Ratio, and Adjusted Core Efficiency Ratio

(dollars in thousands)

		Three Months Ended		Nine Months Ended	
		September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Net interest income		$ 86,305	$ 70,755	$ 232,289	$ 200,190
Non-GAAP adjustments:					
Tax-equivalent adjustment		543	598	1,635	1,778
Tax-equivalent net interest income		86,848	71,353	233,924	201,968
Total noninterest income		30,933	33,259	97,724	97,715
Non-GAAP adjustments:					
Net security (gains) losses		(4)	(57)	2,324	(2,596)
Noninterest income excluding net securities gains and losses		30,929	33,202	100,048	95,119
Tax-equivalent net interest income plus noninterest income excluding net securities gains and losses	[a]	$ 117,777	$ 104,555	$ 333,972	$ 297,087
Total noninterest expense		70,736	73,487	210,204	190,611
Non-GAAP adjustments:					
Amortization of intangible assets	[b]	(2,871)	(3,149)	(8,833)	(8,200)
Non-interest expense excluding amortization of intangible assets	[c]	67,865	70,338	201,371	182,411
Non-operating adjustments:					
Salaries, wages, and employee benefits		—	(4,719)	(587)	(5,844)
Data processing		—	(3,182)	(214)	(3,557)
Impairment, professional fees, occupancy, and other		(957)	(776)	(1,294)	(2,309)
Adjusted noninterest expense	[f]	66,908	61,661	199,276	170,701
Provision for unfunded commitments		320	978	(525)	1,068
Amortization of New Markets Tax Credits		(1,665)	(1,240)	(4,668)	(4,308)
Adjusted core expense	[g]	$ 65,563	$ 61,399	$ 194,083	$ 167,461
Noninterest expense, excluding non-operating adjustments	[f-b]	69,779	64,810	208,109	178,901
Reported: Efficiency ratio	[c÷a]	57.62 %	67.27 %	60.30 %	61.40 %
Adjusted: Efficiency ratio	[f÷a]	56.81 %	58.97 %	59.67 %	57.46 %
Adjusted: Core efficiency ratio	[g÷a]	55.67 %	58.72 %	58.11 %	56.37 %

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES (unaudited)

Tangible Book Value Per Common Share

(dollars in thousands, except per share amounts)

		As of	
		September 30, 2022	**December 31, 2021**
Total stockholders' equity		$ 1,106,588	$ 1,319,112
Goodwill and other intangible assets, net		(367,091)	(375,924)
Tangible book value	[a]	$ 739,497	$ 943,188
Ending number of common shares outstanding	[b]	55,232	55,435
Tangible book value per common share	[a÷b]	$ 13.39	$ 17.01

Tangible Common Equity and Tangible Common Equity to Tangible Assets

(dollars in thousands)

		As of	
		September 30, 2022	**December 31, 2021**
Total assets		$ 12,497,388	$ 12,859,689
Non-GAAP adjustments:			
Goodwill and other intangible assets, net		(367,091)	(375,924)
Tax effect of other intangible assets[1]		9,369	16,254
Tangible assets	[a]	$ 12,139,666	$ 12,500,019
Total stockholders' equity		$ 1,106,588	$ 1,319,112
Non-GAAP adjustments:			
Goodwill and other intangible assets, net		(367,091)	(375,924)
Tax effect of other intangible assets[1]		9,369	16,254
Tangible common equity	[b]	$ 748,866	$ 959,442
Tangible common equity to tangible assets[2]	[b÷a]	6.17%	7.68%

1. Net of estimated deferred tax liability.
2. Tax-effected measure.

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES (unaudited)

Core Loans, Core Loans to Portfolio Loans,
Core Deposits, Core Deposits to Total Deposits, and Core Loans to Core Deposits

(dollars in thousands)

		As of	
		September 30, 2022	December 31, 2021
Portfolio loans	[a]	$ 7,670,114	$ 7,188,998
Non-GAAP adjustments:			
PPP loans amortized cost		(1,426)	(74,958)
Loans acquired in business combinations, prior to integration		—	—
Core loans	[b]	$ 7,668,688	$ 7,114,040
Total deposits	[c]	10,601,397	10,768,577
Non-GAAP adjustments:			
Brokered transaction accounts		(2,006)	(2,248)
Time deposits of $250,000 or more		(103,534)	(137,449)
Deposits acquired in business combinations, prior to integration		—	—
Core deposits	[d]	$ 10,495,857	$ 10,628,880
RATIOS			
Core loans to portfolio loans	[b÷a]	99.98%	98.96%
Core deposits to total deposits	[d÷c]	99.00%	98.70%
Core loans to core deposits	[b÷d]	73.06%	66.93%

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 First Busey's financial condition, results of operations, plans, objectives, future performance, and business. Forward-looking statements, which may be based upon beliefs, expectations, and assumptions of 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 effects of inflationary pressures and supply chain constraints); (ii) the economic impact of any future terrorist threats or attacks, widespread disease or pandemics (including the COVID-19 pandemic), or other adverse external events that could cause economic deterioration or instability in credit markets (including Russia's invasion of Ukraine); (iii) changes in state and federal laws, regulations, and governmental policies concerning First Busey's general business; (iv) changes in interest rates and prepayment rates of First Busey's assets (including the impact of the LIBOR phase-out) (v) increased competition in the financial services sector and the inability to attract new customers; (vi) changes in technology and the ability to develop and maintain secure and reliable electronic systems; (vii) the loss of key executives or associates; (viii) changes in consumer spending; (ix) 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; (x) unexpected outcomes of existing or new litigation involving First Busey; (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 First Busey and our business, including additional factors that could materially affect our financial results, is included in our filings with the SEC.

CRITICAL ACCOUNTING ESTIMATES

First Busey has established various accounting policies that govern the application of GAAP in the preparation of its unaudited consolidated financial statements. Significant accounting policies are described in *"Note 1. Significant Accounting Policies"* of the Company's 2021 Annual Report.

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 our critical accounting estimates. Management has reviewed these critical accounting estimates and related disclosures with our Audit Committee. The following accounting policies could be deemed critical:

Fair Value of Debt Securities Available for Sale

The fair values of debt securities available for sale are measurements from an independent pricing service and are based on observable data that may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, live trading levels, trade execution data, market consensus prepayment speeds, credit information, and the security's terms and conditions, among other things. 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 unaudited Consolidated Statements of Income. The cost of securities sold is based on the specific identification method.

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

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

- Extent to which the fair value is less than the amortized cost basis;

- Adverse conditions specifically related to the security, an industry, or a geographic area (for example, changes in the financial condition of the issuer of the security, or in the case of an asset-backed debt security, in the financial condition of the underlying loan obligors);

- Payment structure of the debt security and the likelihood of the issuer being able to make payments that increase in the future;

- Failure of the issuer of the security to make scheduled interest or principal payments; and

- Any changes to the rating of the security by a rating agency.

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

Fair Value of Assets Acquired and Liabilities Assumed in Business Combinations

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

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

Goodwill

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

Income Taxes

First Busey estimates income tax expense based on amounts expected to be owed to federal and state tax jurisdictions. Estimated income tax expense is reported in the 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 Credit Losses

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

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

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

As interest rate changes do not impact all categories of assets and liabilities equally or simultaneously, the asset-liability committee primarily relies on balance sheet and income simulation analysis to determine the potential impact of changes in market interest rates on net interest income. In these standard simulation models, the balance sheet is projected over a one-year and a two-year time horizon and net interest income is calculated under current market rates and assuming permanent instantaneous shifts of +/-100, +/-200 and +/-300 basis points. As of December 31, 2021, a downward adjustment in federal fund rates was not meaningful due to the low interest rate environment at that time. 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					
	-300	-200	- 100	+100	+200	+300
September 30, 2022	(22.39)%	(13.99)%	(5.83)%	4.60%	9.17%	13.76%
December 31, 2021	NM	NM	NM	8.77%	17.19%	25.64%

	Year-Two: Basis Point Changes					
	-300	-200	- 100	+100	+200	+300
September 30, 2022	(27.75)%	(17.09)%	(7.21)%	5.52%	11.12%	16.78%
December 31, 2021	NM	NM	NM	9.51%	18.22%	26.84%

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

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

An evaluation of our disclosure controls and procedures, as defined in Rule 13a-15(e) under the Exchange Act, was carried out as of September 30, 2022, under the supervision and with the participation of our Chief Executive Officer, Chief Financial Officer, and several other members of our senior management. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of September 30, 2022, our disclosure controls and procedures were effective in ensuring that the information we are required to disclose in the reports we file or submit under the Exchange Act was (i) accumulated and communicated to our management (including the Chief Executive Officer and Chief Financial Officer) to allow timely decisions regarding required disclosure, and (ii) recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms.

Changes in Internal Control over Financial Reporting

During the three months ended September 30, 2022, no change occurred in our internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

As part of the ordinary course of business, First Busey 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 *Part I—Item 1A* of First Busey's 2021 Annual Report.

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. 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, and on February 5, 2020, First Busey's board of directors approved another amendment to increase the authorized shares under the repurchase program by an additional 2,000,000 shares. During the third quarter of 2022, the Company purchased 130,000 shares under the plan. As of September 30, 2022, the Company had 147,210 shares that may still be purchased under the plan.

Period	Total Number of Shares Purchased	Weighted Average Price Paid per Common Share	Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares That May Yet Be Purchased Under the Plans or Programs
July 1-31, 2022	106,000	$ 23.58	106,000	171,210
August 1-31, 2022	24,000	$ 24.50	24,000	147,210
September 1-30, 2022	—	$ —	—	147,210
Three months ended September 30, 2022	130,000	$ 23.75	130,000	
Nine months ended September 30, 2022	388,614	$ 25.50	388,614	

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit Number	Description of Exhibit	Filed Herewith
31.1	Certification of Principal Executive Officer, pursuant to Rule 13a-14(a) and Rule 15d-14(a)	X
31.2	Certification of Principal Financial Officer, pursuant to Rule 13a-14(a) and Rule 15d-14(a)	X
32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, from First Busey's Chief Executive Officer	X
32.2	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, from First Busey's Chief Financial Officer	X
101.INS	iXBRL Instance Document	
101.SCH	iXBRL Taxonomy Extension Schema	
101.CAL	iXBRL Taxonomy Extension Calculation Linkbase	
101.LAB	iXBRL Taxonomy Extension Label Linkbase	
101.PRE	iXBRL Taxonomy Extension Presentation Linkbase	
101.DEF	iXBRL Taxonomy Extension Definition Linkbase	
104.0	Cover Page Interactive Data File (formatted as inline XBRL with applicable taxonomy extension information contained in Exhibits 101)	

SIGNATURES

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

Date: November 3, 2022	**FIRST BUSEY CORPORATION** (Registrant)
	By: /s/ VAN A. DUKEMAN Van A. Dukeman Chairman, President and Chief Executive Officer (Principal Executive Officer)
	By: /s/ JEFFREY D. JONES Jeffrey D. Jones Chief Financial Officer (Principal Financial Officer)
	By: /s/ LYNETTE M. STRODE Lynette M. Strode Principal Accounting Officer

EXHIBIT 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

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

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

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

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

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

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

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

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

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

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

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

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

/s/ VAN A. DUKEMAN

Van A. Dukeman
Chairman, President and Chief Executive Officer

Date: November 3, 2022

EXHIBIT 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, Jeffrey D. Jones, Chief Financial Officer of First Busey Corporation, certify that:

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

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

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

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

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

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

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

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

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

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

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

/s/ JEFFREY D. JONES

Jeffrey D. Jones
Chief Financial Officer

Date: November 3, 2022

EXHIBIT 32.1

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

CERTIFICATION

I hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the accompanying Quarterly Report of First Busey Corporation on Form 10-Q for the quarter ended September 30, 2022, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in such Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of First Busey Corporation as of and for the periods covered by the Quarterly Report.

/s/ VAN A. DUKEMAN

Van A. Dukeman

Chairman, President and Chief Executive Officer

Date: November 3, 2022

EXHIBIT 32.2

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

CERTIFICATION

I hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the accompanying Quarterly Report of First Busey Corporation on Form 10-Q for the quarter ended September 30, 2022, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in such Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of First Busey Corporation as of and for the periods covered by the Quarterly Report.

/s/ JEFFREY D. JONES

Jeffrey D. Jones
Chief Financial Officer

Date: November 3, 2022