# 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 June 30, 2022**

☐ **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.**<br>**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 ☐

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

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

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

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

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

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

| Class | Outstanding at August 4, 2022 |
|---|---|
| Common Stock, $.001 par value | 55,217,703 |

**FIRST BUSEY CORPORATION**
**FORM 10-Q**
**June 30, 2022**

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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 |
| 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 |
| 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 |

| Term | Definition |
|---|---|
| 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

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

| | As of | |
|---|---|---|
| | **June 30, 2022** | **December 31, 2021** |
| **Assets** | | |
| Cash and cash equivalents: | | |
| Cash and due from banks | $ 131,113 | $ 102,983 |
| Interest-bearing deposits | 99,739 | 733,112 |
| Total cash and cash equivalents | 230,852 | 836,095 |
| Debt securities available for sale | 2,744,646 | 3,981,251 |
| Debt securities held to maturity | 953,012 | — |
| Equity securities | 11,264 | 13,571 |
| Loans held for sale (2022 at LOCOM, 2021 at fair value) | 4,813 | 23,875 |
| Portfolio loans (net of ACL of $88,757 at June 30, 2022, and $87,887 at December 31, 2021) | 7,409,021 | 7,101,111 |
| Premises and equipment, net | 130,892 | 136,147 |
| Right of use assets | 8,615 | 10,533 |
| Goodwill | 317,873 | 317,873 |
| Other intangible assets, net | 52,089 | 58,051 |
| Cash surrender value of bank owned life insurance | 178,575 | 176,940 |
| Other assets | 314,781 | 204,242 |
| **Total assets** | $ 12,356,433 | $ 12,859,689 |
| **Liabilities and Stockholders' Equity** | | |
| **Liabilities** | | |
| Deposits: | | |
| Noninterest-bearing | $ 3,505,299 | $ 3,670,267 |
| Interest-bearing | 6,891,929 | 7,098,310 |
| Total deposits | 10,397,228 | 10,768,577 |
| Securities sold under agreements to repurchase | 228,383 | 270,139 |
| Short-term borrowings | 16,396 | 17,678 |
| Long-term debt | 36,000 | 46,056 |
| Senior notes, net of unamortized issuance costs | — | 39,944 |
| Subordinated notes, net of unamortized issuance costs | 281,304 | 182,773 |
| Junior subordinated debt owed to unconsolidated trusts | 71,721 | 71,635 |
| Lease liabilities | 8,655 | 10,591 |
| Other liabilities | 154,789 | 133,184 |
| Total liabilities | 11,194,476 | 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 | 1,317,675 | 1,316,984 |
| Retained earnings | 124,685 | 92,463 |
| AOCI | (211,107) | (23,758) |
| Total stockholders' equity before treasury stock | 1,231,311 | 1,385,747 |
| Treasury stock at cost | (69,354) | (66,635) |
| Total stockholders' equity | 1,161,957 | 1,319,112 |
| **Total liabilities and stockholders' equity** | $ 12,356,433 | $ 12,859,689 |
| **Shares** | | |
| Common shares issued | 58,116,970 | 58,116,970 |
| Less treasury shares | (2,781,267) | (2,682,060) |
| Common shares outstanding | 55,335,703 | 55,434,910 |

See accompanying notes to unaudited consolidated financial statements.

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

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| **Interest income** | | | | |
| Interest and fees on loans | $ 65,567 | $ 61,404 | $ 126,449 | $ 123,969 |
| Interest and dividends on investment securities: | | | | |
| Taxable interest income | 15,840 | 9,081 | 29,934 | 17,692 |
| Non-taxable interest income | 831 | 958 | 1,669 | 1,963 |
| Other interest income | 358 | 245 | 635 | 395 |
| Total interest income | 82,596 | 71,688 | 158,687 | 144,019 |
| **Interest expense** | | | | |
| Deposits | 2,146 | 3,295 | 4,270 | 7,027 |
| Federal funds purchased and securities sold under agreements to repurchase | 147 | 60 | 206 | 117 |
| Short-term borrowings | 147 | 64 | 236 | 83 |
| Long-term debt | 261 | 116 | 487 | 145 |
| Senior notes | 237 | 399 | 637 | 799 |
| Subordinated notes | 3,022 | 2,480 | 5,505 | 4,956 |
| Junior subordinated debt owed to unconsolidated trusts | 708 | 732 | 1,362 | 1,457 |
| Total interest expense | 6,668 | 7,146 | 12,703 | 14,584 |
| Net interest income | 75,928 | 64,542 | 145,984 | 129,435 |
| Provision for credit losses | 1,653 | (1,700) | 1,400 | (8,496) |
| Net interest income after provision for credit losses | 74,275 | 66,242 | 144,584 | 137,931 |
| **Noninterest income** | | | | |
| Wealth management fees | 14,135 | 13,002 | 29,914 | 25,586 |
| Fees for customer services | 9,588 | 8,611 | 18,495 | 16,648 |
| Payment technology solutions | 4,888 | 4,530 | 9,965 | 9,151 |
| Mortgage revenue | 284 | 1,747 | 1,259 | 4,413 |
| Income on bank owned life insurance | 874 | 1,476 | 1,758 | 2,440 |
| Realized net gains (losses) on securities | 20 | 94 | 126 | 119 |
| Unrealized net gains (losses) recognized on equity securities | (1,734) | 804 | (2,454) | 2,420 |
| Other income | 2,964 | 2,747 | 7,728 | 3,679 |
| Total noninterest income | 31,019 | 33,011 | 66,791 | 64,456 |
| **Noninterest expense** | | | | |
| Salaries, wages, and employee benefits | 38,110 | 34,889 | 77,464 | 65,273 |
| Data processing | 5,375 | 4,819 | 10,353 | 9,099 |
| Net occupancy expense of premises | 4,720 | 4,246 | 9,787 | 8,809 |
| Furniture and equipment expenses | 2,045 | 2,066 | 4,075 | 4,092 |
| Professional fees | 1,607 | 2,311 | 3,114 | 4,256 |
| Amortization of intangible assets | 2,951 | 2,650 | 5,962 | 5,051 |
| Interchange expense | 1,487 | 1,442 | 3,032 | 2,926 |
| Other expense | 12,797 | 10,202 | 25,681 | 17,618 |
| Total noninterest expense | 69,092 | 62,625 | 139,468 | 117,124 |
| Income before income taxes | 36,202 | 36,628 | 71,907 | 85,263 |
| Income taxes | 6,378 | 6,862 | 13,644 | 17,681 |
| **Net income** | $ 29,824 | $ 29,766 | $ 58,263 | $ 67,582 |
| **Basic earnings per common share** | $ 0.54 | $ 0.54 | $ 1.05 | $ 1.23 |
| **Diluted earnings per common share** | $ 0.53 | $ 0.53 | $ 1.04 | $ 1.22 |
| **Dividends declared per share of common stock** | $ 0.23 | $ 0.23 | $ 0.46 | $ 0.46 |

See accompanying notes to unaudited consolidated financial statements.

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

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| Net income | $ 29,824 | $ 29,766 | $ 58,263 | $ 67,582 |
| 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 $27,162, ($2,700), $56,888, and $9,293, respectively | (68,126) | 6,769 | (142,682) | (23,310) |
| 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 ($1), $1, $29, and $8, respectively | 3 | (2) | (73) | (20) |
| Amortization of unrealized losses on securities transferred to held to maturity, net of taxes of ($629), $—, ($881), and $—, respectively | 1,578 | — | 2,209 | — |
| Net change in unrealized gains (losses) on debt securities available for sale | (66,545) | 6,767 | (175,190) | (23,330) |
| Unrealized gains (losses) on cash flow hedges: | | | | |
| Net unrealized holding gains (losses) on cash flow hedges, net of taxes of $2,612, $28, $4,543, and ($136), respectively | (6,550) | (69) | (11,395) | 341 |
| Reclassification adjustment for realized (gains) losses on cash flow hedges included in net income, net of taxes of $160, ($82), $303, and ($161), respectively | (407) | 206 | (764) | 405 |
| Net change in unrealized gains (losses) on cash flow hedges | (6,957) | 137 | (12,159) | 746 |
| Net change in AOCI | (73,502) | 6,904 | (187,349) | (22,584) |
| Total comprehensive income (loss) | $ (43,678) | $ 36,670 | $ (129,086) | $ 44,998 |

See accompanying notes to unaudited consolidated financial statements.

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

| | Three Months Ended June 30, 2022 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Shares | Common Stock | Additional Paid-in Capital | Retained Earnings | Accumulated Other Comprehensive Income (Loss) | Treasury Stock | Total Stockholders' Equity |
| Balance, March 31, 2022 | 55,278,785 | $ 58 | $ 1,318,701 | $ 107,890 | $ (137,605) | $ (71,019) | $ 1,218,025 |
| Net income | — | — | — | 29,824 | — | — | 29,824 |
| OCI, net of tax | — | — | — | — | (73,502) | — | (73,502) |
| Repurchase of stock | (70,000) | — | — | — | — | (1,604) | (1,604) |
| Issuance of treasury stock for ESPP | 13,900 | — | (88) | — | — | 358 | 270 |
| Net issuance of treasury stock for restricted/deferred stock unit vesting and related tax | 113,018 | — | (3,590) | — | — | 2,911 | (679) |
| Cash dividends on common stock at $0.23 per share | — | — | — | (12,713) | — | — | (12,713) |
| Stock dividend equivalents on RSUs at $0.23 per share | — | — | 316 | (316) | — | — | — |
| Stock-based compensation | — | — | 2,336 | — | — | — | 2,336 |
| Balance, June 30, 2022 | 55,335,703 | $ 58 | $ 1,317,675 | $ 124,685 | $ (211,107) | $ (69,354) | $ 1,161,957 |

| | Six Months Ended June 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 | — | — | — | 58,263 | — | — | 58,263 |
| OCI, net of tax | — | — | — | — | (187,349) | — | (187,349) |
| Repurchase of stock | (258,614) | — | — | — | — | (6,824) | (6,824) |
| Issuance of treasury stock for ESPP | 39,040 | — | (194) | — | — | 1,005 | 811 |
| Net issuance of treasury stock for RSU/DSU vesting and related tax | 120,367 | — | (3,949) | — | — | 3,100 | (849) |
| Cash dividends on common stock at $0.46 per share | — | — | — | (25,452) | — | — | (25,452) |
| Stock dividend equivalents on RSUs at $0.46 per share | — | — | 589 | (589) | — | — | — |
| Stock-based compensation | — | — | 4,245 | — | — | — | 4,245 |
| Balance, June 30, 2022 | 55,335,703 | $ 58 | $ 1,317,675 | $ 124,685 | $ (211,107) | $ (69,354) | $ 1,161,957 |

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

| | Three Months Ended June 30, 2021 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Shares | Common Stock | Additional Paid-in Capital | Retained Earnings (Accumulated Deficit) | Accumulated Other Comprehensive Income (Loss) | Treasury Stock | Total Stockholders' Equity |
| Balance, March 31, 2021 | 54,345,379 | $ 56 | $ 1,255,044 | $ 45,897 | $ 3,821 | $ (38,996) | $ 1,265,822 |
| Net income | — | — | — | 29,766 | — | — | 29,766 |
| OCI, net of tax | — | — | — | — | 6,904 | — | 6,904 |
| Stock issued in acquisition, net of stock issuance costs | 2,206,237 | 2 | 58,982 | — | — | — | 58,984 |
| Repurchase of stock | (221,000) | — | — | — | — | (5,738) | (5,738) |
| Cash dividends on common stock at $0.23 per share | — | — | — | (12,484) | — | — | (12,484) |
| Stock dividend equivalents on RSUs at $0.23 per share | — | — | 253 | (253) | — | — | — |
| Stock-based compensation | — | — | 2,437 | — | — | — | 2,437 |
| Balance, June 30, 2021 | 56,330,616 | $ 58 | $ 1,316,716 | $ 62,926 | $ 10,725 | $ (44,734) | $ 1,345,691 |

| | Six Months Ended June 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 | — | — | — | 67,582 | — | — | 67,582 |
| OCI, net of tax | — | — | — | — | (22,584) | — | (22,584) |
| Stock issued in acquisition, net of stock issuance costs | 2,206,237 | 2 | 58,982 | | | | 58,984 |
| Repurchase of stock | (280,000) | — | — | — | — | (7,248) | (7,248) |
| Cash dividends on common stock at $0.46 per share | — | — | — | (24,997) | — | — | (24,997) |
| Stock dividend equivalents on RSUs at $0.46 per share | — | — | 489 | (489) | — | — | — |
| Stock-based compensation | — | — | 3,885 | — | — | — | 3,885 |
| Balance, June 30, 2021 | 56,330,616 | $ 58 | $ 1,316,716 | $ 62,926 | $ 10,725 | $ (44,734) | $ 1,345,691 |

See accompanying notes to unaudited consolidated financial statements.

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

| | Six Months Ended June 30, | |
|---|---|---|
| | 2022 | 2021 |
| **Cash Flows Provided by (Used in) Operating Activities** | | |
| Net income | $ 58,263 | $ 67,582 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | |
| Provision for credit losses | 1,400 | (8,496) |
| Amortization of intangible assets | 5,962 | 5,051 |
| Amortization of mortgage servicing rights | 1,901 | 2,961 |
| Amortization of NMTC | 3,003 | 3,068 |
| Depreciation and amortization of premises and equipment | 5,438 | 5,709 |
| Net amortization (accretion) on portfolio loans | 1,140 | (5,757) |
| Net amortization (accretion) of premium (discount) on investment securities | 11,069 | 10,460 |
| Net amortization (accretion) of premium (discount) on time deposits | (227) | (550) |
| Net amortization (accretion) of premium (discount) on FHLB advances and other borrowings | 577 | 416 |
| Impairment of OREO and other repossessed assets | 611 | — |
| Impairment of fixed assets held for sale | 100 | — |
| Impairment of mortgage servicing rights | (9) | (506) |
| Impairment of leases | 84 | — |
| Unrealized (gains) losses recognized on equity securities | 2,454 | (2,420) |
| (Gain) loss on sales of equity securities, net | (24) | — |
| (Gain) loss on sales of debt securities, net | (102) | (119) |
| (Gain) loss on sales of loans, net | (1,451) | (6,133) |
| (Gain) loss on sales of OREO | 39 | 161 |
| (Gain) loss on sales of premises and equipment | (679) | (986) |
| (Gain) loss on life insurance proceeds | — | (488) |
| (Increase) decrease in cash surrender value of bank owned life insurance | (1,758) | (1,953) |
| Provision for deferred income taxes | (2) | 3,804 |
| Stock-based compensation | 4,245 | 3,885 |
| Mortgage loans originated for sale | (47,305) | (157,670) |
| Proceeds from sales of mortgage loans | 67,586 | 188,216 |
| Net change in operating assets and liabilities: | | |
| (Increase) decrease in other assets | (30,313) | (12,063) |
| Increase (decrease) in other liabilities | (8,320) | (14,260) |
| Net cash provided by (used in) operating activities | $ 73,682 | $ 79,912 |
| | | |
| **Cash Flows Provided by (Used in) Investing Activities** | | |
| Purchases of equity securities | $ (5,948) | $ (5,998) |
| Purchases of debt securities available for sale | (279,831) | (1,274,797) |
| Proceeds from sales of equity securities | 6,546 | 1,235 |
| Proceeds from sales of debt securities available for sale | — | 290,955 |
| Proceeds from paydowns and maturities of debt securities held to maturity | 33,894 | — |
| Proceeds from paydowns and maturities of debt securities available for sale | 273,524 | 424,725 |
| Net cash received in (paid for) acquisitions (see Note 2) | — | 236,981 |
| Net (increase) decrease in loans | (310,582) | 81,441 |
| Cash paid for premiums on bank-owned life insurance | (96) | (113) |
| Proceeds from life insurance | 219 | 3,227 |
| Purchases of premises and equipment | (2,672) | (3,093) |
| Proceeds from disposition of premises and equipment | 3,068 | 5,158 |
| Proceeds from sales of OREO | 2,469 | 1,410 |
| Net cash provided by (used in) investing activities | $ (279,409) | $ (238,869) |

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

| | Six Months Ended June 30, | |
|---|---|---|
| | 2022 | 2021 |
| **Cash Flows Provided by (Used in) Financing Activities** | | |
| Net increase (decrease) in deposits | $ (371,122) | $ 335,422 |
| Net change in federal funds purchased and securities sold under agreements to repurchase | (41,756) | 15,001 |
| Proceeds from FHLB advances | — | 5,000 |
| Repayment of FHLB advances | (5,336) | (4,327) |
| Proceeds from other borrowings, net of debt issuance costs | 98,094 | 72,500 |
| Repayment of other borrowings | (46,000) | — |
| Cash dividends paid | (25,452) | (24,997) |
| Purchase of treasury stock | (6,824) | (7,248) |
| Cash paid for withholding taxes on stock-based payments | (849) | — |
| Issuance of treasury stock for ESPP | (271) | — |
| Common stock issuance costs | — | (121) |
| Net cash provided by (used in) financing activities | $ (399,516) | $ 391,230 |
| **Net increase (decrease) in cash and cash equivalents** | (605,243) | 232,273 |
| **Cash and cash equivalents, beginning of period** | 836,095 | 688,537 |
| **Cash and cash equivalents, ending of period** | $ 230,852 | $ 920,810 |
| **SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION** | | |
| **Cash payments for:** | | |
| Interest | $ 13,452 | $ 11,571 |
| Income taxes | 20,366 | 19,156 |
| **Non-cash investing and financing activities:** | | |
| OREO acquired in settlement of loans | 132 | 137 |
| 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 $12.4 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 six months ended June 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 is 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 $7.8 million in PPP loans outstanding, with an amortized cost of $7.6 million, as of June 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. There were no significant subsequent events for the quarter ended June 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 has 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. There were no fair value adjustments recorded during the three or six months ended June 30, 2022, and fair values are now final.

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 is expected to be 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 June 30, 2022, First Busey did not incur any pre-tax acquisition expenses related to the acquisition of CAC. During the six months ended June 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.

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Estimated 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 June 30, 2022 | | | |
|---|---|---|---|---|
| | Amortized Cost | Unrealized Gross Gains | Unrealized Gross Losses | Fair Value |
| **Debt securities available for sale** | | | | |
| U.S. Treasury securities | $ 151,222 | $ 1 | $ (4,083) | $ 147,140 |
| Obligations of U.S. government corporations and agencies | 29,867 | 53 | (81) | 29,839 |
| Obligations of states and political subdivisions | 305,545 | 455 | (18,388) | 287,612 |
| Asset-backed securities | 490,932 | — | (22,803) | 468,129 |
| Commercial mortgage-backed securities | 105,584 | — | (7,222) | 98,362 |
| Residential mortgage-backed securities | 1,599,774 | 50 | (158,667) | 1,441,157 |
| Corporate debt securities | 293,667 | 49 | (21,309) | 272,407 |
| Total debt securities available for sale | $ 2,976,591 | $ 608 | $ (232,553) | $ 2,744,646 |
| | | | | |
| **Debt securities held to maturity** | | | | |
| Commercial mortgage-backed securities | $ 492,924 | $ — | $ (38,687) | $ 454,237 |
| Residential mortgage-backed securities | 460,088 | — | (37,587) | 422,501 |
| Total debt securities held to maturity | $ 953,012 | $ — | $ (76,274) | $ 876,738 |

| | As of December 31, 2021 | | | |
|---|---|---|---|---|
| | Amortized Cost | Unrealized Gross Gains | Unrealized Gross Losses | Fair Value |
| **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 June 30, 2022 | |
|---|---|---|
| | Amortized Cost | Fair Value |
| **Debt securities available for sale** | | |
| Due in one year or less | $ 191,190 | $ 189,295 |
| Due after one year through five years | 421,603 | 399,194 |
| Due after five years through ten years | 326,834 | 307,336 |
| Due after ten years | 2,036,964 | 1,848,821 |
| Debt securities available for sale | $ 2,976,591 | $ 2,744,646 |
| | | |
| **Debt securities held to maturity** | | |
| Due after one year through five years | 48,232 | 46,533 |
| Due after five years through ten years | 66,107 | 61,995 |
| Due after ten years | 838,673 | 768,210 |
| Debt securities held to maturity | $ 953,012 | $ 876,738 |

***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 June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| **Realized gains and losses on debt securities** | | | | |
| Gross gains on debt securities | $ 1 | $ 499 | $ 114 | $ 524 |
| Gross (losses) on debt securities | (5) | (405) | (12) | (405) |
| Realized net gains (losses) on debt securities [1] | $ (4) | $ 94 | $ 102 | $ 119 |

[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 $685.2 million on June 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 June 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 | $ 21,976 | $ (154) | $ 124,094 | $ (3,929) | $ 146,070 | $ (4,083) |
| Obligations of U.S. government corporations and agencies | 17,078 | (81) | — | — | 17,078 | (81) |
| Obligations of states and political subdivisions | 192,737 | (16,868) | 11,056 | (1,520) | 203,793 | (18,388) |
| Asset-backed securities | 465,293 | (22,632) | 2,835 | (171) | 468,128 | (22,803) |
| Commercial mortgage-backed securities | 91,564 | (6,560) | 6,798 | (662) | 98,362 | (7,222) |
| Residential mortgage-backed securities | 1,035,112 | (96,222) | 399,554 | (62,445) | 1,434,666 | (158,667) |
| Corporate debt securities | 178,170 | (14,790) | 83,656 | (6,519) | 261,826 | (21,309) |
| Debt securities available for sale with gross unrealized losses | $ 2,001,930 | $ (157,307) | $ 627,993 | $ (75,246) | $ 2,629,923 | $ (232,553) |
| **Debt securities held to maturity** | | | | | | |
| Commercial mortgage-backed securities | $ 241,060 | $ (19,840) | $ 213,177 | $ (18,847) | $ 454,237 | $ (38,687) |
| Residential mortgage-backed securities | 382,897 | (33,909) | 39,603 | (3,678) | 422,500 | (37,587) |
| Debt securities held to maturity with gross unrealized losses | $ 623,957 | $ (53,749) | $ 252,780 | $ (22,525) | $ 876,737 | $ (76,274) |

| | 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 June 30, 2022 | | |
|---|---|---|---|
| | Available for Sale | Held to Maturity | Total |
| Debt securities with gross unrealized losses, fair value | $ 2,629,923 | $ 876,737 | $ 3,506,660 |
| Gross unrealized losses on debt securities | $ 232,553 | $ 76,274 | $ 308,827 |
| Ratio of gross unrealized losses to debt securities with gross unrealized losses | 8.8 % | 8.7 % | 8.8 % |
| Count of debt securities | 1,177 | 55 | 1,232 |
| Count of debt securities in an unrealized loss position | 881 | 55 | 936 |

| | 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 June 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 | |
|---|---|---|
| | June 30, 2022 | December 31, 2021 |
| **Portfolio loans** | | |
| Commercial | $ 1,919,680 | $ 1,943,886 |
| Commercial real estate | 3,228,090 | 3,119,807 |
| Real estate construction | 466,185 | 385,996 |
| Retail real estate | 1,590,913 | 1,512,976 |
| Retail other | 292,910 | 226,333 |
| Total portfolio loans | 7,497,778 | 7,188,998 |
| ACL | (88,757) | (87,887) |
| Portfolio loans, net | $ 7,409,021 | $ 7,101,111 |

Net deferred loan origination costs included in the balances above were $12.9 million as of June 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 $7.2 million as of June 30, 2022, and $8.8 million as of December 31, 2021. Commercial balances include loans originated under the PPP with an amortized cost of $7.6 million as of June 30, 2022, and $75.0 million as of December 31, 2021.

There were no retail real estate loans purchased during the three or six months ended June 30, 2022. In comparison, the Company purchased $32.2 million of retail real estate loans during the three and six months ended June 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 June 30, 2022 | | | | | |
|---|---|---|---|---|---|---|
| | Pass | Watch | Special Mention | Substandard | Substandard Non-accrual | Total |
| **Portfolio loans** | | | | | | |
| Commercial | $ 1,743,101 | $ 86,902 | $ 44,434 | $ 38,425 | $ 6,818 | $ 1,919,680 |
| Commercial real estate | 2,867,188 | 265,920 | 47,867 | 40,879 | 6,236 | 3,228,090 |
| Real estate construction | 450,887 | 12,848 | 3 | 2,400 | 47 | 466,185 |
| Retail real estate | 1,574,634 | 7,847 | 2,022 | 3,759 | 2,651 | 1,590,913 |
| Retail other | 292,822 | — | — | — | 88 | 292,910 |
| Total portfolio loans | $ 6,928,632 | $ 373,517 | $ 94,326 | $ 85,463 | $ 15,840 | $ 7,497,778 |

| | 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 June 30, 2022 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Term Loans Amortized Cost Basis by Origination Year | | | | | | Revolving | |
| **Risk Grade Ratings** | **2022** | **2021** | **2020** | **2019** | **2018** | **Prior** | **Loans** | **Total** |
| **Commercial** | | | | | | | | |
| Pass | $ 318,589 | $ 351,192 | $ 154,862 | $ 65,399 | $ 57,255 | $ 159,597 | $ 636,207 | $ 1,743,101 |
| Watch | 16,715 | 21,174 | 3,974 | 8,795 | 1,416 | 3,106 | 31,722 | 86,902 |
| Special Mention | 1,754 | 737 | 1,458 | 1,011 | 3,301 | 17,611 | 18,562 | 44,434 |
| Substandard | 3,332 | 1,408 | 2,754 | 7,212 | 597 | 5,486 | 17,636 | 38,425 |
| Substandard non-accrual | — | 3,766 | 326 | 139 | — | 519 | 2,068 | 6,818 |
| Total commercial | 340,390 | 378,277 | 163,374 | 82,556 | 62,569 | 186,319 | 706,195 | 1,919,680 |
| **Commercial real estate** | | | | | | | | |
| Pass | 594,333 | 921,519 | 529,485 | 341,259 | 186,369 | 273,412 | 20,811 | 2,867,188 |
| Watch | 44,855 | 26,003 | 50,638 | 95,099 | 20,877 | 22,983 | 5,465 | 265,920 |
| Special Mention | 5,777 | 5,412 | 13,455 | 842 | 6,630 | 15,482 | 269 | 47,867 |
| Substandard | 11,864 | 12,820 | 3,009 | 1,814 | 10,419 | 953 | — | 40,879 |
| Substandard non-accrual | — | 4,210 | 162 | — | 1,851 | 13 | — | 6,236 |
| Total commercial real estate | 656,829 | 969,964 | 596,749 | 439,014 | 226,146 | 312,843 | 26,545 | 3,228,090 |
| **Real estate construction** | | | | | | | | |
| Pass | 131,894 | 187,283 | 86,891 | 23,572 | 2,495 | 2,256 | 16,496 | 450,887 |
| Watch | 3,299 | 4,592 | 3,419 | 51 | — | 1,487 | — | 12,848 |
| Special Mention | — | — | — | 3 | — | — | — | 3 |
| Substandard | — | — | 2,400 | — | — | — | — | 2,400 |
| Substandard non-accrual | — | — | 47 | — | — | — | — | 47 |
| Total real estate construction | 135,193 | 191,875 | 92,757 | 23,626 | 2,495 | 3,743 | 16,496 | 466,185 |
| **Retail real estate** | | | | | | | | |
| Pass | 253,800 | 472,480 | 187,596 | 82,372 | 64,928 | 302,911 | 210,547 | 1,574,634 |
| Watch | 1,196 | 1,185 | 1,990 | 1,584 | 1,168 | 134 | 590 | 7,847 |
| Special Mention | 144 | 1,878 | — | — | — | — | — | 2,022 |
| Substandard | — | 1,184 | 215 | 87 | 15 | 2,175 | 83 | 3,759 |
| Substandard non-accrual | — | 436 | 115 | — | 43 | 1,653 | 404 | 2,651 |
| Total retail real estate | 255,140 | 477,163 | 189,916 | 84,043 | 66,154 | 306,873 | 211,624 | 1,590,913 |
| **Retail other** | | | | | | | | |
| Pass | 103,386 | 51,497 | 17,208 | 19,075 | 10,189 | 3,438 | 88,029 | 292,822 |
| Substandard non-accrual | — | 88 | — | — | — | — | — | 88 |
| Total retail other | 103,386 | 51,585 | 17,208 | 19,075 | 10,189 | 3,438 | 88,029 | 292,910 |
| **Total portfolio loans** | $ 1,490,938 | $ 2,068,864 | $ 1,060,004 | $ 648,314 | $ 367,553 | $ 813,216 | $ 1,048,889 | $ 7,497,778 |

**FIRST BUSEY CORPORATION**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**

| | As of December 31, 2021 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Term Loans Amortized Cost Basis by Origination Year | | | | | | Revolving | |
| **Risk Grade Ratings** | **2021** | **2020** | **2019** | **2018** | **2017** | **Prior** | **Loans** | **Total** |
| **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 June 30, 2022 | | | |
|---|---|---|---|---|
| | Loans past due, still accruing | | | Non-accrual |
| | 30-59 Days | 60-89 Days | 90+Days | Loans |
| **Past due and non-accrual loans** | | | | |
| Commercial | $ 209 | $ 24 | $ 625 | $ 6,818 |
| Commercial real estate | 356 | — | — | 6,236 |
| Real estate construction | — | — | — | 47 |
| Retail real estate | 2,428 | 1,990 | 1,019 | 2,651 |
| Retail other | 143 | 7 | 10 | 88 |
| Total past due and non-accrual loans | $ 3,136 | $ 2,021 | $ 1,654 | $ 15,840 |

| | As of December 31, 2021 | | | |
|---|---|---|---|---|
| | Loans past due, still accruing | | | Non-accrual |
| | 30-59 Days | 60-89 Days | 90+Days | Loans |
| **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 $0.5 million for the three and six months ended June 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 $0.4 million and $0.9 million for the three and six months ended June 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 June 30, 2022, and was $0.4 million for the six months ended June 30, 2022. The amount of interest collected on those loans and recognized on a cash basis that was included in interest income was insignificant for the three and six months ended June 30, 2021.

***Troubled Debt Restructurings***

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

| | As of | |
|---|---|---|
| | June 30, 2022 | December 31, 2021 |
| **TDRs** | | |
| In compliance with modified terms | $ 2,017 | $ 1,801 |
| 30 – 89 days past due | 12 | — |
| Non-performing TDRs | 508 | 551 |
| Total TDRs | $ 2,537 | $ 2,352 |

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

| | Three Months Ended June 30, 2022 | | | Six Months Ended June 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 | $ — | $ 446 | 1 | $ — | $ 446 |

| | Three Months Ended June 30, 2021 | | | Six Months Ended June 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 | $ 463 | $ — |

(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 June 30, 2022, or 2021, that had subsequent defaults during the three or six months ended June 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 six months ended June 30, 2022, and 2021, if TDRs had performed in accordance with their original terms compared with their modified terms, was insignificant.

As of June 30, 2022, the Company had $0.8 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 June 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 | 11 | $ 31,925 | 32 | $ 128,730 |
| Retail loans: | | | | |
| Mortgage and personal loan deferrals | 1 | 99 | 2 | 137 |
| Total COVID-19 loans modifications | 12 | $ 32,024 | 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 June 30, 2022 | | | | | |
|---|---|---|---|---|---|---|
| | Unpaid Principal Balance | Recorded Investment With No Allowance | Recorded Investment With Allowance | Recorded Investment Total | Related Allowance | Average Recorded Investment |
| **Loans evaluated individually** | | | | | | |
| Commercial | $ 10,282 | $ 932 | $ 6,092 | $ 7,024 | $ 2,826 | $ 8,317 |
| Commercial real estate | 8,099 | 1,923 | 4,100 | 6,023 | 2,000 | 5,748 |
| Real estate construction | 262 | 262 | — | 262 | — | 272 |
| Retail real estate | 2,290 | 2,121 | 25 | 2,146 | 25 | 2,890 |
| Total loans evaluated individually | $ 20,933 | $ 5,238 | $ 10,217 | $ 15,455 | $ 4,851 | $ 17,227 |

| | As of December 31, 2021 | | | | | |
|---|---|---|---|---|---|---|
| | Unpaid Principal Balance | Recorded Investment With No Allowance | Recorded Investment With Allowance | Recorded Investment Total | Related Allowance | Average Recorded Investment |
| **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 |

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 $4.1 million and $7.9 million of collateral dependent loans secured by real estate or business assets as of June 30, 2022, and December 31, 2021, respectively.

***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. As of June 30, 2022, the Company expects continued economic uncertainty in the markets in which it operates, and around levels of delinquencies, over the next 12 months. Management adjusted the historical loss experience for these expectations with an immediate reversion to historical loss rate beyond this forecast period. 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 June 30, 2022 | | | | | |
|---|---|---|---|---|---|---|
| | Commercial | Commercial Real Estate | Real Estate Construction | Retail Real Estate | Retail Other | Total |
| ACL balance, March 31, 2022 | $ 24,173 | $ 37,339 | $ 5,705 | $ 17,555 | $ 3,441 | $ 88,213 |
| Provision for credit losses | (743) | 1,028 | (63) | 312 | 1,119 | 1,653 |
| Charged-off | (208) | (1,372) | — | (17) | (82) | (1,679) |
| Recoveries | 137 | 187 | 27 | 134 | 85 | 570 |
| ACL balance, June 30, 2022 | $ 23,359 | $ 37,182 | $ 5,669 | $ 17,984 | $ 4,563 | $ 88,757 |

| | Six Months Ended June 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 | (492) | (190) | 447 | 142 | 1,493 | 1,400 |
| Charged-off | (208) | (1,372) | — | (33) | (191) | (1,804) |
| Recoveries | 204 | 495 | 120 | 286 | 169 | 1,274 |
| ACL balance, June 30, 2022 | $ 23,359 | $ 37,182 | $ 5,669 | $ 17,984 | $ 4,563 | $ 88,757 |

| | Three Months Ended June 30, 2021 | | | | | |
|---|---|---|---|---|---|---|
| | Commercial | Commercial Real Estate | Real Estate Construction | Retail Real Estate | Retail Other | Total |
| ACL balance, March 31, 2021 | $ 23,025 | $ 43,306 | $ 6,879 | $ 19,978 | $ 755 | $ 93,943 |
| Day 1 PCD (1) | 3,546 | 336 | — | 129 | 167 | 4,178 |
| Provision for credit losses | (1,420) | (3,390) | 671 | 404 | 2,035 | (1,700) |
| Charged-off | (1,000) | (317) | — | (157) | (64) | (1,538) |
| Recoveries | 205 | 39 | 49 | 151 | 83 | 527 |
| ACL balance, June 30, 2021 | $ 24,356 | $ 39,974 | $ 7,599 | $ 20,505 | $ 2,976 | $ 95,410 |

| | Six Months Ended June 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 | (2,084) | (6,085) | (579) | (1,873) | 2,125 | (8,496) |
| Charged-off | (1,262) | (620) | (209) | (160) | (251) | (2,502) |
| Recoveries | 290 | 113 | 194 | 417 | 168 | 1,182 |
| ACL balance, June 30, 2021 | $ 24,356 | $ 39,974 | $ 7,599 | $ 20,505 | $ 2,976 | $ 95,410 |

(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 June 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 | $ 1,912,656 | $ 7,024 | $ 1,919,680 | $ 20,533 | $ 2,826 | $ 23,359 |
| Commercial real estate | 3,222,067 | 6,023 | 3,228,090 | 35,182 | 2,000 | 37,182 |
| Real estate construction | 465,923 | 262 | 466,185 | 5,669 | — | 5,669 |
| Retail real estate | 1,588,767 | 2,146 | 1,590,913 | 17,959 | 25 | 17,984 |
| Retail other | 292,910 | — | 292,910 | 4,563 | — | 4,563 |
| Portfolio loans and related ACL | $ 7,482,323 | $ 15,455 | $ 7,497,778 | $ 83,906 | $ 4,851 | $ 88,757 |

| | 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 | |
|---|---|---|
| | June 30, 2022 | December 31, 2021 |
| **Deposits** | | |
| Demand deposits, noninterest-bearing | $ 3,505,299 | $ 3,670,267 |
| Interest-bearing transaction deposits | 2,751,722 | 2,720,417 |
| Saving deposits and money market deposits | 3,322,386 | 3,442,244 |
| Time deposits | 817,821 | 935,649 |
| Total deposits | $ 10,397,228 | $ 10,768,577 |

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

| | As of | |
|---|---|---|
| | June 30, 2022 | December 31, 2021 |
| Brokered savings deposits and money market deposits | $ 2,002 | $ 2,248 |
| Brokered time deposits | 271 | 266 |
| Aggregate amount of time deposits with a minimum denomination of $100,000 | 390,287 | 454,649 |
| Aggregate amount of time deposits with a minimum denomination that meets or exceeds the FDIC insurance limit of $250,000 | 117,958 | 137,449 |

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

| | As of June 30, 2022 |
|---|---|
| **Time deposits by schedule of maturities** | |
| Remainder of 2022 | $ 362,919 |
| 2023 | 315,505 |
| 2024 | 89,743 |
| 2025 | 21,570 |
| 2026 | 18,018 |
| 2027 | 9,413 |
| Thereafter | 653 |
| Time deposits | $ 817,821 |

**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 | |
|---|---|---|
| | June 30, 2022 | December 31, 2021 |
| Securities sold under agreements to repurchase | $ 228,383 | $ 270,139 |
| Weighted average rate for securities sold under agreements to repurchase | 0.55 % | 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 June 30, 2022, there was no balance outstanding on the revolving credit facility and a total of $48.0 million outstanding on the term loan, of which $12.0 million was short-term and $36.0 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 | |
|---|---|---|
| | June 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 | $ 4,396 | $ 5,678 |
| Term Loan, current portion due within 12 months | 12,000 | 12,000 |
| Total short-term debt | $ 16,396 | $ 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 June 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 | |
|---|---|---|
| | June 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 | 36,000 | 42,000 |
| Total long-term debt | $ 36,000 | $ 46,056 |

As of December 31, 2021, funds borrowed from the FHLB, listed above, consisted of one variable-rate note maturing 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 mature on May 25, 2027. The subordinated notes bore interest at an annual rate of 4.75% for the first five years after issuance and thereafter bear interest at a floating rate equal to the three-month LIBOR plus a spread of 2.919%, as calculated on each applicable determination date. The subordinated notes were payable semi-annually on each May 25 and November 25, commencing on November 25, 2017, during the five-year fixed-term, and thereafter are payable on February 25, May 25, August 25, and November 25 of each year, commencing on August 25, 2022. The subordinated notes have an optional redemption in whole or in part on any interest payment date on or after May 25, 2022, and the Company anticipates redeeming $60.0 million during the third quarter of 2022. The full balance of the subordinated notes 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 senior notes were, and the subordinated notes are, unsecured obligations of the Company.

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 due 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 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 | |
|---|---|---|
| | June 30, 2022 | December 31, 2021 |
| **Unamortized debt issuance costs** | | |
| Senior notes issued in 2017 | $ — | $ 56 |
| Subordinated notes issued in 2017 | 338 | 549 |
| Subordinated notes issued in 2020 | 1,452 | 1,678 |
| Subordinated notes issued in 2022 | 1,906 | — |
| Total unamortized debt issuance costs | $ 3,696 | $ 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 June 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 June 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, 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 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 have an optional redemption in whole or in part on any interest payment date on or after May 25, 2022, and the Company anticipates redeeming 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 due 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 June 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 | $ 1,031,356 | 11.77 % | $ 394,196 | 4.50 % | $ 569,394 | 6.50 % |
| Busey Bank | $ 1,265,418 | 14.50 % | $ 392,637 | 4.50 % | $ 567,142 | 6.50 % |
| **Tier 1 Capital to Risk Weighted Assets** | | | | | | |
| Consolidated | $ 1,105,356 | 12.62 % | $ 525,594 | 6.00 % | $ 700,792 | 8.00 % |
| Busey Bank | $ 1,265,418 | 14.50 % | $ 523,516 | 6.00 % | $ 698,021 | 8.00 % |
| **Total Capital to Risk Weighted Assets** | | | | | | |
| Consolidated | $ 1,452,813 | 16.58 % | $ 700,792 | 8.00 % | $ 875,990 | 10.00 % |
| Busey Bank | $ 1,339,875 | 15.36 % | $ 698,021 | 8.00 % | $ 872,526 | 10.00 % |
| **Leverage Ratio of Tier 1 Capital to Average Assets** | | | | | | |
| Consolidated | $ 1,105,356 | 9.03 % | $ 489,513 | 4.00 % | N/A | N/A |
| Busey Bank | $ 1,265,418 | 10.37 % | $ 488,139 | 4.00 % | $ 610,174 | 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 six months ended June 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 | (220) | 23.53 | |
| Options outstanding at June 30, 2022 | 31,166 | $ 23.53 | 4.38 |
| Options exercisable at June 30, 2022 | 31,166 | $ 23.53 | 4.38 |

***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 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 six months ended June 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 | 25.79 | 32,658 | 25.79 |
| Dividend equivalents earned | 22,800 | 24.52 | — | — | 2,797 | 24.38 |
| Vested | (136,084) | 29.27 | — | — | (39,065) | 24.67 |
| Forfeited | (23,966) | 23.65 | (2,339) | 24.30 | — | — |
| Nonvested at June 30, 2022 | 1,167,160 | $ 23.62 | 306,816 | $ 24.71 | 30,525 | $ 25.76 |
| | | | | | | |
| Vested and outstanding at June 30, 2022 | | | | | 115,208 | $ 22.80 |

(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 estimated to be $2.0 million and will be recognized in compensation expense over the performance period ending December 31, 2024. The Company expects to finalize the grant date fair value of these awards in the third quarter of 2022.

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, 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 six months ended June 30, 2022, or 2021. As of June 30, 2022, the Company did not have any unrecognized stock option 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 June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| **Stock-based compensation expense** | | | | |
| RSU awards | $ 1,273 | $ 1,816 | $ 2,449 | $ 3,046 |
| PSU awards | 758 | 268 | 1,170 | 328 |
| DSU awards | 257 | 353 | 483 | 511 |
| 2021 ESPP | 48 | — | 143 | — |
| Total stock-based compensation expense | $ 2,336 | $ 2,437 | $ 4,245 | $ 3,885 |

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

| | As of | |
|---|---|---|
| | June 30, 2022 | December 31, 2021 |
| **Unamortized stock-based compensation** | | |
| RSU awards | $ 11,273 | $ 10,204 |
| PSU awards | 4,973 | 1,547 |
| DSU awards | 568 | 209 |
| Total unamortized stock-based compensation | $ 16,814 | $ 11,960 |
| | | |
| Weighted average period over which expense is to be recognized | 2.8 yrs | 2.9 yrs |

***Shares Available for Issuance Under Stock-based Compensation Plans***

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

| | Shares Remaining Available for Issuance Pursuant to the Plan |
|---|---|
| 2020 Equity Plan | 644,174 |
| 2021 Employee Stock Purchase Plan | 530,570 |

**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 | |
|---|---|---|
| | June 30, 2022 | December 31, 2021 |
| **Financial instruments whose contract amounts represent credit risk** | | |
| Commitments to extend credit | $ 1,994,872 | $ 1,983,655 |
| Standby letters of credit | 32,482 | 32,552 |
| Total commitments | $ 2,027,354 | $ 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.

The Company was holding collateral of $19.8 million to secure its obligation under derivative contracts as of June 30, 2022. The Company pledged $28.6 million and $27.3 million in cash to secure its obligation under derivative contracts as of June 30, 2022, and December 31, 2021, respectively.

***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 June 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, the Company entered into one $300.0 million interest rate swap to reduce our balance sheet asset sensitive profile and to lock in earnings in the event future interest rate hikes do not materialize (Loan Swap). 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)*:

| | | As of | |
|---|---|---|---|
| | **Location** | **June 30, 2022** | **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 | | 1.83 % | 0.20 % |
| Weighted average maturity, in years | | 2.21 yrs | 2.71 yrs |
| **Loan Swap** | | | |
| Notional amount | | $ 300,000 | $ — |
| Weighted average fixed receive rates | | 4.45 % | — % |
| Weighted average variable Prime pay rates | | 4.81 % | — % |
| Weighted average maturity, in years | | 6.61 yrs | — yrs |
| **Gross aggregate fair value of the swaps** | | | |
| Gross aggregate fair value of swap assets | Other assets | $ 1,412 | $ — |
| Gross aggregate fair value of swap liabilities | Other liabilities | $ 19,296 | $ 958 |
| **Balances carried in AOCI** | | | |
| Unrealized gains (losses) on cash flow hedges, net of tax | AOCI | $ (12,844) | $ (685) |

The Company expects $0.1 million of unrealized gains to be reclassified from OCI to interest income. 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 June 30, 2022.

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

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| Interest income (expense) on swap transactions | $ 567 | $ (288) | $ 1,067 | $ (566) |

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 June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| **Unrealized gains (losses) on cash flow hedges** | | | | |
| Gain (loss) recognized in OCI, net of tax | $ (6,550) | $ (69) | $ (11,395) | $ 341 |
| (Gain) loss reclassified from OCI to interest expense, net of tax | (407) | 206 | (764) | 405 |
| Net change in unrealized gains (losses) on cash flow hedges | $ (6,957) | $ 137 | $ (12,159) | $ 746 |

***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 $443.8 million and $491.4 million as of June 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 June 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 | $ 74,892 | $ 1,798 | $ 368,937 | $ 21,761 |
| Interest rate swaps – pay fixed, receive floating | 368,937 | 21,761 | 74,892 | 1,798 |
| Total derivatives not designated as hedging instruments | $ 443,829 | $ 23,559 | $ 443,829 | $ 23,559 |

| | 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)*:

| | Location | Three Months Ended June 30, 2022 | Three Months Ended June 30, 2021 | Six Months Ended June 30, 2022 | Six Months Ended June 30, 2021 |
|---|---|---|---|---|---|
| **Interest rate swaps** | | | | | |
| Pay floating, receive fixed | Noninterest expense | $ 7,025 | $ 1,264 | $ 3,475 | $ (9,331) |
| Pay fixed, receive floating | Noninterest expense | (7,025) | (1,264) | (3,475) | 9,331 |
| 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 one risk participation agreement in conjunction with a loan participation with another financial institution. This risk participation agreement matures in 2028, and is summarized as follows *(dollars in thousands)*:

| | As of June 30, 2022 | As of December 31, 2021 |
|---|---|---|
| Risk participation agreement: | | |
| Notional amount | $ 3,946 | $ 3,990 |
| Fair value | 3 | 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 June 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 | $ 7,201 | $ 151 | $ 19,384 | $ 206 |
| Forward sales commitments | Other assets | 931 | 4 | 1,884 | 10 |
| Mortgage banking derivatives recorded in other assets | | $ 8,132 | $ 155 | $ 21,268 | $ 216 |
| **Derivatives with negative fair value** | | | | | |
| Interest rate lock commitments | Other liabilities | $ 527 | $ 2 | $ 499 | $ 6 |
| Forward sales commitments | Other liabilities | 11,551 | 217 | 41,002 | 439 |
| Mortgage banking derivatives recorded in other liabilities | | $ 12,078 | $ 219 | $ 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 June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|---|
| | Location | 2022 | 2021 | 2022 | 2021 |
| **Net gains (losses)** | | | | | |
| Interest rate lock commitments | Mortgage revenue | $ 134 | $ 493 | $ 149 | $ 965 |
| Forward sales commitments | Mortgage revenue | (319) | (1,358) | (213) | (2,178) |
| Net gains (losses) | | $ (185) | $ (865) | $ (64) | $ (1,213) |

**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 June 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 June 30, 2022 | | | |
|---|---|---|---|---|
| | Level 1 Inputs | Level 2 Inputs | Level 3 Inputs | Total Fair Value |
| Debt securities available for sale: | | | | |
| U.S. Treasury securities | $ — | $ 147,140 | $ — | $ 147,140 |
| Obligations of U.S. government corporations and agencies | — | 29,839 | — | 29,839 |
| Obligations of states and political subdivisions | — | 287,612 | — | 287,612 |
| Asset-backed securities | — | 468,129 | — | 468,129 |
| Commercial mortgage-backed securities | — | 98,362 | — | 98,362 |
| Residential mortgage-backed securities | — | 1,441,157 | — | 1,441,157 |
| Corporate debt securities | — | 272,407 | — | 272,407 |
| Equity securities | — | 11,264 | — | 11,264 |
| Derivative assets | — | 25,126 | 3 | 25,129 |
| Derivative liabilities | — | 43,074 | — | 43,074 |

| | 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***

Loans Evaluated Individually

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).

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.

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 June 30, 2022 | | | |
|---|---|---|---|---|
| | **Level 1 Inputs** | **Level 2 Inputs** | **Level 3 Inputs** | **Total Fair Value** |
| Loans evaluated individually, net of related allowance | $ — | $ — | $ 5,366 | $ 5,366 |
| 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 June 30, 2022 | | | |
|---|---|---|---|---|
| | **Fair Value Estimate** | **Valuation Techniques** | **Unobservable Input** | **Range (Weighted Average)** |
| **Quantitative Information about Level 3 Fair Value Measurements** | | | | |
| Loans evaluated individually, net of related allowance | $ 5,366 | Appraisal of collateral | Appraisal adjustments | -39.8% to -100.0% (-47.5)% |
| OREO with subsequent impairment | 274 | Appraisal of collateral | Appraisal adjustments | -16.0% to -100.0% (-35.4)% |
| 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 Estimate** | **Valuation Techniques** | **Unobservable Input** | **Range (Weighted Average)** |
| **Quantitative Information about Level 3 Fair Value Measurements** | | | | |
| 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 June 30, 2022 | | As of December 31, 2021 | |
|---|---|---|---|---|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| **Financial assets** | | | | |
| Level 1 inputs: | | | | |
| Cash and cash equivalents | $ 230,852 | $ 230,852 | $ 836,095 | $ 836,095 |
| Level 2 inputs: | | | | |
| Debt securities held to maturity | 953,012 | 876,738 | — | — |
| Loans held for sale [1] | 4,813 | 4,818 | — | — |
| Accrued interest receivable | 32,886 | 32,886 | 31,064 | 31,064 |
| Level 3 inputs: | | | | |
| Portfolio loans, net | 7,409,021 | 7,293,303 | 7,101,111 | 7,161,466 |
| Mortgage servicing rights | 7,282 | 17,967 | 8,608 | 12,133 |
| Other servicing rights | 1,829 | 2,235 | 1,830 | 2,268 |
| | | | | |
| **Financial liabilities** | | | | |
| Level 2 inputs: | | | | |
| Time deposits | $ 817,821 | $ 800,416 | $ 935,649 | $ 935,778 |
| Securities sold under agreements to repurchase | 228,383 | 228,383 | 270,139 | 270,139 |
| Short-term borrowings | 16,396 | 16,480 | 17,678 | 17,673 |
| Long-term debt | 36,000 | 36,101 | 46,056 | 46,164 |
| Junior subordinated debt owed to unconsolidated trusts | 71,721 | 61,349 | 71,635 | 63,586 |
| Accrued interest payable | 1,978 | 1,978 | 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 | 281,304 | 280,275 | 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 June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| Net income | $ 29,824 | $ 29,766 | $ 58,263 | $ 67,582 |
| | | | | |
| Weighted average number of common shares outstanding, basic | 55,421,887 | 55,050,071 | 55,424,776 | 54,762,563 |
| Dilutive effect of common stock equivalents: | | | | |
| Options | — | 2,806 | 2,284 | 1,453 |
| Warrants | 1,686 | 1,789 | 1,770 | 1,746 |
| RSU awards | 655,368 | 667,181 | 679,471 | 614,660 |
| PSU awards | 14,534 | 2,888 | 15,456 | 1,444 |
| DSU awards | 3,039 | 6,148 | 16,206 | 3,076 |
| ESPP | 7,503 | — | 9,503 | — |
| Weighted average number of common shares outstanding, diluted | 56,104,017 | 55,730,883 | 56,149,466 | 55,384,942 |
| | | | | |
| Basic earnings per common share | $ 0.54 | $ 0.54 | $ 1.05 | $ 1.23 |
| Diluted earnings per common share | $ 0.53 | $ 0.53 | $ 1.04 | $ 1.22 |

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 June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| **Anti-dilutive common stock equivalents** | | | | |
| Options | 31,166 | — | 15,583 | — |
| RSU awards | 155,649 | — | 77,824 | 106,213 |
| PSU awards | 278,472 | 86,080 | 259,962 | 100,482 |
| DSU awards | — | — | — | 15,485 |
| Total anti-dilutive common stock equivalents | 465,287 | 86,080 | 353,369 | 222,180 |

## 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 June 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 | $ (184,233) | $ 52,515 | $ (131,718) | $ 7,547 | $ (2,151) | $ 5,396 |
| Unrealized holding gains (losses) on debt securities available for sale, net | (95,288) | 27,162 | (68,126) | 9,469 | (2,700) | 6,769 |
| Amounts reclassified from AOCI, net | 4 | (1) | 3 | (3) | 1 | (2) |
| Amortization of unrealized losses on securities transferred to held to maturity | 2,207 | (629) | 1,578 | — | — | — |
| Balance at end of period | $ (277,310) | $ 79,047 | $ (198,263) | $ 17,013 | $ (4,850) | $ 12,163 |
| **Unrealized gains (losses) on cash flow hedges** | | | | | | |
| Balance at beginning of period | $ (8,234) | $ 2,347 | $ (5,887) | $ (2,203) | $ 628 | $ (1,575) |
| Unrealized holding gains (losses) on cash flow hedges, net | (9,162) | 2,612 | (6,550) | (97) | 28 | (69) |
| Amounts reclassified from AOCI, net | (567) | 160 | (407) | 288 | (82) | 206 |
| Balance at end of period | $ (17,963) | $ 5,119 | $ (12,844) | $ (2,012) | $ 574 | $ (1,438) |
| Total AOCI | $ (295,273) | $ 84,166 | $ (211,107) | $ 15,001 | $ (4,276) | $ 10,725 |

| | Six Months Ended June 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 | (199,570) | 56,888 | (142,682) | (32,603) | 9,293 | (23,310) |
| 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 | (102) | 29 | (73) | (28) | 8 | (20) |
| Amortization of unrealized losses on securities transferred to held to maturity | 3,090 | (881) | 2,209 | — | — | — |
| Balance at end of period | $ (277,310) | $ 79,047 | $ (198,263) | $ 17,013 | $ (4,850) | $ 12,163 |
| **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 | (15,938) | 4,543 | (11,395) | 477 | (136) | 341 |
| Amounts reclassified from AOCI, net | (1,067) | 303 | (764) | 566 | (161) | 405 |
| Balance at end of period | $ (17,963) | $ 5,119 | $ (12,844) | $ (2,012) | $ 574 | $ (1,438) |
| Total AOCI | $ (295,273) | $ 84,166 | $ (211,107) | $ 15,001 | $ (4,276) | $ 10,725 |

**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 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 As of | | Total Assets As of | |
|---|---|---|---|---|
| | June 30, 2022 | December 31, 2021 | June 30, 2022 | December 31, 2021 |
| **Operating segment** | | | | |
| Banking | $ 294,773 | $ 294,773 | $ 12,226,414 | $ 12,746,833 |
| FirsTech | 8,992 | 8,992 | 47,209 | 47,481 |
| Wealth Management | 14,108 | 14,108 | 75,985 | 65,587 |
| Other | — | — | 6,825 | (212) |
| Consolidated total | $ 317,873 | $ 317,873 | $ 12,356,433 | $ 12,859,689 |

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| **Net interest income** | | | | |
| Banking | $ 80,072 | $ 68,250 | $ 153,904 | $ 136,705 |
| FirsTech | 17 | 21 | 35 | 41 |
| Other | (4,161) | (3,729) | (7,955) | (7,311) |
| Total net interest income | $ 75,928 | $ 64,542 | $ 145,984 | $ 129,435 |
| **Noninterest income** | | | | |
| Banking | $ 13,982 | $ 14,938 | $ 29,268 | $ 27,822 |
| FirsTech | 5,336 | 4,809 | 10,755 | 9,670 |
| Wealth Management | 14,135 | 13,000 | 29,911 | 25,587 |
| Other | (2,434) | 264 | (3,143) | 1,377 |
| Total noninterest income | $ 31,019 | $ 33,011 | $ 66,791 | $ 64,456 |
| **Noninterest expense** | | | | |
| Banking | $ 54,380 | $ 48,421 | $ 109,947 | $ 90,512 |
| FirsTech | 4,809 | 4,277 | 9,492 | 8,567 |
| Wealth Management | 7,586 | 6,717 | 15,851 | 13,282 |
| Other | 2,317 | 3,210 | 4,178 | 4,763 |
| Total noninterest expense | $ 69,092 | $ 62,625 | $ 139,468 | $ 117,124 |
| **Income before income taxes** | | | | |
| Banking | $ 38,021 | $ 36,467 | $ 71,825 | $ 82,511 |
| FirsTech | 544 | 553 | 1,298 | 1,144 |
| Wealth Management | 6,549 | 6,283 | 14,060 | 12,305 |
| Other | (8,912) | (6,675) | (15,276) | (10,697) |
| Total income before income taxes | $ 36,202 | $ 36,628 | $ 71,907 | $ 85,263 |
| **Net income** | | | | |
| Banking | $ 30,499 | $ 29,238 | $ 56,950 | $ 64,766 |
| FirsTech | 397 | 401 | 947 | 830 |
| Wealth Management | 5,092 | 4,884 | 10,932 | 9,566 |
| Other | (6,164) | (4,757) | (10,566) | (7,580) |
| Total net income | $ 29,824 | $ 29,766 | $ 58,263 | $ 67,582 |

**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 | |
|---|---|---|
| | **June 30, 2022** | **December 31, 2021** |
| **Lease balances** | | |
| Right of use assets | $ 8,615 | $ 10,533 |
| Lease liabilities | 8,655 | 10,591 |
| | | |
| **Supplemental information** | | |
| Year through which lease terms extend | 2031 | 2031 |
| Weighted average remaining lease term (in years) | 6.25 | 6.47 |
| Weighted average discount rate | 2.04 % | 2.16 % |

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

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | **2022** | **2021** | **2022** | **2021** |
| **Lease costs** | | | | |
| Operating lease costs | $ 582 | $ 608 | $ 1,199 | $ 1,172 |
| Variable lease costs | 94 | 126 | 222 | 300 |
| Short-term lease costs | 6 | 16 | 10 | 34 |
| Total lease cost [(1)] | $ 682 | $ 750 | $ 1,431 | $ 1,506 |
| | | | | |
| **Cash flows related to leases** | | | | |
| Cash paid for amounts included in the measurement of lease liabilities: | | | | |
| Operating lease cash flows – Fixed payments | $ 738 | $ 590 | $ 1,369 | $ 1,136 |
| Operating lease cash flows – Liability reduction | 692 | 546 | 1,277 | 1,041 |
| Right of use assets obtained during the period in exchange for operating lease liabilities | — | 1,462 | 55 | 1,610 |

(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 June 30, 2022 |
|---|---|
| **Rent commitments** | |
| Remainder of 2022 | $ 1,066 |
| 2023 | 1,833 |
| 2024 | 1,500 |
| 2025 | 1,265 |
| 2026 | 995 |
| 2027 | 701 |
| Thereafter | 1,853 |
| Total undiscounted cash flows | 9,213 |
| Less: Amounts representing interest | 558 |
| Present value of net future minimum lease payments | $ 8,655 |

***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 June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| Rental income | $ 143 | $ 87 | $ 373 | $ 131 |

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

**Table of Contents**

## OVERVIEW

First Busey is a $12.4 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 six months ended June 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.

## 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 | | Six Months Ended | |
|---|---|---|---|---|---|
| | | June 30, 2022 | June 30, 2021 | June 30, 2022 | June 30, 2021 |
| **Reported:** | Net income | $ 29,824 | $ 29,766 | $ 58,263 | $ 67,582 |
| **Adjusted:** | Net income (1) | $ 30,081 | $ 31,921 | $ 59,185 | $ 69,986 |
| **Reported:** | Diluted earnings per common share | $ 0.53 | $ 0.53 | $ 1.04 | $ 1.22 |
| **Adjusted:** | Diluted earnings per common share (1) | $ 0.54 | $ 0.57 | $ 1.05 | $ 1.26 |
| **Reported:** | Return on average assets (2) | 0.96 % | 1.05 % | 0.94 % | 1.24 % |
| **Adjusted:** | Return on average assets (1), (2) | 0.97 % | 1.12 % | 0.95 % | 1.28 % |
| **Reported:** | Return on average tangible common equity (1), (2) | 14.50 % | 12.26 % | 13.57 % | 14.44 % |
| **Adjusted:** | Return on average tangible common equity (1), (2) | 14.62 % | 13.14 % | 13.79 % | 14.96 % |
| **Reported:** | Pre-provision net revenue (1) | $ 39,569 | $ 34,030 | $ 75,635 | $ 74,228 |
| **Adjusted:** | Pre-provision net revenue (1) | $ 41,267 | $ 37,486 | $ 80,621 | $ 80,239 |
| **Reported:** | Pre-provision net revenue to average assets (1), (2) | 1.27 % | 1.20 % | 1.21 % | 1.36 % |
| **Adjusted:** | Pre-provision net revenue to average assets (1), (2) | 1.33 % | 1.32 % | 1.29 % | 1.47 % |

(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 six months ended June 30, 2022, included $0.3 million and $1.1 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 June 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 | $ 230,129 | $ 358 | 0.62 % | $ 505,223 | $ 245 | 0.19 % |
| Investment securities: | | | | | | |
| U.S. Government obligations | 187,785 | 281 | 0.60 % | 151,612 | 476 | 1.26 % |
| Obligations of states and political subdivisions [1] | 293,276 | 1,947 | 2.66 % | 296,201 | 1,908 | 2.58 % |
| Other securities | 3,359,950 | 14,664 | 1.75 % | 2,583,437 | 7,909 | 1.23 % |
| Loans held for sale | 3,089 | 32 | 4.16 % | 22,393 | 146 | 2.62 % |
| Portfolio loans [1], [2] | 7,378,969 | 65,860 | 3.58 % | 6,889,551 | 61,583 | 3.59 % |
| Total interest-earning assets [1], [3] | $ 11,453,198 | $ 83,142 | 2.91 % | $ 10,448,417 | $ 72,267 | 2.77 % |
| | | | | | | |
| Cash and due from banks | 121,568 | | | 142,242 | | |
| Premises and equipment | 133,242 | | | 135,760 | | |
| ACL | (88,753) | | | (96,626) | | |
| Other assets | 832,815 | | | 768,862 | | |
| Total assets | $ 12,452,070 | | | $ 11,398,655 | | |
| | | | | | | |
| **Liabilities and Stockholders' Equity** | | | | | | |
| Interest-bearing transaction deposits | $ 2,662,976 | $ 500 | 0.08 % | $ 2,479,380 | $ 495 | 0.08 % |
| Savings and money market deposits | 3,459,414 | 692 | 0.08 % | 2,911,791 | 705 | 0.10 % |
| Time deposits | 848,693 | 954 | 0.45 % | 1,041,165 | 2,095 | 0.81 % |
| Federal funds purchased and repurchase agreements | 235,733 | 147 | 0.25 % | 204,417 | 60 | 0.12 % |
| Borrowings [4] | 296,168 | 3,667 | 4.97 % | 257,770 | 3,059 | 4.76 % |
| Junior subordinated debt issued to unconsolidated trusts | 71,693 | 708 | 3.96 % | 71,523 | 732 | 4.11 % |
| Total interest-bearing liabilities | $ 7,574,677 | $ 6,668 | 0.35 % | $ 6,966,046 | $ 7,146 | 0.41 % |
| | | | | | | |
| Net interest spread [1] | | | 2.56 % | | | 2.36 % |
| | | | | | | |
| Noninterest-bearing deposits | 3,535,110 | | | 2,970,890 | | |
| Other liabilities | 145,231 | | | 118,948 | | |
| Stockholders' equity | 1,197,052 | | | 1,342,771 | | |
| Total liabilities and stockholders' equity | $ 12,452,070 | | | $ 11,398,655 | | |
| | | | | | | |
| Interest income / earning assets [1], [3] | $ 11,453,198 | $ 83,142 | 2.91 % | $ 10,448,417 | $ 72,267 | 2.77 % |
| Interest expense / earning assets | $ 11,453,198 | $ 6,668 | 0.23 % | $ 10,448,417 | $ 7,146 | 0.27 % |
| Net interest margin [1] | | $ 76,474 | 2.68 % | | $ 65,121 | 2.50 % |

(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 June 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.

| | Six Months Ended June 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 | $ 394,562 | $ 635 | 0.32 % | $ 464,128 | $ 395 | 0.17 % |
| Investment securities: | | | | | | |
| U.S. Government obligations | 192,660 | 569 | 0.60 % | 122,966 | 959 | 1.57 % |
| Obligations of states and political subdivisions [1] | 297,781 | 3,862 | 2.62 % | 296,112 | 3,872 | 2.64 % |
| Other securities | 3,414,885 | 27,615 | 1.63 % | 2,378,684 | 15,346 | 1.30 % |
| Loans held for sale | 7,485 | 115 | 3.10 % | 26,858 | 302 | 2.27 % |
| Portfolio loans [1], [2] | 7,270,506 | 126,983 | 3.52 % | 6,813,530 | 124,325 | 3.68 % |
| Total interest-earning assets [1], [3] | $ 11,577,879 | $ 159,779 | 2.78 % | $ 10,102,278 | $ 145,199 | 2.90 % |
| | | | | | | |
| Cash and due from banks | 124,085 | | | 128,139 | | |
| Premises and equipment | 134,304 | | | 135,168 | | |
| ACL | (88,604) | | | (99,458) | | |
| Other assets | 808,264 | | | 732,545 | | |
| Total assets | $ 12,555,928 | | | $ 10,998,672 | | |
| | | | | | | |
| **Liabilities and Stockholders' Equity** | | | | | | |
| Interest-bearing transaction deposits | $ 2,671,606 | $ 864 | 0.07 % | $ 2,395,358 | $ 1,007 | 0.08 % |
| Savings and money market deposits | 3,444,744 | 1,252 | 0.07 % | 2,784,383 | 1,340 | 0.10 % |
| Time deposits | 882,779 | 2,154 | 0.49 % | 1,054,335 | 4,680 | 0.90 % |
| Federal funds purchased and repurchase agreements | 253,316 | 206 | 0.16 % | 194,610 | 117 | 0.12 % |
| Borrowings [4] | 290,331 | 6,865 | 4.77 % | 244,661 | 5,983 | 4.93 % |
| Junior subordinated debt issued to unconsolidated trusts | 71,672 | 1,362 | 3.83 % | 71,503 | 1,457 | 4.11 % |
| Total interest-bearing liabilities | $ 7,614,448 | $ 12,703 | 0.34 % | $ 6,744,850 | $ 14,584 | 0.44 % |
| | | | | | | |
| Net interest spread [1] | | | 2.44 % | | | 2.46 % |
| | | | | | | |
| Noninterest-bearing deposits | 3,562,380 | | | 2,830,646 | | |
| Other liabilities | 140,040 | | | 113,758 | | |
| Stockholders' equity | 1,239,060 | | | 1,309,418 | | |
| Total liabilities and stockholders' equity | $ 12,555,928 | | | $ 10,998,672 | | |
| | | | | | | |
| Interest income / earning assets [1], [3] | $ 11,577,879 | $ 159,779 | 2.78 % | $ 10,102,278 | $ 145,199 | 2.90 % |
| Interest expense / earning assets | $ 11,577,879 | $ 12,703 | 0.22 % | $ 10,102,278 | $ 14,584 | 0.29 % |
| Net interest margin [1] | | $ 147,076 | 2.56 % | | $ 130,615 | 2.61 % |

(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 $1.1 million and $1.2 million for the six months ended June 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 are summarized as follows for the periods presented *(dollars in thousands)*:

| | Three Months Ended June 30, 2022 | Three Months Ended June 30, 2021 | Change | % Change |
|---|---|---|---|---|
| Average interest-earning assets | $ 11,453,198 | $ 10,448,417 | $ 1,004,781 | 9.6 % |
| Average interest-bearing liabilities | 7,574,677 | 6,966,046 | 608,631 | 8.7 % |
| Average noninterest-bearing deposits | 3,535,110 | 2,970,890 | 564,220 | 19.0 % |
| Total average deposits | 10,506,193 | 9,403,226 | 1,102,967 | 11.7 % |
| Total average liabilities | 11,255,018 | 10,055,884 | 1,199,134 | 11.9 % |
| Average noninterest-bearing deposits as a percent of total average deposits | 33.6 % | 31.6 % | | |
| Total average deposits as a percent of total average liabilities | 93.3 % | 93.5 % | | |

| | Six Months Ended June 30, 2022 | Six Months Ended June 30, 2021 | Change | % Change |
|---|---|---|---|---|
| Average interest-earning assets | $ 11,577,879 | $ 10,102,278 | $ 1,475,601 | 14.6 % |
| Average interest-bearing liabilities | 7,614,448 | 6,744,850 | 869,598 | 12.9 % |
| Average noninterest-bearing deposits | 3,562,380 | 2,830,646 | 731,734 | 25.9 % |
| Total average deposits | 10,561,509 | 9,064,722 | 1,496,787 | 16.5 % |
| Total average liabilities | 11,316,868 | 9,689,254 | 1,627,614 | 16.8 % |
| Average noninterest-bearing deposits as a percent of total average deposits | 33.7 % | 31.2 % | | |
| Total average deposits as a percent of total average liabilities | 93.3 % | 93.6 % | | |

| | Three Months Ended June 30, 2022 | Three Months Ended June 30, 2021 | Change | % Change |
|---|---|---|---|---|
| **Net interest income** | | | | |
| Interest income, on a tax-equivalent basis (1) | $ 83,142 | $ 72,267 | $ 10,875 | 15.0 % |
| Interest expense | 6,668 | 7,146 | (478) | (6.7)% |
| Net interest income, on a tax-equivalent basis (1) | $ 76,474 | $ 65,121 | $ 11,353 | 17.4 % |
| Net interest margin (1), (2) | 2.68 % | 2.50 % | | |

| | Six Months Ended June 30, 2022 | Six Months Ended June 30, 2021 | Change | % Change |
|---|---|---|---|---|
| **Net interest income** | | | | |
| Interest income, on a tax-equivalent basis (1) | $ 159,779 | $ 145,199 | $ 14,580 | 10.0 % |
| Interest expense | 12,703 | 14,584 | (1,881) | (12.9)% |
| Net interest income, on a tax-equivalent basis (1) | $ 147,076 | $ 130,615 | $ 16,461 | 12.6 % |
| Net interest margin (1), (2) | 2.56 % | 2.61 % | | |

(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 its target benchmark rate by 25 basis points during the first quarter of 2022, the first increase in three years, and again by 50 basis points in May, and by another 75 basis points June 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 May and June, the full benefit of the associated movement in rates to our net interest margin will be largely realized in subsequent quarters. Subsequent to quarter end, in July 2022 the FOMC raised the target interest rate an additional 75 basis points, which will further positively impact future 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, and the Company's issuance of debt.

First Busey remains substantially core deposit[(1)] funded, with robust liquidity and significant market share in the communities we serve. As of June 30, 2022, our loan to deposit ratio was 72.1% and core deposits represented 98.9% 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 2.56% and 2.44% for the three and six months ended June 30, 2022, respectively, compared to 2.36% and 2.46% for the three and six months ended June 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 six months ended June 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 | | 2.41 % |
| Fourth Quarter | | 2.36 % |

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.

(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.

***Noninterest Income***

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

| | Three Months Ended June 30, 2022 | Three Months Ended June 30, 2021 | Change | % Change |
|---|---|---|---|---|
| **Noninterest income** | | | | |
| Wealth management and payment technology income: | | | | |
| Wealth management fees | $ 14,135 | $ 13,002 | $ 1,133 | 8.7 % |
| Payment technology solutions | 4,888 | 4,530 | 358 | 7.9 % |
| Combined, wealth management fees and payment technology solutions | 19,023 | 17,532 | 1,491 | 8.5 % |
| | | | | |
| Fees for customer services | 9,588 | 8,611 | 977 | 11.3 % |
| Mortgage revenue | 284 | 1,747 | (1,463) | (83.7)% |
| Income on bank owned life insurance | 874 | 1,476 | (602) | (40.8)% |
| | | | | |
| Securities income: | | | | |
| Realized net gains (losses) on securities | 20 | 94 | (74) | (78.7)% |
| Unrealized net gains (losses) recognized on equity securities | (1,734) | 804 | (2,538) | (315.7)% |
| Net securities gains (losses) | (1,714) | 898 | (2,612) | (290.9)% |
| | | | | |
| Other income | 2,964 | 2,747 | 217 | 7.9 % |
| Total noninterest income | $ 31,019 | $ 33,011 | $ (1,992) | (6.0)% |

| | Six Months Ended June 30, 2022 | Six Months Ended June 30, 2021 | Change | % Change |
|---|---|---|---|---|
| **Noninterest income** | | | | |
| Wealth management and payment technology income: | | | | |
| Wealth management fees | $ 29,914 | $ 25,586 | $ 4,328 | 16.9 % |
| Payment technology solutions | 9,965 | 9,151 | 814 | 8.9 % |
| Combined, wealth management fees and payment technology solutions | 39,879 | 34,737 | 5,142 | 14.8 % |
| | | | | |
| Fees for customer services | 18,495 | 16,648 | 1,847 | 11.1 % |
| Mortgage revenue | 1,259 | 4,413 | (3,154) | (71.5)% |
| Income on bank owned life insurance | 1,758 | 2,440 | (682) | (28.0)% |
| | | | | |
| Securities income: | | | | |
| Realized net gains (losses) on securities | 126 | 119 | 7 | 5.9 % |
| Unrealized net gains (losses) recognized on equity securities | (2,454) | 2,420 | (4,874) | (201.4)% |
| Net securities gains (losses) | (2,328) | 2,539 | (4,867) | (191.7)% |
| | | | | |
| Other income | 7,728 | 3,679 | 4,049 | 110.1 % |
| Total noninterest income | $ 66,791 | $ 64,456 | $ 2,335 | 3.6 % |

Total noninterest income was $31.0 million for the three months ended June 30, 2022, a 6.0% decrease from the comparable period in 2021, and was $66.8 million for the six months ended June 30, 2022, a 3.6% increase from the comparable period in 2021. Results for the three and six months ended June 30, 2021, included one month of operating income for GSB, whereas results for the same periods in 2022 reflect the fully integrated acquisition for the complete periods. Revenues from wealth management fees and payment technology solutions represented 61.3% and 59.7% of the Company's noninterest income for the three and six months ended June 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 $19.0 million for the three months ended June 30, 2022, an 8.5% increase from the comparable period in 2021, and was $39.9 million for the six months ended June 30, 2022, a 14.8% increase from the comparable period in 2021.

Wealth management fees were $14.1 million for the three months ended June 30, 2022, an 8.7% increase from the comparable period in 2021, and were $29.9 million for the six months ended June 30, 2022, a 16.9% increase from the comparable period for 2021. First Busey's Wealth Management division ended the second quarter of 2022 with $11.5 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, offset partially by relative outperformance from our investment management team as well as new asset under care inflows.

Payment technology solutions revenue relates to our payment processing company, FirsTech. Payment technology solutions revenue was $4.9 million for the three months ended June 30, 2022, a 7.9% increase from the comparable period in 2021, and was $10.0 million for the six months ended June 30, 2022, an 8.9% increase from the comparable period in 2021. FirsTech segment revenue was $5.4 million for the three months ended June 30, 2022, a 10.8% increase from the comparable period of 2021, and was $10.8 million for the six months ended June 30, 2022, a 11.1% 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 $9.6 million for the three months ended June 30, 2022, an 11.3% increase from the comparable period in 2021, and were $18.5 million for the six months ended June 30, 2022, an 11.1% 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 will negatively impact fees for customer services in the second half of 2022 and in future years.

Mortgage revenue was $0.3 million for the three months ended June 30, 2022, an 83.7% decrease from the comparable period in 2021, and was $1.3 million for the six months ended June 30, 2022, a 71.5% decrease from the comparable period in 2021. Decreases primarily resulted from lower sold-loan mortgage volume as a greater portion of closed loan volume was directed in adjustable-rate mortgage loans held in portfolio. General economic conditions and interest rate volatility may impact fees in future quarters.

Income on bank owned life insurance was $0.9 million for the three months ended June 30, 2022, a 40.8% decrease from the comparable period in 2021, and was $1.8 million for the six months ended June 30, 2022, a 28.0% 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 $3.0 million for the three months ended June 30, 2022, a $0.2 million increase from the comparable period in 2021, and was $7.7 million for the six months ended June 30, 2022, a $4.0 million increase from the comparable period in 2021. Other income benefited from higher income recognized on venture capital investments, check sales, rental income, and swap origination fees, partially offset by losses on fixed asset disposal and lower SBA loan sale gains recorded during the three and six months ended June 30, 2022.

***Noninterest Expense***

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

| | Three Months Ended June 30, 2022 | Three Months Ended June 30, 2021 | Change | % Change |
|---|---|---|---|---|
| **Noninterest expense** | | | | |
| Salaries, wages, and employee benefits | $ 38,110 | $ 34,889 | $ 3,221 | 9.2 % |
| Data processing | 5,375 | 4,819 | 556 | 11.5 % |
| | | | | |
| Premises expenses: | | | | |
| Net occupancy expense of premises | 4,720 | 4,246 | 474 | 11.2 % |
| Furniture and equipment expenses | 2,045 | 2,066 | (21) | (1.0)% |
| Combined, net occupancy expense of premises and furniture and equipment expenses | 6,765 | 6,312 | 453 | 7.2 % |
| | | | | |
| Professional fees | 1,607 | 2,311 | (704) | (30.5)% |
| Amortization of intangible assets | 2,951 | 2,650 | 301 | 11.4 % |
| Interchange expense | 1,487 | 1,442 | 45 | 3.1 % |
| Other expense | 12,797 | 10,202 | 2,595 | 25.4 % |
| Total noninterest expense | $ 69,092 | $ 62,625 | $ 6,467 | 10.3 % |
| | | | | |
| Income taxes | $ 6,378 | $ 6,862 | $ (484) | (7.1)% |
| Effective income tax rate | 17.6 % | 18.7 % | | |
| | | | | |
| Efficiency ratio [(1)] | 60.6 % | 61.7 % | | |
| Adjusted efficiency ratio [(1)] | 60.3 % | 58.9 % | | |

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

| | Six Months Ended June 30, 2022 | 2021 | Change | % Change |
|---|---|---|---|---|
| **Noninterest expense** | | | | |
| Salaries, wages, and employee benefits | $ 77,464 | $ 65,273 | $ 12,191 | 18.7 % |
| Data processing | 10,353 | 9,099 | 1,254 | 13.8 % |
| | | | | |
| Premises expenses: | | | | |
| Net occupancy expense of premises | 9,787 | 8,809 | 978 | 11.1 % |
| Furniture and equipment expenses | 4,075 | 4,092 | (17) | (0.4)% |
| Combined, net occupancy expense of premises and furniture and equipment expenses | 13,862 | 12,901 | 961 | 7.4 % |
| | | | | |
| Professional fees | 3,114 | 4,256 | (1,142) | (26.8)% |
| Amortization of intangible assets | 5,962 | 5,051 | 911 | 18.0 % |
| Interchange expense | 3,032 | 2,926 | 106 | 3.6 % |
| Other expense | 25,681 | 17,618 | 8,063 | 45.8 % |
| Total noninterest expense | $ 139,468 | $ 117,124 | $ 22,344 | 19.1 % |
| | | | | |
| Income taxes | $ 13,644 | $ 17,681 | $ (4,037) | (22.8)% |
| Effective income tax rate | 19.0 % | 20.7 % | | |
| | | | | |
| Efficiency ratio [(1)] | 61.8 % | 58.2 % | | |
| Adjusted efficiency ratio [(1)] | 61.2 % | 56.6 % | | |
| | | | | |
| Full-time equivalent employees as of period-end | 1,493 | 1,503 | (10) | (0.7)% |

(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 $69.1 million for the three months ended June 30, 2022, a 10.3% increase from the comparable period in 2021, and was $139.5 million for the six months ended June 30, 2022, a 19.1% increase from the comparable period in 2021. Results for the three and six months ended June 31, 2021, included one month of operating expenses for GSB, whereas results for the same periods in 2022 reflect the fully integrated acquisition for the complete periods.

Salaries, wages, and employee benefits were $38.1 million for the three months ended June 30, 2022, a 9.2% increase from the comparable period in 2021, and were $77.5 million for the six months ended June 30, 2022, an 18.7% increase from the comparable period in 2021. Full-time equivalents were 1,493 as of June 30, 2022, compared to 1,503 at June 30, 2021. Salaries, wages, and employee benefits increases are attributable to the Company's acquisition of GSB as well as investments in its regional operating model, business line leadership, and risk management professionals. In addition, current labor market trends reflect a shrinking labor supply, while job growth reflects increasing demand 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 June 30, 2022, an 11.5% increase from the comparable period in 2021, and was $10.4 million for the six months ended June 30, 2022, a 13.8% increase from the comparable period in 2021. Increases were primarily attributable to higher expenses for software maintenance, web hosting, internet, and general data processing.

Combined, net occupancy expense of premises and furniture and equipment expense totaled $6.8 million for the three months ended June 30, 2022, a 7.2% increase from the comparable period in 2021, and $13.9 million for the six months ended June 30, 2022, a 7.4% increase from the comparable period in 2021. 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 June 30, 2022, a 30.5% decrease from the comparable period in 2021, and $3.1 million for the six months ended June 30, 2022, a 26.8% decrease from the comparable period in 2021. Non-operating expenses contributed $0.7 million and $1.0 of the decrease in professional fees for the three and six months ended June 30, 2022, compared to the three and six months ended June 30, 2021, respectively.

Amortization of intangible assets was $3.0 million for the three months ended June 30, 2022, an 11.4% increase from the comparable period in 2021, and $6.0 million for the six months ended June 30, 2022, an 18.0% increase from the comparable period for 2021. Increases primarily related to intangible assets acquired in the acquisition of CAC during the second quarter of 2021.

Interchange expense was $1.5 million for the three months ended June 30, 2022, a 3.1% increase from the comparable period in 2021, and was $3.0 million for the six months ended June 30, 2022, a 3.6% 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 $12.8 million for the three months ended June 30, 2022, a $2.6 million increase from the comparable period in 2021, and was $25.7 million for the six months ended June 30, 2022, an $8.1 million increase from the comparable period in 2021. Increases were across multiple expense categories including business development, NMTC amortization, regulatory expenses and fluctuations in provision for unfunded commitments.

The efficiency ratio[(1)], which is a measure commonly used by management and the banking industry, measures the amount of expense incurred to generate a dollar of revenue. The efficiency ratios[(1)] were 60.6% and 61.8% for the three and six months ended June 30, 2022, respectively, compared to 61.7% and 58.2% for the three and six months ended June 30, 2021, respectively.

The adjusted efficiency ratios[(1)] were 60.3% and 61.2% for the three and six months ended June 30, 2022, respectively, compared to 58.9% and 56.6% for three and six months ended June 30, 2021. The Company remains focused on expense discipline, while making necessary investments to support the organic growth of our key business lines and related support and risk management functions.

Taxes

Effective income tax rates of 17.6% and 19.0% for the three and six months ended June 30, 2022, respectively, were lower than the combined federal and state statutory rate of approximately 28% due to tax exempt interest income, such as municipal bond interest and bank owned life insurance income, and investments in various federal and state tax credits. We continue to monitor evolving federal and state tax legislation and its potential impact on operations on an ongoing basis. As of June 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.

[(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 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 | | | |
|---|---|---|---|---|
| | June 30, 2022 | December 31, 2021 | Change | % Change |
| **Assets** | | | | |
| Debt securities available for sale | $ 2,744,646 | $ 3,981,251 | $ (1,236,605) | (31.1)% |
| Debt securities held to maturity | 953,012 | — | 953,012 | NM |
| Portfolio loans, net of ACL | 7,409,021 | 7,101,111 | 307,910 | 4.3 % |
| | | | | |
| Total assets | $ 12,356,433 | $ 12,859,689 | $ (503,256) | (3.9)% |
| | | | | |
| **Liabilities** | | | | |
| Deposits: | | | | |
| Noninterest-bearing | $ 3,505,299 | $ 3,670,267 | $ (164,968) | (4.5)% |
| Interest-bearing | 6,891,929 | 7,098,310 | (206,381) | (2.9)% |
| Total deposits | $ 10,397,228 | $ 10,768,577 | $ (371,349) | (3.4)% |
| | | | | |
| Securities sold under agreements to repurchase | $ 228,383 | $ 270,139 | $ (41,756) | (15.5)% |
| Subordinated notes, net of unamortized issuance costs | 281,304 | 182,773 | 98,531 | 53.9 % |
| Junior subordinated debt owed to unconsolidated trusts | 71,721 | 71,635 | 86 | 0.1 % |
| | | | | |
| Total liabilities | $ 11,194,476 | $ 11,540,577 | $ (346,101) | (3.0)% |
| | | | | |
| **Stockholders' equity** | $ 1,161,957 | $ 1,319,112 | $ (157,155) | (11.9)% |

### *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 residential mortgage loans originated for sale in the secondary market or loans 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)*:

| | June 30, 2022 | | | | |
|---|---|---|---|---|---|
| | **Illinois** | **Missouri** | **Florida** | **Indiana** | **Total** |
| **Portfolio loans** | | | | | |
| Commercial | $ 1,352,370 | $ 464,002 | $ 50,997 | $ 52,311 | $ 1,919,680 |
| Commercial real estate | 2,175,947 | 682,013 | 205,289 | 164,841 | 3,228,090 |
| Real estate construction | 258,643 | 140,998 | 37,627 | 28,917 | 466,185 |
| Retail real estate | 1,197,150 | 210,838 | 115,543 | 67,382 | 1,590,913 |
| Retail other | 287,502 | 1,783 | 2,215 | 1,410 | 292,910 |
| Total portfolio loans | $ 5,271,612 | $ 1,499,634 | $ 411,671 | $ 314,861 | $ 7,497,778 |
| | | | | | |
| ACL | | | | | (88,757) |
| Portfolio loans, net | | | | | $ 7,409,021 |

| | 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 | | | | | $ 7,101,111 |

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

| | As of June 30, 2022 | As of December 31, 2021 | Change | % Change |
|---|---|---|---|---|
| **Portfolio loans** | | | | |
| Commercial loans: | | | | |
| Commercial | $ 1,919,680 | $ 1,943,886 | $ (24,206) | (1.2)% |
| Commercial real estate | 3,228,090 | 3,119,807 | 108,283 | 3.5 % |
| Real estate construction | 466,185 | 385,996 | 80,189 | 20.8 % |
| Commercial loan balances | 5,613,955 | 5,449,689 | 164,266 | 3.0 % |
| | | | | |
| Retail loans: | | | | |
| Retail real estate | 1,590,913 | 1,512,976 | 77,937 | 5.2 % |
| Retail other | 292,910 | 226,333 | 66,577 | 29.4 % |
| Retail loan balances | 1,883,823 | 1,739,309 | 144,514 | 8.3 % |
| | | | | |
| Total portfolio loans | 7,497,778 | 7,188,998 | 308,780 | 4.3 % |
| ACL | (88,757) | (87,887) | (870) | (1.0)% |
| Portfolio loans, net | $ 7,409,021 | $ 7,101,111 | $ 307,910 | 4.3 % |

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

| | As of June 30, 2022 | As of December 31, 2021 | Change | % Change |
|---|---|---|---|---|
| Commercial loan balances | $ 5,613,955 | $ 5,449,689 | $ 164,266 | 3.0 % |
| PPP Loans amortized cost | (7,616) | (74,958) | 67,342 | (89.8)% |
| Commercial loan balances, excluding PPP loans | $ 5,606,339 | $ 5,374,731 | $ 231,608 | 4.3 % |

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.

The provision for credit loss expense increased for the three months ended June 30, 2022, due to a provision expense of $1.7 million, compared to a provision release of $1.7 million for the same period in 2021. Provision expense increased for the six months ended June 30, 2022, due to a provision expense of $1.4 million, compared to a provision release of $8.5 million for the same period in 2021.

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 | | | | |
|---|---|---|---|---|---|---|
| | | **June 30, 2022** | **March 31, 2022** | **December 31, 2021** | **September 30, 2021** | **June 30, 2021** |
| **Portfolio loans** | [a] | $ 7,497,778 | $ 7,272,873 | $ 7,188,998 | $ 7,150,635 | $ 7,185,650 |
| Non-GAAP adjustments: | | | | | | |
| PPP loans, amortized cost | | (7,616) | (31,769) | (74,958) | (178,231) | (390,395) |
| Core loans | [b] | $ 7,490,162 | $ 7,241,104 | $ 7,114,040 | $ 6,972,404 | $ 6,795,255 |
| **ACL** | [c] | $ 88,757 | $ 88,213 | $ 87,887 | $ 92,802 | $ 95,410 |
| **Ratios** | | | | | | |
| ACL to portfolio loans | [c÷a] | 1.18 % | 1.21 % | 1.22 % | 1.30 % | 1.33 % |
| ACL to core loans | [c÷b] | 1.18 % | 1.22 % | 1.24 % | 1.33 % | 1.40 % |

As of June 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 and interest payments have not been received as of the date such payments were due. Loans are placed on non-accrual status when, in management's opinion, the borrower may be unable to meet payment obligations as they become due, as well as when required by regulatory guidelines. Loans may be placed on non-accrual status regardless of whether or not such loans are considered past due. Loans are returned to accrual status when all 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 | | | | |
|---|---|---|---|---|---|---|
| | | **June 30, 2022** | **March 31, 2022** | **December 31, 2021** | **September 30, 2021** | **June 30, 2021** |
| **Portfolio loans** | [a] | $ 7,497,778 | $ 7,272,873 | $ 7,188,998 | $ 7,150,635 | $ 7,185,650 |
| Non-GAAP adjustments: | | | | | | |
| PPP loans, amortized cost | | (7,616) | (31,769) | (74,958) | (178,231) | (390,395) |
| Core loans | [b] | $ 7,490,162 | $ 7,241,104 | $ 7,114,040 | $ 6,972,404 | $ 6,795,255 |
| | | | | | | |
| Loans 30 – 89 days past due | | $ 5,157 | $ 3,916 | $ 6,261 | $ 6,446 | $ 3,888 |
| | | | | | | |
| **Total assets** | [c] | 12,356,433 | 12,567,509 | 12,859,689 | 12,899,330 | 12,415,449 |
| | | | | | | |
| **Non-performing assets** | | | | | | |
| Non-performing loans: | | | | | | |
| Non-accrual loans | [d] | 15,840 | 12,488 | 15,946 | 25,369 | 27,725 |
| Loans 90+ days past due and still accruing | | 1,654 | 197 | 906 | 491 | 590 |
| Total non-performing loans | [e] | 17,494 | 12,685 | 16,852 | 25,860 | 28,315 |
| OREO and other repossessed assets | [f] | 1,429 | 3,606 | 4,416 | 3,184 | 3,137 |
| Total non-performing assets | [g] | 18,923 | 16,291 | 21,268 | 29,044 | 31,452 |
| | | | | | | |
| Substandard (excludes 90+ days past due) | | 84,411 | 79,962 | 70,565 | 51,740 | 44,877 |
| Classified assets | [h] | $ 103,334 | $ 96,253 | $ 91,833 | $ 80,784 | $ 76,329 |
| | | | | | | |
| Performing TDRs (includes 30 – 89 days past due) | | $ 2,029 | $ 1,771 | $ 1,801 | $ 2,083 | $ 2,518 |
| ACL | [i] | 88,757 | 88,213 | 87,887 | 92,802 | 95,410 |
| Bank Tier 1 Capital | [j] | 1,265,418 | 1,247,370 | 1,241,303 | 1,238,060 | 1,238,685 |
| | | | | | | |
| **Ratios** | | | | | | |
| ACL to non-accrual loans | [i÷d] | 560.33 % | 706.38 % | 551.15 % | 365.81 % | 344.13 % |
| ACL to non-performing loans | [i÷e] | 507.36 % | 695.41 % | 521.52 % | 358.86 % | 336.96 % |
| ACL to non-performing assets | [i÷g] | 469.04 % | 541.48 % | 413.24 % | 319.52 % | 303.35 % |
| Non-accrual loans to portfolio loans | [d÷a] | 0.21 % | 0.17 % | 0.22 % | 0.35 % | 0.39 % |
| Non-performing loans to portfolio loans | [e÷a] | 0.23 % | 0.17 % | 0.23 % | 0.36 % | 0.39 % |
| Non-performing loans to core loans | [e÷b] | 0.23 % | 0.18 % | 0.24 % | 0.37 % | 0.42 % |
| Non-performing assets to total assets | [g÷c] | 0.15 % | 0.13 % | 0.17 % | 0.23 % | 0.25 % |
| Non-performing assets to portfolio loans and OREO | [g÷(a+f)] | 0.25 % | 0.22 % | 0.30 % | 0.41 % | 0.44 % |
| Classified assets to Bank Tier 1 Capital and ACL | [h÷(i+j)] | 7.63 % | 7.21 % | 6.91 % | 6.07 % | 5.72 % |

Non-performing loan balances increased by 3.8% to $17.5 million as of June 30, 2022, compared with $16.9 million as of December 31, 2021. The increase in non-performing loans in the second quarter of 2022 is largely attributable to a single borrower in the skilled nursing industry. Continued disciplined credit management resulted in non-performing loans as a percentage of portfolio loans of 0.23% as of both June 30, 2022, and December 31, 2021. Excluding the amortized cost of PPP loans, non-performing loans as a percentage of portfolio loans was 0.23% as of June 30, 2022, and 0.24% 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 $83.9 million as of June 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 June 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 June 30, 2022, the Company had no loans remaining on full payment deferral, 11 commercial loans on interest-only payment deferral representing $31.9 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 3.4% to $10.4 billion as of June 30, 2022, compared to $10.8 billion as of December 31, 2021. We focus on deepening our relationships with customers to foster core deposit[(1)] 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 economic stimulus, transfer of funds from bank deposits to assets under care, time deposit attrition, other core deposit growth, and the seasonality of public funds.

**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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(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.

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 | |
|---|---|---|
| | June 30, 2022 | December 31, 2021 |
| Additional borrowing capacity available from: | | |
| FHLB | $ 1,761,890 | $ 1,536,019 |
| Federal Reserve | 778,335 | 624,627 |
| Revolving credit facility | 40,000 | 40,000 |
| Additional borrowing capacity | $ 2,580,225 | $ 2,200,646 |

As of June 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 $2.0 billion as of both June 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 June 30, 2022, our reserve for unfunded commitments was $7.4 million, compared to $6.5 million as of December 31, 2021. The Company recorded a $0.3 million release of the provision for unfunded commitments for the three months ended June 30, 2022, compared with a provision release of $0.5 million for the same period in 2021. We recorded $0.8 million of expenses for the provision for unfunded commitments for the six months ended June 30, 2022, compared to provision releases totaling $0.1 million of 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 June 30, 2022:

| | Minimum Capital Requirements with Capital Buffer | As of June 30, 2022 | |
|---|---|---|---|
| | | First Busey Corporation | Busey Bank |
| Common Equity Tier 1 Capital to Risk Weighted Assets | 7.00 % | 11.77 % | 14.50 % |
| Tier 1 Capital to Risk Weighted Assets | 8.50 % | 12.62 % | 14.50 % |
| Total Capital to Risk Weighted Assets | 10.50 % | 16.58 % | 15.36 % |
| Leverage Ratio of Tier 1 Capital to Average Assets | 6.50 % | 9.03 % | 10.37 % |

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.

**RECONCILIAITON 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 | | Six Months Ended | |
|---|---|---|---|---|---|
| | | June 30, 2022 | June 30, 2021 | June 30, 2022 | June 30, 2021 |
| **PRE-PROVISION NET REVENUE** | | | | | |
| Net interest income | | $ 75,928 | $ 64,542 | $ 145,984 | $ 129,435 |
| Total noninterest income | | 31,019 | 33,011 | 66,791 | 64,456 |
| Net (gains) losses on sales of securities and unrealized (gains) losses recognized on equity securities | | 1,714 | (898) | 2,328 | (2,539) |
| Total noninterest expense | | (69,092) | (62,625) | (139,468) | (117,124) |
| Pre-provision net revenue | | 39,569 | 34,030 | 75,635 | 74,228 |
| Non-GAAP adjustments: | | | | | |
| Acquisition and other restructuring expenses | | 303 | 2,713 | 1,138 | 3,033 |
| Provision for unfunded commitments | | (267) | (496) | 845 | (90) |
| Amortization of NMTC | | 1,662 | 1,239 | 3,003 | 3,068 |
| Adjusted pre-provision net revenue | | $ 41,267 | $ 37,486 | $ 80,621 | $ 80,239 |
| | | | | | |
| Pre-provision net revenue, annualized | [a] | $ 158,711 | $ 136,494 | $ 152,524 | $ 149,686 |
| Adjusted pre-provision net revenue, annualized | [b] | 165,521 | 150,356 | 162,578 | 161,808 |
| Average total assets | [c] | 12,452,070 | 11,398,655 | 12,555,928 | 10,998,672 |
| | | | | | |
| **Reported:** Pre-provision net revenue to average assets [(1)] | [a÷c] | 1.27 % | 1.20 % | 1.21 % | 1.36 % |
| **Adjusted:** Pre-provision net revenue to average assets [(1)] | [b÷c] | 1.33 % | 1.32 % | 1.29 % | 1.47 % |

(1) Annualized measure.

**RECONCILIAITON 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 | | Six Months Ended | |
|---|---|---|---|---|---|
| | | June 30, 2022 | June 30, 2021 | June 30, 2022 | June 30, 2021 |
| **NET INCOME ADJUSTED FOR NON-OPERATING ITEMS** | | | | | |
| **Net income** | [a] | $ 29,824 | $ 29,766 | $ 58,263 | $ 67,582 |
| Non-GAAP adjustments: | | | | | |
| Acquisition expenses: | | | | | |
| Salaries, wages, and employee benefits | | — | 1,125 | 587 | 1,125 |
| Data processing | | — | 368 | 214 | 375 |
| Professional fees, occupancy, and other | | 204 | 1,220 | 238 | 1,533 |
| Other restructuring costs: | | | | | |
| Lease or fixed asset impairment | | 99 | — | 99 | — |
| Related tax benefit | | (46) | (558) | (216) | (629) |
| Adjusted net income | [b] | $ 30,081 | $ 31,921 | $ 59,185 | $ 69,986 |
| | | | | | |
| **DILUTED EARNINGS PER SHARE** | | | | | |
| Dilutive average common shares outstanding | [c] | 56,104,017 | 55,730,883 | 56,149,466 | 55,384,942 |
| | | | | | |
| **Reported**: Diluted earnings per share | [a÷c] | $ 0.53 | $ 0.53 | $ 1.04 | $ 1.22 |
| **Adjusted**: Diluted earnings per share | [b÷c] | 0.54 | 0.57 | 1.05 | 1.26 |
| | | | | | |
| **RETURN ON AVERAGE ASSETS** | | | | | |
| Net income, annualized | [d] | $ 119,624 | $ 119,391 | $ 117,492 | $ 136,284 |
| Adjusted net income, annualized | [e] | 120,655 | 128,035 | 119,351 | 141,132 |
| Average total assets | [f] | 12,452,070 | 11,398,655 | 12,555,928 | 10,998,672 |
| | | | | | |
| **Reported**: Return on average assets [(1)] | [d÷f] | 0.96 % | 1.05 % | 0.94 % | 1.24 % |
| **Adjusted**: Return on average assets [(1)] | [e÷f] | 0.97 % | 1.12 % | 0.95 % | 1.28 % |
| | | | | | |
| **RETURN ON AVERAGE TANGIBLE COMMON EQUITY** | | | | | |
| Average common equity | | $ 1,197,052 | $ 1,342,771 | $ 1,239,060 | $ 1,309,418 |
| Average goodwill and other intangible assets, net | | (371,890) | (368,709) | (373,342) | (365,718) |
| Average tangible common equity | [g] | $ 825,162 | $ 974,062 | $ 865,718 | $ 943,700 |
| | | | | | |
| **Reported:** Return on average tangible common equity [(1)] | [d÷g] | 14.50 % | 12.26 % | 13.57 % | 14.44 % |
| **Adjusted:** Return on average tangible common equity [(1)] | [e÷g] | 14.62 % | 13.14 % | 13.79 % | 14.96 % |

(1) Annualized measure.

**RECONCILIAITON OF NON-GAAP FINANCIAL MEASURES *(unaudited)***

**Adjusted Net Interest Income and Adjusted Net Interest Margin**
*(dollars in thousands)*

| | | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|---|
| | | June 30, 2022 | June 30, 2021 | June 30, 2022 | June 30, 2021 |
| **Net interest income** | | $ 75,928 | $ 64,542 | $ 145,984 | $ 129,435 |
| Non-GAAP adjustments: | | | | | |
| Tax-equivalent adjustment | | 546 | 579 | 1,092 | 1,180 |
| Tax-equivalent net interest income | | 76,474 | 65,121 | 147,076 | 130,615 |
| Acquisition-related purchase accounting accretion | | (599) | (1,726) | (1,758) | (3,883) |
| Adjusted net interest income | | $ 75,875 | $ 63,395 | $ 145,318 | $ 126,732 |
| | | | | | |
| Tax-equivalent net interest income, annualized | [a] | $ 306,736 | $ 261,200 | $ 296,590 | $ 263,395 |
| Adjusted net interest income, annualized | [b] | 304,334 | 254,277 | 293,045 | 255,565 |
| Average interest-earning assets | [c] | 11,453,198 | 10,448,417 | 11,577,879 | 10,102,278 |
| | | | | | |
| **Reported:** Net interest margin [1] | [a÷c] | 2.68 % | 2.50 % | 2.56 % | 2.61 % |
| **Adjusted:** Net Interest margin [1] | [b÷c] | 2.66 % | 2.43 % | 2.53 % | 2.53 % |

(1) Annualized measure.

## RECONCILIAITON 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 | | Six Months Ended | |
|---|---|---|---|---|---|
| | | June 30, 2022 | June 30, 2021 | June 30, 2022 | June 30, 2021 |
| **Net interest income** | | $ 75,928 | $ 64,542 | $ 145,984 | $ 129,435 |
| Non-GAAP adjustments: | | | | | |
| Tax-equivalent adjustment | | 546 | 579 | 1,092 | 1,180 |
| Tax-equivalent net interest income | | 76,474 | 65,121 | 147,076 | 130,615 |
| | | | | | |
| **Total noninterest income** | | 31,019 | 33,011 | 66,791 | 64,456 |
| Non-GAAP adjustments: | | | | | |
| Net (gains) losses on sales of securities and unrealized (gains) losses recognized on equity securities | | 1,714 | (898) | 2,328 | (2,539) |
| Noninterest income excluding net securities gains and losses | | 32,733 | 32,113 | 69,119 | 61,917 |
| | | | | | |
| Tax-equivalent net interest income plus noninterest income excluding net securities gains and losses | [a] | $ 109,207 | $ 97,234 | $ 216,195 | $ 192,532 |
| | | | | | |
| **Total noninterest expense** | | 69,092 | 62,625 | 139,468 | 117,124 |
| Non-GAAP adjustments: | | | | | |
| Amortization of intangible assets | [b] | (2,951) | (2,650) | (5,962) | (5,051) |
| Non-interest expense excluding amortization of intangible assets | [c] | 66,141 | 59,975 | 133,506 | 112,073 |
| Non-operating adjustments: | | | | | |
| Salaries, wages, and employee benefits | | — | (1,125) | (587) | (1,125) |
| Data processing | | — | (368) | (214) | (375) |
| Lease or fixed asset impairment | | (99) | — | (99) | — |
| Professional fees and other | | (204) | (1,220) | (238) | (1,533) |
| Adjusted noninterest expense | [d] | 65,838 | 57,262 | 132,368 | 109,040 |
| Provision for unfunded commitments | | 267 | 496 | (845) | 90 |
| Amortization of NMTC | | (1,662) | (1,239) | (3,003) | (3,068) |
| Adjusted core expense | [e] | $ 64,443 | $ 56,519 | $ 128,520 | $ 106,062 |
| | | | | | |
| Noninterest expense, excluding non-operating adjustments | [d-b] | 68,789 | 59,912 | 138,330 | 114,091 |
| | | | | | |
| **Reported:** Efficiency ratio | [c÷a] | 60.56 % | 61.68 % | 61.75 % | 58.21 % |
| **Adjusted:** Efficiency ratio | [d÷a] | 60.29 % | 58.89 % | 61.23 % | 56.63 % |
| **Adjusted:** Core efficiency ratio | [e÷a] | 59.01 % | 58.13 % | 59.45 % | 55.09 % |

**RECONCILIAITON OF NON-GAAP FINANCIAL MEASURES *(unaudited)***

**Tangible Book Value Per Common Share**
*(dollars in thousands, except per share amounts)*

| | | As of | |
|---|---|---|---|
| | | June 30, 2022 | December 31, 2021 |
| **Total stockholders' equity** | | $ 1,161,957 | $ 1,319,112 |
| Goodwill and other intangible assets, net | | (369,962) | (375,924) |
| Tangible book value | [a] | $ 791,995 | $ 943,188 |
| Ending number of common shares outstanding | [b] | 55,335,703 | 55,434,910 |
| Tangible book value per common share | [a÷b] | $ 14.31 | $ 17.01 |

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

| | | As of | |
|---|---|---|---|
| | | June 30, 2022 | December 31, 2021 |
| **Total assets** | | $ 12,356,433 | $ 12,859,689 |
| Non-GAAP adjustments: | | | |
| Goodwill and other intangible assets, net | | (369,962) | (375,924) |
| Tax effect of other intangible assets (1) | | 9,905 | 16,254 |
| Tangible assets | [a] | $ 11,996,376 | $ 12,500,019 |
| **Total stockholders' equity** | | $ 1,161,957 | $ 1,319,112 |
| Non-GAAP adjustments: | | | |
| Goodwill and other intangible assets, net | | (369,962) | (375,924) |
| Tax effect of other intangible assets (1) | | 9,905 | 16,254 |
| Tangible common equity | [b] | $ 801,900 | $ 959,442 |
| Tangible common equity to tangible assets (2) | [b÷a] | 6.68 % | 7.68 % |

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

**RECONCILIAITON 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 | |
|---|---|---|---|
| | | June 30, 2022 | December 31, 2021 |
| **Portfolio loans** | [a] | $ 7,497,778 | $ 7,188,998 |
| Non-GAAP adjustments: | | | |
| PPP Loans amortized cost | | (7,616) | (74,958) |
| Core loans | [b] | $ 7,490,162 | $ 7,114,040 |
| | | | |
| **Total deposits** | [c] | $ 10,397,228 | $ 10,768,577 |
| Non-GAAP adjustments: | | | |
| Brokered transaction accounts | | (2,002) | (2,248) |
| Time deposits of $250,000 or more | | (117,957) | (137,449) |
| Core deposits | [d] | $ 10,277,269 | $ 10,628,880 |
| | | | |
| **RATIOS** | | | |
| Core loans to portfolio loans | [b÷a] | 99.90 % | 98.96 % |
| Core deposits to total deposits | [d÷c] | 98.85 % | 98.70 % |
| Core loans to core deposits | [b÷d] | 72.88 % | 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 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. Due to the low interest rate environment, a downward adjustment in federal fund rates was not meaningful as of December 31, 2021. 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 | | | |
|---|---|---|---|---|
| | - 100 | +100 | +200 | +300 |
| June 30, 2022 | (7.15)% | 4.33 % | 8.57 % | 12.79 % |
| December 31, 2021 | NM | 8.77 % | 17.19 % | 25.64 % |

| | Year-Two: Basis Point Changes | | | |
|---|---|---|---|---|
| | - 100 | +100 | +200 | +300 |
| June 30, 2022 | (8.93)% | 5.23 % | 10.48 % | 15.75 % |
| December 31, 2021 | 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 June 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 June 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 June 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 second quarter of 2022, the Company purchased 70,000 shares under the plan. As of June 30, 2022, the Company had 277,210 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 |
|---|---|---|---|---|
| April 1-30, 2022 | 4,000 | $ 25.92 | 4,000 | 343,210 |
| May 1-31, 2022 | — | $ — | — | 343,210 |
| June 1-30, 2022 | 66,000 | $ 22.73 | 66,000 | 277,210 |
| Three Months Ended June 30, 2022 | 70,000 | $ 22.91 | 70,000 | |
| | | | | |
| Six Months Ended June 30, 2022 | 258,614 | $ 26.39 | 258,614 | |

## 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 | 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: August 4, 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

**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: August 4, 2022

**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: August 4, 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 June 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: August 4, 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 June 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: August 4, 2022