SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 1997

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
Commission file number 0-15950

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

Nevada	37-1078406
(State or other jurisdiction of incorporation of organization)	(I.R.S. Employer Identification No.)

201 West Main Street Urbana, Illinois	61801
(Address of principal executive offices)	(Zip Code)

(217) 365-4513
(Registrant's telephone number, including area code)
Securities registered pursuant to Section 12(b) of the Act:
None
Securities registered pursuant to Section 12(g) of the Act:
Class A Common Stock without par value

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 Regulation S-K is not contained herein, and will not be contained to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

As of March 6, 1998, the aggregate market value of the Class A Common Stock held by non-affiliates was $112,351,170. The market value of the Class A Common Stock is based on the "Bid" price for such stock as reported in the OTC Bulletin Board on that date. Affiliates include all directors, executive officers and beneficial holders owning 5% or more of the shares.

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

Class	Outstanding at March 6, 1998
Class A Common Stock, without par value	6,895,174

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive Proxy Statement dated March 23, 1998 for First Busey Corporation's Annual Meeting of Stockholders to be held April 27, 1998, (the "1998 Proxy Statement") are incorporated by reference into Part III.

FIRST BUSEY CORPORATION
Form 10-K Annual Report

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PART I

ITEM 1. BUSINESS

INTRODUCTION

First Busey Corporation ("First Busey"), a Nevada corporation, is a multi-bank holding company located in Urbana, Illinois. As of December 31, 1997, First Busey owned one community bank subsidiary, and acquired a second one as of January 12, 1998, a trust company subsidiary, a securities broker-dealer subsidiary, an insurance subsidiary, a real estate subsidiary, and, effective January 2, 1998, a travel agency subsidiary. First Busey is engaged primarily in commercial, retail and correspondent banking and provides trust services, insurance services, and travel services. Based on assets of $916 million as of December 31, 1997, First Busey, with deposits of $811 million and stockholders' equity of $81 million, is one of the largest financial institutions headquartered in east central Illinois. First Busey's largest subsidiary, Busey Bank, with continuous operations since 1868, is one of the oldest banks chartered in Illinois.

First Busey's strategic plan is to provide a full range of financial services including commercial, retail and correspondent banking services through its banking subsidiaries, with emphasis on commercial and retail services. The strategic plan also emphasizes the operation of its banking centers autonomously, allowing them to tailor their service and products to the particular market they serve while consolidating back-room operations. First Busey intends to continue its expansion and growth in the three counties it currently serves in Illinois, Champaign, McLean and Ford County, its second banking center in Indianapolis, Indiana, and its Loan Production Office in Ft. Myers. First Busey engages in exploratory discussions regarding potential acquisitions from time to time; however, First Busey does not currently have any commitments to acquire or merge with any financial institution.

First Busey Corporation's operations are conducted primarily through its lead bank, Busey Bank (eighteen locations), the trust company and the securities broker-dealer subsidiary. First Busey provides its subsidiaries with both financial and managerial support. Each subsidiary operates under the direction of its own Board of Directors.

BUSEY BANK

Busey Bank was established on January 13, 1868 and is a state-chartered bank. As of December 31, 1997, Busey Bank had total assets of $900.8 million, representing 98% of First Busey's assets, and had total revenues of $70.9 million, representing 96% of First Busey's revenues. Busey Bank provides a full range of banking services including commercial and retail banking products. The services available to its commercial and retail customers include a broad selection of depository and lending activities. In the commercial lending area, Busey Bank is designated a Small Business Administration Preferred Lender authorized to fund government guaranteed loans on an expedited basis and is also an approved lender under the Federal National Mortgage Association Program, permitting expedited origination of single- and multi-family mortgage loans. Busey Bank's other commercial lending activities consist primarily of secured loans to borrowers in many different industries. Busey Bank's retail services include consumer lending, numerous types of deposit accounts and certain specialized programs such as the Fortune Five-O Program for the mature market.

Management's philosophy continues to be to develop programs tailored to specific market segments of its customer base with particular emphasis on retail services. The Busey organization emphasizes establishing strong relationships with its customers. Busey Bank has adopted a strategy to increase other income by emphasizing fee-based services, including transaction accounts, full service brokerage, mortgage origination and other loan services generating fees.

Guidelines for Busey Bank for various collateral advance ratios are set forth in the Loan Review Grading System under "Collateral Position." Loan Officers are required to use the grading system in determining an acceptable collateral position on any given credit request. Collateral coverage percentages for various types of credit are set forth in the following table:

	Collateral Type	Coverage Ratio
Commercial Loans:	Real Estate	125%
	Accounts Receivable	125%
	Inventory & Equipment	200%
Consumer Real Estate Loans:	Real Estate	125%
Installment Loans:	Cash or Equivalent	110%
	Vehicle	140%
	Mobile Homes	150%
	Other Collateral	160%

All commercial loans must be supported by a completed and signed financial statement which should include a minimum of a balance sheet and income statement. Loan Officers are encouraged to require borrowers to provide annual statements prepared by a CPA firm. Where possible, an audit should be obtained, however, a review or compilation is acceptable. The Credit Analysis Department tracks delinquent financial statements and provides weekly reports to the Commercial Loan Department. In addition, the Senior Loan Committee receives a monthly report detailing delinquent financial statements for customers with large loan balances.

A borrower's financial position including cash flow is monitored at least annually through an annual review process.

OTHER SUBSIDIARIES

First Busey Trust & Investment Co. began operation on January 1, 1987 as a successor to the combined trust departments of Busey Bank and Champaign County Bank & Trust Co., which began trust operations in 1967 and 1947, respectively. Through First Busey Trust & Investment Co., First Busey plans to expand its trust activities by increasing assets under control, currently approximating $660 million, and by developing new financial services. During 1997, revenues from trust activities were $3.2 million. First Busey Resources, Inc., previously an inactive subsidiary of First Busey Corporation, became active on January 7, 1997. This subsidiary currently owns and manages Busey Plaza, a 90,000 square foot building which is the location of the headquarters of First Busey Trust & Investment Co.

First Busey Corporation acquired Busey Business Bank on January 12, 1998. This is a de novo bank established in Indianapolis, Indiana. Upon the establishment of this chartered bank, Busey Bank closed its Loan Production Office in Indianapolis. It is anticipated that this banking center will serve the financial needs of the customers who were previously being served by the Loan Production Office.

Busey Bank established a full service securities broker-dealer subsidiary, First Busey Securities, Inc., on April 1, 1991. Through the offering of full service brokerage, along with various insurance and annuity products, new sources of fee income are available to Busey Bank.

In October of 1997, Busey Bank established an insurance subsidiary, Busey Insurance Services, Inc., to further enhance the services available to its customers. This subsidiary serves primarily the McLean County market. During 1997, Busey Bank established a subsidiary, BAT. This subsidiary owns and operates automated teller machines. In January of 1998, Busey Bank acquired Busey Carter Travel, a travel agency serving primarily Champaign County. This acquisition was also completed to enhance the services available to the customers of Busey Bank.

COMPETITION

First Busey faces intense competition in all phases of its banking business from other banks and financial institutions. First Busey's subsidiary banks compete for deposits with a large number of depository institutions including commercial banks, savings and loan associations, credit unions, money market funds and other financial institutions and financial intermediaries serving Champaign County, McLean County, Illinois, and Hamilton County, Indiana. Principal competitive factors with respect to deposits include interest rates paid on deposits, customer service, convenience and location.

First Busey's subsidiary banks compete for loans with other banks headquartered in Illinois and Indiana, with loan production offices of large money center banks headquartered in other states, as well as with savings and loan associations, credit unions, finance companies, mortgage bankers, leasing companies and other institutions. Competitive factors with respect to loans include interest rates charged, customer service and responsiveness in tailoring financial products to the needs of customers. First Busey's subsidiary banks compete for loans primarily by designing their products for and directing their marketing efforts to businesses in the markets they serve which are locally owned, well-capitalized and well-managed.

Many of the entities that compete with First Busey's subsidiary banks are substantially larger in size than First Busey and First Busey's subsidiary banks, and many non-bank financial intermediaries are not subject to the regulatory restrictions applicable to First Busey's bank subsidiaries. First Busey and its subsidiary banks have experienced an increase in the level of competition as well as the number of competitors in recent years. See "Supervision and Regulation."

EMPLOYEES

First Busey and its subsidiaries employed 393 employees (full-time equivalent) on December 31, 1997. Management considers its relationship with its employees to be good.

SUPERVISION AND REGULATION

GENERAL

Financial institutions and their holding companies are extensively regulated under federal and state laws. As a result, the business, financial condition and prospects of First Busey and its subsidiary banks can be materially affected not only by management decisions and general economic conditions, but also by applicable statutes and regulations and other regulatory pronouncements and policies promulgated by regulatory agencies with jurisdiction over First Busey and its subsidiary banks, such as the Federal Reserve Board ("FRB"), Federal Deposit Insurance Corporation ("FDIC") and the State of Illinois Office of Banks and Real Estate, and the effect of such statutes, regulations and other pronouncements and policies can be significant, cannot be predicted with a high degree of certainty and can change over time. Furthermore, such statutes, regulations and other pronouncements and policies are intended to protect the depositors and the FDIC's deposit insurance funds, not to protect stockholders.

Bank holding companies and banks are subject to enforcement actions by their regulators for regulatory violations. In addition to compliance with statutory and regulatory limitations and requirements concerning financial and operating matters, regulated financial institutions such as First Busey and its subsidiary banks must file periodic and other reports and information with their regulators and are subject to examination by each of their regulators.

The statutory requirements applicable to and regulatory supervision of bank holding companies and banks have increased significantly and have undergone substantial change in recent years. To a great extent, these changes are embodied in the Financial Institutions Reform, Recovery and Enforcement Act ("FIRREA"), enacted in August 1989, the Federal Deposit Insurance Corporation Improvement Act of 1991 ("FDICIA"), enacted in December 1991, and the regulations promulgated under FIRREA and FDICIA.

The following discussion and other references to and descriptions of the regulation of financial institutions contained herein constitute brief summaries thereof. This discussion is not intended to constitute and does not purport to be a complete statement of all legal restrictions and requirements applicable to First Busey and its subsidiary banks and all such descriptions are qualified in their entirety by reference to applicable statutes, regulations and other regulatory pronouncements.

INTERSTATE BANKING AND BRANCHING LEGISLATION

On September 29, 1994, the Riegle-Neal Interstate Banking and Efficiency Act of 1994 (the "Interstate Banking Act") was enacted. Under the Interstate Banking Act, adequately capitalized and adequately managed bank holding companies will be allowed to acquire banks across state lines subject to certain limitations. In addition, under the Interstate Banking Act, since June 1, 1997, banks have been permitted, under some circumstances, to merge with one another across state lines and thereby create a main bank with branches in separate states. After establishing branches in a state through an interstate merger transaction, a bank may establish and acquire additional branches at any location in the state where any bank involved in the interstate merger could have established or acquired branches under applicable federal and state law.

Under the Interstate Banking Act, states could adopt legislation permitting interstate mergers before June 1, 1997. Alternatively, states could adopt legislation before June 1, 1997, subject to certain conditions, opting out of interstate branching. Illinois adopted legislation, effective September 29, 1995, permitting interstate mergers beginning on June 1, 1997. It is anticipated that this interstate merger and branching ability will increase competition and further consolidate the financial institutions industry.

REGULATION OF BANK HOLDING COMPANIES AND THEIR NON-BANK SUBSIDIARIES

First Busey is a registered bank holding company within the meaning of the Bank Holding Company Act of 1956, as amended ("BHCA"). As such, First Busey is subject to regulation, supervision and examination by the FRB. First Busey is also subject to the limitations and requirements of the Illinois Bank Holding Company Act ("IBHCA"). These limitations and requirements, however, are no more restrictive in most instances than those imposed by the BHCA and the FRB. The business and affairs of First Busey are regulated in a variety of ways, including limitations on acquiring control of other banks and bank holding companies, limitations on activities and investments, limitations on interstate acquisitions, regulatory capital requirements and limitations on payment of dividends. In addition, it is the FRB's policy that a bank holding company is expected to act as a source of financial strength to banks that it owns or controls and, as a result, the FRB could require First Busey to commit resources to support its subsidiary bank in circumstances in which First Busey might not do so absent the FRB's policy.

First Busey Trust & Investment Co. is subject to regulation and examination by the State of Illinois Office of Banks and Real Estate and the FRB. The federal and state laws generally applicable to a trust company subsidiary of a bank holding company regulate, among other things, the scope of its business, investments and other activities. Busey Insurance Services, Inc. is regulated by the Illinois Department of Insurance. First Busey Securities, Inc. is regulated by the National Association of Securities Dealers ("NASD").

ACQUISITION OF BANKS AND BANK HOLDING COMPANIES

The BHCA generally prohibits a bank holding company from (1) acquiring, directly or indirectly, more than 5% of the outstanding shares of any class of voting securities of a bank or bank holding company, (2) acquiring control of a bank or another bank holding company, (3) acquiring all or substantially all the assets of a bank, or (4) merging or consolidating with another bank holding company, without first obtaining FRB approval. In considering an application with respect to any such transaction, the FRB is required to consider a variety of factors, including the potential anti-competitive effects of the transaction, the financial condition and future prospects of the combining and resulting institutions, the managerial resources of the resulting institution, the convenience and needs of the communities the combined organization would serve, the record of performance of each combining organization under the Community Reinvestment Act and the Equal Credit Opportunity Act, and the prospective availability to the FRB of information appropriate to determine ongoing regulatory compliance with applicable banking laws.

In addition, both the federal Change in Bank Control Act and the Illinois Banking Act ("IBA") impose limitations on the ability of one or more individuals or other entities to acquire control of First Busey or its subsidiary bank.

The BHCA generally imposes certain limitations on extensions of credit and other transactions by and between banks that are members of the Federal Reserve System and other banks and non-bank companies in the same holding company. Under the BHCA and the FRB's regulations, a bank holding company and its subsidiaries are prohibited from engaging in certain tie-in arrangements in connection with any extension of credit, lease or sale of property or furnishing of services.

The BHCA prohibits a bank holding company from acquiring control of a bank whose principal office is located outside of the state in which its principal place of business is located unless specifically authorized by applicable state law. The IBHCA permits Illinois bank holding companies to acquire control of banks in any state and permits bank holding companies whose principal place of business is in another state to acquire control of Illinois banks or bank holding companies if that state affords reciprocal rights to Illinois bank holding companies and certain other requirements are met.

The restrictions described above represent limitations on expansion by First Busey and its subsidiary bank, the acquisition of control of First Busey by another company and the disposition by First Busey of all or a portion of the stock of its subsidiary banks or by its subsidiary banks of all or a substantial portion of its assets.

Permitted Non-Banking Activities

The BHCA generally prohibits a bank holding company from engaging in activities or acquiring or controlling, directly or indirectly, the voting securities or assets of any company engaged in any activity other than banking, managing or controlling banks and bank subsidiaries or another activity that the FRB has determined, by regulation or otherwise, to be so closely related to banking or managing or controlling banks as to be a proper incident thereto. Subject to certain exceptions, before making any such acquisition or engaging in any such activity, a bank holding company must obtain the prior approval of the FRB as provided in applicable regulations.

In evaluating such applications, the FRB will consider, among other relevant factors, whether permitting the bank holding company to engage in the activity in question can reasonably be expected to produce benefits to the public (such as increased convenience, competition or efficiency) that outweigh any possible adverse effects (such as undue concentration of resources, decreased or unfair competition, conflicts of interest or safety and soundness concerns). Those activities that the FRB has determined by regulation to be closely related to banking include making, acquiring and servicing loans or other extensions of credit by consumer finance companies.

Notwithstanding applicable restrictions on acquisition or control of banks, bank assets, bank holding companies and companies engaged in permitted non-banking activities, a bank holding company may acquire, without the prior approval of the FRB, 5% or less of the outstanding shares of any class of voting securities of a company assuming the investment does not otherwise result in control of such company. The BHCA prohibits bank holding companies, with certain exceptions, from acquiring direct or indirect ownership of more than five percent of the voting securities of any company that is not a bank or does not engage in any of the activities described in the preceding paragraph.

Capital Requirements

Regulatory capital requirements applicable to all regulated financial institutions, including bank holding companies and banks, have increased significantly in recent years and further increases are possible in future periods. The FRB has adopted risk-based capital standards for bank holding companies. The articulated objectives of Congress and the FRB in establishing a risk-based method of measuring capital adequacy are (i) to make regulatory capital requirements applicable to bank holding companies more sensitive to differences in risk profiles among bank holding companies, (ii) to factor off-balance sheet liabilities into the assessment of capital adequacy, (iii) to reduce disincentives for bank holding companies to hold liquid, low risk assets and (iv) to achieve greater consistency in the evaluation of capital adequacy of major banking organizations throughout the world by conforming to the framework developed jointly by supervisory authorities from countries that are parties to the so-called "Basle Accord" adopted by such supervisory authorities in July 1988.

The FRB requires bank holding companies to maintain a minimum ratio of risk-weighted capital to total risk-adjusted assets. Banking organizations, however, generally are expected to operate well above the minimum risk-based ratios. Risk-adjusted assets include a "credit equivalent amount" of off-balance sheet items, determined in accordance with conversion formulae set forth in the FRB's regulations. Each asset and off-balance sheet item, after certain adjustments, is assigned to one of four risk-weighting categories, 0%, 20%, 50% or 100%, and the risk-adjusted values are then added together to determine risk-weighted assets.

A bank holding company must meet two risk-based capital standards, a "core" or "Tier 1" capital requirement and a total capital requirement. The current regulations require that a bank holding company maintain Tier 1 capital equal to 4% of risk-adjusted assets and total capital equal to 8% of risk-adjusted assets. Tier 1 capital must represent at least 50% of total capital and may consist of those items defined in applicable regulations as core capital elements. Core capital elements include common stockholders' equity; qualifying noncumulative, nonredeemable perpetual preferred stock; qualifying (i.e., up to 25% of total Tier 1 capital) cumulative, nonredeemable perpetual preferred stock; and minority interests in the equity accounts of consolidated subsidiaries. Core capital excludes goodwill and other intangible assets required to be deducted in accordance with applicable regulations.

Total capital represents the sum of Tier 1 capital plus "Tier 2" capital, less certain deductions. Tier 2 or "supplementary" capital consists of allowances for loan and lease losses; perpetual preferred stock (to the extent not included in Tier 1 capital); hybrid capital instruments; perpetual debt; mandatory convertible debt securities; term subordinated debt; and intermediate term preferred stock, in each case subject to applicable regulatory limitations. The maximum amount of Tier 2 capital that may be included in an organization's qualifying total capital cannot exceed 100% of Tier 1 capital. In determining total capital, a bank holding company must deduct from the sum of Tier 1 and Tier 2 capital its investments in unconsolidated subsidiaries; reciprocal holdings of certain securities of banking organizations; and other deductions required by regulation or determined on a case-by-case basis by the appropriate supervisory authority.

Another capital measure, the Tier 1 leverage ratio, is defined as Tier 1 capital divided by average total assets (net of allowance for losses and goodwill). The minimum leverage ratio is 3% for banking organizations that do not anticipate significant growth and that have well-diversified risk (including no undue interest rate risk), excellent asset quality, high liquidity and good earnings. Other banking organizations are expected to have ratios of at least 4% to 5%, depending upon their particular condition and growth plans. Higher capital ratios could be required if warranted by the particular circumstances or risk profile of a given banking organization. The FRB has not advised First Busey of any specific minimum Tier 1 leverage ratio applicable to it.

As of December 31, 1997, First Busey's Tier 1 and total risk-based capital ratios were 11.81% and 13.01%, respectively, and its Tier 1 leverage ratio was 7.61%.

The failure of a bank holding company to meet its risk-weighted capital ratios may result in supervisory action, as well as inability to obtain approval of any regulatory applications and, potentially, increased frequency of examination. The nature and intensity of the supervisory action will depend upon the level of noncompliance. Under the IBHCA, no bank holding company may acquire control of a bank if, at the time it applies for approval or at the time the transaction is consummated, its ratio of total capital to total assets, as determined in accordance with then applicable FRB regulations, is or will be less than 7%.

Risk-based capital ratios focus principally on broad categories of credit risk and do not incorporate factors that can affect the Company's financial condition, such as overall interest rate risk exposure, liquidity, funding and market risks, the quality and level of earnings, investment or loan portfolio concentrations, the quality of loans and investments, the effectiveness of loan and investment policies and management's ability to monitor and control financial and operating risks. For this reason, the overall financial health of First Busey and its subsidiary bank and the assessment of First Busey and its subsidiary bank by various regulatory agencies may differ from conclusions that might be drawn solely from the level of First Busey or its subsidiary bank's risk-based capital ratios.

During 1994, the federal banking regulators announced a joint decision not to modify risk-based capital and leverage requirements for regulatory capital to reflect the impact of unrealized gains and losses for securities classified as "available for sale." This decision was made in response to the Financial Accounting Standards Board's issuance of Statement No. 115 "Accounting for Certain Investments in Debt and Equity Securities."

Regulation of Banks

First Busey's bank subsidiary is a banking corporation organized under the IBA. As such, it is subject to regulation, supervision and examination by the State of Illinois Office of Banks and Real Estate. The deposit accounts of the bank subsidiary are insured up to applicable limits by the FDIC's Bank Insurance Fund (the "BIF"). Thus, the bank subsidiary is also subject to regulation, supervision and examination by the FDIC. In certain instances, the statutes administered by and regulations promulgated by certain of these agencies are more stringent than those of other agencies with jurisdiction. In these instances, the bank subsidiary must comply with the more stringent restrictions, prohibitions or requirements.

The business and affairs of the bank subsidiary are regulated in a variety of ways. Regulations apply to, among other things, insurance of deposit accounts, capital ratios, payment of dividends, liquidity requirements, the nature and amount of the investments that the bank subsidiary may make, transactions with affiliates, community and consumer lending laws, internal policies and controls, reporting by and examination of the bank subsidiary and changes in control of the bank subsidiary.

Dividends

The FRB has issued a policy statement on the payment of cash dividends by bank holding companies. In the policy statement, the FRB expressed its view that a bank holding company experiencing weak earnings should not pay cash dividends which exceed its net income or which could only be funded in ways that would weaken its financial health, such as by borrowing. The FRB also may impose limitations on the payment of dividends as a condition to its approval of certain applications, including applications for approval of mergers and acquisitions. First Busey uses funds derived primarily from the payment of dividends by its largest banking subsidiary for, among other purposes, the payment of dividends to First Busey's stockholders. Under provisions of the IBA, dividends may not be declared by banking subsidiaries except out of the bank's net profit (as defined), and unless the bank has transferred to surplus at least one-tenth of its net profits since the date of the declaration of the last preceding dividend, until the amount of its surplus is at least equal to its capital. Presently, the surplus of Busey Bank exceeds its capital.

All dividends paid by First Busey's banking subsidiaries are restricted by capital adequacy requirements imposed by federal regulators regarding the maintenance of the risk-weighted asset ratios and the leverage ratio (as defined by regulatory agencies). At December 31, 1997, Busey Bank had $25,754,000 available for the payment of dividends to First Busey. Sound banking practices require the maintenance of adequate levels of capital. State and federal regulatory authorities have adopted standards for the maintenance of capital by banks and adherence to such standards further limits the ability of banks to pay dividends.

First Busey Trust & Investment Co., as an Illinois corporation, is permitted to make distributions to its stockholder as authorized by its Board of Directors, except that as long as it continues in a fiduciary business, it may not withdraw for purposes of payment of dividends or otherwise any portion of its capital account except with the approval of the State of Illinois Office of Banks and Real Estate.

MONETARY POLICY AND ECONOMIC CONDITION

The earnings of commercial banks and bank holding companies are affected not only by general economic conditions but also by the policies of various governmental regulatory authorities. In particular, the FRB influences conditions in the money and capital markets, which affect interest rates and the growth in bank credit and deposits. FRB monetary policies have had a significant effect on the operating results of commercial banks in the past and this is expected to continue in the future. The general effect, if any, of such policies upon the future business and earnings of First Busey and its subsidiary bank cannot be predicted.

ITEM 2. PROPERTIES

As of March 6, 1998, First Busey and its subsidiaries conduct business in twenty-one locations. Busey Bank has its headquarters at the Busey Bank Building, a 40,000 square foot building owned by Busey Bank. In addition to the Busey Bank Building, First Busey and/or its subsidiaries own the land and building for twelve locations, own the building and lease the land for two locations and lease six locations. Two supermarket locations, the Bloomington facility, the Busey Plaza Building and the Indianapolis location are the only facilities not fully occupied by First Busey or its subsidiaries. The Busey Plaza Building, a five-story 90,000 square foot office building, is the location of the headquarters of First Busey Trust & Investment Co., with the remainder leased to unaffiliated tenants.

ITEM 3. LEGAL PROCEEDINGS

There are no material pending legal proceedings, other than routine litigation incidental to the business, to which First Busey or its subsidiaries are a part of or which any of their property is the subject.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable.

EXECUTIVE OFFICERS OF THE REGISTRANT

Name	Office (year first elected as an officer)	Age
Douglas C. Mills*	Chairman of the Board, President and Chief Executive Officer of First Busey (1971)	57
Edwin A. Scharlau II*	Chairman of the Board of First Busey Trust & Investment Co. and First Busey Securities, Inc. (1967)	53
P. David Kuhl*	President and Chief Executive Officer of Busey Bank (1979)	48

*Director

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Since July 1, 1988, First Busey Class A Common Stock has been traded in the over-the-counter market and quoted in the National Quotation Bureau's "Pink Sheets." The "Pink Sheets" include approximately 14,000 thinly traded stocks. In 1997, First Busey Corporation began trading on the OTC Bulletin Board. The market quotations reflect inter-dealer prices, without retail-markup, markdown or commission and may not necessarily represent actual transactions. The investment banking firm of Stephens Inc., Little Rock, Arkansas, is the principal market maker for First Busey Class A Common Stock. The last reported "Bid" price for First Busey Class A Common Stock is reported daily in the News-Gazette, a Champaign-Urbana newspaper. Prior to July 1, 1988, there was no public market for First Busey Class A Common Stock. Although a limited trading market for shares of First Busey Class A Common Stock has developed recently, there can be no assurance that it will continue.

The following table presents for the periods indicated the high and low "Bid" quotations for First Busey Class A Common Stock as provided by the Corporation's market maker Stephens, Inc. and reported on the OTC Bulletin Board.

	1997		1996	
Market Prices of Common Stock	High	Low	High	Low
First Quarter	$23.75	$22.25	$19.17	$18.00
Second Quarter	$24.25	$23.75	$21.00	$18.50
Third Quarter	$25.75	$24.25	$22.00	$20.00
Fourth Quarter	$27.75	$25.75	$23.75	$21.25

During 1997 and 1996, First Busey, declared cash dividends per share as follows:

1997	CLASS A COMMON STOCK	CLASS B COMMON STOCK
January	$ .1700	$ .1546
April	$ .1700	$ .1546
July	$ .1800	$ .1636
October	$ .1800	$ .1636
1996		
January	$ .1667	$ .1515
April	$ .1667	$ .1515
July	$ .1600	$ .1455
October	$ .1600	$ .1455

Three-for-two stock splits on both Class A and Class B Common Stock occurred on May 7, 1996, and May 7, 1993.

For a discussion of restrictions on dividends, please see the discussion of dividend restrictions under Item 1, Business, Dividends on page 10.

As of March 6, 1998 there were approximately 1,012 holders of First Busey Class A Common Stock.

ITEM 6. SELECTED FINANCIAL DATA

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following selected financial data for each of the five years in the period ended December 31, 1997, have been derived from First Busey's annual consolidated financial statements audited by McGladrey & Pullen, LLP, independent certified public accountants, whose report on the financial position as of December 31, 1997 and December 31, 1996, and the results of operations for each of the three years in the period ended December 31, 1997, appears elsewhere in this report. This financial data should be read in conjunction with the financial statements and the related notes thereto appearing in this report.

	1997	1996	1995	1994	1993
BALANCE SHEET ITEMS	(dollars in thousands, except per share data)				
Securities	$215,514	$226,350	$284,517	$210,525	$230,359
Loans, net of unearned interest	602,937	569,500	481,772	451,051	412,905
Allowance for loan losses	6,860	6,131	5,473	5,235	5,205
Total assets	915,540	864,918	844,666	728,459	709,257
Total deposits	811,453	766,927	744,897	635,694	636,418
Long-term debt	10,000	5,000	5,000	5,000	6,645
Stockholders' equity	81,279	73,417	67,778	59,016	56,332
RESULTS OF OPERATIONS					
Interest income	$ 63,831	$ 61,197	$ 54,494	$ 47,126	$ 46,003
Interest expense	31,119	30,033	26,515	20,212	20,363
Net interest income	32,712	31,164	27,979	26,914	25,640
Provision for loan losses	1,075	1,100	395	240	1,125
Net income	$ 10,371	$ 9,306	$ 8,775	$ 8,238	$ 7,364

	1997	1996	1995	1994	1993
	(dollars in thousands, except per share data)				
PER SHARE DATA(1)					
Diluted earnings	$ 1.48	$ 1.34	$ 1.27	$ 1.19	$ 1.07
Cash dividends (Class A)	.70	.65	0.59	0.53	0.53
Book value	11.84	10.72	9.95	8.64	8.13
Closing "Bid" price	27.50	22.25	18.00	16.17	14.33
OTHER INFORMATION					
Return on average assets	1.18%	1.08%	1.15%	1.14%	1.07%
Return on average equity	13.42%	13.40%	13.86%	14.16%	13.87%
Net interest margin (2)	4.20%	4.13%	4.20%	4.30%	4.33%
Stockholders' equity to assets	8.88%	8.49%	8.02%	8.10%	7.94%

(1) Per share amounts have been restated to give retroactive effect to the three-for-two stock splits which occurred May 7, 1996, and May 7, 1993.
(2) Calculated as a percent of average earning assets.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following is management's discussion and analysis of the financial condition and results of operations of First Busey Corporation and Subsidiaries (the "Corporation") for the years ended December 31, 1997, 1996 and 1995. It should be read in conjunction with "Business", "Selected Financial Data", the consolidated financial statements and the related notes to the consolidated financial statements and other data included in this Annual Report. All per share amounts have been restated to give retroactive effect to the three-for-two stock splits which occurred May 7, 1996, and May 7, 1993.

GENERAL

The Corporation's consolidated income is generated primarily by the financial services activities of its subsidiaries. Since January 1, 1982, the Corporation has acquired eleven banks and sold two; acquired six savings and loan branches and two bank branches; acquired a bank branch in an FDIC assisted acquisition of a failed bank; formed a trust company subsidiary; formed an insurance agency subsidiary; and formed a non-bank ATM subsidiary. All of the banks acquired during those years were accounted for using the purchase method of accounting, except for Bank of Urbana which was accounted for using the pooling of interests method. All subsidiary banks owned by the Corporation as of November 1991 were merged with Busey Bank. Under the purchase method of accounting, the earnings of the acquired subsidiaries are included in the Corporation's earnings only for the periods subsequent to acquisition. The following table illustrates the amounts of net income contributed by each subsidiary (on a pre-consolidation basis) since January 1, 1995, less purchase accounting adjustments.

Subsidiary	Acquired	1997		1996		1995	
		(dollars in thousands)					
Busey Bank (1)	3/20/80	$ 9,645	88.3%	$8,980	91.8%	$8,664	92.8%
First Busey Trust & Investment Co. (2)	--	987	9.0%	651	6.7%	596	6.4%
First Busey Securities, Inc (3)	--	234	2.1%	148	1.5%	76	0.8%
First Busey Resources, Inc. (4)	--	102	0.9%	--	--	--	--
Busey Insurance Services, Inc. (5)	--	(26)	- 0.2%	--	--	--	--
BAT, Inc. (6)	--	(12)	- 0.1%	--	--	--	--
Total		$10,930	100.0%	$9,779	100.0%	$9,336	100.0%

(1) City Bank of Champaign and Champaign County Bank & Trust were merged into Busey Bank as of January 1, 1987. First National Bank of Thomasboro was merged into Busey Bank as of January 1, 1988. State Bank of St. Joseph was merged into Busey Bank as of November 3, 1989. The Bank of Urbana, Citizens Bank of Tolono, and the assets of Community Bank of Mahomet subject to its liabilities were merged into Busey Bank as of November 16, 1991. Busey Bank of McLean County was merged into Busey Bank as of January 1, 1996.
(2) Formed as a subsidiary of the Corporation as of January 1, 1987 as a successor to the combined trust departments of Busey Bank and Champaign County Bank & Trust.
(3) Formed as a subsidiary of Busey Bank as of April 1, 1991.
(4) Reactivated as a subsidiary of First Busey Corporation as of January 1, 1997. Real estate and certain other assets previously carried on the parent company's balance sheet were transferred to subsidiary as of that date.
(5) Formed as a subsidiary of Busey Bank as of October 1, 1997.
(6) Reactivated as a subsidiary of Busey Bank as of July 1, 1997.

RESULTS OF OPERATIONS-THREE YEARS ENDED DECEMBER 31, 1997

Summary

The Corporation reported net income of $10,371,000 in 1997, up 11.4% from $9,306,000 in 1996, which had increased 6.1% from $8,775,000 in 1995. Diluted earnings per share in 1997 increased 10.4% to $1.48 from $1.34 in 1996, which was a 5.5% increase from $1.27 in 1995. Contributing to the 1997 increase in net income were increases in net interest income, trust fees, commissions and brokers fees, and other service charges and fees. The main factor contributing to the increase in net income for 1996 was the increase in net interest income resulting from the large increase in loans outstanding. Operating earnings, which exclude security gains and the gain on sales of loans and the related tax expense, were $9,748,000 or $1.39 per share for 1997; $8,965,000, or $1.29 per share for 1996; and $8,217,000, or $1.19 per share for 1995.

There were no material changes in average shares outstanding from 1995 to 1997 to affect earnings per share.

Security gains after the related tax expense were $338,000 or 3.3% of net income in 1997; $166,000 or 1.8% of net income in 1996; and $134,000 or 1.5% of net income in 1995.

The Corporation's return on average assets was 1.18%, 1.08% and 1.15% for 1997, 1996, and 1995, respectively, and return on average equity was 13.42%, 13.40%, and 13.86% for 1997, 1996, and 1995, respectively. On an operating earnings basis, return on average assets was 1.11%, 1.04%, and 1.08% for 1997, 1996, and 1995, respectively, and return on average equity was 12.61%, 12.91% and 12.98% for 1997, 1996, and 1995, respectively.

Net Interest Income

Net interest income on a tax equivalent basis for 1997 increased 4.6% to $34,075,000 from $32,574,000 for 1996, which reflected an 11.0% increase from $29,349,000 in 1995. Net interest income increased in 1997 as investment security maturities and sales were reinvested in higher yielding loans. Net interest income increased in 1996 because of a large increase in average loans outstanding.

Average interest-earning assets increased to $811,010,000 in 1997 from $788,158,000 and $699,567,000 in 1996 and 1995, respectively. Modest internally generated growth accounted for the increase in average interest-earning assets in 1997. The growth in 1996 was primarily due to the effect of the investment in loans and securities that resulted from the assumption of $77,988,000 of deposits in December 1995.

The net interest margin was 4.20% in 1997, 4.13% in 1996, and 4.20% in 1995. The increase in the net interest margin for 1997 was due to an increase in average loan balances of $59,016,000 at an average rate one basis point lower than the same rate for 1996, partially offset by increases in the average balance of interest-bearing liabilities and the rates paid on those balances. The decrease in net interest margin for 1996 was due to a 6 basis point decline in the net interest spread which resulted from a decline in the yield on interest-earning assets and an increase in the weighted rate paid on interest-bearing liabilities when comparing the year ended December 31, 1996, to the prior year period.

During 1997 and 1996, interest rate trends had a significant impact on the Corporation's yields and costs. In 1997, the average yield on interest earning assets increased 10 basis points while the average cost of interest-bearing liabilities also increased by 10 basis points. This resulted in the net interest margin increasing to 4.20% for 1997 from 4.13% in 1996. In 1996, the average yield on interest-earning assets decreased 5 basis points, while the average cost of interest-bearing liabilities increased 1 basis point. This resulted in the net interest margin declining to 4.13% for 1996 from 4.20% for 1995. [See "Selected Statistical Information, Consolidated Average Balance Sheets and Interest Rates."]

Provision for Loan Losses

The provision for loan losses, which is a current charge against income, represents an amount which management believes is sufficient to maintain an adequate allowance for future loan losses. In assessing the adequacy of the allowance for loan losses, management considers the size and quality of the loan portfolio measured against prevailing economic conditions and historical loan loss experience. When a determination is made by management to charge off a loan balance, such write-off is charged against the allowance for loan losses.

The provision for loan losses decreased to $1,075,000 in 1997 from $1,100,000 in 1996 when it increased from $395,000 in 1995. Net charge-offs decreased to $346,000 in 1997 from $442,000 in 1996 which had increased from $157,000 in 1995. The provision for 1997 was large relative to net charge-offs to restore the ratio of the allowance for loan losses to non-performing loans. The increase in the provision for 1996 was primarily made in order to fund the reserve for the $87,728,000 increase in loans during the year.

Other Income

Other income increased 18.4% in 1997 to $10,379,000 from $8,769,000 in 1996, which reflected a 2.5% increase from $8,559,000 in 1995. The increase in 1997 is due primarily to increases in trust fee income, commission income, and other service charges. As a percentage of total income, other income was 14.0%, 12.5%, and 13.6% in 1997, 1996, and 1995, respectively. Gains on the sale of securities, as a component of other income, totaled $520,000 (5.0%) in 1997, $256,000 (2.9%) in 1996, and $206,000 (2.4%) in 1995. Other income also includes gains on sales of loans, as a component of other income, of $439,000 (4.2%), $268,000 (3.1%), and $653,000 (7.6%) in 1997, 1996, and 1995, respectively.

Additional components of other income were fee income and trust fees. Service charges and other fee income increased 12.6% to $5,290,000 in 1997 from $4,698,000 in 1996, which was an 18.2% increase from $3,973,000 in 1995. The growth in fee income in 1997 and 1996 was due to increases in service charges on deposit accounts. Trust fees increased 19.0% in 1997 and 3.9% in 1996; revenues were $3,156,000 in 1997, $2,651,000 in 1996, and $2,551,000 in 1995. Increases in trust department revenues in each year were primarily due to increases in assets under care to $660,846,000 at December 31, 1997 from $518,367,000 at December 31, 1996. Remaining other income decreased 2.4% to $972,000 in 1997 from $996,000 in 1996 which was a 13.4% decrease from $1,150,000 in 1995.

Other Expenses

Other expenses increased 5.7% in 1997 to $27,266,000 from $25,786,000 in 1996, which reflected an increase from $24,069,000 in 1995. As a percentage of total income, other expenses were 36.7%, 36.9%, and 38.2% in 1997, 1996, and 1995, respectively. Employee related expenses, including salaries and wages and employee benefits, increased 5.4% in 1997 to $14,615,000, as compared to $13,868,000 in 1996, which was a 10.5% increase from $12,546,000 in 1995. As a percent of average assets, employee related expenses were 1.66%, 1.61% and 1.64%, in 1997, 1996, and 1995, respectively. The Corporation had 393, 383, and 375 full-time equivalent employees at December 31, 1997, 1996, and 1995, respectively. Net occupancy expense of bank premises and furniture and equipment expenses increased 13.3% in 1997 to $4,063,000 as compared to $3,587,000 in 1996 and $3,559,000 in 1995. The increases were primarily due to expenses associated with remodeling of existing facilities. As a percent of average assets, occupancy and equipment expenses were .46%, .42%, and .46% in 1997, 1996, and 1995, respectively.

Excluding foreclosed property write-down and expense, remaining other expenses increased 4.8% to $8,576,000 in 1997 from $8,181,000 in 1996 which was a 5.7% increase from $7,738,000 in 1995. The increase in 1997 was primarily due to increased data processing expense. This increase was partially offset by reduced FDIC insurance expense. The increase in 1996 was primarily due to increased amortization expenses related to acquisitions in December 1995, and was partially offset by reduced data processing expenses.

Income Taxes

Income tax expense in 1997 was $4,379,000 as compared to $3,741,000 in 1996 and $3,299,000 in 1995. The provision for income taxes as a percent of income before income taxes was 29.7%, 28.7%, and 27.3%, for 1997, 1996, and 1995, respectively. The slightly lower rate in 1995 was due to the reclassification of expenses of certain acquisition costs.

STATEMENTS OF CONDITION-DECEMBER 31, 1997 AND DECEMBER 31, 1996

Total assets on December 31, 1997 were $915,540,000 an increase of 5.9% from $864,918,000, on December 31, 1996. Total loans, net of unearned interest, increased 5.9% to $602,937,000 on December 31, 1997 as compared to $569,500,000 on December 31, 1996. Deposits increased 5.8% to $811,453,000 on December 31, 1997 as compared to $766,927,000 on December 31, 1996. Interest bearing deposits increased $30,513,000 or 4.4% during 1997. Non-interest bearing deposits increased $14,013,000 or 17.9% during 1997. Total stockholders' equity increased 10.7% to $81,279,000 on December 31, 1997, as compared to $73,417,000 on December 31, 1996.

Earning Assets

The average interest-earning assets of the Corporation were 92.1%, 91.7%, and 91.6%, of average total assets for the years ended December 31, 1997, 1996, and 1995, respectively.

The Corporation has classified all investment securities as securities available for sale. These securities are held with the option of their disposal in the foreseeable future to meet investment objectives or for other operational needs. Securities available for sale are carried at fair value. As of December 31, 1997, the fair value of these securities was $215,514,000 and the amortized cost was $206,589,000. There were $9,097,000 of gross unrealized gains and $172,000 of gross unrealized losses for a net unrealized gain of $8,925,000. The after-tax effect ($5,801,000) of this unrealized gain has been included in stockholders' equity as called for in Statement No. 115. The increase in market value for the debt securities in this classification was a result of falling interest rates. The fair value increase in the equity securities was primarily due to a $2,142,000 increase in the value of 54,200 shares of Student Loan Marketing Association (SLMA) common stock owned by the Corporation throughout the year.

The composition of securities available for sale is as follows:

	Years ended December 31,				
	1997	1996	1995	1994	1993
	(dollars in thousands)				
U.S. Treasuries and Agencies	$161,762	$159,044	$213,862	$137,724	-
Equity securities	11,994	9,065	7,589	5,156	1,037
States and political subdivisions	32,351	1,253	202	-	-
Other	9,407	1,881	1,363	1,138	-
Fair value of securities available for sale	$215,514	$171,243	$223,016	$144,018	$ 1,037
Fair value of securities under LOCOM(1)	-	-	-	-	$ 3,052
Amortized cost	$206,589	$166,189	$218,257	$145,293	$ 1,037
Fair value as a percentage of amortized cost	104.32%	103.04%	102.18%	99.12%	294.31%

(1) Lower of cost or market

The maturities, fair values and weighted average yields of securities available for sale as of December 31, 1997 are:

Investment Securities(1)	Due in 1 year or less		Due after 1 year through 5 years		Due after 5 years through 10 years		Due after 10 years	
	Fair Value	Weighted Average Yield	Fair Value	Weighted Average Yield	Fair Value	Weighted Average Yield	Fair Value	Weighted Average Yield
	(dollars in thousands)							
U.S. Treasuries and Agencies	$76,011	5.66%	$ 83,210	5.93%	$ 2,541	5.89%	-	-
States and political subdivisions (2)	5,010	9.15%	12,228	8.72%	11,823	7.84%	3,290	8.46%
Other	1,210	5.60%	5,097	6.33%	748	7.19%	-	-
Total	$82,231	5.87%	$100,535	6.29%	$15,112	7.48%	$3,290	8.46%

(1) Excludes equity securities and mortgage backed securities.
(2) On a tax-equivalent basis, assuming a federal income tax rate of 35% (the effective federal income tax rate as of December 31, 1996)

The securities held to maturity portfolio consisted of debt securities which provided the Corporation with a relatively stable source of income. Additionally, the investment portfolio provides a balance to interest rate and credit risk in other categories of the balance sheet while providing a vehicle for the investment of available funds and supplying securities to pledge as required collateral for certain deposits. All remaining securities were transferred to the available for sale portfolio as of December 31, 1997.

The composition of securities held to maturity was as follows:

	Years ended December 31,				
	1997	1996	1995	1994	1993
	(dollars in thousands)				
U.S. Treasuries and Agencies	-	$ 8,635	$13,198	$17,031	$174,581
States and political subdivisions	-	36,607	37,043	32,957	34,507
Other	-	9,865	11,260	16,519	20,234
Amortized cost of securities held to maturity	-	$55,107	$61,501	$66,507	$229,322
Fair value of securities held to maturity	-	$55,800	$62,625	$65,386	$236,264
Fair value as a percentage of book value	-	101.26%	101.83%	98.31%	103.03%

The Corporation also uses its investment portfolio to manage its tax position. Depending upon projected levels of taxable income for the Corporation, periodic changes are made in the mix of tax-exempt and taxable securities to achieve maximum yields on a tax-equivalent basis. U.S. government and agency securities as a percentage of total securities increased to 75.1% at December 31, 1997 from 74.1% at December 31, 1996 while obligations of state and political subdivisions (tax-exempt obligations) as a percentage of total securities decreased to 15.0% at December 31, 1997, from 16.7% at December 31, 1996.

Loan Portfolio

Loans, before allowance for loan losses, increased 5.9% to $602,937,000 in 1997 from $569,500,000 in 1996. Non-farm non-residential real estate mortgage loans increased $8,303,000, or 6.3%, to $139,653,000 in 1997 from $131,350,000 in 1996. This increase reflects management's emphasis on commercial loans secured by mortgages. Also, 1 to 4 family residential real estate mortgage loans (not held for sale) increased $14,160,000, or 6.9%, to $220,659,000 in 1997 from $206,499,000 in 1996. It is intended that residential mortgage loan origination will generate income and develop retail and other banking relationships. The Corporation has no loans to customers engaged in oil and gas exploration or to foreign companies or governments. Commitments under standby letters of credit, unused lines of credit and other conditionally approved credit lines, totaled approximately $131,060,000 as of December 31, 1997.

The composition of loans is as follows:

	Years ended December 31,				
	1997	1996	1995	1994	1993
	(dollars in thousands)				
Commercial and financial	$ 63,861	$ 62,065	$ 55,687	$ 57,878	$ 44,419
Agricultural	17,403	16,537	12,594	12,750	11,735
Real estate-farmland	11,782	11,468	11,162	11,769	10,777
Real estate-construction	31,306	26,184	25,566	21,759	16,228
Real estate-mortgage	439,660	413,541	334,417	303,046	276,404
Installment loans to individuals	38,925	39,707	42,353	43,854	53,483
	$602,937	$569,502	$481,779	$451,056	$413,046
Unearned interest	-	(2)	(7)	(5)	(141)
Loans	$602,937	$569,500	$481,772	$451,051	$412,905

The following table sets forth remaining maturities of selected loans (excluding certain real estate-farmland, real estate-mortgage loans and installment loans to individuals) at December 31, 1997.

	1 Year or Less	1 to 5 Years	Over 5 Years	Total
	(dollars in thousands)			
Commercial, financial and agricultural	$ 63,136	$ 17,463	$ 665	$ 81,264
Real estate-construction	25,843	4,359	1,104	31,306
Total	$ 88,979	21,822	$ 1,769	$ 112,570
Interest rate sensitivity of selected loans				
Fixed rate	$ 13,748	9,324	$ 1,769	$ 24,841
Adjustable rate	75,231	12,498	-	87,729
Total	$ 88,979	$ 21,822	$ 1,769	$ 112,570

Allowance for Loan Losses

Management has established an allowance for loan losses which reduces the total loans outstanding by an estimate of uncollectible loans. Loans deemed uncollectible are charged against and reduce the allowance. Periodically, a provision for loan losses is charged to current expense. This provision acts to replenish the allowance for loan losses and to maintain the allowance at a level that management deems adequate.

There is no precise method of predicting specific loan losses or amounts which ultimately may be charged off on segments of the loan portfolio. The determination that a loan may become uncollectible, in whole or in part, is a matter of judgment. Similarly, the adequacy of the allowance for loan losses can be determined only on a judgmental basis, after full review, including (a) consideration of economic conditions and their effect on particular industries and specific borrowers; (b) a review of borrowers' financial data, together with industry data, the competitive situation, the borrowers' management capabilities and other factors; (c) a continuing evaluation of the loan portfolio, including monitoring by lending officers and staff credit personnel of all loans which are identified as being of less than acceptable quality; (d) an in-depth appraisal, on a monthly basis, of all loans judged to present a possibility of loss (if, as a result of such monthly appraisals, the loan is judged to be not fully collectible, the carrying value of the loan is reduced to that portion considered collectible); and (e) an evaluation of the underlying collateral for secured lending, including the use of independent appraisals of real estate properties securing loans.

Periodic provisions for loan losses are determined by management based upon the size and the quality of the loan portfolio measured against prevailing economic conditions and historical loan loss experience and also based on specific exposures in the portfolio. Management has instituted a formal loan review system supported by an effective credit analysis and control process. The Corporation will maintain the allowance for loan losses at a level sufficient to absorb estimated uncollectible loans and, therefore, expects to make periodic additions to the allowance for loan losses.

The following table shows activity affecting the allowance for loan losses:

	Years ended December 31				
	1997	1996	1995	1994	1993
	(dollars in thousands)				
Average loans outstanding during period	$584,327	$525,311	$453,915	$421,337	$366,859
Allowance for loan losses:					
Balance at beginning of period	$ 6,131	$ 5,473	$ 5,235	$ 5,205	$ 4,456
Loans charged-off:					
Commercial, financial and agricultural	$ 192	$ 227	$ 339	$ 99	$ 397
Real estate-construction	-	19	-	-	-
Real estate-mortgage	50	32	55	153	405
Installment loans to individuals	317	404	286	253	329
Total charge-offs	$ 559	$ 682	$ 680	$ 505	$ 1,131
Recoveries:					
Commercial, financial and agricultural	$ 13	$ 43	$ 414	$ 62	$ 66
Real estate-construction	-	50	-	-	-
Real estate-mortgage	110	-	3	128	156
Installment loans to individuals	90	147	106	105	111
Total recoveries	$ 213	$ 240	$ 523	$ 295	$ 333
Net loans charged-off	$ 346	$ 442	$ 157	$ 210	$ 798
Provision for loan losses	$ 1,075	$ 1,100	$ 395	$ 240	$ 1,125
Net additions (due to acquisitions)	-	-	-	-	422
Balance at end of period	$ 6,860	$ 6,131	$ 5,473	$ 5,235	$ 5,205
Ratios:					
Net charge-offs to average loans	0.06%	0.08%	0.03%	0.05%	0.22%
Allowance for loan losses to total loans at period end	1.14%	1.08%	1.14%	1.16%	1.26%

The following table sets forth the allowance for loan losses by loan categories as of December 31 for each of the years indicated:

	1997		1996		1995		1994		1993	
	Amount	% of Total Loans	Amount	% of Total Loans	Amount	% of Total Loans	Amount	% of Total Loans	Amount	% of Total Loans
	(dollars in thousands)									
Commercial, financial, agri-cultural and real estate-farmland	1,059	15.4%	$ 766	15.8%	$ 785	16.5%	$ 1,122	18.3%	$ 3,513	16.2%
Real estate-construction	-	5.2%	-	4.6%	-	5.3%	-	4.8%	-	3.9%
Real estate-mortgage	4,456	72.9%	3,505	72.6%	3,476	69.4%	3,013	67.2%	779	67.0%
Installment loans to individuals	1,045	6.5%	1,189	7.0%	1,097	8.8%	943	9.7%	785	12.9%
Unallocated	300	N/A	671	N/A	115	N/A	157	N/A	128	N/A
Total	$ 6,860	100%	$ 6,131	100%	$ 5,473	100%	$ 5,235	100%	$ 5,205	100%

Non-performing loans

It is management's policy to place commercial and mortgage loans on non-accrual status when interest or principal is 90 days or more past due. Such loans may continue on accrual status only if they are both well-secured and in the process of collection.

The following table sets forth information concerning non-performing loans at December 31 for each of the years indicated:

	Years ended December 31,				
	1997	1996	1995	1994	1993
	(dollars in thousands)				
Non-accrual loans	$ 628	$ -	$ 532	$ 636	$ 247
Loans 90 days past due and still accruing	1,033	1,002	897	1,336	1,450
Restructured loans	-	-	-	-	-
Total non-performing loans	$1,661	$1,002	$1,429	$1,972	$1,697
Repossessed assets	$ 516	$ 805	$1,380	$1,645	$1,180
Other assets acquired in satisfaction of debts previously contracted	5	1	1	1	1
Total non-performing other assets	$ 521	$ 806	$1,381	$1,646	$1,181
Total non-performing loans and non-performing other assets	$2,182	$1,808	$2,810	$3,618	$2,878
Non-performing loans to loans, before Allowance for loan losses	0.28%	0.18%	0.30%	0.44%	0.41%
Non-performing loans and non-performing other assets to loans, before allowance for loan losses, and repossessed assets	0.36%	0.32%	0.58%	0.80%	0.70%

On January 1, 1995, the Corporation adopted Statement of Financial Accounting Standards No. 114, "Accounting by Creditors for Impairment of a Loan," as amended by Statement No. 118, which requires loans to be considered impaired when, based on current information and events, it is probable the Corporation will not be able to collect all amounts due. The accrual of interest income on impaired loans is discontinued when there is reasonable doubt as to the borrower's ability to meet contractual payments of interest or principal. Interest income on these loans is recognized to the extent interest payments are received and the principal is considered fully collectible. For the year ended December 31, 1997, $8,000 of interest was recognized from impaired loans, while no interest was recognized for the year ended December 31, 1996.

The gross interest income that would have been recorded in the years ended December 31, 1994 and 1993 if the non-accrual and restructured loans had been current in accordance with their original terms was $47,000 and $22,000, respectively. The amount of interest collected on those loans that was included in interest income for the year ended December 31, 1994 was $38,000. There was no interest collected on these loans for the year ended December 31, 1993.

Potential Problem Loans

Potential problem loans are those loans which are not categorized as impaired, non-accrual, past due or restructured, but where current information indicates that the borrower may not be able to comply with present loan repayment terms. Management assesses the potential for loss on such loans as it would with other problem loans and has considered the effect of any potential loss in determining its provision for possible loan losses. Potential problem loans totaled $640,000 at December 31, 1997. There are no other loans identified which management believes represent or result from trends or uncertainties which management reasonably expects will materially impact future operating results, liquidity or capital resources. There are no other credits identified about which management is aware of any information which causes management to have serious doubts as to the ability of such borrower(s) to comply with the loan repayment terms.

Deposits

As indicated in the following table, average interest bearing deposits as a percentage of average total deposits have decreased to 90.6% for the year ended December 31, 1997 from 90.9% for the year ended December 31, 1996.

	December 31,								
	1997			1996			1995		
	(dollars in thousands)								
	Average Balance	% Total	Average Rate	Average Balance	% Total	Average Rate	Average Balance	% Total	Average Rate
Non-interest bearing demand deposits	$ 73,345	9.4%	-%	$ 69,562	9.1%	-%	$ 63,165	9.5%	-%
Interest bearing demand deposits	110,940	14.2%	1.97%	130,365	17.1%	1.62%	123,369	18.4%	1.79%
Savings/Money Market	234,865	30.1%	3.32%	216,498	28.4%	3.57%	193,658	29.0%	3.49%
Time deposits	360,968	46.3%	5.54%	345,726	45.4%	5.46%	288,125	43.1%	5.44%
Total	$780,118	100.0%	4.24%	$762,151	100.0%	4.15%	$668,317	100.0%	4.07%

Certificates of deposit of $100,000 and over and other time deposits of $100,000 and over at December 31, 1997, had the following maturities (dollars in thousands):

Under 3 months	$47,774
3 to 6 months	19,678
6 to 12 months	17,510
Over 12 months	11,575
Total	$96,537

Short-term Borrowings

The following table sets forth the distribution of short-term borrowings and weighted average interest rates thereon at the end of each of the last three years. Federal funds purchased and securities sold under agreements to repurchase generally represent overnight borrowing transactions. Other short-term borrowings consist of various demand notes and notes with maturities of less than one year.

	Federal funds purchased and securities sold under agreements to repurchase	Other short-term borrowings
	(dollars in thousands)	
1997		
Balance, December 31, 1997	--	$ 6,550
Weighted average interest rate at end of period	--	7.35%
Maximum outstanding at any month end	$13,550	$ 8,000
Average daily balance	$ 1,678	$ 6,542
Weighted average interest rate during period (1)	6.14%	7.21%
1996		
Balance, December 31, 1996	$ 6,405	$ 8,000
Weighted average interest rate at end of period	7.19%	7.39%
Maximum outstanding at any month end	$20,072	$ 9,250
Average daily balance	$ 8,804	$ 8,092
Weighted average interest rate during period (1)	5.34%	7.10%
1995		
Balance, December 31, 1995	$12,101	$ 9,573
Weighted average interest rate at end of period	5.75%	7.35%
Maximum outstanding at any month end	$19,648	$10,573
Average daily balance	$14,269	$ 8,428
Weighted average interest rate during period(1)	6.23%	8.50%

(1) The weighted average interest rate is computed by dividing total interest for the year by the average daily balance outstanding.

Market Risk

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

The Corporation's banking subsidiary, Busey Bank, has an asset-liability committee which meets monthly to review current market conditions and attempts to structure the bank's balance sheet to ensure stable net interest income despite potential changes in interest rates with all other variables constant.

The asset-liability committee uses gap analysis to identify mismatches in the dollar value of assets and liabilities subject to repricing within specific time periods. The Funds Management Policy established by the asset liability committee and approved by the Corporation's board of directors establishes guidelines for maintaining the ratio of cumulative rate-sensitive assets to rate-sensitive liabilities within prescribed ranges at certain intervals. A summary of the Corporation's gap analysis is summarized on page 25.

The committee does not rely solely on gap analysis to manage interest-rate risk as interest rate changes do not impact all categories of assets and liabilities equally or simultaneously. The asset-liability committee supplements gap analysis with balance sheet and income simulation analysis to determine the potential impact on net interest income of changes in market interest rates. In these simulation models the balance sheet is projected out over a one-year period and net interest income is calculated under current market rates, and then assuming permanent instantaneous shifts in the yield curve of +/- 100 basis point and +/- 200 basis points. These interest-rate scenarios indicate the interest rate risk of the Corporation over a one-year time horizon due to changes in interest rates, as of December 31, 1997, is as follows:

	Basis Point Changes			
	-200	-100	+100	+200
Percentage change in net interest income due to an immediate change in interest over a one-year period	8.23%	3.97%	(5.26%)	(11.43%)

Liquidity

Liquidity is the availability of funds to meet all present and future cash flow obligations arising in the daily operations of the business at a minimal cost. These financial obligations consist of needs for funds to meet extensions of credit, deposit withdrawals and debt servicing.

The sources of short-term liquidity utilized by the Corporation consist of asset maturities, sales, deposits and capital funds. Additional liquidity is provided by bank lines of credit, repurchase agreements and the ability to borrow from the Federal Reserve Bank and Federal Home Loan Bank. The Corporation does not deal in or use brokered deposits as a source of liquidity. The Corporation purchases federal funds as a service to its correspondent banks, but does not rely upon these purchases for liquidity needs. Long-term liquidity needs will be satisfied primarily through retention of capital funds. An additional source of liquidity that can be managed for short-term and long-term needs is the Corporation's ability to securitize or package loans (primarily mortgage loans) for sale.

The objective of liquidity management by the Corporation is to ensure that funds will be available to meet demand in a timely and efficient manner. Based upon the level of investment securities that reprice within 30 days and 90 days, management believes that adequate liquidity exists to meet all projected cash flow obligations.

The Corporation achieves a satisfactory degree of liquidity through 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. Average liquid assets are shown in the table below:

Liquid Assets

	Years Ended December 31,		
Average Balances	1997	1996	1995
	(dollars in thousands)		
Federal funds sold	$8,899	$8,159	$15,000
Percentage of average total assets	1.01%	0.95%	1.96%

Rate Sensitive Assets and Liabilities

Interest rate sensitivity is a measure of the volatility of the net interest margin as a consequence of changes in market rates. The rate-sensitivity chart shows the interval of time in which given volumes of rate-sensitive earning assets and rate-sensitive interest bearing liabilities would be responsive to changes in market interest rates based on their contractual maturities or terms for repricing. It is however, only a static, single-day depiction of the Corporation's rate sensitivity structure, which can be adjusted in response to changes in forecasted interest rates.

The following table sets forth the static rate-sensitivity analysis of the Corporation as of December 31, 1997:

	Rate Sensitive Within					
	1-30 Days	31-90 Days	91-180 Days	181 Days-1 Yr	Over 1 Yr	Total
			(dollars in thousands)			
Federal funds sold	$ 18,800	-	-	-	-	$ 18,800
Investment securities						
U.S. Treasuries and Agencies	9,635	$ 29,622	$ 8,731	$ 29,022	$ 84,752	161,762
States and political subdivisions	1,103	-	260	4,312	26,676	32,351
Other securities	2,475	200	401	300	18,025	21,401
Loans (net of unearned interest)	196,285	25,435	37,733	82,188	261,296	602,937
Total rate-sensitive assets	$ 228,298	$ 55,257	$ 47,125	$ 115,822	$ 390,749	$837,251
Interest bearing transaction deposits	$ 13,715	-	-	-	-	$ 13,715
Savings deposits	78,393	-	-	-	-	78,393
Money market deposits	254,193	-	-	-	-	254,193
Time deposits	49,990	54,059	71,043	87,209	110,761	373,062
Short-term borrowings	6,550	-	-	-	-	6,550
Long-term debt	-	-	5,000	-	5,000	10,000
Total rate-sensitive liabilities	$ 402,841	$ 54,059	$ 76,043	$ 87,209	$ 115,761	$735,913
Rate-sensitive assets less rate-sensitive liabilities	$ (174,543)	$ 1,198	$ (28,918)	$ 28,613	$ 274,988	$101,338
Cumulative Gap	$ (174,543)	$ (173,345)	$ (202,263)	$ (173,650)	$ 101,338	
Cumulative amounts as a percentage of total rate-sensitive assets	-20.85%	-20.70%	-24.16%	-20.74%	12.10%	
Cumulative Ratio	0.57X	0.62X	0.62X	0.72X	1.14X	

The foregoing table shows a negative (liability sensitive) cumulative unadjusted gap of approximately $175 million in the 1-30 day repricing category. The gap from 31 to 90 days is nearly matched, and beyond 90 days becomes less liability sensitive as rate-sensitive assets that reprice beyond 91 days gradually become greater in volume than rate-sensitive liabilities that are subject to repricing in the same respective time periods. The composition of the gap structure at December 31, 1997 will benefit the Corporation more if interest rates fall during the next 30 days by allowing the net interest margin to grow as liability rates would reprice more quickly than rates on rate-sensitive assets.

Capital Resources

Other than from the issuance of common stock, the Corporation's primary source of capital is net income retained by the Corporation. During the year ended December 31, 1997, the Corporation earned $10,371,000 and paid dividends of $4,762,000 to stockholders, resulting in a retention of current earnings of $5,609,000.

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 four risk-weighted categories. These balances are then multiplied by the factor appropriate for that risk-weighted category. The guidelines require bank holding companies and their subsidiary banks to maintain a total capital to total risk-weighted asset ratio of not less than 8.00%, of which at least one half must be Tier 1 capital, and a Tier 1 leverage ratio of not less than 4.00%. As of December 31, 1997, the Corporation had a total capital to total risk-weighted asset ratio of 13.01%, a Tier 1 capital to risk-weighted asset ratio of 11.81% and a Tier 1 leverage ratio of 7.61%; the Corporation's bank subsidiary, Busey Bank, had ratios of 12.59%, 11.37%, and 7.27%, respectively. As these ratios show, the Corporation and its bank subsidiary significantly exceed the regulatory capital guidelines.

Regulatory Considerations

It is management's belief that there are no current recommendations by the regulatory authorities which if implemented, would have a material effect on the Corporation's liquidity, capital resources, or operations.

New Accounting Pronouncements

The Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income," in June 1997. This statement is effective for financial statement periods beginning after December 15, 1997. The effect on the Corporation's financial position and results of operations will not be material.

In June 1997 the FASB issued Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information." This statement is effective for financial statement periods beginning after December 15, 1997. The effect on the Corporation's consolidated financial statements will not be material.

Effects of Inflation

The effect of inflation on a financial institution differs significantly from the effect on an industrial company. While a financial institution's operating expenses, particularly salary and employee benefits, are affected by general inflation, the asset and liability structure of a financial institution consists largely of monetary items. Monetary items, such as cash, loans and deposits, are those assets and liabilities which are or will be converted into a fixed number of dollars regardless of changes in prices. As a result, changes in interest rates have a more significant impact on a financial institution's performance than does general inflation. For additional information regarding interest rates and changes in net interest income see "Selected Statistical Information."

Year 2000 Compliance

The Corporation has developed an all encompassing plan to address Year 2000 related issues. The plan has five phases that included (1) awareness of Year 2000 issues, (2) identification and inventory of Year 2000 issues, (3) development of solutions including contingency plans, (4) implementation of solutions, and (5) testing. Approximately 300 different issues and software systems have been inventoried as having possible Year 2000 impact. These issues range from forms to alarm systems to core applications software. Plans are being put in place to test and address each of these items. To ensure compliance for the bank core data processing systems, there will be a conversion from the current outsourced solution to an in-house solution in the fall of 1998. This will encompass all loan, deposit and financial reporting aspects of the banking operation. There will be costs of approximately $3,800,000 for equipment and software which will be partially offset by the elimination of many of the outsourcing costs. Some of these costs will be capitalized as they related to equipment purchased for an in-house data processing solution.

This risk goes beyond the internal items and also involves all of our vendors and customers. We will be conducting education sessions for our customers in 1998 to alert them to the potential problems they could encounter. This will not eliminate this type of Year 2000 risk and the Corporation could be adversely affected if the vendors and customers do not adequately address their own Year 2000 issues.

Contingency plans are being developed for critical business applications in order to mitigate potential problems and/or delays associated with implementation of new solutions or delivery of products and services from vendors.

Selected Statistical Information

The following tables contain information concerning the consolidated financial condition and operations of the Corporation for the periods, or as of the dates, shown. All average information is provided on a daily average basis.

The following table shows the consolidated average balance sheets, detailing the major categories of assets and liabilities, the interest income earned on interest-earning assets, the interest expense paid for interest-bearing liabilities, and the related interest rates:

Consolidated Average Balance Sheets and Interest Rates

	Years Ended December 31,								
	1997			1996			1995		
	Average Balance	Income/ Expense	Yield/ Rate	Average Balance	Income/ Expense	Yield/ Rate	Average Balance	Income/ Expense	Yield/ Rate
	(dollars in thousands)								
Assets									
Federal funds sold	$ 8,899	$ 488	5.49%	$ 8,159	$ 441	5.40%	$ 15,000	$ 884	5.89%
Investment securities:									
U.S. Treasuries and Agencies	160,394	9,309	5.80%	193,295	11,427	5.91%	172,960	10,452	6.04%
States and political subdivisions(1)	36,064	3,022	8.38%	38,794	3,248	8.37%	36,668	3,126	8.52%
Other securities	21,326	1,008	4.73%	22,599	1,270	5.62%	21,024	1,361	6.47%
Loans (net of unearned discount)(1), (2)	584,327	51,367	8.79%	525,311	46,221	8.80%	453,915	40,041	8.82%
Total interest-earning assets(1)	$811,010	$ 65,194	8.04%	$788,158	$ 62,607	7.94%	$699,567	$ 55,864	7.99%
Cash and due from banks	35,695			34,784			30,694		
Premises and equipment	22,535			21,555			21,501		
Allowance for loan losses	(6,480)			(5,619)			(5,421)		
Other assets	18,139			20,392			17,604		
Total assets	$880,899			$859,270			$763,945		
Liabilities and Stockholders' Equity									
Interest bearing transaction deposits	$110,940	$ 2,182	1.97%	$130,365	$ 2,105	1.62%	$123,369	$ 2,209	1.79%
Savings deposits	79,888	2,617	3.28%	80,516	2,554	3.17%	57,073	1,659	2.91%
Money market deposits	154,977	5,192	3.35%	135,982	5,167	3.80%	136,585	5,095	3.73%
Time deposits	360,968	20,011	5.54%	345,726	18,884	5.46%	288,125	15,670	5.44%
Short-term borrowings:									
Federal funds purchased and repurchase agreements	1,678	103	6.14%	8,804	470	5.34%	14,269	889	6.23%
Other	6,542	472	7.21%	8,092	575	7.10%	8,428	716	8.50%
Long-term debt	9,301	542	5.83%	5,000	278	5.55%	5,000	277	5.54%
Total interest-bearing liabilities	$724,294	$ 31,119	4.30%	$714,485	$ 30,033	4.20%	$632,849	$ 26,515	4.19%
Net interest spread			3.74%			3.74%			3.80%
Demand deposits	73,345			69,562			63,165		
Other liabilities	5,954			5,798			4,630		
Stockholders' equity	77,306			69,425			63,301		
Total liabilities and stockholders' equity	$880,899			$859,270			$763,945		
Interest income/earning assets(1)	$811,010	$ 65,194	8.04%	$788,158	$ 62,607	7.94%	$699,567	$ 55,864	7.99%
Interest expense/earning assets	811,010	31,119	3.84%	788,158	30,033	3.81%	699,567	26,515	3.79%
Net interest margin(1)		$ 34,075	4.20%		$ 32,574	4.13%		$ 29,349	4.20%

(1) On a tax equivalent basis, assuming a federal income tax rate of 35%

(2) Non-accrual loans have been included in average loans, net of unearned discount

Changes In Net Interest Income

	Year 1997 vs 1996 Change due to(1)			Year 1996 vs 1995 Change due to(1)		
	Average Volume	Average Yield/Rate	Total Change	Average Volume	Average Yield/Rate	Total Change
	(dollars in thousands)					
Increase (decrease) in interest income:						
Federal funds sold	$ 40	$ 7	$ 47	$ (375)	$ (68)	$ (443)
Investment securities:						
U.S. Treasuries and Agencies	(1,913)	(205)	(2,118)	1,196	(221)	975
States and political subdivisions(2)	(229)	3	(226)	177	(55)	122
Other securities	(69)	(193)	(262)	119	(210)	(91)
Loans(2)	5,188	(42)	5,146	6,282	(102)	6,180
Change in interest income(2)	$ 3,017	$ (430)	$ 2,587	$ 7,399	$ (656)	$ 6,743
Increase (decrease) in interest expense:						
Interest bearing transaction deposits	$ (166)	$ 243	$ 77	$ 42	$ (246)	$ (104)
Savings deposits	(20)	83	63	732	163	895
Money market deposits	167	(142)	25	(22)	94	72
Time deposits	842	285	1,127	3,146	68	3,214
Federal funds purchased and repurchase agreements	(450)	83	(367)	(305)	(114)	(419)
Other	(112)	9	(103)	(28)	(113)	(141)
Long-term debt	250	14	264	-	1	1
Change in interest expense	$ 511	$ 575	$ 1,086	$ 3,665	$ (147)	$ 3,518
Increase (decrease) in net interest income(2)	$ 2,506	$ (1,005)	$ 1,501	$ 3,734	$ (509)	$ 3,225
Percentage increase in net interest income over prior period			4.6%			11.0%

Years Ended December 31, 1997, 1996, and 1995

(1) Changes due to both rate and volume have been allocated proportionally
(2) On a tax equivalent basis, assuming a federal income tax rate of 35%

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA
The financial statements are presented beginning on page 35.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.
Not applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

(a) Directors of the Registrant. Incorporated by reference is the information set forth on pages 5 and 6 of the 1998 Proxy Statement.

(b) Executive Officers of the Registrant. Please refer to Part I of this Form 10-K.

ITEM 11. EXECUTIVE COMPENSATION

Incorporated by reference is the information set forth on pages 9 and 10 of the 1998 Proxy Statement (except the information set forth in the sections "Report of the Compensation Committee on Executive Compensation").

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Incorporated by reference is the information set forth on pages 7 and 8 of the 1998 Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Incorporated by reference is the information set forth on page 13 of the 1998 Proxy Statement.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

EXHIBITS

Exhibit Number	Description of Exhibit	Sequentially Numbered Page
3.1	Certificate of Incorporation of First Busey Corporation (filed as Appendix B to First Busey's definitive proxy statement filed with the Commission on April 5, 1993 (Commission File No. 0-15950), and incorporated herein by reference)	
3.2	By-Laws of First Busey Corporation (filed as Appendix C to First Busey's definitive proxy statement filed with the Commission on April 5, 1993 (Commission File No. 0-15950), and incorporated herein by reference)	
10.1	First Busey Corporation 1993 Restricted Stock Award Plan (filed as Appendix E to First Busey's definitive proxy statement filed with the Commission on April 5, 1993 (Commission File No. 0-15950), and incorporated herein by reference)	
10.2	First Busey Corporation 1986 Stock Option Plan (filed as Exhibit 10.2 to First Busey's Registration Statement on Form S-1 (Registration No. 33-13973), and incorporated herein by reference)	
10.3	First Busey Corporation Profit Sharing Plan and Trust (filed as Exhibit 10.3 to First Busey's Registration Statement on Form S-1 (Registration No. 33-13973), and incorporated herein by reference)	
10.4	Mortgage on County Plaza Building (filed as Exhibit 10.4 to First Busey's Registration Statement on Form S-1 (Registration No. 33-13973), and incorporated herein by reference)	
10.5	Affiliation Agreement dated October l3, 1988 between Community Bank of Mahomet and CBM Bank, Mahomet and joined in by First Busey Corporation (filed as Exhibit 2.1 to First Busey's Registration Statement on Form S-4 (Registration No. 33-25159), and incorporated herein by reference)	
10.6	Merger Agreement dated October 13, 1988 between Community Bank of Mahomet and CBM Bank, Mahomet and joined in by Busey Corporation (filed as Exhibit 2.2 to First Busey's Registration Statement on Form S-4 (Registration No. 33-25159), and incorporated herein by reference)	
10.7	First Busey Corporation Employee Stock Ownership Plan (filed as Exhibit 10.7 to First Busey's Annual Report on Form 10-K for the fiscal year ended December 31, 1988 (Registration No. 2-66201), and incorporated herein by reference)	
10.8	First Busey Corporation 1988 Stock Option Plan (filed as Exhibit 10.8 to First Busey's Annual Report on Form 10-K for the fiscal year ended December 31, 1988 (Registration No. 2-66201), and incorporated herein by reference)	
10.9	Affiliation Agreement dated as of April 10, 1989 between First Busey Corporation and St. Joseph Bancorp, Inc. (filed as Exhibit 2.1 to First Busey's Corporation Statement on Form S-4 (Registration No. 33-28926), and incorporated herein by reference)	

Exhibit Number	Description of Exhibit	Sequentially Numbered Page
10.10	Agreement and Plan of Merger dated April 10, 1989 between First Busey Corporation and St. Joseph Bancorp, Inc. (filed as Exhibit 2.2 to First Busey's Registration Statement on Form S-4 (Registration No 33-28926), and incorporated herein by reference)	
10.11	Affiliation Agreement dated as of October 2, 1992 between First Busey Corporation and Empire Capital Corporation (filed as Exhibit 2.1 to First Busey's Registration Statement on Form S-4 (Registration No. 33-54664), and incorporated herein by reference)	
21.1	List of Subsidiaries of First Busey Corporation	
23.1	Consent of Independent Public Accountants	

FINANCIAL STATEMENT SCHEDULES

Financial statement schedules not included in this Form 10-K have been omitted because they are not applicable for the required information shown in the financial statements or notes thereto.

FIRST BUSEY CORPORATION INDEX TO FINANCIAL STATEMENTS

REPORTS ON FORM 8-K
No reports on Form 8-K have been filed for or on behalf of First Busey Corporation during the last quarter or the period covered by this Form 10-K.

FORM S-8 UNDERTAKING
For the purposes of complying with the amendments to the rules governing Form S-8 (effective July 13, 1990) under the Securities Act of 1933, the undersigned registrant hereby undertakes as follows, which undertaking shall be incorporated by reference into the registrant's Registration Statement on Form S-8 File No. 33-30095.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act of 1933 and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of the expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer, or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Urbana, Illinois on March 23, 1998.

FIRST BUSEY CORPORATION
BY //DOUGLAS C. MILLS//

Douglas C. Mills
Chairman of the Board, President
and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report signed below by the following persons on behalf of the Registrant and in the capacities indicated on March 23, 1998.

Signature	Title
//DOUGLAS C. MILLS// Douglas C. Mills	Chairman of the Board, President and Chief Executive Officer (Principal Executive Officer)
// SCOTT L. HENDRIE// Scott L. Hendrie	Senior Vice President and Chief Financial Officer (Principal Financial Officer)
//JOSEPH M. AMBROSE// Joseph M. Ambrose	Director
//SAMUEL P. BANKS// Samuel P. Banks	Director
//T.O. DAWSON// T. O. Dawson	Director
//VICTOR F. FELDMAN// Victor F. Feldman	Director
//KENNETH M. HENDREN// Kenneth M. Hendren	Director
//JUDITH L. IKENBERRY// Judith L. Ikenberry	Director
//E. PHILLIPS KNOX// E. Phillips Knox	Director
//P. DAVID KUHL// P. David Kuhl	Director

//V. B. LEISTER, JR.// Director

V. B. Leister, Jr.

//LINDA M. MILLS// Director

Linda M. Mills

//ROBERT C. PARKER// Director

Robert C. Parker

//EDWIN A. SCHARLAU// Director

Edwin A. Scharlau II

//BEN SNYDER// Director

Ben Snyder

//DAVID C. THIES// Director

David C. Thies

//ARTHUR R. WYATT// Director

Arthur R. Wyatt

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FIRST BUSEY CORPORATION AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1997

FIRST BUSEY CORPORATION AND SUBSIDIARIES

CONTENTS

INDEPENDENT AUDITOR'S REPORT

To the Stockholders and Board of Directors
First Busey Corporation
Urbana, Illinois

We have audited the accompanying consolidated balance sheets of First Busey Corporation and Subsidiaries as of December 31, 1997 and 1996, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 1997. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of First Busey Corporation and Subsidiaries as of December 31, 1997 and 1996, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1997, in conformity with generally accepted accounting principles.

/s/ McGladrey + Pullen, LLP

Champaign, Illinois
January 30, 1998

FIRST BUSEY CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 1997 AND 1996

	1997	1996
	(Dollars in thousands)	
ASSETS		
Cash and due from banks	$ 43,299	$ 33,738
Federal funds sold	18,800	-
Securities available for sale	215,514	171,243
Securities held to maturity (fair value 1996 $55,800)	-	55,107
Loans held for sale (fair value 1997 $5,016; 1996 $1,457)	4,963	1,447
Loans (net of allowance for loan losses 1997 $6,860; 1996 $6,131)	591,114	561,922
Premises and equipment	22,834	21,588
Other assets	19,016	19,873
TOTAL ASSETS	$915,540	$864,918
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Deposits:		
Noninterest bearing	$ 92,090	$ 78,077
Interest bearing	719,363	688,850
TOTAL DEPOSITS	811,453	766,927
Short-term borrowings	6,550	14,405
Long-term debt	10,000	5,000
Other liabilities	6,258	5,169
TOTAL LIABILITIES	834,261	791,501
Stockholders' Equity		
Preferred stock, no par value, 1,000,000 shares authorized, no shares issued	-	-
Common stock:		
Class A common stock, no par value, authorized 40,000,000 shares; 7,077,353 shares issued 1997 and 5,952,353 issued 1996	6,291	5,291
Class B common stock, no par value, authorized 10,000,000 shares; no shares issued 1997 and 1,125,000 issued 1996	-	1,000
Surplus	20,729	20,594
Retained earnings	53,011	47,402
Unrealized gain on securities available for sale, net	5,801	3,285
TOTAL STOCKHOLDERS' EQUITY BEFORE TREASURY STOCK, UNEARNED ESOP SHARES AND DEFERRED COMPENSATION FOR STOCK GRANTS	85,832	77,572
Treasury stock, at cost, 201,960 shares 1997; 230,641 shares 1996	(3,922)	(3,489)
Unearned ESOP shares and deferred compensation for restricted stock awards	(631)	(666)
TOTAL STOCKHOLDERS' EQUITY	81,279	73,417
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$915,540	$864,918

See Accompanying Notes to Consolidated Financial Statements.

FIRST BUSEY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 1997, 1996 AND 1995

	1997	1996	1995
	(Dollars in thousands, except per share amounts)		
Interest income:			
Interest and fees on loans	$51,061	$45,948	$39,763
Interest and dividends on securities			
Taxable interest income	10,208	12,579	11,681
Nontaxable interest income	1,964	2,111	2,034
Dividends	110	118	132
Interest on federal funds sold	488	441	884
TOTAL INTEREST INCOME	63,831	61,197	54,494
Interest expense:			
Interest on deposits	30,002	28,710	24,632
Interest on short-term borrowings	575	1,045	1,606
Interest on long-term debt	542	278	277
TOTAL INTEREST EXPENSE	31,119	30,033	26,515
NET INTEREST INCOME	32,712	31,164	27,979
Provision for loan losses	1,075	1,100	395
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	31,637	30,064	27,584
Other income:			
Service charges on deposit accounts	2,947	2,937	2,705
Trust fees	3,156	2,651	2,551
Commissions and brokers fees, net	1,051	812	628
Other service charges and fees	1,292	949	640
Security gains, net	520	256	206
Trading security gains (losses), net	2	(100)	26
Gain on sales of loans	439	268	653
Other	972	996	1,150
TOTAL OTHER INCOME	10,379	8,769	8,559
Other expenses:			
Salaries and wages	12,134	11,662	10,462
Employee benefits	2,481	2,206	2,084
Net occupancy expense of premises	2,225	1,936	1,977
Furniture and equipment expenses	1,838	1,651	1,582
Data processing	1,760	1,476	1,745
FDIC insurance expense	133	568	874
Amortization of intangible assets	1,328	1,321	860
Stationery, supplies and printing	704	715	690
Foreclosed property write-down and expense	12	150	226
Other	4,651	4,101	3,569
TOTAL OTHER EXPENSES	27,266	25,786	24,069
INCOME BEFORE INCOME TAXES	14,750	13,047	12,074
Income taxes	4,379	3,741	3,299
NET INCOME	$10,371	$ 9,306	$ 8,775
Basic earnings per share	$ 1.50	$ 1.37	$ 1.29
Diluted earnings per share	$ 1.48	$ 1.34	$ 1.27

See Accompanying Notes to Consolidated Financial Statements.

FIRST BUSEY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 1997, 1996 AND 1995

	Class A Common Stock	Class B Common Stock	Surplus
	(Dollars in thousands except per share amounts)		
Balance, December 31, 1994	$ 5,291	$ 1,000	$ 20,299
Net income	-	-	-
Purchase of 42,144 shares for the treasury	-	-	-
Issuance of 27,000 shares of treasury stock	-	-	81
Cash dividends:			
Class A common stock $.59 per share	-	-	-
Class B common stock $.53 per share	-	-	-
Principal payments on employee stock ownership plan debt	-	-	-
Release of restricted stock issued under restricted stock award plan	-	-	-
Change in unrealized gain (loss) on securities available for sale, net	-	-	-
Balance, December 31, 1995	5,291	1,000	20,380
Net income	-	-	-
Purchase of 31,134 shares for the treasury	-	-	-
Issuance of 65,888 shares of treasury stock	-	-	214
Cash dividends:			
Class A common stock $.65 per share	-	-	-
Class B common stock $.59 per share	-	-	-
Principal payments on employee stock ownership plan debt	-	-	-
Release of restricted stock issued under Restricted stock award plan	-	-	-
Change in unrealized gain (loss) on securities Available for sale, net	-	-	-
Balance, December 31, 1996	$ 5,291	$ 1,000	$ 20,594

	Retained Earnings	Unrealized Gain (Loss) on Securities Available for Sale	Treasury Stock	Unearned ESOP Shares	Deferred Compensation for Restricted Stock Awards	Total
	(Dollars in thousands except per share amounts)					
[align with previous page]	$ 37,639	$ (842)	$ (3,226)	$ (1,000)	$ (145)	$ 59,016
	8,775	-	-			8,775
	-	-	(705)	-	-	(705)
	-	-	272	-	-	353
	(3,340)	-	-	-	-	(3,340)
	(600)	-	-	-	-	(600)
	-	-	-	250	-	250
	-	-	-	-	94	94
	-	3,935	-	-	-	3,935
	42,474	3,093	(3659)	(750)	(51)	67,778
	9,306	-	-	-	-	9,306
	-	-	(605)	-	-	(605)
	-	-	775		(192)	797
	(3,710)	-	-	-	-	(3,710)
	(668)	-	-	-	-	(668)
	-	-	-	250	-	250
	-	-	-	-	77	77
	-	192	-	-	-	192
	$ 47,402	$ 3,285	$ (3,489)	$ (500)	$ (166)	$ 73,417

	Class A Common Stock	Class B Common Stock	Surplus
	(Dollars in thousands except per share amounts)		
Balance, December 31, 1996	$ 5,291	$ 1,000	$ 20,594
Net income	-	-	-
Purchase of 121,732 shares for the treasury	-	-	-
Issuance of 150,413 shares of treasury stock	-	-	135
Cash dividends:			
Class A common stock $.70 per share	-	-	-
Class B common stock $.6364 per share	-	-	-
Proceeds from employee stock ownership plan debt	-	-	-
Principal payments on employee stock ownership plan debt	-	-	-
Forfeiture of restricted stock issued under restricted stock award plan	-	-	-
Release of restricted stock issued under restricted stock award plan	-	-	-
Conversion of Class B common stock to Class A common stock	1,000	(1,000)	-
Change in unrealized gain (loss) on securities available for sale, net	-	-	-
Balance, December 31, 1997	$ 6,291	$ -	$ 20,729

See Accompanying Notes to Consolidated Financial Statements.

	Retained Earnings	Unrealized Gain (Loss) on Securities Available for Sale	Treasury Stock	Unearned ESOP Shares	Deferred Compensation for Restricted Stock Awards	Total
	(Dollars in thousands except per share amounts)					
[align with previous page]	$ 47,402	$ 3,285	$ (3,489)	$ (500)	$ (166)	$ 73,417
	10,371	-	-	-	-	10,371
	-	-	(3,127)	-	-	(3,127)
	-	-	2,699	-	-	2,834
	(4,046)	-	-	-	-	(4,046)
	(716)	-	-	-	-	(716)
	-	-	-	(250)	-	(250)
	-	-	-	200	-	200
	-	-	(5)	-	5	-
	-	-	-	-	80	80
	-	-	-	-	-	-
	-	2,516	-	-	-	2516
	$ 53,011	$ 5,801	$ (3,922)	$ (550)	$ (81)	$ 81,279

FIRST BUSEY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 1997, 1996 AND 1995

	1997	1996	1995
	(Dollars in thousands)		
Cash Flows from Operating Activities			
Net income	$ 10,371	$ 9,306	$ 8,775
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	3,532	3,355	2,801
Provision for loan losses	1,075	1,100	395
Provision for deferred income taxes	(463)	(373)	(705)
Accretion of security discounts	(293)	(1,000)	(820)
Gain on sales of securities, net	(520)	(256)	(206)
Proceeds from sales of loans	42,004	34,742	34,223
Loans originated for sale	(45,081)	(34,118)	(27,139)
Gain on sales of loans, net	(439)	(268)	(653)
(Gain) loss on sales and dispositions of premises and equipment	(1)	(6)	8
Change in assets and liabilities:			
(Increase) decrease in other assets	(1,114)	1,457	(4,682)
Increase (decrease) in other liabilities	1,247	(148)	2,128
NET CASH PROVIDED BY OPERATING ACTIVITIES	10,318	13,791	14,125
Cash Flows from Investing Activities			
Securities available for sale:			
Purchases	(100,964)	(357,712)	(229,274)
Proceeds from sales	12,292	15,948	55,189
Proceeds from maturities	93,826	395,149	101,722
Securities held to maturity:			
Purchases	(1,375)	(20,556)	(8,929)
Proceeds from maturities	11,741	26,889	14,360
(Increase) decrease in federal funds sold	(18,800)	650	(650)
Increase in loans	(30,674)	(88,922)	(37,998)
Purchases of premises and equipment	(3,370)	(1,713)	(1,788)
Proceeds from sales of premises and equipment	1	31	-
NET CASH USED IN INVESTING ACTIVITIES	(37,323)	(30,236)	(107,368)

(Continued)

FIRST BUSEY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 1997, 1996 AND 1995

	1997	1996	1995
	(Dollars in thousands)		
Cash Flows from Financing Activities			
Net increase in certificates of deposit	$26,200	$ 1,102	$ 24,233
Net increase in demand deposits, money market and savings accounts	18,326	20,928	6,982
Certificates of deposit assumed from First of America	-	-	67,506
Demand deposits, money market and savings accounts assumed from First of America	-	-	10,482
Cash dividends paid	(4,762)	(4,378)	(3,940)
Purchase of treasury stock	(3,127)	(605)	(705)
Proceeds from sales of treasury stock	2,834	797	353
Proceeds from short-term notes payable	2,500	1,000	5,750
Principal payments on short-term notes payable	(4,000)	(2,000)	(1,250)
Proceeds from long-term debt	5,000	-	-
Net decrease in federal funds purchased, repurchase agreements and federal reserve discount obligations	(6,405)	(6,019)	(8,136)
NET CASH PROVIDED BY FINANCING ACTIVITIES	36,566	10,825	101,275
NET INCREASE (DECREASE) IN CASH AND DUE FROM BANKS	9,561	(5,620)	8,032
Cash and due from banks, beginning	33,738	39,358	31,326
Cash and due from banks, ending	$43,299	$33,738	$ 39,358
Supplemental Disclosures of Cash Flow Information			
Cash payments for:			
Interest	$30,981	$30,573	$ 25,795
Income taxes	$ 4,388	$ 3,661	$ 3,894

(Continued)

FIRST BUSEY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 1997, 1996 AND 1995

	1997	1996	1995
	(Dollars in thousands)		
Supplemental Schedule of Noncash Investing and Financing Activities			
Other real estate acquired in settlement of loans	$ 407	$ 396	$ 689
Principal payments on ESOP debt	$ 200	$ 250	$ 250
Proceeds from ESOP debt	$ 250	$ -	$ -
Change in unrealized gain on investment securities available for sale	$ 3,871	$ 295	$ 6,034
Decrease in deferred income tax assets attributable to the unrealized gain on investment securities available for sale	$(1,355)	$(103)	$(2,099)
Transfer of securities held to maturity to securities available for sale	$44,812	$ -	$ -

See Accompanying Notes to Consolidated Financial Statements.

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

Description of business:

First Busey Corporation (the Corporation) is a holding company whose bank subsidiary, Busey Bank, provides a full range of banking services to individual and corporate customers through its seventeen locations throughout central Illinois. The bank is subject to competition from other financial institutions and nonfinancial institutions providing financial products. First Busey Securities, Inc. offers security broker/dealer services, and First Busey Trust & Investment Co. provides investment management and fiduciary services to institutional, corporate and personal trust clients. First Busey Corporation, Busey Bank, First Busey Securities, Inc. and First Busey Trust & Investment Co. are subject to the regulations of certain regulatory agencies and undergo periodic examinations by those regulatory agencies.

The significant accounting and reporting policies for First Busey Corporation and its subsidiaries follow:

Basis of consolidation

The consolidated financial statements include the accounts of First Busey Corporation and its subsidiaries: Busey Bank and its subsidiaries: First Busey Securities, Inc., Busey Insurance Services, Inc. and BAT, Inc.; First Busey Trust & Investment Co.; and First Busey Resources, Inc. All material intercompany balances and transactions have been eliminated in consolidation.

The consolidated financial statements of First Busey Corporation have been prepared in conformity with generally accepted accounting principles and conform to predominant practice within the banking industry.

Use of estimates

In preparing the consolidated financial statements, the Corporation's management is required to make estimates and assumptions which significantly affect the amounts reported in the consolidated financial statements. Significant estimates which are particularly susceptible to change in a short period of time include the determination of the allowance for loan losses and valuation of real estate and other properties acquired in connection with foreclosures or in satisfaction of amounts due from borrowers on loans. Actual results could differ from those estimates.

Trust assets

Other than trust cash on deposit at the Corporation's bank subsidiary, trust assets are not included in the accompanying consolidated financial statements because they are not assets of the Corporation.

Cash flows

For purposes of reporting cash flows, cash and due from banks include cash on hand and amounts due from banks. Cash flows from federal funds purchased and sold are reported net, since their original maturities are less than three months.

Securities
- ----------

Securities classified as available for sale are those debt securities that the Corporation intends to hold for an indefinite period of time, but not necessarily to maturity, and marketable equity securities. Any decision to sell a security classified as available for sale would be based on various factors, including significant movements in interest rates, changes in the maturity mix of the Corporation's assets and liabilities, liquidity needs, regulatory capital considerations and other similar factors. Securities available for sale are carried at fair value. The difference between fair value and amortized cost results in an unrealized gain or loss. Unrealized gains or losses are reported as increases or decreases in stockholders' equity, net of the related deferred tax effect. Realized gains or losses, determined on the basis of the cost of specific securities sold, are included in earnings. Where applicable, amortization of premiums and accretion of discounts are recognized in interest income using the interest method over the period to maturity.

Securities classified as held to maturity are those debt securities the Corporation has both the positive intent and ability to hold to maturity regardless of changes in market conditions, liquidity needs or changes in general economic conditions. These securities are carried at cost adjusted for amortization of premium and accretion of discount which are recognized in interest income using the interest method over the period to maturity.

Securities purchased with the intent to earn a profit by trading or reselling them in a short period of time are classified as trading securities and are carried at fair value. Realized and unrealized gains and losses are included in income. At December 31, 1997 and 1996, there were no securities classified in this category.

Loans
- -----

Loans are stated at the principal amount outstanding, net of unearned interest and the allowance for loan losses.

Interest is credited to income as earned using the simple interest method applied to the daily balances of principal outstanding.

The accrual of interest income on loans is discontinued when, in the opinion of management, there is reasonable doubt as to the borrower's ability to meet payments of interest or principal when they become due. Upon discontinuance of interest accrual, unpaid accrued interest is reversed. Interest income on these loans is recognized to the extent interest payments are received and the principal is considered fully collectible.

For collateralized impaired loans, loan balances in excess of net realizable value are deemed impaired. In the determination of the valuation, historical charge-offs for each category of loans, local economic trends, the source of loans and concentrations of credit in specific industries, if any, are considered.

Allowance for loan losses

The allowance for loan losses is maintained at a level considered adequate by management to provide for known and inherent risks in the loan portfolio. The allowance is increased through a provision charged to operating expense and by recoveries applicable to loans previously charged to the allowance, and is reduced by loan balances which are considered uncollectible. The allowance is based upon continuous credit reviews of the loan portfolio and considers changes in the nature and volume of the loan portfolio, overall portfolio quality, loan concentrations, specific problem loans, current and anticipated economic conditions that may affect the borrowers' ability to pay, historical loan loss experience and other factors, which, in management's opinion, deserve current recognition in estimating loan losses.

In addition, various regulatory agencies periodically review the allowance for loan losses, and may require the Bank to make additions to the allowance based on their judgment of collectibility based on information available to them at the time of their examination.

Loans held for sale

Loans held for sale consist of fixed rate mortgage loans conforming to established guidelines and held for sale to investors and the secondary mortgage market. Mortgage loans held for sale are carried at the lower of aggregate cost or estimated fair value.

Premises and equipment

Premises and equipment are stated at cost less accumulated depreciation. Depreciation is computed principally by the straight-line method over the estimated useful lives of the assets.

Other real estate owned

Other real estate owned (OREO) represents properties acquired through foreclosure or other proceedings in settlement of loans. OREO is held for sale and is recorded at the date of foreclosure at the fair value of the properties less estimated costs of disposal. Any write-down to fair value at the time of transfer to OREO is charged to the allowance for loan losses. Property is evaluated regularly to ensure the recorded amount is supported by its current fair value and valuation allowances to reduce the carrying amount to fair value less estimated costs to dispose are recorded as necessary.

Amortization

The excess of the purchase price of subsidiaries over the fair value of identifiable assets acquired, which excess aggregated approximately $10,480,000, is amortized using the straight-line method over 15 years. Amortization of this excess is $692,000, $691,000 and $479,000 for the years ended December 31, 1997, 1996 and 1995, respectively. Accumulated amortization at December 31, 1997, is $4,684,000.

Core deposit and other identifiable intangible assets which aggregated approximately $5,267,000 are amortized on an accelerated basis over the estimated periods benefited. Amortization of these intangibles is $636,000, $630,000 and $381,000 for the years ended December 31, 1997, 1996 and 1995, respectively. Accumulated amortization at December 31, 1997 is $3,097,000.

The Corporation reviews its intangible assets periodically to determine potential impairment by comparing the carrying value of the intangibles with the anticipated future cash flows of the related businesses.

Income taxes

The Corporation and its subsidiaries file consolidated Federal and State income tax returns with each organization computing its taxes on a separate entity basis. The provision for income taxes is based on income as reported in the financial statements.

Deferred income tax assets and liabilities are computed annually for differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future. The deferred tax assets and liabilities are computed based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to an amount expected to be realized. Income tax expense is the tax payable or refundable for the period plus or minus the change during the period in deferred tax assets and liabilities.

Earnings per share

In 1997, the Financial Accounting Standards Board issued Statement No. 128, "Earnings per Share." Statement 128 replaced the calculation of primary and fully diluted earnings per share with basic and diluted earnings per share. Unlike primary earnings per share, basic earnings per share excludes any dilutive effects of options, warrants and convertible securities. Diluted earnings per share is very similar to the previously reported fully diluted earnings per share. All earnings per share amounts for all periods have been presented, and where appropriate, restated to conform to the Statement 128 requirements.

Basic earnings per share is computed by dividing net income for the year by the weighted average number of shares outstanding of 6,901,773, 6,804,160, and 6,815,738 for 1997, 1996, and 1995, respectively.

Diluted earnings per share is determined by dividing net income for the year by the weighted average number of shares of common stock and common stock equivalents outstanding. Common stock equivalents assume exercise of stock options and use of proceeds to purchase treasury stock at the average market price for the period. The weighted average shares outstanding were 6,998,988, 6,936,508, and 6,911,246 for 1997, 1996, and 1995, respectively.

Stock split

In April 1996, the Board of Directors approved a three-for-two stock split for stockholders of record on April 26, 1996 and was effected on May 7, 1996. All share amounts in the consolidated financial statements have been restated to reflect the stock split.

Reclassifications

Certain reclassifications have been made to the balances as of and for the year ended December 31, 1996 and 1995 to be consistent with the classifications adopted for 1997.

Recent accounting pronouncements

Reporting Comprehensive Income

In June 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 130 (SFAS 130), "Reporting Comprehensive Income." SFAS 130 establishes standards for reporting and display of comprehensive income and its components in a full set of general purpose financial statements. Comprehensive income is defined as the change in net assets of a business enterprise during a period from transactions and other events and circumstances from nonowner sources. In addition to an enterprise's net income, changes in equity components under comprehensive income reporting would also include such items as the net change in unrealized gain or loss on available for sale securities and foreign currency translation adjustments. The purpose of reporting comprehensive income is to measure all changes in equity that result from recognized transactions and other economic events of the period other than transactions with owners in their capacity as owners.

SFAS 130 is effective for financial statement periods beginning after December 15, 1997. The Corporation believes the adoption of SFAS 130 will not have a material impact on its consolidated financial statements.

Disclosures about Segments of an Enterprise and Related Information

In June 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 131 (SFAS 131), "Disclosures about Segments of an Enterprise and Related Information." SFAS 131 establishes standards for the manner in which public business enterprises report certain information about operating segments of their business in both their annual and interim financial reports provided to shareholders. The information required to be disclosed for an entity's operating segments not only consists of financial information, but also certain related disclosures of the segment's products and services, geographic areas, and major customers. The requirements of the new standard may result in identification of different segments than those now used by the Corporation.

SFAS 131 is effective for financial statement periods beginning after December 15, 1997. In the initial year of application, comparative information for earlier years is to be restated, unless impracticable. In addition, the provisions of SFAS 131 need not be applied to interim financial statements issued in the initial year of application. The Corporation believes the adoption of SFAS 131 will not have a material impact on its consolidated financial statements.

NOTE 2. SUBSEQUENT EVENTS

In December 1997, the Corporation was granted a charter by the Department of Financial Institutions of the State of Indiana to establish a bank. On January 12, 1998, the Corporation capitalized the bank, named Busey Business Bank, at $10,000,000 and was granted FDIC insurance coverage for the deposits of that bank. This bank has been established to further expand the Corporation's presence in Indianapolis where it previously operated a loan production office. The Corporation provided the capital for the subsidiary by obtaining $10,000,000 in short-term borrowings from a third party lender at rates comparable to its existing borrowings.

On January 2, 1998, the Corporation, through its Busey Bank subsidiary, entered into an agreement to acquire The Busey Corporation, parent company of Busey Carter Travel, an independent travel agency, for common stock totaling approximately $825,000. As of January 2, 1998, Busey Carter Travel had assets totaling approximately $877,000 and equity of $647,000. The majority of the stock of The Busey Corporation was held by individuals who are also stockholders or insiders of the Corporation. This acquisition is expected to be accounted for using the purchase method.

NOTE 3. CASH AND DUE FROM BANKS

The Corporation's banking subsidiary is required to maintain certain cash reserve balances with the Federal Reserve Bank of Chicago, which may be offset by cash on hand. The required reserve balances as of December 31, 1997 and 1996 were approximately $5,045,000 and $14,474,000, respectively.

In October 1997, the Corporation's bank subsidiary established a clearing balance requirement of $2,000,000 with the Federal Reserve Bank of Chicago to use Federal Reserve Bank services. These deposited funds generate earnings credits at market rates which offset service charges resulting from the use of Federal Reserve Bank services. The clearing balance requirement is included in the required reserve balance referred to above and may be increased, or otherwise adjusted, on approval of the Federal Reserve Bank based on estimated service charges; however, such adjustments will be made no more frequently than once per month.

NOTE 4. SECURITIES

As of December 31, 1997, the Corporation's bank subsidiary transferred its entire category of held to maturity securities into the available for sale securities category. In accordance with Statement of Financial Accounting Standards No. 115 (SFAS 115), "Accounting for Certain Investments in Debt and Equity Securities," this transfer was accounted for at market value. The aggregate amortized cost and fair values of these securities as of the transfer date was $44,812,000 and $45,707,000, respectively. The gross unrealized gain of $895,000, net of the deferred tax liability of $313,000, is included as a component of stockholders' equity.

The amortized cost and fair values of securities available for sale are summarized as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
AVAILABLE FOR SALE SECURITIES:	(Dollars in thousands)			
December 31, 1997:				
U.S. Treasury securities and obligations of U.S. government corporations and agencies	$ 161,617	$ 277	$ 132	$ 161,762
Obligations of states and political subdivisions	31,452	919	20	32,351
Corporate securities	6,177	20	1	6,196
Equity securities	4,132	7,881	19	11,994
Other debt securities	859	-	-	859
Mortgage backed securities	2,352	-	-	2,352
	$ 206,589	$ 9,097	$ 172	$ 215,514
December 31, 1996:				
U.S. Treasury securities and obligations of U.S. government corporations and agencies	$ 159,354	$ 255	$ 565	$ 159,044
Obligations of states and political subdivisions	1,250	4	1	1,253
Corporate securities	1,025	6	3	1,028
Equity securities	3,707	5,417	59	9,065
Other debt securities	853	-	-	853
	$ 166,189	$ 5,682	$ 628	$ 171,243

The amortized cost and fair values of securities held to maturity are summarized as follows:

HELD TO MATURITY SECURITIES:	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(Dollars in thousands)			
December 31, 1996:				
U.S. Treasury securities and obligations of U.S. government corporations and agencies	$ 8,635	$ -	$ 119	$ 8,516
Obligations of states and political subdivisions	36,607	789	153	37,243
Corporate securities	6,640	80	-	6,720
Mortgage-backed securities	3,225	98	2	3,321
	$ 55,107	$ 967	$ 274	$ 55,800

The amortized cost and fair value of securities, other than equity securities, as of December 31, 1997, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities because the mortgage-backed securities may be called or prepaid without penalty. Therefore, these securities are not included in the maturity categories in the following maturity summary.

	Available for Sale	
	Amortized Cost	Fair Value
	(Dollars in thousands)	
Due in one year or less	$ 82,142	$ 82,231
Due after one year through five years	99,984	100,535
Due after five years through ten years	14,722	15,112
Due after ten years	3,257	3,290
	200,105	201,168
Mortgage-backed securities	2,352	2,352
	$202,457	$203,520

Gains and losses related to sales of securities for the years ended December 31, 1997, 1996 and 1995 are summarized as follows (in thousands):

	1997	1996	1995
Gross security gains	$595	$258	$ 351
Gross security losses	(75)	(2)	(145)
NET SECURITY GAINS	$520	$256	$ 206

Investment securities with carrying values of $154,451,000 and $127,955,000 on December 31, 1997 and 1996, respectively, were pledged as collateral on public deposits and for other purposes as required or permitted by law.

NOTE 5. LOANS

The composition of loans is as follows:

	December 31,	
	1997	1996
	(Dollars in thousands)	
Commercial	$ 63,861	$ 62,065
Real estate construction	31,306	26,184
Real estate - farmland	11,782	11,468
Real estate - 1 to 4 family residential mortgage	220,659	206,499
Real estate - multifamily mortgage	74,385	74,245
Real estate - non-farm nonresidential mortgage	139,653	131,350
Installment	38,925	39,705
Agricultural	17,403	16,537
	597,974	568,053
Less:		
Allowance for loan losses	6,860	6,131
NET LOANS	$591,114	$561,922

The amount of loans serviced by the Corporation for the benefit of others is not included in the accompanying consolidated balance sheets. The unpaid principal balances of these loans were $113,506,000 and $101,344,000 as of December 31, 1997 and 1996, respectively.

The loan portfolio includes a concentration of loans for commercial real estate amounting to approximately $214,038,000 and $205,595,000 as of December 31, 1997 and 1996, respectively. Generally these loans are collateralized by assets of the borrowers. The loans are expected to be repaid from cash flows or from proceeds from the sale of selected assets of the borrowers. Credit losses arising from lending transactions for commercial real estate entities are comparable with the Corporation's credit loss experience on its loan portfolio as a whole.

The Corporation's opinion as to the ultimate collectibility of loans is subject to estimates regarding future cash flows from operations and the value of property, real and personal, pledged as collateral. These estimates are reflected by changing economic conditions and the economic prospects of borrowers.

The following table presents data on impaired loans:

	1997	1996
	(Dollars in thousands)	
Impaired loans for which an allowance has been provided	$ -	$ -
Impaired loans for which no allowance has been provided	226	-
Total loans determined to be impaired	$226	$ -
Allowance for loan loss for impaired loans included in the Allowance for loan losses	$ -	$ -
Average recorded investment in impaired loans	$254	$201
Interest income recognized from impaired loans	$ 8	$ -
Cash basis interest income recognized from impaired loans	$ 25	$ -

NOTE 6. ALLOWANCE FOR LOAN LOSSES

Changes in the allowance for loan losses were as follows:

	Years Ended December 31,		
	1997	1996	1995
	(Dollars in thousands)		
Balance, beginning of year	$6,131	$5,473	$5,235
Provision for loan losses	1,075	1,100	395
Recoveries applicable to loan balances previously charged off	213	240	523
	7,419	6,813	6,153
Loan balances charged off	(559)	(682)	(680)
Balance, ending of year	$6,860	$6,131	$5,473

NOTE 7. PREMISES AND EQUIPMENT

Premises and equipment are summarized as follows:

	December 31,	
	1997	1996
	(Dollars in thousands)	
Land	$ 4,899	$ 4,899
Buildings and improvements	23,294	21,781
Furniture and equipment	10,720	8,633
	38,913	35,313
Less accumulated depreciation	16,079	13,725
	$22,834	$21,588

Depreciation expense was $2,124,000, $1,957,000 and $1,847,000 for the years ending December 31, 1997, 1996 and 1995, respectively.

NOTE 8. DEPOSITS

The aggregate amount of time deposits with a minimum denomination of $100,000, was approximately $96,537,000 and $65,462,000 at December 31, 1997 and 1996, respectively.

As of December 31, 1997, the scheduled maturities of certificates of deposit, in thousands, are as follows:

1998	$262,299
1999	61,379
2000	27,857
2001	11,399
2002 and thereafter	10,128
	$373,062

NOTE 9. SHORT-TERM BORROWINGS

Short-term borrowings are summarized as follows:

	December 31, 1997	December 31, 1996
	(Dollars in thousands)	
Notes payable, American National Bank of Chicago, due January 31, 1998, interest payable quarterly at LIBOR plus 1.50% (effective rate of 7.37375% at December 31, 1997, except as noted):		
$10,000,000 line of credit, collateralized by all of the capital stock of Busey Bank.	$5,000	$ 7,500
Note payable, collateralized by all of the capital stock of Busey Bank (effective rate of 7.21875% at December 31, 1997)	1,000	-
Collateralized by 22,143 shares of First Busey Corporation Class A common stock owned by employee stock ownership plan	150	250
Collateralized by 22,143 shares of First Busey Corporation Class A common stock owned by employee stock ownership plan	150	250
Collateralized by 10,000 shares of First Busey Corporation Class A common stock owned by employee stock ownership plan (effective rate of 7.3125% at December 31, 1997)	250	-
Federal funds purchased	-	6,400
Securities sold under agreements to repurchase	-	5
	$6,550	$14,405

In accordance with the consensus reached on Issue Number 89-10 at the June 1989 meeting of the Financial Accounting Standards Board's Emerging Issues Task Force, the Company has recorded the pre-1993 debt of the employee stock ownership plan (ESOP), which totaled $300,000 and $500,000 at December 31, 1997 and 1996, respectively as short-term borrowings and a reduction of stockholders' equity.

In August 1997, the employee stock ownership plan borrowed $250,000 to acquire additional shares. In accordance with AICPA Statement of Position 93-6, this debt has been recorded as short-term borrowings and a reduction of stockholders' equity.

NOTE 10. LONG-TERM DEBT

Long-term debt is summarized as follows:

	December 31, 1997	December 31, 1996
	(Dollars in thousands)	
Note payable, Federal Home Loan Bank of Chicago, 5.46%, monthly installments of interest through June 25, 1998, balance due June 25, 1998, collateralized by all unpledged U.S. Treasury and U.S. Agency securities, first mortgages on residential real estate and Federal Home Loan Bank stock	$ 5,000	$5,000
Note payable, Federal Home Loan Bank of Chicago, 6.08%, monthly installments of interest through February 21, 2000, balance due February 21, 2000, collateralized by all unpledged U.S. Treasury and U.S. Agency securities, first mortgages on residential real estate and Federal Home Loan Bank stock	5,000	-
	$10,000	$5,000

NOTE 11. INCOME TAXES

The components of income tax expense consist of:

	Years Ended December 31, 1997	1996	1995
	(Dollars in thousands)		
Current	$4,842	$4,114	$4,004
Deferred	(463)	(373)	(705)
TOTAL INCOME TAX EXPENSE	$4,379	$3,741	$3,299

A reconciliation of federal income taxes at statutory rates to the income taxes included in the statements of income is as follows:

	Years ended December 31,					
	1997		1996		1995	
	Amount	% of Pretax Income	Amount	% of Pretax Income	Amount	% of Pretax Income
	(Dollars in thousands)					
Income tax at statutory rate	$ 5,163	35.0%	$ 4,566	35.0%	$ 4,226	35.0%
Effect of:						
Benefit of income taxed at lower rates	(100)	(0.7)	(100)	(0.8)	(100)	(0.9)
Tax-exempt interest, net	(777)	(5.3)	(805)	(6.2)	(788)	(6.5)
Amortization of intangibles	170	1.2	170	1.3	170	1.4
Other	(77)	(0.5)	(90)	(0.6)	(209)	(1.7)
	$ 4,379	29.7%	$ 3,741	28.7%	$ 3,299	27.3%

Income taxes related to realized gains on sales of securities were $182,000, $90,000 and $72,000 for the years ended December 31, 1997, 1996 and 1995, respectively.

The net deferred tax asset, included in other assets or liabilities, in the accompanying balance sheets includes the following amounts of deferred tax assets and liabilities:

	1997	1996
	(Dollars in thousands)	
Deferred tax liability	$(3,828)	$(2,446)
Deferred tax asset	4,344	3,686
Valuation allowance for deferred tax assets	(674)	(507)
NET DEFERRED TAX ASSET (LIABILITY)	$ (158)	$ 733

The tax effects of principal temporary differences are shown in the following table:

	1997	1996
	(Dollars in thousands)	
Investment securities:		
Unrealized gain on securities available for sale	$(3,124)	$(1,769)
Other	219	219
Basis in premises and equipment	(567)	(564)
Allowance for loan losses	2,721	2,432
Property acquired in settlement of loans	(24)	41
Loans held for sale	22	4
Basis in deposit intangibles	552	419
Deferred compensation	528	388
Performance/restricted stock	24	10
State net operating loss carryforward	278	173
Other	(113)	(113)
	516	1,240
Valuation allowance	(674)	(507)
	$ (158)	$ 733

State net operating loss carryforwards of approximately $5,962,000 are available to offset future taxable income. The carryforwards expire as follows: 2005 - $2,047,000; 2006 - $3,007,000; 2007 - $860,000 and 2008 - $48,000.

NOTE 12. EMPLOYEE BENEFIT PLANS

The Corporation established the First Busey Corporation Employees' Stock Ownership Plan (ESOP) as of January 1, 1984. All full time employees who meet certain age and length of service requirements are eligible to participate in the ESOP which purchased common shares of the Corporation using the proceeds of bank borrowings secured by the stock. The borrowings are to be repaid using fully deductible contributions to the trust fund. As the ESOP makes each payment of principal, an appropriate percentage of stock will be allocated to eligible employee's accounts in accordance with applicable regulations under the Internal Revenue Code. Allocations of common stock released and forfeitures are based on the eligible compensation of each participant. Dividends on allocated shares of common stock are distributed directly to the participants and dividends on unallocated shares are used to service the bank borrowings. All shares held by the ESOP are included in the computation of average common shares and common share equivalents. This accounting treatment is grandfathered under Statement of Position 93-6, "Employers' Accounting for Employee Stock Ownership Plans" for shares purchased prior to December 31, 1992.

During the year ended December 31, 1997, $200,000 of compensation expense was recognized for the ESOP, releasing 29,524 common shares to participant accounts, and is reflected in the chart below under "Employee Benefits." The Corporation does not have any repurchase obligation.

As permitted by AICPA Statement of Position (SOP) 93-6, compensation expense for shares released during 1997 and 1996 is equal to the original acquisition cost of the shares if they were acquired prior to December 31, 1992. There have been no shares released that were acquired by the ESOP after December 31, 1992. For such shares, compensation expense would be equal to the fair market value of the shares released. Compensation expense related to the ESOP plan was $243,000, $297,000 and $327,000 in 1997, 1996 and 1995, respectively.

Outstanding ESOP shares as of December 31 by loans acquired prior to December 31, 1992 were as follows:

	1997	1996
Allocated shares	385,927	366,960
Unallocated shares	44,286	73,810
TOTAL	430,213	440,770
Fair value of allocated shares at December 31	$11,831,000	$9,807,000

Outstanding ESOP shares acquired under the August 1997 loan and their fair market values were as follows:

	1997	
	Shares	Fair Market Value
Unallocated shares	10,000	$275,000

All full-time employees who meet certain age and length of service requirements are eligible to participate in the Corporation's profit-sharing plan. The contributions, if any, are determined solely by the Boards of Directors of the Corporation and its subsidiaries and in no case may the annual contributions be greater than the amounts deductible for federal income tax purposes for that year. The rights of the participants vest ratably over a seven-year period.

Employer contributions to the employee benefit plans are included in the statements of income as follows:

	Years Ended December 31, 1997	1996	1995
	(Dollars in thousands)		
Employee benefits	$809	$703	$623
Interest on employee stock ownership plan debt	43	47	77
TOTAL EMPLOYER CONTRIBUTIONS	$852	$750	$700

NOTE 13. STOCK INCENTIVE PLANS

Stock Option Plan:

In March 1989, the Corporation adopted the 1988 Stock Option Plan pursuant to which incentive stock options and nonqualified stock options for up to 450,000 shares of Class A common stock may be granted by the Compensation Committee of the Board of Directors to certain executive officers and key personnel of First Busey Corporation and its subsidiaries. In March 1996, the Board of Directors approved an increase in the number of shares reserved for issuance as stock options from 450,000 to 750,000.

A summary of the status of the Corporation's stock option plan as of December 31, 1997, 1996 and 1995 and the changes during the years ending on those dates is as follows:

	1997		1996		1995	
	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
Outstanding at beginning of year	338,341	$ 14.39	393,917	$ 13.62	264,957	$ 10.73
Granted	97,825	24.98	6,000	18.50	163,500	17.50
Exercised	(95,413)	10.07	(56,813)	9.33	(27,000)	9.31
Terminated and reissuable	(10,950)	17.32	(4,763)	16.37	(7,540)	11.67
Outstanding at end of year	329,803	18.69	338,341	14.39	393,917	13.62
Exercisable at end of year	43,653	$ 10.10	4,500	$ 9.44	60,750	$ 9.33
Weighted-average fair value per option of options granted during the year	$ 4.92		$ 5.37		$ 1.88	

The following table summarizes information about stock options outstanding at December 31, 1997:

Exercise Prices	Options Outstanding: Number Outstanding	Options Outstanding: Weighted-Average Remaining Contractual Life	Options Exercisable: Number Outstanding
$ 10.00	18,000	2 years	18,000
10.11	25,314	2 years	25,314
14.33	339	2 years	339
16.50	31,950	2 years	-
17.50	151,500	4 years	-
18.50	6,000	4 years	-
24.25	69,700	6 years	-
27.50	1,000	2 years	-
27.50	26,000	4 years	-
	329,803	4 years	43,653

Grants under the above plan are accounted for following APB No. 25 and related Interpretations. Accordingly, no compensation cost has been recognized for grants under this plan. Had compensation cost for stock-based compensation been determined based on the grant date fair values of awards (the method described in SFAS 123), reported net income and earnings per common share would have been reduced to the pro forma amounts shown below:

	1997	1996	1995
Net Income (in thousands):			
As reported	$10,371	$9,306	$8,775
Pro forma	$10,262	$9,262	$8,735
Basic earnings per share:			
As reported	$ 1.50	$ 1.37	$ 1.29
Pro forma	$ 1.49	$ 1.36	$ 1.28
Diluted earnings per share:			
As reported	$ 1.48	$ 1.34	$ 1.27
Pro forma	$ 1.47	$ 1.34	$ 1.26

The Black-Scholes option pricing model was developed for use in estimating the fair value of traded options which have no vesting restrictions. In addition, such models require the use of subjective assumptions, included expected stock price volatility. In management's opinion, such valuation models may not necessarily provide the best single measure of option value.

The fair value of the stock options granted has been estimated using the Black-Scholes option pricing model with the following weighted average assumptions.

	1997				
	Block 1	Block 2	Block 3	1996	1995
Number of options granted	69,700	26,000	1,000	6,000	163,500
Risk-free interest rate	5.76%	5.74%	5.64%	6.21%	5.40%
Expected life, in years	6	4	2	5	6
Expected volatility	6.3%	6.3%	6.3%	6.1%	6.5%
Expected dividend yield	2.9%	2.9%	2.9%	3.1%	3.7%
Estimated fair value per option	$ 5.77	$ 2.78	$ 1.68	$ 5.37	$ 1.88

An additional 1,125 options granted in 1997 vested and were exercised during the year ended December 31, 1997.

Restricted Stock Award Plan:

In January 1993, the Corporation adopted the 1993 Restricted Stock Award Plan pursuant to which restricted stock awards for up to 225,000 shares of Class A common stock may be granted by the Compensation Committee of the Board of Directors to certain executive officers and key personnel of First Busey Corporation and its subsidiaries. Shares vest over a period established by the Compensation Committee at grant date and are based on the attainment of specified earnings per share and earnings growth. As of December 31, 1997, there were 6,600 shares under grant with performance restrictions allowed by the plan which expire as follows: 1998 - 2,200 shares, 1999 - 2,200 shares and 2000 - - 2,200 shares.

	Number of Shares		
	1997	1996	1995
Under restriction, beginning of year	9,000	8,250	14,250
Granted	-	9,000	-
Restrictions released	2,200	8,250	6,000
Forfeited and reissuable	200	-	-
Under restriction, end of year	6,600	9,000	8,250
Available to grant, end of year	201,950	201,750	210,750

Compensation expense is recognized for financial statement purposes over the period of performance. Compensation expense of $80,000, $77,000, and $94,000 was recognized for financial statement purposes during the years ended December 31, 1997, 1996, and 1995, respectively. Compensation expense of $61,000 and $184,000 was recognized for income tax purposes for the years ended December 31, 1997 and 1996, respectively.

NOTE 14. TRANSACTIONS WITH DIRECTORS AND EXECUTIVE OFFICERS

The Corporation and its subsidiaries have had, and may be expected to have in the future, banking transactions in the ordinary course of business with directors, executive officers, their immediate families and affiliated companies in which they have 10% or more beneficial ownership (commonly referred to as related parties), on the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with others.

The following is an analysis of the changes in loans to related parties during the year ended December 31, 1997:

Balance at the beginning of year	$ 5,378
New loans	4,970
Repayments	(5,486)
Other	13
Balance at end of year	$ 4,875

NOTE 15. COMMON STOCK

The holders of Class A common stock are entitled to cash dividends per share which are 10% greater than the cash dividends per share with respect to Class B common stock. Class A stockholders have one vote per share whereas Class B stockholders have ten votes per share. Class B common stock may be converted to Class A common stock at any time on a one-for-one basis. All of the issued Class B common stock was converted to Class A common stock on December 31, 1997. There were no other differences between the two classes of common stock.

NOTE 16. CAPITAL RATIOS

The ability of the Corporation to pay cash dividends to its stockholders and to service its debt is dependent on the receipt of cash dividends from its subsidiaries. State chartered banks have certain statutory and regulatory restrictions on the amount of cash dividends they may pay. As a practical matter, dividend payments are restricted because of the desire to maintain a strong capital position in the subsidiaries.

The Corporation and the Bank are subject to various regulatory capital requirements administered by federal and state 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 Corporation's or the Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Corporation and the Bank must meet specific capital guidelines that involve quantitative measures of their assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The Corporation's and the Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Corporation and the Bank to maintain minimum amounts and ratios (set forth in the table below) of total and Tier I capital (as defined in the regulations) to risk-weighted assets (as defined), and Tier 1 capital (as defined) to average assets (as defined). Management believes, as of December 31, 1997, that the Corporation and the Bank meet all capital adequacy requirements to which it is subject.

As of December 31, 1997, the most recent notification from the federal and state regulatory agencies categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Bank must maintain minimum total risk-based, Tier I risk-based, and Tier I leverage ratios as set forth in the table. There are no conditions or events since that notification that management believes have changed the Bank's categories.

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
	(Dollars in Thousands)					
As of December 31, 1997:						
Total Capital (to Risk Weighted Assets)						
Consolidated	$ 74,372	13.01%	$ 45,726	8.0%	N/A	N/A
Busey Bank	$ 70,604	12.59%	$ 44,850	8.0%	$ 56,063	10.0%
Tier I Capital (to Risk Weighted Assets)						
Consolidated	$ 67,512	11.81%	$ 22,863	4.0%	N/A	N/A
Busey Bank	$ 63,744	11.37%	$ 22,425	4.0%	$ 33,638	6.0%
Tier I Capital (to Average Assets)						
Consolidated	$ 67,512	7.61%	$ 35,495	4.0%	N/A	N/A
Busey Bank	$ 63,744	7.27%	$ 35,068	4.0%	$ 43,835	5.0%
As of December 31, 1996:						
Total Capital (to Risk Weighted Assets)						
Consolidated	$ 67,321	12.48%	$ 43,142	8.0%	N/A	N/A
Busey Bank	$ 65,077	12.28%	$ 42,399	8.0%	$ 52,998	10.0%
Tier I Capital (to Risk Weighted Assets)						
Consolidated	$ 61,190	11.35%	$ 21,571	4.0%	N/A	N/A
Busey Bank	$ 58,946	11.12%	$ 21,199	4.0%	$ 31,799	6.0%
Tier I Capital (to Average Assets)						
Consolidated	$ 61,190	7.14%	$ 34,279	4.0%	N/A	N/A
Busey Bank	$ 58,946	6.93%	$ 34,010	4.0%	$ 42,512	5.0%

NOTE 17. COMMITMENTS, CONTINGENCIES AND CREDIT RISK

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

The Corporation and its subsidiaries are parties to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit, standby letters of credit and financial guarantees. Those instruments involve, to varying degrees, elements of credit and interest rate risk. The contract or notional amounts of those instruments reflect the extent of involvement the Corporation has in particular classes of financial instruments.

The Corporation and its subsidiaries' exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and standby letters of credit and financial guarantees written is represented by the contractual amount of those instruments. The Corporation and its subsidiaries use the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments.

Unless noted otherwise, the Corporation and its subsidiaries do not require collateral or other security to support financial instruments with credit risk.

A summary of the contractual amount of the Corporation's exposure to off-balance-sheet risk as of December 31, 1997 and 1996, is as follows:

	1997	1996
	(Dollars in thousands)	
Financial instruments whose contract amounts represent credit risk:		
Commitments to extend credit	$126,280	$120,525
Standby letters of credit	4,780	5,243

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. These commitments are generally at variable interest rates and generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Corporation evaluates each customer's credit worthiness on a case-by-case basis. The amount of collateral obtained, if it is deemed necessary by the Corporation upon extension of credit, is based on management's credit evaluation of the counterparty. Collateral held varies but may include accounts receivable, inventory, property and equipment and income-producing commercial properties.

Standby letters of credit are conditional commitments issued by the Corporation to guarantee the performance of a customer to a third party. Those letters of credit are primarily issued to support public and private borrowing arrangements, including bond financing and similar transactions. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers.

As of December 31, 1997, the Corporation has no significant futures, forwards, swaps or option contracts, or other financial instruments with similar characteristics.

NOTE 18. DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate that value:

Cash and cash equivalents

The carrying amounts reported in the balance sheet for cash and due from banks and federal funds sold approximate those assets' fair values.

Securities

For securities held to maturity and available for sale, fair values are based on quoted market prices or dealer quotes, where available. If a quoted market price is not available, fair value is estimated using quoted market prices for similar securities. The carrying amount of accrued interest receivable approximates fair value.

Loans

For certain homogeneous categories of loans, such as some residential mortgages, fair value is estimated using the quoted market prices for securities backed by similar loans, adjusted for differences in loan characteristics. The fair value of other types of loans is estimated by discounting the future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities. The carrying amount of accrued interest receivable approximates fair value.

Deposits

The fair value of demand deposits, savings accounts, NOW accounts, and certain money market deposits is defined as the amount payable on demand at the reporting date. The fair value of fixed-maturity certificates of deposit is estimated using the rates currently offered for deposits of similar remaining maturities. The carrying amount of accrued interest payable approximates fair value.

Short-term borrowings and long-term debt

Rates currently available to the Corporation for debt with similar terms and remaining maturities are used to estimate fair value of existing debt. The carrying amount of accrued interest payable approximates fair value.

Commitments to extend credit and standby letters of credit

The fair value of commitments is estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the present creditworthiness of the counterparties. For fixed-rate loan commitments, fair value also considers the difference between current levels of interest rates and the committed rates. The fair value of letters of credit is based on fees currently charged for similar agreements or on the estimated cost to terminate them or otherwise settle the obligations with the counterparties at the reporting date. As of December 31, 1997, these items are immaterial in nature.

The estimated fair values of the Corporation's financial instruments are as follows:

	1997		1996	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(Dollars in thousands)			
Financial assets:				
Cash and cash equivalents	$ 62,099	$ 62,099	$ 33,738	$ 33,738
Securities	215,514	215,514	226,350	227,043
Loans, net	596,077	596,802	563,369	568,480
Accrued interest receivable	7,464	7,464	7,412	7,412
Financial liabilities:				
Deposits	811,453	811,198	766,927	768,090
Short-term borrowings	6,550	6,550	14,405	14,405
Long-term debt	10,000	9,982	5,000	4,956
Accrued interest payable	3,586	3,586	3,448	3,448

In addition, other assets and liabilities of the Corporation that are not defined as financial instruments are not included in the above disclosures, such as property and equipment. Also, nonfinancial instruments typically not recognized in financial statements nevertheless may have value but are not included in the above disclosures. These include, among other items, the estimated earnings power of core deposit accounts, the earnings potential of loan servicing rights, the earnings potential of the trust operations, the trained work force, customer goodwill and similar items.

NOTE 19. PARENT COMPANY ONLY FINANCIAL INFORMATION

Condensed financial data for First Busey Corporation is presented below.

BALANCE SHEETS

	December 31, 1997	December 31, 1996
ASSETS	(Dollars in thousands)	
Cash and due from subsidiary bank	$ 131	$ 1,254
Securities available for sale	1,602	1,258
Investments in subsidiaries:		
Bank	73,485	66,521
Non-bank	8,334	2,295
Premises and equipment, net	48	4,931
Other assets	5,515	6,177
TOTAL ASSETS	$89,115	$82,436
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Short-term corporate borrowings	$ 6,000	$ 7,500
Short-term ESOP borrowings	550	500
Other liabilities	1,286	1,019
TOTAL LIABILITIES	7,836	9,019
Stockholders' equity before unearned ESOP shares and deferred compensation for stock grants	81,910	74,083
Unearned ESOP shares and deferred compensation for restricted stock awards	(631)	(666)
STOCKHOLDERS' EQUITY	81,279	73,417
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$89,115	$82,436

STATEMENTS OF INCOME

	Years Ended December 31,		
	1997	1996	1995
	(Dollars in thousands)		
Operating income:			
Dividends from subsidiaries:			
Bank	$ 6,000	$6,000	$5,400
Non-bank	500	400	300
Interest and dividend income	10	12	27
Other income	788	579	451
TOTAL OPERATING INCOME	7,298	6,991	6,178
Expenses:			
Salaries and employee benefits	1,124	1,057	1,025
Interest expense	429	527	740
Operating expense	1,425	1,064	1,109
TOTAL EXPENSES	2,978	2,648	2,874
INCOME BEFORE INCOME TAX BENEFIT AND EQUITY IN UNDISTRIBUTED INCOME OF SUBSIDIARIES	4,320	4,343	3,304
Income tax benefit	767	730	980
INCOME BEFORE EQUITY IN UNDISTRIBUTED INCOME OF SUBSIDIARIES	5,087	5,073	4,284
Equity in undistributed income of subsidiaries:			
Bank	4,696	3,983	4,195
Non-bank	588	250	296
NET INCOME	$10,371	$9,306	$8,775

STATEMENTS OF CASH FLOWS

	Years Ended December 31,		
	1997	1996	1995
	(Dollars in thousands)		
Cash Flows from Operating Activities			
Net income	$10,371	$ 9,306	$ 8,775
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	972	1,206	1,226
Equity in undistributed net income of subsidiaries	(5,284)	(4,233)	(4,491)
Gain on sales of securities	(62)	-	(54)
(Gain) loss on disposal of premises and equipment	(1)	6	-
Changes in assets and liabilities:			
Increase in other assets	(320)	(445)	(739)
Increase in other liabilities	267	277	27
NET CASH PROVIDED BY OPERATING ACTIVITIES	5,943	6,117	4,744
Cash Flows from Investing Activities			
Proceeds from sales of securities available for sale	556	136	259
Purchases of securities available for sale	(473)	(186)	(10)
Proceeds from sales of premises and equipment	1	-	-
Purchases of premises and equipment	(2)	(66)	(184)
Capital contribution to subsidiary	(593)	-	-
Proceeds from capital distribution of subsidiary	-	-	91
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES	(511)	(116)	156
Cash Flows from Financing Activities			
Purchases of treasury stock	(3,127)	(605)	(705)
Proceeds from sales of treasury stock	2,834	797	353
Proceeds from short-term borrowings	2,500	1,000	5,750
Dividends paid	(4,762)	(4,378)	(3,940)
Principal payments on short-term borrowings	(4,000)	(2,000)	(1,250)
Principal payments on long-term debt	-	-	(4,891)
NET CASH USED IN FINANCING ACTIVITIES	(6,555)	(5,186)	(4,683)
NET (DECREASE) INCREASE IN CASH AND DUE FROM BANKS	(1,123)	815	217
Cash and due from banks, beginning	1,254	439	222
Cash and due from banks, ending	$ 131	$ 1,254	$ 439

STATEMENTS OF CASH FLOWS (Continued)

	Years Ended December 31,		
	1997	1996	1995
	(Dollars in thousands)		
Supplemental Schedule of Noncash Investing and Financing Activities			
Principal payments on ESOP debt	$ 200	$250	$ 250
Proceeds from ESOP debt	$ 250	$ -	$ -
Transfer of premises and equipment and other assets to subsidiary	$5,441	$ -	$ -
Change in unrealized gain on securities available for sale - holding company	$ 365	$174	$ 259
Increase in deferred income taxes attributable to the unrealized gain on securities available for sale - holding company	$ (127)	$(61)	$ (91)
Change in unrealized gain on securities available for sale - subsidiaries	$2,278	$ 79	$3,767

MANAGEMENT REPORT
BUSEY BANK
AS OF DECEMBER 31, 1997

FINANCIAL STATEMENTS

Management of Busey Bank is responsible for the preparation, integrity and fair presentation of its published financial statements as of December 31, 1997, and for the year then ended. The financial statements have been prepared in accordance with generally accepted accounting principles and, as such, include amounts, some of which are based on judgments and estimates of management.

INTERNAL CONTROLS

Management is responsible for establishing and maintaining an effective internal control structure over financial reporting. The system contains monitoring mechanisms, and actions are taken to correct deficiencies identified.

There are inherent limitations in the effectiveness of any system of internal control, including the possibility of human error and the circumvention or overriding of controls. Accordingly, even an effective internal control system can provide only reasonable assurance with respect to financial statement preparation. Further, because of changes in conditions, the effectiveness of an internal control system may vary over time.

Management assessed its internal control structure over financial reporting as of December 31, 1997. This assessment was based on criteria for effective internal control over financial reporting described in "Internal Control - Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management believes that Busey Bank maintained an effective internal control structure over financial reporting as of December 31, 1997.

DESIGNATED LAWS

Management is also responsible for compliance with the federal and state laws and regulations relating to safety and soundness, including those designated laws and regulations regarding dividend restrictions and loans to insiders. Based on our assessment, management believes Busey Bank complied, in all material respects, with those designated laws and regulations for the year ended December 31, 1997.

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Douglas C. Mills, Chairman of the Board
First Busey Corporation (Holding Company)

____

P. David Kuhl, President
Busey Bank

INDEPENDENT ACCOUNTANT'S REPORT

To the Board of Directors
Busey Bank
Urbana, Illinois

We have examined management's assertion that Busey Bank maintained a system of internal control over financial reporting which is designed to provide reasonable assurance to the Bank's management and Board of Directors regarding the preparation of reliable published financial statements as of December 31, 1997, included in the accompanying management report.

Our examination was made in accordance with standards established by the American Institute of Certified Public Accountants and, accordingly, included obtaining an understanding of the internal control structure over financial reporting, testing and evaluating the design and operating effectiveness of the internal control structure, and such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

Because of inherent limitations in any internal control structure, errors or irregularities may occur and not be detected. Also, projections of any evaluation of the internal control structure over financial reporting to future periods are subject to the risk that the internal control structure may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assertions that Busey Bank maintained a system of internal control over financial reporting which is designed to provide reasonable assurance to the Bank's management and Board of Directors regarding the preparation of reliable published financial statements as of December 31, 1997, is fairly stated, in all material respects, based upon criteria established in "Internal Control - Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

/s/ McGladrey + Pullen, LLP

Champaign, Illinois
January 30, 1998

EXHIBIT 21.1

LIST OF SUBSIDIARIES OF FIRST BUSEY CORPORATION
March 6, 1998

Busey Bank

Busey Business Bank

First Busey Trust & Investment Co.

First Busey Resources, Inc.

LIST OF SUBSIDIARIES OF BUSEY BANK
March 6, 1998

First Busey Securities, Inc.

Busey Insurance Services, Inc.

Busey Carter Travel Agency

BAT, Inc.

EXHIBIT 23.1

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 33-30095) of our report, dated January 30, 1998, with respect to the financial statements of First Busey Corporation and Subsidiaries, appearing in this Annual Report on Form 10-K for the year ended December 31, 1997.

/s/ McGladrey + Pullen, LLP

Champaign, Illinois
March 18, 1998

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1,000

YEAR
DEC-31-1997
DEC-31-1997
43,299
0
18,800
0
215,514
0
0
602,937
6,860
915,540
811,453
6,550
6,258
10,000
0
0
6,291
74,988
915,540
51,061
12,282
488
63,831
30,002
31,119
32,712
1,075
520
27,266
14,750
10,371
0
0
10,371
1.50
1.48
8.04
628
1,033
0
640
6,131
559
213
6,860
0
0
300