SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

# FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended 9/30/98
Commission File No. 0-15950

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

| | |
|---|---|
| Nevada | 37-1078406 |
| (State or other jurisdiction of Incorporation or organization) | (I.R.S. Employer Identification No.) |
| 201 W. Main St., Urbana, Illinois | 61801 |
| (Address of principal executive offices) | (Zip Code) |

Registrant's telephone number, including area code: (217) 365-4556

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

| Class | Outstanding at October 31, 1998 |
|---|---|
| Class A Common Stock, without par value | 13,736,689 |

# PART I - FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

FIRST BUSEY CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

| | September 30, 1998 | December 31, 1997 |
|---|---|---|
| | (Dollars in thousands) | |
| ASSETS | | |
| Cash and due from banks | $ 35,057 | $ 43,299 |
| Federal funds sold | 27,950 | 18,800 |
| Securities available for sale (amort. cost 1998 $154,111; 1997 $206,589) | 224,423 | 215,514 |
| Loans (net of unearned interest) | 634,043 | 602,937 |
| Allowance for loan losses | (7,306) | (6,860) |
| Net loans | $ 626,737 | $ 596,077 |
| Premises and equipment | 24,611 | 22,834 |
| Other assets | 19,772 | 19,016 |
| Total assets | $ 958,550 | $ 915,540 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| LIABILITIES | | |
| Deposits: | | |
| Non-interest bearing | $ 85,829 | $ 92,090 |
| Interest bearing | 738,187 | 719,363 |
| Total deposits | $ 824,016 | $ 811,453 |
| Short-term borrowings | 15,550 | 6,550 |
| Long-term debt | 25,000 | 10,000 |
| Other liabilities | 7,888 | 6,258 |
| Total liabilities | $ 872,454 | $ 834,261 |
| STOCKHOLDERS' EQUITY | | |
| Preferred stock | $ - | $ - |
| Common stock | 6,291 | 6,291 |
| Surplus | 21,253 | 20,729 |
| Retained earnings | 57,708 | 53,011 |
| Unrealized gain (loss) on securities available for sale, net | 6,016 | 5,801 |
| Total stockholders' equity before treasury stock, unearned ESOP shares and deferred compensation for stock grants | $ 91,268 | $ 85,832 |
| Treasury stock, at cost | (4,578) | (3,922) |
| Unearned ESOP shares and deferred compensation for stock grants | (594) | (631) |
| Total stockholders' equity | $ 86,096 | $ 81,279 |
| Total liabilities and stockholders' equity | $ 958,550 | $ 915,540 |
| Class A Common Shares outstanding at period end | 13,770,330 | 13,750,786 |

FIRST BUSEY CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

| | September 30, 1998 | September 30, 1997 |
|---|---|---|
| | (Dollars in thousands) | |
| ASSETS | | |
| Cash and due from banks | $ 35,057 | $ 51,189 |
| Federal funds sold | 27,950 | 0 |
| Securities held to maturity (fair value 1997 $51,362) | | 50,314 |
| Securities available for sale (amort. cost 1998 $215,163; 1997 $154,111) | 224,423 | 162,896 |
| Loans (net of unearned interest) | 634,043 | 604,538 |
| Allowance for loan losses | (7,306) | (6,593) |
| Net loans | $ 626,737 | $ 597,945 |
| Premises and equipment | 24,611 | 22,642 |
| Other assets | 19,772 | 19,227 |
| Total assets | $ 958,550 | $ 904,213 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| LIABILITIES | | |
| Deposits: | | |
| Non-interest bearing | $ 85,829 | $ 78,553 |
| Interest bearing | 738,187 | 722,859 |
| Total deposits | $ 824,016 | $ 801,412 |
| Short-term borrowings | 15,550 | 5,750 |
| Long-term debt | 25,000 | 10,000 |
| Other liabilities | 7,888 | 6,390 |
| Total liabilities | $ 872,454 | $ 823,552 |
| STOCKHOLDERS' EQUITY | | |
| Preferred stock | $ - | $ - |
| Common stock | 6,291 | 6,291 |
| Surplus | 21,253 | 20,714 |
| Retained earnings | 57,708 | 51,554 |
| Unrealized gain (loss) on securities available for sale, net | 6,016 | 5,711 |
| Total stockholders' equity before treasury stock, unearned ESOP shares and deferred compensation for stock grants | $ 91,268 | $ 84,270 |
| Treasury stock, at cost | (4,578) | (3,006) |
| Unearned ESOP shares and deferred compensation for stock grants | (594) | (603) |
| Total stockholders' equity | $ 86,096 | $ 80,661 |
| Total liabilities and stockholders' equity | $ 958,550 | $ 904,213 |
| Class A Common Shares outstanding at period end | 13,770,330 | 11,581,456 |
| Class B Common Shares outstanding at period end | 0 | 2,250,000 |

FIRST BUSEY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1998 AND 1997
(UNAUDITED)

| | 1998 | 1997 |
|---|---|---|
| | (Dollars in thousands, except per share amounts) | |
| INTEREST INCOME: | | |
| Interest and fees on loans | $40,331 | $37,716 |
| Interest and dividends on investment securities: | | |
| Taxable interest income | 7,958 | 7,688 |
| Non-taxable interest income | 1,280 | 1,505 |
| Dividends | 101 | 81 |
| Interest on federal funds sold | 729 | 243 |
| Total interest income | $50,399 | $47,233 |
| INTEREST EXPENSE: | | |
| Deposits | $22,841 | $22,149 |
| Short-term borrowings | 901 | 448 |
| Long-term debt | 892 | 394 |
| Total interest expense | $24,634 | $22,991 |
| Net interest income | $25,765 | $24,242 |
| Provision for loan losses | 700 | 600 |
| Net interest income after provision for loan losses | $25,065 | $23,642 |
| OTHER INCOME: | | |
| Trust | $ 2,591 | $ 2,364 |
| Commissions and brokers' fees, net | 927 | 771 |
| Service charges on deposit accounts | 2,212 | 2,211 |
| Other service charges and fees | 1,412 | 910 |
| Security gains, net | 727 | 357 |
| Trading security gains, net | 5 | 2 |
| Gain on sales of pooled loans | 656 | 293 |
| Other operating income | 1,404 | 617 |
| Total other income | $ 9,934 | $ 7,525 |
| OTHER EXPENSES: | | |
| Salaries and wages | $10,168 | $ 9,085 |
| Employee benefits | 1,929 | 1,884 |
| Net occupancy expense of bank premises | 1,919 | 1,630 |
| Furniture and equipment expenses | 1,581 | 1,294 |
| Data processing | 1,474 | 1,287 |
| Stationery, supplies and printing | 513 | 509 |
| Foreclosed property write-downs and expenses | 24 | 7 |
| Amortization expense | 1,038 | 991 |
| Other operating expenses | 3,762 | 3,525 |
| Total other expenses | $22,408 | $20,212 |
| Income before income taxes | $12,591 | $10,955 |
| Income taxes | 3,890 | 3,260 |
| NET INCOME | $ 8,701 | $ 7,695 |
| Other comprehensive income, before tax: | | |
| Unrealized gains on securities: | | |
| Unrealized holding gains (losses) arising during period | 1,060 | 4,090 |
| Less reclassification adjustment for gains included in net income | (727) | (357) |
| Other comprehensive income, before tax | $ 333 | $ 3,733 |
| Income tax expense related to items of other comprehensive income | 118 | 1,307 |
| Other comprehensive income, net of tax | $ 215 | $ 2,426 |
| COMPREHENSIVE INCOME | $ 8,916 | $10,121 |
| BASIC EARNINGS PER SHARE | $ 0.63 | $ 0.56 |
| DILUTED EARNINGS PER SHARE | $ 0.62 | $ 0.55 |
| DIVIDENDS DECLARED PER SHARE: | | |
| Class A Common Stock | $0.2900 | $0.2600 |
| Class B Common Stock | - | $0.2364 |

FIRST BUSEY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE QUARTERS ENDED SEPTEMBER 30, 1998 AND 1997
(UNAUDITED)

| | 1998 | 1997 |
|---|---|---|
| | (Dollars in thousands, except per share amounts) | |
| INTEREST INCOME: | | |
| Interest and fees on loans | $13,781 | $13,127 |
| Interest and dividends on investment securities: | | |
| Taxable interest income | 2,683 | 2,500 |
| Non-taxable interest income | 433 | 503 |
| Dividends | 32 | 28 |
| Interest on federal funds sold | 133 | 95 |
| Total interest income | $17,062 | $16,253 |
| INTEREST EXPENSE: | | |
| Deposits | $ 7,760 | $ 7,730 |
| Short-term borrowings | 327 | 128 |
| Long-term debt | 296 | 147 |
| Total interest expense | $ 8,383 | $ 8,005 |
| Net interest income | $ 8,679 | $ 8,248 |
| Provision for loan losses | 50 | 200 |
| Net interest income after provision for loan losses | $ 8,629 | $ 8,048 |
| OTHER INCOME: | | |
| Trust | $ 808 | $ 739 |
| Commissions and brokers' fees, net | 334 | 264 |
| Service charges on deposit accounts | 771 | 747 |
| Other service charges and fees | 459 | 307 |
| Security gains, net | 194 | 92 |
| Trading security gains, net | 5 | 0 |
| Gain on sales of pooled loans | 272 | 176 |
| Other operating income | 439 | 207 |
| Total other income | $ 3,282 | $ 2,532 |
| OTHER EXPENSES: | | |
| Salaries and wages | $ 3,410 | $ 3,074 |
| Employee benefits | 620 | 584 |
| Net occupancy expense of bank premises | 696 | 564 |
| Furniture and equipment expenses | 568 | 439 |
| Data processing | 513 | 465 |
| Stationery, supplies and printing | 163 | 164 |
| Foreclosed property write-downs and expenses | 24 | 7 |
| Amortization expense | 352 | 331 |
| Other operating expenses | 1,240 | 1,183 |
| Total other expenses | $ 7,586 | $ 6,811 |
| Income before income taxes | $ 4,325 | $ 3,769 |
| Income taxes | 1,336 | 1,129 |
| NET INCOME | $ 2,989 | $ 2,640 |
| Other comprehensive income, before tax: | | |
| Unrealized gains on securities: | | |
| Unrealized holding gains (losses) arising during period | (915) | 2,186 |
| Less reclassification adjustment for gains included in net income | (194) | (92) |
| Other comprehensive income, before tax | (721) | 2,094 |
| Income tax expense related to items of other comprehensive income | (251) | 733 |
| Other comprehensive income, net of tax | (470) | 1,361 |
| COMPREHENSIVE INCOME | $ 2,519 | $ 4,001 |
| BASIC EARNINGS PER SHARE | $ 0.22 | $ 0.19 |
| DILUTED EARNINGS PER SHARE | $ 0.21 | $ 0.19 |
| DIVIDENDS DECLARED PER SHARE: | | |
| Class A Common Stock | $0.1000 | $0.0900 |
| Class B Common Stock | - | $0.0818 |

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FIRST BUSEY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1998 AND 1997
(UNAUDITED)

| | 1998 | 1997 |
|---|---|---|
| | (Dollars in thousands) | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income | $ 8,701 | $ 7,695 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 2,863 | 2,574 |
| Provision for loan losses | 700 | 600 |
| (Decrease) in deferred income taxes | (813) | (659) |
| Amortization of investment security discounts | (110) | (245) |
| Gain on sales of investment securities, net | (727) | (357) |
| Proceeds from sales of pooled loans | 59,746 | 26,774 |
| Loans originated for sale | (67,016) | (30,413) |
| Gain on sale of pooled loans | (656) | (293) |
| (Gain) on sales and dispositions of premises and equipment | (10) | 0 |
| Change in assets and liabilities: | | |
| (Decrease) in other assets | (237) | (856) |
| Increase in accrued expenses | 1,024 | 739 |
| Increase (decrease) in interest payable | (149) | 46 |
| Increase in income taxes payable | 522 | 436 |
| Net cash provided by operating activities | $ 3,838 | $ 6,041 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from sales of securities classified available for sale | $ 31,453 | $ 10,559 |
| Proceeds from maturities of securities classified available for sale | 75,565 | 67,739 |
| Proceeds from maturities of securities classified held to maturity | - | 5,887 |
| Purchase of securities classified available for sale | (114,759) | (65,662) |
| Purchase of securities classified held to maturity | - | (1,050) |
| (Increase) in federal funds sold | (9,150) | 0 |
| Increase in loans | (23,439) | (31,379) |
| Purchases of premises and equipment | (3,581) | (2,575) |
| Proceeds from sales of premises and equipment | 25 | 1 |
| Cash acquired in acquisition of Busey Carter Travel, Inc. | 204 | - |
| Net cash (used in) investing activities | ($43,682) | ($16,480) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Net increase (decrease) in certificates of deposit | ($19,995) | $ 33,751 |
| Net increase in demand, money market and saving deposits | 32,558 | 734 |
| Cash dividends paid | (4,004) | (3,543) |
| Purchase of treasury stock | (1,483) | (404) |
| Proceeds from sale of treasury stock | 526 | 1,257 |
| Proceeds from short-term borrowings | 10,000 | - |
| Principal payments on short-term borrowings | (1,000) | (2,500) |
| Proceeds from long-term borrowings | 20,000 | 5,000 |
| Principal payments on long-term borrowings | (5,000) | - |
| Net decrease in federal funds purchased, repurchase agreements and Federal Reserve discount borrowings | - | (6,405) |
| Net cash provided by (used in) financing activities | $ 31,602 | $ 27,890 |
| Net increase (decrease) in cash and cash equivalents | ($8,242) | $ 17,451 |
| Cash and due from banks, beginning | 43,299 | $ 33,738 |
| Cash and due from banks, ending | $ 35,057 | $ 51,189 |

## NOTE 1: INTERIM FINANCIAL STATEMENTS

The consolidated interim financial statements of First Busey Corporation and Subsidiaries are unaudited, but in the opinion of management reflect all necessary adjustments, consisting only of normal recurring accruals, for a fair presentation of results as of the dates and for the periods covered by the financial statements. The results for the interim periods are not necessarily indicative of the results of operations that may be expected for the fiscal year.

## NOTE 2: LOANS

The major classifications of loans at September 30, 1998 and December 31, 1997 were as follows:

| | September 30, 1998 | December 31, 1997 |
|---|---|---|
| | (Dollars in thousands) | |
| Commercial | $ 74,775 | $ 63,861 |
| Real estate construction | 40,402 | 31,306 |
| Real estate - farmland | 13,627 | 11,782 |
| Real estate - 1-4 family residential mortgage | 240,366 | 225,622 |
| Real estate - multifamily mortgage | 54,314 | 74,385 |
| Real estate - non-farm nonresidential mortgage | 155,830 | 139,653 |
| Installment | 36,613 | 38,925 |
| Agricultural | 18,116 | 17,403 |
| | $634,043 | $602,937 |
| Less: | | |
| Allowance for loan losses | $ 7,306 | $ 6,860 |
| Net loans | $626,737 | $596,077 |

The real estate-mortgage category includes loans held for sale with carrying values of $12,889,000 at September 30, 1998 and $4,963,000 at December 31, 1997; these loans had fair market values of $13,103,000 and $5,016,000 respectively.

FIRST BUSEY CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3: INCOME PER SHARE

Net income per common share has been computed as follows:

| | Three Months Ended September 30, 1998 | Three Months Ended September 30, 1997 | Nine Months Ended September 30, 1998 | Nine Months Ended September 30, 1997 |
|---|---|---|---|---|
| Net income | $ 2,989,000 | $ 2,640,000 | $ 8,701,000 | $ 7,695,000 |
| Shares: | | | | |
| Weighted average common shares outstanding | 13,765,820 | 13,822,138 | 13,771,120 | 13,824,380 |
| Dilutive effect of outstanding options, as determined by the application of the treasury stock method | 320,817 | 239,424 | 278,929 | 213,502 |
| Weighted average common shares outstanding, as adjusted | 14,086,637 | 14,061,562 | 14,050,049 | 14,037,882 |
| Basic earnings per share | $ 0.22 | $ 0.19 | $ 0.63 | $ 0.56 |
| Diluted earnings per share | $ 0.21 | $ 0.19 | $ 0.62 | $ 0.55 |

NOTE 4: SUPPLEMENTAL CASH FLOW DISCLOSURES FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1998 AND 1997.

| | 1998 | 1997 |
|---|---|---|
| SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION | | |
| Cash payments for: | | |
| Interest | $ 24,783 | $ 22,945 |
| Income taxes | $ 3,368 | $ 3,081 |
| SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES | | |
| Other real estate acquired in settlement of loans | $ 237 | $ 135 |
| Change in unrealized gain (loss) on securities available for sale | $ 333 | $ 3,733 |
| (Decrease) in deferred income taxes attributable to the unrealized (gain) on investment securities available for sale | ($118) | ($1,307) |

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

The following is management's discussion and analysis of the financial condition of First Busey Corporation and Subsidiaries ("Corporation") at September 30, 1998 (unaudited) when compared with December 31, 1997 and the results of operations for the nine months ended September 30, 1998 and 1997 (unaudited) and the results of operations for the three months ended September 30, 1998 and 1997 (unaudited). This discussion and analysis should be read in conjunction with the Corporation's consolidated financial statements and notes thereto appearing elsewhere in this quarterly report.

### FINANCIAL CONDITION AT SEPTEMBER 30, 1998 AS COMPARED TO DECEMBER 31, 1997

Total assets increased $43,010,000, or 4.7%, to $958,550,000 at September 30, 1998 from $915,540,000 at December 31, 1997.

Securities available for sale increased $8,909,000, or 4.1%, to $224,423,000 at September 30, 1998 from $215,514,000 at December 31, 1997.

Loans increased $31,106,000 or 5.2%, to $634,043,000 at September 30, 1998 from $602,937,000 at December 31, 1997, primarily due to increases in commercial and mortgage loans.

Total deposits increased $12,563,000, or 1.5%, to $824,016,000 at September 30, 1998 from $811,453,000 at December 31, 1997. Non-interest bearing deposits decreased 6.8% to $85,829,000 at September 30, 1998 from $92,090,000 at December 31, 1997. Interest-bearing deposits increased 2.6% to $738,187,000 at September 30, 1998 from $719,363,000 at December 31, 1997. Short-term borrowings increased $9,000,000 to $15,550,000 at September 30, 1998, as compared to $6,550,000 at December 31, 1997. Proceeds from the increase in short-term borrowings were used to capitalize Busey Business Bank, the holding company's bank subsidiary located in Indianapolis, Indiana.

In the first nine months of 1998, the Corporation repurchased 93,182 shares of its Class A stock at an aggregate cost of $1,483,000. The Corporation is purchasing shares for the treasury as they become available in order to meet future issuance requirements of previously granted non-qualified stock options. As of September 30, 1998, 72,680 of the 266,882 options which became exercisable on January 1, 1997 (and expire December 31, 1999) have not yet been exercised and 26,400 of the 63,900 options which became exercisable on January 1, 1998 (and expire December 31, 1999) have not yet been exercised. It is anticipated that the Corporation may from time to time continue to make purchases of its common stock in order to meet future issuance requirements.

The following table sets forth the components of non-performing assets and past due loans.

| | September 30, 1998 | December 31,1997 |
|---|---|---|
| | (Dollars in thousands) | |
| Non-accrual loans | $ 464 | $ 628 |
| Loans 90 days past due, still accruing | 2,953 | 1,033 |
| Restructured loans | - | - |
| Other real estate owned | 200 | 516 |
| Non-performing other assets | 2 | 5 |
| Total non-performing assets | $3,619 | $2,182 |
| Total non-performing assets as a percentage of total assets | 0.38% | 0.24% |
| Total non-performing assets as a percentage of loans plus non-performing assets | 0.57% | 0.36% |

The ratio of non-performing assets to loans plus non-performing assets increased to 0.57% at September 30, 1998 from 0.36% at December 31, 1997. This was due to an increase in the balance of loans 90 days past due and still accruing, offset partially by decreases in the balance of non-accrual loans and other real estate owned. Although the non-performing ratios have increased over the last nine months, the Corporation's ratios compare favorably with those of its peers.

RESULTS OF OPERATIONS
NINE MONTHS ENDED SEPTEMBER 30, 1998 AS COMPARED TO SEPTEMBER 30, 1997

## SUMMARY

Net income for the nine months ended September 30, 1998 increased 13.1% to $8,701,000 as compared to $7,695,000 for the comparable period in 1997. Diluted earnings per share increased 12.7% to $.62 at September 30, 1998 as compared to $.55 for the same period in 1997.

Operating earnings, which exclude security gains and the related tax expense, were $8,228,000, or $.59 per share for the nine months ended September 30, 1998, as compared to $7,463,000, or $.53 per share for the same period in 1997.

The Corporation's return on average assets was 1.26% for the nine months ended September 30, 1998, as compared to 1.18% for the comparable period in 1997. The return on average assets from operations of 1.19% for the nine months ended September 30, 1998 was 5 basis points higher than the 1.14% level achieved in the comparable period of 1997.

Net interest margin, the Corporation's net interest income expressed as a percentage of average earning assets stated on a fully taxable equivalent basis, was 4.16% for the nine months ended September 30, 1998, as compared to 4.21% for the same period in 1997. The net interest margin expressed as a percentage of average total assets, also on a fully taxable equivalent basis, was 3.86% for the nine months ended September 30, 1998, compared to 3.87% for the same period in 1997. The decrease in the net interest margin reflects the decrease in the net interest spread the Corporation has experienced.

During the nine months ended September 30, 1998, the Corporation recognized security gains of approximately $473,000, after income taxes, representing 5.4% of net income. During the same period in 1997, security gains of $232,000, after income taxes, were recognized, representing 3.0% of net income.

## INTEREST INCOME

Interest income, on a tax equivalent basis, for the nine months ended September 30, 1998 increased 6.3% to $51,292,000 from $48,274,000 for the comparable period in 1997. The increase in interest income resulted from an increase in average earning assets of $53,038,000 for the period ended September 30, 1998, as compared to the same period of 1997, offset by a three point decrease in the average yield on interest-earning assets from 8.04% to 8.01% in the current period when compared to the same period in 1997.

## INTEREST EXPENSE

Total interest expense increased 7.1% for the nine months ended September 30, 1998 as compared to the prior year period. This increase resulted primarily from the growth of $35,306,000 in average interest-bearing liabilities to $754,523,000 for the nine months ending September 30, 1998, compared to $719,217,000 for the same period in 1997.

## PROVISION FOR LOAN LOSSES

The provision for loan losses of $700,000 for the nine months ended September 30, 1998 is $100,000 more than the provision for the comparable period in 1997. The provision and the net charge-offs of $254,000 for the period resulted in the reserve representing 1.15% of total loans and 202% of non-performing loans at September 30, 1998, as compared to the reserve representing 1.14% of total loans and 413% of non-performing loans at December 31, 1997. The adequacy of the reserve for loan losses is consistent with management's consideration of the composition of the portfolio, recent credit quality experience, and prevailing economic conditions.

## OTHER INCOME, OTHER EXPENSE AND INCOME TAXES

Total other income, excluding security gains, increased 28.4% for the nine months ended September 30, 1998 as compared to the same period in 1997. This was a combination of increases in trust, commissions and brokers' fees, other service charges and fees, and gains on sales of pooled loans for the nine months ended September 30, 1998 as compared to the same period in 1997. Gains of $656,000 were recognized on the sale of $59,090,000 of pooled loans for the nine months ended September 30, 1998 as compared to gains of $293,000 on the sale of $26,481,000 of pooled loans in the prior year period.

Management anticipates continued sales from the current mortgage loan production of the Corporation if mortgage loan originations are high relative to historic norms and the sales of the loans are necessary to maintain the asset/liability structure that the Corporation is trying to effect. The Corporation may realize gains and/or losses on these sales dependent upon interest rate movements and upon how receptive the debt markets are to mortgage backed securities.

Total other expense increased 10.9% or $2,196,000 for the nine months ended September 30, 1998 as compared to the same period in 1997.

Salaries and wages expense increased $1,083,000 or 11.9%, and employee benefits expense increased $45,000 or 2.4% for the nine months ended September 30, 1998, as compared to the same period last year. The Corporation had 423 full time equivalent employees as of September 30, 1998 as compared to 386 as of September 30, 1997. Occupancy and furniture and equipment expenses increased 19.7% to $3,500,000 for the nine months ended September 30, 1998 from $2,924,000 in the prior year period. Data processing expense increased $187,000 or 14.5% to $1,474,000 for the nine months ended September 30, 1998 from the prior year period. Foreclosed property write-downs and expenses increased $17,000 to $24,000 for the nine months ended September 30, 1998 from the prior year period. Other operating expenses decreased $237,000 or 6.7% to $3,762,000 for the nine months ended September 30, 1998.

The Corporation's net overhead expense, total non-interest expense less non-interest income divided by average assets, decreased to 1.91% for the nine months ended September 30, 1998 from 2.00% in the prior year period as a result of the income and expense items described above.

The Corporation's efficiency ratio is defined as operating expenses divided by net revenue. (More specifically it is defined as non-interest expense expressed as a percentage of the sum of tax equivalent net interest income and non-interest income, excluding security gains). The consolidated efficiency ratio for the nine months ended September 30, 1998 was 62.5% as compared to 62.3% for the prior year period. When the gains on the sales of pooled loans are excluded, these ratios are 63.6% and 62.9%, respectively. The change in the current year efficiency ratio is due to the income and expense items noted above.

Income taxes for the nine months ended September 30, 1998 increased to $3,890,000 as compared to $3,260,000 for the comparable period in 1997. As a percent of income before taxes, the provision for income taxes increased to 30.9% for the nine months ended September 30, 1998 from 29.8% for the same period in 1997.

RESULTS OF OPERATIONS
THREE MONTHS ENDED SEPTEMBER 30, 1998 AS COMPARED TO SEPTEMBER 30, 1997

SUMMARY

Net income for the three months ended September 30, 1998 increased 13.2% to $2,989,000 as compared to $2,640,000 for the comparable period in 1997. Diluted earnings per share increased 10.5% to $.21 at September 30, 1998 as compared to $.19 for the same period in 1997.

Operating earnings, which exclude security gains and the related tax expense, were $2,863,000, or $.20 per share for the three months ended September 30, 1998, as compared to $2,580,000, or $.18 per share for the same period in 1997.

The Corporation's return on average assets was 1.26% for the three months ended September 30, 1998, as compared to 1.18% achieved for the comparable period in 1997. The return on average assets from operations of 1.21% for the three months ended September 30, 1998 is 6 basis points higher than the 1.15% level achieved in the comparable period of 1997.

The net interest margin expressed as a percentage of average earning assets was 4.10% for the three months ended September 30, 1998, 6 basis points lower than the level achieved for the like period in 1997. The net interest margin expressed as a percentage of average total assets was 3.80% for the three months ended September 30, 1998, as compared to 3.84% for the same period in 1997.

During the three months ended September 30, 1998, the Corporation recognized security gains of approximately $126,000, after income taxes, representing 4.2% of net income. During the same period in 1997, security gains of approximately $60,000, after income taxes, were recognized, representing 2.3% of net income.

INTEREST INCOME

Interest income on a fully taxable equivalent basis increased $760,000, or 4.6% for the three months ended September 30, 1998 from the same period in 1997. The increase resulted from a higher level of interest income on greater average volumes of loans and U.S. government obligations outstanding for the three months ended September 30, 1998 as compared to the same period of 1997, partially offset by lower yields on all categories of interest-earning assets. The yield on interest earning assets decreased 11 basis points for the three months ended September 30, 1998 as compared to the same period in 1997.

INTEREST EXPENSE

Total interest expense increased 4.7% for the three months ended September 30, 1998 as compared to the prior year period. This increase resulted in large part from a $22,995,000 increase in short-term borrowings and long-term debt for the three months ended September 30, 1998, as compared to the same period in 1997.

OTHER INCOME, OTHER EXPENSE AND INCOME TAXES

Total other income, excluding security transactions, increased 26.6% for the three months ended September 30, 1998 as compared to the same period in 1997. This was a combination of increased trust revenue, commissions and brokers' fees, service charges on deposit accounts, and other service charges and fees. Gains of $272,000 were recognized on the sale of $21,114,000 of pooled loans for the three months ended September 30, 1998 as compared to gains of $176,000 on the sale of $12,865,000 of pooled loans in the prior year period.

Total other expense increased 11.4% or $775,000 for the three months ended September 30, 1998 as compared to the same period in 1997.

Salaries and wages expense increased $336,000 or 10.9% and employee benefits expense increased $36,000 or 6.2% for the three months ended September 30, 1998, as compared to the same period last year. Occupancy and furniture and equipment expenses increased 26.0% to $1,264,000 for the three months ended September 30, 1998 from $1,003,000 in the prior year period. Data processing expense increased $48,000 or 10.3% to $513,000 for the three months ended September 30, 1998 from the prior year period. Foreclosed property write-downs and expenses increased $17,000 to $24,000 for the three months ended September 30, 1998 from the prior year period. Other operating expenses increased $57,000 to $1,240,000 for the three months ended September 30, 1998 from the prior year period.

The consolidated efficiency ratio for the three months ended September 30, 1998 was 62.9% as compared to 61.7% for the prior year period. When the gains on the sales of pooled loans are excluded, these ratios are 64.3% and 62.7%, respectively. The change in the current year efficiency ratio is due to the income and expense items noted above.

Income taxes for the three months ended September 30, 1998 increased to $1,336,000 as compared to $1,129,000 for the comparable period in 1997. As a percent of income before taxes, the provision for income taxes increased to 30.9% for the three months ended September 30, 1998 from 30.0% for the same period in 1997.

## LIQUIDITY

Liquidity is the availability of funds to meet all present and future financial 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 non-reinvested asset maturities, deposits and capital funds. Long-term liquidity needs will be satisfied primarily through retention of capital funds. The Corporation does not deal in or use brokered deposits as a source of liquidity. The Corporation generally does not rely upon the purchases of federal funds for liquidity needs. Additional liquidity is provided by bank lines of credit, repurchase agreements and the ability to borrow from the Federal Reserve Bank. The Corporation has an operating line with American National Bank and Trust Company of Chicago in the amount of $10,000,000 with $5,000,000 available as of September 30, 1998.

The Corporation's dependence on large liabilities (defined as time deposits over $100,000 and short-term borrowings) decreased to 10.9% at September 30, 1998 from 12.4% at December 31, 1997. This is the ratio of total large liabilities to total liabilities, and is low in comparison to the Corporation's peers. This decrease was due largely to a $16,953,000 decrease in time deposits over $100,000 offset partially by a $9,000,000 increase in short-term debt which resulted in a lower ratio of large liabilities to total liabilities.

## CAPITAL RESOURCES

Other than from the issuance of common stock, the Corporation's primary source of capital is retained net income. During the nine months ended September 30, 1998, the Corporation earned $8,701,000 and paid dividends of $4,004,000 to stockholders, resulting in a retention of current earnings of $4,697.000. The Corporation's dividend payout for the nine months ended September 30, 1998 was 46.0%. The Corporation's risk-based capital ratio was 13.66% and the leverage ratio was 7.89% as of September 30, 1998, as compared to 13.01% and 7.61% respectively as of December 31, 1997. The Corporation and its bank subsidiary were well above all minimum required capital ratios as of September 30, 1998.

## YEAR 2000 COMPLIANCE

The year 2000 poses a unique set of challenges to the Corporation. If not effectively addressed, this problem could result in the production of inaccurate data, or in the worst case, the inability of certain systems to function altogether. Financial institutions are particularly vulnerable due to the industry's dependence on electronic data processing systems.

In 1997, the Corporation started the process of identifying the hardware and software systems required to be addressed to assure year 2000 compliance. The corporation began by assessing the issues related to the year 2000 and the potential for those issues to adversely affect the Corporation's own operations and those of its subsidiaries.

Since that time, the Corporation has established a Year 2000 Compliance Committee composed of associates from key areas throughout the organization. It is the mission of this committee to identify areas subject to complications related to the year 2000. The committee has identified all mission-critical software and hardware that may be adversely affected by the year 2000 and either upgraded, replaced, or eliminated them to make the Corporation compliant.

The Corporation has a goal that all mission-critical software and hardware be renovated, tested, and implemented by April 1, 1999. A committee has been formed to develop a contingency plan that will cover all possible scenarios including the loss of power and telecommunications. The contingency plan will be completed by December 31, 1998 and will be tested throughout 1999.

The committee has taken steps to educate customers and associates for the year 2000. Commercial loan customers have been asked to complete questionnaires regarding their state of readiness for year 2000 compliance in an effort to minimize loan losses due to this type of risk.

Management expects total expenditures related to the Year 2000 to be approximately $4,000,000. Of this total, approximately $3,800,000 is related to the purchase of equipment and software licensing for conversion from a non-compliant outsourced data processing system to an in-house solution which is Year 2000 compliant.

## 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 lead bank, 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 September 30, 1998, 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 | (3.79%) | (1.69%) | 0.96% | 1.23% |

## 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 September 30, 1998.

| | Rate Sensitive Within | | | | | |
|---|---|---|---|---|---|---|
| | 1-30 Days | 31-90 Days | 91-180 Days | 181 Days - 1 Year | Over 1 Year | Total |
| | (Dollars in thousands) | | | | | |
| Federal Funds Sold | $ 27,950 | $ 0 | $ 0 | $ 0 | $ 0 | $ 27,950 |
| Investment securities | | | | | | |
| U.S. Governments | 0 | 18,280 | 50,582 | 26,151 | 75,139 | 170,152 |
| Obligations of states and political subdivisions | 942 | 3,574 | 309 | 50 | 29,702 | 34,577 |
| Other securities | 4,807 | 100 | 251 | 910 | 13,626 | 19,694 |
| Loans (net of unearned int.) | 170,327 | 32,165 | 54,970 | 100,966 | 275,615 | 634,043 |
| Total rate-sensitive assets | $ 204,026 | $ 54,119 | $ 106,112 | $ 128,077 | $394,082 | $886,416 |
| Interest bearing transaction deposits | $ 161,320 | $ 0 | $ 0 | $ 0 | $ 0 | $161,320 |
| Savings deposits | 81,427 | 0 | 0 | 0 | 0 | 81,427 |
| Money market deposits | 142,374 | 0 | 0 | 0 | 0 | 142,374 |
| Time deposits | 45,796 | 52,783 | 73,698 | 87,526 | 93,263 | 25,000 |
| Short-term borrowings: | | | | | | |
| Federal funds purchased & repurchase agreements | 0 | 0 | 0 | 0 | 0 | 0 |
| Other | 0 | 0 | 15,550 | 0 | 0 | 15,550 |
| Long-term debt | 0 | 0 | 0 | 0 | 25,000 | 25,000 |
| Total rate-sensitive liabilities | $ 430,917 | $ 52,783 | $ 89,248 | $ 87,526 | $118,263 | $778,737 |
| Rate-sensitive assets less rate-sensitive liabilities | ($226,891) | $ 1,336 | $ 16,864 | $ 40,551 | $275,819 | $107,679 |
| Cumulative gap | ($226,891) | ($225,555) | ($208,691) | ($168,140) | $107,679 | $ - |
| Cumulative gap as a percentage of total rate-sensitive assets | -25.60% | -25.45% | -23.54% | -18.97% | 12.15% | |
| Cumulative ratio (cumulative RSA/RSL) | 0.47x | 0.53x | 0.64x | 0.75x | 1.14x | 1.14x |

The foregoing table shows a negative (liability sensitive) rate-sensitivity gap of $226.891 million in the 1-30 day repricing category. The gap beyond 30 days becomes slightly less liability sensitive as rate-sensitive assets that reprice after 30 days are 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 September 30, 1998, 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 interest rate-sensitive assets. After 30 days through one year, a rate change would have little effect on the Corporation because the volume of rate-sensitive assets repricing would be similar to the volume of rate-sensitive liabilities that would be repricing.

FIRST BUSEY CORPORATION AND SUBSIDIARIES
AVERAGE BALANCE SHEETS AND INTEREST RATES
NINE MONTHS ENDED SEPTEMBER 30, 1998 AND 1997

| | 1998 | | | 1997 | | |
|---|---|---|---|---|---|---|
| | Average Balance | Income/ Expense | Yield/ Rate | Average Balance | Income/ Expense | Yield/ Rate |
| | (Dollars in thousands) | | | | | |
| ASSETS | | | | | | |
| Federal funds sold | $ 17,677 | $ 729 | 5.51% | $ 5,962 | $ 243 | 5.43% |
| Investment securities | | | | | | |
| U.S. Government obligations | 169,331 | 7,320 | 5.78% | 161,073 | 7,008 | 5.82% |
| Obligations of states and political subdivisions(1) | 32,801 | 1,969 | 8.03% | 36,911 | 2,316 | 8.39% |
| Other securities | 19,493 | 739 | 5.07% | 21,077 | 761 | 4.83% |
| Loans (net of unearned interest)(1) (2) | 616,573 | 40,535 | 8.79% | 577,814 | 37,946 | 8.78% |
| Total interest- earning assets | $855,875 | $51,292 | 8.01% | $802,837 | $48,274 | 8.04% |
| Cash and due from banks | 31,772 | | | 37,400 | | |
| Premises and equipment | 24,200 | | | 22,404 | | |
| Reserve for possible loan losses | (7,255) | | | (6,421) | | |
| Other assets | 18,062 | | | 18,023 | | |
| Total Assets | $922,654 | | | $874,243 | | |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | | | | |
| Interest bearing transaction deposits | $ 11,356 | $ 169 | 2.00% | $144,669 | $ 2,128 | 1.97% |
| Savings deposits | 80,624 | 1,996 | 3.31% | 80,677 | 1,976 | 3.27% |
| Money market deposits | 273,139 | 6,150 | 3.01% | 120,514 | 3,338 | 3.70% |
| Time deposits | 351,571 | 14,526 | 5.52% | 355,573 | 14,707 | 5.53% |
| Short-term borrowings: | | | | | | |
| Federal funds purchased and Repurchase agreements | 1,112 | 44 | 5.25% | 2,218 | 102 | 6.14% |
| Other | 15,000 | 857 | 7.64% | 6,500 | 346 | 7.11% |
| Long-term debt | 21,721 | 892 | 5.49% | 9,066 | 394 | 5.82% |
| Total interest bearing liabilities | $754,523 | $24,634 | 4.37% | $719,217 | $22,991 | 4.27% |
| Net interest spread | | | 3.64% | | | 3.77% |
| Demand deposits | 79,451 | | | 72,733 | | |
| Other liabilities | 7,893 | | | 5,734 | | |
| Stockholders' equity | 80,787 | | | 76,559 | | |
| Total Liabilities and Stockholders' Equity | $922,654 | | | $874,243 | | |
| Interest income / earning assets(1) | $855,875 | $51,292 | 8.01% | 802,837 | 48,274 | 8.04% |
| Interest expense / earning assets | $855,875 | 24,634 | 3.85% | 802,837 | 22,991 | 3.83% |
| Net interest margin(1) | | $26,658 | 4.16% | | $25,283 | 4.21% |

(1) On a tax-equivalent basis, assuming a federal income tax rate of 35% for 1998 and 1997.
(2) Non-accrual loans have been included in average loans, net of unearned interest.

FIRST BUSEY CORPORATION AND SUBSIDIARIES
CHANGES IN NET INTEREST INCOME
NINE MONTHS ENDED SEPTEMBER 30, 1998 AND 1997

| | Change due to (1) | | |
|---|---|---|---|
| | Average Volume | Average Yield/Rate | Total Change |
| | (Dollars in thousands) | | |
| Increase (decrease) in interest income: | | | |
| Federal funds sold | $ 484 | $ 2 | $ 486 |
| Investment securities: | | | |
| U.S. Government obligations | 357 | (45) | 312 |
| Obligations of states and political subdivisions(2) | (250) | (97) | (347) |
| Other securities | (66) | 44 | (22) |
| Loans(2) | 2,549 | 40 | 2,589 |
| Change in interest income(2) | $ 3,074 | ($56) | $ 3,018 |
| Increase (decrease) in interest expense: | | | |
| Interest bearing transaction deposits | ($1,990) | $ 31 | ($1,959) |
| Savings deposits | (1) | 21 | 20 |
| Money market deposits | 3,299 | (487) | 2,812 |
| Time deposits | (165) | (16) | (181) |
| Short-term borrowings: | | | |
| Federal funds purchased and repurchase agreements | (45) | (13) | (58) |
| Other | 484 | 27 | 511 |
| Long-term debt | 518 | (20) | 498 |
| Change in interest expense | $ 2,100 | ($457) | $ 1,643 |
| Increase in net interest income(2) | $ 974 | $ 401 | $ 1,375 |

(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% for 1998 and 1997.

FIRST BUSEY CORPORATION AND SUBSIDIARIES
AVERAGE BALANCE SHEETS AND INTEREST RATES
QUARTERS ENDED SEPTEMBER 30, 1998 AND 1997

| | 1998 | | | 1997 | | |
|---|---|---|---|---|---|---|
| | Average Balance | Income/ Expense | Yield/ Rate | Average Balance | Income/ Expense | Yield/ Rate |
| | (Dollars in thousands) | | | | | |
| Federal funds sold | $ 9,536 | $ 133 | 5.53% | $ 6,751 | $ 95 | 5.58% |
| Investment securities | | | | | | |
| U.S. Government obligations | 170,732 | 2,470 | 5.74% | 156,386 | 2,274 | 5.77% |
| Obligations of states and political subdivisions(1) | 33,444 | 666 | 7.90% | 36,760 | 773 | 8.34% |
| Other securities | 21,587 | 246 | 4.52% | 21,991 | 254 | 4.59% |
| Loans (net of unearned interest)(1) (2) | 632,909 | 13,843 | 8.68% | 597,156 | 13,202 | 8.77% |
| Total interest earning assets | $868,208 | $17,358 | 7.93% | $819,044 | $16,598 | 8.04% |
| Cash and due from banks | 32,248 | | | 35,744 | | |
| Premises and equipment | 25,080 | | | 22,739 | | |
| Reserve for possible loan losses | (7,316) | | | (6,585) | | |
| Other assets | 19,490 | | | 17,967 | | |
| Total Assets | 937,710 | | | $888,909 | | |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | | | | |
| Interest bearing transaction deposits | $ 11,422 | $ 59 | 2.04% | $142,741 | $ 755 | 2.10% |
| Savings deposits | 80,900 | 678 | 3.32% | 77,851 | 649 | 3.31% |
| Money market deposits | 283,673 | 2,213 | 3.10% | 122,152 | 1,119 | 3.63% |
| Time deposits | 347,998 | 4,810 | 5.48% | 371,135 | 5,207 | 5.57% |
| Short-term borrowings: | | | | | | |
| Federal funds purchased and repurchase agreements | 2,760 | 36 | 5.18% | 837 | 17 | 8.00% |
| Other | 15,550 | 291 | 7.41% | 6,000 | 111 | 7.36% |
| Long-term debt | 21,522 | 296 | 5.46% | 10,000 | 147 | 5.85% |
| Total interest bearing liabilities | $763,825 | $ 8,383 | 4.35% | $730,716 | $ 8,005 | 4.35% |
| Net interest spread | | | 3.58% | | | 3.69% |
| Demand deposits | 80,135 | | | 73,239 | | |
| Other liabilities | 8,439 | | | 5,836 | | |
| Stockholders' equity | 85,311 | | | 79,118 | | |
| Total Liabilities and Stockholders' Equity | $937,710 | | | $888,909 | | |
| Interest income / earning assets(1) | $868,208 | $17,358 | 7.93% | $819,044 | 16,598 | 8.04% |
| Interest expense / earning assets | 868,208 | 8,383 | 3.83% | 819,044 | 8,005 | 3.88% |
| Net interest margin(1) | | $ 8,975 | 4.10% | | 8,593 | 4.16% |

(1) On a tax-equivalent basis, assuming a federal income tax rate of 35% for 1998 and 1997.
(2) Non-accrual loans have been included in average loans, net of unearned interest.

FIRST BUSEY CORPORATION AND SUBSIDIARIES
CHANGES IN NET INTEREST INCOME
QUARTERS ENDED SEPTEMBER 30, 1998 AND 1997

| | Change due to (1) | | |
|---|---|---|---|
| | Average Volume | Average Yield/Rate | Total Change |
| | (Dollars in thousands) | | |
| Increase (decrease) in interest income: | | | |
| Federal funds sold | $ 40 | ($2) | $ 38 |
| Investment securities: | | | |
| U.S. Government obligations | 207 | (11) | 196 |
| Obligations of states and political subdivisions(2) | (68) | (39) | (107) |
| Other securities | (4) | (4) | (8) |
| Loans(2) | 780 | (139) | 641 |
| Change in interest income(2) | $ 955 | ($195) | $ 760 |
| Increase (decrease) in interest expense: | | | |
| Interest bearing transaction deposits | ($676) | ($20) | ($696) |
| Savings deposits | 25 | 4 | 29 |
| Money market deposits | 1,232 | (138) | 1,094 |
| Time deposits | (321) | (76) | (397) |
| Short-term borrowings: | | | |
| Federal funds purchased and repurchase agreements | 23 | (4) | 19 |
| Other | 179 | 1 | 180 |
| Long-term debt | 158 | (9) | 149 |
| Change in interest expense | $ 620 | ($242) | $ 378 |
| Increase in net interest income (2) | $ 335 | $ 47 | $ 382 |

(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% for 1998 and 1997.

## PART II - OTHER INFORMATION

ITEM 6: Exhibits and Reports on Form 8-K

(a) There were no reports on Form 8-K filed during the three months ending September 30, 1998.

## SIGNATURES

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

FIRST BUSEY CORPORATION
(REGISTRANT)

By: //Douglas C. Mills//
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Douglas C. Mills
Chairman of the Board
Chief Financial Officer
(Principal financial and accounting officer)

Date: November 13, 1998

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1,000
3-MOS
DEC-31-1998
SEP-30-1998
35,057
0
27,950
0
224,423
0
0
634,043
7,306
958,550
824,016
15,550
7,888
25,000
0
0
6,291
79,805
958,550
13,781
3,148
133
17,062
7,760
8,383
8,679
50
194
7,586
4,325
2,989
0
0
2,989
0.22
0.21
7.93
464
2,953
0
227
7,312
111
55
7,306
6,948
0
358