UNITED STATES 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, 2016

o 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.)

100 W. University Avenue
Champaign, Illinois 61820
(Address of principal executive offices) (Zip code)

Registrant's telephone number, including area code **(217) 365-4544**

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

Title of each class	Name of each exchange on which registered
Common Stock ($0.001 par value)	The NASDAQ Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes o No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
Yes o No x

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 o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes x No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of 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. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer x	Accelerated filer o
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates on the last business day of the registrant's most recently completed second fiscal quarter was $746.4 million, determined using a per share closing price for the registrant's common stock on that date of $21.39, as quoted on The Nasdaq Global Select Market.

As of February 28, 2017, there were 38,231,654 shares of the registrant's common stock, $0.001 par value, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive Proxy Statement for the 2017 Annual Meeting of Stockholders of First Busey Corporation to be held May 24, 2017, are incorporated by reference in this Form 10-K in response to Part III.

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FIRST BUSEY CORPORATION
Form 10-K Annual Report

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Part I

Item 1. Business

Introduction

First Busey Corporation ("First Busey" or the "Company"), a Nevada Corporation, is a $5.4 billion financial holding company which was initially organized as a bank holding company in 1980. First Busey conducts a broad range of financial services through its banking and non-banking subsidiaries. First Busey has one wholly-owned bank subsidiary, Busey Bank ("Busey Bank" or the "Bank"), which has banking centers in Illinois, Missouri, Florida and Indiana. First Busey is headquartered in Champaign, Illinois, and its common stock is traded on The Nasdaq Global Select Market under the symbol "BUSE."

On May 20, 2015, the Company's stockholders approved a resolution to authorize the board of directors to implement a reverse stock split of the Company's common stock at a ratio of one-for-three (the "Reverse Stock Split"). On August 17, 2015, the board of directors authorized the Reverse Stock Split, which became effective on September 8, 2015. All share and per share information has been restated for all prior periods presented in this Annual Report on Form 10-K to give retroactive effect to the Reverse Stock Split.

On April 30, 2016, First Busey acquired Pulaski Financial Corp., a Missouri corporation ("Pulaski"), and its wholly-owned bank subsidiary, Pulaski Bank, National Association ("Pulaski Bank"). First Busey operated Pulaski Bank as a separate banking subsidiary from May 1, 2016 until November 4, 2016, when it was merged with and into Busey Bank. At that time, Pulaski Bank's branches became branches of Busey Bank. In 2015, First Busey acquired Herget Financial Corp. ("Herget Financial"), headquartered in Pekin, Illinois and its wholly owned bank subsidiary, Herget Bank, National Association ("Herget Bank"). The operating results of Pulaski and Herget Financial are included with the Company's results of operations since each date of acquisition. See "*Note 2. Acquisitions*" in the Notes to the Consolidated Financial Statements for further information relating to these acquisition.

On February 6, 2017, the Company entered into an Agreement and Plan of Merger (the "Merger Agreement") with First Community Financial Partners, Inc., an Illinois corporation ("First Community"), pursuant to which First Community will merge into First Busey, with First Busey as the surviving corporation (the "Merger"). It is anticipated that First Community Financial Bank, First Community's wholly-owned bank subsidiary, will be merged with and into First Busey's bank subsidiary, Busey Bank, at a date following the completion of the holding company merger. At the time of the bank merger, First Community Financial Bank's banking offices will become branches of Busey Bank. The Merger is anticipated to be completed in mid-2017, and is subject to the satisfaction of customary closing conditions contained in the Merger Agreement including the approval of the appropriate regulatory authorities and the stockholders of First Community. As of December 31, 2016, First Community had total consolidated assets of $1.3 billion, total loans of $991.6 million and total deposits of $1.1 billion. See "*Note 2. Acquisitions*" in the Notes to the Consolidated Financial Statements for further information relating to this planned acquisition.

Subsidiaries of First Busey

First Busey conducts the business of banking and related services through the Bank, asset management, brokerage and fiduciary services through Busey Wealth Management, Inc. ("Busey Wealth Management") and Trevett Capital Partners ("Trevett"), and retail payment processing through FirsTech, Inc. ("FirsTech").

The Bank is an Illinois state-chartered bank organized in 1868 with its headquarters in Champaign, Illinois. The Bank has 28 banking centers in Illinois, 13 in Missouri, five in southwest Florida and one in Indianapolis, Indiana. The Company also offers mortgage loan products through loan production offices in the St. Louis, Kansas City, Chicago, and Omaha-Council Bluffs metropolitan areas and other locations across the Midwest.

The Bank offers a full range of diversified financial products and services for consumers and businesses, including innovative online and mobile banking capabilities to conveniently serve our customers' needs. Services include commercial, agricultural and real estate loans, and retail banking services, including home equity lines of credit, residential real estate and consumer loans, customary types of demand and savings deposits, money transfers, safe deposit services, and IRA and other fiduciary services through our branch, ATM and technology-based networks. In addition, our professional farm management and brokerage services are entrusted to care and maximize value for landowners of prime farmland in Illinois.

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The Bank's principal sources of income are interest and fees on loans and investments and service fees. Its principal expenses are interest paid on deposits and general operating expenses. The Bank's primary markets are downstate Illinois, the St. Louis, Missouri metropolitan area, southwest Florida, and central Indiana.

The Bank's portfolio loans are comprised of commercial, commercial real estate, real estate construction, retail real estate, and retail other. As of December 31, 2016, commercial loans comprised approximately 24.7%, commercial real estate comprised approximately 42.6%, real estate construction comprised approximately 4.7%, retail real estate comprised approximately 27.6% and retail other loans comprised approximately 0.4%.

Trevett, operating as a division of the Bank, is a private wealth management boutique created to serve clientele in southwest Florida through a highly tenured team of sophisticated wealth management professionals. Trevett builds upon our established presence in Florida and the broad capabilities of our existing Wealth Management operation to provide concierge service and tailored solutions for the accumulation and preservation of capital and generational legacies.

Busey Wealth Management, which is headquartered in Champaign, Illinois, provides asset management, investment and fiduciary services to individuals, businesses and foundations through its subsidiary, Busey Trust Company. As of December 31, 2016, Busey Trust Company had $5.4 billion in assets under care. For individuals, Busey Trust Company provides investment management, trust and estate advisory services and financial planning. For businesses, it provides investment management, business succession planning and employee retirement plan services. For foundations, Busey Trust Company provides investment management, investment strategy consulting and fiduciary services.

Brokerage related services are offered by Busey Investment Services, a division of Busey Trust Company, through a third-party arrangement with Raymond James Financial Services.

FirsTech, which has offices in Decatur, Illinois and Clayton, Missouri, offers the following pay processing solutions: walk-in payment processing for payments delivered by customers to retail pay agents; online bill payment solutions for payments made by customers on a billing company's website; customer service payments for payments accepted over the telephone; direct debit services; electronic concentration of payments delivered by the Automated Clearing House network; money management software and credit card networks; and lockbox remittance processing of payments delivered by mail. FirsTech had approximately 3,000 agent locations in 36 states as of December 31, 2016.

First Busey Corporation also has various other subsidiaries that are not significant to the consolidated entity.

The Company's operations are managed along three operating segments consisting of Banking, Remittance Processing and Wealth Management. See "*Note 23. Operating Segments and Related Information*" in the Notes to the Consolidated Financial Statements for an analysis of segment operations.

Economic Conditions of Markets

The Company has 28 banking centers serving Illinois. Our primary downstate Illinois markets of Champaign, Macon, McLean and Peoria counties are anchored by several strong, familiar and stable organizations. Champaign County is home to the University of Illinois — Urbana/Champaign ("U of I"), the University's primary campus. U of I has in excess of 44,000 students from all 50 states and over 100 countries. Additionally, Champaign County healthcare providers serve a significant area of downstate Illinois and western Indiana. Macon County is home to the North American headquarters for Archer Daniels

Midland ("ADM"), a Fortune 100 company and one of the largest agricultural processors in the world. ADM's presence in Macon County supports many derivative businesses in the agricultural processing arena. Additionally, Macon County is home to Millikin University, and its healthcare providers serve a significant role in the market. McLean County is home to State Farm, Country Financial, Illinois State University and Illinois Wesleyan University. State Farm, a Fortune 100 company, is the largest employer in McLean County, and Country Financial and the universities provide additional stability to a growing area of downstate Illinois. Peoria County is home to Caterpillar Inc., a Fortune 100 company, and Bradley University, in addition to a large healthcare presence serving much of the western portion of downstate Illinois. The institutions noted above, coupled with a large agricultural sector, anchor the communities in which they are located, and have provided a comparatively stable foundation for housing, employment and small business.

The State of Illinois, where a large portion of the Company's customer base is located, continues to be one of the most troubled of any state in the United States with pension under-funding, a current budget impasse, continued budget deficits and a declining credit outlook. Additionally, the Company is located in markets with significant universities and healthcare companies, which rely heavily on state funding and contracts. Payment lapses by the State of Illinois to its vendors and government sponsored entities may have negative effects on our primary market areas.

The recent acquisition of Pulaski expands our presence into the St. Louis, Missouri metropolitan area, which is the largest metropolitan area in Missouri and the twentieth largest in the United States. The bi-state metropolitan area includes seven counties in Missouri and eight counties in Illinois. The area is home to 19 Fortune 1000 companies, including Express Scripts, Emerson Electric, Centene and Monsanto. St. Louis has a diverse economy with its major employment sectors including health care, financial services, professional and business services, and retail. The Company has 13 banking centers serving the St. Louis metropolitan area, all of which are located in the city of St. Louis, or the adjacent counties of St. Louis County and St. Charles County. St. Charles County has been one of the fastest-growing counties in the country for decades. The county features a cross-section of industry, as well as extensive retail and some agriculture. The Company's geographic concentration in only three of the 15 counties included in the St. Louis metropolitan area gives the Company tremendous expansion opportunities into the other neighboring counties.

The Company has five banking centers in southwest Florida. Southwest Florida has shown continuing signs of improvement in areas such as job growth and the housing market over the last several years.

The Company has one banking center in the Indianapolis, Indiana area, which is the most populous city of Indiana with a diverse economy. Many large corporations are headquartered in Indianapolis and it is the host to numerous conventions and sporting events annually. In 2017, the Company plans to build out its presence in Indianapolis.

Competition

The Bank competes actively with national and state banks, savings and loan associations and credit unions for deposits and loans mainly in downstate Illinois (primarily Champaign, Ford, Livingston, Macon, McLean, Peoria, and Shelby counties), the St. Louis, Missouri metropolitan area (primarily St. Louis (City), St. Louis and St. Charles counties), southwest Florida (primarily Charlotte, Lee and Sarasota counties), and central Indiana (primarily Hamilton and Marion counties). In addition, First Busey and its non-bank subsidiaries compete with other financial institutions, including asset management and trust companies, security broker/dealers, personal loan companies, insurance companies, finance companies, leasing companies, mortgage companies, remittance processing companies, and certain governmental agencies, all of which actively engage in marketing various types of loans, deposit accounts, and other products and services. The Bank competes for real estate and other loans primarily on the basis of the interest rates and loan fees it charges, the types of loans it originates and the quality of services it provides to borrowers.

The Bank faces substantial competition in attracting deposits from other commercial banks, savings institutions, money market and mutual funds, credit unions, insurance agencies, brokerage firms, and other investment vehicles. The ability of the Bank to attract and retain deposits depends on its ability to provide investment opportunities that satisfy the requirements of investors as to rate of return, liquidity, risk and other factors. The Bank attracts a significant amount of deposits through its branch offices, primarily from the communities in which those branch offices are located; therefore, competition for those deposits is principally from other commercial banks, savings institutions, and credit unions located in the same communities. The Bank competes for these deposits by offering a variety of deposit accounts at competitive rates, high-quality customer service, convenient business hours, internet and mobile banking, and convenient banking centers with interbranch deposit and withdrawal privileges at each.

Based on information obtained from the Federal Deposit Insurance Corporation ("FDIC") Summary of Deposits dated June 30, 2016, First Busey ranked in the top ten in total deposits in eight Illinois counties: first in Champaign County; fourth in Ford County; seventh in Livingston County; second in Macon County; fifth in McLean County; ninth in Peoria County; second in Shelby County; and fourth in Tazewell County. In addition, First Busey ranked tenth in St. Louis (City) County in Missouri. Customers for banking services are generally influenced by convenience, quality of service, personal contacts, price of services and availability of products. Although the market share of First Busey varies in different markets, First Busey believes that it effectively competes with other banks, thrifts and financial institutions in the relevant market areas.

Supervision, Regulation and Other Factors

General

Institutions insured by the FDIC, their holding companies and their affiliates are extensively regulated under federal and state law. As a result, First Busey's growth and earnings performance may be affected not only by management decisions and general economic conditions, but also by the requirements of federal and state statutes and by the regulations and policies of various bank regulatory agencies, including the Illinois Department of Financial and Professional Regulation (the "DFPR"), the Board of Governors of the Federal Reserve System (the "Federal Reserve"), the FDIC, and the Consumer Financial Protection Bureau (the "CFPB"). Furthermore, taxation laws administered by the Internal Revenue Service and state taxing authorities, accounting rules developed by the Financial Accounting Standards Board ("FASB"), securities laws administered by the Securities and Exchange Commission (the "SEC") and state securities authorities, and anti-money

laundering laws enforced by the U.S. Department of the Treasury ("Treasury") have an impact on First Busey's business. The effect of these statutes, regulations, regulatory policies and accounting rules are significant to First Busey's operations and results.

Federal and state banking laws impose a comprehensive system of supervision, regulation and enforcement on the operations of FDIC-insured institutions, their holding companies and affiliates that is intended primarily for the protection of the FDIC-insured deposits and depositors of banks, rather than stockholders. These laws, and the regulations of the bank regulatory agencies issued under them, affect, among other things, the scope of First Busey's business, the kinds and amounts of investments First Busey and the Bank may make, reserve requirements, required capital levels relative to assets, the nature and amount of collateral for loans, the establishment of branches, First Busey's ability to merge, consolidate and acquire, dealings First Busey's and the Bank's insiders and affiliates, and First Busey's payment of dividends. In the last several years, First Busey and the Bank have experienced heightened regulatory requirements and scrutiny following the global financial crisis and as a result of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"). Although the reforms primarily targeted systemically important financial service providers, their influence filtered down in varying degrees to community banks over time and the reforms have caused First Busey's compliance and risk management processes, and the costs thereof, to increase. While it is anticipated that the Trump administration will not increase the regulatory burden on community banks and may reduce some of the burdens associated with implementation of the Dodd-Frank Act, the true impact of the new administration is impossible to predict with any certainty.

This supervisory and regulatory framework subjects banks and bank holding companies to regular examination by their respective regulatory agencies, which results in examination reports and ratings that are not publicly available and that can impact the conduct and growth of their business. These examinations consider not only compliance with applicable laws and regulations, but also capital levels, asset quality and risk, management ability and performance, earnings, liquidity, and various other factors. The regulatory agencies generally have broad discretion to impose restrictions and limitations on the operations of a regulated entity where the agencies determine, among other things, that such operations are unsafe or unsound, fail to comply with applicable law or are otherwise inconsistent with laws and regulations or with the supervisory policies of these agencies.

The following is a summary of the material elements of the supervisory and regulatory framework applicable to First Busey and the Bank, beginning with a discussion of the continuing regulatory emphasis on First Busey's capital levels. It does not describe all of the statutes, regulations and regulatory policies that apply, nor does it restate all of the requirements of those that are described. The descriptions are qualified in their entirety by reference to the particular statutory and regulatory provision.

Regulatory Emphasis on Capital

Regulatory capital represents the net assets of a banking organization available to absorb losses. Because of the risks attendant to their business, FDIC-insured institutions are generally required to hold more capital than other businesses, which directly affects First Busey's earnings capabilities. While capital has historically been one of the key measures of the financial health of both bank holding companies and banks, its role became fundamentally more important in the wake of the global financial crisis, as the banking regulators recognized that the amount and quality of capital held by banks prior to the crisis was insufficient to absorb losses during periods of severe stress. Certain provisions of the Dodd-Frank Act and Basel III, discussed below, establish strengthened capital standards for banks and bank holding companies that are meaningfully more stringent than those in place previously.

Minimum Required Capital Levels

Banks have been required to hold minimum levels of capital based on guidelines established by the bank regulatory agencies since 1983. The minimums have been expressed in terms of ratios of capital divided by total assets. As discussed below, bank capital measures have become more sophisticated over the years and have focused more on the quality of capital and the risk of assets. Bank holding companies have historically had to comply with less stringent capital standards than their bank subsidiaries and have been able to raise capital with hybrid instruments such as trust preferred securities. The Dodd-Frank Act mandated the Federal Reserve to establish minimum capital levels for holding companies on a consolidated basis as stringent as those required for FDIC-insured institutions. A result of this change is that the proceeds of hybrid instruments, such as trust preferred securities, are being excluded from capital over a phase-out period. However, if such securities were issued prior to May 19, 2010 by bank holding companies with less than $15.0 billion of assets, they may be retained, subject to certain restrictions. Because the Company has assets of less than $15.0 billion, the Company is able to maintain its trust preferred proceeds as capital but the Company has to comply with new capital mandates in other respects and will not be able to raise capital in the future through the issuance of trust preferred securities.

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The Basel International Capital Accords

The risk-based capital guidelines for U.S. banks since 1989 were based upon the 1988 capital accord known as "Basel I" adopted by the international Basel Committee on Banking Supervision, a committee of central banks and bank supervisors that acts as the primary global standard-setter for prudential regulation, as implemented by the U.S. bank regulatory agencies on an interagency basis. The accord recognized that bank assets for the purpose of the capital ratio calculations needed to be risk weighted (the theory being that riskier assets should require more capital) and that off-balance sheet exposures needed to be factored in the calculations. Basel I had a very simple formula for assigning risk weights to bank assets from 0% to 100% based on four categories. In 2008, the banking agencies collaboratively began to phase-in capital standards based on a second capital accord, referred to as "Basel II," for large or "core" international banks (generally defined for U.S. purposes as having total assets of $250.0 billion or more, or consolidated foreign exposures of $10.0 billion or more) known as "advanced approaches" banks.

The primary focus of Basel II was on the calculation of risk weights based on complex models developed by each advanced approaches bank. Because most banks were not subject to Basel II, the U.S. bank regulators worked to improve the risk sensitivity of Basel I standards without imposing the complexities of Basel II. This "standardized approach" increased the number of risk-weight categories and recognized risks well above the original 100% risk weighting. The standardized approach is institutionalized by the Dodd-Frank Act for all banking organizations as a floor.

On September 12, 2010, the Group of Governors and Heads of Supervision, the oversight body of the Basel Committee on Banking Supervision, announced agreement on a strengthened set of capital requirements for banking organizations around the world, known as Basel III, to address deficiencies recognized in connection with the global financial crisis.

The Basel III Rule

In July of 2013, the U.S. federal banking agencies approved the implementation of the Basel III regulatory capital reforms in pertinent part, and, at the same time, promulgated rules effecting certain changes required by the Dodd-Frank Act (the "Basel III Rule"). In contrast to capital requirements historically, which were in the form of guidelines, Basel III was released in the form of enforceable regulations by each of the regulatory agencies. The Basel III Rule is applicable to all banking organizations that are subject to minimum capital requirements, including federal and state banks and savings and loan associations, as well as to bank and savings and loan holding companies, other than "small bank holding companies" (generally holding companies with consolidated assets of less than $1.0 billion that do not have securities registered with the SEC).

The Basel III Rule required higher capital levels, increased the required quality of capital, and required more detailed categories of risk weighting of riskier, more opaque assets. For nearly every class of assets, the Basel III Rule requires a more complex, detailed and calibrated assessment of credit risk and calculation of risk weightings.

Not only did the Basel III Rule increase most of the required minimum capital ratios in effect prior to January 1, 2015, but it introduced the concept of Common Equity Tier 1 Capital, which consists primarily of common stock, related surplus (net of Treasury stock), retained earnings, and Common Equity Tier 1 minority interests subject to certain regulatory adjustments. The Basel III Rule also changed the definition of capital by establishing more stringent criteria that instruments must meet to be considered Additional Tier 1 Capital (primarily non-cumulative perpetual preferred stock that meets certain requirements) and Tier 2 Capital (primarily other types of preferred stock and subordinated debt, subject to limitations). A number of instruments that qualified as Tier 1 Capital under Basel I do not qualify, or their qualifications changed. For example, noncumulative perpetual preferred stock, which qualified as simple Tier 1 Capital under Basel I, does not qualify as Common Equity Tier 1 Capital, but qualifies as Additional Tier 1 Capital. The Basel III Rule also constrained the inclusion of minority interests, mortgage-servicing assets, and deferred tax assets in capital and requires deductions from Common Equity Tier 1 Capital in the event that such assets exceed a certain percentage of a banking institution's Common Equity Tier 1 Capital.

The Basel III Rule required **minimum** capital ratios as of January 1, 2015, as follows:

- A ratio of minimum Common Equity Tier 1 Capital equal to 4.5% of risk-weighted assets;
- An increase in the minimum required amount of Tier 1 Capital from 4% to 6% of risk-weighted assets;
- A continuation of the minimum required amount of Total Capital (Tier 1 plus Tier 2) at 8% of risk-weighted assets; and
- A minimum leverage ratio of Tier 1 Capital to total quarterly average assets equal to 4% in all circumstances.

In addition, institutions that seek the freedom to make capital distributions (including for dividends and repurchases of stock) and pay discretionary bonuses to executive officers without restriction must also maintain 2.5% in Common Equity Tier 1 Capital attributable to a capital conservation buffer being phased in over three years beginning in 2016 (which, as of January 1, 2017, was phased in half-way to 1.25%). The purpose of the conservation buffer is to ensure that banking

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institutions maintain a buffer of capital that can be used to absorb losses during periods of financial and economic stress. Factoring in the fully phased-in conservation buffer increases the minimum ratios depicted above to 7% for Common Equity Tier 1 Capital, 8.5% for Tier 1 Capital and 10.5% for Total Capital.

Banking organizations (except for large, internationally active banking organizations) became subject to the new rules on January 1, 2015. However, there are separate phase-in/phase-out periods for: (i) the capital conservation buffer; (ii) regulatory capital adjustments and deductions; (iii) nonqualifying capital instruments; and (iv) changes to the prompt corrective action rules discussed below. The phase-in periods commenced on January 1, 2016 and extend until 2019.

Well-Capitalized Requirements

The ratios described above are minimum standards in order for banking organizations to be considered "adequately capitalized." Bank regulatory agencies uniformly encourage banks to hold more capital and be "well-capitalized" and, to that end, federal law and regulations provide various incentives for banking organizations to maintain regulatory capital at levels in excess of minimum regulatory requirements. For example, a banking organization that is well-capitalized may: (i) qualify for exemptions from prior notice or application requirements otherwise applicable to certain types of activities; (ii) qualify for expedited processing of other required notices or applications; and (iii) accept, roll-over or renew brokered deposits. Higher capital levels could also be required if warranted by the particular circumstances or risk profiles of individual banking organizations. For example, the Federal Reserve's capital guidelines contemplate that additional capital may be required to take adequate account of, among other things, interest rate risk, or the risks posed by concentrations of credit, nontraditional activities or securities trading activities. Further, any banking organization experiencing or anticipating significant growth would be expected to maintain capital ratios, including tangible capital positions (*i.e.*, Tier 1 Capital less all intangible assets), well above the minimum levels.

Under the capital regulations of the FDIC and Federal Reserve, in order to be well-capitalized, a banking organization must maintain:

- A Common Equity Tier 1 Capital ratio to risk-weighted assets of 6.5% or more;
- A ratio of Tier 1 Capital to total risk-weighted assets of 8% or more (6% under Basel I);
- A ratio of Total Capital to total risk-weighted assets of 10% or more (the same as Basel I); and
- A leverage ratio of Tier 1 Capital to total adjusted average quarterly assets of 5% or greater.

It is possible under the Basel III Rule to be well-capitalized while remaining out of compliance with the capital conservation buffer discussed above.

As of December 31, 2016: (i) the Bank was not subject to a directive from the DFPR or FDIC to increase its capital and (ii) the Bank was well-capitalized, as defined by FDIC regulations. As of December 31, 2016, the Company had regulatory capital in excess of the Federal Reserve's requirements and met the Basel III Rule requirements to be well-capitalized.

Prompt Corrective Action

An FDIC-insured institution's capital plays an important role in connection with regulatory enforcement as well. Federal law provides the federal banking regulators with broad power to take "prompt corrective action" to resolve the problems of undercapitalized institutions. The extent of the regulators' powers depends on whether the institution in question is "adequately capitalized," "undercapitalized," "significantly undercapitalized" or "critically undercapitalized," in each case as defined by regulation. Depending upon the capital category to which an institution is assigned, the regulators' corrective powers include: (i) requiring the institution to submit a capital restoration plan; (ii) limiting the institution's asset growth and restricting its activities; (iii) requiring the institution to issue additional capital stock (including additional voting stock) or to sell itself; (iv) restricting transactions between the institution and its affiliates; (v) restricting the interest rate that the institution may pay on deposits; (vi) ordering a new election of directors of the institution; (vii) requiring that senior executive officers or directors be dismissed; (viii) prohibiting the institution from accepting deposits from correspondent banks; (ix) requiring the institution to divest certain subsidiaries; (x) prohibiting the payment of principal or interest on subordinated debt; and (xi) ultimately, appointing a receiver for the institution.

Regulation and Supervision of First Busey

General

First Busey, as the sole stockholder of the Bank, is a bank holding company. As a bank holding company, First Busey is registered with, and subject to regulation, supervision and enforcement by, the Federal Reserve under the Bank Holding Company Act of 1956, as amended (the "BHCA"). First Busey is legally obligated to act as a source of financial and managerial strength to the Bank and to commit resources to support the Bank in circumstances where First Busey might not otherwise do so. Under the BHCA, First Busey is subject to periodic examination by the Federal Reserve and is

required to file with the Federal Reserve periodic reports of First Busey's operations and such additional information regarding First Busey and the Bank as the Federal Reserve may require.

Acquisitions, Activities and Change in Control

The primary purpose of a bank holding company is to control and manage banks. The BHCA generally requires the prior approval of the Federal Reserve for any merger involving a bank holding company or any acquisition by a bank holding company of another bank or bank holding company. Subject to certain conditions (including deposit concentration limits established by the BHCA), the Federal Reserve may allow a bank holding company to acquire banks located in any state of the United States. In approving interstate acquisitions, the Federal Reserve is required to give effect to applicable state law limitations on the aggregate amount of deposits that may be held by the acquiring bank holding company and its FDIC-insured institution affiliates in the state in which the target bank is located (provided that those limits do not discriminate against out-of-state institutions or their holding companies) and state laws that require that the target bank have been in existence for a minimum period of time (not to exceed five years) before being acquired by an out-of-state bank holding company. Furthermore, in accordance with the Dodd-Frank Act, bank holding companies must be well-capitalized and examiners must rate them well-managed in order to effect interstate mergers or acquisitions. For a discussion of the capital requirements, see "Regulatory Emphasis on Capital" above.

The BHCA generally prohibits First Busey from acquiring direct or indirect ownership or control of more than 5% of the voting shares of any company that is not a bank and from engaging in any business other than that of banking, managing and controlling banks or furnishing services to banks and their subsidiaries. This general prohibition is subject to a number of exceptions. The principal exception allows bank holding companies to engage in, and to own shares of companies engaged in, certain businesses found by the Federal Reserve prior to November 11, 1999 to be "so closely related to banking ... as to be a proper incident thereto." This authority would permit First Busey to engage in a variety of banking-related businesses, including the ownership and operation of a savings association, or any entity engaged in consumer finance, equipment leasing, the operation of a computer service bureau (including software development) and mortgage banking and brokerage services. The BHCA does not place territorial restrictions on the domestic activities of nonbank subsidiaries of bank holding companies.

Additionally, bank holding companies that meet certain eligibility requirements prescribed by the BHCA and elect to operate as financial holding companies may engage in, or own shares in companies engaged in, a wider range of nonbanking activities, including securities and insurance underwriting and sales, merchant banking and any other activity that the Federal Reserve, in consultation with the Secretary of the Treasury, determines by regulation or order is financial in nature or incidental to any such financial activity or that the Federal Reserve determines by order to be complementary to any such financial activity and does not pose a substantial risk to the safety or soundness of FDIC-insured institutions or the financial system generally. First Busey has elected to be, and continues to operate as, a financial holding company.

In order to maintain the Company's status as a financial holding company, the Company and the Bank must be well-capitalized, well-managed, and have a least a satisfactory Community Reinvestment Act ("CRA") rating. If the Federal Reserve determines that a financial holding company is not well-capitalized or well-managed, the Company has a period of time in which to achieve compliance, but during the period of noncompliance, the Federal Reserve may place any limitations on the Company it believes to be appropriate. Furthermore, if the Federal Reserve determines that a financial holding company's subsidiary bank has not received a satisfactory CRA rating, the Company will not be able to commence any new financial activities or acquire a company that engages in such activities.

Federal law also prohibits any person or company from acquiring "control" of an FDIC-insured depository institution or its holding company without prior notice to the appropriate federal bank regulator. "Control" is conclusively presumed to exist upon the acquisition of 25% or more of the outstanding voting securities of a bank or bank holding company, but may arise under certain circumstances between 10% and 24.99% ownership.

Capital Requirements

Bank holding companies are required to maintain capital in accordance with Federal Reserve capital adequacy requirements. For a discussion of capital requirements, see "Regulatory Emphasis on Capital" above.

Dividend Payments

First Busey's ability to pay dividends to its stockholders may be affected by both general corporate law considerations and the policies of the Federal Reserve applicable to bank holding companies. As a Nevada corporation, First Busey is subject to the limitations of Nevada law, which allows First Busey to pay

dividends unless, after such dividend, (i) First Busey would not be able to pay its debts as they become due in the usual course of business or (ii) First Busey's total assets would be less than the sum of its total liabilities plus any amount that would be needed, if First Busey were to be dissolved at the time of the dividend payment, to satisfy the preferential rights upon dissolution of stockholders whose rights are superior to the rights of the stockholders receiving the distribution.

As a general matter, the Federal Reserve has indicated that the board of directors of a bank holding company should eliminate, defer or significantly reduce dividends to stockholders if: (i) the company's net income available to stockholders for the past four quarters, net of dividends previously paid during that period, is not sufficient to fully fund the dividends; (ii) the prospective rate of earnings retention is inconsistent with the company's capital needs and overall current and prospective financial condition; or (iii) the company will not meet, or is in danger of not meeting, its minimum regulatory capital adequacy ratios.

The Federal Reserve also possesses enforcement powers over bank holding companies and their non-bank subsidiaries to prevent or remedy actions that represent unsafe or unsound practices or violations of applicable statutes and regulations. Among these powers is the ability to proscribe the payment of dividends by banks and bank holding companies. In addition, under the Basel III Rule, institutions that seek the freedom to pay dividends will have to maintain 2.5% in Common Equity Tier 1 Capital attributable to the capital conservation buffer to be phased in over three years beginning in 2016. See "Regulatory Emphasis on Capital" above.

Incentive Compensation

There have been a number of developments in recent years focused on incentive compensation plans sponsored by bank holding companies and banks, reflecting recognition by the bank regulatory agencies and Congress that unbalanced incentive compensation practices in the financial industry were one of many factors contributing to the global financial crisis. The result is interagency guidance on sound incentive compensation practices and proposed rulemaking by the agencies required under Section 956 of the Dodd-Frank Act.

The interagency guidance recognized three core principles: effective incentive plans should: (i) provide employees incentives that appropriately balance risk and reward; (ii) be compatible with effective controls and risk-management; and (iii) be supported by strong corporate governance, including active and effective oversight by the organization's board of directors. Much of the guidance addresses large banking organizations and, because of the size and complexity of their operations, the regulators expect those organizations to maintain systematic and formalized policies, procedures, and systems for ensuring that the incentive compensation arrangements for all executive and non-executive employees covered by this guidance are identified and reviewed, and appropriately balance risks and rewards. Smaller banking organizations like the Company that use incentive compensation arrangements are expected to be less extensive, formalized, and detailed than those of the larger banks.

Section 956 of the Dodd-Frank Act required the banking agencies, the National Credit Union Administration, the SEC and the Federal Housing Finance Agency to jointly prescribe regulations that prohibit types of incentive-based compensation that encourage inappropriate risk taking and to disclose certain information regarding such plans. On June 10, 2016, the agencies released an updated proposed rule for comment. Section 956 will only apply to banking organizations with assets of greater than $1.0 billion. The Company has consolidated assets greater than $1.0 billion and less than $50.0 billion and the Company is considered a Level 3 banking organization under the proposed rules. The proposed rules contain mostly general principles and reporting requirements for Level 3 institutions so there are no specific prescriptions or limits, deferral requirements or claw-back mandates. Risk management and controls are required, as is board or committee level approval and oversight. Management expects to review its incentive plans in light of the proposed rulemaking and guidance and implement policies and procedures that mitigate unreasonable risk.

Monetary Policy

The monetary policy of the Federal Reserve has a significant effect on the operating results of financial or bank holding companies and their subsidiaries. Among the tools available to the Federal Reserve to affect the money supply are open market transactions in U.S. government securities, changes in the discount rate on bank borrowings and changes in reserve requirements against bank deposits. These means are used in varying combinations to influence overall growth and distribution of bank loans, investments and deposits, and their use may affect interest rates charged on loans or paid on deposits.

Federal Securities Regulation

First Busey's common stock is registered with the SEC under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Consequently, First Busey is subject to the information, proxy solicitation, insider trading and other restrictions and requirements of the SEC under the Exchange Act.

Corporate Governance

The Dodd-Frank Act addressed many investor protection, corporate governance and executive compensation matters that affect most U.S. publicly traded companies. It increased stockholder influence over boards of directors by requiring companies to give stockholders a non-binding vote on executive compensation and so-called "golden parachute" payments, and authorizing the SEC to promulgate rules that would allow stockholders to nominate and solicit voters for their own candidates using a company's proxy materials. The legislation also directed the Federal Reserve to promulgate rules prohibiting excessive compensation paid to executives of bank holding companies, regardless of whether such companies are publicly traded.

Regulation and Supervision of the Bank

General

The Bank is an Illinois-chartered bank. The deposit accounts of the Bank are insured by the FDIC's Deposit Insurance Fund ("DIF") to the maximum extent provided under federal law and FDIC regulations, currently $250,000 per insured depositor category. As an Illinois-chartered FDIC-insured bank, the Bank is

subject to the examination, supervision, reporting and enforcement requirements of the DFPR, the chartering authority for Illinois banks, and the FDIC, designated by federal law as the primary federal regulator of insured state banks that, like the Bank, are not members of the Federal Reserve System ("nonmember banks").

Deposit Insurance

As an FDIC-insured institution, the Bank is required to pay deposit insurance premium assessments to the FDIC. The FDIC has adopted a risk-based assessment system whereby FDIC-insured institutions pay insurance premiums at rates based on their risk classification. The total base assessment rates currently range from three basis points to 30 basis points. At least semi-annually, the FDIC updates its loss and income projections for the DIF and, if needed, increases or decreases the assessment rates, following notice and comment on proposed rulemaking. The assessment base against which an FDIC-insured institution's deposit insurance premiums paid to the DIF are calculated is based on its average consolidated total assets less its average tangible equity. This method shifts the burden of deposit insurance premiums toward those large depository institutions that rely on funding sources other than U.S. deposits.

The reserve ratio is the DIF balance divided by estimated insured deposits. The Dodd-Frank Act altered the minimum reserve ratio of the DIF, increasing the minimum from 1.15% to 1.35% of the estimated amount of total insured deposits, and eliminating the requirement that the FDIC pay dividends to FDIC-insured institutions when the reserve ratio exceeds certain thresholds. The reserve ratio reached 1.15% on June 30, 2016, when revised factors were put in place for calculating the assessment. If the reserve ratio does not reach 1.35% by December 31, 2018 (provided it is at least 1.15%), the FDIC will impose a shortfall assessment on March 31, 2019 on insured depository institutions with total consolidated assets of $10.0 billion or more. The FDIC will provide assessment credits to insured depository institutions, like the Bank, with total consolidated assets of less than $10.0 billion for the portion of their regular assessments that contribute to growth in the reserve ratio between 1.15% and 1.35%. The FDIC will apply the credits each quarter that the reserve ratio is at least 1.38% to offset the regular deposit insurance assessments of institutions with credits.

FICO Assessments

In addition to paying basic deposit insurance assessments, FDIC-insured institutions must pay Financing Corporation ("FICO") assessments. FICO is a mixed-ownership governmental corporation chartered by the former Federal Home Loan Bank Board pursuant to the Competitive Equality Banking Act of 1987 to function as a financing vehicle for the recapitalization of the former Federal Savings and Loan Insurance Corporation. FICO issued 30-year noncallable bonds of approximately $8.1 billion that mature in 2017 through 2019. FICO's authority to issue bonds ended on December 12, 1991. Since 1996, federal legislation has required that all FDIC-insured institutions pay assessments to cover interest payments on FICO's outstanding obligations. The FICO assessment rate is adjusted quarterly and for the fourth quarter of 2016 was 0.560 basis points (56 cents per $100 dollars of assessable deposits).

Supervisory Assessments

All Illinois banks are required to pay supervisory assessments to the DFPR to fund the operations of that agency. The amount of the assessment is calculated on the basis of the Bank's total assets. During the year ended December 31, 2016, the Bank paid supervisory assessments to the DFPR totaling $0.3 million.

Capital Requirements

Banks are generally required to maintain capital levels in excess of other businesses. For a discussion of capital requirements, see "Regulatory Emphasis on Capital" above.

Liquidity Requirements

Liquidity is a measure of the ability and ease with which bank assets may be converted to cash. Liquid assets are those that can be converted to cash quickly if needed to meet financial obligations. To remain viable, FDIC-insured institutions must have enough liquid assets to meet their near-term obligations, such as withdrawals by depositors. Because the global financial crisis was in part a liquidity crisis, Basel III also includes a liquidity framework that requires FDIC-insured institutions to measure their liquidity against specific liquidity tests. One test, referred to as the Liquidity Coverage Ratio ("LCR"), is designed to ensure that the banking entity has an adequate stock of unencumbered high-quality liquid assets that can be converted easily and immediately in private markets into cash to meet liquidity needs for a 30-calendar day liquidity stress scenario. The other test, known as the Net Stable Funding Ratio ("NSFR"), is designed to promote more medium- and long-term funding of the assets and activities of FDIC-insured institutions over a one-year horizon. These tests provide an incentive for banks and holding companies to increase their holdings in Treasury securities and other sovereign debt as a component of assets, increase the use of long-term debt as a funding source and rely on stable funding like core deposits (in lieu of brokered deposits).

In addition to liquidity guidelines already in place, the federal bank regulatory agencies implemented the Basel III LCR in 2014 and have proposed the NSFR. While the LCR only applies to the largest banking organizations in the country, as will the NSFR, certain elements are expected to filter down to all FDIC-insured institutions. The Bank continues to monitor regulatory developments with consideration for potential applicability to financial institutions below the current regulatory thresholds.

Dividend Payments

The primary source of funds for First Busey is dividends from the Bank. Under the Illinois Banking Act, the Bank generally may not pay dividends in excess of its net profit. Moreover, the payment of dividends by any FDIC-insured institution is affected by the requirement to maintain adequate capital pursuant to applicable capital adequacy guidelines and regulations, and a FDIC-insured institution generally is prohibited from paying any dividends if, following payment thereof, the institution would be undercapitalized. In addition, under the Basel III Rule, institutions that seek the freedom to pay dividends will have to maintain 2.5% in Common Equity Tier 1 Capital attributable to the capital conservation buffer to be phased in over three years beginning in 2016. See "Regulatory Emphasis on Capital" above. Notwithstanding the availability of funds for dividends, the FDIC and the DFPR may prohibit the payment of dividends by the Bank if either or both determine such payment would constitute an unsafe or unsound practice. The Bank exceeded its minimum capital requirements under applicable guidelines as of December 31, 2016. However, as of December 31, 2016, the Bank was in a retained deficit position and no amount was available to be paid as dividends by the Bank. With prior approval from its regulators, however, an Illinois state-chartered bank in this situation may be able to reduce its capital stock, by amending its charter to decrease the authorized number of shares, and then make a subsequent distribution to its holding company. Using this approach, and with the approval of its regulators, Busey Bank most recently distributed $30.0 million to the Company on

October 21, 2016. The Company expects to seek regulatory approval for additional capital distributions in future periods. Pulaski Bank had positive retained earnings and was able to pay a dividend to First Busey prior to the bank merger.

Insider Transactions

The Bank is subject to certain restrictions imposed by federal law on "covered transactions" between the Bank and its "affiliates." First Busey is an affiliate of the Bank for purposes of these restrictions, and covered transactions subject to the restrictions include extensions of credit to First Busey, investments in the stock or other securities of First Busey and the acceptance of the stock or other securities of First Busey as collateral for loans made by the Bank. The Dodd-Frank Act enhanced the requirements for certain transactions with affiliates, including an expansion of the definition of "covered transactions" and an increase in the amount of time for which collateral requirements regarding covered transactions must be maintained.

Certain limitations and reporting requirements are also placed on extensions of credit by the Bank to its directors and officers, to directors and officers of First Busey and its subsidiaries, to principal stockholders of First Busey and to "related interests" of such directors, officers and principal stockholders. In addition, federal law and regulations may affect the terms upon which any person who is a director or officer of First Busey or the Bank, or a principal stockholder of First Busey, may obtain credit from banks with which the Bank maintains a correspondent relationship.

Safety and Soundness Standards/Risk Management

The federal banking agencies have adopted guidelines that establish operational and managerial standards to promote the safety and soundness of FDIC-insured institutions. The guidelines set forth standards for internal controls, information systems, internal audit systems, loan documentation, credit underwriting, interest rate exposure, asset growth, compensation, fees and benefits, asset quality and earnings.

In general, the safety and soundness guidelines prescribe the goals to be achieved in each area, and each institution is responsible for establishing its own procedures to achieve those goals. If an institution fails to comply with any of the standards set forth in the guidelines, the FDIC-insured institution's primary federal regulator may require the institution to submit a plan for achieving and maintaining compliance. If an FDIC-insured institution fails to submit an acceptable compliance plan, or fails in any material respect to implement a compliance plan that has been accepted by its primary federal regulator, the regulator is required to issue an order directing the institution to cure the deficiency. Until the deficiency cited in the regulator's order is cured, the regulator may restrict the FDIC-insured institution's rate of growth, require the FDIC-insured institution to increase its capital, restrict the rates the institution pays on deposits or require the institution to take any action the regulator deems appropriate under the circumstances. Noncompliance with the standards established by the safety and soundness guidelines may also constitute grounds for other enforcement action by the federal bank regulatory agencies, including cease and desist orders and civil money penalty assessments.

During the past decade, the bank regulatory agencies have increasingly emphasized the importance of sound risk management processes and strong internal controls when evaluating the activities of the FDIC-insured institutions they supervise. Properly managing risks has been identified as critical to the conduct of safe and sound banking activities and has become even more important as new technologies, product innovation, and the size and speed of financial transactions have changed the nature of banking markets. The agencies have identified a spectrum of risks facing a banking institution including, but not limited to, credit, market, liquidity, operational, legal, and reputational risk. In particular, recent regulatory pronouncements have focused on operational risk, which arises from the potential that inadequate information systems, operational problems, breaches in internal controls, fraud, or unforeseen catastrophes will result in unexpected losses. New products and services, third-party risk and cybersecurity are critical sources of operational risk that FDIC-insured institutions are expected to address in the current environment. The Bank is expected to have active board and senior management oversight; adequate policies, procedures, and limits; adequate risk measurement, monitoring, and management information systems; and comprehensive internal controls.

Branching Authority

Illinois banks, such as the Bank, have the authority under Illinois law to establish branches anywhere in the State of Illinois, subject to receipt of all required regulatory approvals. Federal law permits state and national banks to merge with banks in other states subject to: (i) regulatory approval; (ii) federal and state deposit concentration limits; and (iii) state law limitations requiring the merging bank to have been in existence for a minimum period of time (not to exceed five years) prior to the merger. The Dodd-Frank Act permits well-capitalized and well-managed banks to establish new interstate branches or acquire individual branches of a bank in another state (rather than the acquisition of an out-of-state bank in its entirety) without impediments.

Transaction Account Reserves

Federal Reserve regulations require FDIC-insured institutions to maintain reserves against their transaction accounts (primarily NOW and regular checking accounts). For 2017: the first $15.5 million of otherwise reservable balances are exempt from reserves and have a zero percent reserve requirement; for transaction accounts aggregating more than $15.5 million to $115.1 million, the reserve requirement is 3% of total transaction accounts; and for net transaction accounts in excess of $115.1 million, the reserve requirement is 3% up to $115.1 million plus 10% of the aggregate amount of total transaction accounts in excess of $115.1 million. These reserve requirements are subject to annual adjustment by the Federal Reserve.

Federal Home Loan Bank Membership

The Bank is a member of the Federal Home Loan Bank of Chicago (the "FHLB"), which serves as a central credit facility for its members. The FHLB is funded primarily from proceeds from the sale of obligations of the FHLB system. It makes loans to member banks in the form of FHLB advances. All advances from the FHLB are required to be fully collateralized as determined by the FHLB.

Community Reinvestment Act Requirements

The CRA requires the Bank to have a continuing and affirmative obligation in a safe and sound manner to help meet the credit needs of its entire community, including low- and moderate-income neighborhoods. Federal regulators regularly assess the Bank's record of meeting the credit needs of its communities. Applications for additional acquisitions would be affected by the evaluation of the Bank's effectiveness in meeting its CRA requirements.

Anti-Money Laundering

The Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (the "Patriot Act") is designed to deny terrorists and criminals the ability to obtain access to the U.S. financial system and has significant implications for FDIC-insured institutions, brokers, dealers and other businesses involved in the transfer of money. The Patriot Act mandates financial services companies to have policies and procedures with respect to measures designed to address any or all of the following matters: (i) customer identification programs; (ii) money laundering; (iii) terrorist financing; (iv) identifying and reporting suspicious activities and currency transactions; (v) currency crimes; and (vi) cooperation between FDIC-insured institutions and law enforcement authorities.

Concentrations in Commercial Real Estate

Concentration risk exists when FDIC-insured institutions deploy too many assets to any one industry or segment. A concentration in commercial real estate is one example of regulatory concern. The interagency Concentrations in Commercial Real Estate Lending, Sound Risk Management Practices guidance ("CRE Guidance") provides supervisory criteria, including the following numerical indicators, to assist bank examiners in identifying banks with potentially significant commercial real estate loan concentrations that may warrant greater supervisory scrutiny: (i) commercial real estate loans exceeding 300% of capital and increasing 50% or more in the preceding three years; or (ii) construction and land development loans exceeding 100% of capital. The CRE Guidance does not limit banks' levels of commercial real estate lending activities, but rather guides institutions in developing risk management practices and levels of capital that are commensurate with the level and nature of their commercial real estate concentrations. On December 18, 2015, the federal banking agencies issued a statement to reinforce prudent risk-management practices related to CRE lending, having observed substantial growth in many CRE asset and lending markets, increased competitive pressures, rising CRE concentrations in banks, and an easing of CRE underwriting standards. The federal bank agencies reminded FDIC-insured institutions to maintain underwriting discipline and exercise prudent risk-management practices to identify, measure, monitor, and manage the risks arising from CRE lending. In addition, FDIC-insured institutions must maintain capital commensurate with the level and nature of their CRE concentration risk. Based on the Bank's loan portfolio as of December 31, 2016, it did not exceed the 100% guideline for construction and land development loans or 300% guideline for commercial real estate loans.

Consumer Financial Services

The historical structure of federal consumer protection regulation applicable to all providers of consumer financial products and services changed significantly on July 21, 2011, when the CFPB commenced operations to supervise and enforce consumer protection laws. The CFPB has broad rulemaking authority for a wide range of consumer protection laws that apply to all providers of consumer products and services, including the Bank, as well as the authority to prohibit "unfair, deceptive or abusive" acts and practices. The CFPB has examination and enforcement authority over providers with more than $10.0 billion in assets. FDIC-insured institutions with $10.0 billion or less in assets, like the Bank, continue to be examined by their applicable bank regulators.

Because abuses in connection with residential mortgages were a significant factor contributing to the global financial crisis, many new rules issued by the CFPB and required by the Dodd-Frank Act address mortgage and mortgage-related products, their underwriting, origination, servicing and sales. The Dodd-Frank Act significantly expanded underwriting requirements applicable to loans secured by 1-4 family residential real property and augmented federal law combating predatory lending practices. In addition to numerous disclosure requirements, the Dodd-Frank Act imposed new standards for mortgage loan originations on all lenders, including all FDIC-insured institutions, in an effort to strongly encourage lenders to verify a borrower's "ability to repay," while also establishing a presumption of compliance for certain "qualified mortgages." In addition, the Dodd-Frank Act generally required lenders or securitizers to retain an economic interest in the credit risk relating to loans that the lender sells, and other asset-backed securities that the securitizer issues, if the loans have not complied with the ability-to-repay standards. First Busey does not currently expect the CFPB's rules to have a significant impact on the Bank's operations, except for ongoing costs of compliance.

Busey Wealth Management

Busey Wealth Management is an Illinois corporation that operates under a certificate of authority to exercise trust powers issued by the DFPR. As such, Busey Wealth Management is subject to the examination, supervision, reporting and enforcement requirements established for trust companies by the DFPR. Additionally, because Busey Wealth Management is a wholly-owned subsidiary of First Busey, the Federal Reserve, as the primary federal regulator of First Busey, has the authority to conduct such examinations of Busey Wealth Management as the Federal Reserve deems necessary. Busey Wealth Management is required to maintain capital at the level determined by the DFPR to be necessary for the safe and sound operation of Busey Wealth Management. Like Busey Bank, Busey Wealth Management is required to pay supervisory assessments to the DFPR, which, for the year ended December 31, 2016, was $0.1 million.

Executive Officers

Following is a description of the business experience for at least the past five years of our executive officers.

Van A. Dukeman. Mr. Dukeman, age 58, has served as a Director, Chief Executive Officer and President of First Busey since August 2007. Effective February 28, 2009 through March 31, 2010, Mr. Dukeman also served as the Chief Executive Officer and President of the Bank. Prior to August 2007, Mr. Dukeman served as a Director, Chief Executive Officer and President of Main Street Trust, Inc. ("Main Street Trust") until its merger with First Busey.

Curt A. Anderson. Mr. Anderson, age 61, was appointed President and Chief Executive Officer of Busey Wealth Management in February 2016. Prior to that appointment, he had served as Executive Vice President and Senior Managing Director at Busey Wealth Management since 2007.

Robin N. Elliott. Mr. Elliott, age 40, was appointed Chief Operating Officer in February 2016. He will continue to serve as Chief Financial Officer of First Busey, which was effective on January 1, 2014, as the Company conducts a search to fill the Chief Financial Officer role. Mr. Elliott had previously served as

Director of the Business Banking Group of the Bank since November 2011. Prior to that appointment, he had served as Director of Finance & Treasury since joining the organization in 2006.

Barbara J. Harrington. Mrs. Harrington, age 57, has served as Chief Risk Officer of First Busey since March 2010, prior to which she had served as Chief Financial Officer of First Busey since March 1999. She also served as Controller and Senior Vice President of the Bank from December 1994 to March 1999, and has served in various financial and accounting positions since joining the organization in 1991.

Howard F. Mooney II. Mr. Mooney, age 52, has served as President and Chief Executive Officer of FirsTech Inc., our payment processing subsidiary, since 2000. In addition, Mr. Mooney has served as Chief Information Officer of First Busey since January 1, 2014. Prior to our August 2007 merger, FirsTech was a subsidiary of Main Street Trust.

Robert F. Plecki, Jr. Mr. Plecki, age 56, has served as Chief Credit Officer of First Busey since March 2010. Mr. Plecki previously served as President & Chief Executive Officer of Busey Wealth Management from October 2013 until February 2016 and Chief Operating Officer of First Busey from October 2012 until February 2016. Prior to March 2010, he had served as Executive Vice President of our southwest Florida market since early 2009. Prior to that he served as Executive Vice President of our Champaign-Urbana market following First Busey's merger with Main Street Trust in 2007, and, prior to the merger, had served as President of Main Street Bank & Trust Retail Banking since 2004.

John J. Powers. Mr. Powers, age 61, has served as General Counsel of First Busey since December 2011. Prior to that, he was a shareholder of Meyer Capel, P.C., a law firm based in Champaign, Illinois, since 1998.

Amy L. Randolph. Mrs. Randolph, age 42, was appointed Executive Vice President and Chief Brand Officer in March 2014. Prior to that appointment, she served as Senior Vice President of Growth Strategies since 2008.

Christopher M. Shroyer. Mr. Shroyer, age 51, has served as President and Chief Executive Officer of the Bank since March 2010, prior to which he had served as Executive Vice President of our East Region since early 2009. Prior to 2009, he served as Executive Vice President of our Decatur market following First Busey's merger with Main Street Trust in 2007, and, prior to the merger, had served as Executive Vice President of Main Street Bank & Trust Commercial Banking since 2004.

Employees

As of December 31, 2016, First Busey and its subsidiaries had a total of 1,295 employees (full-time equivalents).

Securities and Exchange Commission Reporting and Other Information

First Busey's website address is www.busey.com. We make available on this website our Annual Report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments thereto, as soon as reasonably practicable after such reports are filed or furnished with the SEC, and in any event, on the same day as such filing with the SEC. Reference to this website does not constitute incorporation by reference of the information contained on the website and should not be considered part of this document.

First Busey has adopted a code of ethics applicable to our employees, officers, and directors. The text of this code of ethics may be found under "Investor Relations" on our website.

Non-GAAP Financial Information

This Annual Report on Form 10-K contains certain financial information determined by methods other than in accordance with U.S. Generally Accepted Accounting Principles ("GAAP"). These measures include acquisition and other notable pre-tax items, operating earnings, tangible common equity, tangible common equity to tangible assets and efficiency ratios. Management uses these non-GAAP measures, together with the related GAAP measures, in analysis of the Company's performance and in making business decisions. Management also uses these measures for peer comparisons.

Management believes that notable pre-tax items and operating earnings are useful in assessing our core operating performance and in understanding the primary drivers of our non-interest income and non-interest expense when comparing periods. Management believes that operating earnings adjusted for acquisition related expenses are a useful measure because it excludes expenses that can significantly fluctuate from acquisition to acquisition. In addition, management believes that excluding these expenses provides investors and analysts a measure to better understand the Company's primary operations when comparing the periods presented.

Management believes that tangible common equity, tangible common equity to tangible assets and efficiency ratios are standard financial measures used in the banking industry to evaluate performance.

The non-GAAP disclosures contained herein should not be viewed as substitutes for the results determined to be in accordance with GAAP, nor are they necessarily comparable to non-GAAP performance measures that may be presented by other companies.

Special Cautionary Note Regarding Forward-Looking Statements

Certain statements contained in or incorporated by reference into this Annual Report on Form 10-K that are not historical facts may constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Exchange Act. These forward-looking statements are covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. These statements, which are based on certain assumptions and estimates and describe our future plans, strategies and expectations, can generally be identified by the use of the words "may," "will," "should," "could," "would," "goal," "plan," "potential," "estimate," "project," "believe," "intend," "anticipate," "expect," "target," "aim" and similar expressions. These forward-looking statements include statements relating to our projected growth, anticipated future financial performance, financial condition, credit quality and management's long-term performance goals, as well as statements

relating to the anticipated effects on results of operations and financial condition from expected developments or events, our business and growth strategies and any other statements that are not historical facts.

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These forward-looking statements are subject to significant risks, assumptions and uncertainties, and could be affected by many factors. Factors that could have a material adverse effect on our financial condition, results of operations and future prospects can be found under Item 1A "Risk Factors" in this Annual Report on Form 10-K and elsewhere in our periodic and current reports filed with the SEC. These factors include, but are not limited to, the following:

- the strength of the local, national and international economy;
- changes in state and federal laws, regulations and governmental policies concerning First Busey's general business (including the impact of the Dodd-Frank Act and the extensive regulations to be promulgated thereunder, as well as the Basel III Rule);
- changes in interest rates and prepayment rates of First Busey's assets;
- increased competition in the financial services sector and the inability to attract new customers;
- changes in technology and the ability to develop and maintain secure and reliable electronic systems;
- the loss of key executives or employees;
- changes in consumer spending;
- unexpected results of acquisitions (including the acquisition of Pulaski and planned acquisition of First Community), which may include failure to realize the anticipated benefits of the acquisition, possibility that the transaction costs may be greater than anticipated and possible termination of the Merger Agreement with First Community causing the acquisition to not be completed;
- unexpected outcomes of existing or new litigation involving First Busey;
- the economic impact of any future terrorist threats or attacks;
- the economic impact of exceptional weather occurrences such as tornadoes, hurricanes, floods, and blizzards;
- changes in accounting policies and practices; and
- other factors and risks described under "Risk Factors" herein.

Because of those risks and other uncertainties, our actual future results, performance or achievement, or industry results, may be materially different from the results indicated by these forward-looking statements. In addition, our past results of operations are not necessarily indicative of our future results.

You should not place undue reliance on any forward-looking statements, which speak only as of the dates on which they were made. We are not undertaking an obligation to update these forward-looking statements, even though circumstances may change in the future, except as required under federal securities law. We qualify all of our forward-looking statements by these cautionary statements.

Item 1A. Risk Factors

This section highlights the risks management believes could adversely affect our financial performance. Additional possible risks that could affect the Company adversely and cannot be predicted may arise at any time. Other risks that are immaterial at this time may also have an adverse impact on our future financial condition.

Economic and Market Risks

Conditions in the financial market and economic conditions, including conditions in the states in which it operates, generally may adversely affect the Company's business.

The Company's general financial performance is highly dependent upon the business environment in the markets where it operates and in particular, the ability of borrowers to pay interest on and repay principal of outstanding loans and the value of collateral securing those loans, as well as demand for loans and other products and services it offers. A favorable business environment is generally characterized by, among other factors, economic growth, efficient capital markets, low inflation, low unemployment, high business and investor confidence, and strong business earnings. Unfavorable or uncertain economic and market conditions can be caused by declines in economic growth, business activity or investor or business confidence; limitations on the availability or increases in the cost of credit and capital; increases in inflation or interest rates; high unemployment, natural disasters, or a combination of these or other factors.

While economic conditions have improved considerably since the 2008-2009 recession, there can be no assurance that this improvement will continue. Uncertainty regarding continuing economic improvement may result in changes in consumer and business spending, borrowing, and savings habits. Such conditions could adversely affect the credit quality of the Company's loans, our financial condition and results of operations.

The Company's financial performance is also affected by the condition of the markets in which it conducts business. The Company currently conducts its banking operations primarily in downstate Illinois, the St. Louis, Missouri metropolitan area, and southwest Florida. The financial condition of the State of Illinois, in which the largest portion of the Company's

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customer base resides, is among the most troubled of any state in the United States with credit downgrade concerns, pension under-funding, a current budget impasse, budget deficits and political standoffs. In addition, the Company operates in markets with significant university and healthcare presence, which rely heavily on state and federal funding and contracts. Payment delays by the State of Illinois to its vendors and government-sponsored entities as well as potential federal changes to healthcare laws could affect the Company's primary market areas, which could in turn adversely affect its financial condition and results of operations. Downturns in markets where banking operations occur could result in a decrease in demand for the Company's products and services, an increase in loan delinquencies and defaults, high or increased levels of problem assets and foreclosures and reduced wealth management fees resulting from lower asset values. The Company originates mortgage loans at a national level through a network of referral sources, so downturns in certain housing markets could also have an adverse effect on the Company's mortgage operation.

Market volatility and changes in interest rates could have an adverse effect on the Company.

In certain recent periods, the capital and credit markets experienced heightened volatility and disruption. In some cases, the markets produced downward pressure on stock prices and credit availability for certain issuers without regard to those issuers' underlying financial condition or performance. Conversely, significant increases in the stock markets, as experienced at the end of 2016, can also have destabilizing effects. If the capital and credit markets experience these heightened levels of disruption and volatility again, both the Company and its customers' ability to maintain or access capital could be adversely affected which could have an impact on the Company's business, financial condition and results of operations.

Changes in interest rates could affect the level of assets and liabilities held on the Company's balance sheet and the revenue that the Company earns from net interest income, as earnings and profitability depend significantly on our net interest income. Net interest income represents the difference between interest income and fees earned on interest-earning assets such as loans and investment securities and interest expense incurred on interest-bearing liabilities such as deposits and borrowed funds. Interest rates are sensitive to many factors that are beyond the Company's control, including general economic conditions and policies of various governmental and regulatory agencies, including the Federal Open Market Committee. Changes in monetary policy, including changes in interest rates, could influence not only the interest the Company receives on loans and investment securities and the amount of interest it pays on deposits and borrowings, but such changes could also affect the Company's ability to originate loans and obtain deposits and the fair value of the Company's financial assets and liabilities. In addition, a rise in interest rates could result in decreased demand for first mortgages as well as mortgage refinancing, activities which have historically contributed to a significant portion of the Company's mortgage revenue. Furthermore, if the interest rates paid on deposits and other borrowings increase at a faster rate than the interest rates received on loans and investment securities, the Company's net interest income, and therefore earnings, could be adversely affected. Earnings could also be adversely affected if the interest rates received on loans and other investments fall more quickly than the interest rates paid on deposits and other borrowings. Any substantial, unexpected, prolonged change in market interest rates could have a material adverse effect on the Company's business, financial condition, and results of operation. Interest rates paid on deposit products declined significantly in recent years and while interest rates increased slightly during 2015 and 2016, future increases, if they occur, could create uncertainty in financial markets. Such uncertainty or market fluctuations could negatively affect customer's financial stability and ultimately, their ability to repay loan commitments.

The Company's wealth management business may also be negatively impacted by changes in general economic conditions and the conditions in the financial and securities markets, which could affect the values of assets held under care. Management contracts generally provide for fees payable for wealth management services based on the market value of assets under care. Because most of the Company's contracts provide for a fee based on market values of securities, declines in securities prices may have an adverse effect on the Company's results of operations from this business. Market declines and reductions in the value of customers' wealth management accounts, could also result in the loss of wealth management customers, including those who are also banking customers.

The Company could recognize losses on securities held in its securities portfolio, particularly if interest rates increase or economic and market conditions deteriorate.

Factors beyond the Company's control may significantly influence the fair value of securities in its portfolio and may cause potential adverse changes to the fair value of these securities. For example, fixed-rate securities acquired by the Company are generally subject to decreases in market value when interest rates rise. A change in the fair value of securities could cause an other-than-temporary impairment ("OTTI") in future periods and result in realized losses.

The process for determining whether impairment is an OTTI usually requires difficult, subjective judgments about the future financial performance of the issuer and any collateral underlying the security in order to assess the probability of receiving all contractual principal and interest payments on the security. Because of changing economic and market conditions affecting interest rates, the financial condition of issuers of the securities and the performance of the underlying collateral, we may recognize realized and/or unrealized losses in future periods, which could have an adverse effect on our financial condition and results of operations.

Downgrades in the credit ratings of one or more insurers that provide credit enhancements for the Company's state and municipal securities portfolio may have an adverse impact on the market for and valuation of these types of securities.

The Company invests in tax-exempt state and local municipal securities, some of which are insured by monoline insurers. In recent years, several of these insurers have come under scrutiny by rating agencies. Even though management generally purchases municipal securities on the overall credit strength of the issuer, the reduction in the credit rating of an insurer may negatively impact the market for and valuation of the Company's investment securities. A downgrade or a default by an issuer could adversely affect the Company's liquidity, financial condition and results of operations.

Regulatory and Legal Risks

The financial services industry, as well as the broader economy, may be subject to new legislation, regulation, and government policy.

At this time, it is difficult to predict the legislative and regulatory changes that will result from the combination of a new President of the United States and the first year since 2010 in which both Houses of Congress and the White House have majority memberships from the same political party. Recently, however, both the new President and senior members of the House of Representatives have advocated for significant reduction of financial services regulation, to include amendments to the Dodd-Frank Act and structural changes to the CFPB. The new Administration and Congress also may cause broader economic changes due to changes in governing ideology and governing style. New appointments to the Board of Governors of the Federal Reserve could affect monetary policy and interest rates, and changes in fiscal policy could affect broader patterns of trade and economic growth. Future legislation, regulation, and government policy could affect the banking industry as a whole, including our business and results of operations, in ways that are difficult to predict. In addition, our results of operations also could be adversely affected by changes in the way in which existing statutes and regulations are interpreted or applied by courts and government agencies.

Recent legislative and regulatory reforms applicable to the financial services industry, as well as heightened focus on particular regulations, may have a significant impact on the Company's business, financial condition and results of operations.

The laws, regulations, rules, policies and regulatory interpretations governing the Company continue to evolve and may change significantly over time as Congress and various regulatory agencies react to adverse economic conditions or other matters. The global financial crisis of 2008-2009 served as a catalyst for a number of significant changes in the financial services industry, including the Dodd-Frank Act, which reformed the regulation of financial institutions in a comprehensive manner, and the Basel III regulatory capital reforms, which increase both the amount and quality of capital that financial institutions must hold. The implementation of these provisions, as well as any other aspects of current or proposed regulatory or legislative changes to laws applicable to the financial industry, may impact the profitability of the Company's business activities and may change certain business practices, including the ability to offer new products, obtain financing, attract deposits, make loans, and achieve satisfactory interest spreads, and could expose the Company to additional expense, including increased compliance costs.

These rule and regulatory changes may also require the Company to invest significant management attention and resources so as to make necessary changes to operations in order to comply. Legislative and regulatory changes may limit our ability to promote our objectives through compensation and incentive programs and could materially and adversely affect our business, financial condition and results of operations. The Company's management has reviewed the provisions of the Dodd-Frank Act, the Basel III Rule, and other regulatory mandated changes, many of which have become effective or are to be phased-in over the next several years, and assessed the probable impact on operations. However, the long-term cumulative effect of these changes on the financial services industry, in general, and the Company in particular, is uncertain at this time.

In addition to the expense and uncertainty related to increased regulation, the financial services industry in recent years has faced more intense scrutiny from regulatory agencies in the examination process and more aggressive enforcement of regulations on both the federal and state levels, particularly with respect to mortgage-related practices and other consumer

compliance matters, and compliance with Bank Secrecy Act, anti-money laundering laws, and the Patriot Act, which focuses on money laundering in the form of terrorist financing. Federal law grants substantial enforcement powers to financial services' regulators including, among other things, the ability to assess significant civil or criminal monetary penalties, fines or restitution; to issue cease and desist orders; and to initiate injunctive actions against banking organizations. These enforcement actions may be initiated for violations of laws or regulations and for unsafe or unsound practices. If the Company were the subject of an enforcement action, it could have an adverse impact on the Company.

The Company may be required to repurchase mortgage loans as a result of breaches in contractual representations and warranties.

When the Company sells mortgage loans that it has originated to various parties, it is required to make customary representations and warranties to the purchaser about the mortgage loans and the manner in which they were originated. The Company may be required to repurchase mortgage loans in the event of a breach of a contractual representation or warranty that is not remedied within a certain period. Contracts for residential mortgage loan sales include various types of specific remedies and penalties that could be applied to inadequate responses to repurchase requests. If economic conditions and the housing market deteriorate, the Company could have increased repurchase obligations and increased losses on repurchases, requiring material increases to its repurchase reserve.

Credit and Lending Risks

Heightened credit risk associated with lending activities may result in insufficient loan loss provisions, which could have material adverse effect on the Company's results of operations and financial condition.

There are risks in making any loan, including risks inherent in dealing with individual borrowers, risks of nonpayment, risks resulting from uncertainties as to the future value of collateral and cash flows available to service debt and risks resulting from economic and market conditions. The Company attempts to reduce its credit risk through loan application approval procedures, monitoring the concentration of loans within specific industries and geographic location, and periodic independent reviews of outstanding loans by its loan review and audit departments as well as external parties. However, while such procedures help reduce risks, they cannot be expected to completely eliminate the Company's credit risks. Borrowers may experience difficulties in repaying their loans for any of a variety of reasons resulting in a rise in the level of nonperforming loans, charge-offs and delinquencies and/or a need for increases in the provision for loan losses.

The Company establishes an allowance for loan losses and maintains it at a level considered adequate by management to absorb probable loan losses based on a continual analysis of the Company's portfolio and market environment. The allowance for loan losses represents the Company's estimate of probable losses in the portfolio at each balance sheet date and is based upon other relevant information available. The allowance contains provisions for probable losses that have been identified relating to specific borrowing relationships, as well as probable losses inherent in the loan portfolio and credit undertakings that are not specifically identified. Changes to the allowance for loan losses, which are charged to earnings through the provision for loan losses, are determined based on a variety of factors, including an analysis of the loan portfolio, historical loss experience and an evaluation of current economic conditions in the relevant market areas. The actual amount of loan losses is affected by changes in economic, operating and other market conditions, which may be beyond the Company's control, and such losses may exceed current estimates.

Although management believes the allowance for loan losses is adequate to absorb losses on existing loans that may become uncollectible, management cannot guarantee that additional provisions for loan losses will not be required in the future. Additional provision could be recorded, either as a result of management's decision or as a requirement by regulators, to further supplement the allowance for loan losses, particularly if economic conditions unfold in a manner which differs significantly from what management currently expects. Additional provisions to the allowance for loan losses and loan losses in excess of the Company's allowance for loan losses may adversely affect its business, financial condition and results of operations.

Non-performing assets take significant time to resolve and adversely affect the Company's results of operations and financial condition, and could result in further losses in the future.

The Company's non-performing assets adversely affect its net income in various ways. While the Company pays interest expense to fund non-performing assets, it does not record interest income on non-accrual loans or other real estate owned, thereby adversely affecting its income and returns on assets and equity, and its loan administration costs increase and the Company's efficiency ratio is adversely affected. When the Company takes collateral in foreclosures and similar proceedings, it is required to mark the collateral to its then-fair market value, which, when compared to the outstanding balance of the loan, may

result in a loss. These non-performing loans and other real estate owned also increase its risk profile and the capital its regulators believe is appropriate in light of such risks. The resolution of non-performing assets

requires significant time commitments from management, which can be detrimental to the performance of their other responsibilities. The Company cannot guarantee that it will not experience increases in non-performing loans in the future, and its non-performing assets may result in further losses in the future.

Concentrations of credit and market risk could increase the potential for significant losses.

The Company may have higher credit risk, or experience higher credit losses, to the extent its loans are concentrated by loan type, industry segment, borrower type, or location of the borrower or collateral. A significant portion of the Company's loan portfolio is made up of mortgage, commercial and industrial loans, and secured by real estate. Thus, deterioration in economic conditions or real estate values could result in higher credit costs and losses to the Company.

The Company's commercial loans are primarily made based on the identified cash flow of the borrower and secondarily on the underlying collateral provided by the borrower. Most often, this collateral is accounts receivable, inventory, machinery or real estate. Credit support provided by the borrower for most of these loans and the probability of repayment is based on the liquidation of the pledged collateral and enforcement of a personal guarantee, which the Company requires whenever appropriate on commercial loans. As a result, in the case of loans secured by accounts receivable, the availability of funds for the repayment of these loans may be substantially dependent on the ability of the borrower to collect amounts due from its customers. The collateral securing other loans may depreciate over time, may be difficult to appraise and may fluctuate in value based on the success of the business. As a result of the larger average size of each commercial loan as well as collateral that is generally less readily-marketable, losses incurred on a small number of commercial loans could have a material adverse impact on the Company's financial condition and results of operations.

A significant portion of the Company's loans are collateralized by real estate. The market value of real estate can fluctuate significantly in a short period of time as a result of market conditions in the area in which the real estate is located. Adverse changes affecting real estate values and the liquidity of real estate in one or more markets could increase the credit risk associated with the Company's loan portfolio, and could result in losses which would adversely affect profitability. Mortgage loans in the Company' portfolio with high loan-to-value ratios are more sensitive to declining property values and may experience a higher incident of default and severity of losses. Adverse changes in the economy affecting real estate values and liquidity generally, and in markets in which the Company has banking operations, could significantly impair the value of property pledged as collateral on loans and affect the Company's ability to sell the collateral upon foreclosure without a loss or additional losses. Collateral may have to be sold for less than the outstanding balance of the loan which would result in losses.

Credit risk associated with concentration of securities in the Company's investment portfolio may increase the potential for loss.

The Company's investment portfolio consists, in part, of securities issued by government or government sponsored agencies and non-government entities. A downturn in the financial condition of the issuers, the performance of the underlying collateral, or the financial condition of the individual mortgagors with the respect of the underlying securities could create results such as rating agency downgrades of the securities and default by issuers or individual mortgagors. Any of the foregoing factors could cause an OTTI in future periods and result in realized losses, which could adversely affect the Company's financial condition and results of operations.

Real estate construction, land acquisition and development loans are based upon estimates of costs and values associated with the complete project. These estimates may be inaccurate, and the Company may be exposed to significant losses on loans for these projects.

Construction, land acquisition, and development loans involve additional risks because funds are advanced upon the security of the project, which is of uncertain value prior to its completion, and costs may exceed realizable values in declining real estate markets. Because of the uncertainties inherent in estimating construction costs and the realizable market value of the completed project and the effects of governmental regulation on real property, it is relatively difficult to evaluate accurately the total funds required to complete a project and the related loan-to-value ratio. As a result, construction loans often involve the disbursement of substantial funds with repayment dependent, in part, on the success of the ultimate project and the ability of the borrower to sell or lease the property, rather than the ability of the borrower or guarantor to repay principal and interest. If the Company's appraisal of the value of the completed project proves to be overstated or market values or rental rates decline, there may be inadequate security for the repayment of the loan upon completion of construction of the project. If the Company is forced to foreclose on a project prior to or at completion due to a default, there can be no assurance that it will be able to recover all of the unpaid balance of, and accrued interest on, the loan as well as related foreclosure and holding costs. In addition, the Company may be required to fund additional amounts to complete the project and may have to hold the property for an unspecified period of time while it attempts to dispose of it.

The Company's exposure to home equity lines of credit may increase the potential for loss.

The Company's mortgage loan portfolio consists, in part, of home equity lines of credit. A large portion of home equity lines of credit are originated in conjunction with the origination of first mortgage loans eligible for sale in the secondary market, which the Company typically does not service if the loan is sold. By not servicing the first mortgage loans, the Company is unable to track the delinquency status which may indicate whether such loans are at risk of foreclosure by others. In addition, home equity lines of credit are initially offered as "revolving" lines of credit whereby the borrowers are only required to make scheduled interest payments during the initial terms of the loans, which is generally five years. Thereafter, the borrowers no longer have the ability to make principal draws from the lines and the loans convert to a fully-amortizing basis, requiring scheduled principal and interest payments sufficient to repay the loans within a certain period of time, which is generally 10 years. The conversion of a home equity line of credit to a fully amortizing basis presents an increased level of default risk to us since the borrower no longer has the ability to make principal draws on the line, and the amount of the required monthly payment could substantially increase to provide for scheduled repayment of principal and interest.

Capital and Liquidity Risks

The Company is required to maintain capital to meet regulatory requirements, and if it fails to maintain sufficient capital, whether as a result of losses, inability to raise additional capital or otherwise, its financial condition, liquidity, and results of operations, as well as its ability to maintain regulatory compliance would be adversely affected.

First Busey, the Bank and Busey Wealth Management must meet regulatory capital requirements and maintain sufficient liquidity. The Company's ability to raise additional capital, when and if needed, will depend on conditions in the capital markets, economic conditions and a number of other factors, including investor perceptions regarding the banking industry and market condition, and governmental activities, many of which are outside the Company's control, and on its financial condition and performance. Accordingly, the Company cannot guarantee that it will be able to raise additional capital if needed or on terms acceptable to the Company. If it fails to meet these capital and other regulatory requirements, its financial condition, liquidity and results of operations would be materially and adversely affected.

The Company's failure to continue to maintain capital ratios in excess of the amounts necessary to be considered "well-capitalized" for bank regulatory purposes could affect customer confidence, its ability to grow, its costs of funds and FDIC insurance costs, its ability to pay dividends to its stockholders or on outstanding stock, its ability to make acquisitions, and its business, results of operations and financial condition. Furthermore, under FDIC rules, if the Company ceases to meet the requirements to be considered a "well-capitalized" institution for bank regulatory purposes, the interest rates it pays on deposits and its ability to accept, renew or rollover deposits, particularly brokered deposits, may be restricted.

Liquidity risks could affect operations and jeopardize the Company's business, financial condition and results of operations.

Liquidity is essential to the Company's business. An inability to raise funds through deposits, borrowings, the sale of loans and other sources could have a substantial negative effect on liquidity. The Company's primary sources of funds consist of deposits and funds from sales of investment securities, investment maturities and sales, and cash from operations. Additional liquidity is available through repurchase agreements, brokered deposits, and the ability to borrow from the Federal Reserve Bank and the FHLB. Access to funding sources in amounts adequate to finance or capitalize the Company's activities or on terms that are acceptable to the Company could be impaired by factors that affect it directly or the financial services industry or economy in general, such as disruptions in the financial markets or negative views and expectations about the prospects for the financial services industry.

During periods of economic turmoil, the financial services industry and the credit markets generally may be materially and adversely affected by significant declines in asset values and depressed levels of liquidity. These and other factors could negatively affect the Company's ability to engage in routine funding and other transactions with other financial institutions, lead to market-wide liquidity problems, loss of depositor, creditor, and counterparty confidence which could lead to losses or defaults by the Company or by other institutions. Furthermore, regional and community banks generally have less access to the capital markets than do the national and super-regional banks because of their smaller size, limited analyst coverage, and lack of credit rating resulting from significant expense required to obtain it.

Any decline in available funding and/or capital could adversely impact the Company's ability to originate loans, invest in securities, meet its expenses, pay dividends to its stockholders, or meet deposit withdrawal demands, any of which could have a material adverse impact on its liquidity, business, financial condition and results of operations.

The soundness of other financial institutions could negatively affect the Company.

The Company's ability to engage in routine funding and other transactions could be negatively affected by the actions and commercial soundness of other financial institutions. Financial services institutions are interrelated as a result of trading, clearing, counterparty or other relationships. Defaults by, or even rumors or questions about, one or more financial services institutions, or the financial services industry generally, have led to market-wide liquidity problems and losses of depositor, creditor and counterparty confidence and could lead to losses or defaults by the Company or by other institutions. The Company could experience increases in deposits and assets as a result of the difficulties or failures of other banks and government-sponsored financial institutions, which would increase the funding needed to support its growth.

In addition, a prolonged period of illiquidity in the secondary mortgage market, and an increase in interest rates, could reduce the demand for residential mortgage loans and increase investor yield requirements for those loans. As a result, the Company may be at higher risk of retaining a larger portion of mortgage loans than in other environments until they are sold to investors. The Company's ability to retain fixed-rate residential mortgage loans is limited and could result in a reduction of loan production volumes, which could have a material adverse effect on our financial condition and results of operations.

Competitive and Strategic Risks

The Company faces strong competition from financial service companies and other companies that offer banking and wealth management services, which could harm its business.

The Company currently conducts its banking operations primarily in downstate Illinois, St. Louis, Missouri metropolitan area, and southwest Florida. Mortgage loan services offered through Busey Home Mortgage are primarily in the St. Louis, Kansas City, Omaha-Council Bluffs metropolitan areas and across the Midwest; although this service originates mortgages nationally. In addition, the Company currently offers fiduciary and wealth management services through Trevett and Busey Wealth Management, which account for an important portion of its noninterest income. Many competitors offer the same, or a wider variety of, banking and wealth management services within the Company's market areas. These competitors include national banks, regional banks and other community banks. The Company also faces competition from many other types of financial institutions, including savings and loan institutions, finance companies, brokerage firms, insurance companies, credit unions, mortgage banks and online lenders, and other financial intermediaries. In addition, a number of out-of-state financial intermediaries have opened production offices or otherwise solicit deposits in the Company's market areas. Also, technology and other changes have lowered barriers to entry and made it possible for non-banks, or financial technology companies, to offer products and services traditionally provided by banks. For example, customers can maintain funds that would have historically been held as bank deposits in brokerage accounts or mutual funds. Customers can also complete transactions such as paying bills and/or transferring funds directly without the assistance of banks. The process of eliminating banks as intermediaries, known as "disintermediation," could result in the loss of fee income, as well as the loss of customer deposits and the related income generated from those deposits. Increased competition in the Company's markets may result in reduced loans, deposits and commissions and brokers' fees, as well as reduced net interest margin and profitability. Ultimately, the Company may not be able to compete successfully against current and

future competitors. If the Company is unable to attract and retain banking and wealth management customers, it may be unable to grow its loan and deposit portfolios or its wealth management commissions, which could adversely affect its business, results of operations and financial condition.

Our strategy of pursuing acquisitions exposes us to financial, execution and operational risks that could negatively affect us.

To help us fulfill our strategic objectives and enhance our earnings, part of our strategy is to supplement organic growth by acquiring other financial institutions in our market areas and in nearby markets. As our capital position and asset quality allow, we may again supplement organic growth through acquisitions, as planned with First Community in 2017 and as we did with the 2015 acquisition of Herget Financial and the 2016 acquisition of Pulaski. There are risks associated with an acquisition strategy, including the following:

- We are exposed to potential asset and credit quality risks and unknown or contingent liabilities of the banks or businesses we acquire. If these issues or liabilities exceed our estimates, our earnings and financial condition may be materially and adversely affected.

- Prices at which acquisitions can be made fluctuate with market conditions. We have experienced times during which acquisitions could not be made in specific markets at prices our management considered acceptable and expect that we will experience this condition in the future in one or more markets.

- The acquisition of other entities generally requires integration of systems, procedures and personnel of the acquired entity in order to make the transaction economically feasible. This integration process is complicated and time consuming and can also be disruptive to the customers of the acquired business. If the integration process is not conducted successfully and with minimal effect on the acquired business and its customers, we may not realize the anticipated economic benefits of particular acquisitions within the expected time frame, and we may lose customers or employees of the acquired business. We may also experience greater than anticipated customer losses even if the integration process is successful.

- We are subject to due diligence expenses which may not result in acquisitions.

- To finance an acquisition, we may borrow funds, thereby increasing our leverage and diminishing our liquidity, or issue capital stock to the sellers in an acquisition or to third-parties to raise capital, which could dilute the interests of our existing stockholders.

- The time period in which anticipated benefits of a merger are fully realized may take longer than anticipated, or we may be unsuccessful in realizing the anticipated benefits from mergers and future acquisitions.

Accounting and Tax Risks

Financial statements are created, in part, by assumptions and methods used by management, which, if incorrect, could cause unexpected losses in the future.

The Company’s financial performance is impacted by accounting principles, policies and guidelines. Some of these policies require the use of estimates and assumptions that may affect the value of assets or liabilities and financial results. Certain accounting policies are critical and require management to make difficult, subjective and complex judgments about matters that are inherently uncertain, and materially different amounts could be reported under different conditions or using different assumptions. If such estimates or assumptions underlying the Company’s financial statements are incorrect, it may experience material losses.

One such assumption and estimate is the valuation analysis of its goodwill. Although the Company’s analysis does not indicate impairments exist; it could be required to perform additional goodwill impairment assessments on at least an annual basis, and perhaps more frequently, which could result in further goodwill impairment charges. Any future goodwill impairment charge, on the current goodwill balance or future goodwill arising out of acquisitions that the Company is required to take could have a material adverse effect on the results of operations by reducing net income or increasing net losses.

The Company is subject to changes in accounting principles, policies or guidelines.

Periodically, agencies such as the FASB or the SEC change the financial accounting and reporting standards or the interpretation of those standards that govern the preparation of the Company’s financial statements. These changes are beyond the Company’s control, can be difficult to predict and could materially impact it reports its financial condition and results of operations. Changes in these standards are continuously occurring, and given recent economic conditions, more drastic changes may occur. The implementation of such changes could have a material adverse effect on the Company’s financial condition and results of operations.

In 2016, the FASB published new Current Expected Credit Loss impairment standards (“CECL”) which requires “life of loan” estimates of losses to be recorded for unimpaired loans at origination or purchase. This is a change from the 40-year standard in which loan losses are handled under “incurring loss” accounting, meaning something has happened that has caused impairment to a loan. The “expected loss” methodology requires that financial institutions consider events that have happened in the past and may be expected to occur in the future based on prior life-of-loan or life-of-portfolio historical loss rates. This change has the potential to pose compliance and operational challenges for financial institutions as the life-of-loan loss concept presents complexities that can decrease capital and add volatility to allowance for loan losses estimates. In addition, the new standard may require changes to the Company’s policies, procedures and technology systems to properly account for and comply with the new methodology. CECL is not set to take effect until 2020.

The Company may not realize tax benefits which could adversely affect our results of operations.

Deferred tax assets are designed to reduce subsequent period's income tax expense and arise, in part, as a result of net loss carry-overs, allowance for loan losses, stock-based compensation, and deferred compensation. Such items are recorded as assets when it is anticipated the asset will be used in future periods. Valuation allowance is established when it is unlikely the assets will be realized. Significant judgment by management about matters that are by nature uncertain is required to record a deferred tax asset and establish a valuation allowance.

In evaluating the need for a valuation allowance, the Company estimated future taxable income based on management forecasts and tax planning strategies that may be available to us. If future events differ significantly from our current forecasts, it may need to establish a valuation allowance against its net deferred tax assets, which would have a material adverse effect on its results of operations and financial condition. In addition, current portions of the net deferred tax assets relate to tax-effected state net operating loss carry-forward, the utilization of which may be further limited in the event of certain material changes in its ownership.

In addition, changes in ownership could further limit the Company's realization of deferred tax assets. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods prior to the expiration of the related net operating losses and the limitation of Section 382 of the Internal Revenue Code. Section 382 of the Code contains rules that limit the ability of a company that undergoes an ownership change to utilize its net operating loss carry-forwards and certain built-in losses recognized in years after the ownership change. The Company issued a significant amount of common stock in connection with the acquisition of Pulaski in 2016 and anticipates issuing common stock in connection with the acquisition of First Community in 2017. While this will not affect an ownership change under Section 382, it may make it more likely that an ownership change under Section 382 will occur in the future. If the Company undergoes an ownership change for purposes of Section 382 as a result of future transactions involving its common stock, its ability to use any of our net operating loss carry-forwards, tax credit carry-forwards or net unrealized built-in losses at the time of ownership change would be subject to the limitations of Section 382 on its use against future taxable income. The limitation may affect the amount of the Company's deferred income tax asset and, depending on the limitation, a portion of its built-in losses, any net operating loss carry-forwards or tax credit carry-forwards could expire before it would be able to use them. This could adversely affect the Company's financial position, results of operations and cash flow.

Operational Risks

The Company relies on the integrity of its operating systems and employees, and those of third-parties and certain failures of such systems or error by such employees or customers could materially and adversely affect the Company's operations.

Communications and information systems are essential to conduct the Company's business, as it uses such systems to manage customer transactions and relationships, the general ledger, and deposits, loans, and investments. However, the computer systems and network infrastructure the Company uses could be vulnerable to unforeseen problems as operations are dependent upon the protection of computer equipment against damage from physical theft, fire, power loss, telecommunications failure or a similar catastrophic event, as well as from security breaches, cybersecurity attacks, viruses and other disruptive problems caused by hackers.

In addition, the Company outsources certain processing functions to third-party providers. If third-party providers encounter difficulties or if the Company has difficulty in communicating with them, the ability to adequately process and account for customer transactions may be affected and business operations may be adversely impacted. If third-party providers are unable to meet service expectations, experience system or processing failure, or incur disruptions affecting operations, results could adversely impact the Company. The Company follows certain due diligence procedures in reviewing and vetting its third-parties, however, it cannot control their actions.

Although the Company has procedures in place to prevent or limit the effects of any of these potential problems and intends to continue to implement security technology and establish operational procedures to prevent such occurrences, technology-related disruptions, failures and cybersecurity risks are a constant threat, both for the Company and for the third-parties it works with. Therefore, it cannot guarantee that these measures will be successful. Any failure, interruption in, or breach in security of, its computer systems and network infrastructure, as well as those of its customers engaging in internet banking activities or electronic funds transfers, could damage its reputation, result in a loss of customer business, subject it to additional regulatory scrutiny, or expose it to civil litigation and possible financial liability, any of which could have a material adverse effect on its financial condition and results of operations.

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Similarly, the Company is reliant upon its employees. Such dependencies create risks for potential losses resulting from employee errors, breakdowns in process or control, failures to properly execute change management, negligence, or a number of other factors outside the Company's control. The Company maintains a system of internal controls and insurance coverage to mitigate operational risks, including data processing system failures and errors, customer or employee fraud and other disruptions which might impact its business. In addition, Internal Audit routinely reviews operations and high risk areas for error, deficient controls, and failure to adhere to policy.

Potential legal actions, fines and civil money penalties could arise as results of an operational deficiency or as a result of noncompliance with applicable regulatory standards, adverse business decisions or their implementation, and customer attrition due to potential negative publicity.

A breach in the security of the Company's systems could disrupt its businesses, result in the disclosure of confidential information, damage its reputation and create significant financial and legal exposure for the Company.

Although the Company devotes significant resources to maintain and regularly upgrade systems and processes designed to protect the security of its computer systems, software, networks and other technology assets, these measures do not provide absolute security. In fact, several financial services institutions, government agencies, retailers and other companies have reported breaches in the security of their websites or other systems, some of which have involved sophisticated and targeted attacks intended to obtain unauthorized access to confidential information, destroy data, disable or degrade service, or sabotage systems, often through the introduction of computer viruses or malware, cyber-attacks and other means. Some companies in the United States have experienced well-publicized attacks from technically sophisticated and well-resourced third-parties that were intended to disrupt normal business activities by making internet banking systems inaccessible to customers for extended periods. These "denial-of-service" attacks may not have breached data security systems, but require substantial resources to defend, and may affect customer satisfaction and behavior. Furthermore, even if not directed at the Company, attacks on financial or other institutions important to the overall functioning of the financial system could adversely affect, directly or indirectly, aspects of the Company's businesses.

Threats to security also exist in the processing of customer information through various other third-parties, their personnel, and their use of subcontractors. Furthermore, advances in computer capabilities, new discoveries in the field of cryptography or other developments could result in a compromise or breach of the algorithms the Company and its third-party service providers use to encrypt and protect customer transaction data. Such cyber incidents may go undetected for a period of time.

The Company also faces risks related to cyber-attacks and other security breaches in connection with credit card and debit card transactions that typically involve the transmission of sensitive information regarding the Company's customers through various third-parties, including merchant acquiring banks, payment processors, payment card networks and its processors. Because card transactions involve third-parties and environments such as the point of sale that the Company does not control or secure, future security breaches or cyber-attacks affecting any of these third-parties could impact the Company through no fault of its own, and in some cases it may have exposure and suffer losses for breaches or attacks relating to them. Further cyber-attacks or other breaches in the future, whether affecting the Company or others, could intensify consumer concern and regulatory focus and result in reduced use of payment cards and increased costs, all of which could have a material adverse effect on the Company's business.

Penetration or circumvention of the Company's security systems could result in serious negative consequences for the Company, including significant disruption of the Company's operations, misappropriation of confidential information of the Company or that of its customers, or damage to computers or systems of the Company and those of its customers and counterparties. Such events could result in violations of applicable privacy and other laws, financial loss to the Company or its customers, loss of confidence in the Company's security measures, customer dissatisfaction, significant litigation exposure and harm to the Company's reputation, all of which would adversely affect the Company.

These risks have increased for all financial institutions as new technologies, the use of the Internet and telecommunications technologies, including mobile devices, to conduct financial and other business transactions and the increased sophistication and activities of organized crime, perpetrators of fraud, hackers, terrorists and others. Despite the Company's efforts to prevent or limit the effects of potential threats, it is possible that the Company may not be able to anticipate or implement effective preventative measures against all security breaches of these types, especially because the techniques used change frequently or are not recognized until launched, and because security-related attacks can originate from a wide variety of sources, including organized crime, hackers, terrorists, activists, and other external parties, including parties sponsored by hostile foreign governments. Those parties may also attempt to fraudulently induce employees, customers, third-party service providers or other users of the Company's systems to disclose sensitive

information in order to gain access to the Company's data or that of its customers. These risks may increase in the future as the Company increases its mobile payments, internet-based product offerings, and expand its internal usage of web-based products and applications.

Customer or employee fraud may affect operations, result in significant financial loss, and have an adverse impact on the Company's reputation.

Misconduct could subject the Company to financial losses or regulatory sanctions and seriously harm its reputation. Misconduct by employees and customers could include hiding unauthorized activities, improper or unauthorized activities or improper use of confidential information. It is not possible to prevent all errors and misconduct, and the precautions the Company takes to prevent and detect this activity may not be effective in all cases.

Customer or other outsiders may also attempt to perpetuate fraud or scams in the form of identity theft, money laundering, fraudulent or altered deposits, or use of counterfeit instruments, as a few examples. The Company also faces fraud risk associated with the origination of loans, including the intentional misstatement of information in property appraisals or other underwriting documentation provided to it by customers or by third-parties. Customers may expose the Company to certain fraud risks associated with the compromise of their computing systems or accounts, as well.

Should the Company's internal controls fail to prevent or detect an occurrence, or if any resulting loss is not insured or exceeds applicable insurance limits, such failures could adversely affect its business, results of operations and financial condition. Both the number and sophistication level of attempted fraudulent transactions are increasing. Should our internal controls fail to prevent or detect an occurrence of fraud, or if any resulting loss is not insured or exceeds applicable insurance limits, it could have a material adverse effect on the Company's business, results of operations and financial condition.

The Company's ability to attract and retain management and key personnel may affect future growth and earnings and legislation imposing new compensation restrictions could adversely affect its ability to do so.

Much of the Company's success and growth has been influenced strongly by its ability to attract and retain management experienced in banking and financial services and familiar with the communities in its market areas. The Company's ability to retain executive officers, current management teams, lending and retail banking officers, and administrative staff of its subsidiaries continues to be important to the successful implementation of its strategy. Also critical is the Company's ability to attract and retain qualified staff with the appropriate level of experience and knowledge about its market areas so as to implement its community-based operating strategy. The unexpected loss of services of key personnel, or the inability to recruit and retain qualified personnel in the future, could have an adverse effect on the Company's business, financial condition, and results of operation.

Damage resulting from negative publicity could harm the Company's reputation and adversely impact its business and financial condition.

The Company's ability to attract and maintain customers, investors, and employees is contingent upon maintaining trust. Negative public opinion could result from the Company's actual or alleged conduct in a number of activities, including, but not limited to, employee misconduct, a failure or perceived failure to deliver appropriate standards of service and quality or to treat customers fairly, faulty lending practices, compliance failures, security breaches, corporate governance, sharing or inadequate protection of customer information, failure to comply with laws or regulations, and actions taken by government regulators and community organizations in response to that conduct. The results of such actual or alleged misconduct could include customer dissatisfaction, inability to attract potential acquisition prospects, litigation, and heightened regulatory scrutiny, all of which could lead to lost revenue, higher operating costs and harm to the Company's reputation. No assurance can be made, despite the cost or efforts made by the Company to address the issues arising from reputational harm, that results could not adversely affect the Company's business, financial condition, and results of operations.

Severe weather, natural disasters, acts of terrorism or war or other adverse external events could significantly impact the Company's business.

Severe weather, natural disasters, acts of terrorism or war and other adverse external events could have a significant impact on the Company's ability to conduct business. In addition, such events could affect the stability of the Company's deposit base; impair the ability of borrowers to repay outstanding loans,

impair the value of collateral securing loans, cause significant property damage, result in loss of revenue and/or cause the Company to incur additional expenses. The occurrence of any such event in the future could have a material adverse effect on the Company's business, which in turn, could have a material adverse effect on the financial condition and results of operation.

The Company's framework for managing risks may not be effective in mitigating risk and loss.

The Company's risk management framework seeks to mitigate risk and loss. It has established processes and procedures intended to identify, measure, monitor, report, and analyze the types of risk to which it is subject, compliance risk and reputational risk, among others. However, as with any risk management framework, there are inherent limitations. Risks may exist, or emerge in the future, that have not been appropriately identified or anticipated. The Company's ability to successfully identify and manage the risks it faces is an important factor that can significantly impact results. If its risk management framework proves ineffective, the Company could suffer unexpected losses and could be materially adversely affected.

If securities or industry analysts do not publish or cease publishing research reports about us, if they adversely change their recommendations regarding our stock or if our operating results do not meet their expectations, the price of our stock could decline.

The trading market for our common stock will be influenced by the research and reports that industry or securities analysts may publish about us, our business, our market or our competitors. If there is limited or no securities or industry analyst coverage of us, the market price for our stock would be negatively impacted. Moreover, if any of the analysts who elect to cover us downgrade our common stock, provide more favorable relative recommendations about our competitors or if our operating results or prospects do not meet their expectations, the market price of our common stock may decline. If one or more of these analysts ceases coverage of us or fails to publish reports on us regularly, demand for our stock could decrease, which could cause our stock price and trading volume to decline.

New lines of business or new products and services may subject us to additional risks.

From time to time, we may seek to implement new lines of business or offer new products and services within existing lines of business in our current markets or new markets. There are substantial risks and uncertainties associated with these efforts, particularly in instances where the markets are not fully developed. In developing and marketing new lines of business and/or new products and services, we may invest significant time and resources. Initial timetables for the introduction and development of new lines of business and/or new products or services may not be achieved and price and profitability targets may not prove feasible, which could in turn have a material negative effect on our operating results.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

First Busey's headquarters are located at 100 West University Avenue, Champaign, Illinois. The Busey Bank and Busey Wealth Management headquarters are also located at 100 West University Avenue, Champaign, Illinois. FirsTech's headquarters are located at 130 North Water Street, Decatur, Illinois. These facilities, which are owned by the Company, house the executive and primary administrative offices of each respective entity. The Company also owns or leases other facilities, such as branches of Busey Bank, for business operations.

First Busey and its subsidiaries own or lease all of the real property and/or buildings on which each respective entity is located. From time to time, the Company will sign contracts for construction projects relating to the Company's facilities. The Company considers its properties to be suitable and adequate for its present needs.

Item 3. Legal Proceedings

As part of the ordinary course of business, First Busey and its subsidiaries are parties to litigation that is incidental to their regular business activities.

There is no material pending litigation, other than ordinary routine litigation incidental to its business, in which First Busey or any of its subsidiaries is involved or of which any of their property is the subject. Furthermore, there is no pending legal proceeding that is adverse to First Busey in which any director, officer or affiliate of First Busey, or any associate of any such director or officer, is a party, or has a material interest.

Item 4. Mine Safety Disclosures

Not applicable.

Part II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Common Stock Prices and Dividends

The following table presents for the periods indicated the high and low sales price for First Busey common stock as reported on The Nasdaq Global Select Market. Prices have been adjusted to reflect the Reverse Stock Split on September 8, 2015.

Market Prices of Common Stock	2016 High		2016 Low		2015 High		2015 Low	
First Quarter	$	21.02	$	17.68	$	20.58	$	17.91
Second Quarter	$	22.91	$	19.00	$	20.52	$	18.18
Third Quarter	$	24.02	$	20.94	$	20.83	$	17.77
Fourth Quarter	$	31.01	$	21.80	$	22.59	$	18.65

During 2016 and 2015, First Busey declared cash dividends per share of common stock as follows:

	2016		2015	
January	$	0.17	$	0.15
April	$	0.17	$	0.15
July	$	0.17	$	0.15
October	$	0.17	$	0.17

The Company's board of directors and management are currently committed to continue paying regular cash dividends; however, no guarantee can be given with respect to future dividends, as they are dependent on certain regulatory restrictions, future earnings, capital requirements and financial condition of the Company and its subsidiaries.

As of February 28, 2017, First Busey Corporation had 38,231,654 shares of common stock outstanding held by 1,710 holders of record. Additionally, there were an estimated 7,032 beneficial holders whose stock was held in street name by brokerage houses and nominees as of that date.

Stock Repurchases

On February 3, 2015, First Busey's board of directors authorized the Company to repurchase up to an aggregate of 666,667 shares of its common stock. The repurchase plan has no expiration date and replaced the prior repurchase plan that was originally approved in 2008. There were no purchases made by or on behalf of First Busey of shares of its common stock during the quarter ended December 31, 2016. At December 31, 2016, the Company had 333,334 shares that may yet be purchased under the plan.

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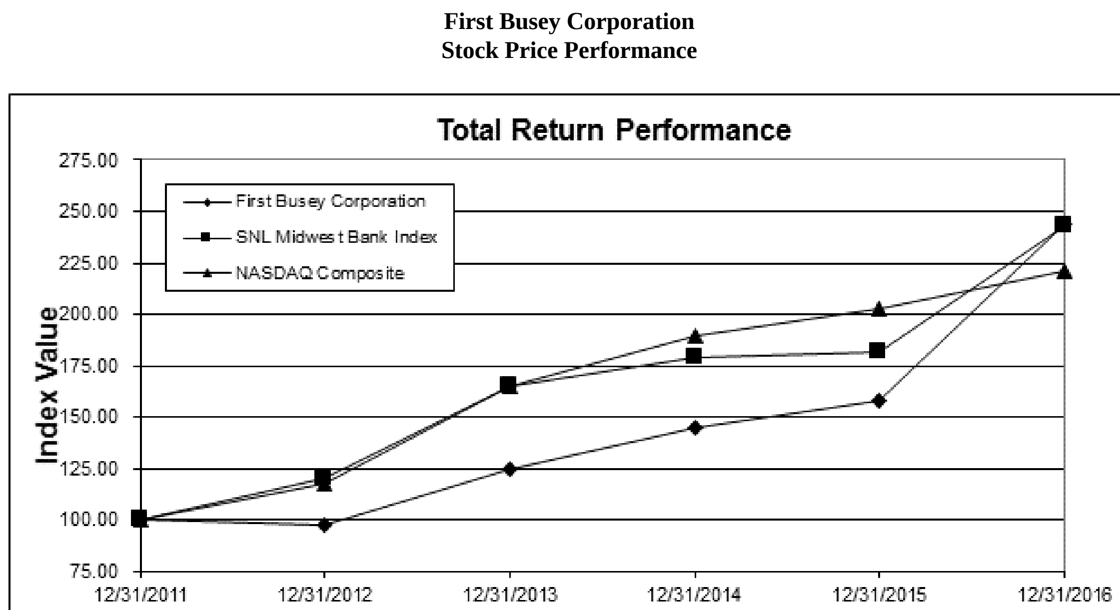
Performance Graph

The following graph compares First Busey's performance, as measured by the change in price of its common stock plus reinvested dividends, with the NASDAQ Composite and the SNL Midwest Bank Index for the five years ended December 31, 2016.

First Busey Corporation
Stock Price Performance



Index		12/31/11		12/31/12		12/31/13		12/31/14		12/31/15		12/31/16
First Busey Corporation	$	100.00	$	97.69	$	124.96	$	144.95	$	158.08	$	243.49
NASDAQ Composite		100.00		117.74		165.04		189.51		202.99		221.19
SNL Midwest Bank Index		100.00		120.36		164.78		179.14		181.86		242.99

The banks in the SNL Midwest Bank Index represent all publicly traded banks, thrifts or financial service companies located in Iowa, Illinois, Indiana, Kansas, Kentucky, Michigan, Minnesota, Missouri, North Dakota, Nebraska, Ohio, South Dakota and Wisconsin.

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Item 6. Selected Financial Data

Selected Consolidated Financial Information

The following selected financial data, adjusted to reflect the Reverse Stock Split, as of year-end and for each of the five years in the period ended December 31, 2016, have been derived from First Busey's audited Consolidated Financial Statements and the results of operations for each period. This financial data should be read in conjunction with the Consolidated Financial Statements and the related Notes to the Consolidated Financial Statements included in this Annual Report.

	2016	2015	2014	2013	2012
	(dollars in thousands, except per share data)				
Balance Sheet Items					
Securities available for sale	$ 759,811	$ 834,838	$ 759,065	$ 841,310	$ 1,001,497
Securities held to maturity	47,820	49,832	2,373	834	—
Loans held for sale	256,319	9,351	10,400	13,840	40,003
Gross portfolio loans	3,878,900	2,627,739	2,405,290	2,281,460	2,033,107
Allowance for loan losses	47,795	47,487	47,453	47,567	48,012
Total assets	5,425,170	3,998,976	3,665,607	3,539,575	3,618,056
Tangible assets(1)	5,303,894	3,966,034	3,638,234	3,509,318	3,584,667
Total deposits	4,374,298	3,289,106	2,900,848	2,869,138	2,980,292
Short-term debt(2)	264,157	172,972	198,893	172,348	139,024
Long-term debt	80,000	80,000	50,000	—	7,000
Junior subordinated debt owed to unconsolidated trusts	70,868	55,000	55,000	55,000	55,000
Stockholders' equity	594,314	373,186	433,639	415,364	408,797
Common stockholders' equity	594,314	373,186	360,975	342,700	336,133
Tangible common stockholders' equity(3)	480,415	343,211	336,271	316,351	307,976
Results of Operations					
Interest income	$ 164,889	$ 118,022	$ 108,075	$ 108,696	$ 116,916
Interest expense	10,229	6,207	6,499	8,631	14,770
Net interest income	154,660	111,815	101,576	100,065	102,146
Provision for loan losses	5,550	1,600	2,000	7,500	16,500
Net income available for common stockholders	49,694	38,306	32,047	25,093	18,724
Per Share Data					
Diluted earnings	$ 1.40	$ 1.32	$ 1.10	$ 0.86	$ 0.65
Cash dividends	0.68	0.62	0.57	0.36	0.72
Book value(4)	15.54	13.01	12.47	11.84	11.63
Tangible book value(5)	12.37	11.86	11.52	10.80	10.48
Closing stock price	30.78	20.63	19.53	17.40	13.95
Other Information					
Return on average assets	1.00%	0.98%	0.91%	0.71%	0.53%
Return on average common equity	9.59%	10.41%	9.11%	7.39%	5.49%
Net interest margin(6)	3.42%	3.10%	3.15%	3.15%	3.24%
Equity to assets ratio(7)	10.42%	9.39%	9.94%	9.61%	9.74%
Dividend payout ratio(8)	48.57%	46.97%	51.82%	41.86%	110.77%

(1)Total assets less goodwill and intangible assets, non-GAAP.
(2)Includes federal funds purchased, securities sold under agreements to repurchase, and short-term borrowings.
(3)Common equity less tax effected goodwill and intangible assets.
(4)Total common equity divided by shares outstanding as of period end.
(5)Total common equity less goodwill and intangible assets divided by shares outstanding as of period end.
(6)Tax-equivalent net interest income divided by average earning assets.
(7)Average common equity divided by average total assets.
(8)Ratio calculated using only common stock.

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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 as of December 31, 2016 and 2015 and results of operations for the years ended December 31, 2016, 2015, and 2014 of First Busey and its subsidiaries. It should be read in conjunction with "Item 1. Business," "Item 6. Selected Financial Data," the Consolidated Financial Statements and the related Notes to the Consolidated Financial Statements included in this Annual Report.

Critical Accounting Estimates

First Busey has established various accounting policies that govern the application of GAAP in the preparation of its Consolidated Financial Statements. First Busey's significant accounting policies are described in "*Note 1. Significant Accounting Policies*" in the Notes to the Consolidated Financial Statements. The majority of these accounting policies do not require management to make difficult, subjective or complex judgments or estimates or the variability of the estimates is not material.

Critical accounting estimates are those that are critical to the portrayal and understanding of First Busey's financial condition and results of operations and require management to make assumptions that are difficult, subjective or complex. These estimates involve judgments, assumptions and uncertainties that are susceptible to change. In the event that different assumptions or conditions were to prevail, and depending on the severity of such changes, the possibility of a materially different financial condition or materially different results of operations is a reasonable likelihood. Further, changes in accounting standards could impact the Company's critical accounting estimates. The following policies could be deemed critical:

Fair Value of Investment Securities. Securities are classified as held to maturity when First Busey has the ability and management has the intent to hold those securities to maturity. Accordingly, they are stated at cost, adjusted for amortization of premiums and accretion of discounts. First Busey had $47.8 million of securities classified as held to maturity at December 31, 2016. First Busey had no securities classified as trading at December 31, 2016. Securities are classified as available for sale when First Busey may decide to sell those securities due to changes in market interest rates, liquidity needs, changes in yields on alternative investments, and for other reasons. They are carried at fair value with unrealized gains and losses, net of taxes, reported in other comprehensive income. As of December 31, 2016, First Busey had $759.8 million of securities classified as available for sale. For equity securities, unadjusted quoted prices in active markets for identical assets are utilized to determine fair value at the measurement date. For all other securities, we obtain fair value measurements from an independent pricing service. The fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, live trading levels, trade execution data, market consensus prepayment speeds, credit information and the security's terms and conditions, among other things. Due to the limited nature of the market for certain securities, the fair value and potential sale proceeds could be materially different in the event of a sale.

Realized securities gains or losses are reported in security gains (losses), net in the Consolidated Statements of Income. The cost of securities sold is based on the specific identification method. Declines in the fair value of securities below their amortized cost are evaluated to determine whether they are temporary or OTTI. If the Company (a) has the intent to sell a debt security or (b) will more likely than not be required to sell the debt security before its anticipated recovery, then the Company recognizes the entire unrealized loss in earnings as an OTTI loss. If neither of these conditions are met, the Company evaluates whether a credit loss exists. The impairment is separated into the amount of the total impairment related to the credit loss and the amount of total impairment related to all other factors. The amount of the total OTTI related to the credit loss is recognized in earnings, and the amount related to all other factors is recognized in other comprehensive income.

The Company also evaluates whether the decline in fair value of an equity security is temporary or OTTI. In determining whether an unrealized loss on an equity security is temporary or OTTI, management considers various factors including the magnitude and duration of the impairment, the financial condition and near-term prospects of the issuer, and the intent and ability of the Company to hold the equity security to forecasted recovery.

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

The fair value of a loan portfolio acquired in a business combination generally requires greater levels of management estimates and judgment than the remainder of assets acquired or liabilities assumed. At the date of acquisition, when the loans have evidence of credit deterioration since origination and it is probable that the Company will not collect all contractually required principal and interest payments, the difference between contractually required payments and the cash flows expected to be collected at acquisition is referred to as the non-accretable difference. The Company must estimate expected cash flows at each future reporting date. Subsequent decreases in the expected cash flows will generally result in a provision for loan losses. Subsequent increases in the expected cash flows will generally be offset against the allowance for loan losses to the extent an allowance has been established or recognized as interest income prospectively.

Allowance for Loan Losses. First Busey has established an allowance for loan losses which represents its estimate of the probable losses inherent in the loan portfolio as of the date of the financial statements and reduces the total loans outstanding by an estimate of uncollectible loans. Loans deemed uncollectible are charged against and reduce the allowance. A provision for loan losses is charged to current expense. This provision acts to replenish the allowance for loan losses and to maintain the allowance at a level that management deems adequate. Acquired loans from business combinations with uncollected principal balances are carried net of a fair value adjustment for credit and interest rates. These loans are only included in the allowance calculation to the extent that the reserve requirement exceeds the fair value adjustment. However, as the acquired loans renew, it is generally necessary to establish an allowance which represents an amount that, in management's opinion, will be adequate to absorb probable credit losses in such loans.

To determine the adequacy of the allowance for loan losses, a formal analysis is completed quarterly to assess the risk within the loan portfolio. This assessment is reviewed by the Company's senior management. The analysis includes a review of historical performance, dollar amount and trends of past due loans, dollar amount and trends in non-performing loans, certain impaired loans, and loans identified as sensitive assets. Sensitive assets include non-accrual loans, past-due loans, loans on First Busey's watch loan reports and other loans identified as having probable potential for loss.

The allowance consists of specific and general components. The specific component considers loans that are classified as impaired. For such loans that are classified as impaired, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying amount of that loan. The general component covers non-classified loans and classified loans not considered impaired, and is based on historical loss experience adjusted for qualitative factors. Other adjustments may be made to the allowance for pools of loans after an assessment of internal or external influences on credit quality that are not fully reflected in the historical loss experience.

A loan is considered to be impaired when, based on current information and events, it is probable First Busey will not be able to collect all principal and interest amounts due according to the contractual terms of the loan agreement. When a loan becomes impaired, management generally calculates the impairment based on the present value of expected future cash flows discounted at the loan's effective interest rate. If the loan is collateral dependent, the fair value of the collateral is used to measure the amount of impairment. The amount of impairment and any subsequent changes are recorded through a charge to the provision for loan losses. For collateral dependent loans, First Busey has determined the required allowance on these loans based upon the estimated fair value, net of selling costs, of the applicable collateral. The required allowance or actual losses on these impaired loans could differ significantly if the ultimate fair value of the collateral is significantly different from the fair value estimates used by First Busey in estimating such potential losses.

Executive Summary

Operating Results

	Years Ended December 31,	
	2016	2015
	(dollars in thousands)	
Net income by operating segment:		
Banking	$ 48,691	$ 36,026
Remittance Processing	1,758	1,709
Wealth Management	4,388	4,721
Other	(5,143)	(3,450)
Total net income	$ 49,694	$ 39,006

Operating Performance

The Company continued its steady earnings expansion with net income and net income available to common stockholders of $49.7 million, or $1.40 per diluted common share for the year ended December 31, 2016, compared to net income of $39.0 million and net income available to common stockholders of $38.3 million, or $1.32 per diluted common share, for the year ended December 31, 2015.

The 2016 results benefitted from the acquisition of Pulaski since the closing of the transaction on April 30, 2016, resetting the baseline for financial performance in current and future periods in a multitude of positive ways. We expect to continue to realize significant accretion to core earnings as a result of this transaction. The addition of Pulaski rapidly accelerated growth in nearly every financial measure. The acquisition of Pulaski allowed the Company to significantly expand its geographic presence through a premier St. Louis banking franchise with an almost 100-year history and a strong regional residential lending presence. Further, this acquisition created a Midwest community bank with greater scale and improved operating efficiency, along with geographic and balance sheet diversification.

The Company incurred $10.0 million in pre-tax expenses related to the Pulaski acquisition during 2016. The level of such expenses is expected to decrease in future periods. In addition, the Company incurred $2.8 million of notable pre-tax costs during 2016, from wealth management division restructuring, branch fixed asset impairments and losses on private equity investments, which were partially offset by favorable pre-tax amounts of $1.5 million relating to a gain on sale of other real estate owned and a security gain from a strategic bond trade. Excluding these items, the Company's operating earnings(1) for 2016 would have been $56.5 million or $1.60 per diluted common share.

Portfolio loans increased to $3.88 billion at December 31, 2016 compared to $2.63 billion at December 31, 2015. The growth during the year was primarily due to the Pulaski acquisition. Commercial loans at December 31, 2016 grew to $2.80 billion from $1.96 billion for the same period of 2015, a notable increase of 42.5%.

Revenues from trust fees, commissions and brokers' fees, and remittance processing activities represented 45.8% of the Company's non-interest income for the year ended December 31, 2016, providing a balance to revenue from traditional banking activities. As Pulaski had no legacy fee income in these businesses, the addition of these service offerings in Pulaski's markets is expected to provide attractive growth opportunities in future periods.

2017 Merger

On February 6, 2017, the Company entered into the Merger Agreement with First Community, pursuant to which First Community will merge into First Busey, with First Busey as the surviving corporation. It is anticipated that First Community Financial Bank, First Community's wholly-owned bank subsidiary, will be merged with and into First Busey's bank subsidiary, Busey Bank, at a date following the completion of the holding company merger. At the time of the bank merger, First Community Financial Bank's banking offices will become branches of Busey Bank. The Merger is anticipated to be completed in mid-2017, and is subject to the satisfaction of customary closing conditions contained in the Merger Agreement including the approval of the appropriate regulatory authorities and the stockholders of First Community. The acquisition provides the Company entrance into the demographically and economically attractive southwest suburban markets of the greater Chicagoland area. These markets are home to more than 1.67 million people; 593,000 households and nearly 70,000 businesses. Both companies value an engaged and empowered workforce, and are committed to building a premier, service-oriented, community brand experience. As of December 31, 2016, First Community had total consolidated assets of $1.3 billion, total loans of $991.6 million and total deposits of $1.1 billion.

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(1)Operating earnings, a non-GAAP financial measure

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Asset Quality

While much internal focus has been directed toward growth, the Company's commitment to credit quality remains strong. The asset metrics reflect the post combination results with Pulaski since the date of acquisition. As of December 31, 2016, the Company reported non-performing loans of $21.6 million compared to $12.8 million as of December 31, 2015. Non-performing loans were 0.56% of total portfolio loans as of December 31, 2016 compared to 0.49% as of December 31, 2015. With a continued commitment to asset quality and the strength of our balance sheet, near-term loan losses are expected to remain generally low. While these results are encouraging, asset quality metrics can be generally influenced by market-specific economic conditions, and specific measures may fluctuate from period to period. The key metrics are as follows:

	As of and for the Years Ended	
	December 31, 2016	December 31, 2015
	(dollars in thousands)	
Portfolio loans	$ 3,878,900	$ 2,627,739
Allowance for loan losses	47,795	47,487
Non-performing loans		

Non-accrual loans	21,423	12,748
Loans 90+ days past due	131	15
Loans 30-89 days past due	4,090	3,282
Other non-performing assets	2,518	783
Allowance as a percentage of non-performing loans	221.75%	372.07%
Allowance for loan losses to portfolio loans	1.23%	1.81%

Results of Operation — Three Years Ended December 31, 2016

Net Interest Income

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

Certain assets with tax favorable treatment are evaluated on a tax-equivalent basis. Tax-equivalent basis assumes a federal income tax rate of 35%. Tax favorable assets generally have lower contractual pre-tax yields than fully taxable assets. A tax-equivalent analysis is performed by adding the tax savings to the earnings on tax favorable assets. After factoring in the tax favorable effects of these assets, the yields may be more appropriately evaluated against alternative earning assets. In addition to yield, various other risks are factored into the evaluation process.

The following tables show our Consolidated Average Balance Sheets, detailing the major categories of assets and liabilities, the interest income earned on interest-earning assets, the interest expense paid for the interest-bearing liabilities, and the related interest rates for the periods shown. The tables also show, for the periods indicated, a summary of the changes in interest earned and interest expense resulting from changes in volume and rates for the major components of interest-earning assets and interest-bearing liabilities. All average information is provided on a daily average basis.

Average Balance Sheets and Interest Rates

	Years Ended December 31,								
	2016			2015			2014		
	Average Balance	Income/ Expense	Yield/ Rate	Average Balance	Income/ Expense	Yield/ Rate	Average Balance	Income/ Expense	Yield/ Rate
	(dollars in thousands)								
Assets									
Interest-bearing bank deposits	$ 232,460	$ 1,090	0.47%	$ 237,819	$ 622	0.26%	$ 160,948	$ 411	0.26%
Federal funds sold	1,344	3	0.22%	—	—	—%	—	—	—%
Investment securities:									
U.S. Government obligations	185,855	2,143	1.15%	220,848	2,580	1.17%	274,062	3,491	1.27%
Obligations of states and political Subdivisions(1)	212,559	6,102	2.87%	238,129	6,574	2.76%	245,218	6,495	2.65%
Other securities	439,470	9,397	2.14%	447,333	9,625	2.15%	308,925	7,036	2.28%
Loans held for sale	164,728	5,997	3.64%	14,131	703	4.97%	10,917	541	4.96%
Portfolio loans(1), (2), (3)	3,394,352	143,650	4.23%	2,518,328	100,100	3.97%	2,290,441	92,118	4.02%
Total interest-earning assets(1)	$ 4,630,768	$ 168,382	3.64%	$ 3,676,588	$ 120,204	3.27%	$ 3,290,511	$ 110,092	3.35%
Cash and due from banks	70,785			86,942			87,884		
Premises and equipment, net	74,919			64,891			65,049		
Allowance for loan losses	(47,294)			(47,756)			(48,091)		
Other assets	244,735			140,838			143,211		
Total assets	$ 4,973,913			$ 3,921,503			$ 3,538,564		
Liabilities and Stockholders' Equity									
Interest-bearing transaction, savings and money market deposits	$ 2,316,413	$ 3,043	0.13%	$ 1,950,411	$ 2,169	0.11%	$ 1,741,887	$ 1,790	0.10%
Time deposits	721,124	4,022	0.56%	500,296	2,587	0.52%	537,415	3,333	0.62%
Short-term borrowings:									
Federal funds purchased	170	2	1.18%	—	—	—%	281	1	0.36%
Repurchase agreements	181,474	391	0.22%	179,662	182	0.10%	148,452	185	0.12%
Other	99,294	641	0.65%	14	6	42.86%	68	—	—%
Long-term debt	80,000	220	0.28%	52,145	46	0.09%	9,271	7	0.08%
Junior subordinated debt issued to unconsolidated trusts	65,540	1,910	2.91%	55,000	1,217	2.21%	55,000	1,183	2.15%
Total interest-bearing liabilities	$ 3,464,015	$ 10,229	0.30%	$ 2,737,528	$ 6,207	0.23%	$ 2,492,374	$ 6,499	0.26%
Net interest spread(1)			3.34%			3.04%			3.09%
Noninterest-bearing deposits	949,271			717,854			596,058		
Other liabilities	42,375			28,168			25,655		
Stockholders' equity	518,252			437,953			424,477		
Total liabilities and stockholders' equity	$ 4,973,913			$ 3,921,503			$ 3,538,564		
Interest income/earning assets(1)	$ 4,630,768	$ 168,382	3.64%	$ 3,676,588	$ 120,204	3.27%	$ 3,290,511	$ 110,092	3.35%
Interest expense/earning assets	$ 4,630,768	$ 10,229	0.22%	$ 3,676,588	$ 6,207	0.17%	$ 3,290,511	$ 6,499	0.20%
Net interest margin(1)		$ 158,153	3.42%		$ 113,997	3.10%		$ 103,593	3.15%

(1)On a tax-equivalent basis, assuming a federal income tax rate of 35%.
(2)Non-accrual loans have been included in average portfolio loans.
(3)Includes loan fee income of $3.0 million, $2.2 million and $3.0 million for 2016, 2015 and 2014, respectively.

Average Balance Sheets and Interest Rates (continued)

Changes in Net Interest Income:

	Years Ended December 31, 2016, 2015 and 2014					
	Year 2016 vs. 2015 Change due to(1)			Year 2015 vs. 2014 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:						
Interest-bearing bank deposits	$ (14)	$ 482	$ 468	$ 201	$ 10	$ 211
Federal funds sold	2	1	3	—	—	—
Investment securities:						
U.S. Government obligations	(404)	(33)	(437)	(638)	(273)	(911)
Obligations of state and political subdivisions(2)	(727)	255	(472)	(191)	270	79
Other securities	(168)	(60)	(228)	2,997	(408)	2,589
Loans held for sale	5,532	(238)	5,294	160	2	162
Portfolio loans(2)	36,720	6,830	43,550	9,069	(1,087)	7,982
Change in interest income(2)	$ 40,941	$ 7,237	$ 48,178	$ 11,598	$ (1,486)	$ 10,112
Increase (decrease) in interest expense:						
Interest-bearing transaction, savings and money market deposits	$ 439	$ 435	$ 874	$ 212	$ 167	$ 379
Time deposits	1,218	217	1,435	(219)	(527)	(746)
Short-term borrowings:						
Federal funds purchased	1	1	2	(1)	—	(1)
Repurchase agreements	2	207	209	35	(38)	(3)
Other	647	(12)	635	—	6	6
Long-term debt	35	139	174	38	1	39
Junior subordinated debt owed to unconsolidated trusts	261	432	693	—	34	34
Change in interest expense	$ 2,603	$ 1,419	$ 4,022	$ 65	$ (357)	$ (292)
Increase (decrease) in net interest income(2)	$ 38,338	$ 5,818	$ 44,156	$ 11,533	$ (1,129)	$ 10,404
Percentage increase in net interest income over prior period			38.7%			10.0%

(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%.

Earning Assets, Sources of Funds, and Net Interest Margin

Total average interest-earning assets increased $954.2 million, or 26.0%, to $4.63 billion in 2016, as compared to $3.68 billion in 2015. Total average interest-earning assets increased $386.1 million, or 11.7%, to $3.68 billion in 2015, as compared to $3.29 billion in 2014. Average loans increased in 2016 due to the acquisition of Pulaski. 2015 was impacted by our continued emphasis on organic commercial loan growth, supplemented by the Herget Financial acquisition. Loans generally have notably higher yields compared to interest-bearing bank deposits and investment securities and our loan growth contributed to a positive effect on net interest margin.

Total average interest-bearing liability balances increased $726.5 million, or 26.5%, to $3.46 billion in 2016, as compared to $2.74 billion in 2015. Total average interest-bearing liability balances increased $245.2 million, or 9.8%, to $2.74 billion in 2015, as compared to $2.49 billion in 2014. Average noninterest-bearing deposits increased $231.4 million, or 32.2%, to $949.3 million in 2016, as compared to $717.9 million in 2015. Average noninterest-bearing deposits increased $121.8 million, or 20.4%, to $717.9 million in 2015, as compared to $596.1 million in 2014. Average non-interest bearing deposits represented 23.8% of total average deposits in 2016. The Company remains strongly core deposit funded with total average deposits in 2016 representing 89.5% of total average liabilities, with solid liquidity and significant market share in the communities we serve.

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Interest income, on a tax-equivalent basis, increased $48.2 million, or 40.1%, to $168.4 million in 2016, from $120.2 million in 2015. The interest income increase related primarily to the increase in loan volumes, as discussed above. Interest income, on a tax-equivalent basis, increased $10.1 million, or 9.2%, to $120.2 million in 2015, from $110.1 million in 2014. The interest income increase in 2015 related primarily to higher average balances earned on assets in a low interest rate environment.

Interest expense increased during 2016 by $4.0 million, or 64.8%, to $10.2 million from $6.2 million in 2015. Interest expense decreased during 2015 by $0.3 million, or 4.5%, to $6.2 million from $6.5 million in 2014. The increase in 2016 was primarily the result of the deposit products and borrowings acquired from Pulaski. The decrease in interest expense during 2015 was the result of favorable changes in funding mix and decreases in interest rates offered by the Company on certain deposit products as the interest rate environment remained low.

Net interest income, on a tax-equivalent basis, increased $44.2 million, or 38.7%, in 2016 as compared to 2015. Net interest income, on a tax-equivalent basis, increased $10.4 million, or 10.0%, in 2015 as compared to 2014. Pulaski related purchase accounting accretion and amortization was $7.1 million in 2016, which included an improvement in the fourth quarter of 2016 driven by greater accelerated cash flows. The Federal Open Market Committee announced on December 14, 2016 that the federal funds rate increased from 0.50% to 0.75%. The Company expects this increase in interest rates to be modestly favorable to net interest income in the next year. However, a rise in interest rates could result in decreased demand for first mortgages as well as mortgage refinancing, activities which contribute to a significant portion of the Company's mortgage revenue.

Net interest margin, our net interest income expressed as a percentage of average earning assets stated on a tax-equivalent basis, increased to 3.42%, which included a tax-equivalent adjustment of $3.5 million, in 2016 compared to 3.10%, with a tax-equivalent adjustment of $2.2 million, in 2015 and 3.15%, with a

tax-equivalent adjustment of $2.0 million, in 2014. The net interest spread, which represents the difference between the average rate earned on earning assets and the average rate paid on interest-bearing liabilities, also on a tax-equivalent basis, was 3.34% in 2016 compared to 3.04% in 2015 and 3.09% in 2014.

The net interest margin discussion above is based upon annual results and average balances, which does not fully explain the trends of the net interest margin during the year. The quarterly net interest margins were as follows:

	2016	2015	2014
First Quarter	3.10%	3.03%	3.13%
Second Quarter	3.32%	3.05%	3.13%
Third Quarter	3.51%	3.10%	3.19%
Fourth Quarter	3.63%	3.23%	3.13%

Management attempts to mitigate the effects of an unpredictable interest-rate environment through effective portfolio management, prudent loan underwriting and operational efficiencies.

Non-interest Income

(dollars in thousands)

	As of December 31,							
	2016	2015	$ Change	% Change	2015	2014	$ Change	% Change
Trust fees	$ 20,302	$ 20,363	$ (61)	(0.3)%	$ 20,363	$ 19,559	$ 804	4.1%
Commissions and brokers' fees, net	2,839	3,096	(257)	(8.3)%	3,096	2,716	380	14.0%
Remittance processing	11,255	11,120	135	1.2%	11,120	9,421	1,699	18.0%
Service charges on deposit accounts	15,789	12,600	3,189	25.3%	12,600	12,038	562	4.7%
Other service charges and fees	7,464	6,483	981	15.1%	6,483	6,238	245	3.9%
Mortgage revenue	11,952	7,165	4,787	66.8%	7,165	6,139	1,026	16.7%
Security gains, net	1,232	380	852	224.2%	380	776	(396)	(51.0)%
Other income	4,336	3,585	751	20.9%	3,585	2,054	1,531	74.5%
Total non-interest income	$ 75,169	$ 64,792	$ 10,377	16.0%	$ 64,792	$ 58,941	$ 5,851	9.9%

Total non-interest income of $75.2 million increased $10.4 million from $64.8 million in 2015. Total non-interest income of $64.8 million increased $5.9 million from $58.9 million in 2014. The 2016 results were inclusive of Pulaski since the transaction closed on April 30, 2016.

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Combined wealth management revenue, consisting of trust fees and commissions and broker's fees, net, decreased slightly to $23.1 million in 2016 compared to $23.5 million in 2015. The 2016 decrease was primarily a result of market performance in the beginning of the year, as well as a reduction in retirement plan based revenue. Combined wealth management revenue, consisting of trust fees and commissions and broker's fees, net, of $23.5 million in 2015 rose $1.2 million from $22.3 million in 2014. As Pulaski generated no legacy fee income from these businesses, the addition of these service offerings in its markets should provide attractive growth opportunities. Furthermore, the Company believes the boutique services offered by Trevett within its suite of wealth services broadens its business base and enhances its ability to further develop revenue sources. In addition, our professional farm management and brokerage services are entrusted to care and maximize value for landowners of prime farmland in Illinois.

Remittance processing revenue relates to our payment processing company, FirsTech. Remittance processing revenue of $11.3 million in 2016 increased 1.2% compared to $11.1 million in 2015. Remittance processing revenue of $11.1 million in 2015 increased 18.0% compared to $9.4 million in 2014. The increases were primarily due to growth in online and mobile service revenues, with some offset to growth based on customers lost through consolidation with other companies in the normal course of business. Remittance processing adds important diversity to our revenue stream while widening our array of service offerings to larger commercial clients within our footprint and nationally.

Overall, service charges on deposit accounts combined with other service charges and fees increased to $23.3 million in 2016 as compared to $19.1 million in 2015, largely due to the Pulaski acquisition. Service charges on deposit accounts combined with other service charges and fees increased in 2015 as compared to $18.3 million in 2014. Evolving regulation, product changes and changing behaviors by our client base may impact the revenue derived from charges on deposit accounts.

Mortgage revenue of $12.0 million in 2016 increased $4.8 million compared to $7.2 million in 2015 principally from the additional mortgage activity contributed by the operations acquired from Pulaski. Mortgage revenue of $7.2 million in 2015 increased $1.1 million compared to $6.1 million in 2014. The additional mortgage volume is also reflected in the increase in cash flows for mortgage loans originated of $1.82 billion for 2016 compared to $267.7 million in 2015 and $223.0 million in 2014. The Company has historically held a leading position in its primary residential loan markets in Central Illinois, while the operations acquired from Pulaski have been ranked among the top residential mortgage loan producers in the St. Louis and Kansas City markets. Beginning on January 1, 2016, the Company prospectively adopted an alternative conforming approach to the accounting for loan fees and costs for mortgage loans held for sale, which reclassifies origination costs, including related compensation expense from salaries, wages and employee benefits, to mortgage revenue.

Security gains, net, of $1.2 million in 2016 increased compared to $0.4 million in 2015. Security gains, net, of $0.4 million in 2015 decreased compared to $0.8 million in 2014. Security gains, net, vary based on the Company's decisions around selling securities. The 2016 increase primarily related to a first quarter 2016 strategic bond trade that repositioned the investment portfolio to maintain future net interest margin strength and simultaneously elevated the current economic value to stockholders through non-interest income. The Company sold $31.1 million of seasoned To-Be-Announced eligible residential mortgage-backed securities to take advantage of a price floor phenomenon, with related gains of $1.1 million on the sale. The sales proceeds were reinvested within normal investment parameters at similar yields to the securities sold.

Other income of $4.3 million in 2016 increased as compared to $3.6 million in 2015 and increased in 2015 as compared to $2.1 million in 2014, across multiple revenue streams and fluctuations on private equity investments.

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Non-interest Expense

	As of December 31,							
(dollars in thousands)	2016	2015	$ Change	% Change	2015	2014	$ Change	% Change
Salaries, wages and employee benefits	$ 78,397	$ 63,516	$ 14,881	23.4%	$ 63,516	$ 61,341	$ 2,175	3.5%
Net occupancy expense of premises	11,633	8,704	2,929	33.7%	8,704	8,462	242	2.9%
Furniture and equipment expenses	6,591	4,958	1,633	32.9%	4,958	4,725	233	4.9%
Data processing	20,645	12,940	7,705	59.5%	12,940	10,879	2,061	18.9%
Amortization of intangible assets	4,438	3,192	1,246	39.0%	3,192	2,884	308	10.7%
Regulatory expense	2,859	2,357	502	21.3%	2,357	2,079	278	13.4%
Other expense	23,299	19,638	3,661	18.6%	19,638	17,839	1,799	10.1%
Total non-interest expense	$ 147,862	$ 115,305	$ 32,557	28.2%	$ 115,305	$ 108,209	$ 7,096	6.6%
Income taxes	$ 26,723	$ 20,696	$ 6,027	29.1%	$ 20,696	$ 17,534	$ 3,162	18.0%
Effective rate on income taxes	35.0%	34.7%			34.7%	34.9%		
Efficiency ratio	61.8%	62.8%			62.8%	65.1%		
Full-time equivalent employees as of period-end	1,295	795			795	801		

Total non-interest expense of $147.9 million in 2016 increased by $32.6 million as compared to $115.3 million in 2015 and increased by $7.1 million in 2015 as compared to $108.2 million in 2014. Pre-tax acquisition expenses of $10.0 million related to Pulaski impacted 2016 while pre-tax acquisition expenses of $1.0 million related to Herget Financial impacted 2015. We continue to examine all areas of the Company and remain focused on expense discipline. Following the planned Merger with First Community, acquisition expenses relating to the integration of First Community may have a negative impact on expenses in 2017.

Salaries, wages and employee benefits increased to $78.4 million in 2016 as compared to $63.5 million in 2015 and $61.3 million in 2014. For 2016, the increase in salaries, wages and employee benefits was due to an increased number of employees resulting from the Pulaski acquisition and $2.6 million in restructuring costs. The 2015 increase over 2014 was primarily due to first quarter restructuring expenses and an initial increase in the number of employees in connection with the Herget Financial acquisition. By the end of 2016, full-time equivalent employees totaled 1,295, up from 795 at December 31, 2015.

Combined net occupancy expense of premises and furniture and equipment expenses of $18.2 million in 2016 increased as compared to $13.7 million in 2015 and increased in 2015 as compared to $13.2 million in 2014. The acquisition of Pulaski added 13 full-service branches and several loan production offices. We continue to evaluate our branch network and operations for appropriate cost control measures while seeking improvements in service delivery to our customers.

Data processing expense increased 59.5% in 2016 to $20.6 million as compared to $12.9 million in 2015 and increased 18.9% in 2015 as compared to $10.9 million in 2014. The 2016 increase was primarily due to additional data processing expense for the year related to Pulaski's operations and $5.3 million of software conversion expenses related to the acquisition. 2015 expenses included $0.7 million of software conversion expenses related to the Herget Financial acquisition.

Amortization of intangible assets increased in 2016 to $4.4 million as compared to $3.2 million in 2015 as a result of the Pulaski acquisition. Amortization of intangible assets increased in 2015 to $3.2 million as compared to $2.9 million in 2014 as a result of the Herget Financial acquisition.

Regulatory expense increased 21.3% in 2016 to $2.9 million as compared to $2.4 million in 2015 as a result of the Pulaski acquisition. Regulatory expense increased 13.4% in 2015 to $2.4 million as compared to $2.1 million in 2014.

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Other expense of $23.3 million in 2016 increased $3.7 million as compared to $19.6 million in 2015 and increased $1.8 million in 2015 as compared to $17.8 million in 2014. The 2016 increase was primarily the result of $1.9 million in Pulaski acquisition expenses and $0.8 million in fixed asset impairments. The 2015 increase was the result of restructuring initiatives, which included $0.7 million in fixed asset impairments, $0.6 million of Herget Financial acquisition related expenses and $0.2 million in costs exploring other strategic growth opportunities.

The effective rate on income taxes, or income taxes divided by income before taxes, of 35.0%, 34.7% and 34.9% for the years ended December 31, 2016, 2015 and 2014, respectively, was lower than the combined federal and state statutory rate of approximately 40% due to fairly stable amounts of tax preferred interest income, such as municipal bond interest and bank owned life insurance income, accounting for a portion of our taxable income. As taxable income increases, we expect our effective tax rate to increase. The Company continues to monitor evolving federal and state tax legislation and its potential impact on operations on an ongoing basis.

The efficiency ratio represents total non-interest expense, less amortization charges, as a percentage of tax-equivalent net interest income plus non-interest income, less security gains and losses. The efficiency ratio, which is a non-GAAP financial measure commonly used by management and the investment

community in the banking industry, measures the amount of expense that is incurred to generate a dollar of revenue. The efficiency ratio improved in 2016 to 61.8% as compared to 62.8% in 2015 and 65.1% in 2014. Acquisition expenses related to the integration of Pulaski and Herget Financial had an impact on the efficiency ratios for 2016 and 2015 and we expect that acquisition expenses related to the planned integration of First Community will have an impact on the efficiency ratio in 2017. We will continue to examine appropriate avenues to improve efficiency, as a focus in future periods, with an emphasis on revenue growth.

Balance Sheet

Significant Balance Sheet Items
(dollars in thousands)

	December 31, 2016	December 31, 2015	$ Change	% Change
Assets				
Securities available for sale	$ 759,811	$ 834,838	$ (75,027)	(9.0)%
Securities held to maturity	47,820	49,832	(2,012)	(4.0)%
Loans held for sale	256,319	9,351	246,968	NM
Portfolio loans, net	3,831,105	2,580,252	1,250,853	48.5%
Total assets	$ 5,425,170	$ 3,998,976	$ 1,426,194	35.7%
Liabilities				
Deposits:				
Noninterest-bearing	$ 1,134,133	$ 881,685	$ 252,448	28.6%
Interest-bearing	3,240,165	2,407,421	832,744	34.6%
Total deposits	$ 4,374,298	$ 3,289,106	$ 1,085,192	33.0%
Securities sold under agreements to repurchase	$ 189,157	$ 172,972	$ 16,185	9.4%
Short-term borrowings	75,000	—	75,000	100%
Long-term debt	80,000	80,000	—	—%
Total liabilities	$ 4,830,856	$ 3,625,790	$ 1,205,066	33.2%
Stockholders' equity	$ 594,314	$ 373,186	$ 221,128	59.3%

NM= not meaningful

The Company's balance sheet was significantly impacted by the Pulaski acquisition. At the date of the acquisition, the fair value of Pulaski's total assets was $1.6 billion, including $1.4 billion in loans and loans held for sale, and $1.2 billion in deposits. Our priorities continue to focus around balance sheet strength, profitability and growth. The Company remains strongly core deposit funded, with solid liquidity and significant market share in the communities it serves. With an active growth plan, our strong capital position, an attractive core funding base and a sound credit foundation, we feel confident that we are well positioned for the future.

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Investment Securities

The Company has classified the majority of its investment securities as available for sale. Securities available for sale are carried at fair value. Securities held to maturity are carried at cost, adjusted for amortization of premiums and accretion of discounts. As of December 31, 2016, the fair value of securities available for sale was $759.8 million and the amortized cost was $759.7 million. There were $4.1 million of gross unrealized gains and $4.0 million of gross unrealized losses for a net unrealized gain of $0.1 million. The unrealized gain, net of tax, has been included in stockholders' equity. As of December 31, 2016, the amortized cost of securities held to maturity was $47.8 million and the fair value was $47.7 million.

The composition of securities available for sale was as follows:

	As of December 31,				
	2016	2015	2014	2013	2012
	(dollars in thousands)				
U.S. Treasury securities	$ 74,944	$ 65,191	$ 50,606	$ 102,640	$ 104,656
Obligations of U.S. government corporations and agencies	79,127	132,605	167,010	257,411	370,194
Obligations of states and political subdivisions	154,938	178,612	220,161	272,152	280,288
Residential mortgage-backed securities	302,249	307,549	235,636	177,735	217,715
Corporate debt securities	143,343	148,805	79,307	25,506	24,714
Mutual funds and other equity securities	5,210	2,076	6,345	5,866	3,930
Fair value of securities available for sale	$ 759,811	$ 834,838	$ 759,065	$ 841,310	$ 1,001,497
Amortized cost	$ 759,751	$ 830,935	$ 749,364	$ 833,735	$ 978,477
Fair value as a percentage of amortized cost	100.01%	100.47%	101.29%	100.91%	102.35%

The Company had $47.8 million, $49.8 million and $2.4 million of securities classified as held to maturity at December 31, 2016, 2015 and 2014, respectively. There were no held to maturity securities in the prior years. Held to maturity securities are primarily obligations of states and political subdivisions. The increase in securities classified as held to maturity in 2015 primarily related to the Herget Financial acquisition.

The primary purposes of the investment portfolio include providing a source of liquidity, providing collateral for pledging purposes against public monies and repurchase agreements, serving as a tool for interest rate risk positioning and providing a source of earnings by deploying funds which are not needed to fulfill loan demand, deposit redemptions or other liquidity purposes. Pledged securities totaled $547.2 million, or 67.8% of total securities, and $627.4 million, or 70.9% of total securities, at December 31, 2016 and 2015, respectively.

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The maturities, fair values and weighted average yields of securities available for sale and held to maturity as of December 31, 2016 were:

Available for sale(1) (2)	Due in 1 year or less Fair Value	Due in 1 year or less Weighted Average Yield(3)	Due after 1 year through 5 years Fair Value	Due after 1 year through 5 years Weighted Average Yield(3)	Due after 5 years through 10 years Fair Value	Due after 5 years through 10 years Weighted Average Yield(3)	Due after 10 years Fair Value	Due after 10 years Weighted Average Yield(3)
	(dollars in thousands)							
U.S. Treasury securities	$ 48,257	1.12%	$ 26,613	1.56%	$ 74	2.00%	$ —	—%
Obligations of U.S. government corporations and agencies	30,705	0.83%	48,422	1.36%	—	—%	—	—%
Obligations of states and political subdivisions(4)	39,837	2.04%	84,450	2.62%	29,155	4.59%	1,496	3.61%
Residential mortgage-backed securities	3	14.87%	6,098	3.44%	36,037	2.77%	260,111	2.22%
Corporate debt securities	810	3.56%	140,043	2.35%	2,490	2.47%	—	—%
Total	$ 119,612	1.37%	$ 305,626	2.22%	$ 67,756	3.54%	$ 261,607	2.23%

Held to maturity(1)	Due in 1 year or less Fair Value	Due in 1 year or less Weighted Average Yield(3)	Due after 1 year through 5 years Fair Value	Due after 1 year through 5 years Weighted Average Yield(3)	Due after 5 years through 10 years Fair Value	Due after 5 years through 10 years Weighted Average Yield(3)	Due after 10 years Fair Value	Due after 10 years Weighted Average Yield(3)
	(dollars in thousands)							
Obligations of states and political subdivisions(4)	$ 1,705	2.04%	$ 19,721	2.58%	$ 19,736	3.16%	$ 3,133	3.58%
Commercial mortgage-backed securities	—	—%	—	—%	3,388	2.56%	—	—%
Total	$ 1,705	2.04%	$ 19,721	2.58%	$ 23,124	3.07%	$ 3,133	3.58%

(1) Securities are presented based upon final contractual maturity or pre-refunded date.
(2) Excludes mutual funds and other equity securities.
(3) Securities with floating rates are assumed to remain constant at their rates as of December 31, 2016.
(4) Weighted average yield calculated on a tax-equivalent basis, assuming a federal income tax rate of 35%.

We consider many factors in determining the composition of our investment portfolio including, but not limited to, credit quality, duration, interest rate risk, liquidity, tax-equivalent yield, regulatory and overall portfolio allocation. As of December 31, 2016, the Company did not have any non-U.S. Treasury securities or obligations of U.S. government corporations and agencies issued securities that exceeded 10% of the Company's total stockholders' equity.

Loans Held for Sale

The Company originates conforming, residential mortgage loans directly through commission-based sales staffs in its market areas and through mortgage loan application leads purchased from internet-based sources. Loans held for sale totaled $256.3 million at December 31, 2016 compared to $9.4 million at December 31, 2015. The amount of loans held for sale significantly increased from December 31, 2015, as the acquisition of Pulaski significantly expanded the Company's mortgage operations. The Company has historically held a leading position in its primary residential loan markets in Central Illinois, while the operations acquired from Pulaski have been ranked among the top residential mortgage loan producers in the St. Louis and Kansas City markets. Loans held for sale generate net interest income until loans are delivered to investors, at which point mortgage revenue will be recognized.

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Portfolio Loans

The composition of our portfolio loans as of the dates indicated was as follows:

	As of December 31, 2016	2015	2014	2013	2012
	(dollars in thousands)				
Commercial	$ 959,888	$ 656,576	$ 601,760	$ 580,612	$ 433,688
Commercial real estate	1,654,164	1,208,429	1,104,151	1,092,273	981,132
Real estate construction	182,078	96,568	107,054	78,855	86,101
Retail real estate	1,069,060	651,191	582,073	520,653	519,833
Retail other	13,710	14,975	10,252	9,067	12,353
Portfolio loans	$ 3,878,900	$ 2,627,739	$ 2,405,290	$ 2,281,460	$ 2,033,107

Geographic distributions of portfolio loans by category were as follows:

	December 31, 2016				
	Illinois	Missouri	Florida	Indiana	Total
	(dollars in thousands)				
Commercial	$ 565,853	$ 346,204	$ 19,207	$ 28,624	$ 959,888
Commercial real estate	878,018	470,126	150,940	155,080	1,654,164
Real estate construction	53,142	71,430	12,789	44,717	182,078
Retail real estate	479,026	468,212	105,620	16,202	1,069,060
Retail other	12,250	565	895	—	13,710
Portfolio loans	$ 1,988,289	$ 1,356,537	$ 289,451	$ 244,623	$ 3,878,900
Less allowance for loan losses					47,795
Net portfolio loans					$ 3,831,105

	December 31, 2015			
	Illinois	Florida	Indiana	Total
	(dollars in thousands)			
Commercial	$ 606,542	$ 16,141	$ 33,893	$ 656,576
Commercial real estate	907,628	166,885	133,916	1,208,429
Real estate construction	47,466	15,032	34,070	96,568
Retail real estate	523,540	108,088	19,563	651,191
Retail other	14,125	850	—	14,975
Portfolio loans	$ 2,099,301	$ 306,996	$ 221,442	$ 2,627,739
Less allowance for loan losses				47,487
Net portfolio loans				$ 2,580,252

Portfolio loans, before allowance for loan losses, increased 47.6% to $3.88 billion as of December 31, 2016 from $2.63 billion at December 31, 2015. The growth was primarily due to the Pulaski acquisition. Commercial balances (consisting of commercial, commercial real estate and real estate construction loans) increased $834.6 million from December 31, 2015. Retail real estate and retail other loans increased $416.6 million from December 31, 2015.

Commitments to extend credit and standby letters of credit totaled approximately $895.2 million and $633.9 million as of December 31, 2016 and 2015, respectively.

Relationship banking, rather than transactional banking, remains a focus for the Company in 2017. Relationship banking implies a primary banking relationship with the borrower that includes, at minimum, an active deposit banking relationship in addition to the lending relationship.

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As illustrated by the tables above, we have a concentration of loans within commercial real estate. Generally, these loans are collateralized by assets of the borrowers. The loans are expected to be repaid from cash flows from operations of the property or the borrower or from proceeds from the sale of selected assets of the borrowers.

The following table sets forth remaining maturities of selected loans (excluding loan accretion and certain real estate-mortgage loans and installment loans to individuals) at December 31, 2016:

	1 Year or Less	1 to 5 Years	Over 5 Years	Total
	(dollars in thousands)			
Commercial	$ 534,236	$ 332,582	$ 95,183	$ 962,001
Commercial real estate	367,444	1,053,356	237,172	1,657,972
Real estate construction	93,776	72,199	17,609	183,584
Total	$ 995,456	$ 1,458,137	$ 349,964	$ 2,803,557
Interest rate sensitivity of selected loans				
Fixed rate	$ 539,723	$ 1,186,754	$ 322,010	$ 2,048,487
Adjustable rate	455,733	271,383	27,954	755,070
Total	$ 995,456	$ 1,458,137	$ 349,964	$ 2,803,557

Allowance for Loan Losses

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

	Years ended December 31,				
	2016	2015	2014	2013	2012
	(dollars in thousands)				
Average portfolio loans outstanding during period	$ 3,394,352	$ 2,518,328	$ 2,290,441	$ 2,105,769	$ 1,987,666
Allowance for loan losses: Balance at beginning of period	$ 47,487	$ 47,453	$ 47,567	$ 48,012	$ 58,506
Loans charged-off:					
Commercial	$ (6,598)	$ (1,333)	$ (1,990)	$ (964)	$ (4,422)
Commercial real estate	(470)	(1,462)	(1,173)	(3,904)	(15,874)

	2016	2015	2014	2013	2012
Real estate construction	(24)	—	(726)	1,268)	(2,219)
Retail real estate	(2,106)	(1,534)	(3,052)	(4,015)	(6,910)
Retail other	(458)	(365)	(430)	(518)	(638)
Total charge-offs	$ (9,656)	$ (4,694)	$ (7,371)	$ (10,669)	$ (30,063)
Recoveries:					
Commercial	$ 1,266	$ 391	$ 410	$ 213	$ 757
Commercial real estate	123	1,491	2,379	563	502
Real estate construction	441	284	1,612	706	598
Retail real estate	2,317	729	644	875	978
Retail other	267	233	212	367	234
Total recoveries	$ 4,414	$ 3,128	$ 5,257	$ 2,724	$ 3,069
Net loans charged-off	$ (5,242)	$ (1,566)	$ (2,114)	$ (7,945)	$ (26,994)
Provision for loan losses	$ 5,550	$ 1,600	$ 2,000	$ 7,500	$ 16,500
Balance at end of period	$ 47,795	$ 47,487	$ 47,453	$ 47,567	$ 48,012
Ratios:					
Net charge-offs to average portfolio loans	0.15%	0.06%	0.09%	0.38%	1.36%
Allowance for loan losses to portfolio loans at period end	1.23%	1.81%	1.97%	2.08%	2.36%

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Our allowance for loan losses was $47.8 million, or 1.23% of portfolio loans, and $47.5 million, or 1.81% of portfolio loans, at December 31, 2016 and 2015, respectively. The following table sets forth the allowance for loan losses by loan categories as of December 31 for each of the years indicated:

	2016		2015		2014		2013		2012	
	Amount	% of Loans to Total Loans	Amount	% of Loans to Total Loans	Amount	% of Loans to Total Loans	Amount	% of Loans to Total Loans	Amount	% of Loans to Total Loans
					(dollars in thousands)					
Commercial	$ 13,303	24.7%	$ 13,115	24.9%	$ 10,041	24.9%	$ 10,378	25.3%	$ 8,034	20.9%
Commercial real estate	20,623	42.6%	18,604	45.8%	20,639	45.8%	22,112	47.6%	21,085	47.3%
Real estate construction	1,870	4.7%	1,763	3.6%	2,795	4.4%	3,708	3.4%	4,842	4.2%
Retail real estate	11,648	27.6%	13,714	25.1%	13,662	24.5%	11,149	23.3%	13,724	27.0%
Retail other	351	0.4%	291	0.6%	316	0.4%	220	0.4%	327	0.6%
Total	$ 47,795	100.0%	$ 47,487	100.0%	$ 47,453	100.0%	$ 47,567	100.0%	$ 48,012	100.0%

Typically, when we move loans into non-accrual status, the loans are collateral dependent and charged down through the allowance for loan losses to the fair value of our interest in the underlying collateral less estimated costs to sell. Our loan portfolio is collateralized primarily by real estate.

As of December 31, 2016, management believed the level of the allowance and coverage of non-performing loans to be appropriate based upon the information available. However, additional losses may be identified in our loan portfolio as new information is obtained. We may need to provide for additional loan losses in the future as management continues to identify potential problem loans and gains further information concerning existing problem loans.

Provision for Loan Losses

The provision for loan losses is a current charge against income and represents an amount which management believes is sufficient to maintain an appropriate allowance for known and probable losses in the loan portfolio. In assessing the appropriateness of the allowance for loan losses, management considers the size and quality of the loan portfolio measured against prevailing economic conditions, regulatory guidelines, historical loan loss experience and credit quality of the portfolio. When a determination is made by management to charge-off a loan balance, such write-off is charged against the allowance for loan losses. We continue to attempt to identify problem loan situations on a proactive basis. Once problem loans are identified, adjustments to the provision for loan losses are made based upon all information available at that time. The provision reflects management’s analysis of additional allowance for loan losses necessary to cover probable losses in our loan portfolio.

The provision for loan losses increased to $5.6 million in 2016 compared to $1.6 million in 2015 and $2.0 million in 2014. The increase in provision for loan losses from 2015 was in part driven by the Pulaski acquisition and resulting acquisition accounting, which does not permit the carryover of the allowance for loan losses on acquired loans. Instead, these loans are carried net of a fair value adjustment made at the merger date for credit risk and interest rates and are included in the allowance calculation only to the extent that the reserve requirement exceeds such fair value adjustment. However, as the acquired loans renew and as the Company originates new loan production, it is necessary to establish an allowance for losses, which represents an amount that, in management’s opinion, will be adequate to absorb probable credit losses.

Sensitive assets include non-accrual loans, loans on our classified loan reports and other loans identified as having more than reasonable potential for loss. Management reviews sensitive assets on at least a quarterly basis for changes in each applicable customer’s ability to pay and changes in valuation of underlying collateral in order to estimate probable losses. The majority of these loans are being repaid in conformance with their contracts.

Non-performing Loans

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

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The following table sets forth information concerning non-performing loans and performing restructured loans at December 31 for each year indicated:

	2016	2015	2014	2013	2012
			(dollars in thousands)		
Non-accrual loans	$ 21,423	$ 12,748	$ 9,000	$ 17,164	$ 25,104
Loans 90+ days past due and still accruing	131	15	10	195	256
Total non-performing loans	$ 21,554	$ 12,763	$ 9,010	$ 17,359	$ 25,360
Repossessed assets	$ 2,517	$ 779	$ —	$ 1,732	$ 2,949
Other assets acquired in satisfaction of debts previously contracted	1	4	216	401	501
Total other real estate owned (“OREO”)	$ 2,518	$ 783	$ 216	$ 2,133	$ 3,450
Total non-performing loans and OREO	$ 24,072	$ 13,546	$ 9,226	$ 19,492	$ 28,810
Non-performing loans to portfolio loans, before allowance for loan losses	0.56%	0.49%	0.37%	0.76%	1.25%
Non-performing loans and OREO to portfolio loans, before allowance for loan losses	0.62%	0.52%	0.38%	0.85%	1.41%
Performing restructured loans not included above	$ 10,652	$ 8,830	$ 11,866	$ 11,891	$ 22,051

Total non-performing loans and OREO were $24.1 million at December 31, 2016, compared to $13.5 million at December 31, 2015. Asset quality metrics remain dependent upon market-specific economic conditions, and specific measures may fluctuate from quarter to quarter. The 2016 totals reflect the post-combination results of acquiring Pulaski.

Potential Problem Loans

Potential problem loans are those loans which are not categorized as impaired, restructured, non-accrual or 90+ days past due, but where current information indicates that the borrower may not be able to comply with 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 probable loan losses. Potential problem loans totaled $50.2 million at December 31, 2016, compared to $29.2 million at December 31, 2015. Management continues to monitor these credits and anticipates that restructurings, guarantees, additional collateral or other planned actions will result in full repayment of the debts. As of December 31, 2016, management identified no other loans that represent or result from trends or uncertainties which management reasonably expected to materially impact future operating results, liquidity or capital resources. As of December 31, 2016, management was not aware of any information about any other credits which caused 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 noninterest-bearing deposits as a percentage of average total deposits increased to 23.8% for the year ended December 31, 2016, from 22.7% for the year ended December 31, 2015, and 20.7% for the year ended December 31, 2014. We continue to focus on deepening our relationship value with customers, which, in turn, fosters deposit growth. In addition, deposit growth was impacted in 2016 by the Pulaski acquisition and in 2015 by the Herget Financial acquisition.

	Years Ended December 31,								
	2016			2015			2014		
	(dollars in thousands)								
	Average Balance	% Total	Average Rate	Average Balance	% Total	Average Rate	Average Balance	% Total	Average Rate
Noninterest-bearing demand deposits	$ 949,271	23.8%	0.00%	$ 717,854	22.7%	0.00%	$ 596,058	20.7%	0.00%
Interest-bearing demand, saving and money market deposits	2,316,413	58.1%	0.13%	1,950,411	61.5%	0.11%	1,741,887	60.6%	0.10%
Time deposits	721,124	18.1%	0.56%	500,296	15.8%	0.52%	537,415	18.7%	0.62%
Total	$ 3,986,808	100.0%	0.18%	$ 3,168,561	100.0%	0.15%	$ 2,875,360	100.0%	0.18%

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At December 31, 2016, the ending balance of time deposits with a minimum denomination of $100,000 was approximately $350.7 million with the following maturities *(dollars in thousands)*:

Under 3 months	$ 105,093
3 to 6 months	64,487
6 to 12 months	92,995
Over 12 months	88,154
Total	$ 350,729

Interest-bearing transaction deposits included $36.9 million and $7.8 million of reciprocal brokered transaction deposits at December 31, 2016 and 2015, respectively. Savings deposits included $22.2 million of reciprocal brokered deposits at December 31, 2016. There were no reciprocal brokered deposits in savings deposits at December 31, 2015.

National deposits of $0.1 million and $0.4 million were included in the balance of time deposits as of December 31, 2016 and 2015, respectively. The Company had reciprocal brokered time deposits of $93.4 million and $0.4 million at December 31, 2016 and 2015, respectively, included in the balance of time deposits. The Company had brokered deposits of $5.0 million at December 31, 2016, which are included in the balance of time deposits. There were no brokered deposits at December 31, 2015.

Borrowings

The following table sets forth the distribution of short-term borrowings and weighted average interest rates thereon as of December 31, 2016, 2015 and 2014. Securities sold under agreements to repurchase generally represent overnight borrowing transactions. Short-term borrowings include FHLB advances which mature in less than one year from date of origination.

Further, on November 18, 2016, the Company entered into Amendment No. 1 to a credit agreement with a national bank to extend a revolving loan facility to the Company in the maximum principal amount of $20.0 million. The loan has an annual interest rate of 2.50% plus the one-month LIBOR rate and has a maturity date of November 19, 2017. The loan also bears a non-usage fee calculated based on the average daily principal balance of the loan outstanding during the prior fiscal quarter. The Company had no amount outstanding on December 31, 2016 and 2015; however, during 2016 the Company drew on the loan.

	December 31, 2016	December 31, 2015	December 31, 2014
		(dollars in thousands)	
Securities sold under agreements to repurchase			
Balance at end of period	$ 189,157	$ 172,972	$ 198,893
Weighted average interest rate at end of period	0.30%	0.18%	0.14%
Maximum outstanding at any month end in year-to-date period	$ 216,293	$ 202,376	$ 198,893
Average daily balance for the year-to-date period	$ 181,474	$ 179,662	$ 148,452
Weighted average interest rate during period(1)	0.22%	0.10%	0.12%
Short-term borrowings, FHLB advances			
Balance at end of period	$ 75,000	$ —	$ —
Weighted average interest rate at end of period	0.63%	—%	—%
Maximum outstanding at any month end in year-to-date period	$ 236,700	$ —	$ —
Average daily balance for the year-to-date period	$ 96,698	$ —	$ —
Weighted average interest rate during period(1)	0.53%	—%	—%
Short-term borrowings, revolving loan			
Balance at end of period	$ —	$ —	$ —
Weighted average interest rate at end of period	—%	—%	—%
Maximum outstanding at any month end in year-to-date period	$ 10,000	$ —	$ —
Average daily balance for the year-to-date period	$ 2,596	$ —	$ —
Weighted average interest rate during period(1) (2)	4.78%	—%	—%

(1)The weighted average interest rate is computed by dividing total interest for the period by the average daily balance outstanding.
(2)Includes interest and non-usage fee.

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Liquidity

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

Average liquid assets are summarized in the table below:

	Years Ended December 31,		
	2016	2015	2014
		(dollars in thousands)	
Cash and due from banks	$ 70,785	$ 86,942	$ 87,884
Interest-bearing bank deposits	232,460	237,819	160,948
Federal funds sold	1,344	—	—
Total	$ 304,589	$ 324,761	$ 248,832
Percent of average total assets	6.1%	8.3%	7.0%

First Busey’s primary sources of funds consist of deposits, investment maturities and sales, loan principal repayments, and capital funds. Additional liquidity is provided by the ability to borrow from the FHLB and the Federal Reserve and brokered deposits.

During 2015 and 2014, the Company took on a modest level of long-term debt taking advantage of low interest rates and attractive funding options by executing $30.0 million and $50.0 million in FHLB discount note indexed advances, respectively. The variable rate notes range in maturity from nineteen months to ten years with options to prepay at par prior to maturity.

As of December 31, 2016, management believed that adequate liquidity existed to meet all projected cash flow obligations. We seek to achieve a satisfactory degree of liquidity by actively managing both assets and liabilities. Asset management guides the proportion of liquid assets to total assets, while liability management monitors future funding requirements and prices liabilities accordingly.

The ability of the Company to pay cash dividends to its stockholders and to service its debt was historically dependent on the receipt of cash dividends from its subsidiaries. Under applicable regulatory requirements, an Illinois state-chartered bank such as Busey Bank may not pay dividends in excess of its net profits. Because Busey Bank has been in a retained earnings deficit position since 2009, it has not been able to pay dividends since that time. With prior approval from its regulators, however, an Illinois state-chartered bank in this situation may be able to reduce its capital stock, by amending its charter to decrease the authorized number of shares, and then make a subsequent distribution to its holding company. Using this approach, and with the approval of its regulators, Busey Bank has distributed funds to the Company, the most recent of which was $30.0 million on October 21, 2016. The Company expects to seek regulatory approval for additional capital distributions in future periods. Pulaski Bank had positive retained earnings and was able to pay a dividend to First Busey prior to the bank merger.

Off-Balance-Sheet Arrangements

The Bank routinely enters into commitments to extend credit and standby letters of credit in the normal course of its business. As of December 31, 2016 and 2015, we had outstanding loan commitments and standby letters of credit of $895.2 million and $633.9 million, respectively. The balance of commitments to extend credit represents future cash requirements and some of these commitments may expire without being drawn upon. We anticipate we will have sufficient funds available to meet current loan commitments, including loan applications received and in process prior to the issuance of firm commitments.

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Contractual Obligations

We have entered into certain contractual obligations and other commitments. Such obligations generally relate to funding of operations through deposits, debt issuance, and property and equipment leases. The following table summarizes significant contractual obligations and other commitments as of December 31, 2016:

	Certificates of Deposit	Operating Leases	Junior Subordinated Debt Owed to Unconsolidated Trusts	Long-term Debt	Total
			(dollars in thousands)		
2017	$ 539,341	$ 2,711	$ —	$ 30,000	$ 572,052
2018	151,415	2,218	—	—	153,633
2019	59,313	1,723	—	20,000	81,036
2020	16,459	1,313	—	—	17,772
2021	19,577	532	—	18,000	38,109
Thereafter	95	1,566	70,868	12,000	84,529
Total	$ 786,200	$ 10,063	$ 70,868	$ 80,000	$ 947,131
Commitments to extend credit and standby letters of credit					$ 895,222

Cash Flows

Net cash flows used in operating activities totaled $21.1 million in 2016 compared to cash flows provided by operating activities of $61.5 million and $68.1 million in 2015 and 2014, respectively. Significant items affecting the cash flows provided by operating activities include net income, depreciation and amortization expense, the provision for loan losses, deferred income taxes, gain on sales of mortgage loans, net of origination costs and activities related to the origination and sales of loans held for sale. Net cash used in mortgage loan originations was $55.4 million in 2016, compared to cash provided by mortgage loan originations of $8.6 million in 2015 and $8.2 million in 2014, as 2016 results were significantly impacted by the Pulaski acquisition. Fluctuations in sales are also a function of changes in market rates for mortgage loans, which influence refinance activity.

Net cash provided by investing activities was $149.9 million in 2016, compared to cash used by investment activities of $134.2 million in 2015, and $51.3 million in 2014. Significant items affecting cash flows from investing activities are those activities associated with managing the Company's investment and loan portfolios and cash received in acquisitions. The Company experienced a net increase in loans of $1.3 million in 2016, excluding Pulaski acquired loans, $118.4 million in 2015 and $126.6 million in 2014.

Net cash used in financing activities totaled $281.4 million in 2016, compared to cash provided by financial activities of $52.6 million in 2015 and $91.0 million in 2014. Significant items affecting cash flows from financing activities are deposits, short-term borrowings, long-term debt, payment of dividends and proceeds and redemption from stock issuances. Deposits, which represent the Company's primary funding source, decreased by $142.1 million in 2016, excluding Pulaski acquired deposits, compared to an increase of $146.4 million in 2015 and $31.7 million in 2014. The 2016 decrease related to certificates of deposit while demand deposits, money market and savings accounts had an increase. Securities sold under agreements to repurchase decreased $6.7 million in 2016 and $25.9 million in 2015 but increased by $26.5 million in 2014. In 2015 and 2014, the Company took on a modest level of long-term debt taking advantage of low interest rates and attractive funding options. In 2015, the Company redeemed all of the 72,664 shares of its Senior Non-Cumulative Perpetual Preferred Stock, Series C ("Series C Preferred Stock") that had been issued to the Treasury pursuant to the Small Business Lending Fund ("SBLF") program.

Capital Resources

Our capital ratios are in excess of those required to be considered "well-capitalized" pursuant to applicable regulatory guidelines. The Federal Reserve Board uses capital adequacy guidelines in its examination and regulation of bank holding companies and their subsidiary banks. Risk-based capital ratios are established by allocating assets and certain off-balance-sheet commitments into risk-weighted categories. These balances are then multiplied by the factor appropriate for that risk-weighted category. For 2016, the guidelines, including the capital conservation buffer, required bank holding companies and their subsidiary banks to maintain a total capital to total risk-weighted

asset ratio of not less than 8.625%, Tier 1 capital to total risk-weighted asset ratio of not less than 6.625%, Common Equity Tier 1 capital to total risk-weighted asset ratio of not less than 5.125% and a Tier 1 leverage ratio of not less than 4.00%. These minimum capital requirements increase annually until the Basel III Rule is fully phased-in on January 1, 2019. As of December 31, 2016, First Busey had a total capital to total risk-weighted asset ratio of 14.04%, a Tier 1 capital to risk-weighted asset ratio of 12.92%, Common Equity Tier 1 capital to risk-weighted asset ratio of 11.22% and a Tier 1 leverage ratio of 10.45%; Busey Bank had ratios of 12.86%, 11.74%, 11.74% and 9.45%, respectively.

Redemption of Preferred Stock Under the Small Business Lending Fund

On August 25, 2011, the Company entered into the Purchase Agreement with the Treasury, pursuant to which the Company issued and sold to the Treasury 72,664 shares of its Series C Preferred Stock, having a liquidation preference of $1,000 per share, for aggregate proceeds of $72,664,000. On December 18, 2015, the Company redeemed all of the 72,664 shares of its Series C Preferred Stock that had been issued to the Treasury pursuant to the SBLF program. The shares were redeemed at their liquidation value of $1,000 per share plus accrued and unpaid dividends to, but excluding December 18, 2015. The redemption was approved by the Company's primary federal regulator and terminated the Company's participation in the SBLF program. Before redemption, the Series C Preferred Stock qualified as Tier 1 capital for the Company. Non-cumulative dividends were payable quarterly on the Series C Preferred Stock, which began October 1, 2011.

CPP Warrant

In connection with the Company's participation in the Capital Purchase Program ("CPP"), the Company issued to Treasury a warrant to purchase 382,555 shares of the Company's common stock. Subsequent to the date of the Company's participation in the CPP, it raised additional capital through a public offering of common stock and, as a result of that offering, the number of shares of common stock subject to the warrant were reduced by 50% to 191,278. On November 23, 2011 the Treasury completed an auction to sell its warrant in a private transaction. At December 31, 2016, this warrant to purchase 191,278 shares of the Company's common stock, at an exercise price of $39.21, remained outstanding.

New Accounting Pronouncements

The Company reviews new accounting standards as issued. Information relating to accounting pronouncements issued and applicable to the Company in 2016 appears in *"Note 1. Significant Accounting Policies"* in the Notes to the Consolidated Financial Statements. The Company has not identified any other standards that it believes merit further discussion.

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 salaries, wages 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 Average Balance Sheets and Interest Rates and Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

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

First Busey has an asset-liability committee, whose policy is to meet at least quarterly, to review current market conditions and attempts to structure the balance sheet to ensure stable net interest income despite potential changes in interest rates with all other variables constant.

As interest rate changes do not impact all categories of assets and liabilities equally or simultaneously, the asset-liability committee primarily relies on balance sheet and income simulation analysis to determine the potential impact of changes in market interest rates on net interest income. In these standard simulation models, the balance sheet is projected over a year-one time horizon and a year-two time horizon, and net interest income is calculated under current market rates and then assuming permanent instantaneous shifts of +/-100, +/-200, +/-300 and +/-400 basis points. Management measures such changes assuming immediate and sustained shifts in the federal funds rate and other market rate indices and the corresponding shifts in other non-market rate indices based on their historical changes relative to changes in the federal

funds rate and other market indices. The model assumes assets and liabilities remain constant at the measurement date balances. The model uses repricing frequency on all variable-rate assets and liabilities. Prepayment speeds on loans have been adjusted to incorporate expected prepayment speeds in both a declining and rising rate environment. As of December 31, 2016 and 2015, due to the current low interest rate environment, a downward adjustment in federal fund rates was not meaningful.

Utilizing this measurement concept, the interest rate risk of First Busey due to an immediate and sustained change in interest rates, expressed as a change in net interest income as a percentage of the net interest income calculated in the constant base model, was as follows:

	Year-One: Basis Point Changes							
	-400	-300	-200	-100	+100	+200	+300	+400
December 31, 2016	NA	NA	NA	NA	(0.29)%	(1.20)%	(2.42)%	(3.86)%
December 31, 2015	NA	NA	NA	NA	(0.01)%	(0.33)%	(1.00)%	(1.93)%

	Year-Two: Basis Point Changes							
	-400	-300	-200	-100	+100	+200	+300	+400
December 31, 2016	NA	NA	NA	NA	2.17%	3.12%	3.63%	3.56%
December 31, 2015	NA	NA	NA	NA	3.04%	5.58%	7.59%	8.95%

The risk is monitored and managed within approved policy limits. The calculation of potential effects of hypothetical interest rate changes was based on numerous assumptions and should not be relied upon as indicative of actual results. Actual results will differ from simulated results due to timing, magnitude and frequency of interest rate changes as well as changes in market conditions and management strategies. The above results do not take into account any management action to mitigate potential risk.

Item 8. Financial Statements and Supplementary Data

The financial statements are presented beginning on page 65, and incorporated herein by reference.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not applicable.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

An evaluation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) was carried out as of December 31, 2016, under the supervision and with the participation of our Chief Executive Officer, Chief Financial Officer and several other members of our senior management. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of December 31, 2016, our disclosure controls and procedures were effective in ensuring that the information we are required to disclose in the reports we file or submit under the Exchange Act was (i) accumulated and communicated to our management (including the Chief Executive Officer and Chief Financial Officer) to allow timely decisions regarding required disclosure, and (ii) recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms.

Management's Report on Internal Control Over Financial Reporting

First Busey's management is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting is a process designed under the supervision of the Company's Chief Executive Officer and Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's Consolidated Financial Statements for external reporting purposes in accordance with U.S. generally accepted accounting principles.

As of December 31, 2016, management assessed the effectiveness of the Company's internal control over financial reporting based on the criteria for effective internal control over financial reporting established in "*Internal Control — Integrated Framework*," issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in 2013. Based on this assessment, management determined that the Company maintained effective internal control over financial reporting as of December 31, 2016, based on the COSO criteria.

RSM US LLP, an independent registered public accounting firm that audited the Consolidated Financial Statements of the Company included in this Annual Report on Form 10-K, has issued an audit opinion on the effectiveness of the Company's internal control over financial reporting as of December 31, 2016. The report, which expresses an unqualified opinion on the effectiveness of the Company's internal control over financial reporting as of December 31, 2016, is included in this Item under the heading "*Report of Independent Registered Public Accounting Firm on Internal Control over Financial Reporting.*"

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Board of Directors and Stockholders of First Busey Corporation

We have audited First Busey Corporation's internal control over financial reporting as of December 31, 2016, based on criteria established in *Internal Control —Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013. First Busey Corporation's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control

over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (a) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (b) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (c) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the Consolidated Financial Statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, First Busey Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Consolidated Financial Statements of First Busey Corporation and subsidiaries and our report dated February 28, 2017, expressed an unqualified opinion.

/s/ RSM US LLP

Champaign, Illinois
February 28, 2017

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Changes in Internal Control Over Financial Reporting

During the quarter ended December 31, 2016, no change occurred in our internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other information

None.

Part III

Item 10. Directors, Executive Officers and Corporate Governance

(a) Directors of the Registrant and Corporate Governance. Information required by this Item is incorporated herein by reference to First Busey's Proxy Statement for its 2017 Annual Meeting of Stockholders to be filed with the SEC within 120 days of First Busey's fiscal year-end under the captions "Proposal 1: Election of Directors," "Section 16(a) Beneficial Ownership Reporting Compliance," and "Corporate Governance and Board of Directors Matters."

(b) Executive Officers of the Registrant. The information required by this item is incorporated herein by reference to Part I, Item I of this Form 10-K under the caption "Executive Officers."

Item 11. Executive Compensation

The information required by this Item is incorporated herein by reference to First Busey's Proxy Statement for its 2017 Annual Meeting of Stockholders to be filed with the SEC within 120 days of First Busey's fiscal year-end under the captions "Director Compensation," "Compensation Discussion and Analysis," "Executive Management Compensation and Succession Committee Report," "Compensation of Named Executive Officers," and "Executive Management Compensation and Succession Committee Interlocks and Insider Participation."

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Stock Incentive Plans

The following table discloses the number of outstanding options, warrants and rights granted by First Busey to participants in equity compensation plans, as well as the number of securities remaining available for future issuance under these plans as of December 31, 2016. The table provides this information separately for equity compensation plans that have and have not been approved by security holders. Additional information regarding stock incentive plans is presented in *"Note 17. Share-based Compensation"* in the Notes to the Consolidated Financial Statements included pursuant to Item 8.

Plan Category	(a) Number of	(b) Weighted-	(c) Number of

	securities to be issued upon exercise of outstanding options,warrants and rights		average exercise price of outstanding options, warrants and rights(1)	securities remaining for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by stockholders(2)	855,451	$	15.13	1,138,920
Equity compensation plans not approved by stockholders	—		—	—
Total	855,451	$	15.13	1,138,920

(1)The weighted average exercise price only relates to 209,382 stock options.

(2)Includes outstanding awards under the First Busey Corporation 2010 Equity Incentive Plan, as amended, the First Busey Corporation 2004 Stock Option Plan, the Main Street Trust, Inc. 2000 Stock Incentive Plan, the Pulaski Financial Corp. 2006 Long-Term Incentive Plan, the Pulaski Financial Corp. 2002 Stock Option Plan and the Pulaski Financial Corp. 2000 Stock- Based Incentive Plan.

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Other information required by Item 12 is incorporated herein by reference to First Busey's Proxy Statement for its 2017 Annual Meeting of Stockholders to be filed with the SEC within 120 days of First Busey's fiscal year-end under the caption "Stock Ownership of Certain Beneficial Owners and Management."

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this Item is incorporated herein by reference to First Busey's Proxy Statement for its 2017 Annual Meeting of Stockholders to be filed with the SEC within 120 days of First Busey's fiscal year-end under the captions "Certain Relationships and Related-Person Transactions" and "Corporate Governance and Board of Directors Matters."

Item 14. Principal Accountant Fees and Services

The information required by this Item is incorporated herein by reference to First Busey's Proxy Statement for its 2017 Annual Meeting of Stockholders to be filed with the SEC within 120 days of First Busey's fiscal year-end under the caption "Audit and Related Fees."

Part IV

Item 15. Exhibits and Financial Statement Schedules

Exhibits

A list of exhibits to this Form 10-K is set forth on the Exhibit Index immediately following the signature page hereto and is incorporated into this report by reference. Our Consolidated Financial Statements can be found immediately following the Exhibit Index.

Stockholders may obtain a copy of any of the exhibits by writing to First Busey Corporation, Corporate Secretary, at 100 W. University, Champaign, IL 61820, or by visiting the SEC's EDGAR database at http://www.sec.gov. The Company's SEC file number is 0-15950.

Item 16. Summary

None.

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.

Date: February 28, 2017

FIRST BUSEY CORPORATION
BY /s/ VAN A. DUKEMAN
Van A. Dukeman
President and Chief Executive Officer
(Principal Executive Officer)

BY /s/ ROBIN N. ELLIOTT
Robin N. Elliott
Chief Financial Officer
(Principal Financial Officer)

BY /s/ SUSAN K. MILLER
Susan K. Miller
Deputy Chief Financial Officer and
Chief Accounting Officer
(Principal Accounting Officer)

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Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ VAN A. DUKEMAN Van A. Dukeman	President and Chief Executive Officer; Director (Principal Executive Officer)	February 28, 2017
/s/ ROBIN N. ELLIOTT Robin N. Elliott	Chief Financial Officer (Principal Financial Officer)	February 28, 2017
/s/ SUSAN K. MILLER Susan K. Miller	Deputy Chief Financial Officer and Chief Accounting Officer (Principal Accounting Officer)	February 28, 2017
/s/ GREGORY B. LYKINS Gregory B. Lykins	Chairman	February 28, 2017
/s/ JOSEPH M. AMBROSE Joseph M. Ambrose	Director	February 28, 2017
/s/ STANLEY J. BRADSHAW Stanley J. Bradshaw	Director	February 28, 2017
/s/ DAVID J. DOWNEY David J. Downey	Director	February 28, 2017
/s/ STEPHEN V. KING Stephen V. King	Director	February 28, 2017
/s/ E. PHILLIPS KNOX E. Phillips Knox	Director	February 28, 2017
/s/ V. B. LEISTER, JR. V. B. Leister, Jr.	Director	February 28, 2017
/s/ AUGUST C. MEYER, JR. August C. Meyer, Jr.	Director	February 28, 2017
/s/ GEORGE T. SHAPLAND George T. Shapland	Director	February 28, 2017
/s/ THOMAS G. SLOAN Thomas G. Sloan	Director	February 28, 2017
/s/ JON D. STEWART Jon D. Stewart	Director	February 28, 2017
/s/ PHYLLIS M. WISE Phyllis M. Wise	Director	February 28, 2017

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Exhibit Index

Exhibit Number	Description of Exhibit
3.1	Amended and Restated Articles of Incorporation of First Busey Corporation, together with: (i) the Certificate of Amendment to Articles of Incorporation, dated July 31, 2007; (ii) the Certificate of Amendment to Articles of Incorporation, dated December 3, 2009; (iii) the Certificate of Amendment to Articles of Incorporation, dated May 21, 2010; and (iv) the Certificate of Change Pursuant to Nevada Revised Statutes Section 78.209, dated September 8, 2015, (filed as Exhibit 3.1 to First Busey's Quarterly Report on Form 10-Q for the quarter ended September 30, 2015, filed with the Commission on November 6, 2015 (Commission No. 0-15950), and incorporated herein by reference)
3.2	First Busey Corporation Amended and Restated By-Laws (filed as Exhibit 3.1 to First Busey's Form 8-K dated November 18, 2008, filed with the Commission on November 24, 2008 (Commission No. 0-15950), and incorporated herein by reference)
4.1	Warrant to Purchase Common Stock, dated March 6, 2009 (filed as Exhibit 4.2 to First Busey's Form 8-K dated March 4, 2009, filed with the Commission on March 9, 2009 (Commission No. 0-15950), and incorporated herein by reference)

10.1	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)
10.2	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)
10.3	First Busey Corporation 2004 Stock Option Plan (filed as Annex D to First Busey's definitive proxy statement filed with the Commission on March 12, 2004 (Commission No. 0-15950), and incorporated herein by reference)
10.4	Employment agreement between First Busey Corporation and Barbara J. Harrington, dated September 20, 2006 (filed as Exhibit 99.6 to First Busey's Form 8-K dated September 20, 2006, filed with the Commission on September 21, 2006 (Commission No. 0-15950), and incorporated by reference herein)
10.5	Employment agreement by and between Main Street Trust, Inc. and Van A. Dukeman, dated December 26, 2001 (filed as Exhibit 10.2 to Main Street Trust, Inc.'s Form 10-K for the year ended December 31, 2001, filed with the Commission on March 29, 2002 (Commission No. 000-30031), and incorporated by reference herein)
10.6	Main Street Trust, Inc. 2000 Stock Incentive Plan (filed as Exhibit 10.1 to Main Street Trust, Inc.'s Form S-8 filed on November 29, 2000 (Commission No. 333-50890), and incorporated by reference herein)
10.7	Letter agreement between Main Street Trust, Inc. and Gregory B. Lykins, dated September 20, 2006 (filed as Exhibit 99.1 to Main Street Trust, Inc.'s Form 8-K dated September 20, 2006, filed on September 21, 2006 (Commission No. 000-30031), and incorporated by reference herein)
10.8	Letter agreement between Main Street Trust, Inc. and Van A. Dukeman, dated September 20, 2006 (filed as Exhibit 99.2 to Main Street Trust, Inc.'s Form 8-K dated September 20, 2006, filed on September 21, 2006 (Commission No. 000-30031), and incorporated by reference herein)
10.9	Van A. Dukeman Addendum to Employment Agreement (filed as Exhibit 10.1 to First Busey's Form 10-Q for the quarter ended March 31, 2010, filed with the Commission on May 13, 2010 (Commission No. 0-15950), and incorporated herein by reference)

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10.10	Barbara J. Harrington Addendum to Employment Agreement (filed as Exhibit 10.3 to First Busey's Form 10-Q for the quarter ended March 31, 2010, filed with the Commission on May 13, 2010 (Commission No. 0-15950), and incorporated herein by reference)
10.11	Robert F. Plecki, Jr. Addendum to Employment Agreement (filed as Exhibit 10.4 to First Busey's Form 10-Q for the quarter ended March 31, 2010, filed with the Commission on May 13, 2010 (Commission No. 0-15950), and incorporated herein by reference)
10.12	Christopher M. Shroyer Addendum to Employment Agreement (filed as Exhibit 10.5 to First Busey's Form 10-Q for the quarter ended March 31, 2010, filed with the Commission on May 13, 2010 (Commission No. 0-15950), and incorporated herein by reference)
10.13	Securities Purchase Agreement, dated August 25, 2011, between First Busey and the Secretary of the Treasury, with respect to the issuance and sale of the Warrant to Purchase Common Stock (filed as Exhibit 10.1 to First Busey's Form 8-K dated August 25, 2011, filed with the Commission on August 25, 2011 (Commission No. 0-15950), and incorporated herein by reference)
10.14	Van A. Dukeman First Amendment to Employment Agreement, dated December 31, 2008 (filed as Exhibit 10.1 to First Busey's Form 10-Q for the quarter ended March 31, 2012, filed with the Commission on May 8, 2012 (Commission No. 0-15950), and incorporated herein by reference)
10.15	Employment agreement by and between Main Street Trust, Inc. and Christopher M. Shroyer, dated July 31, 2007 (filed as Exhibit 10.2 to First Busey's Form 10-Q for the quarter ended March 31, 2012, filed with the Commission on May 8, 2012 (Commission No. 0-15950), and incorporated herein by reference)
10.16	Christopher M. Shroyer First Amendment to Employment Agreement, dated December 23, 2008 (filed as Exhibit 10.3 to First Busey's Form 10-Q for the quarter ended March 31, 2012, filed with the Commission on May 8, 2012 (Commission No. 0-15950), and incorporated herein by reference)
10.17	Employment agreement by and between Main Street Trust, Inc. and Robert F. Plecki, dated July 30, 2007 (filed as Exhibit 10.4 to First Busey's Form 10-Q for the quarter ended March 31, 2012, filed with the Commission on May 8, 2012 (Commission No. 0-15950), and incorporated herein by reference)
10.18	Robert F. Plecki First Amendment to Employment Agreement, dated December 16, 2008 (filed as Exhibit 10.5 to First Busey's Form 10-Q for the quarter ended March 31, 2012, filed with the Commission on May 8, 2012 (Commission No. 0-15950), and incorporated herein by reference)
10.19	First Busey Corporation 2010 Equity Incentive Plan, as amended (filed as Appendix C to First Busey's definitive proxy statement filed with the Commission on April 17, 2015 (Commission No. 0-15950). and incorporated herein by reference)
10.20	Employment Agreement by and among First Busey Corporation, Busey Bank and John J. Powers, dated January 1, 2012 (filed as Exhibit 10.1 to First Busey's Form 10-Q for the quarter ended March 31, 2013, filed with the Commission on May 9, 2013 (Commission No. 0-15950), and incorporated herein by reference)

10.21	Employment Agreement by and among First Busey Corporation, Busey Bank and Robin Elliott, dated February 1, 2014 (filed as Exhibit 10.1 to Form 8-K dated May 22, 2014, filed with the Commission on May 27, 2014 (Commission No. 0-15950), and incorporated herein by reference)
10.22	Employment Agreement by and among First Busey Corporation, FirsTech Inc. and Howard Mooney, dated February 1, 2014 (filed as Exhibit 10.1 to First Busey's Form 10-Q for the quarter ended March 31, 2015, filed with the Commission on May 8, 2015 (Commission No. 0-15950), and incorporated herein by reference)

10.23	Credit Agreement between First Busey Corporation and U.S. Bank National Association dated as of November 20, 2015 (filed as Exhibit 10.1 to Form 8-K dated November 20, 2015, filed with the Commission on November 25, 2015 (Commission No. 0-15950), and incorporated herein by reference)
10.24	Employment Agreement by and among First Busey Corporation, Busey Bank and Curt Anderson, dated February 1, 2014 (filed as Exhibit 10.1 to First Busey's Form 10-Q for the quarter ended September 30, 2016, filed with the Commission on November 8, 2016 (Commission No. 0-15950), and incorporated herein by reference)
10.25	Employment Agreement by and among First Busey Corporation, Busey Bank and Amy Randolph, dated April 1, 2014 (filed as Exhibit 10.2 to First Busey's Form 10-Q for the quarter ended September 30, 2016, filed with the Commission on November 8, 2016 (Commission No. 0-15950), and incorporated herein by reference)
10.26	Amendment No. 1 to Credit Agreement between First Busey Corporation and U.S. Bank National Association dated as of November 18, 2016 (filed as Exhibit 10.1 to Form 8-K dated November 18, 2016, filed with the Commission on November 22, 2016 (Commission No. 0-15950), and incorporated herein by reference)
10.27	First Busey Corporation Executive Deferred Compensation Plan (filed as Exhibit 10.2 to First Busey's Form 10-Q for the quarter ended March 31, 2015, filed with the Commission on May 8, 2015 (Commission No. 0-15950), and incorporated herein by reference)
10.28	Form of Restricted Stock Unit Award Agreement under the First Busey Corporation 2010 Equity Incentive Plan, as amended (filed as Exhibit 4.4 to First Busey's Form S-8 filed on June 22, 2010 (Commission No. 333-167683), and incorporated herein by reference)
10.29	First Busey Corporation Employee Stock Purchase Plan (filed as Exhibit 4.2 to First Busey's Form S-8 filed on June 22, 2010 (Commission No. 333-167683), and incorporated herein by reference)
10.30	Pulaski Financial Corp. 2000 Stock Based Incentive Plan (filed as Appendix A to Pulaski Financial Corp.'s definitive proxy statement filed with the Commission on December 16, 1999 (Commission No. 000-24571), and incorporated herein by reference)
10.31	Pulaski Financial Corp. 2002 Stock Option Plan (filed as Appendix A to Pulaski Financial Corp.'s definitive proxy statement filed with the Commission on December 17, 2001 (Commission No. 000-24571), and incorporated herein by reference)
10.32	Pulaski Financial Corp. 2006 Long-Term Incentive Plan (filed as Appendix A to Pulaski Financial Corp.'s definitive proxy statement filed with the Commission on December 30, 2005 (Commission No. 000-24571), and incorporated herein by reference)
10.33	Agreement and Plan of Merger, dated February 6, 2017, by and among First Busey Corporation and First Community Financial Partners, Inc. (filed as Exhibit 2.1 to First Busey's Form 8-K dated February 6, 2017, filed with the Commission on February 6, 2017 (Commission No. 0-15950), and incorporated herein by reference)
*21.1	List of Subsidiaries of First Busey Corporation
*23.1	Consent of RSM US LLP
*31.1	Certification of Principal Executive Officer
*31.2	Certification of Principal Financial Officer
*32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, from First Busey's Chief Executive Officer

*32.2	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, from First Busey's Chief Financial Officer
*101	Interactive Data File
	Interactive data files pursuant to Rule 405 of Regulation S-T: (i) Consolidated Balance Sheets at December 31, 2016 and December 31, 2015; (ii) Consolidated Statements of Income for the years ended December 31, 2016, December 31, 2015 and December 31, 2014; (iii) Consolidated Statements of Comprehensive Income for the years ended December 31, 2016, December 31, 2015 and December 31, 2014; (iv) Consolidated Statements of Stockholders' Equity for the years ended December 31, 2016, December 31,

2015 and December 31, 2014; (v) Consolidated Statements of Cash Flows for the years ended December 31, 2016, December 31, 2015 and December 31, 2014; and (vi) Notes to Consolidated Financial Statements.

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* Filed herewith

FIRST BUSEY CORPORATION AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2016, 2015 AND 2014

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of First Busey Corporation

We have audited the accompanying consolidated balance sheets of First Busey Corporation and subsidiaries (the "Company") as of December 31, 2016 and 2015, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2016. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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 the Company as of December 31, 2016 and 2015, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2016, in conformity with United States generally accepted accounting principles.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2016, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013, and our report dated February 28, 2017 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ RSM US LLP

Champaign, Illinois
February 28, 2017

FIRST BUSEY CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
December 31, 2016 and 2015

	2016	2015
	(dollars in thousands)	
ASSETS		
Cash and due from banks (interest-bearing 2016 $75,006; 2015 $250,404)	$ **166,097**	$ 319,280
Federal funds sold	**609**	—
Cash and cash equivalents	**166,706**	319,280
Securities available for sale, at fair value	**759,811**	834,838
Securities held to maturity, at amortized cost	**47,820**	49,832
Loans held for sale	**256,319**	9,351

	2016	2015
Portfolio loans (net of allowance for loan losses 2016 $47,795; 2015 $47,487)	**3,831,105**	2,580,252
Premises and equipment, net	**77,861**	63,088
Goodwill	**102,814**	25,510
Other intangible assets, net	**18,462**	7,432
Cash surrender value of bank owned life insurance	**79,720**	43,103
Deferred tax assets, net	**20,224**	21,638
Other assets	**64,328**	44,652
Total assets	**$ 5,425,170**	$ 3,998,976
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Deposits:		
Noninterest-bearing	**$ 1,134,133**	$ 881,685
Interest-bearing	**3,240,165**	2,407,421
Total deposits	**4,374,298**	3,289,106
Securities sold under agreements to repurchase	**189,157**	172,972
Short-term borrowings	**75,000**	—
Long-term debt	**80,000**	80,000
Junior subordinated debt owed to unconsolidated trusts	**70,868**	55,000
Other liabilities	**41,533**	28,712
Total liabilities	**4,830,856**	3,625,790
Commitments and contingencies (see "*Note 19. Outstanding Commitments and Contingent Liabilities*")		
Stockholders' Equity		
Common stock, $.001 par value, authorized 66,666,667 shares; shares issued 2016 38,869,519; 2015 29,427,738	**39**	29
Surplus	**781,716**	591,053
Retained (deficit) earnings	**(163,689)**	(190,265)
Accumulated other comprehensive income	**36**	2,340
Total stockholders' equity before treasury stock	**618,102**	403,157
Common stock shares held in treasury at cost – 2016 633,232; 2015 732,887	**(23,788)**	(29,971)
Total stockholders' equity	**594,314**	373,186
Total liabilities and stockholders' equity	**$ 5,425,170**	$ 3,998,976

See accompanying Notes to Consolidated Financial Statements.

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FIRST BUSEY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
Years Ended December 31, 2016, 2015 and 2014

	2016	2015	2014
	(dollars in thousands, except per share amounts)		
Interest income:			
Interest and fees on loans held for sale and portfolio loans	**$ 147,816**	$ 100,395	$ 92,395
Interest and dividends on investment securities:			
Taxable interest income	**13,987**	14,330	12,427
Non-taxable interest income	**3,086**	3,297	3,253
Total interest income	**164,889**	118,022	108,075
Interest expense:			
Deposits	**7,065**	4,756	5,123
Federal funds purchased and securities sold under agreements to repurchase	**393**	182	186
Short-term borrowings	**641**	6	—
Long-term debt	**220**	46	7
Junior subordinated debt owed to unconsolidated trusts	**1,910**	1,217	1,183
Total interest expense	**10,229**	6,207	6,499
Net interest income	**154,660**	111,815	101,576
Provision for loan losses	**5,550**	1,600	2,000
Net interest income after provision for loan losses	**149,110**	110,215	99,576
Non-interest income:			
Trust fees	**20,302**	20,363	19,559
Commissions and brokers' fees, net	**2,839**	3,096	2,716
Remittance processing	**11,255**	11,120	9,421
Service charges on deposit accounts	**15,789**	12,600	12,038
Other service charges and fees	**7,464**	6,483	6,238
Mortgage revenue	**11,952**	7,165	6,139

	2016	2015	2014
Security gains, net	**1,232**	380	776
Other income	**4,336**	3,585	2,054
Total non-interest income	**75,169**	64,792	58,941
Non-interest expense:			
Salaries, wages and employee benefits	**78,397**	63,516	61,341
Net occupancy expense of premises	**11,633**	8,704	8,462
Furniture and equipment expenses	**6,591**	4,958	4,725
Data processing	**20,645**	12,940	10,879
Amortization of intangible assets	**4,438**	3,192	2,884
Regulatory expense	**2,859**	2,357	2,079
Other expense	**23,299**	19,638	17,839
Total non-interest expense	**147,862**	115,305	108,209
Income before income taxes	**76,417**	59,702	50,308
Income taxes	**26,723**	20,696	17,534
Net income	**$ 49,694**	$ 39,006	$ 32,774
Preferred stock dividends	**—**	700	727
Net income available for common stockholders	**$ 49,694**	$ 38,306	$ 32,047
Basic earnings per common share	**$ 1.42**	$ 1.32	$ 1.11
Diluted earnings per common share	**$ 1.40**	$ 1.32	$ 1.10

See accompanying Notes to Consolidated Financial Statements.

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FIRST BUSEY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Years Ended December 31, 2016, 2015 and 2014

	2016	2015	2014
		(dollars in thousands)	
Net income	**$ 49,694**	$ 39,006	$ 32,774
Other comprehensive (loss) income, before tax:			
Securities available for sale:			
Unrealized net (losses) gains on securities:			
Unrealized net holding (losses) gains arising during period	**(2,611)**	(5,418)	2,902
Reclassification adjustment for (gains) included in net income	**(1,232)**	(380)	(776)
Other comprehensive (loss) income, before tax	**(3,843)**	(5,798)	2,126
Income tax (benefit) expense related to items of other comprehensive income	**(1,539)**	(2,321)	765
Other comprehensive (loss) income, net of tax	**(2,304)**	(3,477)	1,361
Comprehensive income	**$ 47,390**	$ 35,529	$ 34,135

See accompanying Notes to Consolidated Financial Statements.

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FIRST BUSEY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
Years Ended December 31, 2016, 2015 and 2014

(dollars in thousands, except shares and per share data)

	Preferred Stock	Common Stock	Surplus	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income	Treasury Stock	Total
Balance, December 31, 2013	$ 72,664	$ 29	$ 593,203	$ (225,722)	$ 4,456	$ (29,266)	$ 415,364
Net income	—	—	—	32,774	—	—	32,774
Other comprehensive income	—	—	—	—	1,361	—	1,361
Issuance of 12,612 shares of treasury stock for employee stock purchase plan	—	—	(481)	—	—	692	211
Net issuance of 6,206 shares of treasury stock for restricted stock unit vesting and related tax benefit	—	—	(375)	—	—	341	(34)
Cash dividends common stock at $0.57 per share	—	—	—	(16,497)	—	—	(16,497)
Stock dividend equivalents restricted stock units at $0.57 per share	—	—	212	(212)	—	—	—
Stock based employee compensation	—	—	1,187	—	—	—	1,187
Preferred stock dividends	—	—	—	(727)	—	—	(727)

Balance, December 31, 2014	**$ 72,664**	**$ 29**	**$ 593,746**	**$ (210,384)**	**$ 5,817**	**$ (28,233)**	**$ 433,639**

See accompanying Notes to Consolidated Financial Statements.

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FIRST BUSEY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (continued)
Years Ended December 31, 2016, 2015 and 2014

(dollars in thousands, except shares and per share data)

	Preferred Stock	Common Stock	Surplus	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income	Treasury Stock	Total
Balance, December 31, 2014	$ 72,664	$ 29	$ 593,746	$ (210,384)	$ 5,817	$ (28,233)	$ 433,639
Net income	—	—	—	39,006	—	—	39,006
Other comprehensive loss	—	—	—	—	(3,477)	—	(3,477)
Issuance of 15,292 shares of treasury stock for employee stock purchase plan	—	—	(590)	—	—	881	291
Net issuance of 59,983 shares of treasury stock for restricted stock unit vesting and related tax benefit	—	—	(3,784)	—	—	3,643	(141)
Issuance of 612 shares of treasury stock	—	—	—	—	—	34	34
Cash dividends common stock at $0.62 per share	—	—	—	(17,919)	—	—	(17,919)
Stock dividend equivalents restricted stock units at $0.62 per share	—	—	268	(268)	—	—	—
Stock based employee compensation	—	—	1,418	—	—	—	1,418
Preferred stock dividends	—	—	—	(700)	—	—	(700)
Purchase of 333,333 shares of treasury stock	—	—	—	—	—	(6,296)	(6,296)
Cash paid in lieu of fractional shares in reverse stock split	—	—	(5)	—	—	—	(5)
Redemption of SBLF	(72,664)	—	—	—	—	—	(72,664)
Balance, December 31, 2015	**$ —**	**$ 29**	**$ 591,053**	**$ (190,265)**	**$ 2,340**	**$ (29,971)**	**$ 373,186**

See accompanying Notes to Consolidated Financial Statements.

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FIRST BUSEY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (continued)
Years Ended December 31, 2016, 2015 and 2014

(dollars in thousands, except shares and per share data)

	Preferred Stock	Common Stock	Surplus	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income	Treasury Stock	Total
Balance, December 31, 2015	$ —	$ 29	$ 591,053	$ (190,265)	$ 2,340	$ (29,971)	$ 373,186
Net income	—	—	—	49,694	—	—	49,694
Other comprehensive loss	—	—	—	—	(2,304)	—	(2,304)
Issuance of 14,749 shares of treasury stock for employee stock purchase plan	—	—	(616)	—	—	929	313
Net issuance of 43,396 shares of treasury stock for restricted stock unit vesting and related tax benefit	—	—	(3,477)	—	—	2,668	(809)
Net issuance of 41,771 shares of stock options exercised, net of shares redeemed	—	—	(2,587)	—	—	2,591	4
Stock issued for acquisition of Pulaski, net of stock issuance costs	—	10	195,188	—	—	—	195,198
Cash dividends on common stock of $0.68 per share	—	—	—	(22,748)	—	—	(22,748)
Stock dividend equivalents on restricted stock units of $0.68 per share	—	—	352	(352)	—	—	—
Stock dividend accrued on restricted stock awards assumed with the Pulaski acquisition at $0.34 per share	—	—	—	(18)	—	—	(18)
Stock based employee compensation	—	—	1,803	—	—	—	1,803
Return of 261 equity trust shares	—	—	—	—	—	(5)	(5)

Balance, December 31, 2016	$ —	$ 39	$ 781,716	$ (163,689)	$ 36	$ (23,788)	$ 594,314

See accompanying Notes to Consolidated Financial Statements.

FIRST BUSEY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2016, 2015 and 2014

	2016	2015	2014
		(dollars in thousands)	
Cash Flows from Operating Activities			
Net income	$ **49,694**	$ 39,006	$ 32,774
Adjustments to reconcile net income to net cash provided by operating activities:			
Stock-based and non-cash compensation	**1,803**	1,418	1,187
Depreciation	**7,295**	5,697	5,572
Amortization of intangible assets	**4,438**	3,192	2,884
Premises and equipment impairment	**756**	670	—
Provision for loan losses	**5,550**	1,600	2,000
Provision for deferred income taxes	**2,953**	2,985	12,715
Amortization of security premiums and discounts, net	**6,877**	8,360	7,305
Accretion of premiums and discounts on time deposits and trust preferred securities, net	**(669)**	—	—
Accretion of premiums and discounts on loans, net	**(7,429)**	(1,476)	—
Net security gains	**(1,232)**	(380)	(776)
Gain on sales of mortgage loans, net of origination costs	**(28,299)**	(5,843)	(4,723)
Mortgage loans originated for sale	**(1,822,027)**	(267,737)	(222,976)
Proceeds from sales of mortgage loans	**1,767,220**	276,377	231,139
Increase in cash surrender value of bank owned life insurance	**(1,522)**	(1,454)	(796)
Net losses (gains) on disposition of premises and equipment	**251**	355	(19)
Increase in deferred compensation	**142**	201	363
Change in assets and liabilities:			
(Increase) decrease in other assets	**(407)**	(137)	2,112
Decrease in other liabilities	**(6,288)**	(1,329)	(650)
Net cash (used in) provided by operating activities	$ **(20,894)**	$ 61,505	$ 68,111
Cash Flows from Investing Activities			
Purchases of securities classified available for sale	**(180,447)**	(235,291)	(182,123)
Purchases of securities classified held to maturity	**(2,103)**	(16,287)	(1,026)
Proceeds from sales of securities classified available for sale	**52,587**	25,068	74,113
Proceeds from maturities of securities classified available for sale	**241,304**	200,780	185,329
Proceeds from sales of securities classified held to maturity	**399**	—	—
Proceeds from maturities of securities classified held to maturity	**3,811**	480	10
Net increase in loans	**(1,294)**	(118,398)	(126,604)
Purchases of premises and equipment	**(8,991)**	(4,114)	(3,778)
Proceeds from disposition of premises and equipment	**2,485**	312	78
Proceeds from sale of OREO properties	**4,498**	1,090	2,739
Proceeds from the redemption of FHLB stock	**35,397**	—	—
Purchase of FHLB stock	**(23,478)**	—	—
Net cash received in acquisitions	**25,575**	12,114	—
Net cash provided by (used in) investing activities	$ **149,743**	$ (134,246)	$ (51,262)

(continued)

FIRST BUSEY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
Years Ended December 31, 2016, 2015 and 2014

	2016	2015	2014
		(dollars in thousands)	
Cash Flows from Financing Activities			
Net decrease in certificates of deposit	$ **(173,385)**	$ (86,574)	$ (86,300)
Net increase in demand deposits, money market and savings accounts	**31,322**	232,931	118,010
Net (decrease) increase in federal funds purchased and securities sold under agreements to repurchase	**(6,655)**	(25,921)	26,545

Proceeds from short-term borrowings, net	**(104,000)**	—	—
Repayment of FHLB long term advances	**(4,906)**	—	—
Proceeds from long-term debt	**—**	30,000	50,000
Value of shares surrendered upon vesting of restricted stock units to satisfy tax obligations	**(809)**	(269)	(45)
Redemption of SBLF preferred stock	**—**	(72,664)	—
Cash dividends paid	**(22,748)**	(18,619)	(17,224)
Cash payment for fractional shares related to reverse stock split	**—**	(5)	—
Proceeds from stock options exercised	**4**	—	—
Common stock issuance costs	**(246)**	—	—
Purchase of treasury stock	**—**	(6,296)	—
Net cash (used in) provided by financing activities	**(281,423)**	52,583	90,986
Net (decrease) increase in cash and cash equivalents	**(152,574)**	(20,158)	107,835
Cash and cash equivalents, beginning of period	**319,280**	339,438	231,603
Cash and cash equivalents, ending of period	**$ 166,706**	$ 319,280	$ 339,438
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION			
Cash Payments for:			
Interest	**$ 9,674**	$ 6,282	$ 6,665
Income taxes	**20,186**	17,170	6,395
Non-cash Investing and Financing Activities:			
Other real estate acquired in settlement of loans	**2,775**	1,251	660

See accompanying Notes to Consolidated Financial Statements.

FIRST BUSEY CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies

Description of business

First Busey Corporation is a Nevada corporation and a financial holding company. The Company's subsidiaries provide retail and commercial banking services, remittance processing, and offer a full range of financial products and services, including depository, lending, security brokerage services, investment management and fiduciary services, to individual, corporate, institutional and governmental customers through its locations in Illinois, Missouri, southwest Florida and Indianapolis, Indiana. The Company and its subsidiaries are subject to competition from other financial institutions and non-financial institutions providing financial products and services. The Company and its subsidiaries are also subject to the regulations of certain regulatory agencies and undergo periodic examinations by those regulatory agencies.

All share and per share information has been restated for all prior periods presented in this Annual Report on Form 10-K to give retroactive effect to the Reverse Stock Split.

The significant accounting and reporting policies for the Company and its subsidiaries follow:

Basis of consolidation

The Consolidated Financial Statements include the accounts of the Company and its subsidiaries: Busey Bank and its wholly-owned subsidiaries FirsTech, Inc. and Pulaski Service Corporation; and Busey Wealth Management, Inc. and its wholly-owned subsidiaries Busey Trust Company and Busey Capital Management, Inc. The Company and its subsidiaries maintain various LLCs that hold specific assets for risk mitigation purposes and are consolidated into these financial statements. All significant intercompany balances and transactions have been eliminated in consolidation.

The Consolidated Financial Statements also exclude the following wholly-owned variable interest entities: First Busey Statutory Trust II, First Busey Statutory Trust III, First Busey Statutory Trust IV, Pulaski Financial Statutory Trust I and Pulaski Financial Statutory Trust II because the Company is not the primary beneficiary.

The Consolidated Financial Statements of the Company have been prepared in conformity with GAAP and conform to predominant practice within the banking industry.

Use of estimates

In preparing the accompanying Consolidated Financial Statements in conformity with GAAP, the Company's management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses for the reporting period. Actual results could differ from those estimates. Material estimates which are particularly susceptible to significant change in the near-term relate to the fair value of investment securities, fair value of assets acquired and liabilities assumed in business combinations and the determination of the allowance for loan losses.

Comprehensive income

Accounting principles generally require that recognized revenue, expenses, gains and losses be included in net income. Although certain changes in assets and liabilities, such as unrealized gains and losses on available for sale securities, are reported as a separate component of the equity section of the balance sheet, such items, along with net income, are components of comprehensive income.

Trust assets

Assets held for customers in a fiduciary or agency capacity, other than trust cash on deposit at the Company's bank subsidiary, are not assets of the Company and, accordingly, are not included in the accompanying Consolidated Financial Statements. Busey Trust Company had assets under care of $5.4 billion and $5.1 billion at December 31, 2016 and 2015, respectively.

Cash flows

For purposes of the Consolidated Statement of Cash Flows, cash and cash equivalents includes cash on hand, amounts due from banks and federal funds sold. Cash flows from federal funds purchased and sold, short-term borrowings, and securities sold under agreements to repurchase are reported net, since their original maturities are less than three months. Cash flows from loans and deposits are also reported net.

Securities

Securities classified as held to maturity are those debt securities that the Company intends to hold to maturity. Securities held to maturity are carried at cost, adjusted for amortization of premiums and accretion of discounts.

Securities classified as available for sale are those debt securities that the Company 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 Company's assets and liabilities, liquidity needs, regulatory capital considerations and other similar factors. Securities available for sale are carried at fair value, with temporary unrealized gains and losses excluded from earnings and reported in other comprehensive income.

Declines in the fair value of debt securities below their amortized cost are evaluated to determine whether they are temporary or OTTI. If the Company (a) has the intent to sell a debt security or (b) more likely than not will be required to sell the debt security before its anticipated recovery, then the Company recognizes the entire unrealized loss in earnings as an OTTI loss. If neither of these conditions are met, the Company evaluates whether a credit loss exists. The impairment is separated into (x) the amount of the total impairment related to the credit loss and (y) the amount of total impairment related to all other factors. The amount of the total OTTI related to the credit loss is recognized in earnings and the amount related to all other factors is recognized in other comprehensive income.

The Company also evaluates whether the decline in fair value of an equity security is temporary or OTTI. In determining whether an unrealized loss on an equity security is temporary or OTTI, management considers various factors, including the magnitude and duration of the impairment, the financial condition and near-term prospects of the issuer, and the intent and ability of the Company to hold the equity security to forecasted recovery.

Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Loans held for sale

Loans held for sale consist of loans that management does not intend to hold until maturity. These loans consist of mortgage loans conforming to established guidelines and held for sale to investors and the secondary mortgage market. Loans held for sale are reflected at their fair values, as the Company has elected to apply the fair value method of accounting, with changes in fair value recognized in earnings, consistent with the provisions in ASC Topic 820, *Fair Value Measurement*. The Company accounted for loans held for sale that were originated prior to January 1, 2016 under the lower of cost or fair value option, with any corresponding adjustments recorded as a valuation adjustment, if necessary. Fair value adjustments are recorded as an adjustment to mortgage revenues. The fair value of the loans held for sale are measured using observable quoted market or contract prices or market price equivalents, which are consistent with those used by other market participants. Consistent with the fair value principles of ASC Topic 820, any direct loan origination fees and costs related to loans accounted for at fair value are recognized when the loans are sold.

Loan servicing

Servicing assets are recognized as separate assets when rights are acquired or retained through the sale of mortgage loans. Mortgage servicing rights are initially recorded at fair value. Fair value is based on a valuation model that calculates the present value of estimated future net servicing income. Capitalized servicing rights are reported in other assets and are amortized into other income in proportion to, and over the period of, the estimated future net servicing income of the underlying financial assets.

Mortgage servicing rights are periodically evaluated for impairment based on the fair value of those rights as compared to book value. Fair values are estimated using discounted cash flows based on current expected future prepayment rates. For purposes of measuring impairment, the rights must be stratified by one or more predominant risk characteristics of the underlying loans. The Company stratifies its capitalized mortgage servicing rights based on the type of the underlying loans. The amount of impairment recognized is the amount, if any, by which the amortized cost of the rights for each stratum

exceeds its fair value. If the Company later determines that all or a portion of the impairment no longer exists for a particular group of loans, a reduction of the allowance may be recorded as an increase to income. The Company had no impairment recorded at December 31, 2016 and 2015.

Servicing fee income is recorded for fees earned for servicing loans. The fees are based on a contractual percentage of the outstanding principal and are recorded as income when earned. The amortization of mortgage servicing rights is included in mortgage revenue.

Portfolio loans

Loan receivables that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off are reported at the principal balance outstanding, net of purchase premiums and discounts, charge-offs, the allowance for loan losses, and any deferred origination fees or costs on loans.

Retail loan origination fees, net of certain direct loan origination costs, are deferred and the net amount is amortized as an adjustment of the related loan's yield. The Company is generally amortizing these amounts over the contractual life. However, for long-term, fixed-rate residential mortgages, the Company has anticipated prepayments and assumes an estimated economic life of five years or less. Material commercial loan origination fees are amortized over the life of the loan which is usually a term of three years or less. Commitment fees and costs are generally based upon a percentage of a customer's maximum line of credit or fees related to standby letters of credit and are recognized as collected.

Interest income is accrued daily on the outstanding balances. Loans are placed on non-accrual status when, in management's opinion, the borrower may be unable to meet payment obligations as they become due, as well as when required by regulatory provisions. Loans may be placed on non-accrual status regardless of whether or not such loans are considered past due. Past due status is based on the contractual terms of the loan.

Interest accrued in the current year but not collected for loans that are placed on non-accrual status or charged-off is reversed against interest income. Interest accrued during the prior year but not collected for loans that are placed on non-accrual status or charged-off is charged against the allowance for loan losses. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual status. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Purchased credit-impaired loans

In conjunction with business combinations, the Company purchases loans, some of which have shown evidence of credit deterioration since origination. These purchased credit-impaired ("PCI") loans are recorded at fair value at acquisition date, factoring in credit losses expected to be incurred over the life of the loan. Accordingly, the seller's allowance for loan losses is not carried over or recorded as of the acquisition date.

PCI loans are reviewed individually or aggregated into pools of loans based on common risk characteristics. The Company estimates the amount and timing of expected cash flows and the excess of the cash flows expected to be collected over the recorded investment, if material, is considered to be the accretable yield and is recognized as interest income over the life. The excess of the contractual cash flows over the cash flows expected to be collected is considered to be the nonaccretable difference.

Over the life, expected cash flows continue to be estimated and any increases in expected cash flows over those expected at purchase date in excess of fair value that are significant and probable are adjusted through the accretable yield on a prospective basis. Any subsequent decreases in expected cash flows over those expected at purchase date that are probable are recognized by recording an allowance for loan losses.

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Allowance for loan losses

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are charged against the allowance for loan losses when management believes the uncollectibility of the loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectibility of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

In addition, regulatory agencies, as an integral part of their examination process, periodically review the allowance for loan losses, and may require the Company to make additions to the allowance based on their judgment about information available to them at the time of their examinations.

The allowance consists of specific and general components. The specific component considers loans that are classified as impaired. For such loans that are classified as impaired, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying amount of that loan. The general component covers non-classified loans and classified loans not considered impaired, and is based on historical loss experience adjusted for qualitative factors. Other adjustments may be made to the allowance for pools of loans after an assessment of internal or external influences on credit quality that are not fully reflected in the historical loss experience.

Premises and equipment, net

Land is stated at cost less accumulated depreciation of depreciable land improvements. 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. The estimated useful lives for premises and equipment are:

Asset Description	Estimated Useful Life
Buildings and improvements	3 – 40 years
Furniture and equipment	3 – 10 years

Long-lived assets

Long-lived assets, including premises and equipment and intangible assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. An impairment loss would be recognized when estimated undiscounted future cash flows from operations of the asset are less than the carrying value of the asset. The cash flows used for this analysis are those directly associated with and that are expected to arise as a direct result of the use and eventual disposition of the asset. An impairment loss would be measured by the amount by which the carrying value of the asset exceeds its fair value.

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, which establishes a new cost basis. Any adjustment 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. Revenue, expense, gains and losses from the operations of foreclosed assets are included in operations.

Goodwill

Goodwill represents the excess of the cost of a business acquired over the fair value of the new assets acquired. Goodwill is not amortized, but is subject to at least annual impairment assessments. The Company has established December 31 as the annual impairment assessment date. Accounting standards allow for goodwill to be tested for impairment by first performing a qualitative assessment to determine whether it is more likely than not that the fair value of the reporting unit is less than its carrying value. As part of this analysis, the reporting unit's carrying value is compared to its fair value.

The Company estimates the fair value of its reporting units as of the measurement date utilizing valuation methodologies including the comparable transactions approach and the control premium approach. Goodwill is considered impaired if the carrying value of the reporting unit exceeds its fair value. There was no impairment determined at December 31, 2016 and 2015. It is possible the Company will evaluate its goodwill for impairment on a more frequent basis than annually. Future evaluations may result in impairment. See "*Note 10. Goodwill and Other Intangible Assets*" for further discussion.

Cash surrender value of bank-owned life insurance

The Company has purchased life insurance policies on certain executives and senior officers. Life insurance is recorded at its cash surrender value.

ASC Topic 715, "Compensation—Retirement Benefits" requires an employer to recognize a liability for post-employment benefits promised to an employee based on an arrangement between an employer and an employee. In an endorsement split-dollar arrangement, the employer owns and controls the policy, and the employer and employee split the life insurance policy's cash surrender value and/or death benefits. If the employer agrees to maintain a life insurance policy during the employee's retirement, the present value of the cost of maintaining the insurance policy would be accrued over the employee's active service period. Similarly, if the employer agrees to provide the employee with a death benefit, the present value of the death benefit would be accrued over the employee's active service period. The Company has an accrued liability, included in other liabilities, for this arrangement.

Transfers of financial assets

Transfers of financial assets are accounted for as sales only when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when: (1) the assets have been isolated from the Company, (2) the transferee obtains the right to pledge or exchange the assets it received, and no condition both constrains the transferee from taking advantage of its right to pledge or exchange and provides more than a modest benefit to the transferor, and (3) the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity or the ability to unilaterally cause the holder to return specific assets.

Income taxes

The Company is subject to income taxes in the U.S. federal and various state jurisdictions. The Company and its subsidiaries file consolidated federal and state income tax returns with each subsidiary computing its taxes on a separate entity basis. Tax regulations within each jurisdiction are subject to the interpretation of the related tax laws and regulations and require significant judgment to apply. With few exceptions, the Company is no longer subject to U.S. federal, state or local tax examinations by tax authorities for the years before 2012. The provision for income taxes is based on income as reported in the Consolidated Financial Statements.

The Company has maintained significant net deferred tax assets for deductible temporary differences, the largest of which relates to the allowance for loan losses. For income tax return purposes, only actual charge-offs are deductible, not the provision for loan losses. Under GAAP, a valuation allowance is required to be recognized if it is more likely than not that the deferred tax assets will not be realized. The determination of the recoverability of the deferred tax assets is highly subjective and dependent upon judgment concerning management's evaluation of both positive and negative evidence, the forecasts of future income, applicable tax planning strategies, and assessments of the current and future economic and business conditions.

The Company evaluated the recoverability of its net deferred tax assets and established a valuation allowance for certain state net operating loss carryforwards and capital loss carryforwards that are not expected to be fully realized. Management believes that it is more likely than not that the deferred tax assets included in the accompanying Consolidated Financial Statements will be fully realized. The Company determined that no valuation allowance was required for any other deferred tax assets as of December 31, 2016, although there is no guarantee that those assets will be recognizable in future periods.

Positions taken in tax returns may be subject to challenge upon examination by the taxing authorities. Uncertain tax positions are initially recognized in the Financial Statements when it is more likely than not the position will be sustained upon examination by the tax authorities. Such tax positions are both initially and subsequently measured as the largest amount of tax benefit that has a greater than 50% likelihood of being realized upon settlement with the tax authority, assuming full knowledge of the position and all relevant facts. When applicable, the Company recognizes interest accrued related to unrecognized tax benefits and penalties in operating expenses. The Company had no accruals for payments of interest and penalties at December 31, 2016 and 2015.

At December 31, 2016, the Company was not under examination by any tax authority.

Treasury Stock

Treasury stock acquired is recorded at cost. Treasury stock issued is valued based on the "first-in, first-out" method. Gains and losses on issuance are recorded as increases or decreases to surplus.

Stock-based employee compensation

During the first quarter of 2010, the Company adopted the First Busey Corporation 2010 Equity Incentive Plan ("2010 Equity Plan"), which was approved at the annual stockholders meeting on May 19, 2010. During the second quarter of 2015, the Company adopted an amendment to revise some technical terms to the 2010 Equity Plan, which was approved at the annual stockholders meeting on May 20, 2015, and can be found as Appendix C of the Company's Proxy Statement for the 2015 Annual Meeting of Stockholders. The Company will make all future grants under this plan.

The Company's equity incentive plans are designed to encourage ownership of its common stock by its employees and directors, to provide additional incentive for them to promote the success of the Company's business, and to attract and retain talented personnel. All of the Company's employees and directors and those of its subsidiaries are eligible to receive awards under the plans. See "*Note 17. Share-based Compensation*" for further discussion.

The Company calculates the compensation cost of its non-vested stock awards (restricted stock units) based on the Company's stock price on the grant date multiplied by the number of units granted. This cost is recorded over a specified requisite service period (i.e. vesting period) ranging from one to five years. As the units cliff vest and are subject only to a service condition, the cost is recorded using straight-line amortization. No compensation cost is recognized for unvested awards that are forfeited.

Segment disclosure

Operating segments are components of a business that (i) engage in business activities from which it may earn revenues and incur expenses; (ii) have operating results that are reviewed regularly by the entity's chief operating decision maker to make decisions about resources to be allocated to the segments and assess their performance; and (iii) for which discrete financial information is available. The Company's operations are managed along three operating segments consisting of Banking, Remittance Processing and Wealth Management.

Business Combinations

Business combinations are accounted for under *ASC 805, Business Combinations*, using the acquisition method of accounting. The acquisition method of accounting requires an acquirer to recognize the assets acquired and the liabilities assumed at the acquisition date measured at their fair values as of that date. To determine the fair values, the Company may rely on third-party valuations, such as appraisals, or internal valuations based on discounted cash flow analyses or other valuation techniques. Under the acquisition method of accounting, the Company will identify the acquirer and the closing date and apply applicable recognition principles.

On April 30, 2016, First Busey completed its acquisition of Pulaski, a Missouri corporation. On January 8, 2015, First Busey completed its acquisition of Herget Financial, headquartered in Pekin, Illinois. The operating results of both are included with the Company's results of operations since each date of acquisition. See "*Note 2. Acquisitions*" in the Notes to the Consolidated Financial Statements for further information relating to these acquisitions.

Acquisition related costs are costs the Company incurs to effect a business combination. Those costs may include legal, accounting, valuation, other professional or consulting fees, system conversions and marketing costs. The Company will account for acquisition related costs as expenses in the periods in which the costs are incurred and the services are received. Costs that the Company expects, but is not obligated to incur in the future, to effect its plan to exit an activity of an acquiree or to terminate the employment of an acquiree's employees are not liabilities at the acquisition date. Instead, the Company will recognize these costs in its post-combination financial statements in accordance with other applicable accounting guidance.

Derivative Financial Instruments

The Company enters into derivative financial instruments, including interest rate lock commitments issued to residential loan customers for loans that will be held for sale, forward sales commitments to sell residential mortgage loans to loan investors and foreign currency forward contracts. These instruments have certain interest rate risk characteristics that change in value based upon changes in the capital markets.

Interest Rate Lock Commitments. Commitments to originate loans held for sale (interest rate lock commitments), which primarily consist of commitments to originate fixed-rate residential mortgage loans, are recorded at their fair value in other assets or other liabilities in the Consolidated Financial Statements, with changes in the fair value of the corresponding derivative financial assets or liabilities recorded as either a charge or credit to mortgage revenues during the period in which the changes occurred. Such derivative financial instruments are recorded as an adjustment to the carrying value of the resulting loan once funded.

Forward Sales Commitments. As a general rule, the Company economically hedges loans held for sale and interest rate lock commitments issued to its residential loan customers related to loans that will be held for sale by obtaining corresponding best-efforts forward sales commitments with an investor to sell the loans at an agreed-upon price at the time the interest rate locks are issued to the customers. Forward sales commitments that meet the definition of derivative financial instruments under ASC Topic 815, Derivatives and Hedging, are carried at their fair value in other assets or other liabilities in the Consolidated Financial Statements. The Company does not designate these forward sales commitments for hedge accounting treatment, and accordingly,

changes in fair value of the corresponding derivative financial asset or liability are recorded as either a charge or credit to mortgage revenue during the period in which the changes occur.

Foreign Currency Derivatives. The Company enters into derivative financial instruments as part of its foreign currency risk management strategies. These derivative financial instruments consist of foreign currency forward contracts to accommodate the business needs of its customers. They are carried at their fair value in other assets or other liabilities in the Consolidated Financial Statements. The Company does not designate these foreign currency forward contracts for hedge accounting treatment, and accordingly, changes in fair value of the corresponding derivative financial asset or liability are recorded in non-interest income and expense.

Earnings per share

Basic earnings per share are computed by dividing net income available to common stockholders for the period by the weighted average number of common shares outstanding, which include deferred stock units that are vested but not delivered.

Diluted earnings per common share is computed using the treasury stock method and reflects the potential dilution that could occur if the Company's outstanding stock options were exercised and restricted stock units were vested. Stock options and restricted stock units for which the exercise or the grant price exceeds the average market price over the period have an anti-dilutive effect and are excluded from the calculation. At December 31, 2016, 28,350 outstanding options, 191,278 warrants and 132,017 restricted stock units were anti-dilutive and excluded from the calculation of common stock equivalents. At December 31, 2015, 61,568 outstanding options and 191,278 warrants were anti-dilutive and excluded from the calculation of common stock equivalents.

Earnings per common share, adjusted to reflect the Reverse Stock Split, have been computed as follows:

	For the Years Ended December 31,		
	2016	2015	2014
	(dollars in thousands, except per share data)		
Net income available to common stockholders	$ 49,694	$ 38,306	$ 32,047
Shares:			
Weighted average common shares outstanding	35,081	28,928	28,969
Dilutive effect of outstanding options, warrants and restricted stock units as determined by the application of the treasury stock method	332	175	128
Weighted average common shares outstanding, as adjusted for diluted earnings per share calculation	35,413	29,103	29,097
Basic earnings per common share	$ 1.42	$ 1.32	$ 1.11
Diluted earnings per common share	$ 1.40	$ 1.32	$ 1.10

Reclassifications

Reclassifications have been made to certain prior year account balances, with no effect on net income or stockholders' equity, to be consistent with the classifications adopted as of and for the year ended December 31, 2016.

Subsequent events

The Company has evaluated subsequent events for potential recognition and/or disclosure through the date the Consolidated Financial Statements included in this Annual Report on Form 10-K were issued. On February 6, 2017, First Busey announced entering into a Merger Agreement with First Community, pursuant to which First Community will merge into Frist Busey. The Merger is anticipated to be completed in mid-2017, and is subject to the satisfaction of customary closing conditions contained in the Merger Agreement including the approval of the appropriate regulatory authorities and the stockholders of First Community. See "*Note 2. Acquisitions*" for further information relating to this planned acquisition. Other than the Merger Agreement with First Community, there were no significant subsequent events for the year ended December 31, 2016 through the filing date of these Consolidated Financial Statements.

Impact of new financial accounting standards

Accounting Standards Update ("ASU") 2014-09, "Revenue from Contracts with Customers (Topic 606)." ASU 2014-09 outlines a single model for companies to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. ASU 2014-09 will require that companies recognize revenue based on the value of transferred goods or services as they occur in the contract and will also require additional disclosures. The new authoritative guidance was originally effective for reporting periods after December 15, 2016. In August 2015, *ASU 2015-14, "Revenue from Contracts with Customers (Topic 606)"* was issued to delay the effective date of ASU 2014-09 by one year. The FASB issued four subsequent ASUs in 2016 which are intended to improve and clarify the implementation guidance related to ASU 2014-09. The Company is continuing to evaluate the effect this guidance will have on components of non-interest income and related disclosures. The Company expects to adopt the standard in the first quarter of 2018 with a cumulative effect adjustment to opening retained earnings, if such adjustment is deemed to be significant.

ASU 2016-01, "Financial Instruments — Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities." ASU 2016-01 is intended to improve the recognition and measurement of financial instruments by, among other things, requiring: equity investments, with certain exceptions, to be measured at fair value with changes in fair value recognized in net income; public business entities to use the exit price notion when

measuring the fair value of financial instruments for disclosure purposes; separate presentation of financial assets and financial liabilities by measurement category and form of financial assets on the balance sheet or the accompanying notes to the financial statements; eliminating the requirement for public business entities to disclose the method and significant assumptions used to estimate the fair value that is to be required to be disclosed for financial instruments measured at amortized cost on the balance sheet; and requiring an entity to present separately in other comprehensive income the portion of the total change in fair value of a liability resulting from the change in the instrument-specific credit risk when the organization has elected to measure the liability at fair value in accordance with the fair value option for financial instruments. ASU 2016-01 will be effective on January 1, 2018 and the Company is evaluating the impact this guidance will have on its Consolidated Financial Statements and related disclosures.

ASU 2016-02, "Leases (Topic 842)." ASU 2016-02 intends to increase transparency and comparability among organizations by recognizing all lease transactions (with terms in excess of 12 months) on the balance sheet as a lease liability and a right-of-use asset. The guidance also requires qualitative and quantitative disclosures designed to assess the amount, timing and uncertainty of cash flows arising from leases. This guidance is effective for annual reporting periods beginning after December 15, 2018, including interim periods within those fiscal years. Upon adoption, the lessee will apply the new standard retrospectively to all periods presented or retrospectively using a cumulative effect adjustment in the year of adoption. The Company is evaluating the impact this guidance will have on its Consolidated Financial Statements and related disclosures.

ASU 2016-09, "Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting." ASU 2016-09 is intended to simplify several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities and classification on the statement of cash flows. This guidance is effective for reporting periods after December 15, 2016, and interim periods within those fiscal years with early adoption permitted. The Company elected to early adopt this update in the third quarter of the current fiscal year and adoption of this did not have a significant impact to its Consolidated Financial Statements and related disclosures.

ASU 2016-13, "Financial Instruments — Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments." ASU 2016-13 implements a comprehensive change in estimating the allowances for loan losses from the current model of losses inherent in the loan portfolio to a current expected credit loss model that generally is expected to result in earlier recognition of allowances for losses. Further, purchase accounting rules have been modified as well as credit losses on held to maturity debt securities. ASU 2016-13 will be effective in the first quarter of 2020. The Company is evaluating the impact this guidance will have on its Consolidated Financial Statements and related disclosures.

ASU 2016-15, "Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments." ASU 2016-15 provides clarification regarding how certain cash receipts and cash payment are presented and classified in the Consolidated Statements of Cash Flows. This update is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years, with early adoption permitted. The Company does not expect the adoption of this guidance to have a material impact to its Consolidated Financial Statements.

ASU 2016-16, "Income Taxes (Topic 740): Intra-Entity Transfers of Asses Other Than Inventory." ASU 2016-16 is intended to improve the accounting for the income tax consequences of intra-entity transfers of assets other than inventory by requiring an entity to recognize the income tax consequences when a transfer occurs, instead of when an asset is sold to an outside party. This guidance is effective for annual reporting periods beginning after December 15, 2017. The new standard will require adoption on a modified retrospective basis through a cumulative-effect adjustment to retained earnings, and early adoption is permitted. The Company does not expect the adoption of this guidance to have a material impact to its Consolidated Financial Statements.

ASU 2017-01, "Business Combinations (Topic 805): Clarifying the Definition of a Business." ASU 2017-01 clarifies the definition and provides a more robust framework to use in determining when a set of assets and activities constitutes a business. ASU 2017-01 is intended to provide guidance when evaluating whether transactions should be accounted for as acquisitions of assets or businesses. This guidance is effective for annual reporting periods beginning after December 15, 2017 and is not expected to have a significant impact to the Company's Consolidated Financial Statements.

Note 2. Acquisitions

First Community Financial Partners, Inc.

On February 6, 2017, the Company entered into a Merger Agreement with First Community, pursuant to which First Community will merge into First Busey, with First Busey as the surviving corporation. It is anticipated that First Community Financial Bank, First Community's wholly-owned bank subsidiary, will be merged with and into First Busey's bank subsidiary, Busey Bank, at a date following the completion of the holding company merger. At the time of the bank merger, First Community Financial Bank's banking offices will become branches of Busey Bank. The Merger is anticipated to be completed in mid-2017, and is subject to the satisfaction of customary closing conditions contained in the Merger Agreement including the approval of the appropriate regulatory authorities and the stockholders of First Community. As of December 31, 2016, First Community had total consolidated assets of $1.3 billion, total loans of $991.6 million and total deposits of $1.1 billion.

Founded in 2004, First Community operates as a state chartered commercial bank with nine branches in Will, DuPage and Grundy counties, which encompass portions of the southwestern suburbs of Chicago. The Merger Agreement between the Company and First Community, and the Investor Presentation with more information regarding our planned acquisition of First Community can be found on Form 8-K, filed on February 6, 2017.

Pulaski Financial Corp.

On April 30, 2016, First Busey completed its acquisition of Pulaski. Pulaski Bank, which was Pulaski's wholly owned bank subsidiary prior to the acquisition, offers a full line of quality retail and commercial banking products through thirteen full-service branch offices in the St. Louis metropolitan area. Pulaski Bank also offers mortgage loan products through loan production offices in the St. Louis, Kansas City, Chicago, and Omaha-Council Bluffs metropolitan areas and other locations across the Midwest. The operating results of Pulaski are included with the Company's results of operations since the date of acquisition. First Busey operated Pulaski Bank as a separate subsidiary from May 1, 2016 until November 4, 2016 when it was merged with and into Busey Bank. At that time, Pulaski Bank's branches became branches of Busey Bank.

Under the terms of the definitive agreement, at the effective time of the acquisition, each share of Pulaski common stock issued and outstanding was converted into 0.79 shares of First Busey common stock and cash in lieu of fractional shares. The market value of the 9.4 million shares of First Busey common stock issued at the effective time of the acquisition was approximately $193.0 million based on First Busey's closing stock price of $20.44 on

April 29, 2016. In addition, all of the options to purchase shares of Pulaski common stock that were outstanding at the acquisition date were converted into options to purchase shares of First Busey common stock, adjusted for the 0.79 exchange ratio.

This transaction was accounted for using the acquisition method of accounting and, accordingly, assets acquired, liabilities assumed, and consideration exchanged were recorded at their estimated fair values on the date of acquisition. Fair values are subject to refinement for up to one year after the closing date of April 30, 2016 as additional information regarding the closing date fair values becomes available; however, the Company does not expect any further adjustments will be necessary. The total consideration paid, which was used to determine the amount of goodwill resulting from the transaction, also included the fair value of outstanding Pulaski stock options that were converted into options to purchase common shares of First Busey. As the total consideration paid for Pulaski exceeded the net assets acquired, goodwill of $77.3 million was recorded as a result of the acquisition. Goodwill recorded in the transaction, which reflects the synergies expected from the acquisition and the enhanced revenue opportunities from the Company's broader service capabilities in the St. Louis market, is not tax deductible, and was assigned to the Banking operating segment.

First Busey incurred $6.9 million and $10.0 million in pre-tax expenses related to the acquisition of Pulaski for the three and twelve months ended December 31, 2016, respectively, including professional and legal fees of $0.1 million and $1.2 million, respectively, to directly consummate the acquisition, all of which are reported as a component of non-interest expense in the accompanying Consolidated Financial Statements. The remainder of the expenses primarily relate to data processing conversion expenses and restructuring expenses.

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The following table presents the assets acquired and liabilities assumed of Pulaski as of April 30, 2016 and their fair value *(dollars in thousands)*:

	As Recorded by Pulaski	Fair Value Adjustments	As Recorded by First Busey
Assets acquired:			
Cash and cash equivalents	$ 25,580	$ —	$ 25,580
Securities	47,895	105(a)	48,000
Loans held for sale	184,856	—	184,856
Portfolio loans	1,243,913	(14,452)(b)	1,229,461
Premises and equipment	17,236	(667)(c)	16,569
OREO	5,022	(2,534)(d)	2,488
Goodwill	3,939	(3,939)(e)	—
Other intangible assets	—	15,468(f)	15,468
Other assets	70,365	(122)(g)	70,243
Total assets acquired	1,598,806	(6,141)	1,592,665
Liabilities assumed:			
Deposits	1,226,906	1,102(h)	1,228,008
Other borrowings	205,840	906(i)	206,746
Trust preferred securities	19,589	(3,805)(j)	15,784
Other liabilities	24,594	(612)(k)	23,982
Total liabilities assumed	1,476,929	(2,409)	1,474,520
Net assets acquired	$ 121,877	$ (3,732)	$ 118,145
Consideration paid:			
Cash			$ 5
Common stock			192,990
Fair value of stock options assumed			2,454
Total consideration paid			195,449
Goodwill			$ 77,304

Explanation:

(a) Fair value adjustments of the securities portfolio as of the acquisition date.

(b) Fair value adjustments based on the Company's evaluation of the acquired loan portfolio, write-off of net deferred loan costs and elimination of the allowance for loan losses recorded by Pulaski. $16.9 million is expected to be accreted over the estimated four year remaining life of the respective loans in a manner that approximates the level yield method.

(c) Fair value adjustments based on the Company's evaluation of the acquired premises and equipment.

(d) Fair value adjustment based on the Company's evaluation of the acquired OREO portfolio.

(e) Eliminate Pulaski's existing goodwill.

(f) Recording of the core deposit intangible asset on the acquired core deposit accounts. Amount to be amortized using a sum of years digits method over a 14 year useful life.

(g) Fair value adjustment of other assets at the acquisition date.

(h) Fair value adjustment to time deposits. Amount to be accreted over two years in a manner that approximates the level yield method.

(i) Fair value adjustment to the FHLB borrowings. Such borrowings were repaid shortly after the acquisition date, so there will be no discount accretion.

(j) Fair value adjustment to the trust preferred securities at the acquisition date. Amount to be accreted over the weighted average remaining life of 18 years in a manner that approximates the level yield method.

(k) Fair value adjustment of other liabilities at the acquisition date.

The loans acquired in this transaction were recorded at fair value with no carryover of any existing allowance for loan losses. Loans that were not deemed to be credit-impaired at the acquisition date were accounted for under FASB ASC 310-20, *Receivables-Nonrefundable Fees and Other Costs* and were

subsequently considered as part of the Company's determination of the adequacy of the allowance for loan losses. PCI loans, which are loans with evidence of credit quality deterioration at the date of acquisition, were accounted for under FASB ASC 310-30, *Receivables — Loans and Debt*

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Securities Acquired with Deteriorated Credit Quality. As of the acquisition date, the aggregate principal outstanding and aggregate fair value of the acquired performing loans, including loans held for sale, both rounded to $1.4 billion. The difference between the aggregate principal balance outstanding and aggregate fair value of $16.6 million is expected to be accreted over the estimated four year remaining life of the respective loans in a manner that approximates the level yield method. As of the acquisition date, the aggregate principal balance outstanding of PCI loans totaled $21.2 million and the aggregate fair value of PCI loans totaled $9.7 million, which became such loans' new carrying value. During the third quarter of 2016, PCI loans with a carrying value of $6.2 million were sold to outside parties. Further, in the fourth quarter of 2016, a commercial PCI loan with a carrying value of $1.6 million was collected. For PCI loans, the difference between contractually required payments at the acquisition date and the cash flow expected to be collected is referred to as the non-accretable difference. Further, the excess of cash flows expected at acquisition over the fair value is referred to as the accretable yield. The accretable yield, as of the acquisition date, of $0.3 million on PCI loans was expected to be recognized over the estimated four year remaining life of the respective loans in a manner that approximates the level yield method; however, the majority was accelerated in 2016 as a result of the third quarter loan sale and fourth quarter collection.

Since the acquisition date of April 30, 2016 and until November 4, 2016 when Pulaski Bank was merged into Busey Bank, Pulaski Bank earned total revenues of $40.2 million and net income of $10.5 million, which are included in the Company's Consolidated Statement of Income for the year ended December 31, 2016. The following table provides the unaudited pro forma information for the results of operation for the twelve months ended December 31, 2016 and 2015, as if the acquisition had occurred on January 1, 2015. The pro forma results combine the historical results of Pulaski with the Company's Consolidated Statements of Income, adjusted for the impact of the application of the acquisition method of accounting including loan discount accretion, intangible assets amortization, and deposit and trust preferred securities premium accretion, net of taxes. The pro forma results have been prepared for comparative purposes only and are not necessarily indicative of the results that would have been obtained had the acquisition actually occurred on January 1, 2015. No assumptions have been applied to the pro forma results of operations regarding possible revenue enhancements, expense efficiencies or asset dispositions. Only the acquisition related expenses that have been incurred as of December 31, 2016 are included in net income in the table below. Acquisition related expenses that were recognized and are included in the pro forma net income for the twelve months ended December, 2016 totaled $15.0 million, on a pre-tax basis. Such expenses consisted primarily of professional fees to transact the acquisition, data processing conversion expenses and compensation to certain officers and employees required under employment or restructuring agreements.

	Pro Forma Twelve Months Ended December 31,	
	2016	2015
	(dollars in thousands)	
Total revenues (net interest income plus non-interest income)	$ 245,861	$ 247,694
Net income	46,276	57,092
Diluted earnings per common share	1.20	1.46

Herget Financial Corp.

On January 8, 2015, First Busey acquired Herget Financial, headquartered in Pekin, Illinois and its wholly owned bank subsidiary, Herget Bank. First Busey operated Herget Bank as a separate banking subsidiary from January 9, 2015 until March 13, 2015, when it was merged with and into Busey Bank. At that time, Herget Bank's branches in Pekin, Illinois became branches of Busey Bank. The operating results of Herget Financial are included in the Company's results of operations since the date of acquisition. This transaction was accounted for using the acquisition method of accounting and, accordingly, assets acquired, liabilities assumed, and consideration exchanged were recorded at estimated fair values on the date of acquisition.

Expenses related to the acquisition of Herget Financial during the twelve months ended December 31, 2016 were insignificant. During the twelve months ended December 31, 2015, pre-tax expenses related to the acquisition of Herget Financial totaled $1.0 million. The 2015 expenses were comprised primarily of system conversion, restructuring, legal, consulting, regulatory and marketing costs, all of which are reported as a component of non-interest expense in the accompanying Consolidated Financial Statements.

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Note 3. Cash and Cash Equivalents

The Bank 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, 2016 and 2015 were approximately $22.5 million and $14.6 million, respectively.

The Company maintains its cash in deposit accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts. Management believes the Company is not exposed to any significant credit risk on cash and cash equivalents.

Note 4. Securities

The amortized cost, unrealized gains and losses and fair values of securities are summarized as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(dollars in thousands)			
December 31, 2016:				
Available for sale				
U.S. Treasury securities	$ 74,784	$ 185	$ (25)	$ 74,944

Obligations of U.S. government corporations and agencies	79,577	46	(496)	79,127
Obligations of states and political subdivisions	154,438	1,093	(593)	154,938
Residential mortgage-backed securities	303,641	1,390	(2,782)	302,249
Corporate debt securities	142,836	630	(123)	143,343
Total debt securities	755,276	3,344	(4,019)	754,601
Mutual funds and other equity securities	4,475	735	—	5,210
Total	$ 759,751	$ 4,079	$ (4,019)	$ 759,811
Held to maturity				
Obligations of states and political subdivisions	$ 44,333	$ 122	$ (160)	$ 44,295
Commercial mortgage-backed securities	3,487	23	(122)	3,388
Total	$ 47,820	$ 145	$ (282)	$ 47,683

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(dollars in thousands)			
December 31, 2015:				
Available for sale				
U.S. Treasury securities	$ 65,003	$ 189	$ (1)	$ 65,191
Obligations of U.S. government corporations and agencies	132,547	211	(153)	132,605
Obligations of states and political subdivisions	176,764	2,154	(306)	178,612
Residential mortgage-backed securities	304,978	2,922	(351)	307,549
Corporate debt securities	150,001	307	(1,503)	148,805
Total debt securities	829,293	5,783	(2,314)	832,762
Mutual funds and other equity securities	1,642	434	—	2,076
Total	$ 830,935	$ 6,217	$ (2,314)	$ 834,838
Held to maturity				
Obligations of states and political subdivisions	$ 48,835	$ 449	$ (34)	$ 49,250
Commercial mortgage-backed securities	997	24	—	1,021
Total	$ 49,832	$ 473	$ (34)	$ 50,271

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The amortized cost and fair value of debt securities as of December 31, 2016, by contractual maturity or pre-refunded date, are shown below. Mutual funds and other equity securities do not have stated maturity dates and therefore are not included in the following maturity summary. Mortgages underlying mortgage-backed securities may be called or prepaid; therefore, actual maturities could differ from the contractual maturities. All mortgage-backed securities were issued by U.S. government agencies and corporations.

	Available for sale		Held to maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(dollars in thousands)		(dollars in thousands)	
Due in one year or less	$ 119,423	$ 119,612	$ 1,705	$ 1,705
Due after one year through five years	305,314	305,626	19,750	19,721
Due after five years through ten years	66,702	67,756	23,247	23,124
Due after ten years	263,837	261,607	3,118	3,133
Total	$ 755,276	$ 754,601	$ 47,820	$ 47,683

Realized gains and losses related to sales of securities available for sale are summarized as follows:

	For the Years Ended December 31,		
	2016	2015	2014
	(dollars in thousands)		
Gross security gains	$ 1,383	$ 401	$ 807
Gross security (losses)	(151)	(21)	(31)
Net security gains	$ 1,232	$ 380	$ 776

The tax provision for these net realized gains and losses was $0.4 million for the year ended December 31, 2016, $0.1 million for the year ended December 31, 2015, and $0.3 million for the year ended December 31, 2014.

During the second quarter of 2016, the Company sold one held to maturity security, which was an obligation of state and political subdivisions, with a fair value of $0.4 million due to significant credit deterioration. The sale resulted in an insignificant loss during the second quarter.

Investment securities with carrying amounts of $547.2 million and $627.4 million on December 31, 2016 and 2015, respectively, were pledged as collateral for public deposits, securities sold under agreements to repurchase and for other purposes as required or permitted by law.

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Information pertaining to securities with gross unrealized losses at December 31, 2016 and 2015 aggregated by investment category and length of time that individual securities have been in a continuous loss position follows:

	Continuous unrealized losses existing for less than 12 months, gross		Continuous unrealized losses existing for greater than 12 months, gross		Total, gross	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
			(dollars in thousands)			
December 31, 2016:						
Available for sale						
U.S. Treasury securities	$ 9,997	$ (25)	$ —	$	$ 9,997	$ (25)
Obligations of U.S. government corporations and agencies	46,209	(496)	—		46,209	(496)
Obligations of states and political subdivisions	64,832	(585)	1,154	(8)	65,986	(593)
Residential mortgage-backed Securities	168,898	(2,782)	—	—	168,898	(2,782)
Corporate debt securities	32,749	(123)	—	—	32,749	(123)
Total temporarily impaired Securities	$ 322,685	$ (4,011)	$ 1,154	$ (8)	$ 323,839	$ (4,019)
Held to maturity						
Obligations of states and political subdivisions	$ 24,558	$ (160)	$	$	$ 24,558	$ (160)
Commercial mortgage-backed securities	2,385	(122)	—	—	2,385	(122)
Total temporarily impaired Securities	$ 26,943	$ (282)	$ —	$ —	$ 26,943	$ (282)

	Continuous unrealized losses existing for less than 12 months, gross		Continuous unrealized losses existing for greater than 12 months, gross		Total, gross	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
			(dollars in thousands)			
December 31, 2015:						
Available for sale						
U.S. Treasury securities	$ 364	$ (1)	$ —	$	$ 364	$ (1)
Obligations of U.S. government corporations and agencies	52,154	(153)	—		52,154	(153)
Obligations of states and political subdivisions	40,026	(159)	11,419	(147)	51,445	(306)
Residential mortgage-backed Securities	93,608	(351)	—	—	93,608	(351)
Corporate debt securities	99,148	(1,503)	—	—	99,148	(1,503)
Total temporarily impaired Securities	$ 285,300	$ (2,167)	$ 11,419	$ (147)	$ 296,719	$ (2,314)
Held to maturity						
Obligations of states and political subdivisions(1)	$ 8,451	$ (34)	$ 91	$ —	$ 8,542	$ (34)
Total temporarily impaired Securities	$ 8,451	$ (34)	$ 91	$ —	$ 8,542	$ (34)

(1)Unrealized losses existing for greater than 12 months, gross, was less than one thousand dollars.

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Securities are periodically evaluated for OTTI. The total number of securities in the investment portfolio in an unrealized loss position as of December 31, 2016 was 283, and represented a loss of 1.21% of the aggregate carrying value. As of December 31, 2016, the Company does not intend to sell such securities and it is more likely than not that the Company will recover the amortized cost prior to being required to sell the securities. Full collection of the amounts due according to the contractual terms of the securities is expected; therefore, the Company does not consider these investments to be OTTI at December 31, 2016.

The Company had available for sale obligations of state and political subdivisions with a fair value of $154.9 million and $178.6 million as of December 31, 2016 and 2015, respectively. In addition, the Company had held to maturity obligations of state and political subdivisions with a fair value of $44.3 million and $49.3 million at December 31, 2016 and 2015, respectively.

As of December 31, 2016, the fair value of the Company's obligations of state and political subdivisions portfolio was comprised of $163.6 million of general obligation bonds and $35.6 million of revenue bonds issued by 260 issuers, primarily consisting of states, counties, cities, towns, villages and school districts. The Company held investments in general obligation bonds in 29 states (including the District of Columbia), including seven states in which the aggregate fair value exceeded $5.0 million. The Company held investments in revenue bonds in 16 states, including two states where the aggregate fair value exceeded $5.0 million.

As of December 31, 2015, the fair value of the Company's obligations of state and political subdivisions portfolio was comprised of $193.4 million of general obligation bonds and $34.3 million of revenue bonds issued by 278 issuers, primarily consisting of states, counties, cities, towns, villages and school districts.

The Company held investments in general obligation bonds in 29 states (including the District of Columbia), including seven states in which the aggregate fair value exceeded $5.0 million. The Company held investments in revenue bonds in 17 states, including two states where the aggregate fair value exceeded $5.0 million.

The amortized cost and fair values of the Company's portfolio of general obligation bonds are summarized in the following tables by the issuers' state:

December 31, 2016:

U.S. State	Number of Issuers	Amortized Cost	Fair Value	Average Exposure Per Issuer (Fair Value)
		(dollars in thousands)		
Illinois	70	$ 59,120	$ 59,182	$ 845
Wisconsin	31	21,390	21,479	693
Michigan	38	23,233	23,472	618
Pennsylvania	10	10,242	10,235	1,023
Texas	16	10,731	10,702	669
Ohio	10	11,009	11,005	1,100
Iowa	3	5,332	5,345	1,782
Other	43	22,028	22,192	516
Total general obligations bonds	221	$ 163,085	$ 163,612	$ 740

December 31, 2015:

U.S. State	Number of Issuers	Amortized Cost	Fair Value	Average Exposure Per Issuer (Fair Value)
		(dollars in thousands)		
Illinois	77	$ 64,455	$ 65,557	$ 851
Wisconsin	36	30,889	31,079	863
Michigan	39	27,923	28,339	727
Pennsylvania	10	12,601	12,650	1,265
Texas	18	12,117	12,165	676
Ohio	10	10,723	10,705	1,071
Iowa	3	5,550	5,571	1,857
Other	48	26,938	27,375	570
Total general obligations bonds	241	$ 191,196	$ 193,441	$ 803

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The general obligation bonds are diversified across many issuers, with $3.4 million being the largest exposure to a single issuer at December 31, 2016 and 2015. Accordingly, as of December 31, 2016 and 2015, the Company did not hold general obligation bonds of any single issuer, the aggregate book or market value of which exceeded 10% of the Company's stockholders' equity. Of the general obligation bonds in the Company's portfolio, 98.4% had been rated by at least one nationally recognized statistical rating organization and 1.6% were unrated, based on the fair value as of December 31, 2016. Of the general obligation bonds in the Company's portfolio, 97.6% had been rated by at least one nationally recognized statistical rating organization and 2.4% were unrated, based on the fair value as of December 31, 2015.

The amortized cost and fair values of the Company's portfolio of revenue bonds are summarized in the following tables by the issuers' state:

December 31, 2016:

U.S. State	Number of Issuers	Amortized Cost	Fair Value	Average Exposure Per Issuer (Fair Value)
		(dollars in thousands)		
Indiana	10	$ 11,207	$ 11,244	$ 1,124
Illinois	7	7,321	7,275	1,039
Other	22	17,158	17,102	777
Total revenue bonds	39	$ 35,686	$ 35,621	$ 913

December 31, 2015:

U.S. State	Number of Issuers	Amortized Cost	Fair Value	Average Exposure Per Issuer (Fair Value)
		(dollars in thousands)		
Indiana	9	$ 10,187	$ 10,173	$ 1,130
Illinois	7	8,450	8,478	1,211
Other	21	15,766	15,770	751
Total revenue bonds	37	$ 34,403	$ 34,421	$ 930

The revenue bonds are diversified across many issuers and revenue sources with $3.5 million and $3.0 million being the largest exposure to a single issuer at each of December 31, 2016 and 2015, respectively. Accordingly, as of December 31, 2016 and 2015, the Company did not hold revenue bonds of any single issuer, the aggregate book or market value of which exceeded 10% of the Company's stockholders' equity. Of the revenue bonds in the Company's portfolio, 97.1% had been rated by at least one nationally recognized statistical rating organization and 2.9% were unrated, based on the fair value as of December 31, 2016. All of the revenue bonds in the Company's portfolio had been rated by at least one nationally recognized statistical rating organization as of December 31, 2015. Some of the primary types of revenue bonds held in the Company's portfolio include: primary education or government building lease

rentals secured by ad valorem taxes, utility systems secured by utility system net revenues, housing authorities secured by mortgage loans or principal receipts on mortgage loans, secondary education secured by student fees/tuitions, and pooled issuances (i.e. bond bank) consisting of multiple underlying municipal obligors.

Substantially all of the Company's obligations of state and political subdivision securities are owned by its subsidiary bank**,** which has adopted First Busey's investment policy requiring that state and political subdivision securities purchased be investment grade. Such investment policy also limits the amount of rated state and political subdivision securities to an aggregate 100% of the subsidiary bank's Total Capital (as defined by federal regulations) at the time of purchase and an aggregate 15% of Total Capital for unrated state and political subdivision securities issued by municipalities having taxing authority or located in counties/micropolitan statistical areas/metropolitan statistical areas in which an office is located. The investment policy states fixed income investments that are not Office of the Comptroller of the Currency Type 1 securities (U.S. Treasuries, agencies, municipal government general obligation and, for well-capitalized institutions, most municipal revenue bonds) should be analyzed prior to acquisition to determine that (1) the security has low risk of default by the obligor, and (2) the full and timely repayment of principal and interest is expected over the expected life of the investment.

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All securities in First Busey's obligations of state and political subdivision securities portfolio are subject to ongoing review. Factors that may be considered as part of ongoing monitoring of state and political subdivision securities include credit rating changes by nationally recognized statistical rating organizations, market valuations, third-party municipal credit analysis, which may include indicative information regarding the issuer's capacity to pay, market and economic data and such other factors as are available and relevant to the security or the issuer such as its budgetary position and sources, strength and stability of taxes and/or other revenue.

Note 5. Loans held for sale

Loans held for sale totaled $256.3 million at December 31, 2016 compared to $9.4 million at December 31, 2015. Effective January 1, 2016, the Company elected to account for all loans held for sale at fair value. Prior to this change, the Company accounted for loans held for sale at the lower of cost or fair value. Further, beginning on January 1, 2016, the Company prospectively adopted an alternative conforming approach to the accounting for loan fees and costs for mortgage loans held for sale, which reclassifies origination costs, including related compensation expense from salaries, wages and employee benefits, to mortgage revenue. The amount of loans held for sale significantly increased from December 31, 2015, as the acquisition of Pulaski significantly expanded the Company's mortgage operations. Loans held for sale generate net interest income until loans are delivered to investors, at which point mortgage revenue will be recognized.

The following is a summary of mortgage revenue *(dollars in thousands)*:

	December 31, 2016
Premiums received on sales of mortgage loans, including fair value adjustments	$ 43,119
Less direct origination costs	(32,793)
Less provisions to liability for loans sold	(175)
Mortgage servicing revenues	1,801
Mortgage revenue	$ 11,952

For 2015 and 2014, mortgage revenue was $7.2 million and $6.1 million, respectively, as a result of premiums received on sales of mortgage loans and mortgage servicing revenues.

Note 6. Mortgage Loan Servicing

The unpaid principal balances of loans serviced by the Company for the benefit of others are not included in the accompanying Consolidated Balance Sheets. These unpaid principal balances were $1.43 billion and $1.46 billion as of December 31, 2016 and 2015, respectively. Servicing loans for others generally consists of collecting mortgage payments, maintaining escrow accounts, disbursing payments to investors and collection and foreclosure processing. Mortgage servicing revenues, a component of mortgage revenue, is recorded on the accrual basis and includes servicing fees from investors and certain charges collected from borrowers, such as late payment fees, and is net of amortization of capitalized mortgage servicing rights.

The balance of capitalized servicing rights included in other assets in the accompanying Consolidated Balance Sheets at December 31, 2016 and 2015, was $3.1 million and $3.5 million, respectively. The fair values of these servicing rights were $7.8 million and $5.9 million, respectively, at December 31, 2016 and 2015. The following summarizes mortgage servicing rights capitalized and amortized *(dollars in thousands)*:

	For the Years Ended December 31,		
	2016	2015	2014
Mortgage servicing rights capitalized	$ 1,488	$ 1,361	$ 983
Mortgage servicing rights amortized	$ 1,921	$ 2,146	$ 2,228

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Note 7. Portfolio loans

Distributions of portfolio loans were as follows *(dollars in thousands)*:

	December 31, 2016	December 31, 2015
Commercial	$ 959,888	$ 656,576

Commercial real estate	1,654,164	1,208,429
Real estate construction	182,078	96,568
Retail real estate	1,069,060	651,191
Retail other	13,710	14,975
Portfolio loans	$ 3,878,900	$ 2,627,739
Less allowance for loan losses	47,795	47,487
Net portfolio loans	$ 3,831,105	$ 2,580,252

Net portfolio loans increased $1.25 billion as of December 31, 2016 as compared to December 31, 2015 primarily as a result of the Pulaski acquisition. Net deferred loan origination costs included in the tables above were $2.5 million as of December 31, 2016 and $0.9 million as of December 31, 2015. Net accretable purchase accounting adjustments included in the table above reduced loans by $12.7 million as of December 31, 2016 and $2.2 million as of December 31, 2015.

The Company believes that making sound loans is a necessary and desirable means of employing funds available for investment. Recognizing the Company's obligations to its stockholders, depositors, and to the communities it serves, authorized personnel are expected to seek to develop and make sound, profitable loans that resources permit and that opportunity affords. The Company maintains lending policies and procedures designed to focus lending efforts on the types, locations and duration of loans most appropriate for its business model and markets. While not specifically limited, the Company attempts to focus its lending on short to intermediate-term (0-7 years) loans in geographic areas within 125 miles of its lending offices. Loans might be originated outside of these areas, but such loans are generally residential mortgage loans originated for sale in the secondary market and reported in loans held for sale balances or to existing customers of the Bank. The Company attempts to utilize government-assisted lending programs, such as the Small Business Administration and United States Department of Agriculture lending programs, when prudent. Generally, loans are collateralized by assets, primarily real estate, of the borrowers and guaranteed by individuals. The loans are expected to be repaid primarily from cash flows of the borrowers, or from proceeds from the sale of selected assets of the borrowers.

Management reviews and approves the Company's lending policies and procedures on a routine basis. The policies for legacy Pulaski loans are similar in nature to Busey Bank's policies and the Company is migrating Pulaski's portfolio towards the Busey Bank policies. Management routinely (at least quarterly) reviews the Company's allowance for loan losses in conjunction with reports related to loan production, loan quality, concentrations of credit, loan delinquencies and non-performing and potential problem loans. The Company's underwriting standards are designed to encourage relationship banking rather than transactional banking. Relationship banking implies a primary banking relationship with the borrower that includes, at a minimum, an active deposit banking relationship in addition to the lending relationship. The integrity and character of the borrower are significant factors in the Company's loan underwriting decisions. As a part of underwriting, tangible positive or negative evidence of the borrower's integrity and character are sought out. Additional significant underwriting factors beyond location, duration, a sound and profitable cash flow basis and the borrower's character include the quality of the borrower's financial history, the liquidity of the underlying collateral and the reliability of the valuation of the underlying collateral.

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

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

The Company's lending can be summarized into five primary areas: commercial loans, commercial real estate loans, real estate construction loans, retail real estate loans, and retail other loans. The significant majority of the Company's portfolio lending activity occurs in its Illinois and Missouri markets, with the remainder in the Indiana and Florida markets.

Commercial Loans

Commercial loans typically comprise working capital loans or business expansion loans, including loans for asset purchases and other business loans. Commercial loans will generally be guaranteed in full or a significant amount by the primary owners of the business. Commercial loans are made based primarily on the historical and projected cash flow of the underlying borrower and secondarily on the underlying assets pledged as collateral by the borrower. The cash flows of the underlying borrower, however, may not perform consistently with historical or projected information. Further, the collateral securing loans may fluctuate in value due to individual economic or other factors. The Company has established minimum standards and underwriting guidelines for all commercial loan types.

Commercial Real Estate Loans

The Company is primarily located in markets with significant academic presence. The academic presence in addition to the commercial environment provides for the majority of the Company's commercial lending opportunities to be commercial real estate related, including multi-unit housing. As the majority of the Company's loan portfolio is within the commercial real estate class, the Company's goal is to maintain a high quality, geographically diverse portfolio of commercial real estate loans. Commercial real estate loans are subject to underwriting standards and guidelines similar to commercial loans. Commercial real estate loans will generally be guaranteed in full or a significant amount by the primary owners of the business. The repayment of these loans is primarily dependent on the cash flows of the underlying property. However, the commercial real estate loan generally must be supported by an adequate underlying collateral value. The performance and the value of the underlying property may be adversely affected by economic factors or geographical and/or industry specific factors. These loans are subject to other industry guidelines that are closely monitored by the Company.

Real Estate Construction Loans

Real estate construction loans are typically commercial in nature. The loan proceeds are monitored by the Company and advanced for the improvement of real estate in which the Company holds a mortgage. Real estate construction loans will generally be guaranteed in full or a significant amount by the

developer or primary owners of the business. These loans are subject to underwriting standards and guidelines similar to commercial loans. The loan generally must be supported by an adequate "as completed" value of the underlying project. In addition to the underlying project, the financial history of the developer and business owners weighs significantly in determining approval. The repayment of these loans is typically through permanent financing following completion of the construction. Real estate construction loans are inherently more risky than loans on completed properties as the unimproved nature and the financial risks of construction significantly enhance the risks of commercial real estate loans. These loans are closely monitored and subject to other industry guidelines.

Retail Real Estate Loans

Retail real estate loans are comprised of direct consumer loans that include residential real estate, residential real estate construction loans, home equity lines of credit and home equity loans. In 2016, the Company sold substantially all if its fixed rate retail real estate loans to secondary market purchasers and intends to do the same in 2017. As retail real estate loan underwriting is subject to specific regulations, the Company typically underwrites its retail real estate loans to conform to widely accepted standards. Several factors are considered in underwriting including the value of the underlying real estate and the debt to income and credit history of the borrower.

Retail Other Loans

Retail other loans consist of installment loans to individuals, including automotive loans. These loans are centrally underwritten utilizing the borrower's financial history, including the Fair Isaac Corporation (FICO) credit scoring and information as to the underlying collateral. Repayment is expected from the cash flow of the borrower.

The Company utilizes a loan grading scale to assign a risk grade to all of its loans. A description of the general characteristics of each grade is as follows:

- *Pass*- This category includes loans that are all considered strong credits, ranging from investment or near investment grade, to loans made to borrowers who exhibit credit fundamentals that exceed industry standards and loan policy guidelines and loans that exhibit acceptable credit fundamentals.

- *Watch*- This category includes loans on management's "Watch List" and is intended to be utilized on a temporary basis for a pass grade borrower where a significant risk-modifying action is anticipated in the near future.

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

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

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

All loans are graded at their inception. Most commercial lending relationships that are $1.0 million or less are processed through an expedited underwriting process. If the credit receives a pass grade, it is aggregated into a homogenous pool of either: $0.35 million or less, or $0.35 million to $1.0 million. These pools are monitored on a regular basis and reviewed annually. Most commercial loans greater than $1.0 million are included in a portfolio review at least annually. Commercial loans greater than $0.35 million that have a grading of special mention or worse are reviewed on a quarterly basis. Interim reviews may take place if circumstances of the borrower warrant a more timely review.

Portfolio loans in the highest grades, represented by the pass and watch categories, totaled $3.72 billion at December 31, 2016, compared to $2.46 billion at December 31, 2015. Portfolio loans in the lowest grades, represented by the special mention, substandard and doubtful, totaled $165.5 million at December 31, 2016, compared to $166.8 million at December 31, 2015.

The following table is a summary of risk grades segregated by category of portfolio loans (excluding accretable purchase accounting adjustments and non-posted and clearings):

	December 31, 2016				
	Pass	Watch	Special Mention	Substandard	Doubtful
	(dollars in thousands)				
Commercial	$ 826,163	$ 70,260	$ 26,951	$ 26,941	$ 11,685
Commercial real estate	1,507,513	69,145	40,775	35,385	5,154
Real estate construction	134,574	39,936	8,033	994	47
Retail real estate	1,050,671	6,586	2,793	2,158	4,484
Retail other	13,691	27	2	—	53
Total	$ 3,532,612	$ 185,954	$ 78,554	$ 65,478	$ 21,423

	December 31, 2015				
	Pass	Watch	Special Mention	Substandard	Doubtful
	(dollars in thousands)				
Commercial	$ 553,294	$ 57,703	$ 27,142	$ 10,966	$ 7,617
Commercial real estate	1,068,568	58,238	51,418	29,781	1,496
Real estate construction	65,284	15,053	14,755	1,157	366
Retail real estate	607,398	21,637	13,974	4,204	3,139

Retail other	14,172	64	644	—	130
Total	$ 2,308,716	$ 152,695	$ 107,933	$ 46,108	$ 12,748

Loans are considered past due if the required principal and interest payments have not been received as of the date such payments were due. Loans are placed on non-accrual status when, in management's opinion, the borrower may be unable to meet payment obligations as they become due, as well as when required by regulatory provisions. Loans may be placed on non-accrual status regardless of whether or not such loans are considered past due.

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When interest accrual is discontinued, all unpaid accrued interest is reversed. Interest income is subsequently recognized only to the extent cash payments are received in excess of the principal due. Loans may be returned to accrual status when all of the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

An analysis of portfolio loans that are past due and still accruing or on a non-accrual status is as follows:

	December 31, 2016			
	Loans past due, still accruing			Non-accrual Loans
	30-59 Days	60-89 Days	90+Days	
	(dollars in thousands)			
Commercial	$ 165	$ 363	$ 37	$ 11,685
Commercial real estate	478	256	—	5,154
Real estate construction	—	—	—	47
Retail real estate	2,394	364	94	4,484
Retail other	55	15	—	53
Total	$ 3,092	$ 998	$ 131	$ 21,423

	December 31, 2015			
	Loans past due, still accruing			Non-accrual Loans
	30-59 Days	60-89 Days	90+Days	
	(dollars in thousands)			
Commercial	$ 598	$ 162	$ 15	$ 7,617
Commercial real estate	1,037	27	—	1,496
Real estate construction	—	—	—	366
Retail real estate	1,278	160	—	3,139
Retail other	19	1	—	130
Total	$ 2,932	$ 350	$ 15	$ 12,748

A loan is classified as impaired when, based on current information and events, it is probable the Company will be unable to collect scheduled principal and interest payments when due according to the terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Loans graded substandard or doubtful and loans classified as a troubled debt restructuring ("TDR") are assessed for impairment by the Company.

Impairment is measured on a loan-by-loan basis for commercial and construction loans based on the present value of the expected future cash flows discounted at the loan's effective interest rate, the loan's observable market price, or the fair value of the collateral if the loan is collateral dependent. PCI loans are considered impaired. Large groups of smaller balance homogenous loans are collectively evaluated for impairment. Accordingly, the Company does not separately identify individual consumer and residential loans for impairment unless such loans are the subject of a restructuring agreement.

The gross interest income that would have been recorded in the years ended December 31, 2016, 2015 and 2014 if impaired loans had been current in accordance with their original terms was approximately $0.9 million, $0.4 million, and $0.8 million, respectively. The amount of interest collected on impaired loans and recognized on a cash basis that was included in interest income was insignificant in 2016, $1.0 million in 2015 and insignificant in 2014.

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The Company's loan portfolio includes certain loans that have been modified in a TDR, where concessions have been granted to borrowers who have experienced financial difficulties. The Company will restructure a loan for its customer after evaluating whether the borrower is able to meet the terms of the loan over the long term, though unable to meet the terms of the loan in the near term due to individual circumstances.

The Company considers the customer's past performance, previous and current credit history, the individual circumstances surrounding the customer's current difficulties and the customer's plan to meet the terms of the loan in the future prior to restructuring the terms of the loan. Generally, all five primary areas of lending are restructured through short-term interest rate relief, short-term principal payment relief, short-term principal and interest payment relief or forbearance (debt forgiveness). Once a restructured loan exceeds 90 days past due or is placed on non-accrual status, it is classified as non-performing. A summary of restructured loans as of December 31, 2016 and 2015 is as follows:

	December 31, 2016	December 31, 2015
	(dollars in thousands)	
Restructured loans:		
In compliance with modified terms	$ 10,593	$ 8,770
30 – 89 days past due	59	60
Included in non-performing loans	1,285	643

Total		$	11,937	$	9,473

All TDRs are considered to be impaired for purposes of assessing the adequacy of the allowance for loan losses and for financial reporting purposes. When the Company modifies a loan in a TDR, it evaluates any possible impairment similar to other impaired loans based on present value of the expected future cash flows discounted at the loan's effective interest rate, the loan's observable market price, or the fair value of the collateral if the loan is collateral dependent. If the Company determines that the fair value of the TDR is less than the recorded investment in the loan, impairment is recognized through an allowance estimate in the period of the modification and in periods subsequent to the modification.

Performing loans classified as a TDR during the three months ended December 31, 2016 included one commercial real estate modification for short-term principal payment relief, with a recorded investment of $3.0 million. Performing loans classified as TDRs during the twelve months ended December 31, 2016 included four commercial real estate modifications for short-term principal payment relief, with an aggregate recorded investment of $3.3 million and three retail real estate modifications for short-term principal payment relief, with an aggregate recorded investment of $0.4 million.

Performing loans classified as TDRs during the three months ended December 31, 2015 included one retail real estate modification for short-term principal payment relief, with a recorded investment of $0.2 million, one retail real estate modification for short-term interest rate relief, with a recorded investment of $0.1 million and one retail other modification for short-term interest rate relief, with a recorded investment of $0.1 million. Performing loans classified as TDRs during the twelve months ended December 31, 2015 included one commercial modification for short-term principal payment relief, with a recorded investment of $0.2 million, one retail real estate modification for short-term interest rate relief, with a recorded investment of $0.1 million, four retail real estate modifications for short-term principal payment relief, with a recorded investment of $0.4 million, and one retail other modification for short-term interest rate relief, with a recorded investment of $0.1 million.

The gross interest income that would have been recorded in the three and twelve months ended December 31, 2016 and 2015 if performing TDRs had been in accordance with their original terms instead of modified terms was insignificant.

There were no TDRs that were entered into during the last twelve months that were subsequently classified as non-performing and had payment defaults (a default occurs when a loan is 90 days or more past due or transferred to non-accrual) during the three months ended December 31, 2016. TDRs that were entered into during the last twelve months that were subsequently classified as non-performing and had payment defaults during the twelve months ended December 31, 2016 consisted of one retail real estate modification totaling $0.1 million and one insignificant retail other modification.

There were no TDRs that were entered into during the prior twelve months that subsequently were classified as non-performing and had payment defaults during the three months ended December 31, 2015. TDRs that were entered into during the prior twelve months that subsequently were classified as non-performing and had payment defaults during the twelve months ended December 31, 2015 consisted of one commercial modification totaling $0.3 million.

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The following tables provide details of impaired loans, segregated by category. The unpaid contractual principal balance represents the recorded balance prior to any partial charge-offs. The recorded investment represents customer balances net of any partial charge-offs recognized on the loan. The average recorded investment is calculated using the most recent four quarters.

	December 31, 2016					
	Unpaid Contractual Principal Balance	Recorded Investment with No Allowance	Recorded Investment with Allowance	Total Recorded Investment	Related Allowance	Average Recorded Investment
	(dollars in thousands)					
Commercial	$ 16,955	$ 8,060	$ 3,835	$ 11,895	$ 1,535	$ 10,127
Commercial real estate	12,922	9,036	3,118	12,154	1,778	8,939
Real estate construction	518	483	11	494	11	793
Retail real estate	13,112	11,733	385	12,118	140	13,102
Retail other	139	53	3	56	3	171
Total	$ 43,646	$ 29,365	$ 7,352	$ 36,717	$ 3,467	$ 33,132

	December 31, 2015					
	Unpaid Contractual Principal Balance	Recorded Investment with No Allowance	Recorded Investment with Allowance	Total Recorded Investment	Related Allowance	Average Recorded Investment
	(dollars in thousands)					
Commercial	$ 14,302	$ 3,362	$ 8,238	$ 11,600	$ 3,304	$ 4,482
Commercial real estate	5,865	4,018	1,363	5,381	459	8,700
Real estate construction	1,569	830	29	859	29	833
Retail real estate	12,378	11,108	452	11,560	152	12,070
Retail other	272	233	5	238	5	261
Total	$ 34,386	$ 19,551	$ 10,087	$ 29,638	$ 3,949	$ 26,346

Management's opinion as to the ultimate collectability 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 affected by changing economic conditions and the economic prospects of borrowers.

Allowance for Loan Losses

The allowance for loan losses represents an estimate of the amount of probable losses believed to be inherent in the Company's loan portfolio at the balance sheet date. The allowance for loan losses is calculated geographically, by class of loans. The allowance calculation involves a high degree of estimation that management attempts to mitigate through the use of objective historical data where available. Loan losses are charged against the allowance for loan losses when management believes the uncollectibility of the loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance. Overall, the Company believes the allowance methodology is consistent with prior periods and the balance was adequate to cover the estimated losses in the Company's loan portfolio at December 31, 2016 and 2015.

The general portion of the Company's allowance contains two components: (i) a component for historical loss ratios, and (ii) a component for adversely graded loans. The historical loss ratio component is an annualized loss rate calculated using a sum-of-years digits weighted 20-quarter historical average.

The Company's component for adversely graded loans attempts to quantify the additional risk of loss inherent in the special mention and substandard portfolios. The substandard portfolio has an additional allocation of 3.00% placed on such loans, which is an estimate of the additional loss inherent in these loan grades based upon a review of overall historical charge-offs. As of December 31, 2016, the Company believed this reserve remained adequate. Special mention loans have an additional allocation of 1.00% placed on such loans, which is an estimate of the additional loss inherent in these loan grades. As of December 31, 2016, the Company believed this reserve remained adequate.

The specific portion of the Company's allowance relates to loans that are impaired, which includes non-performing loans, TDRs and other loans determined to be impaired. Impaired loans are excluded from the determination of the general allowance for non-impaired loans and are allocated specific reserves as discussed above.

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Impaired loans are reported at the fair value of the underlying collateral, less estimated costs to sell, if repayment is expected solely from the collateral. Collateral values are estimated using a combination of observable inputs, including recent appraisals discounted for collateral specific changes and current market conditions, and unobservable inputs based on customized discounting criteria.

The general reserve quantitative allocation that is based upon historical charge off rates is adjusted for qualitative factors based on current general economic conditions and other qualitative risk factors both internal and external to the Company. In general, such valuation allowances are determined by evaluating, among other things: (i) Management & Staff; (ii) Loan Underwriting, Policy and Procedures; (iii) Internal/External Audit & Loan Review; (iv) Valuation of Underlying Collateral; (v) Macro and Local Economic Factors; (vi) Impact of Competition, Legal & Regulatory Issues; (vii) Nature and Volume of Loan Portfolio; (viii) Concentrations of Credit; (ix) Net Charge-Off Trends; and (x) Non-Accrual, Past Due and Classified Trends. Management evaluates the probable impact from the degree of risk that each one of these components has on the quality of the loan portfolio on a quarterly basis.

Based on each component's risk factor, a qualitative adjustment to the reserve may be applied to the appropriate loan categories. During the fourth quarter of 2016, the Company did not make adjustments to any qualitative factors. The Company will continue to monitor its qualitative factors on a quarterly basis.

The Company holds acquired loans from business combinations with uncollected principal balances. These loans are carried net of a fair value adjustment for credit risk and interest rates and are only included in the allowance calculation to the extent that the reserve requirement exceeds the fair value adjustment. However, as the acquired loans renew, it is generally necessary to establish an allowance, which represents an amount that, in management's opinion, will be adequate to absorb probable credit losses in such loans. The balance of all acquired loans which did not require a related allowance for loan losses as of December 31, 2016 totaled approximately $1.0 billion.

Changes in the allowance for loan losses were as follows:

	Years Ended December 31, (dollars in thousands)		
	2016	2015	2014
Balance, beginning of year	$ 47,487	$ 47,453	$ 47,567
Provision for loan losses	5,550	1,600	2,000
Loan balances charged-off	(9,656)	(4,694)	(7,371)
Recoveries applicable to loan balances previously charged-off	4,414	3,128	5,257
Balance, end of year	$ 47,795	$ 47,487	$ 47,453

The following table details activity in the allowance for loan losses. Allocation of a portion of the allowance to one category does not preclude its availability to absorb losses in other categories.

	Year Ended December 31, 2016 (dollars in thousands)					
	Commercial	Commercial Real Estate	Real Estate Construction	Retail Real Estate	Retail Other	Total
Beginning balance	$ 13,115	$ 18,604	$ 1,763	$ 13,714	$ 291	$ 47,487
Provision for loan losses	5,520	2,366	(310)	(2,277)	251	5,550
Charged-off	(6,598)	(470)	(24)	(2,106)	(458)	(9,656)
Recoveries	1,266	123	441	2,317	267	4,414
Ending Balance	$ 13,303	$ 20,623	$ 1,870	$ 11,648	$ 351	$ 47,795

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	Year Ended December 31, 2015 (dollars in thousands)					
	Commercial	Commercial Real Estate	Real Estate Construction	Retail Real Estate	Retail Other	Total
Beginning balance	$ 10,041	$ 20,639	$ 2,795	$ 13,662	$ 316	$ 47,453
Provision for loan losses	4,016	(2,064)	(1,316)	857	107	1,600
Charged-off	(1,333)	(1,462)	—	(1,534)	(365)	(4,694)
Recoveries	391	1,491	284	729	233	3,128

Ending Balance	$ 13,115	$ 18,604	$ 1,763	$ 13,714	$ 291	$ 47,487

	Year Ended December 31, 2014					
	Commercial	Commercial Real Estate	Real Estate Construction	Retail Real Estate	Retail Other	Total
	(dollars in thousands)					
Beginning balance	$ 10,378	$ 22,112	$ 3,708	$ 11,149	$ 220	$ 47,567
Provision for loan losses	1,243	(2,679)	(1,799)	4,921	314	2,000
Charged-off	(1,990)	(1,173)	(726)	(3,052)	(430)	(7,371)
Recoveries	410	2,379	1,612	644	212	5,257
Ending Balance	$ 10,041	$ 20,639	$ 2,795	$ 13,662	$ 316	$ 47,453

The following table presents the allowance for loan losses and recorded investments in portfolio loans by category:

	As of December 31, 2016					
	Commercial	Commercial Real Estate	Real Estate Construction	Retail Real Estate	Retail Other	Total
	(dollars in thousands)					
Amount allocated to:						
Loans individually evaluated for impairment	$ 1,535	$ 1,778	$ 11	$ 140	$ 3	$ 3,467
Loans collectively evaluated for impairment	11,768	18,845	1,859	11,508	348	44,328
Ending Balance	$ 13,303	$ 20,623	$ 1,870	$ 11,648	$ 351	$ 47,795
Loans:						
Loans individually evaluated for impairment	$ 11,834	$ 11,147	$ 494	$ 11,644	$ 56	$ 35,175
Loans collectively evaluated for impairment	947,993	1,642,010	181,584	1,056,942	13,654	3,842,183
PCI loans evaluated for Impairment	61	1,007	—	474	—	1,542
Ending Balance	$ 959,888	$ 1,654,164	$ 182,078	$ 1,069,060	$ 13,710	$ 3,878,900

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	As of December 31, 2015					
	Commercial	Commercial Real Estate	Real Estate Construction	Retail Real Estate	Retail Other	Total
	(dollars in thousands)					
Amount allocated to:						
Loans individually evaluated for impairment	$ 3,304	$ 459	$ 29	$ 152	$ 5	$ 3,949
Loans collectively evaluated for impairment	9,811	18,145	1,734	13,562	286	43,538
Ending Balance	$ 13,115	$ 18,604	$ 1,763	$ 13,714	$ 291	$ 47,487
Loans:						
Loans individually evaluated for impairment	$ 11,600	$ 5,005	$ 527	$ 11,560	$ 238	$ 28,930
Loans collectively evaluated for impairment	644,976	1,203,048	95,709	639,631	14,737	2,598,101
PCI loans evaluated for Impairment	—	376	332	—	—	708
Ending Balance	$ 656,576	$ 1,208,429	$ 96,568	$ 651,191	$ 14,975	$ 2,627,739

Note 8. OREO

OREO represents properties acquired through foreclosure or other proceedings in settlement of loans and is included in other assets in the accompanying Consolidated Balance Sheets. 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, which establishes a new cost basis. Any adjustment to fair value at the time of transfer to OREO is charged to the allowance for loan losses. Properties are evaluated regularly to ensure each recorded amount is supported by its current fair value, and valuation allowances to reduce the carrying amount due to subsequent declines in fair value less estimated costs to dispose are recorded as necessary. Revenue, expense, gains and losses from the operations of foreclosed assets are included in operations. At December 31, 2016, the Company held $2.0 million in commercial OREO, $0.5 million in residential OREO and an insignificant amount of other repossessed assets. At December 31, 2015, the Company held $0.5 million in commercial OREO, $0.3 million in residential OREO and an insignificant amount of other repossessed assets. At December 31, 2016 the Company had $1.0 million of residential real estate in the process of foreclosure.

The following table summarizes activity related to OREO:

	Year Ended December 31, 2016	Year Ended December 31, 2015
	(dollars in thousands)	
OREO:		
Beginning balance	$ 783	$ 216
Additions, transfers from loans	2,775	1,251
Additions, fair value from Herget Financial acquisition	—	284
Additions, fair value from Pulaski acquisition	2,488	—

Proceeds from sales of OREO	(4,498)	(1,090)
Gain on sales of OREO	999	122
Valuation allowance for OREO	(29)	—
Ending balance	$ 2,518	$ 783

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Note 9. Premises and Equipment, net

Premises and equipment, net are summarized as follows:

	December 31, 2016	December 31, 2015
	(dollars in thousands)	
Land and improvements	$ 26,484	$ 21,950
Buildings and improvements	73,484	64,270
Furniture and equipment	37,543	34,039
	137,511	120,259
Less accumulated depreciation	59,650	57,171
Total premises and equipment, net	$ 77,861	$ 63,088

Premises and equipment, net was impacted by the Pulaski acquisition. Depreciation expense was $7.3 million, $5.7 million, and $5.6 million for the years ended December 31, 2016, 2015 and 2014, respectively.

Note 10. Goodwill and Other Intangible Assets

Other than goodwill, the Company does not have any other intangible assets that are not amortized. Accounting standards allow for goodwill to be tested for impairment by first performing a qualitative assessment to determine whether it is more likely than not that the fair value of the reporting unit is less than its carrying value. As part of this analysis, the reporting unit's carrying value is compared to its fair value.

The Company's goodwill is associated with its three operating segments, Banking, Remittance Processing and Wealth Management. Based on the impairment testing performed at December 31, 2016, there were no indicators of potential impairment based on the estimated fair value of those operating segments. All three operating segments have sustained quarterly and annual profits. However, it is possible we will evaluate our goodwill for impairment on a more frequent basis than annually. The evaluation may result in impairment.

During 2016, the Company recorded goodwill totaling $77.3 million and other intangible assets totaling $15.5 million in connection with the acquisition of Pulaski, both in the Banking segment. During 2015, the Company recorded goodwill totaling $4.8 million in the Banking segment and other intangible assets totaling $3.0 million in the Banking segment and $0.9 million in the Wealth Management segment in connection with the acquisition of Herget Financial. The carrying amount of goodwill by operating segment, at December 31, 2016 and 2015 is as follows:

Goodwill:	Balance at December 31, 2016	Balance at December 31, 2015
	(dollars in thousands)	
Banking	$ 82,128	$ 4,824
Remittance Processing	8,992	8,992
Wealth Management	11,694	11,694
Total goodwill	$ 102,814	$ 25,510

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Core deposit and customer relationship intangible assets are amortized on an accelerated or straight-line basis over the estimated period benefited up to 14 years. Other intangible asset disclosures are as follows:

	Balance at December 31, 2016	2016 Amortization	Balance at December 31, 2015	2015 Amortization
	(dollars in thousands)			
Amortized intangible assets:				
Core deposit intangible assets	$ 17,338	$ 3,361	$ 5,231	$ 2,060
Customer relationship intangible assets	1,124	1,077	2,201	1,132
	$ 18,462	$ 4,438	$ 7,432	$ 3,192

	Core deposit intangible	Customer relationship intangible
	(dollars in thousands)	
As of December 31, 2016:		
Gross carrying amount	$ 38,467	$ 12,220
Accumulated amortization	21,129	11,096
	$ 17,338	$ 1,124

Estimated amortization expense on balance at December 31, 2016:		
2017	$ 3,190	$ 663
2018	2,143	115
2019	1,986	98
2020	1,826	82
2021	1,666	66
Thereafter	6,527	100
	$ 17,338	$ 1,124

Note 11. Deposits

The composition of deposits is as follows:

	December 31, 2016	December 31, 2015
	(dollars in thousands)	
Demand deposits, noninterest-bearing	$ 1,134,133	$ 881,685
Interest-bearing transaction deposits, saving deposits and money market deposits	2,453,965	1,949,370
Time deposits	786,200	458,051
Total	$ 4,374,298	$ 3,289,106

Deposit growth was impacted in 2016 by the April 30, 2016 Pulaski acquisition. Interest-bearing transaction deposits included $36.9 million and $7.8 million of reciprocal brokered transaction deposits at December 31, 2016 and 2015, respectively. Savings deposits included $22.2 million of reciprocal brokered deposits at December 31, 2016. There were no reciprocal brokered deposits in savings deposits at December 31, 2015.

The aggregate amount of time deposits with a minimum denomination of $100,000 was approximately $350.7 million and $128.1 million at December 31, 2016 and 2015, respectively. The aggregate amount of time deposits with a minimum denomination that meets or exceeds the FDIC insurance limit of $250,000 was approximately $70.7 million and $23.2 million at December 31, 2016 and 2015, respectively. National deposits of $0.1 million and $0.4 million were included in the balance of time deposits as of December 31, 2016 and 2015, respectively. The Company had reciprocal brokered time deposits of $93.4 million and $0.4 million at December 31, 2016 and 2015, respectively, included in the balance of time deposits. Further, the Company had brokered deposits of $5.0 million at December 31, 2016, which are included in the balance of time deposits. There were no brokered deposits at December 31, 2015.

As of December 31, 2016, the scheduled maturities of time deposits are as follows *(dollars in thousands)*:

2017	$ 539,341
2018	151,415
2019	59,313
2020	16,459
2021	19,577
Thereafter	95
	$ 786,200

Note 12. Borrowings

Federal funds purchased are short-term borrowings that generally mature between one and ninety days. The Company had no federal funds purchased at December 31, 2016 and 2015; however, during 2016 the Company purchased federal funds to test operational availability to access funds if needed.

Securities sold under agreements to repurchase, which are classified as secured borrowings, generally mature either daily or within one year from the transaction date. Securities sold under agreements to repurchase are reflected at the amount of cash received in connection with the transaction. The underlying securities are held by the Company's safekeeping agent. The Company may be required to provide additional collateral based on fluctuations in the fair value of the underlying securities.

Short-term borrowings include FHLB advances which mature in less than one year from date of origination.

On November 18, 2016, the Company entered into Amendment No. 1 to a credit agreement with a national bank to extend a revolving loan facility to the Company in the maximum principal amount of $20.0 million. The loan has an annual interest rate of 2.50% plus the one-month LIBOR rate and has a maturity date of November 19, 2017. The loan also bears a non-usage fee calculated based on the average daily principal balance of the loan outstanding during the prior fiscal quarter. The Company had no outstanding amount on December 31, 2016 and 2015; however, during 2016 the Company drew on the loan.

The following table sets forth the distribution of securities sold under agreements to repurchase and short-term borrowings and weighted average interest rates:

	December 31, 2016	December 31, 2015
	(dollars in thousands)	
Securities sold under agreements to repurchase		
Balance at end of period	$ 189,157	$ 172,972
Weighted average interest rate at end of period	0.30%	0.18%
Maximum outstanding at any month end in year-to-date period	$ 216,293	$ 202,376
Average daily balance for the year-to-date period	$ 181,474	$ 179,662

Weighted average interest rate during period(1)	0.22%	0.10%
Short-term borrowings, FHLB advances		
Balance at end of period	$ 75,000	$ —
Weighted average interest rate at end of period	0.63%	—%
Maximum outstanding at any month end in year-to-date period	$ 236,700	$ —
Average daily balance for the year-to-date period	$ 96,698	$ —
Weighted average interest rate during period(1)	0.53%	—%
Short-term borrowings, revolving loan		
Balance at end of period	$ —	$ —
Weighted average interest rate at end of period	—%	—%
Maximum outstanding at any month end in year-to-date period	$ 10,000	$ —
Average daily balance for the year-to-date period	$ 2,596	$ —
Weighted average interest rate during period(1) (2)	4.78%	—%

(1)The weighted average interest rate is computed by dividing total interest for the period by the average daily balance outstanding.
(2)Includes interest and non-usage fee.

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Long-term debt is summarized as follows:

	December 31, 2016	December 31, 2015
	(dollars in thousands)	
Notes payable, FHLB, ranging in original maturity from nineteen months to ten years, collateralized by FHLB deposits, residential and commercial real estate loans and FHLB stock.	$ 80,000	$ 80,000

As of December 31, 2016, funds borrowed from the FHLB, listed above, consisted of variable-rate notes maturing through September 2024, with interest rates ranging from 0.35% to 0.54%. The weighted average rate on these long-term advances was 0.41% as of December 31, 2016. As of December 31, 2015, funds borrowed from the FHLB, listed above, consisted of variable-rate notes maturing through September 2024, with interest rates ranging from 0.10% to 0.28%. The weighted average rate on these long-term advances was 0.15% as of December 31, 2015.

Note 13. Junior Subordinated Debt Owed to Unconsolidated Trusts

First Busey maintains statutory trusts for the sole purpose of issuing and servicing trust preferred securities and related trust common securities. The proceeds from such issuances were used by the trusts to purchase junior subordinated notes of the Company, which are the sole assets of each trust. Concurrent with the issuance of the trust preferred securities, the Company issued guarantees for the benefit of the holders of the trust preferred securities. The trust preferred securities are issues that qualify, and are treated by the Company, as Tier 1 regulatory capital. The Company owns all of the common securities of each trust. The trust preferred securities issued by each trust rank equally with the common securities in right of payment, except that if an event of default under the indenture governing the notes has occurred and is continuing, the preferred securities will rank senior to the common securities in right of payment. In connection with the Pulaski acquisition, the Company acquired similar statutory trusts maintained by Pulaski. The Company had $70.9 million and $55.0 million of junior subordinated debt owed to unconsolidated trusts at December 31, 2016 and 2015, respectively.

The trust preferred securities are subject to mandatory redemption, in whole or in part, upon repayment of the junior subordinated notes at par value at the stated maturity date or upon redemption. Each trust's ability to pay amounts due on the trust preferred securities is solely dependent upon the Company making payment on the related junior subordinated notes. The Company's obligations under the junior subordinated notes and other relevant trust agreements, in aggregate, constitute a full and unconditional guarantee by the Company of each trust's obligations under the trust preferred securities issued by each trust. The Company has the right to defer payment of interest on the notes, in which case the distributions on the trust preferred securities will also be deferred, for up to five years, but not beyond the stated maturity date. The Company does not expect to exercise this right.

Under current banking regulations, bank holding companies are allowed to include qualifying trust preferred securities in their Tier 1 Capital for regulatory capital purposes, subject to a 25% limitation to all core (Tier 1) capital elements, net of goodwill and other intangible assets less any associated deferred tax liability. As of December 31, 2016, 100% of the trust preferred securities qualified as Tier 1 capital under the final rule adopted in March 2005.

Note 14. Capital

Redemption of Preferred Stock Under the Small Business Lending Fund

On August 25, 2011, the Company entered into the Purchase Agreement with the Treasury, pursuant to which the Company issued and sold to the Treasury 72,664 shares of its Series C Preferred Stock, having a liquidation preference of $1,000 per share, for aggregate proceeds of $72,664,000. On December 18, 2015, the Company redeemed all of the 72,664 shares of its Series C Preferred Stock that had been issued to the Treasury pursuant to the SBLF program. The shares were redeemed at their liquidation value of $1,000 per share plus accrued and unpaid dividends to, but excluding December 18, 2015. The redemption was approved by the Company's primary federal regulator and terminates the Company's participation in the SBLF program. Before redemption, the Series C Preferred Stock qualified as Tier 1 capital for the Company. Non-cumulative dividends were payable quarterly on the Series C Preferred Stock, which began October 1, 2011.

CPP Warrant

In connection with the Company's participation in the CPP, the Company issued to Treasury a warrant to purchase 382,555 shares of the Company's common stock. Subsequent to the date of the Company's participation in the CPP, it raised additional capital through a public offering of common stock and, as a result of that offering, the number of shares of common stock subject to the warrant were reduced by 50% to 191,278. On November 23, 2011 the Treasury completed an auction to sell its warrant in a private transaction. At December 31, 2016, this warrant to purchase 191,278 shares of the Company's common stock, at an exercise price of $39.21, remained outstanding.

Regulatory Capital

The ability of the Company to pay cash dividends to its stockholders and to service its debt was historically dependent on the receipt of cash dividends from its subsidiaries. Under applicable regulatory requirements, an Illinois state-chartered bank such as Busey Bank may not pay dividends in excess of its net profits. Because Busey Bank has been in a retained earnings deficit position since 2009, it has not been able to pay dividends since that time. With prior approval from its regulators, however, an Illinois state-chartered bank in this situation may be able to reduce its capital stock, by amending its charter to decrease the authorized number of shares, and then make a subsequent distribution to its holding company. Using this approach, and with the approval of its regulators, Busey Bank has distributed funds to the Company, the most recent of which was $30.0 million on October 21, 2016. The Company expects to seek regulatory approval for additional capital distributions in future periods. Pulaski Bank had positive retained earnings and was able to pay a dividend to First Busey prior to the bank merger.

The Company and Busey Bank are subject to regulatory capital requirements administered by federal and/or state agencies that involve the quantitative measure of their assets, liabilities, and certain off-balance-sheet items, as calculated under regulatory accounting practices. Quantitative measures established by regulations to ensure capital adequacy require the Company and the bank to maintain minimum dollar amounts and ratios of such to risk weighted assets (as defined in the regulations and set forth in the table below) of total capital, Tier 1 capital and Common Equity Tier 1 capital, and for the bank, Tier 1 capital to average assets. Failure to meet minimum capital requirements may cause regulatory bodies to initiate certain discretionary and/or mandatory actions that, if undertaken, could have a direct material effect on our financial statements. The Company, as a financial holding company, is required to be "well capitalized" in the capital categories shown in the table below. As of December 31, 2016 and 2015, the Company and Busey Bank met all capital adequacy requirements to which they were subject, including the guidelines to be considered "well capitalized."

The Dodd-Frank Act established minimum capital levels for bank holding companies on a consolidated basis. The components of Tier 1 capital are restricted to capital instruments that, at the time of signing, were considered to be Tier 1 capital for insured depository institutions. Under this legislation, the Company is able to maintain its trust preferred securities as Tier 1 capital, but it will have to comply with new capital mandates in other respects, and it will not be able to raise Tier 1 capital through the issuance of trust preferred securities in the future.

In July 2013, the U.S. federal banking authorities approved the implementation of the Basel III Rule required by the Dodd-Frank Act. The Basel III Rule is applicable to all U.S. banks that are subject to minimum capital requirements, as well as to bank and savings and loan holding companies other than "small bank holding companies" (generally non-public bank holding companies with consolidated assets of less than $1.0 billion). The Basel III Rule not only increased most of the required minimum regulatory capital ratios, but they also introduced a new Common Equity Tier 1 Capital ratio and the concept of a capital conservation buffer. The Basel III Rule also expanded the definition of capital as in effect currently by establishing criteria that instruments must meet to be considered Additional Tier 1 Capital (Tier 1 Capital in addition to Common Equity) and Tier 2 Capital. A number of instruments that generally qualified as Tier 1 Capital under the old guidelines no longer qualify, or their qualifications will change, as the Basel III Rule is being fully implemented.

The Basel III Rule also permitted banking organizations with less than $15.0 billion in assets to retain, through a one-time election, the past treatment for accumulated other comprehensive income, which did not affect regulatory capital. First Busey and Busey Bank made this election in the first quarter of 2015 to avoid variations in the level of their capital depending on fluctuations in the fair value of their securities portfolio. The Basel III Rule maintained the general structure of the prompt corrective action framework, while incorporating increased requirements. The prompt corrective action guidelines were also revised to add the Common Equity Tier 1 Capital ratio. Under the final capital rules that became effective on January 1, 2015, there was a requirement for a Common Equity Tier 1 capital conservation buffer of 2.5% of risk weighted assets which is in addition to the other minimum risk based capital standards in the rule. Failure to maintain the buffer will result in restrictions on the Company's ability to make capital distributions, including the payment of dividends, and to pay discretionary bonuses to executive officers. The capital buffer requirement is being phased-in over three years beginning in 2016. The table below includes the 0.625% increase for 2016 in the minimum capital requirement ratios. The capital buffer requirement effectively raises the minimum required Common Equity Tier 1 Capital ratio to 7.0%,

the Tier 1 Capital ratio to 8.5%, and the Total Capital ratio to 10.5% on a fully phased-in basis on January 1, 2019. As of December 31, 2016, the Company and Busey Bank were in compliance with the current phase of the Basel III Rule and management believes that the Company and Busey Bank would meet all capital adequacy requirements under the Basel III Rule on a fully phased-in basis as if such requirements had been in effect.

	Actual		Minimum Capital Requirement with Capital Buffer		Minimum To Be Well Capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
	(dollars in thousands)					
As of December, 2016:						
Total Capital (to Risk Weighted Assets)						
Consolidated	$ 605,988	14.04%	$ 372,342	8.625%	$ 431,701	10.00%
Busey Bank	$ 550,813	12.86%	$ 369,363	8.625%	$ 428,247	10.00%
Tier 1 Capital (to Risk Weighted Assets)						
Consolidated	$ 557,862	12.92%	$ 286,002	6.625%	$ 345,361	8.00%
Busey Bank	$ 502,687	11.74%	$ 283,714	6.625%	$ 342,598	8.00%

	Actual Amount	Actual Ratio	Minimum Capital Requirement Amount	Minimum Capital Requirement Ratio	Minimum To Be Well Capitalized Amount	Minimum To Be Well Capitalized Ratio
Common Equity Tier 1 Capital (to Risk Weighted Assets)						
Consolidated	$ 484,246	11.22%	$ 221,247	5.125%	$ 280,606	6.50%
Busey Bank	$ 502,687	11.74%	$ 219,477	5.125%	$ 278,361	6.50%
Tier 1 Capital (to Average Assets)						
Consolidated	$ 557,862	10.45%	$ 213,578	4.00%	N/A	N/A
Busey Bank	$ 502,687	9.45%	$ 212,766	4.00%	$ 265,957	5.00%

	Actual		Minimum Capital Requirement		Minimum To Be Well Capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
			(dollars in thousands)			
As of December 31, 2015:						
Total Capital (to Risk Weighted Assets)						
Consolidated	$ 431,689	14.55%	$ 237,404	8.00%	$ 296,754	10.00%
Busey Bank	$ 396,428	13.45%	$ 235,741	8.00%	$ 294,676	10.00%
Tier 1 Capital (to Risk Weighted Assets)						
Consolidated	$ 394,240	13.29%	$ 178,053	6.00%	$ 237,404	8.00%
Busey Bank	$ 359,228	12.19%	$ 176,806	6.00%	$ 235,741	8.00%
Common Equity Tier 1 Capital (to Risk Weighted Assets)						
Consolidated	$ 341,828	11.52%	$ 133,540	4.50%	$ 192,890	6.50%
Busey Bank	$ 359,228	12.19%	$ 132,604	4.50%	$ 191,540	6.50%
Tier 1 Capital (to Average Assets)						
Consolidated	$ 394,240	10.13%	$ 155,653	4.00%	N/A	N/A
Busey Bank	$ 359,228	9.32%	$ 154,145	4.00%	$ 192,681	5.00%

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Note 15. Income Taxes

The components of income taxes consist of *(dollars in thousands)*:

	Years Ended December 31, 2016	2015	2014
Current	$ 16,271	$ 17,839	$ 4,830
Deferred	10,452	2,857	12,704
Total income tax expense	$ 26,723	$ 20,696	$ 17,534

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

	Years Ended December 31, 2016 % of Pretax Income	2015 % of Pretax Income	2014 % of Pretax Loss
Income tax at statutory rate	35.0%	35.0%	35.0%
Effect of:			
Tax-exempt interest, net	(2.4)%	(2.3)%	(2.6)%
State income taxes, net	4.3%	4.2%	5.7%
Income on bank owned life insurance	(1.0)%	(1.2)%	(1.0)%
Other, net	(0.9)%	(1.0)%	(2.2)%
	35.0%	34.7%	34.9%

Net deferred taxes at December 31, 2016 and 2015 in the accompanying Consolidated Balance Sheets, include the following amounts of deferred tax assets and liabilities *(dollars in thousands)*:

	2016	2015
Deferred tax assets:		
Allowance for loan losses	$ 19,988	$ 18,939
Stock-based compensation	2,396	1,461
Deferred compensation	2,748	2,189
Affordable housing partnerships and other investments	929	2,454
Purchase accounting adjustments	7,186	1,308
Accrued vacation	729	579
Employee costs	2,044	703
Other	1,097	699
	$ 37,117	$ 28,332
Deferred tax liabilities:		
Investment securities:		
Unrealized gains on securities available for sale	$ (24)	$ (1,563)

Other, net	(639)	(641)
Basis in premises and equipment	(1,468)	(1,887)
Affordable housing partnerships and other investments	(2,110)	(1,560)
Purchase accounting adjustments	(2,242)	(645)
Mortgage servicing assets	(1,228)	(1,386)
Basis in core deposit and customer intangible assets	(7,377)	(2,967)
Deferred loan origination costs	(2,765)	(359)
	$ (17,853)	$ (11,008)
Net operating loss carryforward, net of valuation allowance	960	4,314
Net deferred tax assets	$ 20,224	$ 21,638

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At December 31, 2016, the Company had an Illinois net operating loss carryforward of $1.0 million, or approximately $13.0 million pre-tax. At December 31, 2015, the Company had an Illinois net operating loss carryforward of $4.3 million, or approximately $59.0 million pre-tax. This net operating loss carryforward will expire in 2022.

At December 31, 2016, the Company also had a Florida net operating loss carryforward of $0.3 million, which will begin to expire in 2030. Due to the uncertainty as to whether the Company will be able to fully realize the Florida carryforward, the Company has a full valuation allowance of $0.3 million related to this net operating loss carryforward. At December 31, 2015, the Company had a Florida net operating loss carryforward of $0.6 million with a full valuation allowance.

In addition, the Company had capital loss carryforwards of $0.4 million in relation to Pulaski at December 31, 2016, that are projected to expire prior to their utilization. Due to the uncertainty as to whether the Company will be able to fully realize the carryforwards, the Company has a full valuation allowance of $0.4 million related to these capital loss carryforwards. There was no valuation allowance related to capital loss carryforwards at December 31, 2015. Management believes that it is more likely than not that the other deferred tax assets included in the accompanying Consolidated Balance Sheets will be fully realized. The Company has determined that no additional valuation allowance is required for any other deferred tax assets as of December 31, 2016 and 2015, although there is no guarantee that those assets will be recognizable in future periods.

Note 16. Employee Benefit Plans

Employees' Stock Ownership Plan

Prior to 2014, the First Busey Corporation Employees' Stock Ownership Plan ("ESOP") was available to all full-time employees who met certain age and length of service requirements. Effective in 2014, the ESOP was frozen, all shares were fully vested and there will be no new contributions under the ESOP. Dividends on allocated shares of common stock are distributed directly to the participants. All shares held by the ESOP, which were acquired prior to the issuance of FASB ASC Topic 718-40, "Employee Stock Ownership Plans" (ASC 718-40), are included in the computation of average common shares and common share equivalents. This accounting treatment is grandfathered under ASC 718-40 for shares purchased prior to December 31, 1992.

All shares held in the ESOP which were acquired prior to December 31, 1992 were allocated as of December 31, 2006. The number of shares and associated fair values were 136,840 worth $4.2 million and 144,641 worth $3.0 million at December 31, 2016 and 2015, respectively.

Shares held in the ESOP which were acquired after December 31, 1992 and associated fair values were 48,222 worth $1.5 million and 50,989 worth $1.1 million at December 31, 2016 and 2015, respectively.

Profit Sharing Plan

All full-time employees who meet certain age and service requirements are eligible to participate in the Company's profit-sharing plan. The contributions, if any, are determined solely by the boards of directors of the Company 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 five-year period, except for the 401(k) match portion, which vests immediately. Expenses related to the employee benefit plans are included in the statements of income as follows:

	Years Ended December 31,		
	2016	2015	2014
	(dollars in thousands)		
Total employee benefits	$ 4,289	$ 2,584	$ 2,636

The Company sponsors deferred compensation plans for executive officers for deferral of compensation. While current participants in the deferred compensation plan are permitted to continue participating in the plan, it is not currently open to new participants. The deferred compensation expense reported was $0.3 million for the years ended December 31, 2016, 2015 and 2014. The deferred compensation liability was $6.8 million at December 31, 2016, $5.5 million at December 31, 2015, and $5.1 million at December 31, 2014. The 2016 deferred compensation liability includes $1.1 million related to the Pulaski acquisition which was distributed in January 2017.

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Note 17. Share-based Compensation

Overview

During the first quarter of 2010, the Company adopted the 2010 Equity Plan, which was approved at the annual stockholders meeting on May 19, 2010. During the second quarter of 2015, the Company adopted an amendment to revise some technical terms to the 2010 Equity Plan, which was approved at the annual stockholders meeting on May 20, 2015.

Subject to permitted adjustments for certain corporate transactions, the maximum number of shares that may be delivered to participants, or their beneficiaries, under the 2010 Equity Plan is 1,333,333 shares of First Busey common stock. To the extent that any shares of stock covered by an award (including non-vested stock awards) under the 2010 Equity Plan, or the prior plans, are not delivered for any reason, including because the award is forfeited, canceled, settled in cash or shares are withheld to satisfy tax withholding requirements, such shares will not be deemed to have been delivered for purposes of determining the maximum number of shares of stock available for delivery and will again become available for usage under the 2010 Equity Plan. If any option granted under the 2010 Equity Plan is exercised by tendering shares of stock, only the number of shares of stock issued net of the shares of stock tendered shall be counted for purposes of these limitations. Any shares covered under the terms of a prior plan award that would otherwise become available for reuse under the terms of the prior plan will become available for issuance under the 2010 Equity Plan.

The 2010 Equity Plan's effective date was May 19, 2010. The 2010 Equity Plan will continue in effect until terminated by the board of directors; provided that no awards may be granted under the 2010 Equity Plan after the ten-year anniversary of the effective date. Any awards that are outstanding after the tenth anniversary of the effective date will remain subject to the terms of the 2010 Equity Plan.

The following additional limits apply to awards under the 2010 Equity Plan:

- the maximum number of shares of stock that may be covered by options that are intended to be "performance-based compensation" which are granted to any one participant during any calendar year is 133,333 shares;

- the maximum number of shares of stock that may be covered by stock awards that are intended to be "performance-based compensation" which are granted to any one participant during any calendar year is 66,667 shares; and

- the maximum dollar amount of cash incentive awards or cash-settled stock awards intended to be "performance-based compensation" payable to any one participant with respect to any calendar year is $1,000,000.

The Company grants share-based compensation awards to its employees and members of its board of directors as provided for under the Company's 2010 Equity Incentive Plan. The Company currently grants share-based compensation in the form of restricted stock units ("RSUs") and deferred stock units ("DSUs"). The Company grants RSUs to members of management periodically throughout the year. Each RSU is equivalent to one share of the Company's common stock. These units have a requisite service periods ranging from one to five years. The Company annually grants share-based awards in the form of DSUs, which are RSUs with a deferred settlement date, to its board of directors. Each DSU is equivalent to one share of the Company's common stock. The DSUs vest over a twelve-month period following the grant date or on the date of the next Annual Meeting of Stockholders, whichever is earlier. These units generally are subject to the same terms as RSUs under the Company's 2010 Equity Incentive Plan, except that, following vesting, settlement occurs within 30 days following the earlier of separation from the board or a change in control of the Company. Subsequent to vesting and prior to delivery, these units will continue to earn dividend equivalents. The Company also has outstanding stock options granted prior to 2011.

Under the terms of the Company's 2010 Equity Incentive Plan, the Company is allowed, but not required, to source stock option exercises and grants of RSUs and DSUs from its inventory of treasury stock. As of December 31, 2016, the Company held 633,232 shares in treasury. On February 3, 2015, First Busey announced that its board of directors approved a repurchase plan under which the Company is authorized to repurchase up to an aggregate of 666,667 shares of its common stock. The repurchase plan has no expiration date and replaced the prior repurchase plan that was originally approved in 2008. During 2015, the Company purchased 333,333 shares under this repurchase plan. At December 31, 2016 the Company had 333,334 shares that may yet be purchased under the plan.

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Stock Option Plan

In relation to the Pulaski acquisition, the Company assumed stock options that were previously issued under shareholder approved Pulaski incentive plans. At the effective time of the acquisition, each outstanding option to purchase shares of Pulaski common stock was converted automatically into a stock option exercisable for that number of shares of First Busey common stock equal to (i) the number of shares of Pulaski common stock subject to the Pulaski stock option immediately prior to the effective time multiplied by (ii) the exchange ratio (rounded down to the nearest whole share), with an exercise price per share equal to (A) the exercise price per share of Pulaski common stock of the Pulaski stock option immediately prior to the effective time divided by (B) the exchange ratio (rounded up to the nearest whole cent). Each Pulaski stock option assumed and converted continues to be subject to the same terms and conditions, as applicable immediately prior to the effective time. All Pulaski stock options are fully vested.

A summary of the status of the Company's stock option awards for the years ended December 31, 2016, 2015, and 2014, and the changes during the years ended on those dates is as follows:

	2016		2015		2014	
	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
Outstanding at beginning of year	96,568	$ 43.64	170,026	$ 48.99	232,109	$ 51.66
Converted options from Pulaski	309,700	13.29	—	—	—	—
Granted	—	—	—	—	—	—
Exercised	(145,774)	15.09	—	—	—	—
Forfeited	(394)	13.87	(517)	58.23	(8,267)	57.75

	2016		2015		2014	
Expired	(50,718)	58.23	(72,941)	55.99	(53,816)	59.22
Outstanding at end of year	209,382	$ 15.13	96,568	$ 43.64	170,026	$ 48.99
Exercisable at end of year	209,382	$ 15.13	96,568	$ 43.64	170,026	$ 48.99

The following table summarizes information about stock options outstanding at December 31, 2016:

	Options Outstanding				Options Exercisable	
Range of Exercise Prices	Number	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life	Intrinsic Value	Number	Intrinsic Value
$ 6.00-15.00	177,083	$ 11.76	1.77		177,083	
15.01-20.00	3,949	15.20	1.11		3,949	
20.01-22.60	17,500	22.59	2.50		17,500	
22.61-58.05	10,850	58.05	0.54		10,850	
	209,382	$ 15.13	1.76	$ 3,572	209,382	$ 3,572

The Company did not record any stock option compensation expense during 2016, 2015 or 2014. As of December 31, 2016, the Company has no unrecognized stock option expense.

Restricted Stock Unit Plan

In relation to the Pulaski acquisition, the Company also assumed performance based restricted stock unit awards. At the effective time of the acquisition, the number of Pulaski common shares covered by each award was fixed at the target level under Pulaski's existing plan and automatically converted into a service-based restricted stock unit award of First Busey common stock that is equal to the number of shares of Pulaski common stock multiplied by the exchange ratio. Following the change in control, each restricted stock award will vest, without regard to any performance metrics, on the earlier to occur of September 30, 2017 or the award holders' involuntary termination of employment for reasons other than cause or voluntary termination of employment for good reason, as specified in the award agreement.

A summary of the changes in the Company's RSUs for the years ended December 31, 2016, 2015 and 2014 is as follows:

	2016		2015		2014	
	Shares	Weighted-Average Grant Date Fair Value	Shares	Weighted-Average Grant Date Fair Value	Shares	Weighted-Average Grant Date Fair Value
Outstanding at beginning of year	424,930	$ 17.10	394,624	$ 15.67	306,643	$ 14.91
Converted units from Pulaski	53,004	14.25	—	—	—	—
Reclass to DSUs	—	—	—	—	(1,653)	15.12
Granted	126,669	22.44	108,945	20.07	101,426	17.52
Dividend equivalents earned	14,935	21.09	13,089	19.31	11,722	16.86
Vested	(54,913)	14.61	(73,777)	14.48	(8,811)	14.46
Forfeited	(12,015)	15.19	(17,951)	16.21	(14,703)	14.19
Outstanding at end of year	552,610	$ 18.45	424,930	$ 17.10	394,624	$ 15.67

Dividends related to the converted units from Pulaski are accrued and will be paid in cash upon vesting. All other recipients earn quarterly dividend equivalents on their respective units. These dividend equivalents are not paid out during the vesting period, but instead entitle the recipients to additional units. Therefore, dividends earned each quarter compound based upon the updated unit balances. Upon vesting/delivery, shares are expected (though not required) to be issued from treasury.

The Company issued 43,396, 59,983 and 6,206 treasury shares in conjunction with the vesting of RSUs in 2016, 2015 and 2014, respectively. The difference between the number of shares issued and the number of vested units is due to shares issued under a net share settlement option.

On July 11, 2016, under the terms of the 2010 Equity Incentive Plan, the Company granted 126,669 RSUs to members of management. As the stock price on the grant date of July 11, 2016 was $22.44, total compensation cost to be recognized is $2.8 million. This cost will be recognized over a period of five years. Subsequent to the requisite service period, the awards will vest 100%.

A description of RSUs granted in 2015 and 2014 under the terms of the 2010 Equity Incentive Plan can be found in the Company's Annual Reports on Form 10-K for the years ended December 31, 2015 and 2014.

Deferred Stock Unit Plan

A summary of the changes in the Company's DSUs for the years ended December 31, 2016, 2015 and 2014 is as follows:

	2016			2015			2014		
	Shares		Weighted-Average Grant Date Fair Value	Shares		Weighted-Average Grant Date Fair Value	Shares		Weighted-Average Grant Date Fair Value
Non-vested at beginning of year	24,763	$	19.25	18,581	$	17.31	9,685	$	15.15
Reclass from RSUs	—		—	—		—	1,653		15.12
Granted	22,428		22.44	17,899		20.07	16,566		17.52
Dividend equivalents earned	2,576		21.20	1,872		19.40	1,347		16.89
Vested	(14,729)		20.18	(13,589)		17.69	(10,670)		15.30
Forfeited	—		—	—		—	—		—
Non-vested at end of year	35,038	$	21.04	24,763	$	19.25	18,581	$	17.31
Outstanding at end of year	93,459	$	18.54	68,456	$	17.16	48,686	$	16.02

On July 11, 2016, under the terms of the 2010 Equity Incentive Plan, the Company granted 15,830 DSUs to directors. As the stock price on the grant date of July 11, 2016 was $22.44, total compensation cost to be recognized is $0.4 million. The Company also granted 1,250 DSUs to a new director on July 25, 2016. As the stock price on the grant date of July 25, 2016 was $22.39, total compensation cost to be recognized is insignificant. These costs will be recognized over the requisite service period of one year from the date of grant or the next Annual Meeting of Stockholders; whichever is earlier. Further, the Company granted 5,348 DSUs to the Chairman of the Board. As the stock price on the grant date of July 11, 2016 was $22.44, total compensation cost to be recognized is $0.1 million. This cost will be recognized over a period of five years. Subsequent to the requisite service period, the awards will vest 100%.

A description of DSUs granted in 2015 and 2014 under the terms of the 2010 Equity Incentive Plan can be found in the Company's Annual Reports on Form 10-K for the years ended December 31, 2015 and 2014.

The Company recognized $1.8 million, $1.4 million and $1.2 million of compensation expense related to both non-vested RSUs and DSUs for the years ended December 31, 2016, 2015 and 2014, respectively. As of December 31, 2016, there was $5.8 million of total unrecognized compensation cost related to these non-vested stock awards. This cost is expected to be recognized over a period of 3.5 years.

Note 18. Transactions with Related Parties

The Company has had, and may be expected to have in the future, banking transactions in the ordinary course of business with related parties which include directors, executive officers, chief credit officers, their immediate families and affiliated companies in which they have 10% or more beneficial ownership, 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, 2016 *(dollars in thousands)*:

Balance at beginning of year	$	57,125
Addition due to change in relationship		1,197
New loans/advances		16,206
Repayments		(26,214)
Other		231
Balance at end of year	$	48,545

Total unused commitments to directors and executive officers were $24.5 million at December 31, 2016.

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Note 19. Outstanding Commitments and Contingent Liabilities

Legal Matters

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

Credit Commitments and Contingencies

The Company is a party to credit-related 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 and standby letters of credit. Those instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the Consolidated Balance Sheets.

The Company's exposure to credit loss is represented by the contractual amount of those commitments. The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments. A summary of the contractual amount of the Company's exposure to off-balance-sheet risk relating to the Company's commitments to extend credit and standby letters of credit follows:

	December 31, 2016		December 31, 2015	
	(dollars in thousands)			
Financial instruments whose contract amounts represent credit risk:				
Commitments to extend credit	$	875,077	$	618,551
Standby letters of credit		20,145		15,325

Commitments to extend credit are agreements to lend to a customer as long as no condition established in the contract has been violated. 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. The commitments for equity lines of credit may expire without being drawn upon. Therefore, the total commitment amounts do not necessarily represent future cash requirements. The amount of collateral obtained, if it is deemed necessary by the Company upon extension of credit, is based on management's credit evaluation of the customer.

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer's obligation to a third-party. Those guarantees are primarily issued to support public and private borrowing arrangements, including bond financing and similar transactions and primarily have terms of one year or less. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Company holds collateral, which may include accounts receivable, inventory, property and equipment, and income producing properties, supporting those commitments if deemed necessary. In the event the customer does not perform in accordance with the terms of the agreement with the third-party, the Company would be required to fund the commitment. The maximum potential amount of future payments the Company could be required to make is represented by the contractual amount shown in the summary above. If the commitment is funded, the Company would be entitled to seek recovery from the customer. As of December 31, 2016 and 2015, no amounts were recorded as liabilities for the Company's potential obligations under these guarantees.

Other Commitments

From time to time, the Company will sign contracts for construction projects relating to the Company's facilities.

Lease Commitments

At December 31, 2016, the Company was obligated under noncancelable operating leases for office space and other commitments. Rent expense under operating leases, included in net occupancy and equipment expense, was $2.7 million, $1.5 million, and $1.5 million for the years ended December 31, 2016, 2015 and 2014, respectively.

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Rent commitments before considering renewal options that generally are present, were as follows at December 31, 2016 *(dollars in thousands)*:

2017	$	2,711
2018		2,218
2019		1,723
2020		1,313
2021		532
Thereafter		1,566
	$	10,063

Note 20. Derivative Financial Instruments

The Company originates and purchases derivative financial instruments, including interest rate lock commitments issued to residential loan customers for loans that will be held for sale, forward sales commitments to sell residential mortgage loans to loan investors and foreign currency forward contracts. The Pulaski acquisition impacted the Company's activity of interest rate lock commitments and forward sales commitments, therefore, 2015 amounts are insignificant. See "*Note 21. Fair Value Measurements*" for further discussion of the fair value measurement of such derivatives.

Interest Rate Lock Commitments. At December 31, 2016, the Company had issued $149.9 million of unexpired interest rate lock commitments to loan customers. Such interest rate lock commitments that meet the definition of derivative financial instruments under ASC Topic 815, *Derivatives and Hedging*, are carried at their fair values in other assets or other liabilities in the Consolidated Financial Statements, with changes in the fair values of the corresponding derivative financial assets or liabilities recorded as either a charge or credit to current earnings during the period in which the changes occurred.

Forward Sales Commitments. At December 31, 2016, the Company had issued $400.0 million of unexpired forward sales commitments to mortgage loan investors. Typically, the Company economically hedges mortgage loans held for sale and interest rate lock commitments issued to its residential loan customers related to loans that will be held for sale by obtaining corresponding best-efforts forward sales commitments with an investor to sell the loans at an agreed-upon price at the time the interest rate locks are issued to the customers. Forward sales commitments that meet the definition of derivative financial instruments under ASC Topic 815, *Derivatives and Hedging*, are carried at their fair values in other assets or other liabilities in the Consolidated Financial Statements. While such forward sales commitments generally served as an economic hedge to the mortgage loans held for sale and interest rate lock commitments, the Company did not designate them for hedge accounting treatment. Consequently, changes in fair value of the corresponding derivative financial asset or liability were recorded as either a charge or credit to current earnings during the period in which the changes occurred.

The fair values of these derivative assets and liabilities recorded in the consolidated balance sheets at December 31, 2016 are summarized as follows *(dollars in thousands)*:

		December 31, 2016
Fair value recorded in other assets	$	6,403
Fair value recorded in other liabilities		3,098

The gross gains and losses on these derivative assets and liabilities recorded in non-interest income and expense in the Consolidated Statements of Income for the twelve months ended December 31, 2016 are summarized as follows *(dollars in thousands)*:

		December 31, 2016
Gross gains	$	25,270
Gross losses		(24,783)
Net gains	$	487

At December 31, 2016, the impact of the net gain on derivative financial instruments related to interest rate lock commitments issued to residential loan customers for loans that will be held for sale and forward sales commitments to sell residential mortgage loans to loan investors was almost entirely offset by a corresponding decrease in the fair value of loans held for sale.

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Foreign Currency Derivatives. The Company has originated certain loan agreements that settle in non-U.S. dollar denominations. The gross balance of such loans, translated into U.S. dollars, was $0.7 million at December 31, 2016. The Company enters into foreign currency forward contracts to mitigate the economic effect of fluctuations in foreign currency exchange rates on these non-U.S. dollar denominated loans. Such foreign currency forward contracts that meet the definition of derivative financial instruments under ASC Topic 815, *Derivatives and Hedging*, are carried at their fair values in other assets or other liabilities in the Consolidated Financial Statements. While such forward contracts generally served as an economic hedge to certain loans, the Company did not designate them for hedge accounting treatment. Consequently, changes in fair value of the corresponding derivative financial asset or liability were recorded as either a charge or credit to current earnings during the period in which the changes occurred. The gross gains and losses on these derivative assets and liabilities recorded in non-interest income and expense in the Consolidated Statements of Income for the twelve months ended December 31, 2016 and 2015 was insignificant.

The notional amount and fair values, denominated in U.S. dollars, of open foreign currency forward contracts were as follows *(dollars in thousands)*:

	December 31, 2016	December 31, 2015
Notional amount	$ 742	$ 3,466
Fair value recorded in other assets	—	4
Fair value recorded in other liabilities	7	2

Foreign currency forward contracts involve the risk of dealing with counterparties and their ability to meet contractual terms. We believe the risk of incurring losses due to nonperformance by our counterparties is manageable.

Note 21. Fair Value Measurements

The fair value of an asset or liability is the price that would be received by selling that asset or paid in transferring that liability in an orderly transaction occurring in the principal market (or most advantageous market in the absence of a principal market) for such asset or liability. In estimating fair value, the Company utilizes valuation techniques that are consistent with the market approach, the income approach and/or the cost approach. Such valuation techniques are consistently applied. Inputs to valuation techniques include the assumptions that market participants would use in pricing an asset or liability. FASB ASC Topic 820 establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

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

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

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

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

There were no transfers between levels during the year ended December 31, 2016.

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In general, fair value is based upon quoted market prices, when available. If such quoted market prices are not available, fair values are measured utilizing independent valuation techniques of identical or similar securities for which significant assumptions are derived primarily from or corroborated by observable data. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value. These adjustments may include amounts to reflect, among other things, counterparty credit quality and the company's creditworthiness as well as unobservable parameters. Any such valuation adjustments are applied consistently over time. The Company's valuation methodologies may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. While management believes the Company's valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date. Furthermore, the reported fair value amounts have not been comprehensively revalued since the presentation dates and, therefore, estimates of fair value after the balance sheet date may differ significantly from the amounts presented herein.

Securities Available for Sale. Securities classified as available for sale are reported at fair value utilizing level 1 and level 2 measurements. For mutual funds and other equity securities, unadjusted quoted prices in active markets for identical assets are utilized to determine fair value at the measurement date and have been classified as level 1 in the ASC 820 fair value hierarchy. For all other securities, the Company obtains fair value measurements from an independent pricing service. The independent pricing service evaluations are based on market data. The independent pricing service utilizes evaluated pricing models that vary by asset class and incorporate available trade, bid and other market information. Because many fixed income securities do not trade on a daily basis, the independent pricing service applies available information as appropriate through processes such as benchmark curves, benchmarking of like securities, sector groupings, and matrix pricing, to prepare evaluations. In addition, the independent pricing service uses model processes, such as the Option

Adjusted Spread model, to assess interest rate impact and develop prepayment scenarios. The models and processes take into account market conventions. For each asset class, a team of evaluators gathers information from market sources and integrates relevant credit information, perceived market movements and sector news into the evaluated pricing applications and models.

The market inputs that the independent pricing service normally seeks for evaluations of securities, listed in approximate order of priority, include: benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data including market research publications. The independent pricing service also monitors market indicators, industry and economic events. Information of this nature is a trigger to acquire further market data. For certain security types, additional inputs may be used or some of the market inputs may not be applicable. Evaluators may prioritize inputs differently on any given day for any security based on market conditions, and not all inputs listed are available for use in the evaluation process for each security evaluation on a given day. Because the data utilized was observable, the securities have been classified as level 2 in the ASC 820 fair value hierarchy.

Loans held for sale. Beginning on January 1, 2016, the Company elected to adopt the fair value option for all residential mortgage loans held for sale and to account for such loans at their fair values with changes in fair value recognized in earnings, consistent with the provisions in ASC 820. The Company accounted for held for sale loans that were originated prior to January 1, 2016 under the lower of cost or fair value option, with any corresponding adjustments recorded as a valuation adjustment, if necessary. Such fair value adjustments are recorded as a component of mortgage revenue in the accompanying Consolidated Financial Statements. The fair value of the mortgage loans held for sale are measured using observable quoted market or contract prices or market price equivalents and are classified as level 2 in the ASC 820 fair value hierarchy.

Derivative Assets and Derivative Liabilities. Derivative assets and derivative liabilities are reported at fair value utilizing level 2 measurements. Derivative instruments with positive fair values are reported as assets and derivative instruments with negative fair value are reported as liabilities. The fair value of derivative assets and liabilities is determined based on prices that are obtained from a third-party. Values of derivative assets and liabilities are primarily based on observable inputs and are classified as level 2 in the ASC 820 fair value hierarchy.

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The following table summarizes financial assets and financial liabilities measured at fair value on a recurring basis as of December 31, 2016 and 2015, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value *(dollars in thousands)*:

	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total Fair Value
December 31, 2016				
Securities available for sale				
U.S. Treasury securities	$ —	$ 74,944	$ —	$ 74,944
Obligations of U.S. government corporations and agencies	—	79,127	—	79,127
Obligations of states and political subdivisions	—	154,938	—	154,938
Residential mortgage-backed securities	—	302,249	—	302,249
Corporate debt securities	—	143,343	—	143,343
Mutual funds and other equity securities	5,210	—	—	5,210
Loans				
Loans held for sale	—	256,319	—	256,319
Derivative assets				
Derivative financial assets	—	6,403	—	6,403
Derivative liabilities				
Foreign currency forward contracts	—	7	—	7
Derivative financial liabilities	—	3,098	—	3,098

	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total Fair Value
December 31, 2015				
Securities available for sale				
U.S. Treasury securities	$ —	$ 65,191	$ —	$ 65,191
Obligations of U.S. government corporations and agencies	—	132,605	—	132,605
Obligations of states and political subdivisions	—	178,612	—	178,612
Residential mortgage-backed securities	—	307,549	—	307,549
Corporate debt securities	—	148,805	—	148,805
Mutual funds and other equity securities	2,076	—	—	2,076
Derivative assets				
Foreign currency forward contracts	—	4	—	4
Derivative liabilities				
Foreign currency forward contracts	—	2	—	2

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

Impaired Loans. The Company does not record loans at fair value on a recurring basis. However, periodically, a loan is considered impaired and is reported at the fair value of the underlying collateral, less estimated costs to sell, if repayment is expected solely from the collateral. Impaired loans measured at fair value typically consist of loans on non-accrual status and restructured loans in compliance with modified terms. Collateral values are estimated using a combination of observable inputs, including recent appraisals, and unobservable inputs based on customized discounting criteria. Due to the significance of the unobservable inputs, all impaired loan fair values have been classified as level 3 in the ASC 820 fair value hierarchy.

OREO. Non-financial assets and non-financial liabilities measured at fair value include OREO (upon initial recognition or subsequent impairment). OREO properties are measured using a combination of observable inputs, including recent appraisals, and unobservable inputs based on customized discounting criteria. Due to the significance of the unobservable inputs, all OREO fair values have been classified as level 3 in the ASC 820 fair value hierarchy.

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The following table summarizes assets and liabilities measured at fair value on a non-recurring basis as of December 31, 2016 and 2015, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total Fair Value
		(dollars in thousands)		
December 31, 2016				
Impaired loans	$ —	$ —	$ 3,885	$ 3,885
OREO(1)	—	—	—	—
December 31, 2015				
Impaired loans	$ —	$ —	$ 6,138	$ 6,138
OREO(1)	—	—	—	—

(1)OREO fair value was less than one thousand dollars.

The following table presents additional quantitative information about assets measured at fair value on a non-recurring basis for which the Company has utilized level 3 inputs to determine fair value:

	Quantitative Information about Level 3 Fair Value Measurements			
	Fair Value Estimate	Valuation Techniques	Unobservable Input	Range (Weighted Average)
		(dollars in thousands)		
December 31, 2016				
Impaired loans	$ 3,885	Appraisal of collateral	Appraisal adjustments	-19.2% to -100.0% (-38.4)%
OREO(1)	—	Appraisal of collateral	Appraisal adjustments	-100.0% (-100.0)%
December 31, 2015				
Impaired loans	$ 6,138	Appraisal of collateral	Appraisal adjustments	-4.3% to -100.0% (-30.9)%
OREO(1)	—	Appraisal of collateral	Appraisal adjustments	-100.0% (-100.0)%

(1)OREO fair value was less than one thousand dollars.

FASB ASC Topic 825 requires disclosure of the fair value of financial assets and financial liabilities, including those financial assets and financial liabilities that are not measured and reported at fair value on a recurring basis or non-recurring basis. The methodologies for estimating the fair value of financial assets and financial liabilities that are measured at fair value on a recurring or non-recurring basis are discussed above. The carrying value for cash and due from banks and federal funds sold approximates fair value and due to the short-term maturity is classified as level 1. The carrying value approximates fair value for accrued interest receivable and is classified as level 2. The methodologies for other financial assets and financial liabilities are discussed below:

Securities held to maturity

Fair value measurements for securities held to maturity are from an independent pricing service. The independent pricing service evaluations are based on market data. Securities held to maturity are classified as level 2.

Net portfolio loans

Our performing portfolio loans consist of variable rate, hybrid rate and fixed rate loans. For variable rate loans that reprice frequently with no significant change in credit risk, fair values are based on carrying amount. The fair value of hybrid rate and fixed rate loans are 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 and are classified as level 3. Fair value of impaired loans is discussed above.

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Mortgage servicing rights

The fair value of mortgage servicing rights is estimated by discounting the future cash flows and classified as level 3 in the ASC 820 fair value hierarchy.

Deposits and securities sold under agreements to repurchase

The fair value of demand deposits, savings accounts, interest-bearing transaction 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 a discounted cash flow calculation that

applies interest rates currently offered for deposits of similar remaining maturities. The carrying amounts reported in the balance sheet for securities sold under agreements to repurchase approximate those liabilities' fair values. Deposits and securities sold under agreements to repurchase are classified as level 2.

Short-term borrowings

The fair value of short-term borrowings, which includes advances from the FHLB, is determined by discounting the future cash flows of existing advances using rates currently available on advances from the FHLB having similar characteristics and is classified as level 2 in the ASC 820 fair value hierarchy.

Long-term debt

Rates currently available to the Company for debt with similar terms and remaining maturities are used to estimate fair value of existing debt and are classified as level 2.

Junior subordinated debt owed to unconsolidated trusts

For variable rate instruments, fair values are based on carrying values and are classified as level 2.

The estimated fair values of financial instruments that are reported at amortized cost in the Company's Consolidated Balance Sheets, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value, were as follows *(dollars in thousands)*:

	December 31, 2016		December 31, 2015	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**
Financial assets:				
Level 1 inputs:				
Cash and due from banks	$ 166,097	$ 166,097	$ 319,280	$ 319,280
Federal funds sold	609	609	—	—
Level 2 inputs:				
Securities held to maturity	47,820	47,683	49,832	50,271
Loans held for sale(2)	—	—	9,351	9,492
Accrued interest receivable	15,562	15,562	12,122	12,122
Level 3 inputs:				
Net portfolio loans	3,831,105	3,841,760	2,580,252	2,583,458
Mortgage servicing rights	3,074	7,803	3,475	5,896
Financial liabilities:				
Level 2 inputs:				
Deposits	$ 4,374,298	$ 4,368,891	$ 3,289,106	$ 3,286,677
Securities sold under agreements to repurchase	189,157	189,157	172,972	172,972
Short-term borrowings	75,000	75,000	—	—
Long-term debt	80,000	80,000	80,000	80,000
Junior subordinated debt owed to unconsolidated trusts	70,868	70,868	55,000	55,000
Accrued interest payable	987	987	438	438

(2)Effective January 1, 2016, measured at fair value on a recurring basis.

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Other assets and liabilities of the Company 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 earning potential of core deposit accounts, the earnings potential of loan servicing rights, the earnings potential of the trust operations, customer goodwill and similar items.

Note 22. Liability for Loans Sold

The Company records an estimated liability for probable amounts due to the Company's loan investors under contractual obligations related to residential mortgage loans originated for sale that were previously sold and became delinquent or defaulted, or were determined to contain certain documentation or other underwriting deficiencies. Under standard representations and warranties and early payment default clauses in the Company's mortgage sale agreements, the Company could be required to repurchase mortgage loans sold to investors or reimburse the investors for losses incurred on loans (collectively "repurchase") in the event of borrower default within a defined period after origination (generally 90 days), or in the event of breaches of contractual representations or warranties made at the time of sale that are not remedied within a defined period after the Company receives notice of such breaches (generally 90 days). In addition, the Company may be required to refund the profit received from the sale of a loan to an investor if the borrower pays off the loan within a defined period after origination, which is generally 120 days.

The Company establishes a mortgage repurchase liability related to these events that reflects management's estimate of losses on loans for which the Company could have a repurchase obligation based on a combination of factors. Such factors incorporate the volume of loans sold in current and previous periods, borrower default expectations, historical investor repurchase demand and appeals success rates (where the investor rescinds the demand based on a cure of the defect or acknowledges that the loan satisfies the investor's applicable representations and warranties), and estimated loss severity. Payments made to investors as reimbursement for losses incurred are charged against the mortgage repurchase liability. Loans repurchased from investors are initially recorded at fair value, which becomes the Company's new accounting basis. The difference between the loan's fair value and the payment made to investors as reimbursement for losses incurred is charged to the mortgage repurchase liability. Subsequent to repurchase, such loans are carried as portfolio loans on the Company's balance sheet. Loans repurchased with deteriorated credit quality at the date of repurchase are accounted for under ASC Topic 310-30.

The liability for loans sold of $2.2 million at December 31, 2016 represents the Company's best estimate of the probable losses that the Company will incur for various early default provisions and contractual representations and warranties associated with the sales of mortgage loans and is included in other liabilities in the accompanying Consolidated Balance Sheets. Because the level of mortgage loan repurchase losses depends upon economic factors, investor demand strategies and other external conditions that may change over the life of the underlying loans, the level of the liability for mortgage loan repurchase losses is difficult to estimate and requires considerable management judgment. In addition, the Company generally does not service the loans that it sells to investors and is generally unable to track the remaining unpaid balances or delinquency status after sale. As a result, there may be a range of possible losses in excess of the estimated liability that cannot be estimated. Management maintains regular contact with the Company's investors to monitor and address their repurchase demand practices and concerns.

Note 23. Operating Segments and Related Information

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

The Company's three operating segments are strategic business units that are separately managed as they offer different products and services and have different marketing strategies. The "other" category consists of the Parent Company and the elimination of intercompany transactions. Effective for the year ended December 31, 2015, the Company realigned its operating segments.

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The segment financial information provided below has been derived from the internal accounting system used by management to monitor and manage the financial performance of the Company. The accounting policies of the three segments are the same as those described in the summary of significant accounting policies in *"Note 1. Significant Accounting Policies"*. The Company accounts for intersegment revenue and transfers at current market value.

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

	Goodwill		Total Assets	
As of December 31,	**2016**	**2015**	**2016**	**2015**
Banking	$ 82,128	$ 4,824	$ 5,369,669	$ 3,944,031
Remittance Processing	8,992	8,992	32,379	30,231
Wealth Management	11,694	11,694	28,351	27,651
Other	—	—	(5,229)	(2,937)
Totals	$ 102,814	$ 25,510	$ 5,425,170	$ 3,998,976

	Years ended December 31,		
	2016	**2015**	**2014**
Net interest income:			
Banking	$ 156,374	$ 112,712	$ 102,410
Remittance Processing	55	53	52
Wealth Management	266	272	287
Other	(2,035)	(1,222)	(1,173)
Total net interest income	$ 154,660	$ 111,815	$ 101,576
Non-interest income:			
Banking	$ 41,816	$ 30,933	$ 29,014
Remittance Processing	11,554	11,332	9,561
Wealth Management	23,563	23,651	22,439
Other	(1,764)	(1,124)	(2,073)
Total non-interest income	$ 75,169	$ 64,792	$ 58,941
Non-interest expense:			
Banking	$ 117,293	$ 86,672	$ 82,167
Remittance Processing	8,668	8,526	7,519
Wealth Management	16,484	16,003	14,741
Other	5,417	4,104	3,782
Total non-interest expense	$ 147,862	$ 115,305	$ 108,209
Income before income taxes:			
Banking	$ 75,347	$ 55,374	$ 47,257
Remittance Processing	2,941	2,859	2,094
Wealth Management	7,345	7,921	7,986
Other	(9,216)	(6,452)	(7,029)
Total income before income taxes	$ 76,417	$ 59,702	$ 50,308
Net income:			
Banking	$ 48,691	$ 36,026	$ 30,744
Remittance Processing	1,758	1,709	1,227
Wealth Management	4,388	4,721	4,701
Other	(5,143)	(3,450)	(3,898)
Total net income	$ 49,694	$ 39,006	$ 32,774

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Note 24. Parent Company Only Financial Information

Condensed financial data for First Busey Corporation is presented below.

BALANCE SHEETS

	December 31, 2016	December 31, 2015
	(dollars in thousands)	
ASSETS		
Cash and due from subsidiary banks	$ 27,507	$ 13,787
Investments in subsidiaries:		
Bank	602,197	381,992
Non-bank	25,017	24,867
Premises and equipment, net	301	412
Other assets	17,173	13,919
Total assets	$ 672,195	$ 434,977
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Junior subordinated debentures owed to unconsolidated trusts	$ 70,868	$ 55,000
Other liabilities	7,013	6,791
Total liabilities	77,881	61,791
Total stockholders' equity	594,314	373,186
Total liabilities and stockholders' equity	$ 672,195	$ 434,977

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STATEMENTS OF INCOME

	Years Ended December 31, 2016	2015	2014
	(dollars in thousands)		
Operating income:			
Dividends from subsidiaries:			
Pulaski Bank before bank merger	$ 8,700	$ —	$ —
Non-bank	4,000	8,000	2,000
Interest and dividend income	—	—	20
Other income	5,664	5,633	3,475
Total operating income	18,364	13,633	5,495
Expense:			
Salaries, wages and employee benefits	8,879	7,658	6,778
Interest expense	2,035	1,223	1,183
Operating expense	3,967	3,203	2,563
Total expense	14,881	12,084	10,524
Income (loss) before income tax benefit and distributions (in excess of) less than net income of subsidiaries	3,483	1,549	(5,029)
Income tax benefit	4,073	3,001	3,131
Income (loss) before distributions less than (in excess of) net income of subsidiaries	7,556	4,550	(1,898)
Distributions less than (in excess of) net income of subsidiaries:			
Bank	41,980	37,878	31,991
Non-bank	158	(3,422)	2,681
Net income	$ 49,694	$ 39,006	$ 32,774

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STATEMENTS OF CASH FLOWS

	Years Ended December 31,		
	2016	2015	2014
	(dollars in thousands)		
Cash Flows from Operating Activities			
Net income	$ 49,694	$ 39,006	$ 32,774
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization	198	114	112
Distributions less than net income of subsidiaries	(42,138)	(34,456)	(34,672)
Stock-based compensation	1,803	1,418	1,187
Changes in assets and liabilities:			
Decrease (increase) in other assets	1,057	(4,871)	951
Decrease in other liabilities	(3,690)	(361)	(1,077)
Net cash provided by (used in) operating activities	6,924	850	(725)
Cash Flows from Investing Activities			
Proceeds from sales of securities classified available for sale	—	14	—
Net cash received (outlay) for business acquisition	602	(33,759)	—
Purchases of premises and equipment	(3)	(2)	(114)
Net cash provided by (used in) investing activities	599	(33,747)	(114)
Cash Flows from Financing Activities			
Proceeds from charter amendment with subsidiary bank	30,000	60,000	60,000
Redemption of SBLF preferred stock	—	(72,664)	—
Value of shares surrendered upon vesting of restricted stock units to cover tax obligations	(809)	(269)	(45)
Cash dividends paid	(22,748)	(18,619)	(17,224)
Common stock issuance costs	(246)	—	—
Cash payment for fractional shares related to reverse stock split	—	(5)	—
Purchase of treasury stock	—	(6,296)	—
Net cash provided by (used in) financing activities	6,197	(37,853)	42,731
Net increase (decrease) in cash and due from subsidiary banks	13,720	(70,750)	41,892
Cash and cash equivalents, beginning of period	13,787	84,537	42,645
Cash and cash equivalents, ending of period	$ 27,507	$ 13,787	$ 84,537

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Note 25. Unaudited Interim Financial Data

The following table reflects summarized unaudited quarterly data for the periods described *(dollars in thousands, except per share data)*:

	2016			
	December 31	September 30	June 30	March 31
Total interest income	$ 47,639	$ 47,188	$ 40,538	$ 29,524
Total interest expense	3,004	3,057	2,586	1,582
Net interest income	44,635	44,131	37,952	27,942
Provision for loan losses	1,500	1,950	1,100	1,000
Total non-interest income	19,001	20,745	18,577	16,846
Total non-interest expense	44,411	39,415	36,348	27,688
Income before income taxes	17,725	23,511	19,081	16,100
Income taxes	6,270	8,089	6,698	5,666
Net income	$ 11,455	$ 15,422	$ 12,383	$ 10,434
Preferred stock dividends	—	—	—	—
Net income available to common stockholders	$ 11,455	$ 15,422	$ 12,383	$ 10,434
Basic earnings per share	$ 0.30	$ 0.40	$ 0.35	$ 0.36
Diluted earnings per share	$ 0.30	$ 0.40	$ 0.35	$ 0.36

	2015			
	December 31	September 30	June 30	March 31
Total interest income	$ 31,119	$ 29,730	$ 28,910	$ 28,263
Total interest expense	1,520	1,535	1,559	1,593
Net interest income	29,599	28,195	27,351	26,670
Provision for loan losses	1,000	100	—	500
Total non-interest income	16,315	15,889	16,623	15,965
Total non-interest expense	28,363	27,950	28,445	30,547
Income before income taxes	16,551	16,034	15,529	11,588

Income taxes	5,868	5,408	5,593	3,827
Net income	$ 10,683	$ 10,626	$ 9,936	$ 7,761
Preferred stock dividends	155	182	181	182
Net income available to common stockholders	$ 10,528	$ 10,444	$ 9,755	$ 7,579
Basic earnings per share	$ 0.37	$ 0.36	$ 0.34	$ 0.26
Diluted earnings per share	$ 0.36	$ 0.36	$ 0.33	$ 0.26

List of Subsidiaries of First Busey Corporation and State of Incorporation/Organization

Direct:

Busey Bank – Illinois
Busey Wealth Management, Inc. - Illinois
First Busey Statutory Trust II - Delaware
First Busey Statutory Trust III - Delaware
First Busey Statutory Trust IV – Delaware
Pulaski Financial Statutory Trust I – Connecticut
Pulaski Financial Statutory Trust II – Delaware

Indirect:

Busey Trust Company, Inc. - Illinois
Busey Capital Management, Inc. - Illinois
Echo Holdings I, LLC - Florida
Echo Holdings II, LLC - Florida
Echo Holdings III, LLC - Florida
Echo Properties I, LLC - Florida
Echo Properties II, LLC - Florida
Echo Properties III, LLC - Florida
Echo Properties IV, LLC - Florida
Echo Properties V, LLC - Florida
Echo Properties VI, LLC - Florida
Echo Properties VII, LLC - Florida
Echo Properties VIII, LLC - Florida
Echo Properties IX, LLC - Florida
Echo Properties X, LLC - Florida
Echo Properties XI, LLC - Florida
Echo Properties XII, LLC - Florida
Echo Properties XIII, LLC - Florida
Echo Resources LLC - Illinois
FirsTech, Inc. - Illinois
Pillar Properties I, LLC - Illinois
Pillar Properties II, LLC - Illinois
Pillar Properties III, LLC - Illinois
Pillar Properties IV, LLC - Illinois
Pillar Properties V, LLC - Illinois
Pillar Properties VI, LLC - Illinois
Pillar Properties VII, LLC - Illinois
Pillar Properties VIII, LLC - Illinois
Pillar Properties IX, LLC - Illinois
Pillar Properties X, LLC - Illinois
Pillar Properties XI, LLC - Illinois
Pillar Properties XII, LLC - Illinois
Pillar Properties XIII, LLC - Illinois
Pillar Properties XIV, LLC - Illinois
Pillar Properties XV, LLC - Illinois
Pillar Properties XVI, LLC - Illinois
Pillar Properties XVII, LLC - Illinois
Pillar Properties XVIII, LLC - Illinois
Pillar Properties XIX, LLC - Illinois
Pillar Properties XX, LLC – Illinois
Priority Property Holdings, LLC – Missouri
Pulaski Service Corporation - Missouri

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statements (No. 333-167683, 333-145097 and 333-79217) on Forms S-8 and the Registration Statements (No. 333-199442, 333-158358 and 333-209066) on Forms S-3 of First Busey Corporation of our reports, dated February 28, 2017 relating to our audits of the Consolidated Financial Statements and internal control over financial reporting, which appear in this Annual Report on Form 10-K of First Busey Corporation for the year ended December 31, 2016.

/s/ RSM US LLP

Champaign, Illinois
February 28, 2017

EXHIBIT 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

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

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

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

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

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

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

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

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

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

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

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

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

/s/ VAN A. DUKEMAN

Van A. Dukeman
President and Chief Executive Officer

Date: February 28, 2017

EXHIBIT 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, Robin N. Elliott, Chief Financial Officer of First Busey Corporation, certify that:

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

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

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

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

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

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

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

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

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

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

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

/s/ ROBIN N. ELLIOTT

Robin N. Elliott
Chief Financial Officer

Date: February 28, 2017

EXHIBIT 32.1

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

CERTIFICATION

I hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the accompanying Annual Report of First Busey Corporation on Form 10-K for the year ended December 31, 2016, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in such Annual Report fairly presents, in all material respects, the financial condition and results of operations of First Busey Corporation as of and for the periods covered by the Annual Report.

/s/ VAN A. DUKEMAN

Van A. Dukeman
President and Chief Executive Officer

Date: February 28, 2017

EXHIBIT 32.2

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

CERTIFICATION

I hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the accompanying Annual Report of First Busey Corporation on Form 10-K for the year ended December 31, 2016, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in such Annual Report fairly presents, in all material respects, the financial condition and results of operations of First Busey Corporation as of and for the periods covered by the Annual Report.

/s/ ROBIN N. ELLIOTT

Robin N. Elliott
Chief Financial Officer

Date: February 28, 2017