

FIRST BUSEY CORP /NV/
Form 10-Q
November 06, 2014

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-Q

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

For the Quarterly Period Ended 9/30/2014

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

Commission File No. 0-15950

FIRST BUSEY CORPORATION

(Exact name of registrant as specified in its charter)

Nevada
(State or other jurisdiction of
incorporation or organization)

37-1078406
(I.R.S. Employer Identification No.)

100 W. University Ave.

Champaign, Illinois
(Address of principal

executive offices)

61820
(Zip code)

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

Edgar Filing: FIRST BUSEY CORP /NV/ - Form 10-Q

N/A

(Former name, former address and former fiscal year, if changed since last report)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, 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 ☒ No ☐

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 definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐

Accelerated filer ☒

Non-accelerated filer ☐ (Do not check if a smaller reporting company)

Smaller reporting company ☐

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

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

Class
Common Stock, \$.001 par value

Outstanding at November 6, 2014
86,852,116

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

FIRST BUSEY CORPORATION and Subsidiaries

CONSOLIDATED BALANCE SHEETS

September 30, 2014 and December 31, 2013

(Unaudited)

	September 30, 2014	December 31, 2013
	(dollars in thousands)	
Assets		
Cash and due from banks (interest-bearing 2014 \$95,358; 2013 \$118,228)	\$ 179,724	\$ 231,603
Securities available for sale, at fair value	803,065	841,310
Securities held to maturity, at amortized cost	2,384	834
Loans held for sale	12,090	13,840
Loans (net of allowance for loan losses 2014 \$47,014; 2013 \$47,567)	2,320,811	2,233,893
Premises and equipment	64,369	65,827
Goodwill	20,686	20,686
Other intangible assets	7,390	9,571
Cash surrender value of bank owned life insurance	41,110	40,674
Other real estate owned (OREO)	216	2,133
Deferred tax asset, net	22,799	35,642
Other assets	46,273	43,562
Total assets	\$ 3,520,917	\$ 3,539,575
Liabilities and Stockholders' Equity		
Liabilities		
Deposits:		
Noninterest-bearing	\$ 579,550	\$ 547,531
Interest-bearing	2,245,844	2,321,607
Total deposits	\$ 2,825,394	\$ 2,869,138
Securities sold under agreements to repurchase	157,282	172,348
Long-term debt	30,000	
Junior subordinated debt owed to unconsolidated trusts	55,000	55,000
Other liabilities	23,213	27,725
Total liabilities	\$ 3,090,889	\$ 3,124,211
Stockholders' Equity		
Series C Preferred stock, \$.001 par value, 72,664 shares authorized, issued and outstanding, \$1,000.00 liquidation value per share	\$ 72,664	\$ 72,664
Common stock, \$.001 par value, authorized 200,000,000 shares; shares issued 88,287,132	88	88
Additional paid-in capital	593,520	593,144
Accumulated deficit	(213,386)	(225,722)
Accumulated other comprehensive income	5,667	4,456
Total stockholders' equity before treasury stock	\$ 458,553	\$ 444,630
Common stock shares held in treasury at cost 2014 1,442,257; 2013 1,482,777	(28,525)	(29,266)
Total stockholders' equity	\$ 430,028	\$ 415,364
Total liabilities and stockholders' equity	\$ 3,520,917	\$ 3,539,575
Common shares outstanding at period end	86,844,875	86,804,355

See accompanying notes to unaudited consolidated financial statements.

FIRST BUSEY CORPORATION and Subsidiaries

CONSOLIDATED STATEMENTS OF INCOME

For the Nine Months Ended September 30, 2014 and 2013

(Unaudited)

	2014		2013
	(dollars in thousands, except per share amounts)		
Interest income:			
Interest and fees on loans	\$	68,523	\$ 69,257
Interest and dividends on investment securities:			
Taxable interest income		9,423	9,616
Non-taxable interest income		2,472	2,938
Total interest income	\$	80,418	\$ 81,811
Interest expense:			
Deposits	\$	3,928	\$ 5,577
Securities sold under agreements to repurchase		114	128
Short-term borrowings		1	15
Long-term debt		1	125
Junior subordinated debt owed to unconsolidated trusts		885	905
Total interest expense	\$	4,929	\$ 6,750
Net interest income	\$	75,489	\$ 75,061
Provision for loan losses		2,000	6,000
Net interest income after provision for loan losses	\$	73,489	\$ 69,061
Other income:			
Trust fees	\$	14,879	\$ 13,956
Commissions and brokers' fees, net		2,023	1,819
Remittance processing		7,120	6,288
Service charges on deposit accounts		8,981	8,876
Other service charges and fees		4,681	4,452
Gain on sales of loans		3,554	8,944
Security gains, net		40	82
Other		2,924	3,637
Total other income	\$	44,202	\$ 48,054
Other expense:			
Salaries and wages	\$	37,418	\$ 39,342
Employee benefits		7,542	8,754
Net occupancy expense of premises		6,384	6,340
Furniture and equipment expense		3,607	3,687
Data processing		8,099	7,813
Amortization of intangible assets		2,181	2,349
Regulatory expense		1,559	1,808
OREO expense		87	394
Other		12,862	14,239
Total other expense	\$	79,739	\$ 84,726
Income before income taxes	\$	37,952	\$ 32,389
Income taxes		12,771	10,583
Net income	\$	25,181	\$ 21,806
Preferred stock dividends		545	2,725
Net income available to common stockholders	\$	24,636	\$ 19,081
Basic earnings per common share	\$	0.28	\$ 0.22
Diluted earnings per common share	\$	0.28	\$ 0.22
Dividends declared per share of common stock	\$	0.14	\$ 0.08

See accompanying notes to unaudited consolidated financial statements.

FIRST BUSEY CORPORATION and Subsidiaries

CONSOLIDATED STATEMENTS OF INCOME

For the Three Months Ended September 30, 2014 and 2013

(Unaudited)

	2014		2013
	(dollars in thousands, except per share amounts)		
Interest income:			
Interest and fees on loans	\$	23,553	\$ 23,096
Interest and dividends on investment securities:			
Taxable interest income		3,148	3,162
Non-taxable interest income		810	978
Total interest income	\$	27,511	\$ 27,236
Interest expense:			
Deposits	\$	1,260	\$ 1,656
Securities sold under agreements to repurchase		40	44
Short-term borrowings		1	
Long-term debt		1	
Junior subordinated debt owed to unconsolidated trusts		298	303
Total interest expense	\$	1,600	\$ 2,003
Net interest income	\$	25,911	\$ 25,233
Provision for loan losses			2,000
Net interest income after provision for loan losses	\$	25,911	\$ 23,233
Other income:			
Trust fees	\$	4,182	\$ 4,035
Commissions and brokers' fees, net		676	710
Remittance processing		2,394	2,105
Service charges on deposit accounts		3,175	3,126
Other service charges and fees		1,575	1,486
Gain on sales of loans		1,339	2,684
Security gains, net			82
Other		863	1,402
Total other income	\$	14,204	\$ 15,630
Other expense:			
Salaries and wages	\$	12,591	\$ 13,001
Employee benefits		2,263	2,580
Net occupancy expense of premises		2,086	2,055
Furniture and equipment expense		1,250	1,211
Data processing		2,600	2,606
Amortization of intangible assets		701	783
Regulatory expense		503	545
OREO expense		16	(207)
Other		4,288	4,784
Total other expense	\$	26,298	\$ 27,358
Income before income taxes	\$	13,817	\$ 11,505
Income taxes		4,708	3,572
Net income	\$	9,109	\$ 7,933
Preferred stock dividends		182	909
Net income available to common stockholders	\$	8,927	\$ 7,024
Basic earnings per common share	\$	0.10	\$ 0.08
Diluted earnings per common share	\$	0.10	\$ 0.08
Dividends declared per share of common stock	\$	0.05	\$ 0.04

See accompanying notes to unaudited consolidated financial statements.

FIRST BUSEY CORPORATION and Subsidiaries

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the Three and Nine Months Ended September 30, 2014 and 2013

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
	(dollars in thousands)			
Net income	\$ 9,109	\$ 7,933	\$ 25,181	\$ 21,806
Other comprehensive income (loss), before tax:				
Securities available for sale:				
Unrealized net (losses) gains on securities:				
Unrealized net holding (losses) gains arising during period	\$ (2,980)	\$ 1,092	\$ 2,099	\$ (12,125)
Reclassification adjustment for (gains) included in net income		(82)	(40)	(82)
Other comprehensive (loss) income, before tax	\$ (2,980)	\$ 1,010	\$ 2,059	\$ (12,207)
Income tax (benefit) expense related to items of other comprehensive income	(1,227)	416	848	(5,026)
Other comprehensive (loss) income, net of tax	\$ (1,753)	\$ 594	\$ 1,211	\$ (7,181)
Comprehensive income	\$ 7,356	\$ 8,527	\$ 26,392	\$ 14,625

See accompanying notes to unaudited consolidated financial statements.

FIRST BUSEY CORPORATION and Subsidiaries
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

For the Nine Months Ended September 30, 2014 and 2013

(Unaudited)

(dollars in thousands, except per share amounts)

	Preferred Stock	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Treasury Stock	Total
Balance, December 31, 2012	\$ 72,664	\$ 88	\$ 594,411	\$ (240,321)	\$ 13,542	\$ (31,587)	\$ 408,797
Net income				21,806			21,806
Other comprehensive loss					(7,181)		(7,181)
Issuance of treasury stock for employee stock purchase plan			(234)			316	82
Net issuance of treasury stock for restricted stock unit vesting and related tax benefit			(1,414)			1,301	(113)
Cash dividends common stock at \$0.08 per share				(6,937)			(6,937)
Stock dividend equivalents restricted stock units at \$0.08 per share			45	(45)			
Stock-based employee compensation			650				650
Preferred stock dividends				(2,725)			(2,725)
Balance, September 30, 2013	\$ 72,664	\$ 88	\$ 593,458	\$ (228,222)	\$ 6,361	\$ (29,970)	\$ 414,379
Balance, December 31, 2013	\$ 72,664	\$ 88	\$ 593,144	\$ (225,722)	\$ 4,456	\$ (29,266)	\$ 415,364
Net income				25,181			25,181
Other comprehensive income					1,211		1,211
Issuance of treasury stock for employee stock purchase plan			(376)			533	157
Net issuance of treasury stock for restricted stock unit vesting and related tax benefit			(229)			208	(21)
Cash dividends common stock at \$0.14 per share				(12,154)			(12,154)
Stock dividend equivalents restricted stock units at \$0.14 per share			146	(146)			
Stock-based employee compensation			835				835
Preferred stock dividends				(545)			(545)
Balance, September 30, 2014	\$ 72,664	\$ 88	\$ 593,520	\$ (213,386)	\$ 5,667	\$ (28,525)	\$ 430,028

See accompanying notes to unaudited consolidated financial statements.

FIRST BUSEY CORPORATION and Subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Nine Months Ended September 30, 2014 and 2013

(Unaudited)

	2014	2013
	(dollars in thousands)	
Cash Flows from Operating Activities		
Net income	\$ 25,181	\$ 21,806
Adjustments to reconcile net income to net cash provided by operating activities:		
Stock-based and non-cash compensation	835	650
Depreciation and amortization	6,419	6,494
Provision for loan losses	2,000	6,000
Provision for deferred income taxes	11,999	6,725
Amortization of security premiums and discounts, net	5,525	6,821
Net security gains	(40)	(82)
Gain on sales of loans, net	(3,554)	(8,944)
Net loss (gain) on disposition of premises and equipment	4	(796)
Net gains on sales of OREO properties	(142)	(1)
Increase in cash surrender value of bank owned life insurance	(436)	(915)
Change in assets and liabilities:		
(Increase) decrease in other assets	(2,285)	9,177
Decrease in other liabilities	(4,209)	(1,192)
Decrease in interest payable	(146)	(386)
(Increase) decrease in income taxes receivable	(426)	228
Net cash provided by operating activities before activities for loans originated for sale	\$ 40,725	\$ 45,585
Loans originated for sale	(164,570)	(390,125)
Proceeds from sales of loans	169,874	421,572
Net cash provided by operating activities	\$ 46,029	\$ 77,032
Cash Flows from Investing Activities		
Proceeds from sales of securities classified available for sale	65,906	10,229
Proceeds from maturities of securities classified available for sale	137,943	143,258
Proceeds from maturities of securities classified held to maturity	6	
Purchase of securities classified available for sale	(169,560)	(78,358)
Purchase of securities classified held to maturity	(1,026)	(838)
Net increase in loans	(89,514)	(207,063)
Proceeds from disposition of premises and equipment	8	2,849
Proceeds from sale of OREO properties	2,655	2,312
Purchases of premises and equipment	(2,792)	(2,279)
Net cash used in investing activities	\$ (56,374)	\$ (129,890)

(continued on next page)

FIRST BUSEY CORPORATION and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

For the Nine Months Ended September 30, 2014 and 2013

(Unaudited)

	2014	2013
	(dollars in thousands)	
Cash Flows from Financing Activities		
Net decrease in certificates of deposit	\$ (65,691)	\$ (82,944)
Net increase (decrease) in demand, money market and savings deposits	21,947	(17,496)
Cash dividends paid	(12,699)	(9,662)
Value of shares surrendered upon vesting of restricted stock units to cover tax obligations	(25)	(113)
Principal payments on long-term debt		(7,000)
Proceeds from long-term debt	30,000	
Net (decrease) increase in securities sold under agreements to repurchase	(15,066)	17,486
Net cash used in financing activities	\$ (41,534)	\$ (99,729)
Net decrease in cash and due from banks	\$ (51,879)	\$ (152,587)
Cash and due from banks, beginning	\$ 231,603	\$ 351,255
Cash and due from banks, ending	\$ 179,724	\$ 198,668

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash payments for:		
Interest	\$ 5,075	\$ 7,136
Income taxes	\$ 2,686	\$ 3,406
Non-cash investing and financing activities:		
Other real estate acquired in settlement of loans	\$ 596	\$ 1,017

See accompanying notes to unaudited consolidated financial statements.

FIRST BUSEY CORPORATION and Subsidiaries

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Basis of Presentation

The accompanying unaudited consolidated interim financial statements of First Busey Corporation (First Busey or the Company), a Nevada corporation, have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (the SEC) for Quarterly Reports on Form 10-Q and do not include certain information and footnote disclosures required by U.S. generally accepted accounting principles (GAAP) for complete annual financial statements. Accordingly, these financial statements should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 2013.

The accompanying Consolidated Balance Sheets as of December 31, 2013, which have been derived from audited financial statements, and the unaudited consolidated interim financial statements have been prepared in accordance with GAAP and reflect all adjustments that are, in the opinion of management, necessary for the fair presentation of the financial position and results of operations as of the dates and for the periods presented. All such adjustments are of a normal recurring nature. The results of operations for the three and nine months ended September 30, 2014 are not necessarily indicative of the results that may be expected for the year ending December 31, 2014.

The consolidated financial statements include the accounts of the Company and its subsidiaries. All material intercompany transactions and balances have been eliminated in consolidation. Certain prior-year amounts have been reclassified to conform to the current presentation with no effect on net income or stockholders' equity.

In preparing the accompanying consolidated financial statements, 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, the determination of the allowance for loan losses, and the valuation allowance on the deferred tax asset.

The Company has evaluated subsequent events for potential recognition and/or disclosure through the date the consolidated financial statements included in this Quarterly Report on Form 10-Q were issued. Other than the return of capital and associated surplus to the Company from Busey Bank (the Bank), which was executed on October 22, 2014, as discussed in the capital resources section of management's discussion and analysis of financial condition and results of operations, there were no significant subsequent events for the quarter ended September 30, 2014 through the issuance date of these financial statements that warranted adjustment to or disclosure in the consolidated financial statements.

Note 2: Recent Accounting Pronouncements

ASU 2014-04, Receivables - Troubled Debt Restructurings by Creditors (Subtopic 310-40) - Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure. ASU 2014-04 clarifies when an in-substance repossession or foreclosure occurs and requires interim and annual disclosures. The new authoritative guidance will be effective for fiscal years, and interim periods within those

Edgar Filing: FIRST BUSEY CORP /NV/ - Form 10-Q

years, beginning after December 15, 2014 and is not expected to have a significant impact on the Company's financial statements.

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 will be for reporting periods after December 15, 2016, and the Company is evaluating the effect that ASU 2014-09 will have on its consolidated financial statements and related disclosures.

ASU 2014-14, *Receivables - Troubled Debt Restructurings by Creditors (Subtopic 310-40) Classification of Certain Government-Guaranteed Mortgage Loans upon Foreclosure*. ASU 2014-14 requires that certain government-guaranteed mortgage loans be derecognized and that a separate other receivable be recognized upon foreclosure if certain conditions are met. Upon foreclosure on loans that meet these criteria, a separate receivable should be recorded based on the amount of the loan balance expected to be recovered from the guarantor. The new authoritative guidance will be effective for fiscal years, and interim periods within those years, beginning after December 15, 2014 and is not expected to have a significant impact on the Company's financial statements.

Note 3: Securities

Securities are classified as held to maturity when First Busey has the ability and management has the positive intent to hold those securities to maturity. Accordingly, they are stated at cost, adjusted for amortization of premiums and accretion of discounts. 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.

The amortized cost, unrealized gains and losses and fair values of securities classified as available for sale and held to maturity are summarized as follows:

September 30, 2014:	Amortized Cost	Gross Unrealized Gains (dollars in thousands)	Gross Unrealized Losses	Fair Value
Available for sale				
U.S. Treasury securities	\$ 50,341	\$ 242	\$ (6)	\$ 50,577
Obligations of U.S. government corporations and agencies	187,394	1,397	(155)	188,636
Obligations of states and political subdivisions	234,495	3,419	(752)	237,162
Residential mortgage-backed securities	241,933	3,882	(243)	245,572
Corporate debt securities	73,840	241	(123)	73,958
Total debt securities	788,003	9,181	(1,279)	795,905
Mutual funds and other equity securities	5,428	1,732		7,160
Total	\$ 793,431	\$ 10,913	\$ (1,279)	\$ 803,065
Held to maturity				
Obligations of states and political subdivisions	\$ 1,366	\$ 19	\$ (1)	\$ 1,384
Commercial mortgage-backed securities	1,018	19		1,037
Total	\$ 2,384	\$ 38	\$ (1)	\$ 2,421

December 31, 2013:	Amortized Cost	Gross Unrealized Gains (dollars in thousands)	Gross Unrealized Losses	Fair Value
Available for sale				
U.S. Treasury securities	\$ 102,463	\$ 244	\$ (67)	\$ 102,640
Obligations of U.S. government corporations and agencies	254,998	2,741	(328)	257,411
Obligations of states and political subdivisions	272,077	2,887	(2,812)	272,152
Residential mortgage-backed securities	174,699	3,571	(535)	177,735
Corporate debt securities	25,384	155	(33)	25,506
Total debt securities	829,621	9,598	(3,775)	835,444
Mutual funds and other equity securities	4,114	1,752		5,866
Total	\$ 833,735	\$ 11,350	\$ (3,775)	\$ 841,310
Held to maturity				
Obligations of states and political subdivisions	\$ 834	\$ 1	\$ (4)	\$ 831
Total	\$ 834	\$ 1	\$ (4)	\$ 831

The amortized cost and fair value of debt securities available for sale and held to maturity as of September 30, 2014, by contractual maturity, 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 the residential mortgage-backed securities may be called or prepaid without penalties; therefore, actual maturities could differ from the contractual maturities. All residential mortgage-backed securities were issued by U.S. government agencies and corporations.

	Available for sale		Held to maturity	
	Amortized Cost	Fair Value (dollars in thousands)	Amortized Cost	Fair Value
Due in one year or less	\$ 127,442	\$ 128,040	\$	\$
Due after one year through five years	353,926	356,234	515	518
Due after five years through ten years	148,191	151,396	1,869	1,903
Due after ten years	158,444	160,235		
Total	\$ 788,003	\$ 795,905	\$ 2,384	\$ 2,421

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
	(dollars in thousands)			
Gross security gains	\$	\$ 82	\$ 57	\$ 82
Gross security (losses)			(17)	
Net security gains	\$	\$ 82	\$ 40	\$ 82

The tax provision for the net realized gains was insignificant for the three and nine months ended September 30, 2014 and 2013.

Investment securities with carrying amounts of \$512.5 million and \$428.7 million on September 30, 2014 and December 31, 2013, respectively, were pledged as collateral for public deposits, securities sold under agreements to repurchase and for other purposes as required or permitted by law.

Edgar Filing: FIRST BUSEY CORP /NV/ - Form 10-Q

Information pertaining to securities with gross unrealized losses at September 30, 2014 and December 31, 2013 aggregated by investment category and length of time that individual securities have been in a continuous loss position follows:

September 30, 2014:	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)						
Available for sale						
U.S. Treasury securities	\$	\$	\$	362	\$	362
Obligations of U.S. government corporations and agencies				6		6
	260	1	25,152	154	25,412	155
Obligations of states and political subdivisions	24,153	66	43,653	686	67,806	752
Residential mortgage-backed securities	53,276	115	10,858	128	64,134	243
Corporate debt securities	23,484	118	213	5	23,697	123
Total temporarily impaired securities	\$ 101,173	\$ 300	\$ 80,238	\$ 979	\$ 181,411	\$ 1,279
Held to maturity						
Obligations of states and political subdivisions	\$ 236	\$ 1	\$	\$	\$ 236	\$ 1
Total temporarily impaired securities	\$ 236	\$ 1	\$	\$	\$ 236	\$ 1

December 31, 2013:	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)						
Available for sale						
U.S. Treasury securities	\$ 25,830	\$ 67	\$	\$	\$ 25,830	\$ 67
Obligations of U.S. government corporations and agencies	25,946	328			25,946	328
Obligations of states and political subdivisions	92,703	2,518	8,492	294	101,195	2,812
Residential mortgage-backed securities	53,543	535			53,543	535
Corporate debt securities	1,614	33			1,614	33
Total temporarily impaired securities	\$ 199,636	\$ 3,481	\$ 8,492	\$ 294	\$ 208,128	\$ 3,775
Held to maturity						
Obligations of states and political subdivisions	\$ 597	\$ 4	\$	\$	\$ 597	\$ 4
Total temporarily impaired securities	\$ 597	\$ 4	\$	\$	\$ 597	\$ 4

Management evaluates securities for other-than-temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to the length of time and extent to which the fair value has been less than cost, the financial condition and near-term prospects of the issuer, and whether the Company has the intent to sell the security and it is more-likely-than-not it will have to sell the security before recovery of its cost basis.

The total number of securities in the investment portfolio in an unrealized loss position as of September 30, 2014 was 158, and represented a loss of 0.7% of the aggregate carrying value. Based upon a review of unrealized loss circumstances, the unrealized losses resulted from changes in market interest rates and liquidity, not from changes in the probability of receiving the contractual cash flows. The Company does not intend to sell the 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 other-than-temporarily impaired at September 30, 2014.

The Company had available for sale obligations of state and political subdivisions with a fair value of \$237.2 million and \$272.2 million as of September 30, 2014 and December 31, 2013, respectively. In addition, the Company had held to maturity obligations of state and political subdivisions totaling \$1.4 million and \$0.8 million at September 30, 2014 and December 31, 2013, respectively.

As of September 30, 2014, the Company's obligations of state and political subdivisions portfolio was comprised of \$196.7 million of general obligation bonds and \$41.8 million of revenue bonds issued by 238 issuers, primarily consisting of states, counties, cities, towns, villages and school districts. The Company held investments in general obligation bonds in 23 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.

As of December 31, 2013, the Company's obligations of state and political subdivisions portfolio was comprised of \$223.5 million of general obligation bonds and \$49.5 million of revenue bonds issued by 267 issuers, primarily consisting of states, counties, cities, towns, villages and school districts. The Company held investments in general obligation bonds in 25 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 21 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:

September 30, 2014:

U.S. State	Number of Issuers	Amortized Cost	Fair Value	Average Exposure Per Issuer (Fair Value)
		(dollars in thousands)		
Illinois	75	\$ 68,434	\$ 69,974	\$ 933
Wisconsin	40	38,271	38,562	964
Michigan	33	30,884	31,283	948
Pennsylvania	10	12,939	13,030	1,303
Ohio	10	10,936	10,890	1,089

Edgar Filing: FIRST BUSEY CORP /NV/ - Form 10-Q

Texas	7	7,401	7,359	1,051
Iowa	3	6,118	6,154	2,051
Other	24	18,905	19,476	812
Total general obligations bonds	202	\$ 193,888	\$ 196,728	\$ 974

December 31, 2013:

U.S. State	Number of Issuers	Amortized Cost	Fair Value	Average Exposure Per Issuer (Fair Value)
(dollars in thousands)				
Illinois	82	\$ 82,884	\$ 83,804	\$ 1,022
Wisconsin	41	43,117	43,122	1,052
Michigan	37	35,350	35,365	956
Pennsylvania	11	14,132	14,133	1,285
Ohio	12	11,709	11,426	952
Texas	7	7,510	7,270	1,039
Iowa	3	6,126	6,060	2,020
Other	26	21,865	22,290	857
Total general obligations bonds	219	\$ 222,693	\$ 223,470	\$ 1,020

The general obligation bonds are diversified across many issuers, with \$3.5 million and \$5.0 million being the largest exposure to a single issuer at September 30, 2014 and December 31, 2013, respectively. Accordingly, as of September 30, 2014 and December 31, 2013, 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, 96.9% had been rated by at least one nationally recognized statistical rating organization and 3.1% were unrated, based on the fair value as of September 30, 2014. Of the general obligation bonds in the Company's portfolio, 96.4% had been rated by at least one nationally recognized statistical rating organization and 3.6% were unrated, based on the fair value as of December 31, 2013.

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

September 30, 2014:

U.S. State	Number of Issuers	Amortized Cost	Fair Value	Average Exposure Per Issuer (Fair Value)
(dollars in thousands)				
Illinois	4	\$ 6,999	\$ 6,920	\$ 1,730
Indiana	8	12,534	12,486	1,561
Other	24	22,440	22,412	934
Total revenue bonds	36	\$ 41,973	\$ 41,818	\$ 1,162

December 31, 2013:

U.S. State	Number of Issuers	Amortized Cost	Fair Value	Average Exposure Per Issuer (Fair Value)
(dollars in thousands)				
Illinois	4	\$ 7,356	\$ 7,121	\$ 1,780

Edgar Filing: FIRST BUSEY CORP /NV/ - Form 10-Q

Indiana	14		14,740		14,481		1,034
Other	30		28,122		27,911		930
Total revenue bonds	48	\$	50,218	\$	49,513	\$	1,032

The revenue bonds are diversified across many issuers and revenue sources with \$3.0 million being the largest exposure to a single issuer at each of September 30, 2014 and December 31, 2013. Accordingly, as of September 30, 2014 and December 31, 2013, 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. All of the revenue bonds in the Company's portfolio had been rated by at least one nationally recognized statistical rating organization as of September 30, 2014 and December 31, 2013. Some of the primary types of revenue bonds owned 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 Busey Bank, whose investment policy requires that state and political subdivision securities purchased be investment grade. Busey Bank's investment policy also limits the amount of rated state and political subdivision securities to an aggregate 100% of the Bank's Total Risk Based Capital at the time of purchase and an aggregate 15% of Total Risk Based 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 of the Bank 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. All securities in the Bank'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.

As of September 30, 2014, the Company's regular monitoring of its obligations of state and political subdivisions portfolio had not uncovered any facts or circumstances resulting in significantly different credit ratings than those assigned by a nationally recognized statistical rating organization.

Note 4: Loans

Geographic distributions of loans were as follows:

	September 30, 2014				
	Illinois	Florida	Indiana		Total
	(dollars in thousands)				
Commercial	\$ 520,002	\$ 18,794	\$ 26,027	\$	564,823
Commercial real estate	850,819	168,201	118,464		1,137,484
Real estate construction	47,155	17,045	15,619		79,819
Retail real estate	468,818	104,971	13,442		587,231
Retail other	9,929	551	78		10,558
Total	\$ 1,896,723	\$ 309,562	\$ 173,630	\$	2,379,915
Less held for sale(1)					12,090
				\$	2,367,825
Less allowance for loan losses					47,014
Net loans				\$	2,320,811

(1) Loans held for sale are included in retail real estate.

	December 31, 2013				
	Illinois	Florida	Indiana		Total
	(dollars in thousands)				
Commercial	\$ 530,174	\$ 20,536	\$ 29,902	\$	580,612
Commercial real estate	800,568	160,255	131,450		1,092,273
Real estate construction	55,190	17,426	6,239		78,855
Retail real estate	419,801	103,104	11,588		534,493
Retail other	8,422	552	93		9,067
Total	\$ 1,814,155	\$ 301,873	\$ 179,272	\$	2,295,300
Less held for sale(1)					13,840
				\$	2,281,460
Less allowance for loan losses					47,567
Net loans				\$	2,233,893

(1) Loans held for sale are included in retail real estate.

Net deferred loan origination costs included in the tables above were \$0.5 million as of September 30, 2014 and insignificant as of December 31, 2013.

The Company believes that sound loans are 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 geographies within 125 miles of its lending offices. 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. Management routinely (at least quarterly) reviews the Company's allowance for loan losses and 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. 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 are the quality of the borrower's financial history, the liquidity of the underlying collateral and the reliability of the valuation of the underlying collateral.

Total borrowing relationships, including direct and indirect debt, are generally limited to \$20 million, which is significantly less than the Company's regulatory lending limit. Borrowing relationships exceeding \$20 million are reviewed by the Company's board of directors at least annually and more frequently by management. At no time is a borrower's total borrowing relationship permitted to exceed the Company's regulatory lending limit. Loans to related parties, including executive officers and the Company's various directorates, are reviewed for compliance with regulatory guidelines by the Company's board of directors at least annually.

Edgar Filing: FIRST BUSEY CORP /NV/ - Form 10-Q

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 to compliance with this policy, the loan review process 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 other retail loans. A description of each of the lending areas can be found in the Company's Annual Report on Form 10-K for the year ended December 31, 2013. The significant majority of the lending activity occurs in the Company's Illinois and Indiana markets, with the remainder in the Florida market. Due to the small scale of the Indiana loan portfolio and its geographical proximity to the Illinois portfolio, the Company believes that quantitative or qualitative segregation between Illinois and Indiana is not material or warranted.

The Company utilizes a loan grading scale to assign a risk grade to all of its loans. Loans are graded on a scale of 1 through 10 with grades 2, 4 & 5 unused. A description of the general characteristics of the grades is as follows:

- *Grades 1, 3, 6-* These grades include loans which are all considered strong credits, with grade 1 being investment or near investment grade. A grade 3 loan is comprised of borrowers that exhibit credit fundamentals that exceed industry standards and loan policy guidelines. A grade 6 loan is comprised of borrowers that exhibit acceptable credit fundamentals.
- *Grade 7-* This grade 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.
- *Grade 8-* This grade 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.
- *Grade 9-* This grade includes Substandard loans, 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.
- *Grade 10-* This grade 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 having a value that is difficult to determine.

All loans are graded at the inception of the loan. All commercial loans 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 quarterly basis for the first year, semiannually in the second year and annually thereafter. Homogenous pool credits which are subsequently downgraded to a grading of 7 or worse, are subject to the same portfolio review as loans over \$1.0 million. All commercial loans greater than \$1.0 million dollars receive a portfolio review at least annually. Commercial loans greater than \$1.0 million that have a grading of 7 receive a portfolio review twice per year. Commercial loans greater than \$1.0 million that have a grading of 8 or worse receive a portfolio review on a quarterly basis. Interim grade reviews may take place if circumstances of the borrower warrant a more timely review.

Loans in the highest grades, represented by grades 1, 3, 6 and 7, totaled \$2.2 billion at September 30, 2014 compared to \$2.1 billion at December 31, 2013. Loans in the lowest grades, represented by grades 8, 9 and 10, totaled \$131.8 million at September 30, 2014, a decline of

\$30.1 million from \$161.9 million at December 31, 2013.

Edgar Filing: FIRST BUSEY CORP /NV/ - Form 10-Q

The following table presents weighted average risk grades segregated by category of loans (excluding held for sale, non-posted and clearings) and geography:

		September 30, 2014					
	Weighted Avg. Risk Grade	Grades 1,3,6	Grade 7	Grade 8	Grade 9	Grade 10	
(dollars in thousands)							
Illinois/Indiana							
Commercial	4.66	\$ 494,643	\$ 34,085	\$ 9,455	\$ 6,471	\$ 1,375	
Commercial real estate	5.63	844,763	74,000	27,213	21,724	1,583	
Real estate construction	6.07	43,530	4,018	13,073	1,236	917	
Retail real estate	3.49	446,768	10,620	4,531	3,557	1,345	
Retail other	3.45	9,935	45	18	9		
Total Illinois/Indiana		\$ 1,839,639	\$ 122,768	\$ 54,290	\$ 32,997	\$ 5,220	
Florida							
Commercial	6.07	\$ 11,126	\$ 3,966	\$ 3,100	\$ 602	\$	
Commercial real estate	6.02	120,248	26,811	4,960	13,594	2,588	
Real estate construction	6.16	15,473		624	857	91	
Retail real estate	4.14	80,151	11,674	9,655	2,476	782	
Retail other	3.00	551					
Total Florida		\$ 227,549	\$ 42,451	\$ 18,339	\$ 17,529	\$ 3,461	
Total		\$ 2,067,188	\$ 165,219	\$ 72,629	\$ 50,526	\$ 8,681	
		December 31, 2013					
	Weighted Avg. Risk Grade	Grades 1,3,6	Grade 7	Grade 8	Grade 9	Grade 10	
(dollars in thousands)							
Illinois/Indiana							
Commercial	4.66	\$ 487,587	\$ 46,992	\$ 15,986	\$ 8,536	\$ 975	
Commercial real estate	5.55	799,117	79,371	19,327	29,606	4,597	
Real estate construction	7.11	21,585	16,376	11,920	7,686	3,862	
Retail real estate	3.53	393,299	9,285	5,392	4,408	3,936	
Retail other	2.64	8,451	60		4		
Total Illinois/Indiana		\$ 1,710,039	\$ 152,084	\$ 52,625	\$ 50,240	\$ 13,370	
Florida							
Commercial	5.89	\$ 16,460	\$ 174	\$ 3,218	\$ 684	\$	
Commercial real estate	6.02	116,741	16,470	11,250	12,721	3,073	
Real estate construction	6.64	7,886	7,961	743	836		
Retail real estate	3.85	77,116	12,052	9,417	3,050	721	
Retail other	1.72	552					
Total Florida		\$ 218,755	\$ 36,657	\$ 24,628	\$ 17,291	\$ 3,794	
Total		\$ 1,928,794	\$ 188,741	\$ 77,253	\$ 67,531	\$ 17,164	

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. 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 are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

An age analysis of past due loans still accruing and non-accrual loans is as follows:

	September 30, 2014				Non-accrual Loans
	30-59 Days	Loans past due, still accruing		90+Days	
		60-89 Days	(dollars in thousands)		
Illinois/Indiana					
Commercial	\$ 30	\$ 16	\$ 5	\$	1,375
Commercial real estate	2,418	3,275			1,583
Real estate construction					917
Retail real estate	531	64	60		1,345
Retail other	6	10			
Total Illinois/Indiana	\$ 2,985	\$ 3,365	\$ 65	\$	5,220
Florida					
Commercial	\$	\$	\$	\$	
Commercial real estate					2,588
Real estate construction					91
Retail real estate					782
Retail other					
Total Florida	\$	\$	\$	\$	3,461
Total	\$ 2,985	\$ 3,365	\$ 65	\$	8,681
	December 31, 2013				Non-accrual Loans
	30-59 Days	Loans past due, still accruing		90+Days	
		60-89 Days	(dollars in thousands)		
Illinois/Indiana					
Commercial	\$ 906	\$ 279	\$ 92	\$	975
Commercial real estate	567	3,736			4,597
Real estate construction					3,862
Retail real estate	483	123	103		3,936
Retail other	20				
Total Illinois/Indiana	\$ 1,976	\$ 4,138	\$ 195	\$	13,370
Florida					
Commercial	\$	\$	\$	\$	
Commercial real estate					3,073
Real estate construction					
Retail real estate					721
Retail other					
Total Florida	\$	\$	\$	\$	3,794
Total	\$ 1,976	\$ 4,138	\$ 195	\$	17,164

A loan is 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. The following loans are assessed for impairment by the Company: loans 60 days or more past due and over \$0.25 million, loans graded 8 over \$0.5 million and loans graded 9 or 10.

Impairment is measured on a loan-by-loan basis for commercial and construction loans by either 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. 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 disclosures unless such loans are the subject of a restructuring agreement.

The gross interest income that would have been recorded in the three and nine months ended September 30, 2014 if impaired loans had been current in accordance with their original terms was \$0.1 million and \$0.7 million, respectively. The amount of interest collected on those loans and recognized on a cash basis that was included in interest income was insignificant for the three and nine months ended September 30, 2014.

The Company's loan portfolio includes certain loans that have been modified in a troubled debt restructuring (TDR), where concessions have been granted to borrowers who have experienced financial difficulties. The Company will restructure loans for its customers who appear to be able to meet the terms of their loan over the long term, but who may be 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 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 has gone 90+ days past due or is placed on non-accrual status, it is included in the non-performing loan totals. A summary of restructured loans as of September 30, 2014 and December 31, 2013 is as follows:

	September 30, 2014	December 31, 2013
	(dollars in thousands)	
Restructured loans:		
In compliance with modified terms	\$ 11,050	\$ 11,511
30 - 89 days past due		380
Included in non-performing loans	2,253	5,919
Total	\$ 13,303	\$ 17,810

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 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.

There were no performing loans classified as TDRs during the three months ended September 30, 2014. Performing loans classified as TDRs during the nine months ended September 30, 2014 were insignificant.

Performing loans classified as TDRs during the three and nine months ended September 30, 2013 included one commercial real estate modification in Illinois/Indiana for short-term principal payment relief, with a recorded investment of \$0.2 million. Performing loans classified as TDRs during the nine months ended September 30, 2013 also included one commercial real estate modification in Florida 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 nine months ended September 30, 2014 and 2013 if performing TDRs had been in accordance with their original terms instead of modified terms was insignificant.

There were no TDRs that were 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 and nine months ended September 30, 2014.

TDRs that were classified as non-performing and had payment defaults during the three months ended September 30, 2013 consisted of one Florida retail real estate modification totaling \$0.1 million. TDRs that were classified as non-performing and had payment defaults during the nine months ended September 30, 2013 consisted of one Illinois/Indiana commercial real estate modification totaling \$1.7 million, one Illinois/Indiana real estate construction modification totaling \$0.3 million, four Illinois/Indiana retail real estate modifications totaling \$1.1 million and two Florida retail real estate modifications totaling \$0.2 million.

The following tables provide details of impaired loans, segregated by category and geography. 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.

	September 30, 2014						
	Unpaid Contractual Principal Balance	Recorded Investment with No Allowance	Recorded Investment with Allowance	Total Recorded Investment	Related Allowance	Average Recorded Investment	
	(dollars in thousands)						
Illinois/Indiana							
Commercial	\$ 3,294	\$ 1,703	\$ 707	\$ 2,410	\$ 590	\$ 2,618	
Commercial real estate	5,477	1,705	2,316	4,021	1,139	6,495	
Real estate construction	918	808	110	918	48	3,190	
Retail real estate	2,842	2,457	25	2,482	25	3,592	
Retail other							
Total Illinois/Indiana	\$ 12,531	\$ 6,673	\$ 3,158	\$ 9,831	\$ 1,802	\$ 15,895	
Florida							
Commercial	\$	\$	\$	\$	\$	\$ 2	
Commercial real estate	4,737	3,365	1,286	4,651	382	4,966	
Real estate construction	634	634		634		461	
Retail real estate	10,215	8,885	537	9,422	337	9,504	
Retail other	8		8	8	8	3	
Total Florida	\$ 15,594	\$ 12,884	\$ 1,831	\$ 14,715	\$ 727	\$ 14,936	
Total	\$ 28,125	\$ 19,557	\$ 4,989	\$ 24,546	\$ 2,529	\$ 30,831	

	December 31, 2013						
	Unpaid Contractual Principal Balance	Recorded Investment with No Allowance	Recorded Investment with Allowance (dollars in thousands)	Total Recorded Investment	Related Allowance	Average Recorded Investment	
Illinois/Indiana							
Commercial	\$ 2,825	\$ 1,684	\$ 602	\$ 2,286	\$ 485	\$ 4,169	
Commercial real estate	8,866	3,671	3,740	7,411	1,977	10,335	
Real estate construction	4,932	2,292	1,570	3,862	468	5,889	
Retail real estate	5,583	3,267	2,010	5,277	604	5,296	
Retail other							
Total Illinois/Indiana	\$ 22,206	\$ 10,914	\$ 7,922	\$ 18,836	\$ 3,534	\$ 25,689	
Florida							
Commercial	\$	\$	\$	\$	\$	\$	
Commercial real estate	7,108	3,946	1,319	5,265	416	6,662	
Real estate construction	417	417		417		1,294	
Retail real estate	10,346	9,005	537	9,542	337	11,079	
Retail other							
Total Florida	\$ 17,871	\$ 13,368	\$ 1,856	\$ 15,224	\$ 753	\$ 19,035	
Total	\$ 40,077	\$ 24,282	\$ 9,778	\$ 34,060	\$ 4,287	\$ 44,724	

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 losses believed inherent in the Company's loan portfolio at the balance sheet date. The allowance for loan losses is evaluated 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 September 30, 2014 and December 31, 2013.

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 grade 8 and grade 9 portfolios. The grade 9 portfolio has an additional allocation placed on those loans determined by a one-year charge-off percentage for the respective loan type/geography. The minimum additional reserve on a grade 9 loan was 3.00% as of each of September 30, 2014 and December 31, 2013, which is an estimate of the additional loss inherent in these loan grades based upon a review of overall historical charge-offs. As of September 30, 2014, the Company believed this minimum reserve remained adequate.

Edgar Filing: FIRST BUSEY CORP /NV/ - Form 10-Q

Grade 8 loans have an additional allocation placed on them determined by the trend difference of the respective loan type/geography's rolling 12- and 20-quarter historical loss trends. If the rolling 12-quarter average is higher (more current information) than the rolling 20-quarter average, the Company adds the additional amount to the allocation. The minimum additional amount for grade 8 loans was 1.00% as of September 30, 2014 and December 31, 2013, based upon a review of the differences between the rolling 12- and 20-quarter historical loss averages by region. As of September 30, 2014, the Company believed this minimum additional amount remained adequate.

Edgar Filing: FIRST BUSEY CORP /NV/ - Form 10-Q

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. The impaired loans are subtracted from the general loans and are allocated specific reserves as discussed above.

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 quantitative allocation 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 Factor; (vi) Impact of Competition, Legal & Regulatory Issues; (vii) Nature and Volume of Loan Portfolio; (viii) Concentrations of Credit; (ix) Net Charge-Off Trend; and (x) Non-Accrual, Past Due and Classified Trend. Management evaluates 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 third quarter of 2014, the Company adjusted Illinois/Indiana qualitative factors relating to Loan Underwriting, Policy and Procedures, Macro and Local Economic Factor, Nature and Volume of Loan Portfolio, and Net Charge-Off Trend. Additionally, the Company adjusted Florida qualitative factors relating to Loan Underwriting, Policy and Procedures, Macro and Local Economic Factor, and Net Charge-Off Trend. The adjustment of these factors increased our allowance requirements by \$5.3 million at September 30, 2014 compared to the method used for June 30, 2014. Further, during the first quarter of 2014, the Company adjusted Illinois/Indiana and Florida qualitative factors relating to Net Charge-Off Trend compared to the method used for December 31, 2013. Adjustments to increase these qualitative factors were made in the third and first quarters of 2014 to recognize perceived changing degrees of risk, offset decreasing quantitative factors and reflect management's evaluation of risk. The Company will continue to monitor its qualitative factors on a quarterly basis.

The following table details activity on 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.

As of and for the Three Months Ended September 30, 2014							
	Commercial	Commercial Real Estate	Real Estate Construction	Retail Real Estate	Retail Other	Total	
(dollars in thousands)							
Illinois/Indiana							
Beginning balance	\$ 7,695	\$ 15,426	\$ 2,776	\$ 10,802	\$ 238	\$	36,937
Provision for loan loss	1,031	2,208	(623)	(1,986)	130		760
Charged-off	(121)			(388)	(114)		(623)
Recoveries	29	39		120	44		232
Ending Balance	\$ 8,634	\$ 17,673	\$ 2,153	\$ 8,548	\$ 298	\$	37,306
Florida							
Beginning balance	\$ 1,782	\$ 4,976	\$ 175	\$ 3,554	\$ 4	\$	10,491
Provision for loan loss	(539)	116	5	(345)	3		(760)
Charged-off	(6)			(55)	(1)		(62)
Recoveries	18			15	6		39
Ending Balance	\$ 1,255	\$ 5,092	\$ 180	\$ 3,169	\$ 12	\$	9,708

Edgar Filing: FIRST BUSEY CORP /NV/ - Form 10-Q

As of and for the Nine Months Ended September 30, 2014							
	Commercial	Commercial Real Estate	Real Estate Construction	Retail Real Estate	Retail Other	Total	
(dollars in thousands)							
Illinois/Indiana							
Beginning balance	\$ 8,452	\$ 16,379	\$ 2,540	\$ 6,862	\$ 216	\$	\$ 34,449
Provision for loan loss	879	2,388	(241)	3,540	242		6,808
Charged-off	(825)	(1,173)	(657)	(2,079)	(306)		(5,040)
Recoveries	128	79	511	225	146		1,089
Ending Balance	\$ 8,634	\$ 17,673	\$ 2,153	\$ 8,548	\$ 298	\$	\$ 37,306
Florida							
Beginning balance	\$ 1,926	\$ 5,733	\$ 1,168	\$ 4,287	\$ 4	\$	\$ 13,118
Provision for loan loss	(807)	(912)	(1,983)	(1,096)	(10)		(4,808)
Charged-off	(26)			(192)	(1)		(219)
Recoveries	162	271	995	170	19		1,617
Ending Balance	\$ 1,255	\$ 5,092	\$ 180	\$ 3,169	\$ 12	\$	\$ 9,708

As of and for the Three Months Ended September 30, 2013							
	Commercial	Commercial Real Estate	Real Estate Construction	Retail Real Estate	Retail Other	Total	
(dollars in thousands)							
Illinois/Indiana							
Beginning balance	\$ 7,514	\$ 13,723	\$ 2,514	\$ 8,256	\$ 240	\$	\$ 32,247
Provision for loan loss	363	316	(241)	1,024	49		1,511
Charged-off	(241)	(44)		(446)	(117)		(848)
Recoveries	37	145	21	112	59		374
Ending Balance	\$ 7,673	\$ 14,140	\$ 2,294	\$ 8,946	\$ 231	\$	\$ 33,284
Florida							
Beginning balance	\$ 1,505	\$ 7,656	\$ 2,693	\$ 4,387	\$ 3	\$	\$ 16,244
Provision for loan loss	687	1,504	(1,690)	(9)	(3)		489
Charged-off		(2,298)	2	(56)	(2)		(2,354)
Recoveries	22	2	225	47	5		301
Ending Balance	\$ 2,214	\$ 6,864	\$ 1,230	\$ 4,369	\$ 3	\$	\$ 14,680

As of and for the Nine Months Ended September 30, 2013							
	Commercial	Commercial Real Estate	Real Estate Construction	Retail Real Estate	Retail Other	Total	
(dollars in thousands)							
Illinois/Indiana							
Beginning balance	\$ 6,597	\$ 15,023	\$ 2,527	\$ 8,110	\$ 322	\$	\$ 32,579
Provision for loan loss	1,617	(371)	558	1,592	14		3,410
Charged-off	(663)	(954)	(1,071)	(1,068)	(404)		(4,160)
Recoveries	122	442	280	312	299		1,455
Ending Balance	\$ 7,673	\$ 14,140	\$ 2,294	\$ 8,946	\$ 231	\$	\$ 33,284
Florida							
Beginning balance	\$ 1,437	\$ 6,062	\$ 2,315	\$ 5,614	\$ 5	\$	\$ 15,433
Provision for loan loss	722	3,356	(1,332)	(143)	(13)		2,590
Charged-off		(2,543)	(55)	(1,615)	(7)		(4,220)
Recoveries	55	(11)	302	513	18		877
Ending Balance	\$ 2,214	\$ 6,864	\$ 1,230	\$ 4,369	\$ 3	\$	\$ 14,680

Edgar Filing: FIRST BUSEY CORP /NV/ - Form 10-Q

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

	As of September 30, 2014						
	Commercial	Commercial Real Estate	Real Estate Construction	Retail Real Estate	Retail Other	Total	
	(dollars in thousands)						
Illinois/Indiana							
Amount allocated to:							
Loans individually evaluated for impairment	\$ 590	\$ 1,139	\$ 48	\$ 25	\$	\$	1,802
Loans collectively evaluated for impairment	8,044	16,534	2,105	8,523	298		35,504
Ending Balance	\$ 8,634	\$ 17,673	\$ 2,153	\$ 8,548	\$ 298	\$	37,306
Loans:							
Loans individually evaluated for impairment	\$ 2,410	\$ 4,021	\$ 918	\$ 2,482	\$	\$	9,831
Loans collectively evaluated for impairment	543,619	965,262	61,856	467,921	10,007		2,048,665
Ending Balance	\$ 546,029	\$ 969,283	\$ 62,774	\$ 470,403	\$ 10,007	\$	2,058,496
Florida							
Amount allocated to:							
Loans individually evaluated for impairment	\$	\$ 382	\$	\$ 337	\$ 8	\$	