# UNITED STATES SECURITIES AND EXCHANGE COMMISSION

**WASHINGTON, DC 20549**

# FORM 10-Q

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

**For the Quarterly Period Ended June 30, 2024**

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

Commission File No. 0-15950

# FIRST BUSEY CORPORATION

(Exact name of registrant as specified in its charter)

| **Nevada** | **37-1078406** |
|---|---|
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |
| 100 W. University Ave.<br>Champaign, Illinois | 61820 |
| (Address of principal executive offices) | (Zip code) |

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

N/A

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

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

| **Title of each class** | **Trading Symbol (s)** | **Name of each exchange on which registered** |
|---|---|---|
| Common Stock, $.001 par value | BUSE | The Nasdaq Stock Market LLC |

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

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

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

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

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

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

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

| **Class** | **Outstanding at August 6, 2024** |
|---|---|
| Common Stock, $.001 par value | 56,854,732 |

**FIRST BUSEY CORPORATION**
**FORM 10-Q**
**June 30, 2024**
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**GLOSSARY**

We use acronyms, abbreviations, and other terms throughout this Quarterly Report, as defined in the glossary below:

| Term | Definition |
|---|---|
| 2020 Equity Plan | First Busey Corporation Amended 2020 Equity Incentive Plan |
| ACL | Allowance for credit losses |
| Annual Report | Annual report filed with the SEC on Form 10-K pursuant to Section 13 or 15(d) of the Exchange Act |
| AOCI | Accumulated other comprehensive income (loss) |
| ASC | Accounting Standards Codification |
| ASU | Accounting Standards Update |
| Basel III | 2010 capital accord adopted by the international Basel Committee on Banking Supervision |
| Basel III Rule | Regulations promulgated by U.S. federal banking agencies – the Office of the Comptroller of the Currency, the Federal Reserve, and the FDIC – to both enforce implementation of certain aspects of the Basel III capital reforms and effect certain changes required by the Dodd-Frank Wall Street Reform and Consumer Protection Act |
| bps | basis points |
| C&I | Commercial and industrial loans |
| CECL | ASC Topic 326 "Financial Instruments-Credit Losses," which established the Current Expected Credit Losses methodology for measuring credit losses on financial instruments |
| DSU | Deferred stock unit |
| ESPP | First Busey Corporation Employee Stock Purchase Plan |
| Exchange Act | Securities Exchange Act of 1934, as amended |
| Fair value | The price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date, as defined in ASC Topic 820 "Fair Value Measurement" |
| FASB | Financial Accounting Standards Board |
| FDIC | Federal Deposit Insurance Corporation |
| Federal Reserve | Board of Governors of the Federal Reserve System |
| FHLB | Federal Home Loan Bank |
| First Busey | First Busey Corporation, together with its wholly-owned consolidated subsidiaries; also, "Busey," the "Company," "we," "us," and "our" |
| FirsTech | FirsTech, Inc. |
| FOMC | Federal Open Market Committee |
| GAAP | U.S. Generally Accepted Accounting Principles |
| LIBOR | London Interbank Offered Rate |
| M&M | Merchants and Manufacturers Bank Corporation |
| M&M Bank | Merchants and Manufacturers Bank |
| Nasdaq | National Association of Securities Dealers Automated Quotations |
| NM | Not meaningful |
| NMTC | New Markets Tax Credit |
| OCI | Other comprehensive income (loss) |
| OREO | Other real estate owned |
| PCD | Purchased credit deteriorated |
| PSU | Performance stock unit |

| Term | Definition |
|---|---|
| Quarterly Report | Quarterly report filed with the SEC on Form 10-Q pursuant to Section 13 or 15(d) of the Exchange Act |
| RSU | Restricted stock unit |
| SBA | U.S. Small Business Administration |
| SEC | U.S. Securities and Exchange Commission |
| SOFR | Secured Overnight Financing Rate published by the Federal Reserve |
| Stock Repurchase Plan | Stock repurchase program approved by First Busey Corporation's board of directors on February 3, 2015 |
| Term Loan | $60 million term loan provided for in the Second Amended and Restated Credit Agreement, dated May 28, 2021 |
| U.S. | United States of America |
| U.S. Treasury | U.S. Department of the Treasury |

**PART I—FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS**

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

| | As of | |
|---|---|---|
| | June 30, 2024 | December 31, 2023 |
| **Assets** | | |
| Cash and cash equivalents: | | |
| Cash and due from banks | $ 131,381 | $ 134,680 |
| Interest-bearing deposits | 153,888 | 584,901 |
| Total cash and cash equivalents | 285,269 | 719,581 |
| | | |
| Debt securities available for sale | 1,829,896 | 2,087,571 |
| Debt securities held to maturity | 851,261 | 872,628 |
| Equity securities | 9,618 | 9,812 |
| Loans held for sale | 11,286 | 2,379 |
| Portfolio loans (net of ACL of $85,226 at June 30, 2024, and $91,740 at December 31, 2023) | 7,913,686 | 7,559,294 |
| Premises and equipment, net | 121,647 | 122,594 |
| Right of use assets | 11,137 | 11,027 |
| Goodwill | 333,281 | 317,873 |
| Other intangible assets, net | 37,299 | 35,991 |
| Cash surrender value of bank owned life insurance | 184,107 | 182,975 |
| Other assets | 382,929 | 361,690 |
| Total assets | $ 11,971,416 | $ 12,283,415 |
| | | |
| **Liabilities and stockholders' equity** | | |
| **Liabilities** | | |
| Deposits: | | |
| Noninterest-bearing | $ 2,832,776 | $ 2,834,655 |
| Interest-bearing | 7,143,359 | 7,456,501 |
| Total deposits | 9,976,135 | 10,291,156 |
| | | |
| Securities sold under agreements to repurchase | 140,283 | 187,396 |
| Short-term borrowings | — | 12,000 |
| Long-term debt | — | 18,000 |
| Subordinated notes, net of unamortized issuance costs | 227,245 | 222,882 |
| Junior subordinated debt owed to unconsolidated trusts | 74,693 | 71,993 |
| Lease liabilities | 11,469 | 11,308 |
| Other liabilities | 207,781 | 196,699 |
| Total liabilities | 10,637,606 | 11,011,434 |
| | | |
| Outstanding commitments and contingent liabilities (see Notes 4 and 10) | | |
| | | |
| **Stockholders' equity** | | |
| Common stock, ($.001 par value; 100,000,000 shares authorized) | 60 | 58 |
| Additional paid-in capital | 1,360,430 | 1,323,595 |
| Retained earnings | 261,820 | 237,197 |
| AOCI | (220,326) | (218,803) |
| Total stockholders' equity before treasury stock | 1,401,984 | 1,342,047 |
| Treasury stock at cost | (68,174) | (70,066) |
| Total stockholders' equity | 1,333,810 | 1,271,981 |
| Total liabilities and stockholders' equity | $ 11,971,416 | $ 12,283,415 |
| | | |
| **Shares** | | |
| Common shares issued | 59,546,273 | 58,116,969 |
| Less: Treasury shares | (2,799,336) | (2,872,850) |
| Common shares outstanding | 56,746,937 | 55,244,119 |

See accompanying Notes to Consolidated Financial Statements (Unaudited).

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

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| **Interest income** | | | | |
| Interest and fees on loans | $ 109,641 | $ 94,804 | $ 208,966 | $ 184,579 |
| Interest and dividends on investment securities: | | | | |
| Taxable interest income | 18,878 | 20,076 | 38,475 | 39,675 |
| Non-taxable interest income | 295 | 708 | 635 | 1,451 |
| Other interest income | 3,027 | 1,311 | 9,498 | 2,299 |
| Total interest income | 131,841 | 116,899 | 257,574 | 228,004 |
| **Interest expense** | | | | |
| Deposits | 43,709 | 26,768 | 87,677 | 41,508 |
| Federal funds purchased and securities sold under agreements to repurchase | 1,040 | 1,223 | 2,412 | 2,445 |
| Short-term borrowings | 418 | 5,741 | 650 | 10,563 |
| Long-term debt | 4 | 452 | 300 | 906 |
| Subordinated notes | 3,177 | 3,100 | 6,286 | 6,197 |
| Junior subordinated debt owed to unconsolidated trusts | 1,059 | 945 | 2,048 | 1,858 |
| Total interest expense | 49,407 | 38,229 | 99,373 | 63,477 |
| Net interest income | 82,434 | 78,670 | 158,201 | 164,527 |
| Provision for credit losses | 2,277 | 627 | 7,315 | 1,580 |
| Net interest income after provision for credit losses | 80,157 | 78,043 | 150,886 | 162,947 |
| **Noninterest income** | | | | |
| Wealth management fees | 15,917 | 14,562 | 31,466 | 29,359 |
| Fees for customer services | 7,798 | 7,239 | 14,854 | 14,058 |
| Payment technology solutions | 5,915 | 5,231 | 11,624 | 10,546 |
| Mortgage revenue | 478 | 272 | 1,224 | 560 |
| Income on bank owned life insurance | 1,442 | 1,029 | 2,861 | 2,681 |
| Realized gain on the sale of mortgage servicing rights | 277 | — | 7,742 | — |
| Realized net gains (losses) on securities | (4) | (178) | (6,806) | (174) |
| Unrealized net gains (losses) recognized on equity securities | (349) | (1,881) | 78 | (2,501) |
| Other noninterest income | 2,327 | 1,738 | 5,758 | 5,331 |
| Total noninterest income | 33,801 | 28,012 | 68,801 | 59,860 |
| **Noninterest expense** | | | | |
| Salaries, wages, and employee benefits | 43,478 | 39,859 | 85,568 | 80,190 |
| Data processing | 7,100 | 5,902 | 13,650 | 11,542 |
| Net occupancy expense of premises | 4,590 | 4,540 | 9,310 | 9,302 |
| Furniture and equipment expenses | 1,695 | 1,681 | 3,508 | 3,427 |
| Professional fees | 2,495 | 973 | 4,748 | 3,031 |
| Amortization of intangible assets | 2,629 | 2,669 | 5,038 | 5,398 |
| Interchange expense | 1,733 | 1,870 | 3,344 | 3,723 |
| FDIC insurance | 1,460 | 1,506 | 2,860 | 3,008 |
| Other noninterest expense | 10,357 | 10,205 | 18,280 | 19,987 |
| Total noninterest expense | 75,537 | 69,205 | 146,306 | 139,608 |
| Income before income taxes | 38,421 | 36,850 | 73,381 | 83,199 |
| Income taxes | 11,064 | 7,486 | 19,799 | 17,049 |
| **Net income** | $ 27,357 | $ 29,364 | $ 53,582 | $ 66,150 |
| **Basic earnings per common share** | $ 0.48 | $ 0.53 | $ 0.95 | $ 1.19 |
| **Diluted earnings per common share** | $ 0.47 | $ 0.52 | $ 0.94 | $ 1.18 |
| **Dividends declared per share of common stock** | $ 0.24 | $ 0.24 | $ 0.48 | $ 0.48 |

See accompanying Notes to Consolidated Financial Statements (Unaudited).

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

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| Net income | $ 27,357 | $ 29,364 | $ 53,582 | $ 66,150 |
| OCI: | | | | |
| Unrealized/Unrecognized gains (losses) on debt securities: | | | | |
| Net unrealized holding gains (losses) on debt securities available for sale, net of taxes of $(480), $4,731, $1,786, and $(4,018), respectively | 1,205 | (11,866) | (4,476) | 10,078 |
| Reclassification adjustment for realized (gains) losses on debt securities available for sale included in net income, net of taxes of $(1), $(51), $(1,940), and $(50), respectively | 3 | 127 | 4,866 | 124 |
| Amortization of unrecognized losses on securities transferred to held to maturity, net of taxes of $(399), $(443), $(801), and $(926), respectively | 1,000 | 1,113 | 2,009 | 2,323 |
| Net change in unrealized/unrecognized gains (losses) on debt securities | 2,208 | (10,626) | 2,399 | 12,525 |
| Unrealized gains (losses) on cash flow hedges: | | | | |
| Net unrealized holding gains (losses) on cash flow hedges, net of taxes of $795, $2,406, $2,881, and $1,192, respectively | (1,996) | (6,036) | (7,228) | (2,986) |
| Reclassification adjustment for realized (gains) losses on cash flow hedges included in net income, net of taxes of $(659), ($608), $(1,318), and ($1,124), respectively | 1,652 | 1,525 | 3,306 | 2,818 |
| Net change in unrealized gains (losses) on cash flow hedges | (344) | (4,511) | (3,922) | (168) |
| OCI | 1,864 | (15,137) | (1,523) | 12,357 |
| Total comprehensive income | $ 29,221 | $ 14,227 | $ 52,059 | $ 78,507 |

See accompanying Notes to Consolidated Financial Statements (Unaudited).

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

| | Three Months Ended June 30, 2024 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Shares | Common Stock | Additional Paid-in Capital | Retained Earnings | AOCI | Treasury Stock | Total Stockholders' Equity |
| **Balance, March 31, 2024** | 55,300,008 | $ 58 | $ 1,324,999 | $ 248,412 | $ (222,190) | $ (68,628) | $ 1,282,651 |
| Net income | — | — | — | 27,357 | — | — | 27,357 |
| OCI, net of tax | — | — | — | — | 1,864 | — | 1,864 |
| Stock issued in acquisition, net of stock issuance costs | 1,429,304 | 2 | 34,232 | — | — | — | 34,234 |
| Issuance of treasury stock for ESPP | 9,265 | — | (53) | — | — | 239 | 186 |
| Net issuance of treasury stock for RSU/PSU/DSU vesting and related tax | 8,360 | — | (215) | — | — | 215 | — |
| Cash dividends on common stock at $0.24 per share | — | — | — | (13,616) | — | — | (13,616) |
| Stock dividend equivalents on RSUs/PSUs/DSUs | — | — | 333 | (333) | — | — | — |
| Stock-based compensation | — | — | 1,134 | — | — | — | 1,134 |
| **Balance, June 30, 2024** | 56,746,937 | $ 60 | $ 1,360,430 | $ 261,820 | $ (220,326) | $ (68,174) | $ 1,333,810 |

| | Six Months Ended June 30, 2024 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Shares | Common Stock | Additional Paid-in Capital | Retained Earnings | AOCI | Treasury Stock | Total Stockholders' Equity |
| **Balance, December 31, 2023** | 55,244,119 | $ 58 | $ 1,323,595 | $ 237,197 | $ (218,803) | $ (70,066) | $ 1,271,981 |
| Cumulative effect of change in accounting principal (ASU 2023-02) | — | — | — | (1,391) | — | — | (1,391) |
| Net income | — | — | — | 53,582 | — | — | 53,582 |
| OCI, net of tax | — | — | — | — | (1,523) | — | (1,523) |
| Stock issued in acquisition, net of stock issuance costs | 1,429,304 | 2 | 34,232 | — | — | — | 34,234 |
| Issuance of treasury stock for ESPP | 32,570 | — | (177) | — | — | 838 | 661 |
| Net issuance of treasury stock for RSU/PSU/DSU vesting and related tax | 40,944 | — | (1,450) | — | — | 1,054 | (396) |
| Cash dividends on common stock at $0.48 per share | — | — | — | (26,875) | — | — | (26,875) |
| Stock dividend equivalents on RSUs/PSUs/DSUs | — | — | 693 | (693) | — | — | — |
| Stock-based compensation | — | — | 3,537 | — | — | — | 3,537 |
| **Balance, June 30, 2024** | 56,746,937 | $ 60 | $ 1,360,430 | $ 261,820 | $ (220,326) | $ (68,174) | $ 1,333,810 |

(continued)

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

| | Three Months Ended June 30, 2023 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Shares | Common Stock | Additional Paid-in Capital | Retained Earnings | AOCI | Treasury Stock | Total Stockholders' Equity |
| **Balance, March 31, 2023** | 55,294,455 | $ 58 | $ 1,322,407 | $ 191,924 | $ (245,784) | $ (70,047) | $ 1,198,558 |
| Net income | — | — | — | 29,364 | — | — | 29,364 |
| OCI, net of tax | — | — | — | — | (15,137) | — | (15,137) |
| Repurchase of stock | (20,000) | — | — | — | — | (397) | (397) |
| Issuance of treasury stock for ESPP | 10,234 | — | (88) | — | — | 263 | 175 |
| Net issuance of treasury stock for RSU/PSU/DSU vesting and related tax | 6,158 | | (159) | — | — | 159 | — |
| Cash dividends on common stock at $0.24 per share | — | — | — | (13,271) | — | — | (13,271) |
| Stock dividend equivalents on RSUs/PSUs/DSUs | — | — | 357 | (357) | — | — | — |
| Stock-based compensation | — | — | 2,656 | — | — | — | 2,656 |
| **Balance, June 30, 2023** | 55,290,847 | $ 58 | $ 1,325,173 | $ 207,660 | $ (260,921) | $ (70,022) | $ 1,201,948 |

| | Six Months Ended June 30, 2023 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Shares | Common Stock | Additional Paid-in Capital | Retained Earnings | AOCI | Treasury Stock | Total Stockholders' Equity |
| **Balance, December 31, 2022** | 55,279,124 | $ 58 | $ 1,320,980 | $ 168,769 | $ (273,278) | $ (70,552) | $ 1,145,977 |
| Net income | — | — | — | 66,150 | — | — | 66,150 |
| OCI, net of tax | — | — | — | — | 12,357 | — | 12,357 |
| Repurchase of stock | (45,000) | — | — | — | — | (931) | (931) |
| Issuance of treasury stock for ESPP | 40,594 | — | (345) | — | — | 1,045 | 700 |
| Net issuance of treasury stock for RSU/DSU vesting and related tax | 15,135 | — | (490) | — | — | 390 | (100) |
| Net issuance of treasury stock for warrants exercised | 994 | — | (17) | — | — | 26 | 9 |
| Cash dividends on common stock at $0.48 per share | — | — | — | (26,539) | — | — | (26,539) |
| Stock dividend equivalents on RSUs/PSUs/DSUs | — | — | 720 | (720) | — | — | — |
| Stock-based compensation | — | — | 4,325 | — | — | — | 4,325 |
| **Balance, June 30, 2023** | 55,290,847 | $ 58 | $ 1,325,173 | $ 207,660 | $ (260,921) | $ (70,022) | $ 1,201,948 |

See accompanying Notes to Consolidated Financial Statements (Unaudited).

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

| | Six Months Ended June 30, | |
|---|---|---|
| | 2024 | 2023 |
| **Cash flows provided by (used in) operating activities** | | |
| Net income | $ 53,582 | $ 66,150 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | |
| Provision for credit losses | 7,315 | 1,580 |
| Amortization of intangible assets | 5,038 | 5,398 |
| Amortization of mortgage servicing rights | 648 | 1,472 |
| Amortization of NMTC | — | 4,480 |
| Depreciation and amortization of premises and equipment | 4,852 | 4,694 |
| Net amortization (accretion) on portfolio loans | 2,605 | 3,653 |
| Net amortization (accretion) of premium (discount) on investment securities | 4,682 | 8,011 |
| Net amortization (accretion) of premium (discount) on time deposits | 50 | (156) |
| Net amortization (accretion) of premium (discount) on FHLB advances and other borrowings | 558 | 506 |
| Impairment of OREO and other repossessed assets | — | 113 |
| Impairment of fixed assets held for sale | 369 | — |
| Impairment of mortgage servicing rights | 1 | — |
| Unrealized (gains) losses recognized on equity securities, net | (78) | 2,501 |
| (Gain) loss on sales of debt securities, net | 6,806 | 174 |
| (Gain) loss on sales of mortgage servicing rights | (7,742) | — |
| (Gain) loss on sales of loans, net | (723) | (394) |
| (Gain) loss on sales of OREO and other repossessed assets | (540) | 4 |
| (Gain) loss on sales of premises and equipment | (54) | (179) |
| (Gain) loss on life insurance proceeds | (781) | (759) |
| (Increase) decrease in cash surrender value of bank owned life insurance | (2,080) | (1,922) |
| Provision for deferred income taxes | 1,480 | (2,725) |
| Stock-based compensation | 3,537 | 4,325 |
| Proceeds from the sale of mortgage servicing rights | 9,796 | — |
| Mortgage loans originated for sale | (51,722) | (18,116) |
| Proceeds from sales of mortgage loans | 43,629 | 18,208 |
| (Increase) decrease in other assets | 3,851 | (6,326) |
| Increase (decrease) in other liabilities | (19,254) | (5,543) |
| Net cash provided by (used in) operating activities | 65,825 | 85,149 |
| | | |
| **Cash flows provided by (used in) investing activities** | | |
| Purchases of equity securities | (622) | (14) |
| Purchases of debt securities available for sale | (28,149) | (7,796) |
| Proceeds from sales of equity securities | 894 | 14 |
| Proceeds from sales of debt securities available for sale | 101,360 | — |
| Proceeds from paydowns and maturities of debt securities held to maturity | 22,835 | 25,898 |
| Proceeds from paydowns and maturities of debt securities available for sale | 182,948 | 192,987 |
| Purchases of FHLB and other bank stock | (24) | (30,957) |
| Proceeds from the redemption of FHLB and other bank stock | — | 30,659 |
| Net (increase) decrease in loans | 53,156 | (84,900) |
| Net cash received in (paid for) acquisitions (see Note 16) | 18,377 | — |
| Cash paid for premiums on bank-owned life insurance | (70) | (76) |
| Proceeds from life insurance | 1,799 | 2,292 |
| Purchases of premises and equipment | (3,516) | (4,523) |
| Proceeds from disposition of premises and equipment | 1,341 | 3,863 |
| Proceeds from sales of OREO and other repossessed assets, including cash payments collected | 601 | 780 |
| Net cash provided by (used in) investing activities | 350,930 | 128,227 |

(continued)

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

| | Six Months Ended June 30, | |
|---|---|---|
| | 2024 | 2023 |
| **Cash flows provided by (used in) financing activities** | | |
| Net increase (decrease) in deposits | $ (707,909) | $ (8,369) |
| Net increase (decrease) in federal funds purchased and securities sold under agreements to repurchase | (48,296) | (26,853) |
| Net increase (decrease) in short-term borrowings | (36,000) | (135,000) |
| Repayment of other borrowings | (31,450) | (10,054) |
| Cash dividends paid | (26,875) | (26,539) |
| Purchase of treasury stock | — | (931) |
| Cash paid for withholding taxes on stock-based payments | (396) | (100) |
| Proceeds from stock warrants exercised | — | 9 |
| Common stock issuance costs | (141) | — |
| Net cash provided by (used in) financing activities | (851,067) | (207,837) |
| | | |
| **Net increase (decrease) in cash and cash equivalents** | $ (434,312) | $ 5,539 |
| **Cash and cash equivalents, beginning of period** | 719,581 | 227,164 |
| **Cash and cash equivalents, ending of period** | $ 285,269 | $ 232,703 |
| | | |
| **SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION** | | |
| | | |
| **Cash payments for:** | | |
| Interest | $ 108,581 | $ 55,665 |
| Income taxes | 12,388 | 22,060 |
| | | |
| **Non-cash investing and financing activities:** | | |
| OREO acquired in settlement of loans | 26 | 116 |

See accompanying Notes to Consolidated Financial Statements (Unaudited).

## NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

***Nature of Operations***

First Busey Corporation, a Nevada corporation organized in 1980, is a $12.0 billion financial holding company headquartered in Champaign, Illinois. Busey's common stock is traded on The Nasdaq Global Select Market under the symbol "BUSE."

Busey operates and reports its business in three segments: Banking, Wealth Management, and FirsTech.

- The *Banking* operating segment provides a full range of banking services to individual and corporate customers through its banking center network in Illinois; the St. Louis, Missouri metropolitan area; southwest Florida; and Indianapolis, Indiana.
- The *Wealth Management* operating segment provides a full range of asset management, investment, brokerage, fiduciary, philanthropic advisory, tax preparation, and farm management services to individuals, businesses, and foundations.
- The *FirsTech* operating segment provides comprehensive and innovative payment technology solutions including online, mobile, and voice-recognition bill payments; money management and credit card networks; direct debit services; lockbox remittance processing for payments made by mail; and walk-in payments. FirsTech also provides additional tools to help clients with billing, reconciliation, bill reminders, and treasury services.

For additional information about First Busey's operating segments, see *"Note 15. Operating Segments and Related Information."*

***Basis of Financial Statement Presentation***

These unaudited consolidated financial statements and related notes should be read in conjunction with the audited consolidated financial statements included in Busey's 2023 Annual Report. These interim unaudited consolidated financial statements serve to update our 2023 Annual Report and may not include all information and notes necessary to constitute a complete set of financial statements.

We prepared these unaudited consolidated financial statements in conformity with GAAP. We have eliminated intercompany accounts and transactions. We have also reclassified certain prior year amounts to conform to the current period presentation. These reclassifications did not have a material impact on our consolidated financial condition or results of operations.

In our opinion, the unaudited consolidated financial statements reflect all normal, recurring adjustments needed to present fairly our results for the interim periods. The results of operations for interim periods are not necessarily indicative of the results that may be expected for the full year or any other interim period.

***Use of Estimates***

In preparing the accompanying unaudited consolidated financial statements in conformity with GAAP, Busey's management is required to make estimates and assumptions that affect the amounts reported in the financial statements and the disclosures provided. Actual results could differ from those estimates. Material estimates which are particularly susceptible to significant change in the near term relate to the fair value of debt securities available for sale, fair value of assets acquired and liabilities assumed in business combinations, goodwill, income taxes, and the determination of the ACL.

***Income Taxes***

During the three and six months ended June 30, 2024, Busey recorded a one-time deferred tax valuation adjustment of $1.4 million resulting from a change to our Illinois apportionment rate due to recently enacted regulations. These new regulations are expected to lower our ongoing tax obligation in future periods, but create a negative adjustment to the carrying value of our deferred tax asset in the current period.

***Impact of Recently Adopted Accounting Standards***

In March 2023, the FASB issued ASU 2023-02 *"Investments—Equity Method and Joint Ventures (Topic 323),"* permitting an election to use the proportional amortization method to account for equity investments made primarily for the purpose of receiving income tax credits and other income tax benefits, regardless of the tax credit program from which the income tax credits are received, provided that certain conditions are met. The proportional amortization method results in the cost of the investment being amortized in proportion to the income tax credits and other income tax benefits received, with the amortization of the investment and the income tax credits being presented net in the income statement as a component of income tax expense. Busey adopted this standard on a modified retrospective basis on January 1, 2024. Upon adoption, Busey recorded an after-tax decrease to retained earnings of $1.4 million for the cumulative effect of adopting ASU 2023-02. This transition adjustment included a $2.4 million decrease in other assets, a $0.5 million decrease in other liabilities, and a $0.5 million increase in deferred tax assets.

In March 2023, the FASB issued ASU 2023-01 "Leases (Topic 842): Common Control Arrangements," which requires amortization over the useful life of leasehold improvements (not the lease term) when the lease is between entities under common control, and any value of such leasehold improvements remaining at the end of the lease term is to be accounted for as a transfer between entities under common control. Busey adopted this standard on a prospective basis on January 1, 2024. Adoption of this standard did not have a material impact on Busey's financial position or results of operations.

In June 2022, the FASB issued ASU 2022-03 *"Fair Value Measurements (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions,"* which clarifies that contractual restrictions on the sale of equity securities are not considered in measuring the fair value of those equity securities, and further that contractual sale restrictions cannot be recognized and measured as a separate unit of account. Busey adopted this standard on a prospective basis on January 1, 2024. Adoption of this standard did not have a material impact on Busey's financial position or results of operations.

***Recently Issued Accounting Standards Not Yet Adopted***

In March 2024, the FASB issued ASU 2024-01 "Compensation-Stock Compensation (Topic 718): Scope Application of Profits Interest and Similar Awards" to clarify that certain "profits interests" are within the scope of Topic 718 by amending the language and providing illustrative examples on how the scope guidance in paragraph 718-10-15-3 should be applied. This update is intended to improve clarity of the accounting standards codification, not to change the guidance. This update may be applied on a retrospective or prospective basis and will be effective for Busey for annual and interim periods beginning January 1, 2025. Early adoption is permitted. Busey is currently evaluating the potential effects of adoption of this ASU on its financial position and results of operations.

In December 2023, the FASB issued ASU 2023-09 "Income Taxes (Topic 740): Improvements to Income Tax Disclosures," which requires more detailed disclosures of income taxes paid net of refunds received, income from continuing operations before income tax expense or benefit, and income tax expense from continuing operations. This standard is to be applied on a prospective basis, with retrospective application permitted, and will be effective for Busey for annual reporting periods beginning with the fiscal year ending December 31, 2025. Busey does not expect adoption of this standard to have a material impact on its financial position or results of operations.

In November 2023, the FASB issued ASU 2023-07 "Segment Reporting (Topic 820): Improvements to Reportable Segment Disclosures" requiring enhanced disclosures related to significant segment expenses. This standard is to be applied on a retrospective basis and is effective for Busey for annual reporting periods beginning with the fiscal year ending December 31, 2024, and for interim reporting periods within fiscal years starting January 1, 2025. Busey does not expect adoption of this standard to have a material impact on the Company's financial position or results of operations.

In October 2023, the FASB issued ASU 2023-06 "Disclosure Improvements: Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative" which aligns certain GAAP disclosure requirements with the SEC's disclosure requirements, in order to better facilitate comparisons between entities that are subject to the SEC's existing disclosures with entities that were not previously subject to the SEC's requirements. Amendments in this update should be applied prospectively, and the effective date for Busey for each amendment in this ASU will be the date on which the SEC removes the related disclosure from Regulation S-X or Regulation S-K. Early adoption is prohibited. Busey does not expect adoption of this standard to have a material impact on its financial position or results of operations.

***Subsequent Events***

Busey has evaluated subsequent events for potential recognition and/or disclosure through the date the unaudited consolidated financial statements included in this Quarterly Report were issued. There were no significant events subsequent to the quarter ended June 30, 2024, through the filing date of these unaudited consolidated financial statements.

## NOTE 2. DEBT SECURITIES

Busey's portfolio of debt securities includes both available for sale and held to maturity securities. The tables below provide the amortized cost, unrealized or unrecognized gains and losses, and fair values of debt securities summarized by major category *(dollars in thousands)*:

| | As of June 30, 2024 | | | |
|---|---|---|---|---|
| | Amortized Cost | Unrealized Gross Gains | Unrealized Gross Losses | Fair Value |
| **Debt securities available for sale** | | | | |
| U.S. Treasury securities | $ 500 | $ — | $ (3) | $ 497 |
| Obligations of U.S. government corporations and agencies | 3,796 | 1 | (11) | 3,786 |
| Obligations of states and political subdivisions | 167,814 | 23 | (18,264) | 149,573 |
| Asset-backed securities[1] | 427,722 | 151 | (469) | 427,404 |
| Commercial mortgage-backed securities | 109,386 | 45 | (15,741) | 93,690 |
| Residential mortgage-backed securities | 1,196,802 | 14 | (201,248) | 995,568 |
| Corporate debt securities | 170,391 | 48 | (11,061) | 159,378 |
| Total debt securities available for sale | $ 2,076,411 | $ 282 | $ (246,797) | $ 1,829,896 |

| | Amortized Cost | Unrecognized Gross Gains | Unrecognized Gross Losses | Fair Value |
|---|---|---|---|---|
| **Debt securities held to maturity** | | | | |
| Commercial mortgage-backed securities | $ 422,091 | $ — | $ (77,024) | $ 345,067 |
| Residential mortgage-backed securities | 429,170 | — | (76,782) | 352,388 |
| Total debt securities held to maturity | $ 851,261 | $ — | $ (153,806) | $ 697,455 |

1. Includes securities marked at par, with no gain or loss to report.

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

| | As of December 31, 2023 | | | |
|---|---|---|---|---|
| | Amortized Cost | Unrealized Gross Gains | Unrealized Gross Losses | Fair Value |
| **Debt securities available for sale** | | | | |
| U.S. Treasury securities | $ 16,031 | $ — | $ (85) | $ 15,946 |
| Obligations of U.S. government corporations and agencies | 5,889 | 1 | (58) | 5,832 |
| Obligations of states and political subdivisions[1] | 190,819 | 52 | (18,026) | 172,845 |
| Asset-backed securities | 470,046 | — | (1,823) | 468,223 |
| Commercial mortgage-backed securities | 119,044 | — | (15,535) | 103,509 |
| Residential mortgage-backed securities | 1,306,854 | 5 | (195,547) | 1,111,312 |
| Corporate debt securities | 225,947 | 128 | (16,171) | 209,904 |
| Total debt securities available for sale | $ 2,334,630 | $ 186 | $ (247,245) | $ 2,087,571 |

| | Amortized Cost | Unrecognized Gross Gains | Unrecognized Gross Losses | Fair Value |
|---|---|---|---|---|
| **Debt securities held to maturity** | | | | |
| Commercial mortgage-backed securities | $ 428,526 | $ — | $ (71,000) | $ 357,526 |
| Residential mortgage-backed securities | 444,102 | — | (71,231) | 372,871 |
| Total debt securities held to maturity | $ 872,628 | $ — | $ (142,231) | $ 730,397 |

1. Includes securities marked at par, with no gain or loss to report.

***Maturities of Debt Securities***

Amortized cost and fair value of debt securities, by contractual maturity or pre-refunded date, are shown below. Mortgages underlying mortgage-backed securities and asset-backed securities may be called or prepaid; therefore, actual maturities could differ from the contractual maturities. All mortgage-backed securities were issued by U.S. government corporations and agencies *(dollars in thousands)*:

| | As of June 30, 2024 | |
|---|---|---|
| | Amortized Cost | Fair Value |
| **Debt securities available for sale** | | |
| Due in one year or less | $ 80,143 | $ 78,203 |
| Due after one year through five years | 140,060 | 132,010 |
| Due after five years through ten years | 508,143 | 481,333 |
| Due after ten years | 1,348,065 | 1,138,350 |
| Debt securities available for sale | $ 2,076,411 | $ 1,829,896 |
| | | |
| **Debt securities held to maturity** | | |
| Due after one year through five years | $ 72,525 | $ 67,892 |
| Due after five years through ten years | 26,751 | 23,992 |
| Due after ten years | 751,985 | 605,571 |
| Debt securities held to maturity | $ 851,261 | $ 697,455 |

***Gains and Losses on Debt Securities Available for Sale***

Realized gains and losses related to sales and calls of debt securities available for sale are summarized as follows *(dollars in thousands)*:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| **Realized gains and losses on debt securities** | | | | |
| Gross gains on debt securities | $ — | $ — | $ 1 | $ 10 |
| Gross (losses) on debt securities[1] | (4) | (178) | (6,807) | (184) |
| Realized net gains (losses) on debt securities | $ (4) | $ (178) | $ (6,806) | $ (174) |

1. During the first quarter of 2024, Busey sold available-for-sale debt securities with a book value of approximately $108.2 million for a pre-tax loss of $6.8 million, as part of a balance sheet repositioning strategy. The loss on the sale of securities was offset by a pre-tax gain of $7.5 million realized on the sale of mortgage servicing rights on approximately $923.5 million of one- to four-family mortgage loans.

Debt securities with carrying amounts of $779.9 million on June 30, 2024, and $837.4 million on December 31, 2023, were pledged as collateral for public deposits, securities sold under agreements to repurchase, and for other purposes as required.

***Debt Securities in an Unrealized or Unrecognized Loss Position***

The following information pertains to debt securities with gross unrealized or unrecognized losses, aggregated by investment category and the length of time that individual securities have been in a continuous loss position *(dollars in thousands)*:

| | As of June 30, 2024 | | | | | |
|---|---|---|---|---|---|---|
| | Less than 12 months | | 12 months or more | | Total | |
| | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses |
| **Debt securities available for sale** | | | | | | |
| U.S. Treasury securities | $ — | $ — | $ 497 | $ (3) | $ 497 | $ (3) |
| Obligations of U.S. government corporations and agencies | — | — | 3,686 | (11) | 3,686 | (11) |
| Obligations of states and political subdivisions | 5,465 | (64) | 135,744 | (18,200) | 141,209 | (18,264) |
| Asset-backed securities | 159,674 | (86) | 184,078 | (383) | 343,752 | (469) |
| Commercial mortgage-backed securities | — | — | 88,867 | (15,741) | 88,867 | (15,741) |
| Residential mortgage-backed securities | 5,905 | (37) | 987,618 | (201,211) | 993,523 | (201,248) |
| Corporate debt securities | 4,415 | (19) | 147,326 | (11,042) | 151,741 | (11,061) |
| Debt securities available for sale with gross unrealized losses | $ 175,459 | $ (206) | $ 1,547,816 | $ (246,591) | $ 1,723,275 | $ (246,797) |

| | 12 months or more | | Total | |
|---|---|---|---|---|
| | Fair Value | Unrecognized Losses | Fair Value | Unrecognized Losses |
| **Debt securities held to maturity** | | | | |
| Commercial mortgage-backed securities | $ 345,067 | $ (77,024) | $ 345,067 | $ (77,024) |
| Residential mortgage-backed securities | 352,388 | (76,782) | 352,388 | (76,782) |
| Debt securities held to maturity with gross unrecognized losses | $ 697,455 | $ (153,806) | $ 697,455 | $ (153,806) |

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

| | As of December 31, 2023 | | | | | |
|---|---|---|---|---|---|---|
| | Less than 12 months | | 12 months or more | | Total | |
| | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses |
| **Debt securities available for sale** | | | | | | |
| U.S. Treasury securities | $ — | $ — | $ 15,946 | $ (85) | $ 15,946 | $ (85) |
| Obligations of U.S. government corporations and agencies | — | — | 5,709 | (58) | 5,709 | (58) |
| Obligations of states and political subdivisions | 11,442 | (54) | 146,797 | (17,972) | 158,239 | (18,026) |
| Asset-backed securities | — | — | 468,223 | (1,823) | 468,223 | (1,823) |
| Commercial mortgage-backed securities | — | — | 103,509 | (15,535) | 103,509 | (15,535) |
| Residential mortgage-backed securities | 141 | (1) | 1,110,906 | (195,546) | 1,111,047 | (195,547) |
| Corporate debt securities | 1,450 | (10) | 198,694 | (16,161) | 200,144 | (16,171) |
| Debt securities available for sale with gross unrealized losses | $ 13,033 | $ (65) | $ 2,049,784 | $ (247,180) | $ 2,062,817 | $ (247,245) |

| | 12 months or more | | Total | |
|---|---|---|---|---|
| | Fair Value | Unrecognized Losses | Fair Value | Unrecognized Losses |
| **Debt securities held to maturity** | | | | |
| Commercial mortgage-backed securities | $ 357,526 | $ (71,000) | $ 357,526 | $ (71,000) |
| Residential mortgage-backed securities | 372,871 | (71,231) | 372,871 | (71,231) |
| Debt securities held to maturity with gross unrecognized losses | $ 730,397 | $ (142,231) | $ 730,397 | $ (142,231) |

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

Additional information about debt securities in an unrealized or unrecognized loss position is presented in the tables below *(dollars in thousands)*:

| | As of June 30, 2024 | | |
|---|---|---|---|
| | Available for Sale | Held to Maturity | Total |
| Debt securities with gross unrealized or unrecognized losses, fair value | $ 1,723,275 | $ 697,455 | $ 2,420,730 |
| Gross unrealized or unrecognized losses on debt securities | 246,797 | 153,806 | 400,603 |
| Ratio of gross unrealized or unrecognized losses to debt securities with gross unrealized or unrecognized losses | 14.3 % | 22.1 % | 16.5 % |
| Count of debt securities | 717 | 55 | 772 |
| Count of debt securities in an unrealized or unrecognized loss position | 667 | 55 | 722 |

| | As of December 31, 2023 | | |
|---|---|---|---|
| | Available for Sale | Held to Maturity | Total |
| Debt securities with gross unrealized or unrecognized losses, fair value | $ 2,062,817 | $ 730,397 | $ 2,793,214 |
| Gross unrealized or unrecognized losses on debt securities | 247,245 | 142,231 | 389,476 |
| Ratio of gross unrealized or unrecognized losses to debt securities with gross unrealized or unrecognized losses | 12.0 % | 19.5 % | 13.9 % |
| Count of debt securities | 835 | 55 | 890 |
| Count of debt securities in an unrealized or unrecognized loss position | 779 | 55 | 834 |

Unrealized and unrecognized losses are related to changes in market interest rates and market conditions that do not represent credit-related impairments. Unless part of a corporate strategy or restructuring plan, Busey does not intend to sell securities that are in an unrealized or unrecognized loss position, and it is more likely than not that Busey will recover the amortized cost prior to being required to sell the debt securities. Full collection of the amounts due according to the contractual terms of the debt securities is expected; therefore, no ACL has been recorded in relation to debt securities, and the impairment related to noncredit factors on debt securities available for sale is recognized in AOCI, net of applicable taxes. As of June 30, 2024, Busey did not hold general obligation bonds of any single issuer, the aggregate of which exceeded 10% of Busey's stockholders' equity.

## NOTE 3. PORTFOLIO LOANS

### *Loan Categories*

Busey's lending can be summarized in two primary categories: commercial and retail. Lending is further classified into five primary areas of loans: C&I and other commercial loans, commercial real estate loans, real estate construction loans, retail real estate loans, and retail other loans. Distributions of the loan portfolio by loan category and class is presented in the following table *(dollars in thousands)*:

| | As of | |
|---|---|---|
| | June 30, 2024 | December 31, 2023 |
| **Commercial loans** | | |
| C&I and other commercial | $ 1,942,974 | $ 1,835,994 |
| Commercial real estate | 3,445,514 | 3,337,337 |
| Real estate construction | 410,726 | 461,717 |
| Total commercial loans | 5,799,214 | 5,635,048 |
| **Retail loans** | | |
| Retail real estate | 1,727,281 | 1,720,455 |
| Retail other | 472,417 | 295,531 |
| Total retail loans | 2,199,698 | 2,015,986 |
| | | |
| Total portfolio loans | 7,998,912 | 7,651,034 |
| ACL | (85,226) | (91,740) |
| Portfolio loans, net | $ 7,913,686 | $ 7,559,294 |

Net deferred loan origination costs included in the balances above were $12.7 million as of June 30, 2024, compared to $13.5 million as of December 31, 2023. Net accretable purchase accounting adjustments included in the balances above reduced loans by $10.9 million as of June 30, 2024, and $4.5 million as of December 31, 2023.

Busey elected to purchase $6.9 million of retail real estate loans during the three and six months ended June 30, 2024, and did not purchase any retail real estate loans during the same periods in 2023.

### *Pledged Loans*

The principal balance of loans Busey has pledged as collateral to the FHLB and Federal Reserve Bank for liquidity as set forth in the table below *(dollars in thousands)*:

| | As of | |
|---|---|---|
| | June 30, 2024 | December 31, 2023 |
| **Pledged loans** | | |
| FHLB | $ 4,820,332 | $ 4,865,481 |
| Federal Reserve Bank | 750,474 | 722,914 |
| Total pledged loans | $ 5,570,806 | $ 5,588,395 |

***Risk Grading***

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

- *Pass* – This category includes loans that are all considered acceptable credits, ranging from investment or near investment grade, to loans made to borrowers who exhibit credit fundamentals that meet or exceed industry standards.
- *Watch* – This category includes loans that warrant a higher-than-average level of monitoring to ensure that weaknesses do not cause the inability of the credit to perform as expected. These loans are not necessarily a problem due to other inherent strengths of the credit, such as guarantor strength, but have above average concern and monitoring.
- *Special mention* – This category is for "Other Assets Specially Mentioned" loans that have potential weaknesses, which may, if not checked or corrected, weaken the asset or inadequately protect Busey'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 Busey will sustain some loss if the deficiencies are not corrected.
- *Substandard non-accrual* – This category includes loans that have all the characteristics of a "Substandard" loan with additional factors that make collection in full highly questionable and improbable. Such loans are placed on non-accrual status and may be dependent on collateral with a value that is difficult to determine.

All loans are graded at their inception. Commercial lending relationships that are $1.0 million or less are usually processed through an expedited underwriting process. Most commercial loans greater than $1.0 million are included in a portfolio review at least annually. Commercial loans greater than $0.35 million that have a grading of special mention or worse are typically reviewed on a quarterly basis. Interim reviews may take place if circumstances of the borrower warrant a more frequent review.

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

The following table is a summary of risk grades segregated by category and class of portfolio loans *(dollars in thousands)*:

| | As of June 30, 2024 | | | | | |
|---|---|---|---|---|---|---|
| | Pass | Watch | Special Mention | Substandard | Substandard Non-accrual | Total |
| **Commercial loans** | | | | | | |
| C&I and other commercial | $ 1,601,884 | $ 246,652 | $ 46,758 | $ 45,809 | $ 1,871 | $ 1,942,974 |
| Commercial real estate | 2,879,762 | 463,765 | 65,702 | 33,000 | 3,285 | 3,445,514 |
| Real estate construction | 374,851 | 22,393 | 8,206 | 5,276 | — | 410,726 |
| Total commercial loans | 4,856,497 | 732,810 | 120,666 | 84,085 | 5,156 | 5,799,214 |
| **Retail loans** | | | | | | |
| Retail real estate | 1,710,016 | 10,769 | 910 | 2,494 | 3,092 | 1,727,281 |
| Retail other | 472,272 | — | — | — | 145 | 472,417 |
| Total retail loans | 2,182,288 | 10,769 | 910 | 2,494 | 3,237 | 2,199,698 |
| Total portfolio loans | $ 7,038,785 | $ 743,579 | $ 121,576 | $ 86,579 | $ 8,393 | $ 7,998,912 |

| | As of December 31, 2023 | | | | | |
|---|---|---|---|---|---|---|
| | Pass | Watch | Special Mention | Substandard | Substandard Non-accrual | Total |
| **Commercial loans** | | | | | | |
| C&I and other commercial | $ 1,462,755 | $ 296,416 | $ 46,488 | $ 27,733 | $ 2,602 | $ 1,835,994 |
| Commercial real estate | 2,827,030 | 431,427 | 48,545 | 29,492 | 843 | 3,337,337 |
| Real estate construction | 448,011 | 8,135 | — | 5,327 | 244 | 461,717 |
| Total commercial loans | 4,737,796 | 735,978 | 95,033 | 62,552 | 3,689 | 5,635,048 |
| **Retail loans** | | | | | | |
| Retail real estate | 1,702,897 | 11,144 | 1,024 | 1,795 | 3,595 | 1,720,455 |
| Retail other | 295,374 | — | — | — | 157 | 295,531 |
| Total retail loans | 1,998,271 | 11,144 | 1,024 | 1,795 | 3,752 | 2,015,986 |
| Total portfolio loans | $ 6,736,067 | $ 747,122 | $ 96,057 | $ 64,347 | $ 7,441 | $ 7,651,034 |

Risk grades of portfolio loans and gross charge-offs are presented in the tables below by loan class, further sorted by origination year *(dollars in thousands)*:

| | As of and For The Six Months Ended June 30, 2024 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Term Loans Amortized Cost Basis by Origination Year | | | | | | Revolving Loans | Total |
| Risk Grade Ratings | 2024 | 2023 | 2022 | 2021 | 2020 | Prior | | |
| **C&I and other commercial** | | | | | | | | |
| Pass | $ 158,137 | $ 237,806 | $ 205,421 | $ 142,433 | $ 82,415 | $ 138,626 | $ 637,046 | $ 1,601,884 |
| Watch | 20,444 | 47,563 | 49,890 | 19,704 | 2,340 | 32,548 | 74,163 | 246,652 |
| Special Mention | 1,711 | 228 | 6,400 | 2,755 | 598 | 2,662 | 32,404 | 46,758 |
| Substandard | 7,996 | 7,638 | 1,121 | 764 | 545 | 2,771 | 24,974 | 45,809 |
| Substandard non-accrual | — | 72 | — | 95 | 48 | 956 | 700 | 1,871 |
| Total commercial | 188,288 | 293,307 | 262,832 | 165,751 | 85,946 | 177,563 | 769,287 | 1,942,974 |
| Gross charge-offs | $ — | $ 14,980 | $ — | $ 22 | $ — | $ 229 | $ — | $ 15,231 |
| **Commercial real estate** | | | | | | | | |
| Pass | 154,209 | 399,685 | 860,454 | 667,533 | 379,415 | 402,137 | 16,329 | 2,879,762 |
| Watch | 96,212 | 140,529 | 36,174 | 99,854 | 32,268 | 57,858 | 870 | 463,765 |
| Special Mention | 7,998 | 2,896 | 7,877 | 12,041 | 9,061 | 25,829 | — | 65,702 |
| Substandard | 1,779 | 2,422 | 4,704 | 18,548 | 458 | 5,039 | 50 | 33,000 |
| Substandard non-accrual | — | 3,265 | — | — | 20 | — | — | 3,285 |
| Total commercial real estate | 260,198 | 548,797 | 909,209 | 797,976 | 421,222 | 490,863 | 17,249 | 3,445,514 |
| Gross charge-offs | — | — | — | — | — | 100 | — | 100 |
| **Real estate construction** | | | | | | | | |
| Pass | 115,573 | 117,742 | 46,075 | 75,441 | 2,398 | 1,753 | 15,869 | 374,851 |
| Watch | 17,933 | 2,637 | 1,121 | 384 | 318 | — | — | 22,393 |
| Special Mention | — | 8,145 | — | 61 | — | — | — | 8,206 |
| Substandard | — | 5,276 | — | — | — | — | — | 5,276 |
| Total real estate construction | 133,506 | 133,800 | 47,196 | 75,886 | 2,716 | 1,753 | 15,869 | 410,726 |
| Gross charge-offs | — | — | — | — | — | — | — | — |
| **Retail real estate** | | | | | | | | |
| Pass | 47,828 | 245,613 | 379,433 | 373,384 | 154,426 | 299,617 | 209,715 | 1,710,016 |
| Watch | 1,156 | 657 | 2,827 | 4,148 | 911 | 348 | 722 | 10,769 |
| Special Mention | — | 186 | 350 | — | — | 374 | — | 910 |
| Substandard | — | 128 | 1,038 | 514 | — | 810 | 4 | 2,494 |
| Substandard non-accrual | — | — | 153 | 66 | 246 | 1,652 | 975 | 3,092 |
| Total retail real estate | 48,984 | 246,584 | 383,801 | 378,112 | 155,583 | 302,801 | 211,416 | 1,727,281 |
| Gross charge-offs | — | — | — | — | — | 127 | — | 127 |
| **Retail other** | | | | | | | | |
| Pass | 2,326 | 73,090 | 74,979 | 17,631 | 4,684 | 2,196 | 297,366 | 472,272 |
| Substandard non-accrual | — | — | 84 | 49 | — | 12 | — | 145 |
| Total retail other | 2,326 | 73,090 | 75,063 | 17,680 | 4,684 | 2,208 | 297,366 | 472,417 |
| Gross charge-offs | — | 30 | 37 | 23 | — | 188 | — | 278 |
| **Total portfolio loans** | $ 633,302 | $ 1,295,578 | $ 1,678,101 | $ 1,435,405 | $ 670,151 | $ 975,188 | $ 1,311,187 | $ 7,998,912 |
| **Total gross charge-offs** | $ — | $ 15,010 | $ 37 | $ 45 | $ — | $ 644 | $ — | $ 15,736 |

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| | As of and For The Year Ended December 31, 2023 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Term Loans Amortized Cost Basis by Origination Year | | | | | | | |
| Risk Grade Ratings | 2023 | 2022 | 2021 | 2020 | 2019 | Prior | Revolving Loans | Total |
| **C&I and other commercial** | | | | | | | | |
| Pass | $ 306,578 | $ 220,847 | $ 159,130 | $ 71,025 | $ 35,927 | $ 143,078 | $ 526,170 | $ 1,462,755 |
| Watch | 78,603 | 65,703 | 21,421 | 23,919 | 7,035 | 21,293 | 78,442 | 296,416 |
| Special Mention | 792 | 8,224 | 2,917 | 1,076 | 686 | 3,274 | 29,519 | 46,488 |
| Substandard | 8,715 | 765 | 942 | 426 | 3,734 | 1,859 | 11,292 | 27,733 |
| Substandard non-accrual | 166 | — | 117 | 84 | 128 | 407 | 1,700 | 2,602 |
| Total commercial | 394,854 | 295,539 | 184,527 | 96,530 | 47,510 | 169,911 | 647,123 | 1,835,994 |
| Gross charge-offs | $ 284 | $ — | $ 420 | $ — | $ 316 | $ 1,409 | $ — | $ 2,429 |
| **Commercial real estate** | | | | | | | | |
| Pass | 395,644 | 824,506 | 720,052 | 399,195 | 271,078 | 199,662 | 16,893 | 2,827,030 |
| Watch | 166,795 | 47,070 | 92,848 | 34,010 | 68,196 | 19,396 | 3,112 | 431,427 |
| Special Mention | 14,313 | 10,507 | 12,446 | 4,968 | 3,297 | 3,014 | — | 48,545 |
| Substandard | 1,796 | 188 | 18,862 | 2,938 | 1,802 | 3,856 | 50 | 29,492 |
| Substandard non-accrual | 47 | 79 | 85 | 23 | — | 609 | — | 843 |
| Total commercial real estate | 578,595 | 882,350 | 844,293 | 441,134 | 344,373 | 226,537 | 20,055 | 3,337,337 |
| Gross charge-offs | — | — | — | — | — | 953 | — | 953 |
| **Real estate construction** | | | | | | | | |
| Pass | 204,952 | 128,462 | 85,086 | 2,616 | 1,323 | 2,934 | 22,638 | 448,011 |
| Watch | 2,859 | 4,406 | 507 | 322 | 41 | — | — | 8,135 |
| Substandard | 5,327 | — | — | — | — | — | — | 5,327 |
| Substandard non-accrual | — | — | — | — | — | 244 | — | 244 |
| Total real estate construction | 213,138 | 132,868 | 85,593 | 2,938 | 1,364 | 3,178 | 22,638 | 461,717 |
| Gross charge-offs | — | — | — | — | — | — | — | — |
| **Retail real estate** | | | | | | | | |
| Pass | 243,400 | 376,922 | 411,723 | 156,762 | 70,099 | 256,571 | 187,420 | 1,702,897 |
| Watch | 1,096 | 4,137 | 2,442 | 954 | 536 | 234 | 1,745 | 11,144 |
| Special Mention | 286 | 358 | — | — | — | 380 | — | 1,024 |
| Substandard | 69 | 72 | 292 | 49 | 80 | 997 | 236 | 1,795 |
| Substandard non-accrual | — | 528 | 121 | 267 | 100 | 1,960 | 619 | 3,595 |
| Total retail real estate | 244,851 | 382,017 | 414,578 | 158,032 | 70,815 | 260,142 | 190,020 | 1,720,455 |
| Gross charge-offs | — | 5 | — | 29 | 72 | 301 | — | 407 |
| **Retail other** | | | | | | | | |
| Pass | 88,885 | 92,931 | 23,019 | 6,701 | 4,597 | 854 | 78,387 | 295,374 |
| Substandard non-accrual | — | 93 | 62 | — | — | 2 | — | 157 |
| Total retail other | 88,885 | 93,024 | 23,081 | 6,701 | 4,597 | 856 | 78,387 | 295,531 |
| Gross charge-offs | 5 | 71 | 172 | 5 | 3 | 373 | — | 629 |
| **Total portfolio loans** | $ 1,520,323 | $ 1,785,798 | $ 1,552,072 | $ 705,335 | $ 468,659 | $ 660,624 | $ 958,223 | $ 7,651,034 |
| **Total gross charge-offs** | $ 289 | $ 76 | $ 592 | $ 34 | $ 391 | $ 3,036 | $ — | $ 4,418 |

***Past Due and Non-accrual Loans***

An analysis of the amortized cost basis of portfolio loans that were past due and still accruing, or on a non-accrual status, is presented in the table below *(dollars in thousands)*:

| | As of June 30, 2024 | | | |
|---|---|---|---|---|
| | Loans past due, still accruing | | | Non-accrual Loans |
| | 30-59 Days | 60-89 Days | 90+Days | |
| **Commercial loans** | | | | |
| C&I and other commercial | $ 299 | $ 238 | $ 330 | $ 1,871 |
| Commercial real estate | 18,782 | 508 | — | 3,285 |
| Past due and non-accrual commercial loans | 19,081 | 746 | 330 | 5,156 |
| **Retail loans** | | | | |
| Retail real estate | 2,364 | 504 | 382 | 3,092 |
| Retail other | 751 | 17 | — | 145 |
| Past due and non-accrual retail loans | 3,115 | 521 | 382 | 3,237 |
| Total past due and non-accrual loans | $ 22,196 | $ 1,267 | $ 712 | $ 8,393 |

| | As of December 31, 2023 | | | |
|---|---|---|---|---|
| | Loans past due, still accruing | | | Non-accrual Loans |
| | 30-59 Days | 60-89 Days | 90+Days | |
| **Commercial loans** | | | | |
| C&I and other commercial | $ — | $ 214 | $ — | $ 2,602 |
| Commercial real estate | 752 | — | — | 843 |
| Real estate construction | 24 | — | — | 244 |
| Past due and non-accrual commercial loans | 776 | 214 | — | 3,689 |
| **Retail loans** | | | | |
| Retail real estate | 2,781 | 927 | 366 | 3,595 |
| Retail other | 886 | 195 | 9 | 157 |
| Past due and non-accrual retail loans | 3,667 | 1,122 | 375 | 3,752 |
| Total past due and non-accrual loans | $ 4,443 | $ 1,336 | $ 375 | $ 7,441 |

Gross interest income recorded on 90+ days past due loans, and that would have been recorded on non-accrual loans if they had been accruing interest in accordance with their original terms, was $0.2 million and $0.5 million for the three and six months ended June 30, 2024, respectively, and was $0.3 million and $0.7 million for the three and six months ended June 30, 2023, respectively. The amount of interest collected on those loans and recognized on a cash basis that was included in interest income was immaterial for the three and six months ended June 30, 2024 and 2023.

***Loan Modifications for Borrowers Experiencing Financial Difficulty***

The following tables present the amortized cost basis of loans that were modified—specifically in the form of (1) principal forgiveness, (2) an interest rate reduction, (3) an other-than-insignificant payment deferral, and/or (4) a term extension—for borrowers experiencing financial difficulty during the periods indicated, disaggregated by class of financing receivable and type of concession granted *(dollars in thousands)*:

| | Three Months Ended June 30, 2024 | |
|---|---|---|
| | Term Extension[1] | % of Total Class of Financing Receivable[2] |
| **Modified Loans** | | |
| C&I and other commercial | $ 8,545 | 0.4 % |
| Commercial real estate | 466 | — % |
| Total of loans modified during the period[3] | $ 9,011 | 0.1 % |

1. Modifications to extend loan terms also included, in some cases, interest rate increases during the extension period.
2. Modified loans represent an insignificant portion of commercial real estate loans, rounding to zero percent.
3. All modifications were for loans classified as substandard.

| | Three Months Ended June 30, 2023 | | | |
|---|---|---|---|---|
| | Payment Deferral[1] | % of Total Class of Financing Receivable[2] | Term Extension[3] | % of Total Class of Financing Receivable |
| **Modified Loans** | | | | |
| C&I and other commercial | $ — | — % | $ 2,717 | 0.1 % |
| Commercial real estate | 225 | — % | 3,031 | 0.1 % |
| Real estate construction | — | — % | 5,379 | 1.0 % |
| Total of loans modified during the period[4] | $ 225 | — % | $ 11,127 | 0.1 % |

1. A loan with payment deferral was modified to defer all principal payments until the end of the loan term, which was shortened.
2. Loans with payment deferrals represent an insignificant portion of commercial real estate loans and total loans, rounding to zero percent.
3. Modifications to extend loan terms also included, in some cases, interest rate increases during the extension period.
4. Modifications include two loans on non-accrual status, one on special mention status, and the remaining loans were classified as substandard.

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| | Six Months Ended June 30, 2024 | |
|---|---|---|
| | Term Extension[1] | % of Total Class of Financing Receivable |
| **Modified Loans** | | |
| C&I and other commercial | $ 24,067 | 1.2 % |
| Commercial real estate | 1,814 | 0.1 % |
| Total of loans modified during the period[2] | $ 25,881 | 0.3 % |

1. Modifications to extend loan terms also included, in some cases, interest rate increases during the extension period.
2. All modifications were for loans classified as substandard.

| | Six Months Ended June 30, 2023 | | | |
|---|---|---|---|---|
| | Payment Deferral[1] | % of Total Class of Financing Receivable[2] | Term Extension[3] | % of Total Class of Financing Receivable |
| **Modified Loans** | | | | |
| C&I and other commercial | $ — | — % | $ 16,594 | 0.9 % |
| Commercial real estate | 225 | — % | 4,586 | 0.1 % |
| Real estate construction | — | — % | 5,379 | 1.0 % |
| Total of loans modified during the period[4] | $ 225 | — % | $ 26,559 | 0.3 % |

1. A loan with payment deferral was modified to defer all principal payments until the end of the loan term, which was shortened.
2. Loans with payment deferrals represent an insignificant portion of of commercial real estate loans and total loans, rounding to zero percent.
3. Modifications to extend loan terms also included, in some cases, interest rate increases during the extension period.
4. Modifications include two loans on non-accrual status, one on special mention status, and the remaining loans were classified as substandard.

The following table summarizes loan modifications made during the periods indicated for borrowers experiencing financial difficulty:

| | Three Months Ended June 30, | |
|---|---|---|
| | 2024 | 2023 |
| | Weighted Average Term Extension | Weighted Average Term Extension |
| **Loan Modifications** | | |
| C&I and other commercial | 4.3 months | 11.5 months |
| Commercial real estate | 4.0 months | 6.0 months |
| Real estate construction | — | 12.0 months |
| Weighted average modifications | 4.3 months | 10.3 months |

| | Six Months Ended June 30, | |
|---|---|---|
| | 2024 | 2023 |
| | Weighted Average Term Extension | Weighted Average Term Extension |
| **Loan Modifications** | | |
| C&I and other commercial | 14.7 months | 11.4 months |
| Commercial real estate | 1.8 months | 8.2 months |
| Real estate construction | — | 12.0 months |
| Weighted average modifications | 13.8 months | 11.0 months |

Performance of Modified Loans

Busey closely monitors the performance of the loans that are modified to borrowers experiencing financial difficulty to understand the effectiveness of its modification efforts. The following table depicts the payment performance of loans modified during the last twelve months *(dollars in thousands)*:

| | As of June 30, 2024 | | | |
|---|---|---|---|---|
| | Current | 30-89 Days | 90+ Days | Non-accrual |
| **Modified Loans** | | | | |
| C&I and other commercial | $ 25,818 | $ — | $ — | $ — |
| Commercial real estate | 2,124 | — | — | — |
| Amortized cost of modified loans | $ 27,942 | $ — | $ — | $ — |

No loans had a payment default during the three or six months ended June 30, 2024, after having been modified during the 12 months before that default for borrowers experiencing financial difficulty. The following tables provide the amortized cost basis of loans that had a payment default during the three and six months ended June 30, 2023, after having been modified during the 12 months before default for borrowers experiencing financial difficulty *(dollars in thousands)*. A default occurs when a loan is 90 days or more past due or transferred to non-accrual status.

| | Three and Six Months Ended June 30, 2023 | |
|---|---|---|
| | Payment Deferral | Term Extension |
| **Loans with Subsequent Defaults** | | |
| C&I and other commercial | $ — | $ 958 |
| Commercial real estate | 225 | — |
| Amortized cost of modified loans with subsequent defaults | $ 225 | $ 958 |

***Collateral Dependent Loans***

Management's evaluation as to the ultimate collectability of loans includes estimates regarding future cash flows from operations and the value of property, real and personal, pledged as collateral. These estimates are affected by changing economic conditions and the economic prospects of borrowers. Collateral dependent loans are loans in which repayment is expected to be provided solely by the operation or sale of the underlying collateral and there are no other available and reliable sources of repayment. Loans are written down to the lower of cost or fair value of the underlying collateral, less estimated costs to sell. Busey had $6.1 million of collateral dependent loans secured by real estate or business assets as of both June 30, 2024, and December 31, 2023.

***Foreclosures***

As of June 30, 2024, Busey had $0.5 million of residential real estate loans in the process of foreclosure. Busey follows Federal Housing Finance Agency guidelines on single-family foreclosures and real estate owned evictions on portfolio loans.

***Loans Evaluated Individually***

Busey evaluates loans with disparate risk characteristics on an individual basis. The following tables provide details of loans evaluated individually, segregated by loan category and class. The unpaid principal balance represents customer outstanding contractual principal balances excluding any partial charge-offs. Recorded investment represents the amortized cost of customer balances net of any partial charge-offs recognized on the loan. Average recorded investment is calculated using the most recent four quarters *(dollars in thousands)*:

| | As of June 30, 2024 | | | | | |
|---|---|---|---|---|---|---|
| | | Recorded Investment | | | | |
| | Unpaid Principal Balance | With No Allowance | With Allowance | Total | Related Allowance | Average Recorded Investment |
| **Commercial loans** | | | | | | |
| C&I and other commercial | $ 5,314 | $ 1,621 | $ 48 | $ 1,669 | $ 48 | $ 5,738 |
| Commercial real estate | 3,222 | — | 3,222 | 3,222 | 422 | 2,046 |
| Commercial loans evaluated individually | 8,536 | 1,621 | 3,270 | 4,891 | 470 | 7,784 |
| **Retail loans** | | | | | | |
| Retail real estate | 207 | 61 | 19 | 80 | 19 | 84 |
| Retail loans evaluated individually | 207 | 61 | 19 | 80 | 19 | 84 |
| Total loans evaluated individually | $ 8,743 | $ 1,682 | $ 3,289 | $ 4,971 | $ 489 | $ 7,868 |

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| | As of December 31, 2023 | | | | | |
|---|---|---|---|---|---|---|
| | | Recorded Investment | | | | |
| | Unpaid Principal Balance | With No Allowance | With Allowance | Total | Related Allowance | Average Recorded Investment |
| **Commercial loans** | | | | | | |
| C&I and other commercial | $ 7,283 | $ 585 | $ 1,785 | $ 2,370 | $ 785 | $ 5,244 |
| Commercial real estate | 2,600 | 610 | 85 | 695 | 85 | 3,865 |
| Real estate construction | — | — | — | — | — | 49 |
| Commercial loans evaluated individually | 9,883 | 1,195 | 1,870 | 3,065 | 870 | 9,158 |
| **Retail loans** | | | | | | |
| Retail real estate | 213 | 61 | 25 | 86 | 25 | 790 |
| Retail loans evaluated individually | 213 | 61 | 25 | 86 | 25 | 790 |
| Total loans evaluated individually | $ 10,096 | $ 1,256 | $ 1,895 | $ 3,151 | $ 895 | $ 9,948 |

***Allowance for Credit Losses***

The ACL is a valuation account that is deducted from the portfolio loans' amortized cost bases to present the net amount expected to be collected on the portfolio loans. The ACL is established through the provision for credit loss charged to income. Portfolio loans are charged off against the ACL when management believes the uncollectibility of a loan balance is confirmed. Recoveries are recognized up to the aggregate amount of previously charged-off balances.

Management estimates the ACL balance using relevant available information from internal and external sources relating to past events, current conditions, and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses. The cumulative loss rate used as the basis for the estimate of credit losses is comprised of Busey's historical loss experience beginning in 2010. Due to the continued economic uncertainty in the markets in which the Company operates, Busey will continue to utilize a forecast period of 12 months with an immediate reversion to historical loss rates beyond this forecast period in its ACL estimate.

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The following tables summarize activity in the ACL attributable to each loan class. Allocation of a portion of the ACL to one loan class does not preclude its availability to absorb losses in other loan classes *(dollars in thousands)*:

| | Three Months Ended June 30, 2024 | | | | | |
|---|---|---|---|---|---|---|
| | C&I and Other Commercial | Commercial Real Estate | Real Estate Construction | Retail Real Estate | Retail Other | Total |
| ACL balance, March 31, 2024 | $ 26,207 | $ 33,505 | $ 4,713 | $ 24,281 | $ 2,856 | $ 91,562 |
| Day 1 PCD[1] | 824 | 322 | — | 96 | 1 | 1,243 |
| Provision for credit losses | 3,118 | 1,140 | (997) | (651) | (333) | 2,277 |
| Charged-off | (10,013) | (4) | — | (75) | (184) | (10,276) |
| Recoveries | 150 | 141 | 6 | 78 | 45 | 420 |
| ACL balance, June 30, 2024 | $ 20,286 | $ 35,104 | $ 3,722 | $ 23,729 | $ 2,385 | $ 85,226 |

1. The Day 1 PCD is attributable to the M&M acquisition (see *"Note 16. Acquisition."*)

| | Six Months Ended June 30, 2024 | | | | | |
|---|---|---|---|---|---|---|
| | C&I and Other Commercial | Commercial Real Estate | Real Estate Construction | Retail Real Estate | Retail Other | Total |
| ACL balance, December 31, 2023 | $ 21,256 | $ 35,465 | $ 5,163 | $ 26,298 | $ 3,558 | $ 91,740 |
| Day 1 PCD[1] | 824 | 322 | — | 96 | 1 | 1,243 |
| Provision for credit losses | 13,243 | (724) | (1,488) | (2,744) | (972) | 7,315 |
| Charged-off | (15,231) | (100) | — | (127) | (278) | (15,736) |
| Recoveries | 194 | 141 | 47 | 206 | 76 | 664 |
| ACL balance, June 30, 2024 | $ 20,286 | $ 35,104 | $ 3,722 | $ 23,729 | $ 2,385 | $ 85,226 |

1. The Day 1 PCD is attributable to the M&M acquisition (see *"Note 16. Acquisition."*)

| | Three Months Ended June 30, 2023 | | | | | |
|---|---|---|---|---|---|---|
| | C&I and Other Commercial | Commercial Real Estate | Real Estate Construction | Retail Real Estate | Retail Other | Total |
| ACL balance, March 31, 2023 | $ 24,276 | $ 34,421 | $ 5,159 | $ 24,255 | $ 3,616 | $ 91,727 |
| Provision for credit losses | 690 | (392) | (179) | 353 | 155 | 627 |
| Charged-off | (575) | (534) | — | (103) | (135) | (1,347) |
| Recoveries | 119 | 161 | 91 | 170 | 91 | 632 |
| ACL balance, June 30, 2023 | $ 24,510 | $ 33,656 | $ 5,071 | $ 24,675 | $ 3,727 | $ 91,639 |

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| | Six Months Ended June 30, 2023 | | | | | |
|---|---|---|---|---|---|---|
| | C&I and Other Commercial | Commercial Real Estate | Real Estate Construction | Retail Real Estate | Retail Other | Total |
| ACL balance, December 31, 2022 | $ 23,860 | $ 38,299 | $ 6,457 | $ 18,193 | $ 4,799 | $ 91,608 |
| Provision for credit losses | 1,385 | (3,751) | (1,508) | 6,301 | (847) | 1,580 |
| Charged-off | (975) | (1,073) | — | (108) | (372) | (2,528) |
| Recoveries | 240 | 181 | 122 | 289 | 147 | 979 |
| ACL balance, June 30, 2023 | $ 24,510 | $ 33,656 | $ 5,071 | $ 24,675 | $ 3,727 | $ 91,639 |

The following tables present the ACL and amortized cost of portfolio loans by loan category and class *(dollars in thousands)*:

| | As of June 30, 2024 | | | | | |
|---|---|---|---|---|---|---|
| | Portfolio Loans | | | ACL Attributed to Portfolio Loans | | |
| | Collectively Evaluated for Impairment | Individually Evaluated for Impairment | Total | Collectively Evaluated for Impairment | Individually Evaluated for Impairment | Total |
| **Commercial loans** | | | | | | |
| C&I and other commercial | $ 1,941,305 | $ 1,669 | $ 1,942,974 | $ 20,238 | $ 48 | $ 20,286 |
| Commercial real estate | 3,442,292 | 3,222 | 3,445,514 | 34,682 | 422 | 35,104 |
| Real estate construction | 410,726 | — | 410,726 | 3,722 | — | 3,722 |
| Commercial loans and related ACL | 5,794,323 | 4,891 | 5,799,214 | 58,642 | 470 | 59,112 |
| **Retail loans** | | | | | | |
| Retail real estate | 1,727,201 | 80 | 1,727,281 | 23,710 | 19 | 23,729 |
| Retail other | 472,417 | — | 472,417 | 2,385 | — | 2,385 |
| Retail loans and related ACL | 2,199,618 | 80 | 2,199,698 | 26,095 | 19 | 26,114 |
| Portfolio loans and related ACL | $ 7,993,941 | $ 4,971 | $ 7,998,912 | $ 84,737 | $ 489 | $ 85,226 |

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| | As of December 31, 2023 | | | | | |
|---|---|---|---|---|---|---|
| | Portfolio Loans | | | ACL Attributed to Portfolio Loans | | |
| | Collectively Evaluated for Impairment | Individually Evaluated for Impairment | Total | Collectively Evaluated for Impairment | Individually Evaluated for Impairment | Total |
| **Commercial loans** | | | | | | |
| C&I and other commercial | $ 1,833,624 | $ 2,370 | $ 1,835,994 | $ 20,471 | $ 785 | $ 21,256 |
| Commercial real estate | 3,336,642 | 695 | 3,337,337 | 35,380 | 85 | 35,465 |
| Real estate construction | 461,717 | — | 461,717 | 5,163 | — | 5,163 |
| Commercial loans and related ACL | 5,631,983 | 3,065 | 5,635,048 | 61,014 | 870 | 61,884 |
| **Retail loans** | | | | | | |
| Retail real estate | 1,720,369 | 86 | 1,720,455 | 26,273 | 25 | 26,298 |
| Retail other | 295,531 | — | 295,531 | 3,558 | — | 3,558 |
| Retail loans and related ACL | 2,015,900 | 86 | 2,015,986 | 29,831 | 25 | 29,856 |
| Portfolio loans and related ACL | $ 7,647,883 | $ 3,151 | $ 7,651,034 | $ 90,845 | $ 895 | $ 91,740 |

## NOTE 4. LEASES

***Busey as the Lessee***

Busey has operating leases consisting primarily of equipment leases and real estate leases for banking centers, ATM locations, and office space. The following table summarizes lease-related balances Busey reported in its Consolidated Balance Sheets (Unaudited) *(dollars in thousands)* and lease terms:

| | As of | |
|---|---|---|
| | June 30, 2024 | December 31, 2023 |
| **Lease balances** | | |
| Right of use assets | $ 11,137 | $ 11,027 |
| Lease liabilities | 11,469 | 11,308 |
| | | |
| **Lease terms** | | |
| Year through which lease terms extend | 2037 | 2037 |
| Weighted average remaining lease term | 7.87 years | 8.39 years |
| Weighted average discount rate | 3.71 % | 3.59 % |

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

The following table presents lease costs, which are included in net occupancy and equipment expense in the Consolidated Statements of Income (Unaudited), and lease-related cash flows *(dollars in thousands)*:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| **Lease costs** | | | | |
| Operating lease costs | $ 559 | $ 593 | $ 1,094 | $ 1,221 |
| Variable lease costs | 14 | 13 | 28 | 18 |
| Short-term lease costs | 45 | 16 | 58 | 22 |
| Total lease cost | $ 618 | $ 622 | $ 1,180 | $ 1,261 |
| **Cash flows related to leases** | | | | |
| Cash paid for amounts included in the measurement of lease liabilities: | | | | |
| Operating lease cash flows – Fixed payments | $ 530 | $ 564 | $ 1,037 | $ 1,134 |
| Operating lease cash flows – Liability reduction | 433 | 461 | 844 | 940 |
| Right of use assets obtained during the period in exchange for operating lease liabilities[1] | 1,009 | 5 | 1,009 | 9 |

1. The three and six months ended June 30, 2024, include $0.3 million right of use assets recognized in connection with the acquisition of M&M (see *"Note 16. Acquisition"*), and an additional $0.7 million recognized in connection with a lease amendment that was executed subsequent to the acquisition for a lease that was obtained in the acquisition.

Busey was obligated under noncancelable operating leases for office space and other commitments. Future undiscounted lease payments with initial terms of one year or more, are as follows *(dollars in thousands)*:

| | As of June 30, 2024 |
|---|---|
| **Rent commitments** | |
| Remainder of 2024 | $ 1,134 |
| 2025 | 1,938 |
| 2026 | 1,678 |
| 2027 | 1,465 |
| 2028 | 1,410 |
| 2029 | 1,436 |
| Thereafter | 4,281 |
| Total undiscounted cash flows | 13,342 |
| Less: Amounts representing interest | 1,873 |
| Present value of net future minimum lease payments | $ 11,469 |

***Busey as the Lessor***

Busey leases parking lots and office space to outside parties. Revenues recorded in connection with these leases, reported in other income on our Consolidated Statements of Income (Unaudited), are summarized as follows *(dollars in thousands)*:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| Rental income | $ 204 | $ 183 | $ 406 | $ 374 |

Noncancellable terms for these leases, all of which are operating leases, extend through 2028. Under the terms of these lease agreements, Busey is entitled to receive aggregate future minimum lease payments as shown in the table below *(dollars in thousands)*:

| | As of June 30, 2024 |
|---|---|
| **Rents to be received** | |
| Remainder of 2024 | $ 413 |
| 2025 | 623 |
| 2026 | 463 |
| 2027 | 301 |
| 2028 | 185 |
| Total lease payments from operating leases | $ 1,985 |

**NOTE 5. DEPOSITS**

The composition of Busey's deposits is presented in the table below *(dollars in thousands)*:

| | As of | |
|---|---|---|
| | June 30, 2024 | December 31, 2023 |
| **Deposits** | | |
| Noninterest-bearing demand deposits | $ 2,832,776 | $ 2,834,655 |
| Interest-bearing transaction deposits | 2,388,748 | 2,717,139 |
| Saving deposits and money market deposits | 3,230,722 | 2,920,088 |
| Time deposits | 1,523,889 | 1,819,274 |
| Total deposits | $ 9,976,135 | $ 10,291,156 |

Additional information about Busey's deposits follows *(dollars in thousands)*:

| | As of | |
|---|---|---|
| | June 30, 2024 | December 31, 2023 |
| Brokered savings deposits and money market deposits | $ 6,001 | $ 6,001 |
| Brokered time deposits | 37,539 | 285 |
| Aggregate amount of time deposits with a minimum denomination of $100,000 | 845,570 | 1,072,189 |
| Aggregate amount of time deposits with a minimum denomination that meets or exceeds the FDIC insurance limit of $250,000 | 314,461 | 386,286 |

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

| | As of June 30, 2024 |
|---|---|
| **Time deposits by schedule of maturities** | |
| Remainder of 2024 | $ 1,024,010 |
| 2025 | 447,064 |
| 2026 | 25,134 |
| 2027 | 13,836 |
| 2028 | 9,117 |
| 2029 | 4,280 |
| Thereafter | 448 |
| Time deposits | $ 1,523,889 |

**NOTE 6. BORROWINGS**

***Securities Sold Under Agreements to Repurchase***

Securities sold under agreements to repurchase, which are classified as secured borrowings, generally mature daily. Securities sold under agreements to repurchase are reflected at the amount of cash received in connection with the transaction. The underlying securities are held by Busey's safekeeping agent. Busey may be required to provide additional collateral based on fluctuations in the fair value of the underlying securities. Securities sold under agreements to repurchase were as follows *(dollars in thousands)*:

| | As of | |
|---|---|---|
| | June 30, 2024 | December 31, 2023 |
| Securities sold under agreements to repurchase | $ 140,283 | $ 187,396 |
| Weighted average rate for securities sold under agreements to repurchase | 2.88 % | 3.26 % |

***Term Loan and Revolving Line of Credit***

On May 28, 2021, Busey entered into a Second Amended and Restated Credit Agreement, pursuant to which Busey has access to (1) a $40.0 million revolving line of credit with an initial termination date of April 30, 2022, and (2) a $60.0 million Term Loan with a maturity date of May 31, 2026. The loans had an annual interest rate of 1.75% plus the one-month LIBOR rate. On April 30, 2022, the agreement was amended, effecting an extension of the termination date for the revolving line of credit to April 30, 2023, and providing for the transition from a LIBOR-indexed interest rate to a SOFR-indexed interest rate. Under the terms of the amendment, the annual interest rate for the loans was established at 1.80% plus the one-month forward-looking term rate based on SOFR. The agreement has subsequently been amended twice to extend the termination date for the revolving line of credit, which is currently April 30, 2025. During the first quarter of 2024, Busey paid the full $30.0 million balance remaining on the Term Loan, at which time the Term Loan carried interest at a rate of 7.13%.

As of June 30, 2024, there was no balance outstanding on the revolving credit facility. The revolving credit facility incurs a non-usage fee based on any undrawn amounts.

***Short-term Borrowings***

Busey's short-term borrowings include loans maturing within one year of the loan origination date and, when applicable, the current portion of long-term debt that is due within 12 months. Short-term borrowings are summarized as follows *(dollars in thousands)*:

| | As of | |
|---|---|---|
| | June 30, 2024 | December 31, 2023 |
| **Short-term borrowings** | | |
| Term Loan, current portion due within 12 months | $ — | $ 12,000 |
| Total short-term debt | $ — | $ 12,000 |

Federal funds purchased are short-term borrowings that generally mature between one day and 90 days. During the first quarter of 2024, Busey purchased federal funds to test operational availability to access funds if needed. Busey had no federal funds purchased as of June 30, 2024, or December 31, 2023.

***Long-term Debt***

Busey's long-term debt consists of loans maturing more than one year from the loan origination date, excluding the current portion that is due within 12 months. Long-term debt is summarized as follows *(dollars in thousands)*:

| | As of | |
|---|---|---|
| | June 30, 2024 | December 31, 2023 |
| **Long-term debt** | | |
| Term Loan | $ — | $ 18,000 |
| Total long-term debt | $ — | $ 18,000 |

***Subordinated Notes***

On June 1, 2020, Busey issued $125.0 million of fixed-to-floating rate subordinated notes that mature on June 1, 2030. The subordinated notes, which qualify as Tier 2 capital for regulatory purposes, bear interest at an annual rate of 5.25% for the first five years after issuance and thereafter bear interest at a floating rate equal to a three-month benchmark rate plus a spread of 5.11%, as calculated on each applicable determination date. Interest on the subordinated notes is payable semi-annually on each June 1 and December 1 during the five-year fixed-term, and thereafter on March 1, June 1, September 1, and December 1 of each year, commencing on September 1, 2025. The subordinated notes have an optional redemption, in whole or in part, on any interest payment date on or after June 1, 2025. The subordinated notes are unsecured obligations of the Company.

On June 2, 2022, Busey issued $100.0 million aggregate principal amount of 5.000% fixed-to-floating rate subordinated notes maturing June 15, 2032, which qualify as Tier 2 capital for regulatory purposes. The price to the public for the subordinated notes was 100% of the principal amount of the subordinated notes. Interest on the subordinated notes accrues at a rate equal to (i) 5.000% per annum from the original issue date to, but excluding, June 15, 2027, payable semiannually in arrears, and (ii) a floating rate per annum equal to a benchmark rate, which is expected to be the Three-Month Term SOFR (as defined in the subordinated notes), plus a spread of 252 basis points from and including June 15, 2027, payable quarterly in arrears. The subordinated notes have an optional redemption, in whole or in part, on any interest payment date on or after June 15, 2027.

Associated with the M&M acquisition completed on April 1, 2024 (see "*Note 16. Acquisition*"), Busey acquired $4.0 million of 5.25% fixed-to-floating rate subordinated notes maturing December 4, 2030, which qualify as Tier 2 capital for regulatory purposes. Interest on the subordinated notes accrues at a rate equal to (i) 5.25% per annum from the original issue date to December 4, 2025, and (ii) a floating rate per annum equal to a benchmark rate, which is expected to be the Three-Month Term SOFR (as defined in the subordinated notes), plus a spread of 497 basis points from December 4, 2025. The subordinated notes have an optional redemption, in whole or in part, on or after December 4, 2025. At June 30, 2024, there was $0.1 million of fair value discount outstanding, to be accreted through the earliest optional redemption date.

Unamortized debt issuance costs related to Busey's subordinated notes are presented in the following table *(dollars in thousands)*:

| | As of | |
|---|---|---|
| | June 30, 2024 | December 31, 2023 |
| **Unamortized debt issuance costs** | | |
| Subordinated notes issued in 2020 | $ 483 | $ 735 |
| Subordinated notes issued in 2022 | 1,196 | 1,383 |
| Total unamortized debt issuance costs | $ 1,679 | $ 2,118 |

## NOTE 7. REGULATORY CAPITAL

First Busey and Busey Bank are subject to various regulatory capital requirements administered by federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory—and possibly additional discretionary—actions by regulators that, if undertaken, could have a direct material effect on First Busey's consolidated financial statements. Capital amounts and classification also are subject to qualitative judgments by regulators about components, risk weightings, and other factors.

Banking regulations identify five capital categories for insured depository institutions: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized. As of June 30, 2024, and December 31, 2023, all capital ratios of First Busey and Busey Bank exceeded well capitalized levels under the applicable regulatory capital adequacy guidelines. Management believes that no events or changes have occurred subsequent to June 30, 2024, that would change this designation.

***Current Expected Credit Loss Model***

On August 26, 2020, the FDIC and other federal banking agencies adopted a final rule which provided banking organizations that adopted CECL during 2020 with the option to delay for two years the estimated impact of CECL on regulatory capital and to phase in the aggregate impact of the deferral on regulatory capital over a subsequent three-year period. Under this final rule, because First Busey elected to use the deferral option, the regulatory capital impact of our transition adjustments recorded on January 1, 2020, arising from the adoption of CECL, was deferred for two years. In addition, 25 percent of the ongoing impact of CECL on our ACL, retained earnings, and average total consolidated assets from January 1, 2020, through the end of the two-year deferral period, each as reported for regulatory capital purposes, was added to the deferred transition amounts ("adjusted transition amounts") and deferred for the two-year period. On January 1, 2022, at the conclusion of the two-year period, the adjusted transition amounts began to be phased-in for regulatory capital purposes at a rate of 25 percent per year, with the phased-in amounts included in regulatory capital at the beginning of each year.

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

***Capital Amounts and Ratios***

The following tables summarize regulatory capital requirements applicable to First Busey and Busey Bank *(dollars in thousands)*:

| | As of June 30, 2024 | | | | | |
|---|---|---|---|---|---|---|
| | Actual | | Minimum Capital Requirement | | Minimum To Be Well Capitalized | |
| | Amount | Ratio | Amount | Ratio | Amount | Ratio |
| **Common equity Tier 1 capital to risk weighted assets** | | | | | | |
| First Busey | $ 1,198,039 | 13.20 % | $ 408,526 | 4.50 % | $ 590,093 | 6.50 % |
| Busey Bank | $ 1,410,287 | 15.59 % | $ 406,982 | 4.50 % | $ 587,863 | 6.50 % |
| **Tier 1 capital to risk weighted assets** | | | | | | |
| First Busey | $ 1,275,039 | 14.04 % | $ 544,702 | 6.00 % | $ 726,269 | 8.00 % |
| Busey Bank | $ 1,410,287 | 15.59 % | $ 542,642 | 6.00 % | $ 723,523 | 8.00 % |
| **Total capital to risk weighted assets** | | | | | | |
| First Busey | $ 1,588,551 | 17.50 % | $ 726,269 | 8.00 % | $ 907,836 | 10.00 % |
| Busey Bank | $ 1,496,048 | 16.54 % | $ 723,523 | 8.00 % | $ 904,404 | 10.00 % |
| **Leverage ratio of Tier 1 capital to average assets** | | | | | | |
| First Busey | $ 1,275,039 | 10.69 % | $ 476,875 | 4.00 % | N/A | N/A |
| Busey Bank | $ 1,410,287 | 11.83 % | $ 477,039 | 4.00 % | $ 596,299 | 5.00 % |

**FIRST BUSEY CORPORATION**
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| | As of December 31, 2023 | | | | | |
|---|---|---|---|---|---|---|
| | Actual | | Minimum Capital Requirement | | Minimum To Be Well Capitalized | |
| | Amount | Ratio | Amount | Ratio | Amount | Ratio |
| **Common equity Tier 1 capital to risk weighted assets** | | | | | | |
| First Busey | $ 1,155,973 | 13.09 % | $ 397,331 | 4.50 % | $ 573,923 | 6.50 % |
| Busey Bank | $ 1,362,962 | 15.48 % | $ 396,128 | 4.50 % | $ 572,185 | 6.50 % |
| **Tier 1 capital to risk weighted assets** | | | | | | |
| First Busey | $ 1,229,973 | 13.93 % | $ 529,775 | 6.00 % | $ 706,367 | 8.00 % |
| Busey Bank | $ 1,362,962 | 15.48 % | $ 528,171 | 6.00 % | $ 704,228 | 8.00 % |
| **Total capital to risk weighted assets** | | | | | | |
| First Busey | $ 1,540,318 | 17.44 % | $ 706,367 | 8.00 % | $ 882,958 | 10.00 % |
| Busey Bank | $ 1,448,307 | 16.45 % | $ 704,228 | 8.00 % | $ 880,285 | 10.00 % |
| **Leverage ratio of Tier 1 capital to average assets** | | | | | | |
| First Busey | $ 1,229,973 | 10.08 % | $ 488,315 | 4.00 % | N/A | N/A |
| Busey Bank | $ 1,362,962 | 11.19 % | $ 487,103 | 4.00 % | $ 608,879 | 5.00 % |

***Capital Conservation Buffer***

In July 2013, U.S. federal banking authorities approved the Basel III Rule for strengthening international capital standards. The Basel III Rule introduced a capital conservation buffer, composed entirely of common equity Tier 1 capital, which is added to the minimum risk-weighted asset ratios. The capital conservation buffer is not a minimum capital requirement; however, banking institutions with a ratio of common equity Tier 1 capital to risk-weighted assets below the capital conservation buffer will face constraints on dividends, equity repurchases, and discretionary bonus payments based on the amount of the shortfall. In order to refrain from restrictions on dividends, equity repurchases, and discretionary bonus payments, banking institutions must maintain minimum ratios of (1) common equity Tier 1 capital to risk-weighted assets of at least 7.0%, which First Busey exceeded by 620 basis points, (2) Tier 1 capital to risk-weighted assets of at least 8.5%, which First Busey exceeded by 554 basis points, and (3) total capital to risk-weighted assets of at least 10.5%, which First Busey exceeded by 700 basis points.

**NOTE 8. TAX CREDIT AND OTHER INVESTMENTS IN UNCONSOLIDATED ENTITIES**

Busey has invested in certain tax-advantaged projects promoting affordable housing, new markets, and historic rehabilitation. These investments are designed to generate returns primarily though the realization of federal and state income tax credits and other tax benefits, such as tax deductions from operating losses of the investments, over specified time periods. These investments are considered to be variable interest entities, and are accounted for under the equity, deferral, or proportional amortization practical expedient methods, as appropriate. Busey is not required to consolidate variable interest entities in which it has concluded it does not have a controlling financial interest and is not the primary beneficiary. Busey's maximum exposure to loss related to its investments in these unconsolidated variable interest entities is limited to the carrying amount of the investment, net of any unfunded capital commitments and previously recorded tax credits which remain subject to recapture by taxing authorities based on compliance features required to be met at the project level. Busey believes potential losses from these investments are remote.

In addition, Busey has private equity investments, which are primarily in funds that invest in small businesses across diverse sectors including, but not limited to, financial technology, business services, manufacturing, agribusiness, healthcare, software as a service, environmental, and those that support the preservation of affordable housing.

Busey's investments in these unconsolidated entities and related unfunded investment obligations are reflected in other assets and other liabilities on the Consolidated Balance Sheets (Unaudited), and are summarized in the table below for the periods indicated *(dollars in thousands)*:

| | Location | As of June 30, 2024 | As of December 31, 2023 |
|---|---|---|---|
| **Investments in unconsolidated entities** | | | |
| Funded investments | Other assets | $ 65,595 | $ 68,516 |
| Unfunded investments | Other assets | 71,785 | 58,552 |
| Investments in unconsolidated entities | | $ 137,380 | $ 127,068 |
| | | | |
| Unfunded investment obligations | Other liabilities | $ 71,785 | $ 58,552 |

Upon adoption of ASU 2023-02 on January 1, 2024, Busey elected to apply the proportional amortization method in accounting for investments in tax-advantaged projects. Estimated income tax credits and other tax benefits related to these investments, net of investment amortization, are included as a component of our estimated annual effective tax rate used for the calculation of income taxes presented in the Consolidated Statements of Income (Unaudited). Actual amounts of income tax credits and other benefits, along with the investment amortization, are presented in the table below *(dollars in thousands)*:

| | Three Months Ended June 30, 2024 | Six Months Ended June 30, 2024 |
|---|---|---|
| Income tax credits and other tax benefits | $ 3,765 | $ 7,866 |
| Amortization of investments in tax-advantaged projects | 3,339 | 6,986 |

## NOTE 9. STOCK-BASED COMPENSATION

### *Stock Options*

Busey has outstanding stock options assumed from acquisitions. A summary of the status of, and changes in, the Company's stock option awards for the six months ended June 30, 2024, follows:

| Options | Shares | Weighted-Average Exercise Price | Weighted-Average Remaining Contractual Life |
|---|---|---|---|
| Outstanding at December 31, 2023 | 21,266 | $ 23.53 | 2.88 years |
| Exercised | — | — | |
| Forfeited | (3,300) | 23.53 | |
| Expired | — | — | |
| Outstanding at June 30, 2024 | 17,966 | 23.53 | 2.38 years |
| | | | |
| Exercisable at June 30, 2024 | 17,966 | 23.53 | 2.38 years |

### *2020 Equity Plan*

The 2020 Equity Plan was originally approved by stockholders at the 2020 Annual Meeting of Stockholders. A description of the 2020 Equity Plan, as originally approved, can be found in Appendix A within Busey's Proxy Statement for the 2020 Annual Meeting of Stockholders filed on April 9, 2020. An amendment and restatement of the 2020 Equity Plan was approved by stockholders at the 2023 Annual Meeting of Stockholders. Terms of the amended and restated 2020 Equity Plan are substantially identical to those of the originally approved 2020 Equity Plan, other than a 1,350,000 increase in the number of shares authorized for issuance under the plan. More information can be found in Appendix A within Busey's Proxy Statement for the 2023 Annual Meeting of Stockholders filed on April 14, 2023.

Busey has granted RSU, PSU, and DSU awards under the terms of the 2020 Equity Plan. Upon vesting and delivery, shares are expected, though not required, to be issued from treasury stock. There were 1,320,468 shares available for issuance under the 2020 Equity Plan as of June 30, 2024.

A description of RSU, PSU, and DSU awards granted in 2024 under the terms of the 2020 Equity Plan is provided below. Further information related to awards granted in prior years has been presented in the Annual Reports previously filed with the SEC corresponding to the year of each award grant.

RSU Awards

Busey grants RSU awards to members of management periodically throughout the year. RSU awards are stock-based awards for which vesting is conditional upon meeting established service criteria. Each RSU is equivalent to one share of Busey's common stock. Busey's RSUs have requisite service periods ranging from one year to five years, and are subject to accelerated vesting upon eligible retirement from Busey. Recipients earn quarterly dividend equivalents on their respective RSUs, which entitle the recipients to additional units. Therefore, dividends earned each quarter compound based upon the updated unit balances.

On March 20, 2024, under the terms of the 2020 Equity Plan, Busey granted 189,179 RSUs to members of management. The grant date fair value of the award was $4.4 million, which will be recognized as compensation expense over the requisite service period ranging from one year to five years. The terms of these awards included an accelerated vesting provision upon eligible retirement from Busey, after a one-year minimum requisite service period. Subsequent to the requisite service period, the awards will become 100% vested.

On May 22, 2024, under the terms of the 2020 Equity Plan, Busey granted 12,864 RSUs to members of management. The grant date fair value of the award was $0.3 million, which will be recognized as compensation expense over the requisite service period of three years. The terms of these awards included an accelerated vesting provision upon eligible retirement from Busey, after a one-year minimum requisite service period. Subsequent to the requisite service period, the awards will become 100% vested.

A summary of changes in Busey's RSU awards for the six months ended June 30, 2024, is as follows:

| RSU Awards | Shares | Weighted-Average Grant Date Fair Value |
|---|---|---|
| Nonvested at December 31, 2023 | 1,041,444 | $ 22.05 |
| Granted | 202,043 | 23.35 |
| Dividend equivalents earned | 23,064 | 23.54 |
| Vested | (7,681) | 23.23 |
| Forfeited | (12,893) | 23.14 |
| Nonvested at June 30, 2024 | 1,245,977 | 22.27 |

PSU Awards

Busey grants PSU awards to members of management periodically throughout the year. PSU awards are stock-based awards for which vesting is conditional upon meeting established performance criteria. Each PSU is equivalent to one share of Busey's common stock. The number of PSUs that ultimately vest will be determined based on the extent to which market or other performance goals are achieved. Busey's PSUs are subject to accelerated service-based vesting conditions upon eligible retirement from Busey. After performance determination, dividend equivalents are compounded based upon the updated PSU balances at each dividend date during the performance period.

On March 20, 2024, under the terms of the 2020 Equity Plan, Busey granted a target of 94,604 PSUs with a maximum award of 151,366 units. The actual number of units issued at the vesting date could range from 0% to 160% of the initial grant, depending on attaining a market-based total stockholder return performance goal. The grant date fair value of the award was $2.0 million, which will be recognized in compensation expense over the performance period ending December 31, 2026.

On March 20, 2024, under the terms of the 2020 Equity Plan, Busey granted a target of 94,604 PSUs with a maximum award of 151,366 units. The actual number of units issued at the vesting date could range from 0% to 160% of the initial grant, depending on attaining an adjusted return on average tangible common equity performance goal. The grant date fair value of the award was $2.2 million, which will be recognized in compensation expense over the performance period ending December 31, 2026. The actual amount of compensation expense recognized for these awards may vary, subject to achievement of the performance goal.

A summary of changes in Busey's PSU awards for the six months ended June 30, 2024, is as follows:

| PSU Awards | Shares[1] | Weighted-Average Grant Date Fair Value |
|---|---|---|
| Nonvested at December 31, 2023 | 341,700 | $ 22.67 |
| Granted | 189,208 | 22.32 |
| Dividend equivalents earned[2] | 4,264 | 22.95 |
| Vested[2] | (4,264) | 22.95 |
| Forfeited | (5,526) | 22.54 |
| Nonvested at June 30, 2024 | 525,382 | 22.54 |

1. Shares for PSU awards represent target shares at the grant date.
2. PSUs granted in 2021 vested on December 31, 2023, with performance determination and settlement activity in the first quarter of 2024. Final performance was determined to be at 50% of target.

DSU Awards

Busey grants DSU awards to its directors and advisory directors. DSU awards are stock-based awards with a deferred settlement date. Each DSU is equivalent to one share of Busey's common stock. DSUs vest over a one-year period following the grant date. Under the 2020 Equity Plan, DSUs are generally subject to the same terms as RSUs, except that following vesting of DSUs, settlement occurs within 30 days following the earlier of separation from the board or a change in control of the Company. Recipients earn quarterly dividend equivalents on their respective DSUs, which entitle the recipients to additional units. Therefore, dividends earned each quarter compound based upon the updated unit balances. After vesting and prior to delivery, DSUs will continue to earn dividend equivalents.

On March 20, 2024, under the terms of the 2020 Equity Plan, Busey granted 35,847 DSUs to directors and advisory directors. The grant date fair value of the award totaled $0.8 million and will be recognized as compensation expense over the requisite service period of one year. Subsequent to the requisite service period, the awards will become 100% vested.

A summary of changes in Busey's DSU awards for the six months ended June 30, 2024, is as follows:

| DSU Awards | Shares | Weighted-Average Grant Date Fair Value |
|---|---|---|
| Nonvested at December 31, 2023 | 43,026 | $ 20.41 |
| Granted | 35,847 | 23.35 |
| Dividend equivalents earned | 4,192 | 23.53 |
| Vested | (45,817) | 20.67 |
| Forfeited | (1,025) | 20.44 |
| Nonvested at June 30, 2024 | 36,223 | 23.35 |
| | | |
| Vested and outstanding at June 30, 2024 | 181,590 | 22.79 |

***Employee Stock Purchase Plan***

The First Busey Corporation ESPP was approved at Busey's 2021 Annual Meeting of Stockholders and details can be found in Appendix A within Busey's Definitive Proxy Statement filed with the SEC on April 8, 2021. The purpose of the ESPP is to provide a means through which our employees may acquire a proprietary interest in Busey by purchasing shares of our common stock at a 15% discount through voluntary payroll deductions, to assist us in retaining the services of our employees and securing and retaining the services of new employees, and to provide incentives for our employees to exert maximum efforts toward our success.

The ESPP initially reserved for issuance and purchase an aggregate of 600,000 shares of Busey's common stock. The first offering under the ESPP began on July 1, 2021. There were 419,809 shares available for issuance under the ESPP as of June 30, 2024.

***Stock-based Compensation Expense***

Busey did not record any stock option compensation expense for the three or six months ended June 30, 2024, or 2023. Busey did not have any unrecognized stock option compensation expense as of June 30, 2024.

Busey recognized compensation expense related to non-vested RSU, PSU, and DSU awards, as well as the ESPP, as summarized in the table below *(dollars in thousands)*:

| | Location | Three Months Ended June 30, 2024 | Three Months Ended June 30, 2023 | Six Months Ended June 30, 2024 | Six Months Ended June 30, 2023 |
|---|---|---|---|---|---|
| **Stock-based compensation expense** | | | | | |
| RSU awards | Salaries, wages, and employee benefits | $ 1,061 | $ 1,231 | $ 1,955 | $ 2,251 |
| PSU awards[1] | Salaries, wages, and employee benefits | (149) | 1,184 | 1,061 | 1,544 |
| DSU awards | Other expense | 189 | 211 | 404 | 407 |
| ESPP | Salaries, wages, and employee benefits | 33 | 30 | 117 | 123 |
| Total stock-based compensation expense | | $ 1,134 | $ 2,656 | $ 3,537 | $ 4,325 |

1. Expense for PSU awards with a market-based total stockholder return performance goal represents amounts based on target shares at the grant date. Expense for PSU awards with return on average tangible common equity and compounded annual revenue growth rate performance goals represents amounts based on target shares at the grant date, adjusted for performance expectations as of the date indicated.

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

| | As of | |
|---|---|---|
| | June 30, 2024 | December 31, 2023 |
| **Unamortized stock-based compensation** | | |
| RSU awards | $ 9,341 | $ 6,842 |
| PSU awards[1] | 4,664 | 3,607 |
| DSU awards | 603 | 190 |
| Total unamortized stock-based compensation | $ 14,608 | $ 10,639 |
| Weighted average period over which expense is to be recognized | 2.6 years | 2.4 years |

1. Unamortized expense for PSU awards with a market-based total stockholder return performance goal represents amounts based on target shares at grant date. Unamortized expense for PSU awards with return on average tangible common equity and compounded annual revenue growth rate performance goals represents amounts based on target shares at grant date, adjusted for performance expectations as of the date indicated.

## NOTE 10. OUTSTANDING COMMITMENTS AND CONTINGENT LIABILITIES

### *Legal Matters*

Busey is a party to legal actions which arise in the normal course of its business activities. Legal and administrative proceedings are subject to inherent uncertainties, and while unfavorable outcomes could occur, Busey does not believe at this time that any potential liabilities relating to pending or potential legal matters are likely to have a material impact on Busey's results of operations or financial position.

### *Credit Commitments and Contingencies*

A summary of the contractual amount of Busey's exposure to off-balance-sheet risk relating to the Company's commitments to extend credit and standby letters of credit follows *(dollars in thousands)*:

| | As of | |
|---|---|---|
| | June 30, 2024 | December 31, 2023 |
| **Financial instruments whose contract amounts represent credit risk** | | |
| Commitments to extend credit | $ 2,472,198 | $ 2,132,500 |
| Standby letters of credit | 37,226 | 43,996 |
| Total commitments | $ 2,509,424 | $ 2,176,496 |

***Franchise Tax Matter***

In 2021, Busey received an inquiry from the Illinois Secretary of State ("ISOS"), pursuant to which the ISOS asked for additional information regarding certain of our franchise tax filings and the calculation of amounts due thereunder. The franchise tax is established by the Illinois Business Corporation Act ("BCA") 805 ILCS 5/1 et seq., and is a tax imposed on foreign and domestic corporations for the privilege of conducting business in Illinois. Busey has been cooperating with the inquiry and has agreed to prepare additional BCA forms requested by the ISOS, with a full reservation of rights by Busey, including seeking judicial relief, if necessary, with respect to any potential dispute regarding Busey's preparation of the BCA forms and the calculation of the franchise taxes due. Where a loss is believed to be reasonably possible, but not probable, or the loss cannot be reasonably estimated, as is the case with this matter, no accrual is required. It is reasonably possible that this matter could require us to pay additional taxes, including potential penalties and interest, or make other expenditures or accrue liabilities in amounts that could not be reasonably estimated as of June 30, 2024. If the likelihood of potential liabilities elevates, requiring an accrual, the potential future liabilities could be material in the period(s) in which they are recorded.

**NOTE 11. DERIVATIVE FINANCIAL INSTRUMENTS**

Busey utilizes interest rate swap agreements as part of its asset liability management strategy to help manage its interest rate risk position. Additionally, Busey enters into derivative financial instruments, including interest rate lock commitments issued to residential loan customers for loans that will be held for sale; forward sales commitments to sell residential mortgage loans to investors; and interest rate swaps, risk participation agreements, and foreign currency exchange contracts with customers and other third parties. See "*Note 12: Fair Value Measurements*" for further discussion of the fair value measurement of such derivatives.

To secure its obligations under derivative contracts, Busey pledged cash and held collateral as follows *(dollars in thousands)*:

| | As of | |
|---|---|---|
| | June 30, 2024 | December 31, 2023 |
| Cash pledged to secure obligations under derivative contracts | $ 34,210 | $ 34,210 |
| Collateral held to secure obligations under derivative contracts | 24,020 | 19,280 |

***Derivative Instruments Designated as Hedges***

Busey entered into derivative instruments designated as cash flow hedges. For a derivative instrument that is designated and qualifies as a cash flow hedge, the change in fair value of the derivative instrument is reported as a component of OCI and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. Changes in fair value of components excluded from the assessment of effectiveness are recognized in current earnings.

Interest Rate Swaps Designated as Cash Flow Hedges

Interest rate swaps with notional amounts totaling $450.0 million as of June 30, 2024, and $350.0 million as of December 31, 2023, were designated as cash flow hedges. Busey entered into one $50.0 million interest rate swap to hedge the risks of variability in cash flows for future interest payments attributable to changes in the 3-month CME Term SOFR benchmark interest rate on Busey's junior subordinated debt owed to unconsolidated trusts (Debt Swap). In addition, Busey entered into one $300.0 million receive fixed pay floating interest rate swap to reduce Busey's asset sensitivity (Prime Loan Swap). Duration was added to our loan portfolio by fixing a portion of floating prime-based loans. Interest rates had risen above their historical lows allowing Busey to lock in a portion of its loan portfolio to reduce asset sensitivity while creating a more stable margin in a volatile rate market. These hedges were determined to be highly effective during the period, and Busey expects its hedges to remain highly effective during the remaining terms of the swaps. Further, in 2024 Busey entered into one $100.0 million one year forward-starting SOFR-based receive-fixed pay-floating interest rate swap, with an effective date of March 5, 2025, to reduce Busey's asset sensitivity (SOFR Loan Swap). Changes in fair value were recorded net of tax in OCI.

A summary of the interest-rate swaps designated as cash flow hedges is presented below *(dollars in thousands)*:

| | | As of | |
|---|---|---|---|
| | Location | June 30, 2024 | December 31, 2023 |
| **Debt Swap** | | | |
| Notional amount | | $ 50,000 | $ 50,000 |
| Weighted average fixed pay rates | | 1.79 % | 1.79 % |
| Weighted average variable 3-month Fallback Rate (SOFR) receive rates | | 5.61 % | 5.61 % |
| Weighted average maturity | | 0.21 years | 0.71 years |
| | | | |
| **Prime Loan Swap** | | | |
| Notional amount | | $ 300,000 | $ 300,000 |
| Weighted average fixed receive rates | | 4.81 % | 4.81 % |
| Weighted average variable Prime pay rates | | 8.50 % | 8.50 % |
| Weighted average maturity | | 4.60 years | 5.10 years |
| | | | |
| **SOFR Loan Swap** | | | |
| Notional amount | | $ 100,000 | $ — |
| Weighted average fixed receive rates | | 3.72 % | — |
| Weighted average maturity | | 4.68 years | — |
| | | | |
| **Gross aggregate fair value of the swaps** | | | |
| Gross aggregate fair value of swap assets | Other assets | $ 477 | $ 1,293 |
| Gross aggregate fair value of swap liabilities | Other liabilities | 30,065 | 25,411 |
| | | | |
| **Balances carried in AOCI** | | | |
| Unrealized gains (losses) on cash flow hedges, net of tax | AOCI | $ (20,616) | $ (16,694) |

Busey expects to reclassify unrealized gains and losses from OCI to interest income and interest expense as shown in the following table, during the next 12 months *(dollars in thousands)*. Amounts actually recognized could differ from these expectations due to changes in interest rates, hedge de-designations, and the addition of other hedges subsequent to June 30, 2024.

| | As of June 30, 2024 |
|---|---|
| **Unrealized gains (losses) in OCI expected to be recognized in income** | |
| Unrealized losses expected to be reclassified from OCI to interest income | $ (922) |
| Unrealized gains expected to be reclassified from OCI to interest expense | 499 |
| Net unrealized gains (losses) in OCI expected to be recognized in net interest income | $ (423) |

Interest income and interest expense recorded on these swap transactions is presented in the following table *(dollars in thousands)*:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| **Interest on swap transactions** | | | | |
| Increase (decrease) in interest income on swap transactions | $ (2,795) | $ (2,537) | $ (5,591) | $ (4,729) |
| (Increase) decrease in interest expense on swap transactions | 484 | 404 | 967 | 787 |
| Net increase (decrease) in net interest income on swap transactions | $ (2,311) | $ (2,133) | $ (4,624) | $ (3,942) |

Net gains (losses) relating to cash flow derivative instruments that were recorded in AOCI and the Consolidated Statements of Income (Unaudited) are presented in the table below *(dollars in thousands)*:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| **Unrealized gains (losses) on cash flow hedges** | | | | |
| Net gain (loss) recognized in OCI, net of tax | $ (1,996) | $ (6,036) | $ (7,228) | $ (2,986) |
| (Gain) loss reclassified from OCI to interest income, net of tax | 1,998 | 1,813 | 3,997 | 3,380 |
| (Gain) loss reclassified from OCI to interest expense, net of tax | (346) | (288) | (691) | (562) |
| Net change in unrealized gains (losses) on cash flow hedges, net of tax | $ (344) | $ (4,511) | $ (3,922) | $ (168) |

***Derivative Instruments Not Designated as Hedges***

Interest Rate Swaps Not Designated as Hedges

Busey may offer derivative contracts to its customers in connection with their risk management needs. Busey manages the risk associated with these contracts by entering into equal and offsetting derivative agreements with third-party dealers. These contracts supported variable rate, commercial loan relationships totaling $675.0 million as of June 30, 2024, and $663.1 million as of December 31, 2023. These derivatives generally worked together as an economic interest rate hedge, but Busey did not designate them for hedge accounting treatment. Consequently, changes in fair value of the corresponding derivative financial asset or liability were recorded as either a charge or credit to current earnings during the period in which the changes occurred.

Amounts and fair values of derivative assets and liabilities related to customer interest rate swaps recorded in the Consolidated Balance Sheets (Unaudited) are summarized as follows *(dollars in thousands)*:

| | As of June 30, 2024 | | | |
|---|---|---|---|---|
| | Derivative Asset | | Derivative Liability | |
| | Notional Amount | Fair Value | Notional Amount | Fair Value |
| **Derivatives not designated as hedging instruments** | | | | |
| Interest rate swaps – pay floating, receive fixed | $ 96,481 | $ 1,332 | $ 578,525 | $ 33,594 |
| Interest rate swaps – pay fixed, receive floating | 578,525 | 33,594 | 96,481 | 1,332 |
| Total derivatives not designated as hedging instruments | $ 675,006 | $ 34,926 | $ 675,006 | $ 34,926 |

| | As of December 31, 2023 | | | |
|---|---|---|---|---|
| | Derivative Asset | | Derivative Liability | |
| | Notional Amount | Fair Value | Notional Amount | Fair Value |
| **Derivatives not designated as hedging instruments** | | | | |
| Interest rate swaps – pay floating, receive fixed | $ 177,883 | $ 2,375 | $ 485,253 | $ 26,289 |
| Interest rate swaps – pay fixed, receive floating | 485,253 | 26,289 | 177,883 | 2,375 |
| Total derivatives not designated as hedging instruments | $ 663,136 | $ 28,664 | $ 663,136 | $ 28,664 |

Changes in fair value of these derivative assets and liabilities were recorded in noninterest expense in the Consolidated Statements of Income (Unaudited) and are summarized as follows *(dollars in thousands)*:

| | Location | Three Months Ended June 30, 2024 | Three Months Ended June 30, 2023 | Six Months Ended June 30, 2024 | Six Months Ended June 30, 2023 |
|---|---|---|---|---|---|
| **Interest rate swaps** | | | | | |
| Pay floating, receive fixed | Noninterest expense | $ 694 | $ 3,306 | $ 6,174 | $ (4,361) |
| Pay fixed, receive floating | Noninterest expense | (694) | (3,306) | (6,174) | 4,361 |
| Net change in fair value of interest rate swaps | | $ — | $ — | $ — | $ — |

Risk Participation Agreements

To manage the credit risk exposure related to customer-facing swaps, Busey entered into risk participation agreements in conjunction with loan participation arrangements with other financial institutions. Under these risk participation agreements, Busey purchased credit risk participation, paying an up-front fee to a counterparty to accept a portion of its credit exposure, and will receive a payment from the counterparty if the swap customer defaults on its obligations.

Busey also entered into a risk participation agreement under which Busey sold credit risk participation, receiving an up-front fee from a counterparty in exchange for accepting a portion of the counterparty's credit exposure. This agreement matured on June 30, 2024. The swap customer did not default on its obligations, and Busey was not required to make a payment to the counterparty of the risk participation agreement.

Notional amounts of the risk participation agreements reflect the participating banks' pro-rata shares of the derivative instruments, consistent with their shares of the related participated loans. The risk participation agreements mature between August 2026 and January 2029, and are summarized as follows *(dollars in thousands)*:

| | As of June 30, 2024 | As of December 31, 2023 |
|---|---|---|
| **Risk participation agreements purchased** | | |
| Number of risk participation agreements | 4 | 3 |
| Notional amount | $ 35,048 | $ 34,251 |
| Fair value | 8 | 15 |
| | | |
| **Risk participation agreements sold** | | |
| Number of risk participation agreements | — | 1 |
| Notional amount | — | $ 20,001 |
| Fair value | — | — |

***Mortgage Banking Derivatives***

Interest Rate Lock Commitments

Interest rate lock commitments that meet the definition of derivative financial instruments under ASC Topic 815 *"Derivatives and Hedging"* are carried at their fair values in other assets or other liabilities in the Consolidated Balance Sheets (Unaudited), 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

Busey economically hedges mortgage loans held for sale and interest rate lock commitments issued to its residential loan customers related to loans that will be held for sale by obtaining corresponding forward sales commitments with an investor to sell the loans at an agreed-upon price at the time the interest rate locks are issued to the customers. Forward sales commitments that meet the definition of derivative financial instruments under ASC Topic 815 *"Derivatives and Hedging"* are carried at their fair values in other assets or other liabilities in the Consolidated Balance Sheets (Unaudited). While such forward sales commitments generally served as an economic hedge to mortgage loans held for sale and interest rate lock commitments, Busey did not designate them for hedge accounting treatment. Changes in fair value of the corresponding derivative financial asset or liability were recorded as either a charge or credit to current earnings during the period in which the changes occurred.

Amounts and fair values of mortgage banking derivatives included in the Consolidated Balance Sheets (Unaudited) are summarized as follows *(dollars in thousands)*:

| | | As of June 30, 2024 | | As of December 31, 2023 | |
|---|---|---|---|---|---|
| | Location | Notional Amount | Fair Value | Notional Amount | Fair Value |
| **Mortgage banking derivative assets** | | | | | |
| Interest rate lock commitments | Other assets | $ 9,026 | $ 155 | $ 3,477 | $ 25 |
| Forward sales commitments | Other assets | 4,148 | 17 | 1,761 | 11 |
| Mortgage banking derivative assets | | $ 13,174 | $ 172 | $ 5,238 | $ 36 |
| | | | | | |
| **Mortgage banking derivative liabilities** | | | | | |
| Interest rate lock commitments | Other liabilities | $ 344 | $ 10 | $ 1,615 | $ 10 |
| Forward sales commitments | Other liabilities | 10,409 | 44 | 5,216 | 47 |
| Mortgage banking derivative liabilities | | $ 10,753 | $ 54 | $ 6,831 | $ 57 |

Gains and losses relating to these derivative instruments are reported in noninterest income/expense, and are summarized as follows for the periods presented *(dollars in thousands)*:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| Gains on interest rate lock commitments | $ 195 | $ — | $ 462 | $ — |
| Gains on forward sales commitments | 15 | 86 | 24 | 32 |
| Losses on interest rate lock commitments | (9) | (49) | (14) | (12) |
| Losses on forward sales commitments | (47) | — | (98) | — |

**NOTE 12. FAIR VALUE MEASUREMENTS**

The fair value of an asset or liability is the price that would be received by selling that asset or paid in transferring that liability (exit price) in an orderly transaction occurring in the principal market (or most advantageous market in the absence of a principal market) for such asset or liability. ASC Topic 820 *"Fair Value Measurement"* establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

- *Level 1 Inputs*—Unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.
- *Level 2 Inputs*—Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These might include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (such as interest rates, volatility, 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 estimating 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 Busey's assets and liabilities that are carried at fair value.

In general, fair value estimates are based upon quoted market prices, when available. If such quoted market prices are not available, fair values are estimated utilizing independent valuation techniques that consider 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 their estimated fair values. These adjustments may include amounts to reflect, among other things, counterparty credit quality and the company's creditworthiness as well as unobservable parameters. Any such valuation adjustments are applied consistently over time. While management believes Busey's valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to estimate the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

***Financial Assets and Financial Liabilities Measured at Fair Value on a Recurring Basis***

Debt Securities Available for Sale

Debt securities classified as available for sale are reported at fair value, which is estimated using Level 2 inputs. Busey obtains fair value measurements from an independent pricing service. The independent pricing service utilizes evaluated pricing models that vary by asset class and incorporate available trade, bid, and other market information. Because many fixed income securities do not trade on a daily basis, the independent pricing service applies available information to prepare evaluations, with a focus on observable market data such as benchmark curves, benchmarking of like securities, sector groupings, and matrix pricing.

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

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

Equity Securities

Equity securities are reported at fair value, which is estimated using Level 1 or Level 2 inputs. Fair value measurements of mutual funds, when held, are estimated using unadjusted quoted prices in active markets for identical assets at the measurement date and are classified as Level 1. Fair value measurements of stock use quoted prices for identical or similar assets in markets that are not active and are classified as Level 2.

Derivative Assets and Derivative Liabilities

Busey’s derivative assets and derivative liabilities are reported at fair value, which is measured using Level 2 or Level 3 inputs. Fair values of derivative assets and liabilities are estimated based on prices that are obtained from a third-party which uses observable market inputs and, with the exception of our risk participation agreements, are classified as Level 2. Due to the significance of unobservable inputs, derivative assets related to our risk participation agreements are classified as Level 3.

The following tables summarize financial assets and financial liabilities measured at estimated fair value on a recurring basis *(dollars in thousands)*:

| | As of June 30, 2024 | | | |
|---|---|---|---|---|
| | Level 1 Inputs | Level 2 Inputs | Level 3 Inputs | Total Fair Value |
| Debt securities available for sale: | | | | |
| U.S. Treasury securities | $ — | $ 497 | $ — | $ 497 |
| Obligations of U.S. government corporations and agencies | — | 3,786 | — | 3,786 |
| Obligations of states and political subdivisions | — | 149,573 | — | 149,573 |
| Asset-backed securities | — | 427,404 | — | 427,404 |
| Commercial mortgage-backed securities | — | 93,690 | — | 93,690 |
| Residential mortgage-backed securities | — | 995,568 | — | 995,568 |
| Corporate debt securities | — | 159,378 | — | 159,378 |
| Equity securities | 177 | 9,441 | — | 9,618 |
| Derivative assets | — | 35,575 | 8 | 35,583 |
| Derivative liabilities | — | 65,045 | — | 65,045 |

| | As of December 31, 2023 | | | |
|---|---|---|---|---|
| | Level 1 Inputs | Level 2 Inputs | Level 3 Inputs | Total Fair Value |
| Debt securities available for sale: | | | | |
| U.S. Treasury securities | $ — | $ 15,946 | $ — | $ 15,946 |
| Obligations of U.S. government corporations and agencies | — | 5,832 | — | 5,832 |
| Obligations of states and political subdivisions | — | 172,845 | — | 172,845 |
| Asset-backed securities | — | 468,223 | — | 468,223 |
| Commercial mortgage-backed securities | — | 103,509 | — | 103,509 |
| Residential mortgage-backed securities | — | 1,111,312 | — | 1,111,312 |
| Corporate debt securities | — | 209,904 | — | 209,904 |
| Equity securities | 448 | 9,364 | — | 9,812 |
| Derivative assets | — | 29,993 | 15 | 30,008 |
| Derivative liabilities | — | 54,132 | — | 54,132 |

Activity for risk participation agreements, which are financial assets measured at estimated fair value on a recurring basis using Level 3, is summarized in the tables below *(dollars in thousands)*:

| | Location | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|---|
| | | 2024 | 2023 | 2024 | 2023 |
| **Beginning Balance** | | $ 9 | $ 24 | $ 15 | $ 5 |
| Changes in fair value | Other expense | (1) | (9) | (10) | (60) |
| Purchases | | — | — | 3 | 70 |
| **Ending Balance** | | $ 8 | $ 15 | $ 8 | $ 15 |

***Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis***

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

Loans Evaluated Individually

Busey does not record portfolio loans at estimated fair value on a recurring basis. However, periodically, a loan is evaluated individually and is reported at the estimated fair value of the underlying collateral, less estimated costs to sell, if repayment is expected solely from the collateral. If the estimated collateral value is not sufficient, a specific reserve is recorded. Collateral values are estimated using a combination of observable inputs, including recent appraisals, and unobservable inputs based on customized discounting criteria. Due to the significance of unobservable inputs, fair values of individually evaluated collateral dependent loans have been classified as Level 3.

Bank Property Held for Sale

Bank property held for sale represents certain banking center office buildings which Busey has closed and consolidated with other existing banking centers. Bank property held for sale is measured at the lower of amortized cost or estimated fair value less estimated costs to sell. Fair value estimates were based upon discounted appraisals or real estate listing prices. Due to the significance of unobservable inputs, estimated fair values of all bank property held for sale have been classified as Level 3. Bank property held for sale is included in premises and equipment, net on Busey's Consolidated Balance Sheets (Unaudited).

The following tables summarize financial assets and financial liabilities measured at estimated fair value on a non-recurring basis *(dollars in thousands)*:

| | As of June 30, 2024 | | | |
|---|---|---|---|---|
| | Level 1 Inputs | Level 2 Inputs | Level 3 Inputs | Total Fair Value |
| Loans evaluated individually, net of related allowance | $ — | $ — | $ 2,800 | $ 2,800 |
| Bank property held for sale with impairment | — | — | 3,205 | 3,205 |

| | As of December 31, 2023 | | | |
|---|---|---|---|---|
| | Level 1 Inputs | Level 2 Inputs | Level 3 Inputs | Total Fair Value |
| Loans evaluated individually, net of related allowance | $ — | $ — | $ 1,000 | $ 1,000 |
| Bank property held for sale with impairment | — | — | 4,286 | 4,286 |

**FIRST BUSEY CORPORATION**
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The following table presents additional quantitative information about assets measured at estimated fair value on a non-recurring basis using Level 3 inputs *(dollars in thousands)*:

| | As of June 30, 2024 | | | |
|---|---|---|---|---|
| | Fair Value | Valuation Techniques | Unobservable Input | Range (Weighted Average) |
| Loans evaluated individually, net of related allowance | $ 2,800 | Appraisal of collateral | Appraisal adjustments | -13.1% to -100.0% (-14.9)% |
| Bank property held for sale with impairment | 3,205 | Appraisal of collateral or real estate listing price | Appraisal adjustments | -9.0% to -76.7% (-50.6)% |

| | As of December 31, 2023 | | | |
|---|---|---|---|---|
| | Fair Value | Valuation Techniques | Unobservable Input | Range (Weighted Average) |
| Loans evaluated individually, net of related allowance | $ 1,000 | Appraisal of collateral | Appraisal adjustments | -41.2% to -100.0% (-47.2)% |
| Bank property held for sale with impairment | 4,286 | Appraisal of collateral or real estate listing price | Appraisal adjustments | -6.2% to -64.9% (-38.4)% |

***Financial Assets and Financial Liabilities That Are Not Carried at Fair Value***

Fair values of financial instruments that are not carried at fair value in Busey's Consolidated Balance Sheets (Unaudited) were estimated as follows *(dollars in thousands)*:

| | As of June 30, 2024 | | As of December 31, 2023 | |
|---|---|---|---|---|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| **Financial assets** | | | | |
| Level 1 inputs: | | | | |
| Cash and cash equivalents | $ 285,269 | $ 285,269 | $ 719,581 | $ 719,581 |
| Level 2 inputs: | | | | |
| Debt securities held to maturity | 851,261 | 697,455 | 872,628 | 730,397 |
| Loans held for sale | 11,286 | 11,411 | 2,379 | 2,401 |
| Accrued interest receivable | 50,109 | 50,109 | 45,288 | 45,288 |
| Level 3 inputs: | | | | |
| Portfolio loans, net | 7,913,686 | 7,637,422 | 7,559,294 | 7,276,905 |
| Mortgage servicing rights | 1,074 | 5,556 | 3,289 | 18,079 |
| Other servicing rights | 1,533 | 1,491 | 1,597 | 2,062 |
| **Financial liabilities** | | | | |
| Level 2 inputs: | | | | |
| Time deposits | $ 1,523,889 | $ 1,506,797 | $ 1,819,274 | $ 1,804,905 |
| Securities sold under agreements to repurchase | 140,283 | 140,283 | 187,396 | 187,396 |
| Short-term borrowings | — | — | 12,000 | 12,034 |
| Long-term debt | — | — | 18,000 | 18,020 |
| Junior subordinated debt owed to unconsolidated trusts | 74,693 | 61,226 | 71,993 | 57,153 |
| Accrued interest payable | 19,209 | 19,209 | 28,418 | 28,418 |
| Level 3 inputs: | | | | |
| Subordinated notes, net of unamortized issuance costs | 227,245 | 210,915 | 222,882 | 200,000 |

**NOTE 13. EARNINGS PER COMMON SHARE**

Basic earnings per share is computed by dividing net income for the period by the weighted average number of common shares outstanding, which include DSUs that are vested but not delivered. Diluted earnings per common share is computed using the treasury stock method and reflects the potential dilution that could occur if Busey's outstanding stock options and warrants were exercised, stock units were vested, and ESPP shares were issued.

Earnings per common share have been computed as follows *(dollars in thousands, except per share amounts)*:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| Net income | $ 27,357 | $ 29,364 | $ 53,582 | $ 66,150 |
| | | | | |
| Weighted average number of common shares outstanding, basic | 56,919,025 | 55,440,277 | 56,167,807 | 55,419,250 |
| Dilutive effect of common stock equivalents: | | | | |
| Warrants | — | — | — | 648 |
| RSU awards | 679,167 | 622,993 | 666,302 | 637,385 |
| PSU awards | 245,599 | 123,849 | 269,494 | 107,247 |
| DSU awards | 4,923 | 3,851 | 19,202 | 14,098 |
| ESPP | 4,517 | 4,831 | 7,060 | 9,192 |
| Weighted average number of common shares outstanding, diluted | 57,853,231 | 56,195,801 | 57,129,865 | 56,187,820 |
| | | | | |
| Basic earnings per common share | $ 0.48 | $ 0.53 | $ 0.95 | $ 1.19 |
| Diluted earnings per common share | $ 0.47 | $ 0.52 | $ 0.94 | $ 1.18 |

Average shares that were excluded from the computation of diluted earnings per common share because their effect would have been anti-dilutive are summarized in the table below for the periods presented:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| **Anti-dilutive common stock equivalents** | | | | |
| Options | 17,966 | 21,926 | 19,176 | 22,366 |
| RSU awards | 12,864 | 157,781 | 6,432 | 78,891 |
| PSU awards | 93,266 | 63,220 | 100,969 | 164,339 |
| Total anti-dilutive common stock equivalents | 124,096 | 242,927 | 126,577 | 265,596 |

**NOTE 14. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)**

The following tables present changes in AOCI by component, net of tax, for the periods indicated *(dollars in thousands)*:

| | Three Months Ended June 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2024 | | | 2023 | | |
| | Before Tax | Tax Effect | Net of Tax | Before Tax | Tax Effect | Net of Tax |
| **Unrealized/Unrecognized gains (losses) on debt securities** | | | | | | |
| Balance at beginning of period | $ (282,422) | $ 80,504 | $ (201,918) | $ (320,496) | $ 91,354 | $ (229,142) |
| Unrealized holding gains (losses) on debt securities available for sale, net | 1,685 | (480) | 1,205 | (16,597) | 4,731 | (11,866) |
| Amounts reclassified from AOCI, net | 4 | (1) | 3 | 178 | (51) | 127 |
| Amortization of unrecognized losses on securities transferred to held to maturity | 1,399 | (399) | 1,000 | 1,556 | (443) | 1,113 |
| Balance at end of period | $ (279,334) | $ 79,624 | $ (199,710) | $ (335,359) | $ 95,591 | $ (239,768) |
| | | | | | | |
| **Unrealized gains (losses) on cash flow hedges** | | | | | | |
| Balance at beginning of period | $ (28,353) | $ 8,081 | $ (20,272) | $ (23,277) | $ 6,635 | $ (16,642) |
| Unrealized holding gains (losses) on cash flow hedges, net | (2,791) | 795 | (1,996) | (8,442) | 2,406 | (6,036) |
| Amounts reclassified from AOCI, net | 2,311 | (659) | 1,652 | 2,133 | (608) | 1,525 |
| Balance at end of period | $ (28,833) | $ 8,217 | $ (20,616) | $ (29,586) | $ 8,433 | $ (21,153) |
| | | | | | | |
| Total AOCI | $ (308,167) | $ 87,841 | $ (220,326) | $ (364,945) | $ 104,024 | $ (260,921) |

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

| | Six Months Ended June 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2024 | | | 2023 | | |
| | Before Tax | Tax Effect | Net of Tax | Before Tax | Tax Effect | Net of Tax |
| **Unrealized/Unrecognized gains (losses) on debt securities** | | | | | | |
| Balance at beginning of period | $ (282,688) | $ 80,579 | $ (202,109) | $ (352,878) | $ 100,585 | $ (252,293) |
| Unrealized holding gains (losses) on debt securities available for sale, net | (6,262) | 1,786 | (4,476) | 14,096 | (4,018) | 10,078 |
| Unrecognized losses on debt securities transferred to held to maturity from available for sale | — | — | — | — | — | — |
| Amounts reclassified from AOCI, net | 6,806 | (1,940) | 4,866 | 174 | (50) | 124 |
| Amortization of unrecognized losses on securities transferred to held to maturity | 2,810 | (801) | 2,009 | 3,249 | (926) | 2,323 |
| Balance at end of period | $ (279,334) | $ 79,624 | $ (199,710) | $ (335,359) | $ 95,591 | $ (239,768) |
| **Unrealized gains (losses) on cash flow hedges** | | | | | | |
| Balance at beginning of period | $ (23,348) | $ 6,654 | $ (16,694) | $ (29,350) | $ 8,365 | $ (20,985) |
| Unrealized holding gains (losses) on cash flow hedges, net | (10,109) | 2,881 | (7,228) | (4,178) | 1,192 | (2,986) |
| Amounts reclassified from AOCI, net | 4,624 | (1,318) | 3,306 | 3,942 | (1,124) | 2,818 |
| Balance at end of period | $ (28,833) | $ 8,217 | $ (20,616) | $ (29,586) | $ 8,433 | $ (21,153) |
| Total AOCI | $ (308,167) | $ 87,841 | $ (220,326) | $ (364,945) | $ 104,024 | $ (260,921) |

**NOTE 15. OPERATING SEGMENTS AND RELATED INFORMATION**

Busey has three reportable operating segments: Banking, Wealth Management, and FirsTech. Busey's three operating segments are strategic business units that are separately managed, as they offer different products and services and have different marketing strategies.

***The Banking Operating Segment***

The Banking operating segment provides a full range of banking services to individual and corporate customers through First Busey Corporation's wholly-owned bank subsidiary, Busey Bank, with 62 banking centers in Illinois; the St. Louis, Missouri, metropolitan area; southwest Florida; and Indianapolis, Indiana.

Banking services offered to individual customers include customary types of demand and savings deposits, money transfers, safe deposit services, individual retirement accounts and other fiduciary services, automated teller machines, and technology-based networks, as well as a variety of loan products including residential real estate, home equity lines of credit, and consumer loans. Banking services offered to corporate customers include commercial, commercial real estate, real estate construction, and agricultural loans, as well as commercial depository services such as cash management.

***The Wealth Management Operating Segment***

The Wealth Management operating segment provides a full range of asset management, investment, brokerage, fiduciary, philanthropic advisory, tax preparation, and farm management services to individuals, businesses, and foundations. Services are provided through Busey Capital Management, Inc., a wholly-owned subsidiary of Busey Bank, and Busey Wealth Management, a division of Busey Bank.

Wealth management services tailored to individuals include trust and estate advisory services and financial planning. Business services include business succession planning and employee retirement plan services. Services for foundations include investment strategy consulting and fiduciary services.

***The FirsTech Operating Segment***

The FirsTech operating segment provides comprehensive and innovative payment technology solutions through Busey Bank's wholly-owned subsidiary, FirsTech. FirsTech's multi-channel payment platform allows businesses to collect payments from their customers in a variety of ways to enable fast, frictionless payments. Payment method vehicles include, but are not limited to, text-based mobile bill pay; interactive voice response; electronic payment concentration delivered to Automated Clearing House networks, money management, and credit card networks; walk-in payment processing for customers at retail pay agents; customer service payments made over a telephone; direct debit services; merchant services referral solutions serving partner Financial Institutions and their business customers; and lockbox remittance processing for customers to make payments by mail. FirsTech also provides additional tools to help clients with billing, reconciliation, bill reminders, and treasury services.

FirsTech's client base represents a diverse set of industries, with a higher concentration in highly regulated industries, such as financial institutions, utility, insurance, and telecommunications industries.

***Segment Financial Information***

The segment financial information provided below has been derived from information used by management to monitor and manage Busey's financial performance. The accounting policies of the three operating segments are the same as those described in the summary of significant accounting policies in "*Note 1. Significant Accounting Policies*" of Busey's 2023 Annual Report. Busey accounts for intersegment revenue and transfers at current market value.

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

Following is a summary of selected financial information for Busey's operating segments. The "other" category included in the tables below consists of the parent company, First Busey Risk Management, Inc. until its dissolution on December 18, 2023, and the elimination of intercompany transactions *(dollars in thousands)*:

| | Goodwill As of | | Total Assets As of | |
|---|---|---|---|---|
| | June 30, 2024 | December 31, 2023 | June 30, 2024 | December 31, 2023 |
| **Operating segment** | | | | |
| Banking | $ 310,181 | $ 294,773 | $ 11,796,353 | $ 12,125,298 |
| Wealth Management | 14,108 | 14,108 | 113,516 | 103,147 |
| FirsTech | 8,992 | 8,992 | 50,172 | 51,600 |
| Other | — | — | 11,375 | 3,370 |
| Consolidated total | $ 333,281 | $ 317,873 | $ 11,971,416 | $ 12,283,415 |

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

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| **Net interest income** | | | | |
| Banking | $ 86,242 | $ 82,710 | $ 165,775 | $ 172,600 |
| FirsTech | 12 | 14 | 25 | 27 |
| Other | (3,820) | (4,054) | (7,599) | (8,100) |
| Total net interest income | $ 82,434 | $ 78,670 | $ 158,201 | $ 164,527 |
| **Noninterest income** | | | | |
| Banking | $ 12,434 | $ 10,312 | $ 25,906 | $ 22,733 |
| Wealth Management | 16,108 | 14,717 | 31,820 | 29,643 |
| FirsTech | 6,178 | 5,615 | 12,149 | 11,289 |
| Other | (919) | (2,632) | (1,074) | (3,805) |
| Total noninterest income | $ 33,801 | $ 28,012 | $ 68,801 | $ 59,860 |
| **Noninterest expense** | | | | |
| Banking | $ 58,597 | $ 53,491 | $ 110,984 | $ 108,142 |
| Wealth Management | 8,791 | 8,228 | 17,927 | 16,762 |
| FirsTech | 6,152 | 5,319 | 12,018 | 11,058 |
| Other | 1,997 | 2,167 | 5,377 | 3,646 |
| Total noninterest expense | $ 75,537 | $ 69,205 | $ 146,306 | $ 139,608 |
| **Income before income taxes** | | | | |
| Banking | $ 37,802 | $ 38,904 | $ 73,382 | $ 85,611 |
| Wealth Management | 7,317 | 6,489 | 13,893 | 12,881 |
| FirsTech | 38 | 310 | 156 | 258 |
| Other | (6,736) | (8,853) | (14,050) | (15,551) |
| Total income before income taxes | $ 38,421 | $ 36,850 | $ 73,381 | $ 83,199 |
| **Net income** | | | | |
| Banking | $ 26,697 | $ 30,665 | $ 53,189 | $ 67,500 |
| Wealth Management | 5,561 | 4,932 | 10,559 | 9,790 |
| FirsTech | 28 | 226 | 114 | 188 |
| Other | (4,929) | (6,459) | (10,280) | (11,328) |
| Total net income | $ 27,357 | $ 29,364 | $ 53,582 | $ 66,150 |

**NOTE 16. ACQUISITION**

***Merchants and Manufacturers Bank Corporation***

Effective April 1, 2024, Busey completed its previously announced acquisition of M&M, pursuant to which Busey acquired M&M and its wholly-owned subsidiary, M&M Bank, through a merger transaction. This partnership adds M&M's Life Equity Loan® products to Busey's existing suite of services and expands Busey's presence in the suburban Chicago market. M&M's results of operations were included in Busey's results of operation beginning April 1, 2024.

Merger of M&M Bank into Busey Bank

Busey operated M&M Bank as a separate banking subsidiary of Busey until it was merged with Busey Bank on June 21, 2024. At the time of the bank merger, M&M Bank's banking centers became banking centers of Busey Bank, except for M&M's banking center located at 990 Essington Rd., Joliet, Illinois, which was closed in connection with the bank merger.

Merger Consideration

At the effective time of the Merger, each share of M&M common stock converted to the right to receive, at the election of each stockholder and subject to proration and adjustment as provided in the Merger Agreement, either (1) $117.74 in cash ("Cash Election"), (2) 5.7294 shares of Busey common stock ("Share Election"), or (3) mixed consideration of $34.55 in cash and 4.0481 shares of Busey common stock ("Mixed Election").

Most of the M&M common stockholders who submitted an election form by the election deadline made the Share Election to receive their Merger consideration solely in the form of shares of Busey common stock. As a result of the elections of M&M common stockholders, and in accordance with the proration and adjustment provisions of the Merger Agreement, the Merger consideration paid to M&M common stockholders was comprised of an aggregate of 1,429,304 shares of Busey common stock and an aggregate of $12.2 million in cash, allocated as follows for each share of M&M stock: (1) $117.74 in cash for the Cash Election, (2) $5.3966 in cash and 5.4668 shares of Busey common stock for the Share Election, and (3) $34.55 in cash and 4.0481 shares of Busey common stock for the Mixed Election. Pursuant to the terms of the Merger Agreement, M&M common stockholders that did not make an election or submit a properly completed election form by the election deadline of March 29, 2024, received cash consideration of $117.74 for each share of M&M common stock held. No fractional shares of Busey common stock were issued in the Merger. Fractional shares were paid in cash at the rate of $23.32 per share.

Additional Merger consideration of $3.0 million was paid to redeem 300 shares of M&M preferred stock.

Acquisition Accounting

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 April 1, 2024, the date of acquisition. Fair values, including initial accounting for deferred taxes, are subject to refinement for up to one year after the closing date as additional information regarding the closing date fair values becomes available.

As the total consideration paid for M&M exceeded the estimated fair value of net assets acquired, goodwill of $15.4 million was recorded as a result of the acquisition. Goodwill recorded for this transaction reflects synergies expected from the acquisition and expansion within the Chicago metropolitan market, and was assigned to the Banking operating segment. None of the goodwill recognized in the M&M acquisition is expected to be tax deductible.

Acquisition Date Fair Values

Estimated acquisition-date fair values of the assets acquired and liabilities assumed, as well as the fair value of consideration transferred, were as follows *(dollars in thousands)*:

| | April 1, 2024 |
|---|---|
| **Assets acquired** | |
| Cash and cash equivalents | $ 33,577 |
| Securities | 8,086 |
| Portfolio loans, net of ACL | 417,493 |
| Right of use assets | 253 |
| Premises and equipment | 2,045 |
| Other intangible assets | 6,346 |
| Accrued interest receivable | 4,992 |
| Prepaid assets | 185 |
| Deferred tax assets | 535 |
| Accounts receivable | 42 |
| Mortgage servicing rights | 55 |
| Other assets | 4,632 |
| Total assets acquired | 478,241 |
| | |
| **Liabilities assumed** | |
| Deposits | 392,838 |
| Borrowings | 43,887 |
| Lease liabilities | 253 |
| Other liabilities | 7,096 |
| Total liabilities assumed | 444,074 |
| | |
| **Net assets acquired** | $ 34,167 |
| | |
| **Consideration paid** | |
| Cash | $ 15,200 |
| Common stock | 34,375 |
| Total consideration paid | $ 49,575 |
| | |
| **Goodwill** | $ 15,408 |

Loans Purchased with Credit Deterioration

A small portion of the acquired loans were PCD. The following table provides a reconciliation between the purchase price and the fair value of these loans *(dollars in thousands)*:

| | As of April 1, 2024 |
|---|---|
| **PCD Financial Assets** | |
| Gross contractual receivable for PCD financial assets | $ 29,290 |
| ACL recorded for estimated uncollectible contractual cash flows specific to PCD financial assets | (1,243) |
| Interest premium (discount) specific to PCD financial assets | (1,773) |
| Fair value of PCD financial assets | $ 26,274 |

Other Acquisition Costs

In connection with the M&M acquisition, Busey incurred $2.1 million and $2.4 million in pre-tax acquisition expenses during the three and six months ended June 30, 2024, respectively, comprised primarily of salaries, wages and employee benefits; data processing; and professional fees, which are reported as components of noninterest expense in the accompanying Consolidated Statements of Income (Unaudited).

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

**Contents of Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**


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**SCOPE OF DISCUSSION**

The following discussion and analysis are intended to assist readers in understanding Busey's financial condition and results of operations during the three and six months ended June 30, 2024, and should be read in conjunction with our Consolidated Financial Statements (Unaudited) and the related Notes to the Consolidated Financial Statements (Unaudited) included in this Quarterly Report, as well as our 2023 Annual Report.

**BUSINESS**

First Busey Corporation is a $12.0 billion financial holding company headquartered in Champaign, Illinois. Our common stock is traded on The Nasdaq Global Select Market under the symbol "BUSE."

Our three operating segments provide a full range of banking, wealth management, and payment technology solutions through our subsidiaries, Busey Bank and FirsTech, in Illinois; the St. Louis, Missouri metropolitan area; southwest Florida; and Indianapolis, Indiana.

***Banking Center Markets***

Busey Bank serves the Illinois banking market with 50 banking centers, including 21 located within central Illinois, 17 located within the suburban Chicago market, and 12 located within the St. Louis Metropolitan Statistical Area. Our Illinois markets feature several Fortune 1000 companies. Those organizations, coupled with large healthcare and higher education sectors, anchor the communities in which they are located and have provided a comparatively stable foundation for housing, employment, and small business.

Busey Bank has eight banking centers in Missouri. St. Louis, Missouri has a diverse economy with major employment sectors including health care, financial services, professional and business services, and retail. We have a total of 20 banking centers within the boundaries of the St. Louis Metropolitan Statistical Area, including branches in both Illinois and Missouri.

Busey Bank has three banking centers in southwest Florida, an area which has experienced strong population growth, job growth, and an expanded housing market, as well as the benefits of a tourism and winter resort economy.

Busey Bank has one banking center in the Indianapolis, Indiana area, which is the most populous city of Indiana with a diverse economy, due in part to it serving as the headquarters of many large corporations.

***Busey's Conservative Banking Strategy***

Busey's financial strength is built on a long-term conservative operating approach. The quality of our core deposit franchise is a critical value driver of our institution. Busey remains substantially core deposit[1] funded, with robust liquidity and significant market share in the communities we serve. As of June 30, 2024, our loan to deposit ratio was 80.2% and core deposits represented 96.4% of total deposits. Furthermore, we have sufficient on- and off-balance sheet liquidity to manage deposit fluctuations and the liquidity needs of our customers.

Our credit performance reflects our highly diversified, conservatively underwritten loan portfolio, which has been originated predominantly to established customers with tenured relationships with Busey. Our approach to lending and our underwriting standards are designed to emphasize relationship banking rather than transactional banking. In addition, as a matter of both policy and practice, we limit concentration exposures in any particular loan segment. As a result, asset quality remains strong by both Busey's historical and current industry trends.

[1] Core deposits is a non-GAAP financial measure. For a reconciliation of non-GAAP measures to the most directly comparable GAAP financial measures, see *"Item 2. Management's Discussion and Analysis—Non-GAAP Financial Information"* included in this Quarterly Report.

Busey's conservative banking strategy is reflected in the strength of our capital base. We strive to consistently maintain capital ratios well in excess of thresholds required to be designated as well capitalized by applicable regulatory guidelines, thereby ensuring financial strength and flexibility across economic and operating cycles. At June 30, 2024, our leverage ratio of Tier 1 capital to average assets was 10.7%, our common equity Tier 1 capital to risk weighted assets ratio was 13.2%, and our total capital to risk weighted assets ratio was 17.5%.

***Acquisition***

Effective April 1, 2024, Busey completed its previously announced acquisition of M&M, pursuant to which Busey acquired M&M and its wholly-owned subsidiary, M&M Bank, through a merger transaction. This partnership adds M&M's Life Equity Loan® products to Busey's existing suite of services and expands Busey's presence in the suburban Chicago market. M&M's results of operations were included in Busey's results of operation beginning April 1, 2024.

Busey operated M&M Bank as a separate banking subsidiary of Busey until it was merged with Busey Bank on June 21, 2024. At the time of the bank merger, M&M Bank's banking centers became banking centers of Busey Bank, except for M&M's banking center located at 990 Essington Rd., Joliet, Illinois, which was closed in connection with the bank merger.

For additional information, see *"Note 16. Acquisition."*

**RESULTS OF OPERATIONS — THREE AND SIX MONTHS ENDED JUNE 30, 2024**

***Net Income***

Results of our operations, by operating segment, are presented below *(dollars in thousands)*:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| **Net income by operating segment** | | | | |
| Banking | $ 26,697 | $ 30,665 | $ 53,189 | $ 67,500 |
| Wealth Management | 5,561 | 4,932 | 10,559 | 9,790 |
| FirsTech | 28 | 226 | 114 | 188 |
| Other | (4,929) | (6,459) | (10,280) | (11,328) |
| Net income | $ 27,357 | $ 29,364 | $ 53,582 | $ 66,150 |

***Operating Performance Metrics***

Operating performance metrics presented in the table below have been derived from information used by management to monitor and manage Busey's financial performance *(dollars in thousands, except per share amounts)*:

| | | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|---|
| | | 2024 | 2023 | 2024 | 2023 |
| **Reported:** | Net income | $ 27,357 | $ 29,364 | $ 53,582 | $ 66,150 |
| **Adjusted:** | Net income[1] | $ 29,016 | $ 29,373 | $ 55,547 | $ 66,159 |
| | | | | | |
| **Reported:** | Diluted earnings per common share | $ 0.47 | $ 0.52 | $ 0.94 | $ 1.18 |
| **Adjusted:** | Diluted earnings per common share[1] | $ 0.50 | $ 0.52 | $ 0.97 | $ 1.18 |
| | | | | | |
| **Reported:** | Return on average assets[2] | 0.91 % | 0.96 % | 0.89 % | 1.09 % |
| **Adjusted:** | Return on average assets[1, 2] | 0.97 % | 0.96 % | 0.93 % | 1.09 % |
| | | | | | |
| **Reported:** | Return on average tangible common equity[1, 2] | 11.51 % | 13.90 % | 11.47 % | 16.12 % |
| **Adjusted:** | Return on average tangible common equity[1, 2] | 12.21 % | 13.90 % | 11.89 % | 16.12 % |
| | | | | | |
| **Reported:** | Pre-provision net revenue[1] | $ 41,051 | $ 39,536 | $ 87,424 | $ 87,454 |
| **Adjusted:** | Pre-provision net revenue[1] | $ 42,617 | $ 42,072 | $ 81,255 | $ 91,576 |
| | | | | | |
| **Reported:** | Pre-provision net revenue to average assets[1, 2] | 1.37 % | 1.30 % | 1.46 % | 1.44 % |
| **Adjusted:** | Pre-provision net revenue to average assets[1, 2] | 1.42 % | 1.38 % | 1.36 % | 1.51 % |

1. A non-GAAP financial measure. For a reconciliation of non-GAAP measures to the most directly comparable GAAP financial measures, see *"Item 2. Management's Discussion and Analysis—Non-GAAP Financial Information"* included in this Quarterly Report.
2. Annualized measure.

Non-Operating Expenses and Non-GAAP Measures

Busey views certain non-operating items, including acquisition-related and restructuring charges, as adjustments to net income reported under GAAP. Non-operating pretax adjustments were as follows for the periods presented *(dollars in thousands)*:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| **Non-operating costs** | | | | |
| Acquisition related expenses[1] | $ 2,212 | $ 12 | $ 2,497 | $ 12 |
| Restructuring charges[2] | — | — | 123 | — |
| Total non-operating costs | $ 2,212 | $ 12 | $ 2,620 | $ 12 |

1. Acquisition expenses related to the acquisition of M&M, which was completed on April 1, 2024, and other exploratory costs.
2. Restructuring charges related to previously disclosed restructuring and efficiency plans.

A reconciliation of non-GAAP measures, which Busey believes facilitates the assessment of its financial results and peer comparability, is included in tabular form in this Quarterly Report. See *"Item 2. Management's Discussion and Analysis—Non-GAAP Financial Information."*

***Net Interest Income***

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

Certain assets with tax favorable treatment are evaluated on a tax-equivalent basis, assuming a federal income tax rate of 21.0%. Tax favorable assets generally have lower contractual pre-tax yields than fully taxable assets. A tax-equivalent analysis is performed by adding the tax savings to the earnings on tax favorable assets. After factoring in the tax favorable effects of these assets, the yields may be more appropriately evaluated against alternative earning assets. In addition to yield, various other risks are factored into the evaluation process.

Consolidated Average Balance Sheets and Interest Rates (Unaudited)

The following tables show our unaudited Consolidated Average Balance Sheets *(dollars in thousands)*, detailing the major categories of assets and liabilities, the interest income earned on interest-earning assets, the interest expense paid for interest-bearing liabilities, and the related interest yields for the periods shown. Average information is provided on a daily average basis.

| | Three Months Ended June 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2024 | | | 2023 | | |
| | Average Balance | Income/ Expense | Yield/ Rate[5] | Average Balance | Income/ Expense | Yield/ Rate[5] |
| **Assets** | | | | | | |
| Interest-bearing bank deposits and federal funds sold | $ 236,605 | $ 3,027 | 5.15 % | $ 116,998 | $ 1,311 | 4.49 % |
| Investment securities: | | | | | | |
| U.S. Government obligations | 6,008 | 53 | 3.55 % | 84,944 | 148 | 0.70 % |
| Obligations of states and political subdivisions[1] | 148,647 | 1,068 | 2.89 % | 244,080 | 1,704 | 2.80 % |
| Other securities | 2,582,658 | 18,130 | 2.82 % | 2,926,717 | 19,121 | 2.62 % |
| Loans held for sale | 9,353 | 158 | 6.79 % | 1,941 | 26 | 5.37 % |
| Portfolio loans[1, 2] | 8,010,636 | 109,807 | 5.51 % | 7,755,618 | 95,150 | 4.92 % |
| Total interest-earning assets[1, 3] | 10,993,907 | $ 132,243 | 4.84 % | 11,130,298 | $ 117,460 | 4.23 % |
| Cash and due from banks | 109,776 | | | 118,860 | | |
| Premises and equipment | 122,958 | | | 125,205 | | |
| ACL | (93,187) | | | (92,970) | | |
| Other assets | 956,238 | | | 928,472 | | |
| Total assets | $ 12,089,692 | | | $ 12,209,865 | | |
| **Liabilities and stockholders' equity** | | | | | | |
| Interest-bearing transaction deposits | $ 2,393,016 | $ 10,005 | 1.68 % | $ 2,651,083 | $ 9,549 | 1.44 % |
| Savings and money market deposits | 3,269,075 | 18,746 | 2.31 % | 2,802,675 | 7,717 | 1.10 % |
| Time deposits | 1,589,491 | 14,958 | 3.78 % | 1,343,830 | 9,502 | 2.84 % |
| Federal funds purchased and repurchase agreements | 144,370 | 1,040 | 2.90 % | 201,020 | 1,223 | 2.44 % |
| Borrowings[4] | 255,248 | 3,599 | 5.67 % | 692,150 | 9,293 | 5.39 % |
| Junior subordinated debt issued to unconsolidated trusts | 74,632 | 1,059 | 5.71 % | 71,870 | 945 | 5.27 % |
| Total interest-bearing liabilities | 7,725,832 | $ 49,407 | 2.57 % | 7,762,628 | $ 38,229 | 1.98 % |
| Net interest spread[1] | | | 2.27 % | | | 2.26 % |
| Noninterest-bearing deposits | 2,816,293 | | | 3,054,483 | | |
| Other liabilities | 215,752 | | | 184,819 | | |
| Stockholders' equity | 1,331,815 | | | 1,207,935 | | |
| Total liabilities and stockholders' equity | $ 12,089,692 | | | $ 12,209,865 | | |
| Interest income / earning assets[1, 3] | $ 10,993,907 | $ 132,243 | 4.84 % | $ 11,130,298 | $ 117,460 | 4.23 % |
| Interest expense / earning assets | 10,993,907 | 49,407 | 1.81 % | 11,130,298 | 38,229 | 1.38 % |
| Net interest margin[1] | | $ 82,836 | 3.03 % | | $ 79,231 | 2.86 % |

1. On a tax-equivalent basis and assuming a federal income tax rate of 21.0%. For a reconciliation of non-GAAP measures to the most directly comparable GAAP financial measures, see *"Item 2. Management's Discussion and Analysis—Non-GAAP Financial Information"* included in this Quarterly Report.
2. Non-accrual loans have been included in average portfolio loans.
3. Interest income includes tax-equivalent adjustments of $0.4 million and $0.6 million for the three months ended June 30, 2024 and 2023, respectively.
4. Includes short-term and long-term borrowings. Interest expense includes non-usage fees on a revolving loan.
5. Annualized.

| | Six Months Ended June 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2024 | | | 2023 | | |
| | Average Balance | Income/ Expense | Yield/ Rate[5] | Average Balance | Income/ Expense | Yield/ Rate[5] |
| **Assets** | | | | | | |
| Interest-bearing bank deposits and federal funds sold | $ 362,608 | $ 9,498 | 5.27 % | $ 112,550 | $ 2,299 | 4.12 % |
| Investment securities: | | | | | | |
| U.S. Government obligations | 9,206 | 115 | 2.51 % | 104,970 | 343 | 0.66 % |
| Obligations of states and political subdivisions[1] | 157,047 | 2,215 | 2.84 % | 249,213 | 3,469 | 2.81 % |
| Other securities | 2,655,975 | 36,949 | 2.80 % | 2,953,392 | 37,700 | 2.57 % |
| Loans held for sale | 7,093 | 230 | 6.52 % | 1,796 | 49 | 5.53 % |
| Portfolio loans[1, 2] | 7,804,976 | 209,418 | 5.40 % | 7,733,370 | 185,263 | 4.83 % |
| Total interest-earning assets[1, 3] | 10,996,905 | $ 258,425 | 4.73 % | 11,155,291 | $ 229,123 | 4.14 % |
| Cash and due from banks | 107,679 | | | 117,013 | | |
| Premises and equipment | 122,625 | | | 126,145 | | |
| ACL | (92,662) | | | (92,832) | | |
| Other assets | 922,403 | | | 931,026 | | |
| Total assets | $ 12,056,950 | | | $ 12,236,643 | | |
| **Liabilities and stockholders' equity** | | | | | | |
| Interest-bearing transaction deposits | $ 2,458,886 | $ 20,816 | 1.70 % | $ 2,708,973 | $ 16,487 | 1.23 % |
| Savings and money market deposits | 3,172,640 | 35,134 | 2.23 % | 2,856,635 | 11,669 | 0.82 % |
| Time deposits | 1,659,318 | 31,727 | 3.85 % | 1,152,331 | 13,352 | 2.34 % |
| Federal funds purchased and repurchase agreements | 161,514 | 2,412 | 3.00 % | 215,604 | 2,445 | 2.29 % |
| Borrowings[4] | 253,065 | 7,236 | 5.75 % | 683,796 | 17,666 | 5.21 % |
| Junior subordinated debt issued to unconsolidated trusts | 73,321 | 2,048 | 5.62 % | 71,848 | 1,858 | 5.21 % |
| Total interest-bearing liabilities | 7,778,744 | $ 99,373 | 2.57 % | 7,689,187 | $ 63,477 | 1.66 % |
| Net interest spread[1] | | | 2.16 % | | | 2.48 % |
| Noninterest-bearing deposits | 2,762,439 | | | 3,163,011 | | |
| Other liabilities | 211,997 | | | 194,966 | | |
| Stockholders' equity | 1,303,770 | | | 1,189,479 | | |
| Total liabilities and stockholders' equity | $ 12,056,950 | | | $ 12,236,643 | | |
| Interest income / earning assets[1, 3] | $ 10,996,905 | $ 258,425 | 4.73 % | $ 11,155,291 | $ 229,123 | 4.14 % |
| Interest expense / earning assets | 10,996,905 | 99,373 | 1.82 % | 11,155,291 | 63,477 | 1.15 % |
| Net interest margin[1] | | $ 159,052 | 2.91 % | | $ 165,646 | 2.99 % |

1. On a tax-equivalent basis and assuming a federal income tax rate of 21.0%. For a reconciliation of non-GAAP measures to the most directly comparable GAAP financial measures, see *"Item 2. Management's Discussion and Analysis—Non-GAAP Financial Information"* included in this Quarterly Report.
2. Non-accrual loans have been included in average portfolio loans.
3. Interest income includes tax-equivalent adjustments of $0.9 million and $1.1 million for the six months ended June 30, 2024 and 2023, respectively.
4. Includes short-term and long-term borrowings. Interest expense includes non-usage fees on a revolving loan.
5. Annualized.

Notable changes in average assets and average liabilities are summarized as follows for the periods presented *(dollars in thousands)*:

| | Three Months Ended June 30, | | | |
|---|---|---|---|---|
| | 2024 | 2023 | Change | % Change |
| Average interest-earning assets | $ 10,993,907 | $ 11,130,298 | $ (136,391) | (1.2)% |
| Average interest-bearing liabilities | 7,725,832 | 7,762,628 | (36,796) | (0.5)% |
| Average noninterest-bearing deposits | 2,816,293 | 3,054,483 | (238,190) | (7.8)% |
| | | | | |
| Total average deposits | 10,067,875 | 9,852,071 | 215,804 | 2.2 % |
| Total average liabilities | 10,757,877 | 11,001,930 | (244,053) | (2.2)% |
| | | | | |
| Average noninterest-bearing deposits as a percent of total average deposits | 28.0 % | 31.0 % | (300) bps | |
| Total average deposits as a percent of total average liabilities | 93.6 % | 89.5 % | 410 bps | |

| | Six Months Ended June 30, | | | |
|---|---|---|---|---|
| | 2024 | 2023 | Change | % Change |
| Average interest-earning assets | $ 10,996,905 | $ 11,155,291 | $ (158,386) | (1.4)% |
| Average interest-bearing liabilities | 7,778,744 | 7,689,187 | 89,557 | 1.2 % |
| Average noninterest-bearing deposits | 2,762,439 | 3,163,011 | (400,572) | (12.7)% |
| | | | | |
| Total average deposits | 10,053,283 | 9,880,950 | 172,333 | 1.7 % |
| Total average liabilities | 10,753,180 | 11,047,164 | (293,984) | (2.7)% |
| | | | | |
| Average noninterest-bearing deposits as a percent of total average deposits | 27.5 % | 32.0 % | (450) bps | |
| Total average deposits as a percent of total average liabilities | 93.5 % | 89.4 % | 410 bps | |

Changes in net interest income and net interest margin are summarized as follows for the periods presented *(dollars in thousands)*:

| | Three Months Ended June 30, | | | |
|---|---|---|---|---|
| | 2024 | 2023 | Change | % Change |
| **Net interest income** | | | | |
| Interest income, on a tax-equivalent basis[1] | $ 132,243 | $ 117,460 | $ 14,783 | 12.6 % |
| Interest expense | (49,407) | (38,229) | (11,178) | (29.2)% |
| Net interest income, on a tax-equivalent basis[1] | $ 82,836 | $ 79,231 | $ 3,605 | 4.5 % |
| | | | | |
| Net interest margin[1, 2] | 3.03 % | 2.86 % | 17 bps | |

| | Six Months Ended June 30, | | | |
|---|---|---|---|---|
| | 2024 | 2023 | Change | % Change |
| **Net interest income** | | | | |
| Interest income, on a tax-equivalent basis[1] | $ 258,425 | $ 229,123 | $ 29,302 | 12.8 % |
| Interest expense | (99,373) | (63,477) | (35,896) | (56.5)% |
| Net interest income, on a tax-equivalent basis[1] | $ 159,052 | $ 165,646 | $ (6,594) | (4.0)% |
| | | | | |
| Net interest margin[1, 2] | 2.91 % | 2.99 % | (8) bps | |

1. Assuming a federal income tax rate of 21.0%. For a reconciliation of non-GAAP measures to the most directly comparable GAAP financial measures, see "*Item 2. Management's Discussion and Analysis—Non-GAAP Financial Information*" included in this Quarterly Report.
2. Net interest income expressed as a percentage of average earning assets, stated on a tax-equivalent basis.

The FOMC raised rates by a total of 525 basis points between March 2022 and July 2023. Rising rates initially have a positive impact on net interest margin, as assets, in particular commercial loans, reprice more quickly and to a greater extent than liabilities. As deposit and funding costs increase in response to the tightening rate cycle, and we experience deposit migration into higher cost offerings and funding alternatives, some of the net interest margin expansion is reversed, which we began to experience in the first quarter of 2023. As lower yielding securities and loans continue to mature or renew at higher current market rates, expansion in asset yields has outpaced any remaining lagged pressure on funding costs. Our deposit cost of funds peaked in the beginning of the first quarter of 2024, and we have been able to remain below that peak funding cost each month during the second quarter. We continue to offer CD specials with shorter term structures as well as offering attractive premium savings rates to encourage rotation of maturing CD deposits into nimble pricing products as the expected easing cycle begins. During the second quarter of 2024 we also saw the full benefit of the March 2024 targeted balance sheet repositioning in our net interest margin.

Net interest spread represents the difference between the average rate earned on earning assets and the average rate paid on interest-bearing liabilities, and is presented in the table below for the periods indicated:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| Net interest spread[1] | 2.27 % | 2.26 % | 2.16 % | 2.48 % |

1. Net interest spread is calculated on a tax-equivalent basis.

The net interest margin discussion above is based upon the results and average balances for the three and six months ended June 30, 2024 and 2023. Annualized net interest margins for the quarterly periods indicated were as follows:

| | 2024 | 2023 |
|---|---|---|
| First Quarter | 2.79 % | 3.13 % |
| Second Quarter | 3.03 % | 2.86 % |
| Third Quarter | | 2.80 % |
| Fourth Quarter | | 2.74 % |

Management attempts to mitigate the effects of an unpredictable interest-rate environment through effective portfolio management, prudent loan underwriting and pricing discipline, and operational efficiencies. For a description of accounting policies underlying the recognition of interest income and expense, refer to the Notes to Consolidated Financial Statements in Busey's 2023 Annual Report.

***Noninterest Income***

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

| | Three Months Ended June 30, | | | |
|---|---|---|---|---|
| | 2024 | 2023 | Change | % Change |
| **Noninterest income** | | | | |
| Wealth management and payment technology income: | | | | |
| Wealth management fees | $ 15,917 | $ 14,562 | $ 1,355 | 9.3 % |
| Payment technology solutions | 5,915 | 5,231 | 684 | 13.1 % |
| Combined, wealth management fees and payment technology solutions | 21,832 | 19,793 | 2,039 | 10.3 % |
| Fees for customer services | 7,798 | 7,239 | 559 | 7.7 % |
| Mortgage revenue | 478 | 272 | 206 | 75.7 % |
| Income on bank owned life insurance | 1,442 | 1,029 | 413 | 40.1 % |
| Realized gain on the sale of mortgage servicing rights | 277 | — | 277 | 100.0 % |
| Securities income: | | | | |
| Realized net gains (losses) on securities | (4) | (178) | 174 | 97.8 % |
| Unrealized net gains (losses) recognized on equity securities | (349) | (1,881) | 1,532 | 81.4 % |
| Net securities gains (losses) | (353) | (2,059) | 1,706 | 82.9 % |
| Other noninterest income | 2,327 | 1,738 | 589 | 33.9 % |
| Total noninterest income | $ 33,801 | $ 28,012 | $ 5,789 | 20.7 % |

| | Six Months Ended June 30, | | | |
|---|---|---|---|---|
| | 2024 | 2023 | Change | % Change |
| **Noninterest income** | | | | |
| Wealth management and payment technology solutions income: | | | | |
| Wealth management fees | $ 31,466 | $ 29,359 | $ 2,107 | 7.2 % |
| Payment technology solutions | 11,624 | 10,546 | 1,078 | 10.2 % |
| Combined, wealth management fees and payment technology solutions | 43,090 | 39,905 | 3,185 | 8.0 % |
| Fees for customer services | 14,854 | 14,058 | 796 | 5.7 % |
| Mortgage revenue | 1,224 | 560 | 664 | 118.6 % |
| Income on bank owned life insurance | 2,861 | 2,681 | 180 | 6.7 % |
| Realized gain on the sale of mortgage servicing rights | 7,742 | — | 7,742 | 100.0 % |
| Securities income: | | | | |
| Realized net gains (losses) on securities | (6,806) | (174) | (6,632) | (3,811.5)% |
| Unrealized net gains (losses) recognized on equity securities | 78 | (2,501) | 2,579 | 103.1 % |
| Net securities gains (losses) | (6,728) | (2,675) | (4,053) | (151.5)% |
| Other noninterest income | 5,758 | 5,331 | 427 | 8.0 % |
| Total noninterest income | $ 68,801 | $ 59,860 | $ 8,941 | 14.9 % |
| Assets under care as of period end | $ 13,019,583 | $ 11,477,985 | $ 1,541,598 | 13.4 % |

Total noninterest income was $33.8 million for the three months ended June 30, 2024, an increase of 20.7% from the comparable period in 2023, and was $68.8 million for the six months ended June 30, 2024, an increase of 14.9% from the comparable period in 2023.

Combined, revenues from wealth management fees and payment technology solutions represented 64.6% and 62.6% of Busey's noninterest income for the three and six months ended June 30, 2024, respectively, providing a complement to spread-based revenue from traditional banking activities. On a combined basis, revenue from these two critical operating areas was $21.8 million for the three months ended June 30, 2024, a 10.3% increase from the comparable period in 2023, and was $43.1 million for the six months ended June 30, 2024, an 8.0% increase from the comparable period in 2023.

Wealth management fees were $15.9 million for the three months ended June 30, 2024, a 9.3% increase from the comparable period in 2023, and were $31.5 million for the six months ended June 30, 2024, a 7.2% increase from the comparable period for 2023. Busey's Wealth Management division ended the second quarter of 2024 with $13.0 billion in assets under care, an increase of 13.4% compared to the balance on June 30, 2023. Our portfolio management team continues to focus on long-term returns and managing risk in the face of volatile markets.

Payment technology solutions revenue relates to our payment processing company, FirsTech. Payment technology solutions revenue was $5.9 million for the three months ended June 30, 2024, a 13.1% increase from the comparable period in 2023, and was $11.6 million for the six months ended June 30, 2024, a 10.2% increase from the comparable period in 2023. Increased merchant processing, lockbox processing, online bill payment income, and programming income drove the increases.

Fees for customer services were $7.8 million for the three months ended June 30, 2024, a 7.7% increase from the comparable period in 2023, and were $14.9 million for the six months ended June 30, 2024, a 5.7% increase from the comparable period in 2023.

Mortgage revenue was $0.5 million for the three months ended June 30, 2024, a 75.7% increase from the comparable period in 2023, and was $1.2 million for the six months ended June 30, 2024, a 118.6% increase from the comparable period in 2023. Increases were primarily based on sold-loan mortgage volume. General economic conditions and interest rate volatility may impact future fee income.

Income on bank owned life insurance was $1.4 million for the three months ended June 30, 2024, a 40.1% increase from the comparable period in 2023, and was $2.9 million for the six months ended June 30, 2024, a 6.7% increase from the comparable period in 2023. Quarter to date increases is primarily attributable to a $0.3 million increase in earnings on death proceeds.

A realized gain on the sale of mortgage servicing rights was recognized in connection with our strategic two-part balance sheet repositioning. For more information, see "*Busey executed a two-part balance sheet repositioning strategy*" in the Management Discussion and Analysis included in our Quarterly Report for the first quarter of 2024.

Net securities losses were $0.4 million for the three months ended June 30, 2024, an 82.9% decrease from the comparable period in 2023. Losses for the three months ended June 30, 2024, were comprised primarily of unrealized net losses recognized on equity securities. Net securities losses were $6.7 million for the six months ended June 30, 2024, a 151.5% increase from the comparable period in 2023, comprised of $6.8 million of realized net losses on securities associated with the above mentioned two-part balance sheet repositioning and $0.1 million of unrealized net losses recognized on equity securities.

Other noninterest income was $2.3 million for the three months ended June 30, 2024, a 33.9% increase from the comparable period in 2023, and was $5.8 million for the six months ended June 30, 2024, an 8.0% increase from the comparable period in 2023. Fluctuations are primary attributable to income recognized on venture capital investments, gains on commercial loan sales, swap origination fees, fixed asset disposals, and dividend income on FHLB stock.

***Noninterest Expense***

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

| | Three Months Ended June 30, | | | |
|---|---|---|---|---|
| | 2024 | 2023 | Change | % Change |
| **Noninterest expense** | | | | |
| Salaries, wages, and employee benefits | $ 43,478 | $ 39,859 | $ 3,619 | 9.1 % |
| Data processing | 7,100 | 5,902 | 1,198 | 20.3 % |
| | | | | |
| Premises expenses: | | | | |
| Net occupancy expense of premises | 4,590 | 4,540 | 50 | 1.1 % |
| Furniture and equipment expenses | 1,695 | 1,681 | 14 | 0.8 % |
| Combined, net occupancy expense of premises and furniture and equipment expenses | 6,285 | 6,221 | 64 | 1.0 % |
| | | | | |
| Professional fees | 2,495 | 973 | 1,522 | 156.4 % |
| Amortization of intangible assets | 2,629 | 2,669 | (40) | (1.5)% |
| Interchange expense | 1,733 | 1,870 | (137) | (7.3)% |
| FDIC insurance | 1,460 | 1,506 | (46) | (3.1)% |
| Other noninterest expense | 10,357 | 10,205 | 152 | 1.5 % |
| Total noninterest expense | $ 75,537 | $ 69,205 | $ 6,332 | 9.1 % |
| | | | | |
| Income taxes | $ 11,064 | $ 7,486 | $ 3,578 | 47.8 % |
| Effective income tax rate | 28.8 % | 20.3 % | 850 bps | |
| | | | | |
| Efficiency ratio[1] | 62.3 % | 60.9 % | 140 bps | |
| Adjusted efficiency ratio[1] | 60.6 % | 60.9 % | (30) bps | |

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

| | Six Months Ended June 30, | | | |
|---|---|---|---|---|
| | 2024 | 2023 | Change | % Change |
| **Noninterest expense** | | | | |
| Salaries, wages, and employee benefits | $ 85,568 | $ 80,190 | $ 5,378 | 6.7 % |
| Data processing | 13,650 | 11,542 | 2,108 | 18.3 % |
| | | | | |
| Premises expenses: | | | | |
| Net occupancy expense of premises | 9,310 | 9,302 | 8 | 0.1 % |
| Furniture and equipment expenses | 3,508 | 3,427 | 81 | 2.4 % |
| Combined, net occupancy expense of premises and furniture and equipment expenses | 12,818 | 12,729 | 89 | 0.7 % |
| | | | | |
| Professional fees | 4,748 | 3,031 | 1,717 | 56.6 % |
| Amortization of intangible assets | 5,038 | 5,398 | (360) | (6.7)% |
| Interchange expense | 3,344 | 3,723 | (379) | (10.2)% |
| FDIC insurance | 2,860 | 3,008 | (148) | (4.9)% |
| Other noninterest expense | 18,280 | 19,987 | (1,707) | (8.5)% |
| Total noninterest expense | $ 146,306 | $ 139,608 | $ 6,698 | 4.8 % |
| | | | | |
| Income taxes | $ 19,799 | $ 17,049 | $ 2,750 | 16.1 % |
| Effective income tax rate | 27.0 % | 20.5 % | 650 bps | |
| | | | | |
| Efficiency ratio[1] | 60.2 % | 58.8 % | 140 bps | |
| Adjusted efficiency ratio[1] | 61.1 % | 58.8 % | 230 bps | |
| | | | | |
| Full-time equivalent associates as of period-end | 1,520 | 1,477 | 43 | 2.9 % |

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

Total noninterest expense was $75.5 million for the three months ended June 30, 2024, a 9.1% increase from the comparable period in 2023, and was $146.3 million for the six months ended June 30, 2024, a 4.8% increase from the comparable period in 2023. Non-operating acquisition and other restructuring expenses contributed $2.2 million to total noninterest expense for the three months ended June 30, 2024, compared to an immaterial amount for the comparable period in 2023, and contributed $2.6 million to total noninterest expense for the six months ended June 30, 2024, compared to an immaterial amount for the comparable period in 2023. Second quarter expenses include the costs of operating M&M Bank as a stand-alone bank from April 1, 2024, through June 21, 2024. Busey remains focused on expense discipline and has been purposeful in our efforts to rationalize our expense base given our economic outlook and our view on the future of banking. Busey expects to accelerate the realization of M&M acquisition synergies in the second half of 2024.

Salaries, wages, and employee benefits were $43.5 million for the three months ended June 30, 2024, a 9.1% increase from the comparable period in 2023, and were $85.6 million for the six months ended June 30, 2024, a 6.7% increase from the comparable period in 2023. Busey recorded $1.1 million and $1.3 million of non-operating expenses for salaries, wages, and employee benefits for the three and six months ended June 30, 2024, respectively; in comparison we did not record any non-operating expense in this category during the three and six months ended June 30, 2023. Our total associate base consisted of 1,520 full-time equivalents as of June 30, 2024, compared to 1,477 at June 30, 2023. The increase in our associate-base at June 30, 2024, was largely due to the M&M acquisition. Current trends continue to reflect a competitive labor market, maintaining pressure on costs related to attracting and maintaining our skilled workforce.

Data processing expense was $7.1 million for the three months ended June 30, 2024, a 20.3% increase from the comparable period in 2023. Excluding non-operating expenses, data processing expense was $6.8 million for the three months ended June 30, 2024, a 14.5% increase from the comparable period in 2023. Data processing expense was $13.7 million for the six months ended June 30, 2024, an 18.3% increase from the comparable period in 2023. Excluding non-operating expenses, data processing expense was $13.2 million for the six months ended June 30, 2024, a 14.4% increase from the comparable period in 2023. Increases were primarily attributable to Company-wide investments in technology enhancements, as well as inflation-driven price increases.

Combined, net occupancy expense of premises and furniture and equipment expense totaled $6.3 million for the three months ended June 30, 2024, a 1.0% increase from the comparable period in 2023, and $12.8 million for the six months ended June 30, 2024, a 0.7% increase from the comparable period in 2023. Primary cost drivers in these expense categories include lease costs, repairs and maintenance, depreciation expense, real estate taxes, and utilities.

Professional fees were $2.5 million for the three months ended June 30, 2024, a 156.4% increase from the comparable period in 2023, and were $4.7 million for the six months ended June 30, 2024, a 56.6% increase from the comparable period in 2023. Busey recorded $0.4 million and $0.5 million of non-operating expenses for professional fees for the three and six months ended June 30, 2024, respectively; in comparison we did not record any non-operating expense in this category during the three and six months ended June 30, 2023. Further increases were primarily attributable to legal, payroll services, and consulting fees.

Amortization of intangible assets was $2.6 million for the three months ended June 30, 2024, a 1.5% decrease from the comparable period in 2023, and $5.0 million for the six months ended June 30, 2024, a 6.7% decrease from the comparable period for 2023. Decreases in 2024 were due to the use of an accelerated amortization methodology, and were partially offset by the addition of $6.3 million of intangible assets related to the M&M acquisition.

Interchange expense was $1.7 million for the three months ended June 30, 2024, a 7.3% decrease from the comparable period in 2023, and was $3.3 million for the six months ended June 30, 2024, a 10.2% decrease from the comparable period in 2023. Fluctuations in interchange expense relate to payment and volume activity at FirsTech.

FDIC insurance expense was $1.5 million for the three months ended June 30, 2024, a 3.1% decrease from the comparable period in 2023, and $2.9 million for the six months ended June 30, 2024, a 4.9% decrease from the comparable period in 2023.

Other noninterest expense was $10.4 million for the three months ended June 30, 2024, a 1.5% increase from the comparable period in 2023, and was $18.3 million for the six months ended June 30, 2024, an 8.5% decrease from the comparable period in 2023. In connection with Busey's adoption of ASU 2023-02 on January 1, 2024, Busey began recording amortization of New Markets Tax Credits as income tax expense instead of other noninterest expense, resulting in decreases in other noninterest expense of $2.3 million and $4.5 million for the three and six months ended June 30, 2024, respectively, compared to the same periods in 2023. Further changes in other noninterest expense are attributable to multiple items, including the provision for unfunded commitments, sales of other real estate owned, marketing, and business development expenses.

Efficiency Ratio

The efficiency ratio[2], which is a measure commonly used by management and the banking industry, measures the amount of expense incurred to generate a dollar of revenue. Our efficiency ratio was 62.3% for the three months ended June 30, 2024, compared to 60.9% for the same period in 2023, and was 60.2% for the six months ended June 30, 2024, compared to 58.8% for the same period in 2023.

Our adjusted efficiency ratio[2] was 60.6% for the three months ended June 30, 2024, compared to 60.9% for the same period in 2023, and was 61.1% for the six months ended June 30, 2024, compared to 58.8% for the same period in 2023.

Taxes

Effective income tax rates of 28.8% and 27.0% for the three and six months ended June 30, 2024, respectively, include a one-time deferred tax valuation adjustment of $1.4 million resulting from a change to our Illinois apportionment rate due to recently enacted regulations. These new regulations are expected to lower our ongoing tax obligation in future periods, but create a negative adjustment to the carrying value of our deferred tax assets in the current period. Without this one-time adjustment, the effective tax rates would have been 25.0% for the three and six months ended June 30, 2024, which are lower than the combined federal and state statutory rate of approximately 28.0% due to tax exempt interest income, such as municipal bond interest and bank owned life insurance income.

The table below presents our effective income tax rates and effective income tax rate excluding the one-time deferred tax valuation adjustment *(dollars in thousands)*:

| | Three Months Ended June 30, 2024 | Six Months Ended June 30, 2024 |
|---|---|---|
| Income before income taxes | $ 38,421 | $ 73,381 |
| Income taxes | $ 11,064 | $ 19,799 |
| One-time deferred tax valuation adjustment resulting from a change to our Illinois apportionment rate due to recently enacted regulations | 1,446 | 1,446 |
| Income taxes, excluding one-time deferred tax valuation adjustment | $ 9,618 | $ 18,353 |
| Effective income tax rate | 28.8 % | 27.0 % |
| Effective income tax rate, excluding one-time deferred tax valuation adjustment | 25.0 % | 25.0 % |

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

Our effective tax rates increased in 2024 due to the adoption of ASU 2023-02 in January 2024. We continue to monitor evolving federal and state tax legislation and its potential impact on operations on an ongoing basis. As of June 30, 2024, we were not under income tax examination by any income tax authority.

**FINANCIAL CONDITION**

***Balance Sheet***

Changes in significant items included in our Consolidated Balance Sheets (Unaudited) are summarized as follows as of each of the dates indicated *(dollars in thousands)*:

| | As of | | | |
|---|---|---|---|---|
| | June 30, 2024 | December 31, 2023 | Change | % Change |
| **Assets** | | | | |
| Debt securities available for sale | $ 1,829,896 | $ 2,087,571 | $ (257,675) | (12.3)% |
| Debt securities held to maturity | 851,261 | 872,628 | (21,367) | (2.4)% |
| Portfolio loans, net of ACL | 7,913,686 | 7,559,294 | 354,392 | 4.7 % |
| Total assets | 11,971,416 | 12,283,415 | (311,999) | (2.5)% |
| | | | | |
| **Liabilities** | | | | |
| Deposits: | | | | |
| Noninterest-bearing | 2,832,776 | 2,834,655 | (1,879) | (0.1)% |
| Interest-bearing | 7,143,359 | 7,456,501 | (313,142) | (4.2)% |
| Total deposits | 9,976,135 | 10,291,156 | (315,021) | (3.1)% |
| Securities sold under agreements to repurchase | 140,283 | 187,396 | (47,113) | (25.1)% |
| Subordinated notes, net of unamortized issuance costs | 227,245 | 222,882 | 4,363 | 2.0 % |
| Junior subordinated debt owed to unconsolidated trusts | 74,693 | 71,993 | 2,700 | 3.8 % |
| Total liabilities | 10,637,606 | 11,011,434 | (373,828) | (3.4)% |
| | | | | |
| **Stockholders' equity** | 1,333,810 | 1,271,981 | 61,829 | 4.9 % |

***Portfolio Loans***

We believe that making sound and profitable loans is a necessary and desirable means of employing funds available for investment. Busey maintains lending policies and procedures designed to focus lending efforts on the types, locations, and duration of loans most appropriate for its business model and markets. M&M's policies were similar in nature to Busey Bank's policies, and we are migrating the legacy M&M portfolio toward Busey Bank's policies. While not specifically limited, we attempt to focus our lending on short to intermediate-term (0-10 years) loans in geographic areas within 125 miles of our lending offices. Loans originated outside of these areas are generally to existing customers of Busey Bank. We attempt to utilize government-assisted lending programs, such as the SBA and U.S. Department of Agriculture lending programs, when prudent. Generally, loans are collateralized by assets, primarily real estate, and guaranteed by individuals. Loans are expected to be repaid primarily from cash flows of the borrowers or from proceeds from the sale of selected assets of the borrowers.

Management reviews and approves Busey Bank's lending policies and procedures on a regular basis. Management routinely—at least once per quarter—reviews the ACL in conjunction with reports related to loan production, loan quality, concentrations of credit, loan delinquencies, non-performing loans, and potential problem loans. Our underwriting standards are designed to encourage relationship banking rather than transactional banking. Relationship banking implies a primary banking relationship with the borrower that includes, at a minimum, an active deposit banking relationship in addition to the lending relationship. Significant underwriting factors, in addition to location, duration, a sound and profitable cash flow basis, and the borrower's character, include the quality of the borrower's financial history, the liquidity of the underlying collateral, and the reliability of the valuation of the underlying collateral.

At no time is a borrower's total borrowing relationship permitted to exceed Busey Bank's regulatory lending limit. We generally limit such relationships to amounts substantially less than the regulatory limit. Loans to related parties, including executive officers and directors of First Busey Corporation and its subsidiaries, are reviewed for compliance with regulatory guidelines.

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

Busey Bank's lending activities can be summarized into two primary categories: commercial and retail. Lending is further classified into five primary areas: commercial loans, commercial real estate loans, real estate construction loans, retail real estate loans, and retail other loans. A description of each of the five primary areas can be found in "*Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Portfolio Loans*" of Busey's 2023 Annual Report.

The composition of our loan portfolio as of the dates indicated, as well as changes in portfolio loan balances, were as follows *(dollars in thousands)*:

| | As of | | | |
|---|---|---|---|---|
| | June 30, 2024 | December 31, 2023 | Change | % Change |
| **Commercial loans** | | | | |
| C&I and other commercial | $ 1,942,974 | $ 1,835,994 | $ 106,980 | 5.8 % |
| Commercial real estate | 3,445,514 | 3,337,337 | 108,177 | 3.2 % |
| Real estate construction | 410,726 | 461,717 | (50,991) | (11.0)% |
| Total commercial loans | 5,799,214 | 5,635,048 | 164,166 | 2.9 % |
| **Retail loans** | | | | |
| Retail real estate | 1,727,281 | 1,720,455 | 6,826 | 0.4 % |
| Retail other | 472,417 | 295,531 | 176,886 | 59.9 % |
| Total retail loans | 2,199,698 | 2,015,986 | 183,712 | 9.1 % |
| Total portfolio loans | 7,998,912 | 7,651,034 | 347,878 | 4.5 % |
| ACL | (85,226) | (91,740) | 6,514 | 7.1 % |
| Portfolio loans, net of ACL | $ 7,913,686 | $ 7,559,294 | $ 354,392 | 4.7 % |

Portfolio loan growth in 2024 was due to the M&M acquisition. As has been our practice, we remain steadfast in our conservative approach to underwriting and disciplined approach to pricing, particularly given our outlook for the economy in the coming quarters. This posture will continue to impact loan growth, which we expect to remain modest over the next several quarters.

Concentration of Credit Risk

As a matter of policy and practice, we limit the level of concentration exposure in any particular loan segment with the goal of maintaining a well-diversified loan portfolio. The following table presents the percentage of total portfolio loans in each loan category and class.

| | As of | |
|---|---|---|
| | June 30 2024 | December 31 2023 |
| **Commercial loans** | | |
| C&I and other commercial | 24.3 % | 24.0 % |
| Commercial real estate | 43.1 % | 43.6 % |
| Real estate construction | 5.1 % | 6.0 % |
| Total commercial loans | 72.5 % | 73.6 % |
| **Retail loans** | | |
| Retail real estate | 21.6 % | 22.5 % |
| Retail other | 5.9 % | 3.9 % |
| Total retail loans | 27.5 % | 26.4 % |
| Total portfolio loans | 100.0 % | 100.0 % |

A significant majority of our portfolio lending activity occurs in the Illinois and Missouri markets, with the remainder in the Florida and Indiana markets. The geographic distribution of loans originated in each of these markets is presented in the tables below *(dollars in thousands)*:

| | June 30, 2024 | | | | |
|---|---|---|---|---|---|
| | Illinois | Missouri | Florida | Indiana | Total |
| **Commercial loans** | | | | | |
| C&I and other commercial | $ 1,545,384 | $ 330,847 | $ 23,380 | $ 43,363 | $ 1,942,974 |
| Commercial real estate | 2,375,280 | 642,969 | 251,342 | 175,923 | 3,445,514 |
| Real estate construction | 230,573 | 71,270 | 49,916 | 58,967 | 410,726 |
| Total commercial loans | 4,151,237 | 1,045,086 | 324,638 | 278,253 | 5,799,214 |
| **Retail loans** | | | | | |
| Retail real estate | 1,290,690 | 225,450 | 130,743 | 80,398 | 1,727,281 |
| Retail other | 468,870 | 1,572 | 884 | 1,091 | 472,417 |
| Total retail loans | 1,759,560 | 227,022 | 131,627 | 81,489 | 2,199,698 |
| Total portfolio loans | $ 5,910,797 | $ 1,272,108 | $ 456,265 | $ 359,742 | 7,998,912 |
| ACL | | | | | (85,226) |
| Portfolio loans, net of ACL | | | | | $ 7,913,686 |

| | December 31, 2023 | | | | |
|---|---|---|---|---|---|
| | Illinois | Missouri | Florida | Indiana | Total |
| **Commercial loans** | | | | | |
| C&I and other commercial | $ 1,395,020 | $ 369,767 | $ 25,267 | $ 45,940 | $ 1,835,994 |
| Commercial real estate | 2,278,348 | 671,762 | 219,511 | 167,716 | 3,337,337 |
| Real estate construction | 255,879 | 74,805 | 72,121 | 58,912 | 461,717 |
| Total commercial loans | 3,929,247 | 1,116,334 | 316,899 | 272,568 | 5,635,048 |
| **Retail loans** | | | | | |
| Retail real estate | 1,284,362 | 225,610 | 129,454 | 81,029 | 1,720,455 |
| Retail other | 290,937 | 2,344 | 1,111 | 1,139 | 295,531 |
| Total retail loans | 1,575,299 | 227,954 | 130,565 | 82,168 | 2,015,986 |
| Total portfolio loans | $ 5,504,546 | $ 1,344,288 | $ 447,464 | $ 354,736 | 7,651,034 |
| ACL | | | | | (91,740) |
| Portfolio loans, net of ACL | | | | | $ 7,559,294 |

Commercial real estate loans made up 43.1% of our total loan portfolio as of June 30, 2024, and were 28.2% owner occupied. Commercial real estate loans are made across a variety of industries, as depicted in the table below *(dollars in thousands)*. Balances reflected in the table below do not include loan origination fees or costs, purchase accounting adjustments, SBA discounts, or negative escrow amounts.

| | As of June 30, 2024 | | | | |
|---|---|---|---|---|---|
| | Commercial Real Estate Loans | % of Total Commercial Real Estate Loans | Owned By | | % Owner Occupied |
| | | | Investor | Occupant | |
| **Industry** | | | | | |
| Industrial/Warehouse | $ 684,985 | 19.8 % | $ 306,197 | $ 378,788 | 55.3 % |
| Retail | 577,415 | 16.7 % | 490,572 | 86,843 | 15.0 % |
| Apartments | 555,421 | 16.1 % | 555,421 | — | — % |
| Traditional Office | 369,861 | 10.7 % | 258,872 | 110,989 | 30.0 % |
| Specialty | 330,447 | 9.6 % | 69,268 | 261,179 | 79.0 % |
| Medical Office | 244,591 | 7.1 % | 157,471 | 87,120 | 35.6 % |
| Student Housing | 244,071 | 7.1 % | 244,071 | — | — % |
| Hotel | 184,529 | 5.4 % | 183,933 | 596 | 0.3 % |
| Senior Housing | 141,860 | 4.1 % | 141,860 | — | — % |
| Restaurant | 72,806 | 2.1 % | 25,921 | 46,885 | 64.4 % |
| Nursing Homes | 24,799 | 0.7 % | 23,419 | 1,380 | 5.6 % |
| Health Care | 20,629 | 0.6 % | 20,000 | 629 | 3.0 % |
| Other | 721 | — % | 522 | 199 | 27.6 % |
| Total | $ 3,452,135 | 100.0 % | $ 2,477,527 | $ 974,608 | 28.2 % |

Allowance and Provision for Credit Losses

The ACL is a significant estimate in our unaudited consolidated financial statements, affecting both earnings and capital. The methodology adopted influences, and is influenced by, Busey Bank's overall credit risk management processes. The ACL is recorded in accordance with GAAP to provide an adequate reserve for expected credit losses that is reflective of management's best estimate of what is expected to be collected. Estimates of credit losses are based on a careful consideration of all significant factors affecting collectability as of the evaluation date. The ACL is established through the provision for credit loss expense charged to income. Provision expenses were recorded as follows for each of the periods indicated *(dollars in thousands)*:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| Provision for credit losses | $ 2,277 | $ 627 | $ 7,315 | $ 1,580 |

The ACL and the ratio of ACL to portfolio loan balances is presented below by loan category and class, as of each of the dates indicated *(dollars in thousands)*:

| | As of June 30, 2024 | | | As of December 31, 2023 | | |
|---|---|---|---|---|---|---|
| | Portfolio Loans | ACL | Ratio of ACL to Portfolio Loans | Portfolio Loans | ACL | Ratio of ACL to Portfolio Loans |
| **Commercial** | | | | | | |
| C&I and other commercial | $ 1,942,974 | $ 20,286 | 1.04 % | $ 1,835,994 | $ 21,256 | 1.16 % |
| Commercial real estate | 3,445,514 | 35,104 | 1.02 % | 3,337,337 | 35,465 | 1.06 % |
| Real estate construction | 410,726 | 3,722 | 0.91 % | 461,717 | 5,163 | 1.12 % |
| Total commercial | 5,799,214 | 59,112 | 1.02 % | 5,635,048 | 61,884 | 1.10 % |
| **Retail** | | | | | | |
| Retail real estate | 1,727,281 | 23,729 | 1.37 % | 1,720,455 | 26,298 | 1.53 % |
| Retail other | 472,417 | 2,385 | 0.50 % | 295,531 | 3,558 | 1.20 % |
| Total retail | 2,199,698 | 26,114 | 1.19 % | 2,015,986 | 29,856 | 1.48 % |
| Total | $ 7,998,912 | $ 85,226 | 1.07 % | $ 7,651,034 | $ 91,740 | 1.20 % |

As of June 30, 2024, management believed the level of the ACL to be appropriate based upon the information available. However, additional losses may be identified in our loan portfolio as new information is obtained. The ongoing impacts of CECL will be dependent upon changes in economic conditions and forecasts, originated and acquired loan portfolio composition, prepayment speeds, credit performance trends, portfolio duration, and other factors. The June 30, 2024, ratio of ACL to portfolio loans was impacted by the acquisition of M&M's Life Equity Loan® portfolio, as Busey did not record an allowance for credit loss for these loans due to the probability of loss at default as permitted under the practical expedient provided within ASC 326-20-35-6. The Life Equity Loan® portfolio balance was $293.2 million as of June 30, 2024, and is included in the retail other loan classification.

Non-Performing Loans and Non-Performing Assets

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

Typically, loans are secured by collateral. When a loan is classified as non-accrual and determined to be collateral dependent, it is appropriately reserved or charged down through the ACL to the fair value of our interest in the underlying collateral less estimated costs to sell. Our loan portfolio is collateralized primarily by real estate.

The following table sets forth information concerning non-performing loans and performing restructured loans, as of each of the dates indicated *(dollars in thousands)*:

| | As of | | | |
|---|---|---|---|---|
| | June 30, 2024 | December 31, 2023 | Change | % Change |
| Portfolio loans | $ 7,998,912 | $ 7,651,034 | $ 347,878 | 4.5 % |
| Loans 30 – 89 days past due | 23,463 | 5,779 | 17,684 | 306.0 % |
| Total assets | 11,971,416 | 12,283,415 | (311,999) | (2.5)% |
| | | | | |
| **Non-performing assets** | | | | |
| Non-performing loans: | | | | |
| Non-accrual loans | $ 8,393 | $ 7,441 | $ 952 | 12.8 % |
| Loans 90+ days past due and still accruing | 712 | 375 | 337 | 89.9 % |
| Total non-performing loans | 9,105 | 7,816 | 1,289 | 16.5 % |
| OREO and other repossessed assets | 90 | 125 | (35) | (28.0)% |
| Total non-performing assets | 9,195 | 7,941 | 1,254 | 15.8 % |
| Substandard (excludes 90+ days past due) | 86,579 | 64,347 | 22,232 | 34.6 % |
| Classified assets | $ 95,774 | $ 72,288 | $ 23,486 | 32.5 % |
| | | | | |
| ACL | $ 85,226 | $ 91,740 | $ (6,514) | (7.1)% |
| Bank Tier 1 Capital | 1,410,287 | 1,362,962 | 47,325 | 3.5 % |
| | | | | |
| **Ratios** | | | | |
| ACL to portfolio loans | 1.07 % | 1.20 % | (13) bps | |
| ACL to non-accrual loans | 1,015.44 % | 1,232.90 % | NM | |
| ACL to non-performing loans | 936.04 % | 1,173.75 % | NM | |
| ACL to non-performing assets | 926.87 % | 1,155.27 % | NM | |
| Non-accrual loans to portfolio loans | 0.10 % | 0.10 % | — bps | |
| Non-performing loans to portfolio loans | 0.11 % | 0.10 % | 1 bps | |
| Non-performing assets to total assets | 0.08 % | 0.06 % | 2 bps | |
| Non-performing assets to portfolio loans and OREO and other repossessed assets | 0.11 % | 0.10 % | 1 bps | |
| Classified assets to Bank Tier 1 Capital and ACL | 6.40 % | 4.97 % | 143 bps | |

Asset quality remains strong by both Busey's historical and current industry trends, and our operating mandate and focus have been on emphasizing credit quality over asset growth.

Non-performing loan balances increased to $9.1 million as of June 30, 2024, compared to $7.8 million as of December 31, 2023. Non-performing loans represented 0.11% of portfolio loans as of June 30, 2024, compared to 0.10% as of December 31, 2023. Our allowance for credit losses provided 936.04% coverage of non-performing loans at June 30, 2024, compared to 1,173.75% at December 31, 2023.

Non-performing assets, which includes non-performing loans, OREO, and other repossessed assets, increased to $9.2 million as of June 30, 2024, compared to $7.9 million as of December 31, 2023. Non-performing assets represented 0.08% of total assets as of June 30, 2024, compared to 0.06% as of December 31, 2023. Our allowance for credit losses provided 926.87% coverage of our non-performing assets at June 30, 2024, compared to 1,155.27% at December 31, 2023.

Classified assets, which includes non-performing assets and substandard loans, increased to $95.8 million as of June 30, 2024, compared to $72.3 million as of December 31, 2023. Classified assets represented 6.40% of Busey Bank's Tier 1 capital and ACL at June 30, 2024, compared to 4.97% at December 31, 2023.

Net charge-offs totaled $9.9 million and $15.1 million for the three and six months ended June 30, 2024, respectively, compared to $0.7 million and $1.5 million for the comparable periods in 2023. Increases in net charge-offs during both the first and second quarters of 2024 were attributable to a single C&I credit relationship.

Asset quality metrics remain dependent upon market-specific economic conditions, and specific measures may fluctuate from period to period. If economic conditions were to deteriorate, we would expect the credit quality of our loan portfolio to decline and loan defaults to increase.

Potential Problem Loans

Potential problem loans are loans classified as substandard which are not individually evaluated, non-accrual, or 90+ days past due, but where current information indicates that the borrower may not be able to comply with loan repayment terms. Management assesses the potential for loss on such loans and considers the effect of any potential loss in determining its provision for expected credit losses. Potential problem loans increased to $86.6 million as of June 30, 2024, compared to $64.3 million as of December 31, 2023. Management continues to monitor these loans and anticipates that restructurings, guarantees, additional collateral, or other planned actions will result in full repayment of the debts. As of June 30, 2024, management identified no other loans that represent or result from trends or uncertainties which would be expected to materially impact future operating results, liquidity, or capital resources.

***Deposits***

Total deposits decreased by 3.1% to $10.0 billion as of June 30, 2024, compared to $10.3 billion as of December 31, 2023. The quality of our core deposit[3] franchise coupled with cash flows from our securities portfolio allows us to fund loan growth while limiting our reliance on higher cost wholesale funding alternatives. We focus on deepening our relationships with customers to maintain and protect our strong core deposit franchise. As of June 30, 2024, our average customer tenure was 16.8 years for retail customers and 12.5 years for commercial customers. Core deposits include non-brokered transaction accounts, money market and savings deposit accounts, and time deposits of $250,000 or less. Core deposits represented 96.4% of total deposits as of June 30, 2024, compared to 96.2% as of December 31, 2023. Our estimated amount of uninsured deposits was $3.7 billion as of June 30, 2024, compared to $3.8 billion as of December 31, 2023.

[3] Core deposits is a non-GAAP financial measure. For a reconciliation of non-GAAP measures to the most directly comparable GAAP financial measures, see *"Item 2. Management's Discussion and Analysis—Non-GAAP Financial Information"* included in this Quarterly Report.

***Liquidity***

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

Average liquid assets are summarized in the table below *(dollars in thousands)*:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| **Average liquid assets** | | | | |
| Cash and due from banks | $ 109,776 | $ 118,860 | $ 107,679 | $ 117,013 |
| Interest-bearing bank deposits | 236,605 | 116,998 | 362,608 | 112,550 |
| Total average liquid assets | $ 346,381 | $ 235,858 | $ 470,287 | $ 229,563 |
| | | | | |
| Average liquid assets as a percent of average total assets | 2.9 % | 1.9 % | 3.9 % | 1.9 % |

Cash and unencumbered securities on our Consolidated Balance Sheets (Unaudited) are summarized as follows *(dollars in thousands)*:

| | As of | |
|---|---|---|
| | June 30, 2024 | December 31, 2023 |
| **Cash and unencumbered securities** | | |
| Total cash and cash equivalents | $ 285,269 | $ 719,581 |
| Debt securities available for sale | 1,829,896 | 2,087,571 |
| Debt securities available for sale pledged as collateral | (591,658) | (649,769) |
| Cash and unencumbered securities | $ 1,523,507 | $ 2,157,383 |

Busey's primary sources of funds consist of deposits, investment maturities and sales, loan principal repayments, and capital funds. Additional liquidity is provided by the ability to borrow from the FHLB, the Federal Reserve, and our revolving credit facility, as summarized in the table below *(dollars in thousands)*:

| | As of | |
|---|---|---|
| | June 30, 2024 | December 31, 2023 |
| **Additional available borrowing capacity** | | |
| FHLB | $ 1,978,784 | $ 1,898,737 |
| Federal Reserve Bank | 645,645 | 598,878 |
| Federal funds purchased | 477,500 | 482,500 |
| Revolving credit facility | 40,000 | 40,000 |
| Additional borrowing capacity | $ 3,141,929 | $ 3,020,115 |

Further, the company could utilize brokered deposits as additional sources of liquidity, as needed.

As of June 30, 2024, management believed that adequate liquidity existed to meet all projected cash flow obligations. We seek to achieve a satisfactory degree of liquidity by actively managing both assets and liabilities. Asset management guides the proportion of liquid assets to total assets, while liability management monitors future funding requirements and prices liabilities accordingly.

***Off-Balance-Sheet Arrangements***

Busey Bank routinely enters into commitments to extend credit and standby letters of credit in the normal course of business to meet the financing needs of its customers. The balance of commitments to extend credit represents future cash requirements and some of these commitments may expire without being drawn upon.

The following table summarizes our outstanding commitments and reserves for unfunded commitments *(dollars in thousands)*:

| | As of | |
|---|---|---|
| | June 30, 2024 | December 31, 2023 |
| Outstanding loan commitments and standby letters of credit | $ 2,509,424 | $ 2,176,496 |
| Reserve for unfunded commitments | 6,015 | 7,062 |

The following table summarizes our provision for unfunded commitments expenses (releases) for the periods presented *(dollars in thousands)*:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| Provision for unfunded commitments expense (release) | $ (369) | $ 265 | $ (1,047) | $ (370) |

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.

***Capital Resources***

Our capital ratios are in excess of those required to be considered "well-capitalized" pursuant to applicable regulatory guidelines. The Federal Reserve Board uses capital adequacy guidelines in its examination and regulation of bank holding companies and their subsidiary banks. Risk-based capital ratios are established by allocating assets and certain off-balance-sheet commitments into risk-weighted categories. These balances are then multiplied by the factor appropriate for that risk-weighted category. In order to refrain from restrictions on dividends, equity repurchases, and discretionary bonus payments, banking institutions must maintain capital in excess of regulatory minimum capital requirements. The table below presents minimum capital ratios that include the capital conservation buffer in comparison to the capital ratios for First Busey and Busey Bank as of June 30, 2024:

| | | As of June 30, 2024 | |
|---|---|---|---|
| | Minimum Capital Requirements with Capital Buffer | First Busey | Busey Bank |
| Common Equity Tier 1 Capital to Risk Weighted Assets | 7.00 % | 13.20 % | 15.59 % |
| Tier 1 Capital to Risk Weighted Assets | 8.50 % | 14.04 % | 15.59 % |
| Total Capital to Risk Weighted Assets | 10.50 % | 17.50 % | 16.54 % |
| Leverage Ratio of Tier 1 Capital to Average Assets | 6.50 % | 10.69 % | 11.83 % |

For further discussion of capital resources and requirements, see *"Note 7: Regulatory Capital."*

**NON-GAAP FINANCIAL INFORMATION**

This Quarterly Report contains certain financial information determined by methods other than in accordance with GAAP. Management uses these non-GAAP financial measures and non-GAAP ratios, together with the related GAAP financial measures, in analysis of Busey's performance and in making business decisions, as well as for comparison to Busey's peers. We believe the adjusted measures are useful for investors and management to understand the effects of certain non-core and non-recurring noninterest items and provide additional perspective on our performance over time.

Non-GAAP disclosures have inherent limitations and are not audited. They should not be considered in isolation or as a substitute for the results reported in accordance with GAAP, nor are they necessarily comparable to non-GAAP performance measures that may be presented by other companies. Tax effected numbers included in these non-GAAP disclosures are based on estimated statutory rates and effective rates as appropriate.

A listing of Busey's non-GAAP financial measures and ratios are shown in the table below, together with the related GAAP financial measures.

| GAAP Financial Measures | Related Non-GAAP Financial Measures | Related Non-GAAP Ratios |
|---|---|---|
| Net interest income<br>Total noninterest income<br>Net security gains and losses<br>Total noninterest expense | Pre-provision net revenue | Pre-provision net revenue to average assets |
| | Adjusted pre-provision net revenue | Adjusted pre-provision net revenue to average assets |
| Net income | Adjusted net income | Adjusted diluted earnings per share |
| | | Adjusted return on average assets |
| | | Adjusted return on average tangible common equity |
| Average common equity | Average tangible common equity | Return on average tangible common equity |
| | | Adjusted return on average tangible common equity |
| Net interest income | Tax-equivalent net interest income | Net interest margin |
| | Adjusted net interest income | Adjusted net interest margin |
| Net interest income<br>Total noninterest income<br>Net security gains and losses | Tax-equivalent revenue | Efficiency ratio |
| | Adjusted tax-equivalent revenue | Adjusted efficiency ratio |
| | | Adjusted core efficiency ratio |
| | Adjusted noninterest income | |
| Total noninterest expense<br>Amortization of intangible assets | Noninterest expense excluding amortization of intangible assets | Efficiency ratio |
| | Adjusted noninterest expense | Adjusted efficiency ratio |
| | Adjusted core expense | Adjusted core efficiency ratio |
| Total noninterest expense | Noninterest expense, excluding non-operating adjustments | |
| Total assets<br>Goodwill and other intangible assets, net | Tangible assets | Tangible common equity to tangible assets |
| Total stockholders' equity<br>Goodwill and other intangible assets, net | Tangible common equity | Tangible common equity to tangible assets |
| | Tangible book value | Tangible book value per common share |
| Total deposits | Core deposits | Core deposits to total deposits |
| | | Portfolio loans to core deposits |

A reconciliation of non-GAAP financial measures to what management believes to be the most directly comparable GAAP financial measures appears below.

**RECONCILIATION OF NON-GAAP FINANCIAL MEASURES (Unaudited)**

**Pre-Provision Net Revenue, Adjusted Pre-Provision Net Revenue, Pre-Provision Net Revenue to Average Assets, and Adjusted Pre-Provision Net Revenue to Average Assets**

*(dollars in thousands)*

| | | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|---|
| | | 2024 | 2023 | 2024 | 2023 |
| **PRE-PROVISION NET REVENUE** | | | | | |
| **Net interest income** | | $ 82,434 | $ 78,670 | $ 158,201 | $ 164,527 |
| **Total noninterest income** | | 33,801 | 28,012 | 68,801 | 59,860 |
| **Net security (gains) losses** | | 353 | 2,059 | 6,728 | 2,675 |
| **Total noninterest expense** | | (75,537) | (69,205) | (146,306) | (139,608) |
| Pre-provision net revenue | | 41,051 | 39,536 | 87,424 | 87,454 |
| Non-GAAP adjustments: | | | | | |
| Acquisition and other restructuring expenses | | 2,212 | 12 | 2,620 | 12 |
| Provision for unfunded commitments | | (369) | 265 | (1,047) | (370) |
| Amortization of NMTC | | — | 2,259 | — | 4,480 |
| Gain on sale of mortgage service rights | | (277) | — | (7,742) | — |
| Adjusted pre-provision net revenue | | $ 42,617 | $ 42,072 | $ 81,255 | $ 91,576 |
| | | | | | |
| Pre-provision net revenue, annualized | [a] | $ 165,106 | $ 158,578 | $ 175,809 | $ 176,358 |
| Adjusted pre-provision net revenue, annualized | [b] | 171,405 | 168,750 | 163,403 | 184,670 |
| Average total assets | [c] | 12,089,692 | 12,209,865 | 12,056,950 | 12,236,643 |
| | | | | | |
| **Reported:** Pre-provision net revenue to average assets[1] | [a÷c] | 1.37 % | 1.30 % | 1.46 % | 1.44 % |
| **Adjusted:** Pre-provision net revenue to average assets[1] | [b÷c] | 1.42 % | 1.38 % | 1.36 % | 1.51 % |

1. Annualized measure.

**RECONCILIATION OF NON-GAAP FINANCIAL MEASURES (Unaudited)**

**Adjusted Net Income, Adjusted Diluted Earnings Per Share, Adjusted Return on Average Assets, Average Tangible Common Equity, Return on Average Tangible Common Equity, and Adjusted Return on Average Tangible Common Equity**

*(dollars in thousands, except per share amounts)*

| | | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|---|
| | | 2024 | 2023 | 2024 | 2023 |
| **NET INCOME ADJUSTED FOR NON-OPERATING ITEMS** | | | | | |
| **Net income** | [a] | $ 27,357 | $ 29,364 | $ 53,582 | $ 66,150 |
| Non-GAAP adjustments for non-operating items: | | | | | |
| Acquisition expenses: | | | | | |
| Salaries, wages, and employee benefits | | 1,137 | — | 1,137 | — |
| Data processing | | 344 | — | 444 | — |
| Professional fees, occupancy, furniture and fixtures, and other | | 731 | 12 | 916 | 12 |
| Other restructuring expenses: | | | | | |
| Salaries, wages, and employee benefits | | — | — | 123 | — |
| Related tax benefit[1] | | (553) | (3) | (655) | (3) |
| Adjusted net income | [b] | $ 29,016 | $ 29,373 | $ 55,547 | $ 66,159 |
| | | | | | |
| **DILUTED EARNINGS PER SHARE** | | | | | |
| Diluted average common shares outstanding | [c] | 57,853,231 | 56,195,801 | 57,129,865 | 56,187,820 |
| | | | | | |
| **Reported:** Diluted earnings per share | [a÷c] | 0.47 | 0.52 | 0.94 | 1.18 |
| **Adjusted:** Diluted earnings per share | [b÷c] | 0.50 | 0.52 | 0.97 | 1.18 |
| | | | | | |
| **RETURN ON AVERAGE ASSETS** | | | | | |
| Net income, annualized | [d] | $ 110,029 | $ 117,779 | $ 107,753 | $ 133,396 |
| Adjusted net income, annualized | [e] | 116,702 | 117,815 | 111,704 | 133,415 |
| Average total assets | [f] | 12,089,692 | 12,209,865 | 12,056,950 | 12,236,643 |
| | | | | | |
| **Reported:** Return on average assets[2] | [d÷f] | 0.91 % | 0.96 % | 0.89 % | 1.09 % |
| **Adjusted:** Return on average assets[2] | [e÷f] | 0.97 % | 0.96 % | 0.93 % | 1.09 % |
| | | | | | |
| **RETURN ON AVERAGE TANGIBLE COMMON EQUITY** | | | | | |
| Average common equity | | $ 1,331,815 | $ 1,207,935 | $ 1,303,770 | $ 1,189,479 |
| Average goodwill and other intangible assets, net | | (376,224) | (360,641) | (364,620) | (361,990) |
| Average tangible common equity | [g] | $ 955,591 | $ 847,294 | $ 939,150 | $ 827,489 |
| | | | | | |
| **Reported:** Return on average tangible common equity[2] | [d÷g] | 11.51 % | 13.90 % | 11.47 % | 16.12 % |
| **Adjusted:** Return on average tangible common equity[2] | [e÷g] | 12.21 % | 13.90 % | 11.89 % | 16.12 % |

1. Tax benefits were calculated by multiplying acquisition expenses and other restructuring expenses by the effective tax rate for each period. Effective tax rates used in this calculation were 25.0% and 20.5% for the three months ended June 30, 2024 and 2023, respectively, and were 25.0% and 20.5% for the six months ended June 30, 2024 and 2023.
2. Annualized measure.

**RECONCILIATION OF NON-GAAP FINANCIAL MEASURES (Unaudited)**

**Adjusted Net Interest Income and Adjusted Net Interest Margin**

*(dollars in thousands)*

| | | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|---|
| | | 2024 | 2023 | 2024 | 2023 |
| **Net interest income** | | $ 82,434 | $ 78,670 | $ 158,201 | $ 164,527 |
| Non-GAAP adjustments: | | | | | |
| Tax-equivalent adjustment[1] | | 402 | 561 | 851 | 1,119 |
| Tax-equivalent net interest income | | 82,836 | 79,231 | 159,052 | 165,646 |
| Purchase accounting accretion related to business combinations | | (812) | (413) | (1,016) | (816) |
| Adjusted net interest income | | $ 82,024 | $ 78,818 | $ 158,036 | $ 164,830 |
| | | | | | |
| Tax-equivalent net interest income, annualized | [a] | $ 333,165 | $ 317,795 | $ 319,852 | $ 334,038 |
| Adjusted net interest income, annualized | [b] | 329,899 | 316,138 | 317,809 | 332,392 |
| Average interest-earning assets | [c] | 10,993,907 | 11,130,298 | 10,996,905 | 11,155,291 |
| | | | | | |
| **Reported:** Net interest margin[2] | [a÷c] | 3.03 % | 2.86 % | 2.91 % | 2.99 % |
| **Adjusted:** Net interest margin[2] | [b÷c] | 3.00 % | 2.84 % | 2.89 % | 2.98 % |

1. Tax-equivalent adjustments were calculated using an estimated federal income tax rate of 21%, applied to non-taxable interest income on investments and loans.
2. Annualized measure.

**RECONCILIATION OF NON-GAAP FINANCIAL MEASURES (Unaudited)**

**Adjusted Noninterest Income, Operating Revenue, Adjusted Noninterest Income to Operating Revenue, Noninterest Expense Excluding Amortization of Intangible Assets, Adjusted Noninterest Expense, Adjusted Core Expense, Noninterest Expense Excluding Non-Operating Adjustments, Efficiency Ratio, Adjusted Efficiency Ratio, and Adjusted Core Efficiency Ratio**

*(dollars in thousands)*

| | | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|---|
| | | 2024 | 2023 | 2024 | 2023 |
| **Net interest income** | [a] | $ 82,434 | $ 78,670 | $ 158,201 | $ 164,527 |
| Non-GAAP adjustments: | | | | | |
| Tax-equivalent adjustment[1] | | 402 | 561 | 851 | 1,119 |
| Tax-equivalent net interest income | [b] | $ 82,836 | $ 79,231 | $ 159,052 | $ 165,646 |
| | | | | | |
| **Total noninterest income** | | $ 33,801 | $ 28,012 | $ 68,801 | $ 59,860 |
| Non-GAAP adjustments: | | | | | |
| Net security (gains) losses | | 353 | 2,059 | 6,728 | 2,675 |
| Noninterest income excluding net securities gains and losses | [c] | 34,154 | 30,071 | 75,529 | 62,535 |
| Further adjustments: | | | | | |
| Gain on sale of mortgage servicing rights | | (277) | — | (7,742) | — |
| Adjusted noninterest income | [d] | $ 33,877 | $ 30,071 | $ 67,787 | $ 62,535 |
| | | | | | |
| Tax-equivalent revenue | [e = b+c] | $ 116,990 | $ 109,302 | $ 234,581 | $ 228,181 |
| Adjusted tax-equivalent revenue | [f = b+d] | 116,713 | 109,302 | 226,839 | 228,181 |
| Operating revenue | [g = a+d] | 116,311 | 108,741 | 225,988 | 227,062 |
| | | | | | |
| Adjusted noninterest income to operating revenue | [d÷g] | 29.13 % | 27.65 % | 30.00 % | 27.54 % |

(continued)

**RECONCILIATION OF NON-GAAP FINANCIAL MEASURES (Unaudited)**

**Adjusted Noninterest Income, Operating Revenue, Adjusted Noninterest Income to Operating Revenue, Noninterest Expense Excluding Amortization of Intangible Assets, Adjusted Noninterest Expense, Adjusted Core Expense, Noninterest Expense Excluding Non-Operating Adjustments, Efficiency Ratio, Adjusted Efficiency Ratio, and Adjusted Core Efficiency Ratio (Continued)**

*(dollars in thousands)*

| | | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|---|
| | | 2024 | 2023 | 2024 | 2023 |
| **Total noninterest expense** | | $ 75,537 | $ 69,205 | $ 146,306 | $ 139,608 |
| Non-GAAP adjustments: | | | | | |
| Amortization of intangible assets | [h] | (2,629) | (2,669) | (5,038) | (5,398) |
| Noninterest expense excluding amortization of intangible assets | [i] | 72,908 | 66,536 | 141,268 | 134,210 |
| Non-operating adjustments: | | | | | |
| Salaries, wages, and employee benefits | | (1,137) | — | (1,260) | — |
| Data processing | | (344) | — | (444) | — |
| Professional fees, occupancy, furniture and fixtures, and other | | (731) | (12) | (916) | (12) |
| Adjusted noninterest expense | [j] | 70,696 | 66,524 | 138,648 | 134,198 |
| Provision for unfunded commitments | | 369 | (265) | 1,047 | 370 |
| Amortization of NMTC | | — | (2,259) | — | (4,480) |
| Adjusted core expense | [k] | $ 71,065 | $ 64,000 | $ 139,695 | $ 130,088 |
| | | | | | |
| Noninterest expense, excluding non-operating adjustments | [j-h] | $ 73,325 | $ 69,193 | $ 143,686 | $ 139,596 |
| | | | | | |
| **Reported:** Efficiency ratio | [i÷e] | 62.32 % | 60.87 % | 60.22 % | 58.82 % |
| **Adjusted:** Efficiency ratio | [j÷f] | 60.57 % | 60.86 % | 61.12 % | 58.81 % |
| **Adjusted:** Core efficiency ratio | [k÷f] | 60.89 % | 58.55 % | 61.58 % | 57.01 % |

1. The tax-equivalent adjustments were calculated using an estimated federal income tax rate of 21%, applied to non-taxable interest income on investments and loans.

**RECONCILIATION OF NON-GAAP FINANCIAL MEASURES (Unaudited)**

**Tangible Book Value and Tangible Book Value Per Common Share**

*(dollars in thousands, except per share amounts)*

| | | As of | |
|---|---|---|---|
| | | June 30 2024 | December 31 2023 |
| **Total stockholders' equity** | | $ 1,333,810 | $ 1,271,981 |
| Goodwill and other intangible assets, net | | (370,580) | (353,864) |
| Tangible book value | [a] | $ 963,230 | $ 918,117 |
| | | | |
| Ending number of common shares outstanding | [b] | 56,746,937 | 55,244,119 |
| | | | |
| Tangible book value per common share | [a÷b] | $ 16.97 | $ 16.62 |

**Tangible Assets, Tangible Common Equity, and Tangible Common Equity to Tangible Assets**

*(dollars in thousands)*

| | | As of | |
|---|---|---|---|
| | | June 30, 2024 | December 31, 2023 |
| **Total assets** | | $ 11,971,416 | $ 12,283,415 |
| Non-GAAP adjustments: | | | |
| Goodwill and other intangible assets, net | | (370,580) | (353,864) |
| Tax effect of other intangible assets[1] | | 7,687 | 6,888 |
| Tangible assets[2] | [a] | $ 11,608,523 | $ 11,936,439 |
| | | | |
| **Total stockholders' equity** | | $ 1,333,810 | $ 1,271,981 |
| Non-GAAP adjustments: | | | |
| Goodwill and other intangible assets, net | | (370,580) | (353,864) |
| Tax effect of other intangible assets[1] | | 7,687 | 6,888 |
| Tangible common equity[2] | [b] | $ 970,917 | $ 925,005 |
| | | | |
| Tangible common equity to tangible assets[2] | [b÷a] | 8.36 % | 7.75 % |

1. Net of estimated deferred tax liability, calculated using the estimated statutory tax rate of 28%.
2. Tax-effected measure.

**RECONCILIATION OF NON-GAAP FINANCIAL MEASURES (Unaudited)**

**Core Deposits, Core Deposits to Total Deposits, and Portfolio Loans to Core Deposits**

*(dollars in thousands)*

| | | As of | |
|---|---|---|---|
| | | June 30, 2024 | December 31, 2023 |
| **Portfolio loans** | [a] | $ 7,998,912 | $ 7,651,034 |
| | | | |
| **Total deposits** | [b] | $ 9,976,135 | $ 10,291,156 |
| Non-GAAP adjustments: | | | |
| Brokered deposits, excluding brokered time deposits of $250,000 or more | | (43,089) | (6,001) |
| Time deposits of $250,000 or more | | (314,461) | (386,286) |
| Core deposits | [c] | $ 9,618,585 | $ 9,898,869 |
| | | | |
| **RATIOS** | | | |
| Core deposits to total deposits | [c÷b] | 96.42 % | 96.19 % |
| Portfolio loans to core deposits | [a÷c] | 83.16 % | 77.29 % |

**FORWARD-LOOKING STATEMENTS**

Statements made in this Quarterly Report, other than those concerning historical financial information, may be considered forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 with respect to Busey's financial condition, results of operations, plans, objectives, future performance, and business. Forward-looking statements, which may be based upon beliefs, expectations, and assumptions of Busey's management, and on information currently available to management, are generally identifiable by the use of words such as "believe," "expect," "anticipate," "plan," "intend," "estimate," "may," "will," "would," "could," "should," or other similar expressions. Additionally, all statements in this Quarterly Report, including forward-looking statements, speak only as of the date they are made, and Busey undertakes no obligation to update any statement in light of new information or future events. A number of factors, many of which are beyond the ability of Busey to control or predict, could cause actual results to differ materially from those in any forward-looking statements. These factors include, among others, the following: (1) the strength of the local, state, national, and international economy (including effects of inflationary pressures and supply chain constraints); (2) the economic impact of any future terrorist threats or attacks, widespread disease or pandemics, or other adverse external events that could cause economic deterioration or instability in credit markets (including Russia's invasion of Ukraine and the Israeli-Palestinian conflict); (3) changes in state and federal laws, regulations, and governmental policies concerning Busey's general business (including changes in response to the failures of other banks or as a result of the upcoming 2024 presidential election); (4) changes in accounting policies and practices; (5) changes in interest rates and prepayment rates of Busey's assets (including the impact of sustained elevated interest rates) (6) increased competition in the financial services sector (including from non-bank competitors such as credit unions and fintech companies) and the inability to attract new customers; (7) changes in technology and the ability to develop and maintain secure and reliable electronic systems; (8) the loss of key executives or associates; (9) changes in consumer spending; (10) unexpected results of acquisitions (including the acquisition of M&M); (11) unexpected outcomes of existing or new litigation, investigations, or inquiries involving Busey (including with respect to Busey's Illinois franchise taxes); (12) fluctuations in the value of securities held in Busey's securities portfolio; (13) concentrations within Busey's loan portfolio (including commercial real estate loans), large loans to certain borrowers, and large deposits from certain clients; (14) the concentration of large deposits from certain clients who have balances above current FDIC insurance limits and may withdraw deposits to diversify their exposure; (15) the level of non-performing assets on Busey's balance sheets; (16) interruptions involving information technology and communications systems or third-party servicers; (17) breaches or failures of information security controls or cybersecurity-related incidents; and (18) the economic impact of exceptional weather occurrences such as tornadoes, hurricanes, floods, blizzards, and droughts. These risks and uncertainties should be considered in evaluating forward-looking statements and undue reliance should not be placed on such statements.

Additional information concerning Busey and its business, including additional factors that could materially affect Busey's financial results, is included in Busey's filings with the Securities and Exchange Commission including Busey's 2023 Annual Report.

**CRITICAL ACCOUNTING ESTIMATES**

Busey has established various accounting policies that govern the application of GAAP in the preparation of its unaudited consolidated financial statements. Significant accounting policies are described in "*Note 1. Significant Accounting Policies*" of Busey's 2023 Annual Report.

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

***Fair Value of Debt Securities Available for Sale***

Fair values of debt securities available for sale are measurements from an independent pricing service and are based on observable data that may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, live trading levels, trade execution data, market consensus prepayment speeds, credit information, and the security's terms and conditions, among other things. Different fair value estimates could result from the use of different judgments and estimates to determine the fair values of securities.

Realized securities gains or losses are reported in the Consolidated Statements of Income (Unaudited). The cost of securities sold is based on the specific identification method.

A debt security available for sale is impaired if the fair value of the security declines below its amortized cost basis. To determine the appropriate accounting, we must first determine if we intend to sell the security or if it is more likely than not that we will be required to sell the security before the fair value increases to at least the amortized cost basis. If either of those selling events is expected, we will write down the amortized cost basis of the security to its fair value. This is achieved by writing off any previously recorded allowance related to the debt security, if applicable, and recognizing any incremental impairment through earnings. If we do not intend to sell the security, nor believe it more likely than not that we will be required to sell the security before the fair value recovers to the amortized cost basis, we must determine whether any of the decline in fair value has resulted from a credit loss, or if it is entirely the result of noncredit factors.

We consider the following factors in assessing whether the decline is due to a credit loss:

- Extent to which the fair value is less than the amortized cost basis;
- adverse conditions specifically related to the security, an industry, or a geographic area (for example, changes in the financial condition of the issuer of the security, or in the case of an asset-backed debt security, in the financial condition of the underlying loan obligors);
- payment structure of the debt security and the likelihood of the issuer being able to make payments that increase in the future;
- failure of the issuer of the security to make scheduled interest or principal payments; and
- any changes to the rating of the security by a rating agency.

Impairment related to a credit loss must be measured using the discounted cash flow method. Credit loss recognition is limited to the fair value of the security. Impairment is recognized by establishing an allowance for the debt security through the provision for credit losses. Impairment related to noncredit factors is recognized in AOCI, net of applicable taxes.

***Fair Value of Assets Acquired and Liabilities Assumed in Business Combinations***

Business combinations are accounted for using the acquisition method of accounting. Under the acquisition method of accounting, assets acquired and liabilities assumed are recorded at their estimated fair value on the date of acquisition. Fair values are determined based on the definition of "fair value" defined in ASC Topic 820 *"Fair Value Measurement"* as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date."

The fair value of a loan portfolio acquired in a business combination generally requires greater levels of management estimates and judgment than other assets acquired or liabilities assumed. Acquired loans are within the scope of ASC Topic 326 *"Financial Instruments-Credit Losses."* However, the offset to record the allowance on acquired loans at the date of acquisition depends on whether or not the loan is classified as PCD. The allowance for PCD loans is recorded through a gross-up effect, while the allowance for acquired non-PCD loans is recorded through provision expense, consistent with originated loans. Thus, the determination of which loans are PCD and non-PCD can have a significant effect on the accounting for these loans.

***Goodwill***

Goodwill represents the excess of purchase price over the fair value of net assets acquired using the acquisition method of accounting. Determining the fair value often involves estimates based on third-party valuations, such as appraisals, or internal valuations based on discounted cash flow analyses or other valuation techniques. Goodwill is not amortized. Instead, we assess the potential for impairment on an annual basis or more frequently if events and circumstances indicate that goodwill might be impaired.

***Income Taxes***

Busey estimates income tax expense based on amounts expected to be owed to federal and state tax jurisdictions. Estimated income tax expense is reported in the Consolidated Statements of Income (Unaudited). Accrued and deferred taxes, as reported in other assets or other liabilities in the Consolidated Balance Sheets (Unaudited), represent the net estimated amount due to, or to be received from, taxing jurisdictions, either currently or in the future. Management judgment is involved in estimating accrued and deferred taxes, as it may be necessary to evaluate the risks and merits of the tax treatment of transactions, filing positions, and taxable income calculations after considering tax-related statutes, regulations, and other relevant factors. Because of the complexity of tax laws and interpretations, interpretation is subject to judgment.

***Allowance for Credit Losses***

Busey calculates the ACL at each reporting date. We recognize an allowance for the lifetime expected credit losses for the amount we do not expect to collect. Measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported book value. The calculation also contemplates that Busey may not be able to make or obtain such forecasts for the entire life of the financial assets and requires a reversion to historical credit loss information.

In determining the ACL, management relies predominantly on a disciplined credit review and approval process that extends to the full range of Busey's credit exposure. The ACL must be determined on a collective (pool) basis when similar risk characteristics exist. On a case-by-case basis, we may conclude that a loan should be evaluated on an individual basis based on disparate risk characteristics.

Loans deemed uncollectible are charged against and reduce the ACL. A provision for credit losses is charged to current expense and acts to replenish the ACL in order to maintain the ACL at a level that management deems adequate. Determining the ACL involves significant judgments and assumptions by management. Because of the nature of the judgments and assumptions made by management, actual results may differ from these judgments and assumptions.

## ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is the risk of changes in asset values due to movements in underlying market rates and prices. Interest rate risk is a type of market risk to earnings and capital arising from movements in interest rates. Interest rate risk is the most significant market risk affecting 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 Busey's business activities.

Busey has an asset-liability committee, whose policy is to meet at least quarterly, to review current market conditions and to structure the Consolidated Balance Sheets (Unaudited) to optimize stability in net interest income in consideration of projected future changes in interest rates.

As interest rate changes do not impact all categories of assets and liabilities equally or simultaneously, the asset-liability committee primarily relies on balance sheet and income simulation analysis to determine the potential impact of changes in market interest rates on net interest income. In these standard simulation models, the balance sheet is projected over a one-year and a two-year time horizon and net interest income is calculated under current market rates and assuming permanent instantaneous shifts of +/-100, +/-200, +/-300, and +/-400 basis points. The model assumes immediate and sustained shifts in the federal funds rate and other market rate indices and corresponding shifts in other non-market rate indices based on their historical changes relative to changes in the federal funds rate and other market indices. Assets and liabilities are assumed to remain constant as of the measurement date; variable-rate assets and liabilities are repriced based on repricing frequency; and prepayment speeds on loans are projected for both declining and rising rate environments.

Busey's interest rate risk resulting from immediate and sustained changes in interest rates, expressed as a change in net interest income as a percentage of the net interest income calculated in the constant base model, was as follows:

| | Year-One: Basis Point Changes | | Year-Two: Basis Point Changes | |
|---|---|---|---|---|
| | June 30, 2024 | December 31, 2023 | June 30, 2024 | December 31, 2023 |
| +400 | 7.00 % | 7.38 % | 8.46 % | 8.55 % |
| +300 | 5.25 % | 5.49 % | 6.36 % | 6.34 % |
| +200 | 3.52 % | 3.64 % | 4.28 % | 4.20 % |
| +100 | 1.77 % | 1.81 % | 2.16 % | 2.10 % |
| - 100 | (1.58)% | (1.91)% | (2.74)% | (2.98)% |
| -200 | (3.22)% | (3.86)% | (5.63)% | (6.12)% |
| -300 | (4.69)% | (5.60)% | (8.57)% | (9.17)% |
| -400 | (5.64)% | (6.91)% | (11.40)% | (11.36)% |

Interest rate risk is monitored and managed within approved policy limits and any temporary exceptions to policy in periods of rapid rate movement are approved and documented. The calculation of potential effects of hypothetical interest rate changes is based on numerous assumptions and should not be relied upon as indicative of actual results. Actual results would likely differ from simulated results due to the timing, magnitude, and frequency of interest rate changes as well as changes in market conditions and management strategies.

## ITEM 4. CONTROLS AND PROCEDURES

### EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

An evaluation of our disclosure controls and procedures, as defined in Rule 13a-15(e) under the Exchange Act, was carried out as of June 30, 2024, under the supervision and with the participation of our Chief Executive Officer, Chief Financial Officer, and several other members of our senior management. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of June 30, 2024, 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 (1) accumulated and communicated to our management (including the Chief Executive Officer and Chief Financial Officer) to allow timely decisions regarding required disclosure, and (2) recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms.

**CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING**

During the three months ended June 30, 2024, no change occurred in our internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## PART II—OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

As part of the ordinary course of business, First Busey Corporation 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 Corporation 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 Busey in which any director, officer, or affiliate of Busey, or any associate of any such director or officer, is a party, or has a material interest.

### ITEM 1A. RISK FACTORS

There have been no material changes to the risk factors disclosed in *Part I—Item 1A* of Busey's 2023 Annual Report.

### ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES, USE OF PROCEEDS, AND ISSUER PURCHASES OF EQUITY SECURITIES

**STOCK REPURCHASE PLAN**

On February 3, 2015, 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 has been amended to increase the number of shares available for repurchase as follows:

- On May 22, 2019, Busey's board of directors approved an amendment to increase the authorized shares under the repurchase plan by 1,000,000 shares.
- On February 5, 2020, Busey's board of directors approved an amendment to increase the authorized shares under the repurchase plan by an additional 2,000,000 shares.
- On May 24, 2023, Busey's board of directors approved an amendment to increase the authorized shares under the repurchase plan by an additional 2,000,000 shares.

During the second quarter of 2024, Busey purchased no shares under the repurchase plan. As of June 30, 2024, the Company had 1,919,275 shares that may still be purchased under the plan.

### ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

### ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

### ITEM 5. OTHER INFORMATION

**Insider Trading Plan Adoptions**

During the three months ended June 30, 2024, none of Busey's directors or executive officers adopted any contract, instruction, or written plan for the purchase or sale of Company securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or any non-Rule 10b5-1 trading arrangement.

**Insider Trading Plan Terminations**

On May 15, 2024, a Rule 10b5-1 trading plan that was initially adopted on May 25, 2022, by Michael D. Cassens, a member of Busey's board of directors, expired. No other Rule 10b5-1 trading plans or non-Rule 10b5-1 trading arrangements expired or were terminated by our directors or executive officers during the three months ended June 30, 2024.

**ITEM 6. EXHIBITS**

| Exhibit Number | Description of Exhibit | Filed Herewith |
|---|---|---|
| 31.1 | Certification of Principal Executive Officer, pursuant to Rule 13a-14(a) and Rule 15d-14(a) | X |
| 31.2 | Certification of Principal Financial Officer, pursuant to Rule 13a-14(a) and Rule 15d-14(a) | X |
| 32.1 | Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, from First Busey's Chief Executive Officer | X |
| 32.2 | Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, from First Busey's Chief Financial Officer | X |
| 101.INS | iXBRL Instance Document | |
| 101.SCH | iXBRL Taxonomy Extension Schema | |
| 101.CAL | iXBRL Taxonomy Extension Calculation Linkbase | |
| 101.LAB | iXBRL Taxonomy Extension Label Linkbase | |
| 101.PRE | iXBRL Taxonomy Extension Presentation Linkbase | |
| 101.DEF | iXBRL Taxonomy Extension Definition Linkbase | |
| 104 | Cover Page Interactive Data File (formatted as inline XBRL with applicable taxonomy extension information contained in Exhibits 101) | |

**SIGNATURES**

Pursuant to the requirements of the Exchange Act, the Registrant has duly caused this report to be signed on its behalf by the undersigned, as of August 6, 2024, thereunto duly authorized.

**FIRST BUSEY CORPORATION**
(Registrant)

By: /s/ VAN A. DUKEMAN
Van A. Dukeman
Chairman and Chief Executive Officer
(Principal Executive Officer)

By: /s/ JEFFREY D. JONES
Jeffrey D. Jones
Chief Financial Officer
(Principal Financial Officer)

By: /s/ SCOTT A. PHILLIPS
Scott A. Phillips
Corporate Controller and Principal Accounting Officer
(Principal Accounting Officer)