



Bussey

FIRST BUSEY CORPORATION
2008 ANNUAL REPORT



Inside the atrium of Busey Bank headquarters, 100 W. University Ave., Champaign, Illinois

The art nouveau style stained glass shown in this report was originally installed as a skylight at the Trevett-Mattis Banking Company building on Church Street, Champaign in 1910 and was moved to the current building when it opened in 1982.

During recent remodeling of our downtown Champaign branch, which is Busey Bank's headquarters, the Tiffany-inspired stained-glass skylight was removed for cleaning and repair. It is now showcased in a two-story atrium called "The Oculus" inside the east entrance to the lobby. The dome of the skylight is suspended from the second-floor ceiling and can be viewed from both levels. Complementary stained glass panels were designed and created by Glass FX in Champaign and installed in the ceiling to complete the look. Busey is proud to preserve this beautiful piece of our rich history.

Fellow Shareholders,

Challenging times test the true resiliency of institutions.

Reflecting on 2008, it is evident that we were subject to an economic environment as disruptive to our national economy, particularly the financial sector, as any period in recent history. These conditions impacted Busey, our customers, our associates and you, our shareholders. At the same time, this year affirmed the depth of our business model, the strength of our customer relationships, and the competitive advantage that a community-centric focus and loyal shareholders provide an institution. While times are certainly challenging, we are a resilient company whose continued commitment to *The Busey Promise* will stand the test of time.

Our Challenges. Declining economic conditions affected asset quality and yields, which put pressure on our ability to report earnings at the level to which you are accustomed. On a consolidated basis, we absorbed a \$37.9 million, or \$1.06 per share, loss in 2008. This was primarily driven by our \$98.3 million provision for loan losses recorded during 2008, of which \$75.8 million was recorded in the fourth quarter of 2008. Additionally, we recorded a \$22.6 million impairment of goodwill at Busey Bank, N.A. in the fourth quarter of 2008 .

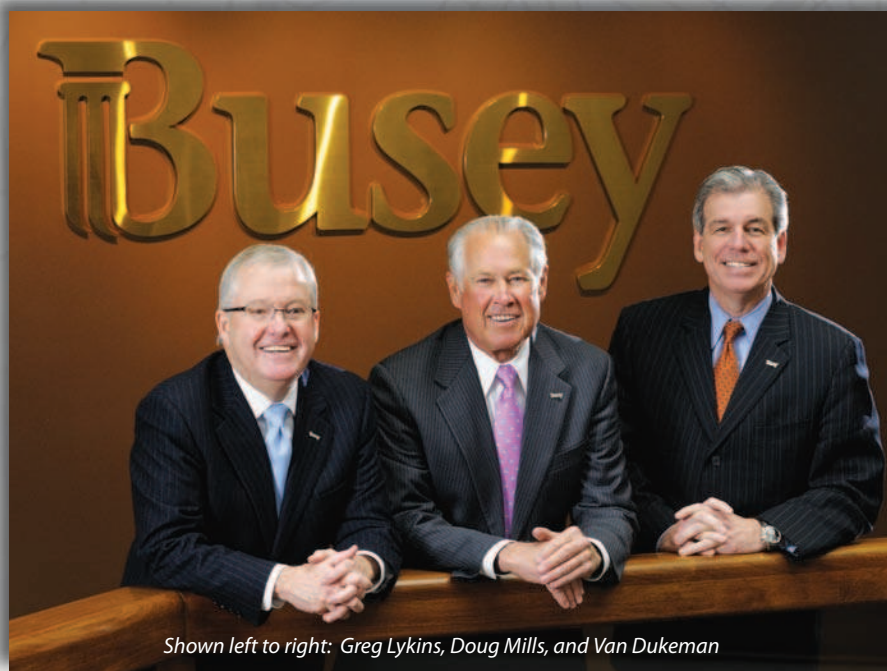
Our significant provision was a result of continuing analysis of our loan portfolio. We allocated capital to increase our allowance for loan losses, primarily in southwest Florida, to adjust for losses we believed to be inherent in our loan portfolio as of December 31, 2008. The southwest Florida market represented approximately 22.7% of our combined loans, but 72.7% of our non-performing loans. The goodwill impairment charge was recorded in response to a general decline in the financial markets and continued devaluation of our Florida bank franchise.

The non-cash charge does not impact our cash flow or liquidity nor does it impact regulatory and tangible capital ratios.

The large provision expense and goodwill impairment had a significant impact on 2008 earnings. If we had recorded the same provision expense in 2008 as 2007, with no goodwill impairment, our net income would have been \$35.2 million in 2008 as compared to \$31.5 million in 2007. Our philosophy is to utilize information available to us to meet the challenges of this economic environment head on and position us for future earnings and shareholder yields.

The forecast of elevated credit risk and continued challenges, particularly in southwest Florida, has and will continue to be, arduously noted in various forums. Last year's annual report noted that the tough economic environment in southwest Florida would be a significant strain on earnings for 2008, and would most likely continue throughout 2009.

Today, I affirm this forecast and reiterate that 2009 will continue to present a challenging earnings environment. The bottom line is that we remain in the midst of one of the worst recessions since World War II, and we expect it to have negative impacts throughout 2009, predominately in southwest Florida. Southwest Florida is one of the epicenters of this severe economic downturn; consequently, we are currently not experiencing significant signs of improvement in this market. While the duration of the global recession is unknown, we continue to position ourselves for future success. Our strategy is to be **realistic**, **resolute** and to **recover** upon appreciable stability.




Shown left to right: Greg Lykins, Doug Mills, and Van Dukeman

Our Core Earnings and Shareholder Returns.

We have demonstrated that our reduced earnings were not due to a decline in our core business, as many companies are experiencing today. In spite of a challenging credit environment, combined with compression in the net interest margin, we are managing many of our core businesses profitably. This is a testament to our diversified revenue stream and many of our initiatives that are fulfilled through the efforts of our Busey associates on the front lines—*one customer at a time*.

Because of our strong core earnings, we continued our tradition of increasing shareholder value through dividend payments. During 2008, Busey declared dividends of \$0.80 per share, up 3.9% from \$0.77 per share declared in 2007. Furthermore, we paid a dividend of \$0.20 per share during the first quarter of 2009.



To reduce the impact of recent balance sheet and earnings deterioration, we implemented a number of disciplined financial and operating measures in 2008-2009 to further support the long-term value of Busey. These included—

- *revising our operating structure from five regions to three—**Busey East** (Champaign, Ford and Indianapolis markets), **Busey West** (Macon, Shelby, McLean, Livingston, Peoria and Tazewell markets), **Busey Florida** (Busey Bank, N.A. and our Loan Production Office);*
- *consolidating branch footprints in all of our markets;*
- *foregoing annual pay increases and executive bonuses;*
- *completing the integration of the 2007 in-market merger, resulting in workforce efficiencies and management restructures;*
- *and, reviewing and renegotiating vendor contracts, as well as other non-interest expense items for cost-saving opportunities.*

We expect these adjustments to positively impact profitability, while maintaining the superior service levels our customers have come to expect.


In addition, we have strategically bolstered our credit infrastructure to manage short- and long-term risk within our credit and loan portfolio. Executive Vice-Presidents Bob Plecki and Don Monteith formally oversee our special assets, primarily working in our southwest Florida market. Under their leadership, a Special Assets Committee was formed in the fall of 2008, meeting at least weekly, to monitor risk and formulate strategy to support sustained progress in our collection efforts.

Our core earnings and diversified revenue stream, combined with the aforementioned disciplined financial decisions and operating adjustments, position us well for future earnings and shareholder returns.

Our Capital. During 2008, we originated \$200 million of new loans, primarily in our downstate Illinois markets. The loan growth, accompanied by elevated credit risk, led to our need to raise additional capital. Many of you may be aware that a capital raise was announced in September of 2008. Once the Treasury's Capital Purchase Program was announced, it became prohibitively expensive to raise capital through traditional sources. The Capital Purchase Program met our need to raise capital quickly and in a less expensive manner.

In March 2009, in conjunction with the Capital Purchase Program, we were approved by the Treasury as a healthy institution for their investment program. Therefore, we issued the Treasury \$100 million in preferred stock, as well as a warrant to purchase up to 1.1 million shares of our common stock at a price of \$13.07 per share. The preferred stock pays cumulative dividends at a rate of five percent per year for the first five years, and nine percent per year thereafter.

The Treasury capital allows us to maintain our commitment to our communities through continued lending, while maintaining our capital strength. However, it is a high priority for the company to redeem the Treasury capital as soon as practical. The timing largely depends on the capital markets and their return to historical funding levels.



Our Future. As we begin a new chapter in the history of Busey, confronted with continued economic challenges, I view this as a time of great opportunity for our organization. We have demonstrated a high level of resilience given the economic turmoil and have the right foundation with solid underlying momentum within our core business to progress accordingly.

To this, I'm excited to share Busey's strategic vision for the future—

To be the premier provider of financial solutions through a customer-centric, conservative growth strategy and consistent execution of The Busey Promise.

We are in the final stages of developing our strategic initiatives that will serve to support this vision for Busey. Our strategic vision and direction are ambitious. They build on achievements from our past and capitalize on the greatest strengths of our organization, our four *Busey Pillars*: **customers, associates, communities and shareholders.**

Our conservative growth strategy will be built on a **Fortress Balance Sheet, Profitability and Growth—in that order.** Furthermore, we are committed to attracting and retaining the best and brightest, all moving in the same direction to serve our customers' financial needs.

Our strategic priorities will serve to further support the range of business our company will pursue, the type of economic and human organization we will be, and the nature of the economic and non-economic contributions we will make to our *Busey Pillars*. In essence, it is our intention to substantiate that we are not *"just another financial services organization."* *Busey* will continue to evolve into something very special. We look forward to unveiling our strategic priorities to our pillars throughout 2009 and working together to achieve great things.

In closing, I would like to personally thank our *Customers* for your ongoing confidence in our ability to serve your needs; our *Associates*, for your hard work and dedication to creating opportunities and highlighting our service capabilities; our *Shareholders*, for continuing to believe in our vision; and our *Boards of Directors*, for your wisdom and guidance through a very challenging year.

We have much to be excited about. I am looking forward to the long-term strategic vision and opportunities for Busey with confidence and optimism. As always, I welcome your thoughts and suggestions.

Sincerely,



Van A. Dukeman, CFA
President and CEO, First Busey Corporation



BOARD OF DIRECTORS, FIRST BUSEY CORPORATION

Joseph M. Ambrose

David J. Downey

Van A. Dukeman, *President & Chief Executive Officer*

David L. Ikenberry

E. Phillips Knox

V.B. Leister, Jr.

Gregory B. Lykins, *Vice Chairman of the Board*

August C. Meyer, Jr.

Douglas C. Mills, *Chairman of the Board*

George T. Shapland

SHAREHOLDER INFORMATION

Corporate Headquarters

First Busey Corporation, 201 W. Main Street, Urbana, Illinois 61801, (217) 365-4516. Visit Busey's website at www.busey.com.

Annual Meeting

The Annual Meeting of Shareholders of First Busey Corporation will be held on Tuesday, May 19, 2009, at 6:30 p.m. at Busey Bank, 100 W. University Ave., Champaign, Illinois.

First Busey Corporation Common Stock

First Busey Corporation Common Stock is listed on the Nasdaq Global Select Market under the symbol BUSE. First Busey Corporation's market maker is Howe Barnes Hoefler & Arnett, Inc., Chicago.

Annual Report on Form 10-K

A copy of the Annual Report on Form 10-K filed with the Securities and Exchange Commission is part of this Annual Report.

Stock Transfer Agent

First Busey Corporation acts as its own transfer agent.

SPECIAL NOTE CONCERNING FORWARD LOOKING STATEMENTS

The information in this report may contain certain forward looking statements within the meaning of Section 27A of the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended. These may include statements as to the benefits of the merger with Main Street Trust, Inc., including future financial and operating results, cost savings, enhanced revenues and the accretion/dilution to reported earnings that may be realized from the merger as well as other statements of expectations regarding the merger and any other statements regarding future results or expectations. First Busey intends such forward looking statements to be covered by the safe harbor provisions for forward looking statements contained in the Private Securities Litigation Reform Act of 1995 and is including this statement for purposes of these safe harbor provisions. Forward looking statements, which are based on certain assumptions and describe future plans, strategies, and expectations of First Busey are generally identified by the use of words such as "believe," "expect," "intend," "anticipate," "estimate," or "project" or similar expressions. First Busey's ability to predict results, or the actual effect of future plans or strategies, is inherently uncertain.



CORPORATE PROFILE

First Busey Corporation is a \$4.5 billion financial holding company headquartered in Urbana, Illinois. First Busey Corporation has two wholly-owned banks with locations in three states. Busey Bank is headquartered in Champaign, Illinois and has over 40 banking centers serving downstate Illinois. Busey Bank has a banking center in Indianapolis, Indiana, and a loan production office in Fort Myers, Florida. As of December 31, 2008, Busey Bank had total assets of \$4.0 billion. Busey Bank, N.A. is headquartered in Fort Myers, Florida, with eight banking centers serving southwest Florida. Busey Bank, N.A. had total assets of \$429.8 million as of December 31, 2008.

Busey Wealth Management is a wholly-owned subsidiary of First Busey Corporation. Through Busey Trust Company, Busey Wealth Management delivers trust, asset management, retail brokerage and insurance products and services. As of December 31, 2008, Busey Wealth Management had approximately \$3.5 billion in assets under care.

First Busey Corporation owns a retail payment processing subsidiary—FirsTech, Inc.—which processes over 27 million transactions per year through online bill payments, lockbox processing and walk-in payments through its 4,000 agent locations in 36 states.

Busey provides electronic delivery of financial services through www.busey.com.



*The atrium of Busey Bank headquarters,
100 W. University Ave., Champaign, Illinois*

EXECUTIVE TEAM

Van A. Dukeman: *President & Chief Executive Officer, First Busey Corporation & Busey Bank*

Susan L. Abbott: *Executive Vice President & Chief Retail Officer, First Busey Corporation*

Daniel P. Daly: *Executive Vice President, West Region President, Busey Bank*

Thomas M. Good: *Executive Vice President of Risk Management, First Busey Corporation
President & Chief Executive Officer, Busey Bank, N.A.*

Donna R. Greene: *President & Chief Executive Officer, Busey Wealth Management*

Barbara J. Harrington: *Executive Vice President & Chief Financial Officer, First Busey Corporation*

Don A. Monteith: *Executive Vice President of Special Assets, First Busey Corporation*

Howard F. Mooney II: *President & Chief Executive Officer, FirsTech, Inc.*

Robert F. Plecki: *Executive Vice President of Special Assets, First Busey Corporation*

Christopher M. Shroyer: *Executive Vice President, East Region President, Busey Bank*

N. John Waddock, Jr.: *Executive Vice President & Chief Credit Officer, First Busey Corporation*

David B. White: *Executive Vice President & Chief Operating Officer, First Busey Corporation*



FIRST BUSEY CORPORATION

201 W. Main Street, Urbana, IL 61801 • (217) 365-4516
www.busey.com • Nasdaq: BUSE