

BLACKHAWK BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2015 AND DECEMBER 31, 2014
(UNAUDITED)

	September 30, 2015	December 31, 2014
Assets		
	(Amounts in thousands, except share and per share data)	
Cash and due from banks	\$ 10,175	\$ 9,847
Interest-bearing deposits in banks and other	19,819	11,744
Total cash and cash equivalents	<u>29,994</u>	<u>21,591</u>
Securities available-for-sale	134,519	129,184
Loans held for sale	1,300	1,537
Federal Home Loan Bank stock, at cost	2,266	2,266
Loans, less allowance for loan losses of \$5,348 and \$4,396 at September 30, 2015 and December 31, 2014, respectively	411,321	391,448
Premises and equipment, net	7,919	8,320
Goodwill	5,037	5,037
Mortgage Servicing rights	2,475	2,640
Cash surrender value of bank-owned life insurance	9,828	9,602
Other assets	9,473	9,848
Total assets	<u><u>\$ 614,132</u></u>	<u><u>\$ 581,473</u></u>
Liabilities and Stockholders' Equity		
Liabilities		
Deposits:		
Noninterest-bearing	\$ 101,064	\$ 99,068
Interest-bearing	444,934	416,716
Total deposits	<u>545,998</u>	<u>515,784</u>
Subordinated debentures and notes (including \$1,031 at fair value at September 30, 2015 and December 31, 2014)	11,255	11,255
Senior secured term note	8,750	9,000
Other borrowings	-	-
Other liabilities	3,192	3,398
Total liabilities	<u><u>569,195</u></u>	<u><u>539,437</u></u>
Stockholders' equity		
Common stock, \$0.01 par value, 10,000,000 shares authorized; 2,320,454 and 2,318,496 shares issued as of September 30, 2015 and December 31, 2014, respectively	23	23
Additional paid-in capital	10,280	9,960
Retained earnings	33,480	31,091
Treasury stock, 88,783 and 87,865 shares at cost as of September 30, 2015 and December 31, 2014, respectively	(983)	(969)
Accumulated other comprehensive income (loss)	2,137	1,931
Total stockholders' equity	<u>44,937</u>	<u>42,036</u>
Total liabilities and stockholders' equity	<u><u>\$ 614,132</u></u>	<u><u>\$ 581,473</u></u>

BLACKHAWK BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

	Three months ended September 30,	
	2015	2014
	(Amounts in thousands, except share and per share data)	
Interest Income:		
Interest and fees on loans	\$ 4,827	\$ 4,732
Interest and dividends on available-for-sale securities:		
Taxable	504	595
Tax-exempt	296	325
Interest on securities purchased under agreements to resell	3	45
Interest on other	2	1
Total interest and dividend income	5,632	5,698
Interest Expenses:		
Interest on deposits	364	518
Interest on subordinated debentures	153	152
Interest on senior secured term note	89	92
Interest on other borrowings	7	4
Total interest expense	613	766
Net interest and dividend income before provision for loan losses	5,019	4,932
Provision for loan losses	555	578
Net interest and dividend income after provision for loan losses	4,464	4,354
Noninterest Income:		
Service charges on deposits accounts	724	741
Net gain on sale of loans	565	516
Net loan servicing income	93	72
Debit card interchange fees	555	561
Net gains on sales of securities available-for-sale	121	214
Net other gains (losses)	14	(2,515)
Increase in cash value of bank-owned life insurance	73	71
Other	307	176
Total noninterest income	2,452	(164)
Noninterest Expenses:		
Salaries and employee benefits	2,878	2,845
Premises and equipment	650	632
Data processing	611	579
Advertising and marketing	69	55
Professional fees	261	235
Office Supplies	85	108
Telephone	105	98
Other	722	594
Total noninterest expenses	5,381	5,146
Income before income taxes	1,535	(956)
Provision for income taxes	406	(581)
Net income	\$ 1,129	\$ (375)

Key Ratios

Basic Earnings Per Common Share	\$ 0.51	\$ (0.17)
Diluted Earnings Per Common Share	0.51	(0.17)
Dividends Per Common Share	0.04	0.02

BLACKHAWK BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

	Nine months ended September 30,	
	2015	2014
	(Amounts in thousands, except share and per share data)	
Interest Income:		
Interest and fees on loans	\$ 14,181	\$ 13,946
Interest and dividends on available-for-sale securities:		
Taxable	1,480	1,590
Tax-exempt	906	994
Interest on securities purchased under agreements to resell	3	154
Interest on other	14	3
Total interest and dividend income	16,584	16,687
Interest Expense:		
Interest on deposits	1,227	1,578
Interest on subordinated debentures and notes	458	456
Interest on senior secured term note	271	157
Interest on other borrowings	10	34
Total interest expense	1,966	2,225
Net interest and dividend income before provision for loan losses	14,618	14,462
Provision for loan losses	1,789	1,769
Net interest and dividend income after provision for loan losses	12,829	12,693
Noninterest Income:		
Service charges on deposits accounts	1,972	2,100
Net gain on sale of loans	1,606	1,291
Net loan servicing income	227	192
Debit card interchange fees	1,691	1,680
Net gains on sales of securities available-for-sale	321	469
Net other gains (losses)	19	(2,879)
Increase in cash surrender value of bank-owned life insurance	227	221
Other	884	681
Total noninterest income	6,947	3,755
Noninterest Expenses:		
Salaries and employee benefits	8,727	8,436
Premises and equipment	1,928	1,903
Data processing	1,786	1,757
Advertising and marketing	185	167
Professional fees	743	688
Office Supplies	259	285
Telephone	312	280
Other	1,952	1,873
Total noninterest expenses	15,892	15,389
Income before income taxes	3,884	1,059
Provision for income taxes	951	(249)
Net income	\$ 2,933	\$ 1,308
Key Ratios		
Basic Earnings Per Common Share	\$ 1.31	\$ 0.50
Diluted Earnings Per Common Share	1.31	0.50
Dividends Per Common Share	0.08	0.04

BLACKHAWK BANCORP, INC. AND SUBSIDIARIES
AVERAGE BALANCE SHEET WITH RESULTANT INTEREST AND RATES

Average Balance Sheet with Resultant Interest and Rates

(Amounts in thousands)

(yields on a tax-equivalent basis)

	Three months ended September 30, 2015			Three months ended September 30, 2014		
	<u>Average</u> <u>Balance</u>	<u>Interest</u>	<u>Average</u> <u>Rate</u>	<u>Average</u> <u>Balance</u>	<u>Interest</u>	<u>Average</u> <u>Rate</u>
Interest Earning Assets:						
Interest-bearing deposits in banks	\$ 5,322	\$ 2	0.17%	\$ 1,973	\$ 1	0.14%
Federal funds sold & securities purchased under agreements to resell	2,581	3	0.49%	12,693	45	1.39%
Investment securities:						
Taxable investment securities	99,801	504	2.00%	113,325	595	2.08%
Tax-exempt investment securities	37,573	296	4.79%	38,623	325	5.02%
Total Investment securities	137,374	800	2.77%	151,948	920	2.83%
Loans	412,801	4,827	4.64%	385,923	4,732	4.86%
Total Earning Assets	\$ 558,078	\$ 5,632	4.12%	\$ 552,537	\$ 5,698	4.21%
Allowance for loan losses	(5,045)			(4,310)		
Cash and due from banks	13,459			13,129		
Other assets	35,639			32,914		
Total Assets	\$ 602,131			\$ 594,270		
Interest Bearing Liabilities:						
Interest bearing checking accounts	\$ 165,566	\$ 112	0.27%	\$ 167,651	\$ 118	0.28%
Savings and money market deposits	170,955	75	0.17%	143,616	54	0.15%
Time deposits	77,221	177	0.91%	102,407	346	1.34%
Total interest bearing deposits	413,742	364	0.35%	413,674	518	0.50%
Subordinated debentures	11,255	153	5.40%	11,255	152	5.37%
Borrowings	27,351	96	1.39%	20,084	96	1.90%
Total Interest-Bearing Liabilities	\$ 452,348	\$ 613	0.54%	\$ 445,013	\$ 766	0.68%
Interest Rate Spread			3.58%			3.53%
Noninterest checking accounts	101,517			94,177		
Other liabilities	4,149			13,180		
Total liabilities	558,014			552,370		
Common Stockholders' equity	44,117			41,900		
Total Stockholders' equity	44,117			41,900		
Total Liabilities and Stockholders' Equity	\$ 602,131			\$ 594,270		
Net Interest Income/Margin		\$ 5,019	3.68%		\$ 4,932	3.66%

BLACKHAWK BANCORP, INC. AND SUBSIDIARIES
AVERAGE BALANCE SHEET WITH RESULTANT INTEREST AND RATES

Average Balance Sheet with Resultant Interest and Rates

(Amounts in thousands)

(Yields on a tax-equivalent basis)

	Nine months ended September 30, 2015			Nine months ended September 30, 2014		
	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
Interest Earning Assets:						
Interest-bearing deposits in banks	\$ 7,763	\$ 14	0.24%	\$ 2,667	\$ 3	0.16%
Federal funds sold & securities purchased under agreements to resell	896	3	0.48%	15,179	154	1.36%
Investment securities:						
Taxable investment securities	96,391	1,480	2.05%	109,125	1,590	1.95%
Tax-exempt investment securities	37,917	906	4.88%	39,116	994	5.11%
Total Investment securities	134,308	2,386	2.85%	148,241	2,584	2.78%
Loans	405,677	14,181	4.67%	381,395	13,946	4.89%
Total Earning Assets	\$ 548,644	\$ 16,584	4.16%	\$ 547,482	\$ 16,687	4.20%
Allowance for loan losses	(4,811)			(4,652)		
Cash and due from banks	13,127			12,932		
Other assets	35,518			33,531		
Total Assets	\$ 592,478			\$ 589,293		
Interest Bearing Liabilities:						
Interest bearing checking accounts	\$ 165,617	\$ 343	0.28%	\$ 164,331	\$ 354	0.29%
Savings and money market deposits	165,618	197	0.16%	152,495	164	0.14%
Time deposits	83,487	687	1.10%	103,216	1,060	1.37%
Total interest bearing deposits	414,722	1,227	0.40%	420,042	1,578	0.50%
Subordinated debentures and notes	11,255	458	5.44%	11,180	456	5.46%
Borrowings	18,266	281	2.06%	16,144	191	1.58%
Total Interest-Bearing Liabilities	\$ 444,243	\$ 1,966	0.59%	\$ 447,366	\$ 2,225	0.66%
Interest Rate Spread			3.57%			3.54%
Noninterest checking accounts	100,516			93,684		
Other liabilities	4,179			3,378		
Total liabilities	548,938			544,428		
Common Stockholders' equity	43,540			44,865		
Total Stockholders' equity	43,540			44,865		
Total Liabilities and Stockholders' Equity	\$ 592,478			\$ 589,293		
Net Interest Income/Margin		\$ 14,618	3.68%		\$ 14,462	3.65%