

BLACKHAWK BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
JUNE 30, 2016 AND DECEMBER 31, 2015
(UNAUDITED)

Assets	June 30, 2016	December 31, 2015
	(Amounts in thousands, except share and per share data)	
Cash and due from banks	\$ 11,766	\$ 11,653
Securities purchased under agreements to resell	9,950	14,955
Interest-bearing deposits in banks and other	34,761	1,144
Total cash and cash equivalents	<u>56,477</u>	<u>27,752</u>
Securities available-for-sale	176,331	139,533
Loans held for sale	2,145	3,014
Federal Home Loan Bank stock, at cost	699	2,266
Loans, less allowance for loan losses of \$4,975 and \$4,790 at June 30, 2016 and December 31, 2015, respectively	395,549	395,187
Premises and equipment, net	7,887	7,715
Goodwill	5,037	5,037
Mortgage Servicing rights	2,253	2,395
Cash surrender value of bank-owned life insurance	10,059	9,902
Other assets	8,169	9,711
Total assets	<u>\$ 664,606</u>	<u>\$ 602,512</u>
Liabilities and Stockholders' Equity		
Liabilities		
Deposits:		
Noninterest-bearing	\$ 105,016	\$ 102,943
Interest-bearing	485,624	420,114
Total deposits	<u>590,640</u>	<u>523,057</u>
Subordinated debentures and notes (including \$1,031 at fair value at June 30, 2016 and December 31, 2015)	11,255	11,255
Senior secured term note	8,000	8,500
Other borrowings	-	11,250
Other liabilities	4,213	3,301
Total liabilities	<u>614,108</u>	<u>557,363</u>
Stockholders' equity		
Common stock, \$0.01 par value, 10,000,000 shares authorized; 2,374,316 and 2,327,197 shares issued as of June 30, 2016 and December 31, 2015, respectively	24	23
Additional paid-in capital	10,500	10,362
Retained earnings	37,718	34,376
Treasury stock, 90,844 and 88,783 shares at cost as of June 30, 2016 and December 31, 2015, respectively	(1,020)	(982)
Accumulated other comprehensive income (loss)	3,276	1,370
Total stockholders' equity	<u>50,498</u>	<u>45,149</u>
Total liabilities and stockholders' equity	<u>\$ 664,606</u>	<u>\$ 602,512</u>

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

	Three months ended June 30,	
	2016	2015
	(Amounts in thousands, except share and per share data)	
Interest Income:		
Interest and fees on loans	\$ 4,654	\$ 4,740
Interest and dividends on available-for-sale securities:		
Taxable	724	496
Tax-exempt	299	308
Interest on securities purchased under agreements to resell	38	-
Interest on other	65	7
Total interest and dividend income	5,780	5,551
Interest Expenses:		
Interest on deposits	415	420
Interest on subordinated debentures	157	152
Interest on senior secured term note	86	92
Interest on other borrowings	3	3
Total interest expense	661	667
Net interest and dividend income before provision for loan losses	5,119	4,884
Provision for loan losses	475	617
Net interest and dividend income after provision for loan losses	4,644	4,267
Noninterest Income:		
Service charges on deposits accounts	703	627
Net gain on sale of loans	698	583
Net loan servicing income	71	75
Debit card interchange fees	594	582
Net gains on sales of securities available-for-sale	-	-
Net other gains (losses)	(51)	37
Increase in cash value of bank-owned life insurance	73	72
Other	239	309
Total noninterest income	2,327	2,285
Noninterest Expenses:		
Salaries and employee benefits	3,076	2,976
Premises and equipment	661	621
Data processing	610	579
Advertising and marketing	121	58
Professional fees	244	228
Office Supplies	86	84
Telephone	106	98
Other	798	646
Total noninterest expenses	5,702	5,290
Income before income taxes	1,269	1,262
Provision for income taxes	318	322
Net income	\$ 951	\$ 940

Key Ratios

Basic Earnings Per Common Share	\$ 0.41	\$ 0.42
Diluted Earnings Per Common Share	0.41	0.42
Dividends Per Common Share	0.04	0.02

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

Six months ended June 30,
2016 **2015**
(Amounts in thousands, except per share data)
share and per share data)

Interest Income:		
Interest and fees on loans	\$ 9,288	\$ 9,354
Interest and dividends on available-for-sale securities:		
Taxable	1,285	976
Tax-exempt	600	610
Interest on securities purchased under agreements to resell	82	-
Interest on other	94	11
Total interest and dividend income	11,349	10,951
Interest Expense:		
Interest on deposits	813	863
Interest on subordinated debentures and notes	314	304
Interest on senior secured term note	177	182
Interest on other borrowings	4	4
Total interest expense	1,308	1,353
Net interest and dividend income before provision for loan losses	10,041	9,598
Provision for loan losses	970	1,233
Net interest and dividend income after provision for loan losses	9,071	8,365
Noninterest Income:		
Service charges on deposits accounts	1,392	1,247
Net gain on sale of loans	1,052	1,040
Net loan servicing income	151	134
Debit card interchange fees	1,162	1,136
Net gains on sales of securities available-for-sale	-	200
Net other gains (losses)	2,882	5
Increase in cash surrender value of bank-owned life insurance	158	154
Other	518	578
Total noninterest income	7,315	4,494
Noninterest Expenses:		
Salaries and employee benefits	6,212	5,849
Premises and equipment	1,306	1,278
Data processing	1,209	1,175
Advertising and marketing	215	116
Professional fees	473	483
Office Supplies	172	174
Telephone	209	206
Other	1,413	1,229
Total noninterest expenses	11,209	10,510
Income before income taxes	5,177	2,349
Provision for income taxes	1,653	544
Net income	\$ 3,524	\$ 1,805

Key Ratios

Basic Earnings Per Common Share	\$ 1.54	\$ 0.81
Diluted Earnings Per Common Share	1.53	0.81
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 June 30, 2016			Three months ended June 30, 2015		
	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
Interest Earning Assets:						
Interest-bearing deposits in banks	\$ 50,779	\$ 65	0.51%	\$ 8,898	\$ 7	0.32%
Federal funds sold & securities purchased under agreements to resell	11,141	38	1.37%	63	-	0.14%
Investment securities:						
Taxable investment securities	135,613	724	2.15%	98,165	496	2.03%
Tax-exempt investment securities	39,883	299	4.62%	38,586	308	4.89%
Total Investment securities	175,496	1,023	2.71%	136,751	804	2.83%
Loans	401,280	4,654	4.66%	407,747	4,740	4.66%
Total Earning Assets	\$ 638,696	\$ 5,780	3.74%	\$ 553,459	\$ 5,551	4.14%
Allowance for loan losses	(4,896)			(4,816)		
Cash and due from banks	13,637			12,944		
Other assets	35,896			35,228		
Total Assets	\$ 683,333			\$ 596,815		
Interest Bearing Liabilities:						
Interest bearing checking accounts	\$ 245,075	\$ 180	0.30%	\$ 170,011	\$ 118	0.28%
Savings and money market deposits	169,417	59	0.14%	164,034	62	0.15%
Time deposits	81,155	176	0.87%	83,647	240	1.15%
Total interest bearing deposits	495,647	415	0.34%	417,692	420	0.40%
Subordinated debentures	11,255	157	5.62%	11,255	152	5.44%
Borrowings	10,747	89	3.32%	17,243	95	2.21%
Total Interest-Bearing Liabilities	\$ 517,649	\$ 661	0.51%	\$ 446,190	\$ 667	0.60%
Interest Rate Spread			3.23%			3.54%
Noninterest checking accounts	112,344			102,849		
Other liabilities	4,099			4,180		
Total liabilities	634,092			553,219		
Common Stockholders' equity	49,241			43,596		
Total Stockholders' equity	49,241			43,596		
Total Liabilities and Stockholders' Equity	\$ 683,333			\$ 596,815		
Net Interest Income/Margin		\$ 5,119	3.32%		\$ 4,884	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)

	Six months ended June 30, 2016			Six months ended June 30, 2015		
	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
Interest Earning Assets:						
Interest-bearing deposits in banks	\$ 37,260	\$ 94	0.51%	\$ 9,004	\$ 10	0.25%
Federal funds sold & securities purchased under agreements to resell	12,331	82	1.33%	40	1	0.14%
Investment securities:						
Taxable investment securities	124,260	1,285	2.08%	94,657	976	2.08%
Tax-exempt investment securities	39,917	600	4.63%	38,092	610	4.92%
Total Investment securities	164,177	1,885	2.69%	132,749	1,586	2.90%
Loans	399,381	9,288	4.68%	402,056	9,354	4.69%
Total Earning Assets	\$ 613,149	\$ 11,349	3.83%	\$ 543,849	\$ 10,951	4.18%
Allowance for loan losses	(4,932)			(4,692)		
Cash and due from banks	14,541			12,959		
Other assets	35,540			35,457		
Total Assets	\$ 658,298			\$ 587,573		
Interest Bearing Liabilities:						
Interest bearing checking accounts	\$ 223,600	\$ 342	0.31%	\$ 165,642	\$ 231	0.28%
Savings and money market deposits	171,098	126	0.15%	162,905	122	0.15%
Time deposits	80,778	345	0.86%	86,672	510	1.19%
Total interest bearing deposits	475,476	813	0.34%	415,219	863	0.42%
Subordinated debentures and notes	11,255	314	5.61%	11,255	304	5.46%
Borrowings	10,729	181	3.40%	13,648	186	2.74%
Total Interest-Bearing Liabilities	\$ 497,460	\$ 1,308	0.53%	\$ 440,122	\$ 1,353	0.62%
Interest Rate Spread			3.30%			3.56%
Noninterest checking accounts	108,937			100,006		
Other liabilities	3,993			4,198		
Total liabilities	610,390			544,326		
Common Stockholders' equity	47,908			43,247		
Total Stockholders' equity	47,908			43,247		
Total Liabilities and Stockholders' Equity	\$ 658,298			\$ 587,573		
Net Interest Income/Margin		\$ 10,041	3.40%		\$ 9,598	3.68%