

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

<b>Assets</b>	<b>September 30, 2016</b>	<b>December 31, 2015</b>
	(Amounts in thousands, except share and per share data)	
Cash and due from banks	\$ 16,078	\$ 11,653
Securities purchased under agreements to resell	10,014	14,955
Interest-bearing deposits in banks and other	4,761	1,144
Total cash and cash equivalents	<u>30,853</u>	<u>27,752</u>
Securities available-for-sale	192,636	139,533
Loans held for sale	887	3,014
Federal Home Loan Bank stock, at cost	1,086	2,266
Loans, less allowance for loan losses of \$5,339 and \$4,790 at September 30, 2016 and December 31, 2015, respectively	400,069	395,187
Premises and equipment, net	8,290	7,715
Goodwill	5,037	5,037
Mortgage Servicing rights	2,198	2,395
Cash surrender value of bank-owned life insurance	10,133	9,902
Other assets	8,352	9,711
Total assets	<u>\$ 659,541</u>	<u>\$ 602,512</u>
<b>Liabilities and Stockholders' Equity</b>		
<b>Liabilities</b>		
Deposits:		
Noninterest-bearing	\$ 115,476	\$ 102,943
Interest-bearing	458,052	420,114
Total deposits	<u>573,528</u>	<u>523,057</u>
Subordinated debentures and notes (including \$1,031 at fair value at September 30, 2016 and December 31, 2015)	11,255	11,255
Senior secured term note	7,750	8,500
Other borrowings	11,725	11,250
Other liabilities	4,103	3,301
<b>Total liabilities</b>	<u>608,361</u>	<u>557,363</u>
<b>Stockholders' equity</b>		
Common stock, \$0.01 par value, 10,000,000 shares authorized; 2,374,316 and 2,327,197 shares issued as of September 30, 2016 and December 31, 2015, respectively	24	23
Additional paid-in capital	10,596	10,362
Retained earnings	38,683	34,376
Treasury stock, 90,844 and 88,783 shares at cost as of September 30, 2016 and December 31, 2015, respectively	(1,020)	(982)
Accumulated other comprehensive income (loss)	2,897	1,370
Total stockholders' equity	<u>51,180</u>	<u>45,149</u>
<b>Total liabilities and stockholders' equity</b>	<u>\$ 659,541</u>	<u>\$ 602,512</u>

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

	<b>Three months ended September 30,</b>	
	<b>2016</b>	<b>2015</b>
	(Amounts in thousands, except share and per share data)	
Interest Income:		
Interest and fees on loans	\$ 4,786	\$ 4,827
Interest and dividends on available-for-sale securities:		
Taxable	742	504
Tax-exempt	300	296
Interest on securities purchased under agreements to resell	33	3
Interest on other	31	2
<b>Total interest and dividend income</b>	<b>5,892</b>	<b>5,632</b>
Interest Expenses:		
Interest on deposits	423	364
Interest on subordinated debentures	159	153
Interest on senior secured term note	84	89
Interest on other borrowings	3	7
<b>Total interest expense</b>	<b>669</b>	<b>613</b>
<b>Net interest and dividend income before provision for loan losses</b>	<b>5,223</b>	<b>5,019</b>
Provision for loan losses	435	555
<b>Net interest and dividend income after provision for loan losses</b>	<b>4,788</b>	<b>4,464</b>
Noninterest Income:		
Service charges on deposits accounts	738	724
Net gain on sale of loans	649	565
Net loan servicing income	71	93
Debit card interchange fees	566	555
Net gains on sales of securities available-for-sale	-	121
Net other gains (losses)	(50)	14
Increase in cash value of bank-owned life insurance	74	73
Other	540	307
<b>Total noninterest income</b>	<b>2,588</b>	<b>2,452</b>
Noninterest Expenses:		
Salaries and employee benefits	3,107	2,878
Premises and equipment	663	650
Data processing	329	611
Debit card	435	-
Advertising and marketing	76	69
Professional fees	435	261
Office Supplies	72	85
Telephone	107	105
Other	799	722
<b>Total noninterest expenses</b>	<b>6,023</b>	<b>5,381</b>
<b>Income before income taxes</b>	<b>1,353</b>	<b>1,535</b>
Provision for income taxes	297	406
<b>Net income</b>	<b>\$ 1,056</b>	<b>\$ 1,129</b>

**Key Ratios**

Basic Earnings Per Common Share	\$ 0.46	\$ 0.51
Diluted Earnings Per Common Share	0.46	0.51
Dividends Per Common Share	0.04	0.04
Net Interest Margin (FTE)	3.40%	3.68%
Efficiency Ratio (FTE)	75.10%	71.76%
Return on Assets	0.67%	0.80%
Return on Common Equity	8.25%	10.15%

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

	<b>Nine months ended September 30,</b>	
	<b>2016</b>	<b>2015</b>
	(Amounts in thousands, except per share data)	
	share and per share data)	
Interest Income:		
Interest and fees on loans	\$ 14,074	\$ 14,181
Interest and dividends on available-for-sale securities:		
Taxable	2,027	1,480
Tax-exempt	900	906
Interest on securities purchased under agreements to resell	115	3
Interest on other	125	14
<b>Total interest and dividend income</b>	<b>17,241</b>	<b>16,584</b>
Interest Expense:		
Interest on deposits	1,235	1,227
Interest on subordinated debentures and notes	473	458
Interest on senior secured term note	261	271
Interest on other borrowings	7	10
<b>Total interest expense</b>	<b>1,976</b>	<b>1,966</b>
<b>Net interest and dividend income before provision for loan losses</b>	<b>15,265</b>	<b>14,618</b>
Provision for loan losses	1,405	1,789
<b>Net interest and dividend income after provision for loan losses</b>	<b>13,860</b>	<b>12,829</b>
Noninterest Income:		
Service charges on deposits accounts	2,131	1,972
Net gain on sale of loans	1,700	1,606
Net loan servicing income	222	227
Debit card interchange fees	1,728	1,691
Net gains on sales of securities available-for-sale	-	321
Net other gains (losses)	2,832	19
Increase in cash surrender value of bank-owned life insurance	232	227
Other	1,058	884
<b>Total noninterest income</b>	<b>9,903</b>	<b>6,947</b>
Noninterest Expenses:		
Salaries and employee benefits	9,320	8,727
Premises and equipment	1,969	1,928
Data processing	1,004	970
Debit card	968	816
Advertising and marketing	291	185
Professional fees	908	743
Office Supplies	244	259
Telephone	315	312
Other	2,213	1,952
<b>Total noninterest expenses</b>	<b>17,232</b>	<b>15,892</b>
<b>Income before income taxes</b>	<b>6,531</b>	<b>3,884</b>
Provision for income taxes	1,950	951
<b>Net income</b>	<b>\$ 4,581</b>	<b>\$ 2,933</b>

**Key Ratios**

Basic Earnings Per Common Share	\$ 1.99	\$ 1.31
Diluted Earnings Per Common Share	1.98	1.31
Dividends Per Common Share	0.12	0.08
Net Interest Margin (FTE)	3.40%	3.68%
Efficiency Ratio (FTE)	75.53%	73.22%
Return on Assets	0.92%	0.66%
Return on Common Equity	12.51%	9.01%

**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 31, 2016			Three months ended September 30, 2015		
	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
<b>Interest Earning Assets:</b>						
Interest-bearing deposits in banks	\$ 23,895	\$ 31	0.51%	\$ 5,322	\$ 2	0.17%
Federal funds sold & securities purchased under agreements to resell	10,248	33	1.28%	2,581	3	0.49%
Investment securities:						
Taxable investment securities	147,500	742	2.00%	99,801	504	2.00%
Tax-exempt investment securities	40,130	300	4.55%	37,573	296	4.79%
Total Investment securities	187,630	1,042	2.55%	137,374	800	2.77%
Loans	408,258	4,786	4.66%	412,801	4,827	4.64%
<b>Total Earning Assets</b>	<b>\$ 630,031</b>	<b>\$ 5,892</b>	<b>3.82%</b>	<b>\$ 558,078</b>	<b>\$ 5,632</b>	<b>4.12%</b>
Allowance for loan losses	(5,008)			(5,045)		
Cash and due from banks	13,596			13,459		
Other assets	33,929			35,639		
<b>Total Assets</b>	<b>\$ 672,548</b>			<b>\$ 602,131</b>		
<b>Interest Bearing Liabilities:</b>						
Interest bearing checking accounts	\$ 230,440	\$ 179	0.31%	\$ 165,566	\$ 112	0.27%
Savings and money market deposits	171,705	60	0.14%	170,955	75	0.17%
Time deposits	83,877	184	0.87%	77,221	177	0.91%
Total interest bearing deposits	486,022	423	0.35%	413,742	364	0.35%
Subordinated debentures	11,255	159	5.61%	11,255	153	5.40%
Borrowings	10,271	87	3.37%	27,351	96	1.39%
<b>Total Interest-Bearing Liabilities</b>	<b>\$ 507,548</b>	<b>\$ 669</b>	<b>0.52%</b>	<b>\$ 452,348</b>	<b>\$ 613</b>	<b>0.54%</b>
<b>Interest Rate Spread</b>			<b>3.30%</b>			<b>3.58%</b>
Noninterest checking accounts	109,445			101,517		
Other liabilities	4,603			4,149		
Total liabilities	621,596			558,014		
Common Stockholders' equity	50,952			44,117		
<b>Total Stockholders' equity</b>	<b>50,952</b>			<b>44,117</b>		
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 672,548</b>			<b>\$ 602,131</b>		
<b>Net Interest Income/Margin</b>		<b>\$ 5,223</b>	<b>3.40%</b>		<b>\$ 5,019</b>	<b>3.68%</b>

**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, 2016			Nine months ended September 30, 2015		
	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
<b>Interest Earning Assets:</b>						
Interest-bearing deposits in banks	\$ 32,772	\$ 125	0.51%	\$ 7,763	\$ 14	0.24%
Federal funds sold & securities purchased under agreements to resell	11,632	115	1.32%	896	3	0.48%
Investment securities:						
Taxable investment securities	132,063	2,027	2.05%	96,391	1,480	2.05%
Tax-exempt investment securities	39,989	900	4.60%	37,917	906	4.88%
Total Investment securities	172,052	2,927	2.64%	134,308	2,386	2.85%
Loans	402,361	14,074	4.67%	405,677	14,181	4.67%
<b>Total Earning Assets</b>	<b>\$ 618,817</b>	<b>\$ 17,241</b>	<b>3.82%</b>	<b>\$ 548,644</b>	<b>\$ 16,584</b>	<b>4.16%</b>
Allowance for loan losses	(4,958)			(4,811)		
Cash and due from banks	14,224			13,127		
Other assets	34,916			35,518		
<b>Total Assets</b>	<b>\$ 662,999</b>			<b>\$ 592,478</b>		
<b>Interest Bearing Liabilities:</b>						
Interest bearing checking accounts	\$ 225,896	\$ 521	0.31%	\$ 165,617	\$ 343	0.28%
Savings and money market deposits	171,302	187	0.15%	165,618	197	0.16%
Time deposits	81,819	527	0.86%	83,487	687	1.10%
Total interest bearing deposits	479,017	1,235	0.34%	414,722	1,227	0.40%
Subordinated debentures and notes	11,255	473	5.61%	11,255	458	5.44%
Borrowings	10,575	268	3.39%	18,266	281	2.06%
<b>Total Interest-Bearing Liabilities</b>	<b>\$ 500,847</b>	<b>\$ 1,976</b>	<b>0.53%</b>	<b>\$ 444,243</b>	<b>\$ 1,966</b>	<b>0.59%</b>
<b>Interest Rate Spread</b>			<b>3.29%</b>			<b>3.57%</b>
Noninterest checking accounts	109,106			100,516		
Other liabilities	4,116			4,179		
Total liabilities	614,069			548,938		
Common Stockholders' equity	48,930			43,540		
<b>Total Stockholders' equity</b>	<b>48,930</b>			<b>43,540</b>		
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 662,999</b>			<b>\$ 592,478</b>		
<b>Net Interest Income/Margin</b>		<b>\$ 15,265</b>	<b>3.40%</b>		<b>\$ 14,618</b>	<b>3.68%</b>