

Blackhawk Bancorp, Inc.
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BLACKHAWK BANCORP EARNINGS IMPROVEMENT CONTINUES

Beloit, WI October 23, 2007 – Blackhawk Bancorp, Inc. (OTC: BHWB) reported diluted earnings per share of \$0.29 for the third quarter of 2007, a 12% increase over the \$0.26 per diluted share earned in the third quarter of 2006. Net income for the third quarter of 2007 was \$645,000, an 8% increase compared to \$595,000 for the same quarter a year ago. Blackhawk's return on equity for the quarter was 10.55% compared to 10.61% for the third quarter of 2006. Diluted earnings per share for the nine months ended September 30, 2007 increased 15% to \$0.77 compared to \$0.67 for the same period in 2006. Net income for the first nine months of 2007 was \$1,728,000, a 16% increase, compared to \$1,491,000 earned the first nine months last year.

"The earnings improvement for the quarter reflects an 8% growth in revenue compared to the same quarter a year ago," said R. Richard Bastian, III, the company's president and chief executive officer. "We're pleased to see improvement in the net interest margin and other sources of income, and the maintenance of strong credit quality fuel our 2007 earnings increases," he added.

Average total deposits for the third quarter of 2007 increased by \$29,000,000, or 10% to \$329,944,000 compared to the third of last year. This growth occurred in the interest checking and savings and money market categories. "We've had great success with our new Easy Money checking account, which rewards customers for using electronic payment methods and receiving electronic account statements," said Bastian. "We think it's the best personal checking account available in our market," he added. The average balance of total loans for the third quarter was up 3% to \$277,960,000 compared to \$269,340,000 for the third quarter a year ago.

Net interest income for the third quarter of 2007 increased \$267,000, or 9% to \$3,305,000 compared to \$3,038,000 in the third quarter of last year. The net interest margin for the third quarter increased by 13 basis points to 3.23% compared to 3.10% for the third quarter last year. For the nine months ended September 30, 2007 net interest income increased 4% to \$9,475,000 compared to \$9,128,000 for the first nine months of 2006. The year to date net interest margin decreased by 1 basis point to 3.15% compared to 3.16% for the first nine months of 2006. The provision for loan losses for the third quarter of 2007 was \$124,000 compared to \$103,000 for the same period a year ago. The 2007 year to date provision for loan losses is \$377,000, an \$85,000 increase over the first nine months of 2006. Year to date charge-offs, net of recoveries, total \$264,000, or .13% of average loans on an annualized basis, compared to .16% for 2006. At September 30, 2007 non-performing loans equaled .51% of total loans, down from .59% at December 31, 2006. "While the slowdown in the housing market has negatively affected our loan

growth, our credit quality remains strong”, said Bastian. “In the future, credit quality may be impacted by overall declines in the value of real estate held as collateral; however we are not exposed to the sub-prime mortgage losses being experienced by many of the large national banks. We just didn’t engage in the same lending practices as they did,” he added.

Non-interest income for the third quarter of 2007 increased \$89,000 to \$1,363,000 compared to \$1,274,000 for the third quarter of 2006. The increase in non-interest income reflects increases in mortgage banking and investment management revenues, insurance commissions, and debit card interchange income.

Total operating expenses for the third quarter increased by \$251,000, or 7%, to \$3,620,000 compared to \$3,369,000 for the same period a year ago. Year to date operating expenses are up \$448,000, or 4% compared to the first nine months of 2006. The increase for both the quarter and nine month period is primarily in compensation and data processing expense.

Blackhawk Bancorp, Inc. is the parent company of Blackhawk State Bank, which operates seven office locations in south central Wisconsin and north central Illinois. The stock of Blackhawk Bancorp, Inc. is traded on the Over the Counter Market under the symbol BHWB.

When used in this communication, the words “believes,” “expects,” and similar expressions are intended to identify forward-looking statements. The company’s actual results may differ materially from those described in the forward-looking statements. Factors which could cause such a variance to occur include, but are not limited to: heightened competition; adverse state and federal regulation; failure to obtain new or retain existing customers; ability to attract and retain key executives and personnel; changes in interest rates; unanticipated changes in industry trends; unanticipated changes in credit quality and risk factors, including general economic conditions; success in gaining regulatory approvals when required; changes in the Federal Reserve Board monetary policies; unexpected outcomes of new and existing litigation in which Blackhawk or its subsidiaries, officers, directors or employees is named defendants; technological changes; changes in accounting principles generally accepted in the United States; changes in assumptions or conditions affecting the application of “critical accounting policies”; and the inability of third party vendors to perform critical services for the company or its customers.