



Blackhawk Bancorp Announces 2021 Second Quarter Earnings

Beloit, WI, July 21, 2021 – Blackhawk Bancorp, Inc. (OTCQX: BHWB) reported net income of \$4.06 million for the quarter ended June 30, 2021, an 18% increase over the \$3.43 million earned the previous quarter, and a 58% increase compared to the \$2.56 million earned the second quarter of 2020. Fully diluted earnings per share (EPS) for the quarter was \$1.30, an increase of \$0.28 as compared to \$1.02 for the quarter ended March 31, 2021 and an increase of \$0.53, or 69%, as compared to \$0.77 reported for the quarter ended June 30, 2020. The second quarter 2021 results produced a Return on Average Equity (ROAE) of 15.74% and a Return on Average Assets (ROAA) of 1.26%.

The increase in earnings compared to the most recent quarter included a \$0.50 million decrease in the provision for loan losses, a \$0.45 million increase in net interest income, and a \$0.25 million decrease in operating expenses. These earnings gains were offset by a \$0.48 million decrease in revenue from the sale and servicing of mortgage loans.

The increase in net income for the second quarter of 2021 compared to the second quarter of the prior year reflects a \$2.51 million decrease in provision for loan losses. This improvement was partially offset by a \$0.55 million decrease in revenue from the sale and servicing of mortgage loans and a \$0.51 million increase in operating expenses.

The increase in earnings per share for the quarter compared to the most recent quarter and the second quarter of 2020 was boosted by the recently completed tender offer and stock repurchase. On May 18, 2021 the Company repurchased 525,546 shares, or 15.6%, of its outstanding common stock, contributing \$0.08 to earnings per share for the quarter.

For the six months ended June 30, 2021, the company reported net income of \$7.49 million, a 61% increase over the \$4.64 million reported for the first six months of 2020. Diluted earnings per share for the first half of 2021 increased by 65% to \$2.31 compared to \$1.40 for the first six months of 2020. The Company's results for the first six months of 2021 produced a return on average assets of 1.21% and a return on average equity of 13.93%.

“The strong second quarter results were driven primarily by the recognition of PPP (Paycheck Protection Program) loan fees, an abnormally low provision for loan losses and a continuing high level of mortgage banking activity,” said Todd James, the Company's Chairman and CEO. “While we're pleased with the overall performance, we know these earnings tailwinds are unsustainable and future performance will be driven by loan growth and efficiency gains.” he added.

Total assets of the company increased by \$195.2 million, or 17%, to \$1.33 billion as of June 30, 2021 compared to \$1.14 billion as of December 31, 2020. Total gross loans decreased by \$1.1 million, or less than 1%, and total investment securities increased \$96.0 million, or 27%, during the first six months of 2021. Total Deposits increased by \$201.7 million, or 20%, to \$1.19 billion compared to \$987.3 million at the end of 2020.

Net Interest Income

Net interest income for the second quarter of 2021 totaled \$10.16 million, an increase of \$0.45 million, or 5%, compared to the first quarter of 2021, and up \$0.29 million, or 3%, compared to the second quarter of last year. The net interest margin was 3.37% for the second quarter of 2021 as compared to 3.52% for the quarter ended March 31, 2021, and 3.99% for the second quarter of the prior year.

The increase in net interest income compared to the second quarter of last year was due to a \$216.6 million, or 22%, increase in average total earning assets to \$1.22 billion compared to \$1.01 billion the second quarter of 2020. The increase included a \$129.3 million increase in average investment securities and a \$88.3 increase in interest bearing deposits at other financial institutions. Total average loans decreased by \$1.0 million. The decrease in average total loans included a decrease of \$6.9 million in average Paycheck Protection Program (PPP) loans, which averaged \$78.9 million for the quarter. During the second quarter of 2021 \$1.10 million of PPP fees were recognized, resulting in a 6.60% annualized yield on average PPP loans for three months ended June, 30 2021. The PPP, pandemic-related stimulus payments and an overall influx of deposits drove a \$228.9 million, or 25%, increase in total average deposits for the second quarter of 2021 compared to the second quarter of last year. With the majority of this liquidity being deployed in the investment securities portfolio or held in interest-bearing deposit accounts at other financial institutions, the net interest margin dropped 62 basis points to 3.37% compared to 3.99% for the second quarter of the prior year.

Net interest income for the six months ended June 30, 2021, increased by \$1.39 million, or 8%, to \$19.88 million as compared to \$18.49 million for the first six months of 2020. The net interest margin for the first six months of 2021 decreased by 48 basis points to 3.44% compared to 3.92% for the first six months of 2020. Average total loans for the first six months of 2021 were \$692.9 million, an increase of \$28.0 million, or 4%, as compared to \$664.9 million for the first six months of 2020. Average total deposits for the first six months of 2021 were \$1.10 billion, an increase of \$216.9 million, or 25%, as compared to \$880.1 million for the first six months of 2020.

Provision for Loan Losses and Asset Quality

There was no provision for loan losses recorded for the quarter ended June 30, 2021, as compared to \$0.50 million for the quarter ended March 31, 2021, and \$2.51 million for the second quarter of 2020. The decreased provision reflects an improved credit outlook, especially as it relates to pandemic related losses. Net recoveries for the second quarter equaled \$0.11 million.

Total nonperforming assets, which include troubled debt restructures performing in accordance with their modified terms, equaled \$10.2 million as of June 30, 2021, as compared to \$8.4 million as of March 31, 2021, and \$11.6 million at June 30, 2020. At June 30, 2021, the ratio of nonperforming loans to total loans equaled 1.50%, as compared to 1.17% at March 31, 2021, and 1.52% at June 30, 2020. The allowance for loan losses to total loans was 1.66% as of June 30, 2021, as compared to 1.56% at March 31, 2021, and 1.43% as of June 30, 2020. The ratio of the allowance for loan losses to nonperforming loans decreased to 110.2% as of June 30, 2021, as compared to 133.0% at March 31, 2021, and 93.6% at June 30, 2020.

Management continues to work closely with borrowers to ensure credit issues are identified and addressed as early as possible, improving the overall probability of repayment. Blackhawk provided payment relief to borrowers negatively affected by the COVID-19 pandemic. Loans with an aggregate balance in excess of \$70 million were modified, and as of June 30, 2021 all of the modified credits have either returned to normal payments or are reflected in the nonperforming loan numbers, except for a small number of credits totaling

\$2.4 million for which the modified terms have been extended and the borrowers are continuing to perform under the modified terms.

Non-Interest Income and Operating Expenses

Non-interest income for the quarter ended June 30, 2021 totaled \$4.69 million, a \$0.34 million decrease compared to \$5.04 million the prior quarter, and a \$0.16 million decrease from the \$4.85 million recorded in the second quarter of 2020. The decrease compared to the first quarter of 2021 included a decrease of \$0.48 million in net revenue from the sale and servicing of mortgage loans. This was partially offset by a \$0.19 million increase in debit card interchange fees. The decrease in non-interest income compared to the second quarter of 2020 was primarily due to a \$0.55 million decrease in revenue from the sale and servicing of mortgage loans that was partially offset by a \$0.29 million increase in debit card interchange fees.

Non-interest income for the first six months of 2021 increased \$1.38 million, or 17%, to \$9.73 million as compared to \$8.35 million for the first six months of 2020, including a \$1.17 million increase in the sale and servicing of loans and a \$0.49 million increase in debit card interchange fees.

Operating expenses for the quarter ended June 30, 2021 totaled \$9.46 million, a decrease of \$0.25 million, or 3%, compared to the quarter ended March 31, 2021, and increased by \$0.51 million, or 6%, compared to the second quarter of 2020.

Operating expenses for the six-month period ended June 30, 2021, totaled \$19.18 million, a \$1.44 million, or 8%, increase over the first six month of 2020.

About Blackhawk Bancorp

Blackhawk Bancorp, Inc. is headquartered in Beloit, Wisconsin and is the parent company of Blackhawk Bank. The combined entity operates eleven full-service banking centers and a dedicated commercial office, which are located in Rock County, Wisconsin and the Illinois counties of Winnebago, Boone, McHenry, Lake, and Kane. The Company's footprint stretches along the I-90 corridor from Janesville, Wisconsin to Elgin, Illinois and into the Northwest collar counties of the Chicagoland area. The company offers a variety of value-added consultative services to its business customers and their employees related to the financial products it provides.

Disclosures Regarding non-GAAP Measures

This report refers to financial measures that are identified as non-GAAP that the Company believes help to evaluate and measure the Company's performance, including the presentation of the net interest margin ratio and efficiency ratio calculations on a taxable-equivalent basis. Non-GAAP measures are also used to assist investor comparison by identifying nonrecurring events such as acquisition-related expenses, nonrecurring securities gains and the impact such items have on the performance measures of return on average assets, return on average equity, diluted earnings per share, and the efficiency ratio. This supplemental information should not be considered in isolation or as a substitute for the related GAAP measures.

Forward-Looking Statements

When used in this communication, the words “believes,” “expects,” “likely,” “would”, 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 particularly in the Company’s markets; potential deterioration in real estate values, 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”; inability to recover previously recorded losses as anticipated, and the inability of third party vendors to perform critical services for the company or its customers. The inclusion of forward-looking information should not be construed as a representation by the Company or any person that future events or plans contemplated by the Company will be achieved. The Company undertakes no obligation to publicly update or revise any forward-looking statements whether as a result of new information or otherwise.

Further information is available on the company’s website at www.blackhawkbank.com.

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BLACKHAWK BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
JUNE 30, 2021 AND DECEMBER 31, 2020
(UNAUDITED)

Assets	June 30, 2021	December 31, 2020
	(Dollars in thousands, except share and per share data)	
Cash and due from banks	\$ 16,418	\$ 12,012
Interest-bearing deposits in banks and other institutions	136,657	42,119
Total cash and cash equivalents	<u>153,075</u>	<u>54,131</u>
Certificates of deposit in banks and other institutions	3,416	4,159
Equity securities at fair value	2,521	2,517
Securities available-for-sale	445,551	349,565
Loans held for sale	6,469	6,096
Federal Home Loan Bank stock, at cost	2,150	2,150
Loans, less allowance for loan losses of \$11,229 and \$10,764 at June 30, 2021 and December 31, 2020, respectively	660,269	662,225
Premises and equipment, net	20,915	20,254
Goodwill and core deposit intangible	11,819	12,018
Mortgage servicing rights	3,720	3,409
Cash surrender value of bank-owned life insurance	11,285	11,126
Other assets	15,559	13,949
Total assets	<u>\$ 1,336,749</u>	<u>\$ 1,141,599</u>
Liabilities and Stockholders' Equity		
Liabilities		
Deposits:		
Noninterest-bearing	\$ 389,940	\$ 268,866
Interest-bearing	799,057	718,388
Total deposits	<u>1,188,997</u>	<u>987,254</u>
Subordinated debentures and notes (including \$1,031 at fair value at June 30, 2021 and December 31, 2020)	20,155	5,155
Senior secured term note	12,056	12,833
Other borrowings	5,000	14,000
Other liabilities	11,131	10,602
Total liabilities	<u>1,237,339</u>	<u>1,029,844</u>
Stockholders' equity		
Common stock, \$0.01 par value, 10,000,000 shares authorized; 3,473,819 and 3,435,348 shares issued as of June 30, 2021 and December 31, 2020, respectively	35	35
Additional paid-in capital	35,455	35,062
Retained earnings	76,479	69,676
Treasury stock, 630,991 and 62,999 shares at cost as of June 30, 2021 and December 31, 2020, respectively	(18,952)	(941)
Accumulated other comprehensive income (loss)	6,393	7,923
Total stockholders' equity	<u>99,410</u>	<u>111,755</u>
Total liabilities and stockholders' equity	<u>\$ 1,336,749</u>	<u>\$ 1,141,599</u>

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

Six months ended June 30,
2021 **2020**

(Amounts in thousands, except per share data)

Interest Income:		
Interest and fees on loans	\$ 16,776	\$ 16,691
Interest and dividends on available-for-sale securities:		
Taxable	3,479	3,123
Tax-exempt	762	695
Interest on deposits in other financial institutions	89	202
Total interest income	21,106	20,711
Interest Expense:		
Interest on deposits	836	1,816
Interest on subordinated debentures	158	98
Interest on senior secured term note	210	267
Interest on other borrowings	20	41
Total interest expense	1,224	2,223
Net interest income before provision for loan losses	19,882	18,488
Provision for loan losses	500	3,270
Net interest income after provision for loan losses	19,382	15,218
Noninterest Income:		
Service charges on deposits accounts	1,354	1,507
Net gain on sale of loans	4,579	4,097
Net loan servicing income	404	(280)
Debit card interchange fees	2,245	1,757
Net gains on sales of securities available-for-sale	-	107
Net other gains (losses)	49	6
Increase in cash surrender value of bank-owned life insurance	159	159
Change in value of equity securities	(30)	60
Other	967	935
Total noninterest income	9,727	8,348
Noninterest Expenses:		
Salaries and employee benefits	11,487	10,512
Occupancy and equipment	2,274	2,156
Data processing	1,232	1,071
Debit card processing and issuance	928	791
Advertising and marketing	169	135
Amortization of core deposit intangible	199	223
Professional fees	789	772
Office Supplies	170	178
Telephone	286	299
Other	1,641	1,601
Total noninterest expenses	19,175	17,738
Income before income taxes	9,934	5,828
Provision for income taxes	2,449	1,191
Net income	\$ 7,485	\$ 4,637

Key Ratios

Basic Earnings Per Common Share	\$ 2.31	\$ 1.40
Diluted Earnings Per Common Share	2.31	1.40
Dividends Per Common Share	0.22	0.22
Net Interest Margin (1)	3.44%	3.92%
Efficiency Ratio (1)(2)	64.64%	65.89%
Return on Assets	1.21%	0.90%
Return on Common Equity	13.93%	9.19%

(1) Non-GAAP Presentations: Management discloses certain non-GAAP financial measures to evaluate and measure the Company's performance, including the presentation of the net interest margin and efficiency ratio calculations on a taxable equivalent basis ("TE"). The net interest margin ratio is calculated by dividing net interest income on a tax equivalent basis by average earning assets for the period. Management believes this measure provides investors with information regarding comparative balance sheet profitability.

(2) The efficiency ratio is calculated as noninterest expense divided by the sum of net interest income on a TE basis, noninterest income less any securities gains (losses) or other gains (losses), and also includes a TE adjustment on the increases in cash surrender value of bank-owned life insurance.

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

For the Quarter Ended

	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020
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(Dollars in thousands, except per share data)

Interest Income:

Interest and fees on loans	\$ 8,621	\$ 8,155	\$ 8,079	\$ 8,671	\$ 8,658
Interest on available-for-sale securities:					
Taxable	1,759	1,721	1,598	1,607	1,618
Tax-exempt	378	384	384	372	371
Interest on deposits in other financial institutions	48	41	33	41	40
Total interest income	10,806	10,301	10,094	10,691	10,687
Interest Expense:					
Interest on deposits	421	415	458	565	639
Interest on subordinated debentures	117	41	41	42	45
Interest on senior secured term note	104	107	113	119	111
Interest on other borrowings	-	20	40	47	19
Total interest expense	642	583	652	773	814
Net interest income before provision for loan losses	10,164	9,718	9,442	9,918	9,873
Provision for loan losses	-	500	1,715	2,615	2,505
Net interest income after provision for loan losses	10,164	9,218	7,727	7,303	7,368

Noninterest Income:

Service charges on deposits accounts	663	690	781	747	610
Net gain on sale of loans	2,217	2,362	3,572	3,412	3,192
Net loan servicing income	36	369	(177)	26	(389)
Debit card interchange fees	1,218	1,027	979	1,002	924
Net gains on sales of securities available-for-sale	-	-	428	-	8
Net other gains (losses)	7	42	-	58	6
Increase in cash surrender value of bank-owned life insurance	72	87	75	76	74
Other	479	458	310	344	425
Total noninterest income	4,692	5,035	5,968	5,665	4,850

Noninterest Expenses:

Salaries and employee benefits	5,753	5,734	5,851	5,585	5,477
Occupancy and equipment	1,092	1,182	986	1,137	1,074
Data processing	641	591	683	629	561
Debit card processing and issuance	503	425	384	409	394
Advertising and marketing	70	99	75	87	38
Amortization of intangibles	96	104	107	107	107
Professional fees	399	390	373	386	405
Office Supplies	93	77	90	94	88
Telephone	144	141	140	138	149
Other	673	968	637	714	659
Total noninterest expenses	9,464	9,711	9,326	9,286	8,952
Income before income taxes	5,392	4,542	4,369	3,682	3,266
Provision for income taxes	1,337	1,112	1,021	819	704
Net income	\$ 4,055	\$ 3,430	\$ 3,348	\$ 2,863	\$ 2,562

Key Ratios

Basic Earnings Per Common Share	\$ 1.30	\$ 1.02	\$ 1.00	\$ 0.86	\$ 0.77
Diluted Earnings Per Common Share	1.30	1.02	1.00	0.86	0.77
Dividends Per Common Share	0.11	0.11	0.11	0.11	0.11
Net Interest Margin (1)	3.37%	3.52%	3.63%	3.83%	3.99%
Efficiency Ratio (1)(2)	63.28%	65.53%	61.80%	59.39%	60.43%
Return on Assets	1.26%	1.16%	1.20%	1.03%	0.96%
Return on Common Equity	15.74%	12.44%	12.08%	10.64%	10.16%

(1) Non-GAAP Presentations: Management discloses certain non-GAAP financial measures to evaluate and measure the Company's performance, including the presentation of net interest income net interest margin and efficiency ratio calculations on a taxable equivalent basis ("TE"). The net interest margin is calculated by dividing net interest income on a TE basis by average earning assets for the period. Management believes this measure provides investors with information regarding comparative balance sheet profitability.

(2) The efficiency ratio is calculated as noninterest expense divided by the sum of net interest income on an TE basis, noninterest income less any securities gains (losses) or other gains (losses), and also includes a TE adjustment on interest on tax-exempt securities, loans, and the increases in cash surrender value of bank-owned life insurance.

(UNAUDITED)

	As of				
	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020
	(Amounts in thousands, except per share data)				
Cash and due from banks	\$ 16,418	\$ 15,108	\$ 12,012	\$ 17,403	\$ 14,527
Interest-bearing deposits in banks and other	140,073	50,199	46,278	47,848	25,246
Securities	448,072	379,187	352,082	317,761	301,726
Net loans/leases	666,738	700,399	668,321	681,060	697,881
Goodwill and core deposit intangible	11,819	11,914	12,018	12,125	12,232
Other assets	53,629	50,826	50,888	50,105	49,485
Total assets	\$ 1,336,749	\$ 1,207,633	\$ 1,141,599	\$ 1,126,302	\$ 1,101,097
Deposits	\$ 1,188,997	\$ 1,068,197	\$ 987,254	\$ 960,773	\$ 939,066
Subordinated debentures	20,155	5,155	5,155	5,155	5,155
Senior secured term note	12,056	12,445	12,833	13,222	13,611
Borrowings	5,000	4,000	14,000	29,000	29,000
Other liabilities	11,131	7,138	10,602	10,161	9,758
Stockholders' equity	99,410	110,698	111,755	107,991	104,507
Total liabilities and stockholders' equity	\$ 1,336,749	\$ 1,207,633	\$ 1,141,599	\$ 1,126,302	\$ 1,101,097

ASSET QUALITY DATA

(Amounts in thousands)

	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020
Non-accrual loans	\$ 8,228	\$ 6,361	\$ 7,013	\$ 8,584	\$ 8,427
Accruing loans past due 90 days or more	-	-	-	196	-
Troubled debt restructures - accruing	1,958	1,996	2,057	2,176	2,361
Total nonperforming loans	\$ 10,186	\$ 8,357	\$ 9,070	\$ 10,956	\$ 10,788
Other real estate owned	-	-	1	1	762
Total nonperforming assets	\$ 10,186	\$ 8,357	\$ 9,071	\$ 10,957	\$ 11,550
Total loans	\$ 677,967	\$ 711,515	\$ 679,085	\$ 691,003	\$ 707,983
Allowance for loan losses	\$ 11,229	\$ 11,116	\$ 10,764	\$ 9,943	\$ 10,102
	\$ 666,738	\$ 700,399	\$ 668,321	\$ 681,060	\$ 697,881
Nonperforming Assets to total Assets	0.76%	0.69%	0.79%	0.97%	1.05%
Nonperforming loans to total loans	1.50%	1.17%	1.34%	1.59%	1.52%
Allowance for loan losses to total loans	1.66%	1.56%	1.59%	1.44%	1.43%
Allowance for loan losses to nonperforming loans	110.2%	133.0%	118.7%	90.8%	93.6%

For the Quarter Ended

	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020
ROLLFORWARD OF ALLOWANCE					
Beginning Balance	\$ 11,116	\$ 10,764	\$ 9,943	\$ 10,102	\$ 8,160
Provision	-	500	1,715	2,615	2,505
Loans charged off	61	582	1,334	2,892	639
Loan recoveries	174	434	440	118	76
Net charge-offs	(113)	148	894	2,774	563
Ending Balance	\$ 11,229	\$ 11,116	\$ 10,764	\$ 9,943	\$ 10,102

BLACKHAWK BANCORP, INC. AND SUBSIDIARIES
ANALYSIS of AVERAGE BALANCES & TAX EQUIVALENT INTEREST RATES

Average Balance Sheet with Resultant Interest and Rates

(Dollars in thousands - unaudited)

(Yields on a tax-equivalent basis) (1)

	For the Quarter Ended								
	June 30, 2021			March 31, 2021			June 30, 2020		
	Average Balance	Average Interest	Average Rate	Average Balance	Average Interest	Average Rate	Average Balance	Average Interest	Average Rate
Interest Earning Assets:									
Interest-bearing deposits and other	\$ 105,385	\$ 48	0.18%	\$ 74,108	\$ 41	0.22%	\$ 17,056	\$ 40	0.95%
Investment securities:									
Taxable investment securities	365,329	1,759	1.93%	320,740	1,721	2.18%	241,831	1,618	2.69%
Tax-exempt investment securities	52,197	378	3.73%	52,122	384	3.83%	46,443	371	4.13%
Total Investment securities	417,526	2,137	2.16%	372,862	2,105	2.41%	288,274	1,989	2.92%
Loans	700,109	8,621	4.94%	685,654	8,155	4.82%	701,080	8,658	4.97%
Total Earning Assets	\$ 1,223,020	\$ 10,806	3.58%	\$ 1,132,624	\$ 10,301	3.73%	\$ 1,006,410	\$ 10,687	4.31%
Allowance for loan losses	(11,221)			(11,075)			(8,769)		
Cash and due from banks	17,124			16,052			15,232		
Other assets	58,008			58,706			58,475		
Total Assets	\$ 1,286,931			\$ 1,196,307			\$ 1,071,348		
Interest Bearing Liabilities:									
Interest bearing checking accounts	\$ 302,946	\$ 180	0.24%	\$ 284,527	\$ 161	0.23%	\$ 298,831	\$ 157	0.21%
Savings and money market deposits	396,476	96	0.10%	356,615	84	0.10%	305,966	105	0.14%
Time deposits	77,155	145	0.75%	81,807	170	0.84%	101,808	377	1.49%
Total interest bearing deposits	776,577	421	0.22%	722,949	415	0.23%	706,605	639	0.36%
Subordinated debentures and notes	13,067	117	3.59%	5,155	41	3.23%	5,155	45	3.53%
Borrowings	16,501	104	2.51%	26,369	127	1.96%	39,436	130	1.32%
Total Interest-Bearing Liabilities	\$ 806,145	\$ 642	0.32%	\$ 754,473	\$ 583	0.31%	\$ 751,196	\$ 814	0.44%
Interest Rate Spread			3.26%			3.42%			3.87%
Noninterest checking accounts	371,146			322,667			212,196		
Other liabilities	6,283			7,373			6,570		
Total liabilities	1,183,574			1,084,513			969,962		
Total Stockholders' equity	103,357			111,794			101,386		
Total Liabilities and Stockholders' Equity	\$ 1,286,931			\$ 1,196,307			\$ 1,071,348		
Net Interest Income/Margin		\$ 10,164	3.37%		\$ 9,718	3.52%		\$ 9,873	3.99%

(1) Management discloses certain non-GAAP financial measures to evaluate and measure the Company's performance including a presentation of net interest income with a net interest margin ratio on a tax-equivalent (TE) basis. The net interest margin is calculated by dividing net interest income on a TE basis by average earning assets for the period. Management believes this measure provides investors with information regarding comparative balance sheet profitability. Nonaccrual loans are included in the above-stated average balances.

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)(1)

	For the Six Months Ended					
	June 30, 2021			June 30, 2020		
	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
Interest Earning Assets:						
Interest-bearing deposits and other	\$ 89,833	\$ 89	0.20%	\$ 27,362	\$ 202	1.48%
Investment securities:						
Taxable investment securities	343,158	3,479	2.04%	223,178	3,123	2.81%
Tax-exempt investment securities	52,160	762	3.78%	43,659	695	4.11%
Total investment securities	395,318	4,241	2.27%	266,837	3,818	3.03%
Loans	692,921	16,776	4.88%	664,941	16,691	5.05%
Total Earning Assets	\$ 1,178,072	\$ 21,106	3.65%	\$ 959,140	\$ 20,711	4.38%
Allowance for loan losses	(11,148)			(8,392)		
Cash and due from banks	16,591			15,427		
Other assets	59,141			58,696		
Total Assets	\$ 1,242,656			\$ 1,024,871		
Interest Bearing Liabilities:						
Interest bearing checking accounts	\$ 293,787	\$ 341	0.23%	\$ 284,840	\$ 491	0.35%
Savings and money market deposits	376,656	180	0.10%	294,040	467	0.32%
Time deposits	79,468	315	0.80%	107,837	858	1.60%
Total interest bearing deposits	749,911	836	0.22%	686,717	1,816	0.53%
Subordinated debentures	9,133	158	3.49%	5,155	98	3.81%
Borrowings	21,408	230	2.17%	32,018	308	1.93%
Total Interest-Bearing Liabilities	\$ 780,452	\$ 1,224	0.32%	\$ 723,890	\$ 2,222	0.62%
Interest Rate Spread			3.33%			3.76%
Noninterest checking accounts	347,041			193,372		
Other liabilities	6,825			6,715		
Total liabilities	1,134,318			923,977		
Total Stockholders' equity	108,338			100,894		
Total Liabilities and Stockholders' Equity	\$ 1,242,656			\$ 1,024,871		
Net Interest Income/Margin		\$ 19,882	3.44%		\$ 18,489	3.92%

(1) Management discloses certain non-GAAP financial measures to evaluate and measure the Company's performance including a presentation of net interest income with a net interest margin ratio on a tax-equivalent (TE) basis. The net interest margin is calculated by dividing net interest income on a TE basis by average earning assets for the period. Management believes this measure provides investors with information regarding comparative balance sheet profitability. Nonaccrual loans are included in the above-stated average balances.