



December 2, 2009

Dear Shareholder:

Blackhawk Bank has worked hard and proactively to respond to the financial and economic crisis over the past year. During this time we've taken many steps to fortify our balance sheet ensuring our ability to operate successfully under increasingly stressed circumstances. These steps included increasing liquidity and core deposits, substantially increasing the reserve for loan losses, working closely with borrowers experiencing financial difficulties and accepting a \$10 million capital investment from the US Treasury under their Capital Purchase Program. Despite the cost of these measures and their negative impact on near-term earnings, Blackhawk has continued to be profitable.

We have committed to you, our clients, and the communities we serve that we will remain sound, profitable and strong. This is not an environment where we are at all comfortable wavering on that commitment. Our bank continues to be comfortably "well-capitalized" and our non-performing assets remain below peer averages, however, the bank's customers and the markets in which we operate continue to be challenged by high levels of unemployment and a weak economy. It is an environment where the bank must retain as much capital as possible to support growth, absorb potential losses, and meet the increasing capital expectations of regulators, investors and rating agencies.

Therefore, after careful consideration, the Board of Directors has decided to temporarily suspend the dividend and did not declare a fourth quarter 2009 dividend which would normally be paid in January. It was not an easy decision because we know what the impact will be on some of you. The decision of whether or not to pay a dividend will be reviewed each quarter and will be based upon the level of earnings, asset quality trends, business plans and the state of the economy at the time.

This doesn't mean that we are just hunkering down and laying low. We continue to explore avenues for improving your investment over the long term. This may include raising additional capital to take advantage of the unprecedented opportunities to expand our market and market share through client acquisition, branch purchases, and FDIC assisted purchases of troubled banks.

Our brand declares that we will give 'the advice you need for the life you want.' We are taking our own advice, honoring what the economy, financial and capital markets dictate, and firming the Bank's foundation for a strong future.

I would welcome your questions and comments.

A handwritten signature in black ink, appearing to read "R. Richard Bastian III". The signature is written in a cursive, flowing style.

R. Richard Bastian III, President & CEO
BLACKHAWK BANK