

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2024

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____.

Commission file number: 0-23636

HAWTHORN BANCSHARES, INC.
(Exact name of registrant as specified in its charter)

Missouri
(State or other jurisdiction of
incorporation or organization)

43-1626350
(I.R.S. Employer
Identification No.)

132 East High Street, Box 688, Jefferson City, Missouri 65102
(Address of principal executive offices) (Zip Code)

(573) 761-6100
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$1.00 par value	HWBK	The Nasdaq Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated Filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

The aggregate market value of the 4,880,111 shares of voting and non-voting common equity of the registrant held by non-affiliates computed by reference to the \$19.80 closing price of such common equity on June 30, 2024, the last business day of the registrant's most recently completed second fiscal quarter, was \$96,626,198. Aggregate market value excludes an aggregate of 2,111,612 shares of common stock held by officers and directors and by each person known by the registrant to own 5% or more of the outstanding common stock on such date. Exclusion of shares held by any of these persons should not be construed to indicate that such person possesses the power, direct or indirect, to direct or cause the direction of the management or policies of the registrant, or that such person is controlled by or under common control with the registrant. As of March 17, 2025, the registrant had 7,554,893 shares of common stock, par value \$1.00 per share, issued and 6,981,769 shares outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the following documents are incorporated by reference into the indicated parts of this report: (1) 2024 Annual Report to Shareholders - Part II and (2) definitive Proxy Statement for the 2025 Annual Meeting of Shareholders to be filed with the Commission pursuant to Regulation 14A - Part III.

PART I

Item 1. Business.

This report and the documents incorporated by reference herein contain forward-looking statements, which are inherently subject to risks and uncertainties. See "Forward Looking Statements" under Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, of this report.

General

Hawthorn Bancshares, Inc. (the "Company"), is a bank holding company registered under the Bank Holding Company Act of 1956, as amended (the "Bank Holding Company Act"). The Company was incorporated under the laws of the State of Missouri on October 23, 1992 as Exchange National Bancshares, Inc. and changed its name to Hawthorn Bancshares, Inc. in August 2007. The Company owns all of the issued and outstanding capital stock of Hawthorn Bank. The Company received approval from the Federal Reserve and elected to become a financial holding company on October 21, 2001.

The Company acquired Hawthorn Bank and its constituent predecessor banks, as well as Union State Bancshares ("Union"), in a series of transactions that are summarized as follows:

- On April 7, 1993 the Company acquired all of the issued and outstanding capital stock of The Exchange National Bank of Jefferson City, a national banking association, pursuant to a corporate reorganization involving an exchange of shares;
- On November 3, 1997, the Company acquired Union, and Union's wholly-owned subsidiary, Union State Bank and Trust of Clinton;
- On January 3, 2000, the Company acquired Osage Valley Bank;
- Following the May 4, 2000 acquisition of Citizens State Bank of Calhoun by Union State Bank and Trust of Clinton, Citizens State Bank of Calhoun merged into Union State Bank and Trust of Clinton to form Citizens Union State Bank & Trust;
- On June 16, 2000, the Company acquired City National Savings Bank, FSB, which was then merged into The Exchange National Bank of Jefferson City;
- On May 2, 2005, the Company acquired all of the issued and outstanding capital stock of Bank 10, a Missouri state bank;
- On December 1, 2006, the Company announced its development of a strategic plan in which, among other things, The Exchange National Bank of Jefferson City, Citizens Union State Bank & Trust, Osage Valley Bank and Bank 10 would be consolidated into a single bank under a Missouri state trust charter. This consolidation was completed in October 2007, and the subsidiary bank is now known as Hawthorn Bank (the "Bank"); and
- On December 29, 2023, the Company dissolved its wholly-owned subsidiary, Union, which owned all of the outstanding capital stock of Hawthorn Bank, in order to streamline the Company's ownership of Hawthorn Bank.

Except as otherwise provided herein or to the extent the context otherwise requires, references herein to the "Company," "we," "us" or "our" refer to Hawthorn Bancshares, Inc. and its consolidated subsidiaries, and references herein to the "Bank" refers to Hawthorn Bank and its constituent predecessors.

Description of Business

The Company. The Company is a bank holding company registered under the Bank Holding Company Act that has elected to become a financial holding company. The Company's activities currently are limited to ownership of the outstanding capital stock of the Bank and ownership of its other subsidiaries. In addition to ownership of its subsidiaries, the Company may seek expansion through acquisition and may engage in those activities (such as investments in banks or operations that are financial in nature) in which it is permitted to engage under applicable law. It is not currently anticipated that the Company will engage in any business other than that directly related to its ownership of the Bank or other financial institutions.

The Bank. The Bank was founded in 1932 as a Missouri bank and converted to a Missouri trust company on August 16, 1989. However, its predecessors trace their lineage back to the founding of Exchange National Bank in 1865. The Bank has 18 banking offices, including its principal office at 132 East High Street in the central business district of Jefferson City, MO. See "Item 2. Properties".

The Bank is a full service bank conducting a general banking and trust business, offering its customers checking and savings accounts, internet banking, debit cards, certificates of deposit, trust services, brokerage services, safety deposit boxes and a wide range of lending services, including commercial and industrial loans, single payment personal loans, installment loans and commercial and residential real estate loans.

The Bank's deposit accounts are insured by the Federal Deposit Insurance Corporation (the "FDIC") to the extent provided by law. The Bank's operations are supervised and regulated by the FDIC and the Missouri Division of Finance. Periodic examinations of the Bank are conducted by representatives of the FDIC and the Missouri Division of Finance. Such regulations, supervision and examinations are principally for the benefit of depositors, rather than for the benefit of the holders of the Bank's common stock. See "Regulation Applicable to Bank Holding Companies" and "Regulation Applicable to the Bank".

Hawthorn Real Estate, LLC. Hawthorn Real Estate, LLC, a non-bank subsidiary of the Company, was formed in December 2008 in order to purchase and hold various nonperforming assets of the Bank. The purpose for holding these nonperforming assets in Hawthorn Real Estate, LLC is to allow for the orderly disposition of these assets and strengthen the Bank's financial position.

HB Realty, LLC. HB Realty, LLC, a Missouri limited liability company ("HB Realty"), was formed in February 2018 and commenced operations in April 2018. HB Realty is intended to qualify as a "real estate investment trust" under the Internal Revenue Code of 1986, as amended (the "IRC"). HB Realty was formed in order to hold certain mortgage loans and participation interests contributed to it by the Bank. HB Realty was initially capitalized with mortgage loans and participation interests having an approximate aggregate book value of \$404,665,296. As of December 31, 2024, the approximate aggregate book value of the mortgage loans held by HB Realty was \$595,466,845. Effective September 30, 2022, to comply with collateral eligibility requirements of the Federal Home Loan Bank with whom the Bank maintains credit facilities, any participation interest in mortgage loans owned by HB Realty as of that date were converted into mortgage loans owned by HB Realty and, after that date, HB Realty will only acquire mortgage loans from the Bank, not participation interests.

Initially, the Bank was the sole common member and the sole preferred member of HB Realty, owning all 1,000 common shares and all 1,000 preferred shares. On April 1, 2018, the Bank contributed all 1,000 common shares and 850 preferred shares to Jefferson City IHC, LLC, a Missouri limited liability company that is wholly owned by the Bank ("JCIHC"). Under the IRC, a real estate investment trust must have at least 100 owners. Pursuant to a newly established Hawthorn Bank Real Estate Investment Trust Ownership Plan, the Bank made available to certain of its employees, as an employee benefit, up to a total of 150 preferred shares of HB Realty. Each selected employee was given the opportunity to own one preferred share of HB Realty. These preferred shares were transferred to employees beginning in January 2019. Each preferred share is generally entitled to an annual dividend of \$30 and a liquidation amount of \$500. Although dividends are not guaranteed, it is expected that HB Realty will pay dividends in December of each year. By virtue of its ownership of JCIHC, the Bank indirectly owns the remaining economic interest associated with membership interests in HB Realty.

Through its ownership of JCIHC, the Bank is, indirectly, the controlling member of HB Realty and is entitled to control the appointment of managers of HB Realty. The Board of Managers of HB Realty, which is responsible for the management of the business and affairs of HB Realty, is currently comprised of Brent M. Giles, Kathleen L. Bruegenhemke, Gregg A. Bexten and Chris E. Hafner.

Hawthorn Risk Management, Inc., a non-bank subsidiary of the Company, which was formed and began operations on December 28, 2017, was a Missouri-based captive insurance company which provided property and casualty insurance coverage to the Company and the Bank for which insurance was not then available or economically feasible in the insurance marketplace. Hawthorn Risk Management, Inc. pooled resources with several other similar insurance company subsidiaries of financial institutions to spread a limited amount of risk among themselves. This subsidiary was dissolved as of December 1, 2023.

Employees

As of December 31, 2024, the Company and its subsidiaries had approximately 255 full-time and 13 part-time employees. None of its employees is presently represented by any union or collective bargaining group, and the Company considers its employee relations to be satisfactory.

Competition

Bank holding companies and their subsidiaries and affiliates encounter intense competition from both banking and nonbanking sources in all of their activities. The Bank's competitors include other commercial banks, thrifts, savings banks, credit unions, and money market mutual funds. Thrifts and credit unions now have the authority to offer checking accounts and to make corporate and agricultural loans and were granted expanded investment authority by recent federal regulations. In addition, large national and multinational corporations have in recent years become increasingly visible in offering a broad range of financial services to all types of commercial and consumer customers. In the Bank's service areas, new competitors, as well as the expanding operations of existing competitors, have had, and are expected to continue to have, an adverse impact on the Bank's market share of deposits and loans in such service areas.

The Bank experiences substantial competition for deposits and loans within Missouri communities in and surrounding its primary service areas of the cities of Jefferson City, Columbia, Clinton, Warsaw, Springfield, and the greater Kansas City metropolitan area, as well as within its secondary service areas of the nearby Missouri communities in the counties of Cole, Boone, Henry, Cass, Benton, and Greene. The Bank's principal competition for deposits and loans comes from other banks within its primary service areas and, to an increasing extent, other banks located in its secondary service areas. Based on publicly available information, management believes that the Bank is the second largest (in terms of deposits) of the 11 banks within Cole county, the eleventh largest (in terms of deposits) of the 21 banks within Boone county, the largest (in terms of deposits) of the eight banks within Henry county, the second largest (in terms of deposits) of the 19 banks within Cass county, and the second largest (in terms of deposits) of the five banks within Benton county. The main competition for Hawthorn Bank's trust services is from other commercial banks, including those of the Kansas City metropolitan area.

Regulation Applicable to Bank Holding Companies

General. As a registered bank holding company and a financial holding company under the Bank Holding Company Act and the Gramm-Leach-Bliley Act, the Company is subject to supervision and examination by the Board of Governors of the Federal Reserve System (the "FRB"). The FRB has authority to issue cease and desist orders against bank holding companies if it determines that their actions represent unsafe and unsound practices or violations of law. In addition, the FRB is empowered to impose civil money penalties for violations of banking statutes and regulations. Regulation by the FRB is intended to protect depositors of the Bank, not the shareholders of the Company. The Company is also subject to a number of restrictions and requirements imposed by the Sarbanes-Oxley Act of 2002 relating to internal control over financial reporting, disclosure controls and procedures, loans to directors or executive officers of the Company and its subsidiaries, the preparation and certification of the Company's consolidated financial statements, the duties of the Company's audit committee, relations with and functions performed by the Company's independent registered public accounting firm, and various accounting and corporate governance matters.

Limitation on Activities. The activities of bank holding companies are generally limited to the business of banking, managing or controlling banks, and other activities that the FRB has determined to be so closely related to banking or managing or controlling banks as to be a proper incident thereto. In addition, under the Gramm-Leach-Bliley Act, a bank holding company, all of whose controlled depository institutions are "well capitalized" and "well managed" (as defined in federal banking regulations) with "satisfactory" ratings under the Community Reinvestment Act, may declare itself to be a "financial holding company" and engage in a broader range of activities. As noted above, the Company is registered as a financial holding company.

A financial holding company may affiliate with securities firms and insurance companies and engage in other activities that are financial in nature or incidental or complementary to activities that are financial in nature. "Financial in nature" activities include:

- securities underwriting, dealing and market making;
- sponsoring mutual funds and investment companies;

- insurance underwriting and insurance agency activities;
- merchant banking; and
- activities that the FRB determines to be financial in nature or incidental to a financial activity or which are complementary to a financial activity and does not pose a safety and soundness risk.

A financial holding company that desires to engage in activities that are financial in nature or incidental to a financial activity but not previously authorized by the FRB must obtain approval from the FRB before engaging in such activity. Additionally, a financial holding company may seek FRB approval to engage in an activity that is complementary to a financial activity, if it shows, among other things, that the activity does not pose a substantial risk to the safety and soundness of its insured depository institutions or the financial system.

A financial holding company generally may acquire a company (other than a bank holding company, bank or savings association) engaged in activities that are financial in nature or incidental to activities that are financial in nature without prior approval from the FRB. Prior FRB approval is required, however, before the financial holding company may acquire control of more than 5% of the voting shares or substantially all of the assets of a bank holding company, bank or savings association. In addition, under the FRB's merchant banking regulations, a financial holding company is authorized to invest in companies that engage in activities that are not financial in nature, as long as the financial holding company makes its investment with the intention of limiting the duration of the investment, does not manage the company on a day-to-day basis, and the company does not cross-market its products or services with any of the financial holding company's controlled depository institutions.

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- securities underwriting, dealing and market making;
- sponsoring mutual funds and investment companies;
- insurance underwriting and insurance agency activities;
- merchant banking; and
- activities that the FRB determines to be financial in nature or incidental to a financial activity or which are complementary to a financial activity and does not pose a safety and soundness risk.

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Limitation on Acquisitions. The Bank Holding Company Act requires a bank holding company to obtain prior approval of the FRB before:

- taking any action that causes a bank to become a controlled subsidiary of the bank holding company;
- acquiring direct or indirect ownership or control of voting shares of any bank or bank holding company, if the acquisition results in the acquiring bank holding company having control of more than 5% of the outstanding shares of any class of voting securities of such bank or bank holding company, and such bank or bank holding company is not majority-owned by the acquiring bank holding company prior to the acquisition;
- acquiring substantially all of the assets of a bank; or
- merging or consolidating with another bank holding company.

Regulatory Capital Requirements. The FRB has issued risk-based and leverage capital guidelines applicable to United States ("U.S.") banking organizations. If a bank holding company's capital falls below minimum required levels, then the bank holding company must implement a plan to increase its capital, and its ability to pay dividends and make acquisitions of new bank subsidiaries may be restricted or prohibited. In July 2013, the federal banking agencies announced new risk-based capital and leverage ratios that became applicable to us on January 1, 2015 (the "Basel III Rules").

The Basel III Rules established three components of regulatory capital: (1) common equity tier 1 ("CET1") capital, (2) additional tier 1 ("AT1") capital, and (3) tier 2 ("Tier 2") capital. CET1 capital generally includes common stock instruments and related surplus (net of treasury stock), retained earnings, and, subject to certain adjustments, minority common equity interests in subsidiaries, less goodwill and certain other adjustments. Tier 1 ("Tier 1") capital generally includes CET1 capital plus elements of AT1 capital, such as non-cumulative perpetual preferred stock and similar instruments meeting specified criteria and minority interests in subsidiaries that do not satisfy the requirements for treatment as CET1 capital. Cumulative preferred stock (other than cumulative preferred stock issued to the U.S. Treasury under the Capital Purchase Program or the Small Business Lending Fund) does not qualify as AT1 capital. Trust-preferred securities and other non-qualifying capital instruments issued prior to May 19, 2010 by bank and savings and loan holding companies with less than \$15 billion in assets as of December 31, 2009 or by mutual holding companies may continue to be included in Tier 1 capital but will be phased out over ten years beginning in 2016 for all other banking organizations. These non-qualifying capital instruments, however, may be included in Tier 2 capital. Tier 2 capital may also include certain qualifying debt and the allowance for credit losses up to 1.25% of risk-weighted assets and other adjustments.

The Basel III Rules provide for a number of deductions from and adjustments to CET1 capital. These include, for example, the requirement that mortgage servicing rights, deferred tax assets dependent upon future taxable income and investments in the capital of unconsolidated financial institutions be deducted from CET1 capital to the extent that any one such category exceeds 10% of CET1 capital or all such categories in the aggregate exceed 15% of CET1 capital. Beginning April 1, 2020, this framework for regulatory capital deductions to CET1 capital was simplified by increasing the deduction threshold to 25% at the individual level for each of the aforementioned categories. Pursuant to the Basel III Rules, the effects of certain accumulated other comprehensive income or loss ("AOCI") items are not excluded; however, "non-advanced approaches banking organizations," including the Company and the Bank, could make a one-time permanent election to continue to exclude these items. The Company made its one-time, permanent election to continue to exclude AOCI items from capital in its filing with the FRB for the quarter ended March 31, 2015. If the Company would not have made this election, unrealized gains and losses would have been included in the calculation of its regulatory capital.

The sum of the three tiers of capital less investments in unconsolidated subsidiaries represents the total capital. The risk-based capital ratios are calculated by dividing CET1 capital, Tier 1 capital and total capital by risk-weighted assets (including certain off-balance sheet activities). Under the Basel III Rules, the minimum capital ratios are:

- CET1 risk-based capital ratio equal to at least 4.5% of its risk-weighted assets;
- Tier 1 risk-based capital ratio equal to at least 6% of its risk-weighted assets;
- Total risk-based capital ratio equal to at least 8% of its risk-weighted assets; and
- Tier 1 capital to average consolidated assets (leverage ratio) of at least 4%.

In addition to the higher requirements, the Basel III Rules established bank holding companies are required to maintain a CET1 capital conservation buffer of at least 2.5% of risk-weighted assets over and above the minimum risk-based capital requirements. Institutions that do not maintain the required capital buffer will become subject to progressively more stringent limitations on the percentage of earnings that can be paid out in dividends or used for stock repurchases and on the payment of discretionary bonuses to senior executive management. The capital conservation buffer requirement was phased in over four years beginning in 2016. The capital conservation buffer requirement of 2.5%, effectively raised the minimum required risk-based capital ratios to 7% CET1 capital, 8.5% Tier 1 capital and 10.5% total capital on a fully phased-in basis as of December 31, 2019.

On December 31, 2024 the Company was in compliance with the FRB's capital adequacy guidelines. The Company's capital ratios calculated under the Basel III Rules (minimum plus a 2.5% capital conservation buffer) on December 31, 2024 are as follows:

Tier 1 Leverage Ratio (4%) (min requirement)	CET1 Risk- Based Capital Ratio (7.0%) (min requirement plus buffer)	Tier 1 Risk-Based Capital Ratio (8.5%) (min requirement plus buffer)	Total Risk-Based Capital Ratio (10.5%) (min requirement plus buffer)
11.46 %	10.49 %	13.54 %	14.79 %

The Economic Growth, Regulatory Relief, and Consumer Protection Act (the "EGRRCPA") directs the federal banking agencies to develop a specified community bank leverage ratio (the "CBLR") (that is, the ratio of a bank's equity capital to its consolidated assets) of not less than 8% and not more than 10%. On November 4, 2019, federal regulators issued final rules that provide certain banks and their holding companies with the option to elect out of complying with the

Basel III Rules. Under this new rule, a qualifying community banking organization is eligible to elect the CBLR framework if it has a CBLR greater than 9% at the time of election.

A qualifying community banking organization ("QCBO") is defined as a bank, a savings association, a bank holding company or a savings and loan holding company with:

- a CBLR greater than 9%;
- total consolidated assets of less than \$10 billion;
- total off-balance sheet exposures (excluding derivatives other than credit derivatives and unconditionally cancelable commitments) of 25% or less of total consolidated assets; and
- total trading assets and trading liabilities of 5% or less of total consolidated assets.

A QCBO may elect out of complying with the Basel III Rules if, at the time of the election, the QCBO has a CBLR above 9%. The CBLR is generally calculated in accordance with the regulations for calculating the Tier 1 leverage ratio under the regulatory capital framework discussed above and below, with certain specified exceptions. As of December 31, 2024, the Company and the Bank each qualified to elect the CBLR framework because they had a CBLR of greater than 9% and satisfied the other requirements. The Company does not have immediate plans to elect to use the CBLR framework but may make such an election in the future.

Interstate Banking and Branching. Under the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 (the "Riegle-Neal Act"), a bank holding company is permitted to acquire the stock or substantially all of the assets of banks located in any state regardless of whether such transaction is prohibited under the laws of any state. The FRB will not approve an interstate acquisition if, as a result of the acquisition, the bank holding company would control more than 10% of the total amount of insured deposits in the U.S. or would control more than 30% of the insured deposits in the home state of the acquired bank. The 30% of insured deposits state limit does not apply if the acquisition is the initial entry into a state by a bank holding company or if the home state waives such limit. The Riegle-Neal Act also authorizes banks to merge across state lines, thereby creating interstate branches. The Bank and Savings Association Holding Company and Depository Institution Regulatory Improvements Act of 2010, a subset of the Dodd-Frank Act (defined below), permits banks to acquire and establish de novo branches in other states if a state bank in that other state would be permitted to establish the branch.

Under the Riegle-Neal Act, individual states may restrict interstate acquisitions in two ways. A state may prohibit an out-of-state bank holding company from acquiring a bank located in the state unless the target bank has been in existence for a specified minimum period of time (not to exceed five years). A state may also establish limits on the total amount of insured deposits within the state which are controlled by a single bank holding company, provided that such deposit limit does not discriminate against out-of-state bank holding companies.

Source of Strength. Bank holding companies, such as the Company, are required by statute to serve as a source of financial strength for their subsidiary depository institutions, by providing financial assistance to their insured depository institution subsidiaries in the event of financial distress. Under the source of strength requirement, the Company could be required to provide financial assistance to the Bank should it experience financial distress. Furthermore, the FRB has the right to order a bank holding company to terminate any activity that the FRB believes is a serious risk to the financial safety, soundness or stability of any subsidiary bank. The regulators may require these and other actions in support of controlled banks even if such action is not in the best interests of the bank holding company or its stockholders.

Liability of Commonly Controlled Institutions. Under cross-guaranty provisions of the Federal Deposit Insurance Act (the "FDIA"), bank subsidiaries of a bank holding company are liable for any loss incurred by the Deposit Insurance Fund (the "DIF"), the federal deposit insurance fund for banks, in connection with the failure of any other bank subsidiary of the bank holding company.

Bank Secrecy Act and USA PATRIOT Act. The Company and the Bank must comply with the requirements of the Bank Secrecy Act, which was enacted to prevent banks and other financial service providers from being used as intermediaries for, or to hide the transfer or deposit of money derived from, drug trafficking, money laundering, and other crimes. Since its passage, the Bank Secrecy Act has been amended several times. These amendments include the Money Laundering Control Act of 1986, which made money laundering a criminal act, as well as the Money Laundering Suppression Act of 1994, which required regulators to develop enhanced examination procedures and increased examiner training to improve the identification of money laundering schemes in financial institutions. The USA PATRIOT Act,

established in 2001, substantially broadened the scope of U.S. anti-money laundering laws and regulations by imposing significant new compliance and due diligence obligations, creating new crimes and penalties and expanding the extra-territorial jurisdiction of the U.S. The regulations impose obligations on financial institutions to maintain appropriate policies, procedures and controls to detect, prevent, and report money laundering and terrorist financing. The regulations include significant penalties for non-compliance.

Missouri Bank Holding Company Regulation. Missouri prohibits any bank holding company from acquiring ownership or control of any bank or Missouri depository trust company that has Missouri deposits if, after such acquisition, the bank holding company would hold or control more than 13% of total Missouri deposits. Because of this restriction, among others, a bank holding company, prior to acquiring control of a bank or depository trust company that has deposits in Missouri, must receive the approval of the Missouri Division of Finance.

Regulation Applicable to the Bank

General. The Bank, a Missouri state non-member depository trust company, is subject to the regulation of the Missouri Division of Finance and the FDIC. The FDIC is empowered to issue cease and desist orders against the Bank if it determines that any activities of the Bank represent unsafe and unsound banking practices or violations of law. In addition, the FDIC has the power to impose civil money penalties for violations of banking statutes and regulations. Regulation by these agencies is designed to protect the depositors of the Bank, not the shareholders of the Company.

Bank Regulatory Capital Requirements. The FDIC has adopted minimum capital requirements applicable to state non-member banks, which are similar to the capital adequacy guidelines established by the FRB for bank holding companies. Federal banking laws classified an insured financial institution in one of the following five categories, depending upon the amount of its regulatory capital:

- "well-capitalized" if it has a total Tier 1 leverage ratio of 5% or greater, a CET1 risk-based capital ratio of 6.5% or greater, a Tier 1 risk-based capital ratio of 8% or greater and a total risk-based capital ratio of 10% or greater (and is not subject to any order or written directive requiring the bank to adhere to a higher capital ratio);
- "adequately capitalized" if it has a total Tier 1 leverage ratio of 4% or greater, a CET1 risk-based capital ratio of 4.5% or greater, a Tier 1 risk-based capital ratio of 6% or greater, and a total risk-based capital ratio of 8% or greater;
- "undercapitalized" if it has a total Tier 1 leverage ratio that is less than 4%, a CET1 risk-based capital ratio that is less than 4.5%, a Tier 1 risk-based capital ratio that is less than 6% or a total risk-based capital ratio that is less than 8%;
- "significantly undercapitalized" if it has a total Tier 1 leverage ratio that is less than 3%, a CET1 risk-based capital ratio that is less than 3%, a Tier 1 risk-based capital ratio that is less than 4% or a total risk-based ratio that is less than 6%; and
- "critically undercapitalized" if it has a Tier 1 leverage ratio that is equal to or less than 2%.

Federal regulatory agencies are required to take prompt corrective action against undercapitalized financial institutions. As of December 31, 2024, the Bank was classified as "well-capitalized," which is required for the Company to remain a financial holding company.

The capital ratios and classifications of the Bank as of December 31, 2024 and the minimum requirements to be considered well-capitalized are as follows:

Tier 1 Leverage Ratio (5.0% minimum requirement)	CET1 Risk-Based Capital Ratio (6.5%) (min requirement)	Tier 1 Risk-Based Capital Ratio (8.0%) (min requirement)	Total Risk-Based Capital Ratio (10.0%) (min requirement)
10.83 %	12.85 %	12.85 %	14.10 %

Limitations on Interest Rates and Loans to One Borrower. The rate of interest a bank may charge on certain classes of loans is limited by state and federal law. At certain times in the past, these limitations have resulted in reductions of net interest margins on certain classes of loans. Federal and state laws impose additional restrictions on the lending activities of banks. The maximum amount that a Missouri state-chartered bank may lend to any one person or entity is

generally limited to 15% of the unimpaired capital of the bank located in a city having a population of 100,000 or more, 20% of the unimpaired capital of the bank located in a city having a population of less than 100,000 and over 7,000, and 25% of the unimpaired capital of the bank if located elsewhere in the state. In the case of Missouri state-chartered banks with a composite rating of 1 or 2 under the Capital, Assets, Management, Earnings, Liquidity and Sensitivity (CAMELS) rating system, the maximum amount is the greater of (i) the limits listed in the foregoing sentence or (ii) 25% of the unimpaired capital of the bank.

Payment of Dividends. The Company's primary source of funds is dividends from the Bank, and the Bank is subject to federal and state laws limiting the payment of dividends. Under the FDIA, an FDIC-insured institution may not pay dividends while it is undercapitalized or if payment would cause it to become undercapitalized. Under Missouri law, the Bank may pay dividends to the Company only from a portion of its undivided profits and may not pay dividends if its capital is impaired.

Community Reinvestment Act. The Bank is subject to the Community Reinvestment Act and implementing regulations. These regulations establish the framework and criteria by which the bank regulatory agencies assess an institution's record of helping to meet the credit needs of its community, including low- and moderate-income neighborhoods. Community Reinvestment Act ratings are taken into account by regulators in reviewing certain applications made by the Company and the Bank. On October 24, 2023, the federal banking regulators issued a joint notice of final rulemaking to modernize the Community Reinvestment Act regulatory framework. The final rule is intended, among other things, to adapt to changes in the banking industry, including the expanded role of mobile and online banking, and to tailor performance standards to account for differences in bank size and business models. The final rule adjusts Community Reinvestment Act evaluations based on bank size and type, with many of the changes applying only to banks with over \$2 billion in assets, and several applying only to banks with over \$10 billion in assets. The final rule took effect on April 1, 2024, with staggered compliance dates of January 1, 2026, and January 1, 2027. The Company will evaluate the effects of the final rule on the Bank prior to the applicable compliance date and review its Community Reinvestment Act program in connection therewith.

Limitations on Transactions with Affiliates. The Company and its non-bank subsidiaries are "affiliates" within the meaning of the Federal Reserve Act. The amount of loans or extensions of credit which the Bank may make to non-bank affiliates, or to third parties secured by securities or obligations of the non-bank affiliates, are substantially limited by the Federal Reserve Act and the FDIA. Such acts further restrict the range of permissible transactions between a bank and an affiliated company. A bank and its subsidiaries may engage in certain transactions, including loans and purchases of assets, with an affiliated company only if the terms and conditions of the transaction, including credit standards, are substantially the same as, or at least as favorable to the bank as, those prevailing at the time for comparable transactions with non-affiliated companies or, in the absence of comparable transactions, on terms and conditions that would be offered to non-affiliated companies.

Other Banking Activities. The investments and activities of the Bank are also subject to regulation by federal and state banking agencies regarding, among other things, investments in subsidiaries, investments for their own account (including limitations on investments in junk bonds and equity securities), loans to officers, directors and their affiliates, security requirements, anti-tying limitations, anti-money laundering, financial privacy and customer identity verification requirements, truth-in-lending, the types of interest bearing deposit accounts which it can offer, trust department operations, brokered deposits, audit requirements, issuance of securities, branching and mergers and acquisitions.

Changes in Laws and Monetary Policies

Recent Legislation. Various pieces of legislation, including proposals to change substantially the financial institution regulatory system, are from time to time introduced and considered by the Missouri state legislature and the U.S. Congress. In July 2010, President Barack Obama signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), which enacted substantial changes to the legal framework of the entire financial services industry. The Dodd-Frank Act mandates the passage of numerous rules and regulations by various regulatory agencies over the next few years. It also creates the Consumer Financial Protection Bureau, which will overtake supervision of most providers of consumer financial products and services, and will be empowered to declare acts or practices related to the delivery of a consumer financial product or service to be "unfair, deceptive or abusive." This law will continue to change banking regulation and the operating environment of the Company in substantial and unpredictable ways. These changes could increase or decrease the cost of doing business, limit or expand permissible activities or affect the competitive balance among banks, savings associations, credit unions and other financial institutions. The Company cannot predict the impact that the Dodd-Frank Act, and the various regulations issued thereunder will have on its business.

The Company is monitoring the impact of the change in presidential administration to the Consumer Financial Protection Bureau and other applicable banking regulations, which impact is not currently known.

Key provisions of the EGRRCPA as it relates to community banks and bank holding companies include, but are not limited to: (i) designating mortgages held in portfolio as "qualified mortgages" for banks with less than \$10 billion in assets, subject to certain documentation and product limitations; (ii) exempting banks with less than \$10 billion in assets (and total trading assets and trading liabilities of 5% or less of total assets) from Volcker Rule requirements relating to proprietary trading; (iii) simplifying capital calculations for banks with less than \$10 billion in assets by requiring federal banking agencies to establish a CBLR of tangible equity to average consolidated assets of not less than 8% or more than 10%, and provide that banks that maintain tangible equity in excess of such ratio will be deemed to be in compliance with risk-based capital and leverage requirements; (iv) assisting smaller banks with obtaining stable funding by providing an exception for reciprocal deposits from FDIC restrictions on acceptance of brokered deposits; (v) raising the eligibility for use of short-form Call Reports from \$1 billion to \$5 billion in assets; (vi) clarifying definitions pertaining to high-volatility commercial real estate, which require higher capital allocations, so that only loans with increased risk are subject to higher risk weightings; and (vii) changing the eligibility for use of the small bank holding company policy statement from institutions with under \$1 billion in assets to institutions with under \$3 billion in assets.

Fiscal Monetary Policies. The Company's business and earnings are affected significantly by the fiscal and monetary policies of the federal government and its agencies. The Company is particularly affected by the policies of the FRB, which regulates the supply of money and credit in the U.S. Among the instruments of monetary policy available to the FRB are:

- conducting open market operations in U.S. government securities;
- changing the discount rates of borrowings of depository institutions;
- imposing or changing reserve requirements against depository institutions' deposits; and
- imposing or changing reserve requirements against certain borrowings by bank and their affiliates.

These methods are used in varying degrees and combinations to directly affect the availability of bank loans and deposits, as well as the interest rates charged on loans and paid on deposits. The policies of the FRB have a material effect on the Company's business, results of operations and financial condition.

The references in the foregoing discussion to various aspects of statutes and regulation are merely summaries, which do not purport to be complete and which are qualified in their entirety by reference to the actual statutes and regulations.

Available Information

The address of the Company's principal executive offices is 132 East High Street, Jefferson City, Missouri 65101 and the telephone number at this location is (573) 761-6100. The Company's common stock trades on the Nasdaq Global Select Market under the symbol "HWBK".

We electronically file certain documents with the Securities and Exchange Commission (the "SEC"). We file annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K (as appropriate), along with any related amendments and supplements. From time-to-time, we also may file registration and related statements pertaining to equity or debt offerings. You may read and download the Company's SEC filings over the internet from several commercial document retrieval services as well as at the SEC's internet website (www.sec.gov).

The Company's internet website address is www.hawthornbancshares.com. Under the "Documents" menu tab of our website, we make available, without charge, the Company's public filings with the SEC, including the Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, or any amendments to those reports filed or furnished to the SEC pursuant to Section 13(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Please note that any internet addresses provided in this report are for information purposes only and are not intended to be hyperlinks. Accordingly, no information found and/or provided at such internet addresses is intended or deemed to be incorporated by reference herein.

Item 1A. Risk Factors.

Risk Factors

We are identifying important risks and uncertainties that could affect the Company's results of operations, financial condition or business and that could cause them to differ materially from the Company's historical results of operations, financial condition or business, or those contemplated by forward-looking statements made herein or elsewhere, by, or on behalf of, the Company. Factors that could cause or contribute to such differences include, but are not limited to, those factors described below. The risk factors highlighted below are not necessarily the only ones that the Company faces.

Risks Relating to Our Business and Market

Because We Primarily Serve Central, West Central Missouri, and Eastern Kansas, a Decline in the Local Economic Conditions Could Lower the Company's Profitability. The profitability of the Company is dependent on the profitability of the Bank, which operates out of central and west-central Missouri, and extends into eastern Kansas as part of the Kansas City metro. The financial condition of the Bank is affected by slowing or recessionary economic conditions and business activity prevailing in the portions of Missouri and Kansas in which its operations are located. Although our customers' business and financial interests may extend well beyond our market areas, the financial conditions of both the Company and the Bank would be adversely affected by deterioration in the general economic and real estate climate in Missouri and Kansas.

An increase in unemployment, a decrease in profitability of regional businesses or real estate values, or an increase in interest rates are among the factors that could weaken the local economy. With a weaker local economy:

- customers may not want or need the products and services of the Bank;
- borrowers may be unable to repay their loans;
- the value of the collateral security of the Bank's loans to borrowers may decline;
- the number of loan delinquencies and foreclosures may increase; and
- the overall quality of the Bank's loan portfolio may decline.

Originating mortgage loans and consumer loans are a significant source of profits for the Bank. If individual customers in the local area do not want or need these loans, profits may decrease. Although the Bank could make other investments, the Bank may earn less revenue on these investments than on loans. Additionally, the Bank's losses on loans may increase if borrowers are unable to make payments on their loans.

Interest Rate Changes May Reduce the Profitability of the Company and the Bank. The primary source of earnings for the Bank is net interest income. To be profitable, the Bank has to earn more money in interest and fees on loans and other interest-earning assets than it pays as interest on deposits and other interest-bearing liabilities and as other expenses. If prevailing interest rates decrease, the amount of interest the Bank earns on loans and investment securities may decrease more rapidly than the amount of interest the Bank has to pay on deposits and other interest-bearing liabilities. This would result in a decrease in the profitability of the Company and the Bank.

Changes in the level or structure of interest rates also affect:

- the Bank's ability to originate loans;
- the value of the Bank's loan and securities portfolios;
- the Bank's ability to realize gains from the sale of loans and securities;
- the average life of the Bank's deposits; and
- the Bank's ability to obtain deposits.

Fluctuations in interest rates will ultimately affect both the level of income and expense recorded on a large portion of the Bank's assets and liabilities, and the fair value of all interest-earning assets, other than interest-earning assets that mature in the short term. In the fourth quarter of 2023, the Company repositioned its balance sheet by selling \$83.7 million in book value of investment securities for an after-tax realized loss of \$9.1 million. The Bank's interest rate

management strategy is designed to stabilize net interest income and preserve capital over a broad range of interest rate movements by matching the interest rate sensitivity of assets and liabilities. Although the Company believes that the Bank's current mix of loans, mortgage-backed securities, investment securities and deposits is reasonable, significant fluctuations in interest rates may have a negative effect on the profitability of the Bank.

Our Business Depends On Our Ability to Successfully Manage Credit Risk. The operation of our business requires us to manage credit risk. As a lender, the Bank is exposed to the risk that borrowers will be unable to repay their loans according to their terms, and that the collateral securing repayment of their loans, if any, may not be sufficient to ensure repayment. In addition, there are risks inherent in making any loan, including risks with respect to the period of time over which the loan may be repaid, risks relating to proper loan underwriting, risks resulting from changes in economic and industry conditions and risks inherent in dealing with individual borrowers. In order to successfully manage credit risk, we must, among other things, maintain disciplined and prudent underwriting standards and ensure that our loan officers follow those standards. The weakening of these standards for any reason, such as an attempt to attract higher yielding loans, a lack of discipline or diligence by our employees in underwriting and monitoring loans, the inability of our employees to adequately adapt policies and procedures to address changes in economic or other conditions affecting borrowers (such as the current recessionary environment and higher interest rates) and the quality of our loan portfolio, may result in loan defaults, foreclosures and additional charge-offs and may necessitate that we significantly increase our allowance for credit losses, each of which could adversely affect our net income. As a result, our inability to successfully manage credit risk could have a material adverse effect on our business, financial condition or results of operations.

The Company's Profitability Depends On the Bank's Asset Quality and Lending Risks. Success in the banking industry largely depends on the quality of loans and other assets. A significant source of risk for us arises from the possibility that losses will be sustained because borrowers, guarantors and related parties may fail to perform in accordance with the terms of their loans. The Bank's loan officers are actively encouraged to identify deteriorating loans. Loans are also monitored and categorized through an analysis of their payment status. The Bank's failure to timely and accurately monitor the quality of its loans and other assets could have a materially adverse effect on the operations and financial condition of the Company and the Bank. There is a degree of credit risk associated with any lending activity. The Bank attempts to minimize its credit risk through loan diversification. Although the Bank's loan portfolio is varied, with no undue concentration in any one industry, substantially all of the loans in the portfolio have been made to borrowers in central, west central, and southwest Missouri, and eastern Kansas as part of the Kansas City metro. Therefore, the loan portfolio is susceptible to factors affecting the central, west central, and southwest Missouri, and eastern Kansas and the level of non-performing assets is heavily dependent upon local conditions. There can be no assurance that the level of the Bank's non-performing assets will not increase above current levels. High levels of non-performing assets could have a materially adverse effect on the operations and financial condition of the Company and the Bank.

The Provision for Probable Credit Losses May Need to Be Increased. The Bank makes a provision for credit losses based upon management's estimate of probable losses in the loan portfolio and its consideration of prevailing economic and environmental conditions. The amount of future loan losses is susceptible to changes in economic, operating and other conditions, including changes in interest rates, which may be beyond the Company's control, and these losses may exceed current estimates. We cannot fully predict the amount or timing of losses or whether the loss allowance will be adequate in the future. The Bank may need to increase the provision for credit losses through additional provisions in the future if, among other things, the financial condition of any of its borrowers deteriorates, if its borrower fails to perform its obligations to it, or if real estate values decline. Furthermore, various regulatory agencies, as an integral part of their examination process, periodically review the Bank's loan portfolio, provision for credit losses, and real estate acquired by foreclosure. Such agencies may require the Bank to recognize additions to the provision for credit losses based on their judgments of information available to them at the time of the examination. Any additional provision for probable credit losses, whether required as a result of regulatory review or initiated by the Company itself, may materially alter the financial outlook of the Company and the Bank and may have a material adverse effect on the Company's financial condition and results of operations.

Adverse Market Conditions in the U.S. Economy and the Markets in Which We Operate Could Adversely Impact the Company's Business. Unfavorable or uncertain economic and market conditions, including slowing or recessionary economic conditions, reduced availability of commercial credit, and increasing unemployment may negatively impact the credit performance of commercial and consumer credit, resulting in additional write-downs. Concerns over the stability of the financial markets and the economy have resulted in decreased lending by financial institutions to their customers and to each other. This market turmoil and tightening of credit has led to increased commercial and consumer deficiencies, lack of customer confidence, increased market volatility and widespread reduction in general business

activity. Competition among depository institutions for deposits has increased significantly. Financial institutions have experienced decreased access to deposits or borrowings.

Smaller Commercial Borrowers May Have Fewer Financial Resources, Which May Impair Their Ability to Repay Loans. We provide lending to many small- to medium-sized customers, which frequently have fewer financial resources than larger entities (in terms of capital or borrowing capacity). Accordingly, these businesses may be more vulnerable to economic downturns, often need substantial additional capital to expand or compete, and may experience substantial volatility in operating results, any of which may impair the borrower's ability to repay a loan. If these or other borrowers are harmed by adverse business conditions in the markets in which we operate, it may result in an adverse effect to the business, financial condition and results of operations of the Company or the Bank.

The Soundness of Other Financial Institutions Could Adversely Affect Us. The Company's ability to engage in routine funding transactions could be adversely affected by the actions and commercial soundness of other financial institutions. Financial services institutions are interrelated as a result of trading, clearing, counterparty or other relationships. We have exposure to many different industries and counterparties, and we routinely execute transactions with counterparties in the financial industry, including brokers and dealers, commercial banks, investment banks, mutual and hedge funds, and other institutional clients. As a result, defaults by, or even rumors or questions about, one or more financial services institutions, or the financial services industry generally, have led to market-wide liquidity problems and could lead to losses or defaults by us or by other institutions. Many of these transactions expose us to credit risk in the event of default of a counterparty or client. In addition, the Company's credit risk may be exacerbated when the collateral held by us cannot be realized upon or is liquidated at prices not sufficient to recover the full amount of the loan or derivative exposure due us. There is no assurance that any such losses would not materially and adversely affect the Company's results of operations.

Bank failures, such as the failures of Silicon Valley Bank, Signature Bank and First Republic Bank in 2023, may cause a degree of panic and uncertainty in the investor community and among bank customers generally. Bank failures may also reduce customer confidence, affect sources of funding and liquidity, increase regulatory requirements and costs, adversely affect financial markets or have a negative reputational ramification for the banking industry, including the Company. The Company will monitor events concerning any future potential bank failures and volatility within the banking industry generally, together with any responsive measures taken by the banking regulators to mitigate or manage potential turmoil in the banking industry.

Liquidity Risk Could Impair Our Ability to Fund Operations and Meet Our Obligations as They Become Due, and Failure to Maintain Sufficient Liquidity Could Materially Adversely Affect Our Growth, Business, Profitability and Financial Condition. Liquidity is essential to our business. Liquidity risk is the potential that we will be unable to meet our obligations as they become due because of an inability to liquidate assets or obtain adequate funding at a reasonable cost, in a timely manner and without adverse conditions or consequences. We require sufficient liquidity to fund asset growth, meet customer loan requests, customer deposit maturities and withdrawals, payments on our debt obligations as they become due and other cash commitments under both normal operating conditions and other unpredictable circumstances, including events causing industry or general financial market stress. Liquidity risk can increase due to a number of factors, including an over-reliance on a particular source of funding or market-wide phenomena such as market dislocation and major disasters. Factors that could detrimentally impact access to liquidity sources include, but are not limited to, a decrease in the level of our business activity as a result of a slowdown in our market, adverse regulatory actions against us, or changes in the liquidity needs of our depositors. Market conditions or other events could also negatively affect the level or cost of funding, affecting our ongoing ability to accommodate liability maturities and deposit withdrawals, meet contractual obligations, and fund asset growth and new business transactions at a reasonable cost, in a timely manner, and without adverse consequences. Our inability to raise funds through deposits, borrowings, the sale of loans, other sources, and our ability to maintain sufficient deposits, could have a substantial negative effect on our business, and could result in the closure of the Bank. Our access to funding sources in amounts adequate to finance our activities or on acceptable terms could be impaired by factors that affect our organization specifically or the financial services industry or economy in general. Any substantial, unexpected, and/or prolonged change in the level or cost of liquidity could impair our ability to fund operations and meet our obligations as they become due and could have a material adverse effect on our business, financial condition and results of operations.

We rely on customer deposits, including brokered deposits, and to a lesser extent on advances from the FHLB and federal funds purchased to fund our operations. Although we have historically been able to replace customer deposit withdrawals, maturing deposits, and advances if desired, we may not be able to replace such funds in the future if our

financial condition, the financial condition of the FHLB or market conditions were to change. FHLB borrowings and other current sources of liquidity may not be available or, if available, sufficient to provide adequate funding for operations.

Deterioration in the Housing Market Could Cause Further Increases in Delinquencies and Non-Performing Assets, Including Loan Charge-Offs, and Depress the Company's Income and Growth. The volume of one-to-four family residential mortgages and home equity lines of credit may decrease during economic downturns as a result of, among other things, a decrease in real estate values, an increase in unemployment, a slowdown in housing price appreciation or increases in interest rates. These factors could reduce earnings and consequently the Company's financial condition because:

- borrowers may not be able to repay their loans;
- the value of the collateral securing loans may decline further;
- the quality of the Company's loan portfolio may decline further; and
- customers may not want or need the Company's products and services.

Any of these scenarios could cause an increase in delinquencies and non-performing assets, require us to charge-off a higher percentage of loans, increase substantially the provision for losses on loans, or make fewer loans, which would reduce income.

The FDIC's Changes in the Calculation of Deposit Insurance Premiums and Ability to Levy Special Assessments Could Increase the Company's Non-Interest Expense and May Reduce Its Profitability. The range of base assessment rates historically varies from 12 to 45 basis points depending on an institution's risk category, with newly added financial measures resulting in increased assessment rates for institutions heavily relying on brokered deposits to support rapid asset growth. However, the Dodd-Frank Act requires the FDIC to amend its regulations to redefine the assessment base used for calculating deposit insurance assessments. On February 9, 2011, the FDIC adopted a final rule that defines the assessment base as the average consolidated total assets during the assessment period minus the average tangible equity of the insured depository institution during the assessment period. The FDIC also imposed a new assessment rate scale (which was revised further in 2016). Under the new system, banks will generally pay assessments at a rate between 2.5 and 32 basis points per assets minus tangible equity, depending upon an institution's risk category (the final rule also includes progressively lower assessment rate schedules when the FDIC's reserve ratio reaches certain levels). The rulemaking changes the current assessment rate schedule so the schedule will result in the collection of assessment revenue that is approximately the same as generated under the current rate schedule and current assessment base. Nearly all banks with assets less than \$10 billion will pay smaller deposit insurance assessments as a result of the new rule. The majority of the changes in the FDIC's final rule became effective on April 1, 2011. The FDIC has the statutory authority to impose special assessments on insured depository institutions in an amount, and for such purposes, as the FDIC may deem necessary. The FDIC issued a final rule in November 2023 to implement a special assessment to recover the significant losses incurred by the FDIC in connection with the 2023 bank failures (Silicon Valley Bank in California, Signature Bank in New York and First Republic Bank in California), but that special assessment did not apply to the Bank. The change in the calculation methodology for deposit insurance premiums and the possible emergency special assessments could increase non-interest expense and may adversely affect the Company's profitability.

We May Elect or Be Compelled To Seek Additional Capital In The Future, But That Capital May Not Be Available When Needed. We are required by regulatory authorities to maintain adequate levels of capital to support operations. In addition, we may elect to raise additional capital to support the growth of the Company's business or to finance acquisitions, if any, or we may elect to raise additional capital for other reasons. In that regard, a number of financial institutions have recently raised considerable amounts of capital as a result of a deterioration in their results of operations and financial condition arising from the turmoil in the mortgage loan market, deteriorating economic conditions, declines in real estate values and other factors. Should we elect or be required by regulatory authorities to raise additional capital, we may seek to do so through the issuance of, among other things, common stock or securities convertible into common stock, which could dilute your ownership interest in the Company. Although we remain "well-capitalized" and have not had a deterioration in liquidity, the future cost and availability of capital may be adversely affected by illiquid credit markets, economic conditions and a number of other factors, many of which are outside of the Company's control. Accordingly, we cannot assure you of the ability to raise additional capital if needed or on terms acceptable to us. If we cannot raise additional capital when needed or on terms acceptable to us, it may have a material adverse effect on the Company's financial condition and results of operations.

If We Are Unable to Successfully Compete for Customers in the Company's Market Area, the Company's Financial Condition and Results of Operations Could Be Adversely Affected. The Bank faces substantial competition in making loans, attracting deposits and providing other financial products and services. The Bank has numerous competitors for customers in its market area.

Such competition for loans comes principally from:

- other commercial banks
- savings banks
- savings and loan associations
- mortgage banking companies
- finance companies
- credit unions

Competition for deposits comes principally from:

- other commercial banks
- savings banks
- savings and loan associations
- credit unions
- brokerage firms
- insurance companies
- money market mutual funds
- mutual funds (such as corporate and government securities funds)

Many of these competitors have greater financial resources and name recognition, more locations, more advanced technology and more financial products to offer than the Bank. Competition from larger institutions may increase due to an acceleration of bank mergers and consolidations in Missouri and the rest of the nation. In addition, the Gramm-Leach-Bliley Act removes many of the remaining restrictions in federal banking law against cross-ownership between banks and other financial institutions, such as insurance companies and securities firms. The law will likely increase the number and financial strength of companies that compete directly with the Bank.

The profitability of the Bank depends on its continued ability to attract new customers and compete in its service areas. Increased competition in our markets from new competitors, as well as the expanding operations of existing competitors, may result in:

- interest rate changes to various types of accounts;
- a decrease in the amounts of the Bank's loans and deposits;
- reduced spreads between loan rates and deposit rates; and
- loan terms that are less favorable to the Bank.

Any of these results could have a material adverse impact on the Bank's market share of deposits and loans in the Bank's service areas. If the Bank is unable to successfully compete, its financial condition and results of operations will be adversely affected.

We May Experience Difficulties in Managing Growth and in Effectively Integrating Newly Acquired Companies. As part of the Company's general strategy, it may continue to acquire banks and businesses that it believes provide a strategic fit with its business. To the extent that the Company does grow, there can be no assurances that we will be able to adequately and profitably manage such growth. Acquiring other banks and businesses will involve risks commonly associated with acquisitions, including:

- potential exposure to liabilities of the banks and businesses acquired;
- difficulty and expense of integrating the operations and personnel of the banks and businesses acquired;
- difficulty and expense of instituting the necessary systems and procedures, including accounting and financial reporting systems, to manage the combined enterprises on a profitable basis;
- potential disruption to existing business and operations;
- potential diversion of the time and attention of management; and
- impairment of relationships with and the possible loss of key employees and customers of the banks and businesses acquired.

The success of the Company's internal growth strategy will depend primarily on the ability of the Bank to generate an increasing level of loans and deposits at acceptable risk levels and on acceptable terms without significant increases in non-interest expenses relative to revenues generated. There is no assurance that we will be successful in implementing the Company's internal growth strategy.

The Bank is a Community Bank and Our Ability to Maintain the Bank's Reputation is Critical to the Success of Our Business and the Failure to Do So Could Materially Adversely Affect Our Performance. The Bank is a community bank, and its reputation is one of the most valuable components of our business. As such, we strive to conduct our business in a manner that enhances our reputation. This is done, in part, by recruiting, hiring and retaining employees who share our core values of being an integral part of the communities we serve, delivering superior service to our customers and caring about our customers and associates. However, employee error or employee and customer misconduct could subject us to financial losses or regulatory sanctions and seriously harm our reputation. Misconduct by our employees could include hiding unauthorized activities from us, improper or unauthorized activities on behalf of our clients or improper use of confidential information. It is not always possible to prevent employee error or misconduct, and the precautions we take to prevent and detect this activity may not be effective in all cases. Because the nature of the financial services business involves a high volume of transactions, certain errors may be repeated or compounded before they are discovered and successfully rectified. If our reputation is negatively affected, by the actions of our employees or otherwise, our business and, therefore, our operating results could be materially adversely affected.

The Actual or Perceived Occurrence of Fraudulent Activity, Breaches or Failures of our Information Security Controls, or Cybersecurity Related Incidents Could Damage Our Reputation, Disrupt Our Business, Increase our Costs and Cause Losses. Financial institutions are inherently exposed to operational risk in the form of theft and other fraudulent activity by employees, clients and other third parties targeting us and our customers or data. Such activity may take many forms, including check fraud, electronic fraud, wire fraud, phishing, social engineering, and other dishonest acts. Information security breaches and cybersecurity-related incidents may include fraudulent or unauthorized access to systems used by us, our customers or third-party vendors, denial or degradation of service attacks, and malware or other cyber attacks. Although the Company devotes substantial resources to maintaining effective policies and internal controls to identify and prevent such incidents, given the increasing sophistication of possible perpetrators, the Company or the Bank may experience financial losses or reputational harm as a result of fraud. In addition, we may be required to make significant capital expenditures in order to modify and enhance our protective measures or to investigate and remediate fraudulent activity. Although we have not experienced any material business or reputational harm as a result of fraudulent activities in the past, the occurrence of fraudulent activity could damage our reputation, disrupt our business, increase our costs and cause losses in the future.

The Company's Success Largely Depends on the Efforts of its Executive Officers. The success of the Company and the Bank has been largely dependent on the efforts of Brent M. Giles, CEO and Director, Gregg Bexten, President and Director, and the other executive officers. These individuals are expected to continue to perform their services. However, the loss of the services of Mr. Giles or Mr. Bexten, or any of the other key executive officers could have a materially adverse effect on the Company and the Bank.

If We Fail to Maintain an Effective System of Internal Control Over Financial Reporting, We May Not Be Able to Accurately Report Our Financial Results or Prevent Fraud, and, as a Result, Investors and Depositors Could Lose Confidence in Our Financial Reporting, Which Could Adversely Affect Our Business, the Trading Price of Our Stock, and Our Ability to Attract Additional Deposits. We are required to include in our annual reports filed with the SEC a report from our management regarding internal control over financial reporting. As a result, we documented and evaluated our internal control over financial reporting in order to satisfy the requirements of Section 404 of the Sarbanes-Oxley Act of 2002 and SEC rules and regulations, which require an annual management report on our internal control over financial reporting, including, among other matters, management's assessment of the effectiveness of internal control over financial reporting. Failure or circumvention of our system of internal control could have an adverse effect on our business, profitability, and financial condition, and could result in regulatory actions and loss of investor confidence. Additionally, if we fail to identify and correct any significant deficiencies or material weaknesses in the design or operating effectiveness of our internal control over financial reporting or fail to prevent fraud, current and potential stockholders and depositors could lose confidence in our financial reporting, which could adversely affect our business, financial condition and results of operations, the trading price of our stock and our ability to attract additional deposits.

Severe Weather, Natural Disasters, Pandemics, and Other External Events Could Significantly Impact Our Business. Severe weather, including tornadoes, droughts, hailstorms and other natural disasters, pandemics, or public health emergencies such as the outbreak of COVID-19, acts of war or terrorism and other adverse external events could

have a significant impact on our ability to conduct business. Such events could affect the stability of our deposit base, impair the ability of borrowers to repay outstanding loans, impair the value of collateral securing loans, cause significant property damage, result in loss of revenue or cause us to incur additional expenses. Operations in our markets could be disrupted by both the evacuation of large portions of the population as well as damage or lack of access to our banking and operation facilities. Military and political conflicts, including the current military conflict between Russia and Ukraine, may increase volatility in commodity and energy prices, create supply chain issues and cause instability in financial markets, which may adversely affect us and our clients. Other severe weather or natural disasters, pandemics, acts of war or terrorism or other adverse external events may occur in the future. Although management has established business continuity plans and procedures, the occurrence of any such events could have a material adverse effect on our business, financial condition and results of operations.

Climate Change and Responses to Climate Change May Adversely Impact Our Business, Financial Condition and Results of Operations. Concerns over the long-term impacts of climate change have led and will continue to lead to governmental efforts to mitigate those impacts. Consumers and businesses are also changing their behavior and business preferences as a result of these concerns. New governmental regulations or guidance relating to climate change, as well as changes in consumers' and businesses' behaviors and business preferences, may cause us and our customers to experience cost increases, asset value reductions, operating process changes and delays in completion of projects. To the extent that climate change and responses to climate change negatively impact the businesses and financial condition of our customers, the credit risk associated with loans and other credit exposures to those customers may increase. In addition, weather events related to climate change could adversely affect our business and the businesses of our customers.

Public Health Threats or Outbreaks of Communicable Diseases May Adversely Affect the Company's Operations and Financial Results. The Company and the Bank may face risks related to public health threats or outbreaks of communicable diseases. A widespread healthcare crisis, such as an outbreak of a communicable disease could adversely affect the global economy and the Company's financial performance. For example, the COVID-19 pandemic destabilized the financial markets in which the Bank operates, and the effects of the pandemic continue to cause disruption in the global economies and financial markets, including the Bank's local markets. The Company and the Bank are dependent upon the willingness and ability of the Bank's customers to conduct banking and other financial transactions, which could be limited in the event of a disease outbreak or pandemic.

Risks Relating to Our Regulatory Environment

We May Be Adversely Affected by Changes in Laws and Regulations Affecting the Financial Services Industry. Banks and bank holding companies such as the Company are subject to regulation by both federal and state bank regulatory agencies. The regulations, which are designed to protect borrowers and promote certain social policies, include limitations on the operations of banks and bank holding companies, such as minimum capital requirements and restrictions on dividend payments. The regulatory authorities have extensive discretion in connection with their supervision and enforcement activities and their examination policies, including the imposition of restrictions on the operation of a bank, the classification of assets by an institution and requiring an increase in a bank's allowance for credit losses. These regulations are not necessarily designed to maximize the profitability of banking institutions.

As a financial holding company, we are subject to extensive regulation and supervision and undergo periodic examinations by our regulators, who have extensive discretion and authority to prevent or remedy unsafe or unsound practices or violations of law by banks and financial holding companies. Failure to comply with applicable laws, regulations or policies could result in sanctions by regulatory agencies, civil monetary penalties and/or damage to our reputation, which could have a material adverse effect on us. Although we have policies and procedures designed to mitigate the risk of any such violations, there can be no assurance that such violations will not occur.

Current or proposed regulatory or legislative changes to laws applicable to the financial industry may impact the profitability of our business activities and may change certain of our business practices, including our ability to offer new products, obtain financing, attract deposits, make loans and achieve satisfactory interest spreads, and could expose us to additional costs, including increased compliance costs. In addition, political developments, including the possible implementation of policies proposed by the new presidential administration, including tariffs, mass deportations and tax or financial regulations or the appointment of new personnel in regulatory agencies, add uncertainty to the implementation, scope and timing of regulatory reforms. These changes may also require us to invest significant management attention and resources to make any necessary changes to operations in order to comply and could therefore materially and adversely affect our business, financial condition and results of operations.

The Federal Reserve May Require the Company to Commit Capital Resources to Support the Bank. As a matter of policy, the Federal Reserve expects a bank holding company to act as a source of financial and managerial strength to its subsidiary banks. The Federal Reserve may charge the bank holding company with engaging in unsafe and unsound practices for failure to adequately commit resources to a subsidiary bank. Accordingly, we may be required to make capital injections into a troubled subsidiary bank, even if such contribution creates a detriment to the Company or its stockholders. If we do not have sufficient resources on hand to fund the capital injection, we may be required to borrow funds or raise capital. Any such loans are subordinate in right of payment to deposits and to certain indebtedness of the subsidiary bank. In the event of bankruptcy of the bank holding company, claims based upon any commitments to fund capital injections are entitled to a priority of payment over claims made by general unsecured creditors, including holders of indebtedness. Thus, any borrowing incurred by the Company to make required capital injections to the Bank are difficult and expensive, and will adversely impact our financial condition, results of operations and future prospects.

The Short-Term and Long-Term Impact of any Change to Regulatory Capital Requirements is Uncertain. The Company and the Bank are subject to various regulatory capital requirements. The federal banking agencies have substantially amended the regulatory capital rules applicable to us and the Bank in the past and may do so again in the future. The amendments implement the Basel III Rules and changes required by the Dodd-Frank Act. The amended rules include new minimum risk-based capital and leverage ratios, which became effective in January 2015 (with certain phase-ins), and refined the definition of what constitutes "capital" for purposes of calculating those ratios.

The application of more stringent capital requirements to us and the Bank could, among other things, result in lower returns on invested capital, require the raising of additional capital, and result in regulatory actions if we were to be unable to comply with such requirements. Implementation of changes to asset risk weightings for risk based capital calculations, items included or deducted in calculating regulatory capital and/or additional capital conservation buffers could result in management modifying its business strategy and could further limit the Company's ability to make distributions, including paying out dividends or buying back shares.

Higher FDIC Deposit Insurance Premiums and Assessments Could Adversely Affect our Financial Condition. Our deposits are insured up to applicable limits by the DIF and are subject to deposit insurance assessments to maintain deposit insurance. As an FDIC-insured institution, we are required to pay quarterly deposit insurance premium assessments to the FDIC. Growth in insured deposits at FDIC-insured financial institutions in recent years caused the ratio of the DIF to total insured deposits to fall below the current statutory minimum, and the FDIC has approved an increase in the base assessment rates to increase the likelihood that the reserve ratio of the DIF reaches the statutory minimum level by the statutory deadline. Although we cannot predict what the insurance assessment rates will be in the future, either a deterioration in our risk-based capital ratios or further adjustments to the base assessment rates could have a material adverse impact on our business, financial condition, results of operations and cash flows.

Non-Compliance with the USA PATRIOT Act, Bank Secrecy Act, Real Estate Settlement Procedures Act, Truth-in-Lending Act, Community Reinvestment Act, Fair Lending Laws or Other Laws and Regulations Could Result in Fines or Sanctions, and Curtail Expansion Opportunities. Financial institutions are required under the USA PATRIOT and Bank Secrecy Acts to develop programs to prevent financial institutions from being used for money-laundering and terrorist activities. Financial institutions are also obligated to file suspicious activity reports with the U.S. Treasury Department's Office of Financial Crimes Enforcement Network if such activities are detected. These rules also require financial institutions to establish procedures for identifying and verifying the identity of customers seeking to open new financial accounts. Failure or the inability to comply with the USA PATRIOT Act and Bank Secrecy Act statutes and regulations could result in fines or penalties, curtailment of expansion opportunities, enforcement actions, intervention or sanctions by regulators and costly litigation or expensive additional controls and systems. During the last few years, several banking institutions have received large fines for non-compliance with these laws and regulations. In addition, the U.S. Government imposed and will continue to expand laws and regulations relating to residential and consumer lending activities that create significant new compliance burdens and financial risks.

Regulations Relating to Privacy, Cybersecurity, Information Security and Data Protection Could Increase Our Costs, Affect or Limit How We Collect and Use Personal Information and Adversely Affect Our Business Opportunities. We are subject to various privacy, information security and data protection laws, including requirements concerning security breach notification, and we could be negatively impacted by these laws. For example, our business is subject to the Gramm-Leach-Bliley Act which, among other things: (i) imposes certain limitations on our ability to share non-public personal information about our clients with non-affiliated third parties; (ii) requires that we provide certain disclosures to clients about our information collection, sharing and security practices and afford clients the right to "opt out" of any information sharing by us with non-affiliated third parties (with certain exceptions); and (iii) requires that we

develop, implement and maintain a written comprehensive information security program containing safeguards that are appropriate based on our size and complexity, the nature and scope of our activities and the sensitivity of client information we process, as well as plans for responding to data security breaches. Many state and federal banking regulators, states and foreign countries have also enacted data security breach notification requirements with varying levels of individual, consumer, regulatory or law enforcement notifications in certain circumstances in the event of a security breach. Moreover, legislators and regulators in the U.S. and other countries are increasingly adopting or revising privacy, information security and data protection laws that potentially could have a significant impact on our current and planned privacy, data protection and information security-related practices, our collection, use, sharing, retention and safeguarding of client or employee information, and some of our current or planned business activities. This could also increase our costs of compliance and business operations and could reduce income from certain business initiatives. This includes increased privacy-related enforcement activity at the federal level by the Federal Trade Commission, as well as at the state level.

Compliance with any current or future laws and regulations noted above (including those regarding security breach notification) could result in higher compliance costs and could restrict our ability to provide certain products and services, which could have a material adverse effect on our business, financial conditions or results of operations. Our failure to comply with any such laws could result in potentially significant regulatory or governmental investigations or actions, litigation, fines, sanctions and damage to our reputation, which could have a material adverse effect on our business, financial condition or results of operations.

The Company is subject to a number of federal and state laws and regulations requiring notifications and disclosures regarding certain cybersecurity incidents, which could be triggered as a result of incidents discussed above. In addition, the Company must consider and address cybersecurity considerations as part of its risk management processes. See Item 16. Cybersecurity for additional information.

We are Subject to Numerous Laws Designed to Protect Consumers, Including the Community Reinvestment Act and Fair Lending Laws, and Failure to Comply with These Laws Could Lead to a Wide Variety of Sanctions. The Community Reinvestment Act, the Equal Credit Opportunity Act, the Fair Housing Act and other fair lending laws and regulations impose nondiscriminatory lending requirements on financial institutions. The U.S. Department of Justice and other federal agencies are responsible for enforcing these laws and regulations. A successful regulatory challenge to an institution's performance under the Community Reinvestment Act or fair lending laws and regulations could result in a wide variety of sanctions, including damages and civil money penalties, injunctive relief, restrictions on mergers and acquisitions activity, restrictions on expansion and restrictions on entering new business lines. Private parties may also have the ability to challenge an institution's performance under fair lending laws in private class action litigation. Such actions could have a material adverse effect on our business, financial condition, results of operations and future prospects. We may be subject to liability for potential violations of predatory lending laws, which could adversely impact our results of operations, financial condition and business.

We Are Subject to a Number of Other Laws and Regulations, Which May Adversely Affect the Operation of Our Business and Increase Our Costs. We are extensively regulated under U.S. federal and state law, and are subject to a number of laws and regulations in addition to banking laws and regulations, including securities, insurance and tax laws and regulations. As a company whose stock is publicly traded, we are subject to various federal and state securities laws, including the Securities Act of 1933, as amended, the Exchange Act and the Sarbanes-Oxley Act of 2002, and we file periodic reports with the Securities and Exchange Commission. In addition, because our common stock is listed with The Nasdaq Stock Market LLC, we are subject to the listing rules of that exchange. The Company and its subsidiaries are subject to federal and state income taxes and Missouri franchise taxes, and are potentially subject to audits by the Internal Revenue Service and state income and franchise tax examinations by the Missouri Department of Revenue. Any failure by us to comply with any laws or regulations, any change in such laws or regulations or the position of any regulatory agency with respect thereto, or any adverse result in any regulatory investigation or examination, including any tax audit or examination, could adversely affect our business, financial condition and results of operations.

Technology and Vendor Risks

We Are Subject to Security and Operational Risks Relating to Our Use of Technology That Could Damage Our Reputation and Our Business. We rely heavily on communications and information systems to conduct our business. Furthermore, we have access to large amounts of confidential financial information and control substantial financial assets, including those belonging to our customers, to whom we offer remote access, and we regularly transfer substantial financial assets by electronic means. Our operations are dependent upon our ability to protect our computer equipment against damage from physical theft, fire, power loss, telecommunications failure or a similar catastrophic event,

as well as from security breaches, denial of service attacks, viruses, worms and other disruptive problems caused by hackers. Any failure, interruption or breach in security of our systems could damage our reputation, result in a loss of customer business, subject us to additional regulatory scrutiny, or expose us to civil litigation and possible financial liability, any of which could have a material adverse effect on our financial condition and results of operations. Although we intend to continue to implement security technology and establish operational procedures to prevent such damage, our security measures may not be successful.

In addition, advances in computer capabilities, new discoveries in the field of cryptography or other developments could result in a compromise or breach of the algorithms we and our third-party service providers use to encrypt and protect customer transaction data. A failure of such security measures could have a material adverse effect on our financial condition and results of operations. We also face the risk of operational disruption, failure, termination or capacity constraints caused by third parties that facilitate our business activities by providing technology such as software applications, as well as financial intermediaries. Such parties could also be the source of an attack on, or breach of, our operational systems, data or infrastructure.

We also face the potential risk of loss due to fraud, including commercial checking account fraud, automated teller machine (ATM) skimming and trapping, write-offs necessitated by debit card fraud, and other forms of online banking fraud, which are becoming more sophisticated and present new challenges as mobile banking increases, as well as employee fraud. Employee errors could also subject us to financial claims for negligence. We maintain a system of internal controls and insurance coverage to mitigate against operational risks, including data processing system failures and errors and customer or employee fraud. Should our internal controls fail to prevent or detect an occurrence, and if any resulting loss is not insured or exceeds applicable insurance limits, such failure could have a material adverse effect on our business, financial condition and results of operations.

The Operation of Our Business, Including Customer Interaction, is Increasingly Done Via Electronic Means, and This Has Increased Our Risks Related to Cybersecurity. We rely on the successful and uninterrupted functioning of our information technology and telecommunications systems to conduct our business. This includes internally developed systems, the systems of third-party service providers, and digital and mobile technologies. Any failure, interruption or breach in security of these systems could result in failures or disruptions in our customer relationship management, general ledger, deposit, loan and other systems, and could damage our reputation, result in loss of customer business, subject us to regulatory scrutiny, or expose us to civil litigation and possible financial liability. We are exposed to the risk of cyber-attacks in the normal course of business, which can result from deliberate attacks or unintentional events. We have observed an increased level of attention in the industry focused on cyber-attacks that include, but are not limited to, gaining unauthorized access to digital systems for purposes of misappropriating assets or sensitive information, corrupting data, or causing operational disruption. Cyber-attacks may also be carried out in a manner that does not require gaining unauthorized access, such as by causing denial-of-service attacks on websites. Cyber-attacks may be carried out by third parties or insiders using techniques that range from highly sophisticated efforts to electronically circumvent network security or overwhelm websites to more traditional intelligence gathering and social engineering aimed at obtaining information necessary to gain access. The objectives of cyber-attacks vary widely and can include theft of financial assets, intellectual property, or other sensitive information, including the information belonging to our banking customers. Cyber-attacks may also be directed at disrupting our operations.

We may incur substantial costs and suffer other negative consequences if we fall victim to successful cyber-attacks. Such negative consequences could include remediation costs that may include liability for stolen assets or information and repairing system damage that may have been caused; increased cybersecurity protection costs that may include organizational changes, deploying additional personnel and protection technologies, training employees, and engaging third party experts and consultants; lost revenues resulting from unauthorized use of proprietary information or the failure to retain or attract customers following an attack; litigation; and reputational damage adversely affecting customer or investor confidence.

We Continually Encounter Technological Change, and We Cannot Predict How Changes in Technology May Affect Our Business. The financial services industry is continually undergoing rapid technological change with frequent introductions of new technology driven by products and services, which include developments in:

- telecommunications
- data processing
- automation
- internet-based banking
- telebanking
- debit cards and so-called "smart cards"

The effective use of technology increases efficiency and enables financial institutions to better serve customers and to reduce costs. Our future success depends, in part, upon our ability to address the needs of our customers by using technology to provide products and services that will satisfy customer demands, as well as to create additional efficiencies in our operations. Many of our competitors have substantially greater resources to invest in technological improvements. We may not be able to effectively implement new technology driven products and services or be successful in marketing these products and services to our customers. Failure to successfully keep pace with technological change affecting the financial services industry could have a material adverse impact on our business and, in turn, our financial condition and results of operations.

We Rely On Others to Provide Key Components of Our Business Infrastructure. Third-party vendors provide key components of our business infrastructure such as internet connections, network access and core application processing. While we have selected these third party vendors carefully, we do not control their actions. If these third-party vendors experience financial, operational or technological difficulties, perform their services poorly or terminate their services, and we are unable to replace them with other service providers, our operations could be interrupted. Any problems caused by these third parties, including as a result of their not providing us their services for any reason or their performing their services poorly, could adversely affect our ability to deliver products and services to our customers or otherwise conduct our business efficiently and effectively. If a service interruption were to continue for a significant period of time, our business, financial condition and results of operations could be adversely affected, perhaps materially. Replacing these third party vendors could also entail significant delay and additional expense.

Risks Related to Our Common Stock

The Price of Our Common Stock Could Fluctuate Significantly, Which Could Make it Difficult for You to Resell Shares of Our Common Stock at Times or at Prices You Find Attractive. The stock market and, in particular, the market for financial institution stocks, has experienced significant volatility during the recent changes in economic and industry conditions. In some cases, the markets have produced downward pressure on stock prices for certain issuers without regard to those issuers' underlying financial strength. As a result, the trading volume in our common stock could fluctuate more than usual and cause significant price variations to occur. This could make it difficult for you to resell shares of our common stock at times or at prices you find attractive.

The trading price of the shares of our common stock will depend on many factors that could change from time to time and could be beyond our control. Among the factors that could affect our stock price are those identified under the heading "Forward-Looking Statements" in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, of this report and as follows:

- actual or anticipated quarterly fluctuations in our operating results and financial condition;
- changes in financial estimates or publication of research reports and recommendations by financial analysts or actions taken by rating agencies with respect to our common stock or those of other financial institutions;
- failure to meet analysts' revenue or earnings estimates;
- speculation in the press or investment community generally or relating to our reputation, our market area, our competitors or the financial services industry in general;
- strategic actions by us or our competitors, such as acquisitions, restructurings, dispositions or financings;
- actions by our current stockholders, including sales of common stock by existing stockholders and/or directors and executive officers;
- fluctuations in the stock price and operating results of our competitors;
- future sales of our equity, equity-related or debt securities;
- changes in the frequency or amount of dividends or share repurchases;
- proposed or adopted regulatory changes or developments;
- investigations, proceedings or litigation that involve or affect us;
- trading activities in our common stock, including short-selling;
- domestic and local economic factors unrelated to our performance; and

- general market conditions and, in particular, developments related to market conditions for the financial services industry.

A significant decline in our stock price could result in substantial losses for individual stockholders and could lead to costly and disruptive securities litigation.

The Trading Volume in Our Common Stock Has Been Low, and the Sale of a Substantial Number of Shares of Our Common Stock in the Public Market Could Depress the Price of Our Common Stock and Make it Difficult for You to Sell Your Shares. Our common stock is listed to trade on the Nasdaq Global Select Market, but is thinly traded. As a result, you may not be able to sell your shares of common stock on short notice. Additionally, thinly traded stock can be more volatile than stock trading in an active public market. The sale of a substantial number of shares of our common stock at one time could temporarily depress the market price of our common stock, making it difficult for you to sell your shares and impairing our ability to raise capital.

Our Common Stock is Not Insured by Any Governmental Entity. Our common stock is not a deposit account or other obligation of any bank and is not insured by the FDIC or any other governmental entity.

Additional Factors. Additional risks and uncertainties that may affect the future results of operations, financial condition or business of the Company and its banking subsidiary include, but are not limited to: (i) adverse publicity, news coverage by the media, or negative reports by brokerage firms, industry and financial analysts regarding the Bank or the Company; and (ii) changes in accounting policies and practices.

Item 1B. Unresolved Staff Comments.

None.

Item 1C. Cybersecurity.

We recognize the security of our banking operations is critical to protecting our customers, maintaining our reputation and preserving the value of the Company. Our board of directors is actively involved in oversight of the Company's risk management program, and cybersecurity represents an important component of the Company's overall approach to enterprise risk management ("ERM"). The Company maintains a cybersecurity and information technology ("IT") risk management program designed to prevent, detect and respond to information security threats, which are fully integrated into the Company's ERM program.

Our cybersecurity and IT risk management program is based on recognized frameworks established by the National Institute of Standards and Technology ("NIST") Cybersecurity Framework, as well as the banking-specific framework from the Federal Financial Institution Examination Council's ("FFIEC's") Cybersecurity Assessment Tool. The Company's program is led by our Director of Information Technology and Information Security Officer, whose teams are responsible for leading short-term and long-term enterprise-wide cybersecurity strategy, policy, standards, monitoring, architecture and processes. Our Director of Information Technology and Information Security Officer has over fifteen years of experience in the field of cybersecurity and over a decade of experience leading cyber security oversight in the banking industry.

Governance

Although it is management's job to assess and manage our Company's exposure to risk, our board of directors oversees our Company's ERM, including cybersecurity and IT risks and threats, and establishes policies that govern the process. Our board conducts much of its risk oversight activities through our Audit Committee, which works closely with our Chief Risk Officer and Internal Audit Manager. The Audit Committee has primary management responsibility for oversight of operations, technology and operational risk, including information security, fraud, vendor, data protections and privacy, business continuity and cybersecurity risks. Our Audit Committee meets at least quarterly with our Chief Risk Officer, Internal Audit Manager and other members of management to assess, among other things, cyber threats or risks to align the Company for effective cybersecurity risk management and reporting. The Audit Committee receives quarterly reports from our Internal Audit Manager and Director of Information Technology and Information Security Officer on, among other things, the Company's cyber risks and threats, the status of projects to strengthen the Company's information security program, the emerging threat landscape and key metrics from cybersecurity systems and monitoring. Our Chief Risk Officer provides a presentation on ERM to the full board at least once annually. From time to time our Audit

Committee also receives updates between meetings from our Chief Risk Officer, Chief Executive Officer, Chief Financial Officer and other members of management relating to risk oversight matters.

Security event monitoring and detection

Our processes for assessing, identifying, and managing material risks from cybersecurity threats include using a wide-range of industry-leading security tools, regularly updating our technology roadmaps, and mandating cybersecurity awareness, business continuity and incident response training for all employees.

Recognizing the complexity and evolving nature of cybersecurity threats, we engage a range of outside experts, including cybersecurity assessors, consultants and auditors in evaluating and testing our cybersecurity and IT risk management systems. Engaging outside vendors enables us to leverage specialized knowledge and insights, ensuring our cybersecurity and IT risk management strategies and processes remain sound. Our collaboration with these third-parties includes threat assessments, consultation on security enhancements and regular audits, the results of these threat assessments and audits are reported to the Audit Committee. Strong vendor management and monitoring controls are enforced and require, at a minimum, annual due diligence on critical vendors.

We have implemented a comprehensive Incident Response Program to provide guidance in the event of a cybersecurity incident for contacting authorities and informing key stakeholders to ensure that any non-routine events are properly escalated. The Company participates in cybersecurity incident response exercises to test pre-planned response actions from the Company's plan and to facilitate group discussions regarding the effectiveness of the Company's cybersecurity incident response strategies and tactics. We use a third-party SEIM to provide 24x7x365 monitoring of logs, administrator and user actions, network and security appliances, and endpoint agents. Our Director of Information Technology and Information Security Officer actively engages with key vendors, industry participants, as well as the FS-ISAC, InfraGard, InspireCIO and SANS Internet Storm Center cybersecurity collaboration organizations.

Incident materiality

The Incident Response Program is a component of the Company's Information Security policy and sets forth the severity categories and processes required to assess the impact of a cyber-related incident to the Company. The impact is categorized in one of five severity levels and is expressed in terms of financial loss, strategic objectives, customer, legal and regulatory, reputation, and service interruption. The incident response program includes timely notification of a material cybersecurity incident to the to the appropriate law enforcement, regulatory agencies, Board of Directors and other members of senior management.

Like other financial institutions, the Company experiences malicious cyber activity on an ongoing basis directed at its websites, computer systems, software, networks and users. This malicious activity includes attempts at unauthorized access, implantation of computer viruses or malware, and denial of service attacks. The Company also experiences large volumes of phishing and other forms of social engineering attempted for the purpose of perpetrating fraud. While, to date, malicious cyber activity, cyberattacks and other information security breaches have not had a material adverse impact on the Company, risk to its systems remains significant. See Item 1A. entitled Technology Risk "A successful cyber attack or other computer system breach could significantly harm the Company, its reputation and its customers".

Item 2. Properties.

The Company does not own or lease any property. The Company's principal office is located at 132 East High Street, Jefferson City, Missouri 65101. The table below provides a list of the Bank's facilities.

Location	Approximate Square Footage	Owned or Leased	Net Book Value at December 31, 2024 (in thousands)
8127 East 171st Street, Belton, MO	13,000	Owned	\$ 2,112
910 West Buchanan Street, California, MO	2,270	Owned	\$ 578
102 North Second Street, Clinton, MO	11,524	Owned	\$ 1,703
1400 East Ohio Street, Clinton, MO	13,551	Owned	\$ 2,778
803 E. Walnut St, Columbia, MO	9,698	Leased (1)	\$ 904
1110 Club Village Drive, Columbia, MO	5,000	Owned	\$ 1,971
115 South 2nd Street, Drexel, MO	4,000	Owned	\$ 62
100 Plaza Drive, Harrisonville, MO	4,000	Owned	\$ 825
17430 East 39th Street, Independence, MO	4,070	Owned	\$ 1,326
132 East High Street, Jefferson City, MO	34,800	Owned	\$ 2,303
211 West Dunklin Street, Jefferson City, MO	2,500	Owned	\$ 1,576
800 Eastland Drive, Jefferson City, MO	4,100	Owned	\$ 615
3701 West Truman Blvd, Jefferson City, MO	21,000	Owned	\$ 726
3600 Amazonas Drive, Jefferson City, MO	26,000	Owned	\$ 2,607
8625 NE 85th St, Kansas City, MO	1,823	Leased (2)	\$ 726
300 S.W. Longview Blvd, Lee's Summit, MO	11,700	Owned	\$ 2,647
400 S.W. Longview Blvd, Lee's Summit, MO	3,043	Leased (3)	\$ 93
335 Chestnut, Osceola, MO	1,580	Owned	140
321 West Battlefield, Springfield, MO	12,500	Owned	\$ 1,910
1891 Commercial Drive, Warsaw, MO	11,000	Owned	\$ 1,444
7300 College Boulevard, Overland Park, Kansas, Suite 165	3,344	Leased (4)	N/A

- (1) The term of this lease began in February 2019 and ends in February 2029.
- (2) The term of this lease began in September 2024 and ends in August 2034.
- (3) The term of this lease began in July 2024 and ends in December 2026.
- (4) The term of this lease began in November 2024 and ends in February 2025.

Management believes that the current condition of each of the Bank's facilities is adequate for its business and that such facilities are adequately covered by insurance.

Item 3. Legal Proceedings.

The information required by this Item is set forth in Note 19, *Commitments and Contingencies*, in the Company's consolidated financial statements, included under the caption "Consolidated Financial Statement" in the Company's 2024 Annual Report to Shareholders (included as Exhibit 13.1 hereto), incorporated herein by reference.

Item 4. Mine Safety Disclosures.

Not applicable

EXECUTIVE OFFICERS OF THE REGISTRANT

Executive officers of the Company are appointed by the board of directors and serve at the discretion of the board. The following table sets forth certain information with respect to all executive officers of the Company.

Name	Age	Position
Brent M. Giles	57	Chief Executive Officer and Director
Gregg A. Bexten	57	President and Director
Chris E. Hafner	58	Executive Vice President and Chief Financial Officer
Kathleen L. Bruegenhemke	59	Executive Vice President, Chief Operations Officer, Chief Risk Officer, Secretary and Director

The business experience of the executive officers of the Company for the last five years is as follows:

Brent M. Giles has served as a director and CEO of the Company and of the Bank since May 2023. Mr. Giles served as Chairman, President and Chief Executive Officer of Bank of Blue Valley from July 2021 until he joined the Company, and as President and Chief Executive Officer of Wisconsin Bank & Trust from May 2020 until July 2021. From September 2003 until May 2020, Mr. Giles served as Chairman and Chief Executive Officer of Liberty Bancorp, Inc. and Bank Liberty, where he took the company public. Bank Liberty has been recognized as a “best bank,” “best place to work,” and “strongest mid-size bank.” Prior to 2003, Mr. Giles had several commercial banking roles of increasing responsibility and spent 9 years as an FDIC examiner. Mr. Giles received his bachelor’s degree in banking and finance and his MBA both from the University of Missouri where he is still involved speaking to graduate banking classes.

Gregg A. Bexten has served as a director and president of the Company and of the Bank since May 2023. From 2014 until May 2023, he served as Regional President of our Central Region. From 2000 until 2014 he served as a commercial lender in our Central Region with titles of Senior Vice President and Vice President. Prior to joining the Bank, Mr. Bexten served as a commercial lender with another financial institution and as a Commissioned Bank Examiner for the Federal Reserve Bank of St. Louis. Mr. Bexten possesses considerable expertise in overseeing lending, various finance and regulatory compliance aspects of community banking, which he attained through over 30 years of service, first as a bank regulator and then as a dedicated, tenured employee of the Bank.

Chris E. Hafner has served as Chief Financial Officer of the Company and of the Bank since October 2023. Mr. Hafner served as an outside banking and business consultant to several entities from December 2022 until he joined the Company and the Bank. Mr. Hafner previously served as Chief Accounting Officer of CrossFirst Bank, the bank subsidiary of CrossFirst Bankshares, Inc., a Nasdaq-listed bank holding company, from February 2016 until November 2022. Prior to that, he served as Chief Financial Officer at Missouri Bank, a privately held bank, from June 2015 until January 2016, and as Chief Risk Officer at Missouri Bank from April 2012 until May 2015. Prior to joining Missouri Bank, he served as Chief Financial Officer at First National Bank of Kansas, a privately held bank, from August 2005 until December 2011 and, prior to that, he served as Assistant Controller at Commerce Bancshares, Inc., a Nasdaq-listed bank holding company, from June 2000 until July 2005. He served in various roles in the audit practice of Forvis Mazars, LLP (formerly BKD LLP) from July 1994 until June 2000. Chris received a Bachelor of Business Administration degree from Iowa State University. He has been previously licensed as a Certified Public Accountant.

Kathleen L. Bruegenhemke has served as a director of the Company and of the Bank since March 2017. She has served as Executive Vice President since May 2024. She served as Senior Vice President of the Company from 1997 until February 2024, as Secretary of the Company since 1997 and as Chief Risk Officer of the Company since June 2006. With the exception of six months (November 2023 - April 2024), Ms. Bruegenhemke has served as Chief Operations Officer of Hawthorn Bank since January 2017. From October 2014 until December 2016 she served as Columbia Market President for the Bank. She has served as Senior Vice President and Secretary of the Company since November 1997 and as Chief Risk Officer of the Company since June 2006. From January 1992 until November 1997, she served as Internal Auditor of the Bank (or of one of its constituent predecessors). Prior to joining the Bank, Ms. Bruegenhemke served as a Commissioned Bank Examiner for the FDIC. Ms. Bruegenhemke is a certified public accountant and possesses considerable expertise in overseeing various finance, regulatory compliance and risk management aspects of community banking, which she attained through over 30 years of service, first as a bank regulator and then as a dedicated employee of the Bank.

There is no arrangement or understanding between any executive officer and any other person pursuant to which such executive officer was selected as an officer.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Pursuant to General Instruction G(2) to Form 10-K, the information required by this Item, other than that referred to below, is incorporated herein by reference to the information under the caption "Market Price of and Dividends on Equity Securities and Related Matters" in the Company's 2024 Annual Report to Shareholders (included as Exhibit 13 hereto).

We refer you to Item 12 of this report under the caption "Securities Authorized For Issuance Under Equity Compensation Plans" for certain equity plan information.

The Company's Purchases of Equity Securities

The following table summarizes the purchases made by or on behalf of the Company or certain affiliated purchasers of shares of the Company's common stock during the quarter ended December 31, 2024:

Period	(a) Total Number of Shares (or Units) Purchased (1)	(b) Average Price Paid per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs (2)
October 2024	—	\$ —	—	\$ 3,894,221
November 2024	—	\$ —	—	\$ 3,894,221
December 2024	98	\$ 32.01	—	\$ 3,894,221
Total	98	\$ 32.01	—	\$ 3,894,221

(1) Represents shares of the Company's common stock withheld to satisfy tax withholding obligations upon the vesting of awards of restricted stock.

(2) There were no purchases made by or on behalf of the Company or any "affiliated purchaser" (as defined by applicable rules of the SEC) of shares the Company's common stock during the fourth quarter of the year ended December 31, 2024. Pursuant to the Company's 2019 Repurchase Plan, management is given discretion to determine the number and pricing of the shares to be purchased under the plan, as well as the timing of any such purchases. As of December 31, 2024, \$3.9 million remains available for share repurchases pursuant to the plan.

Recent Issuance of Securities

None.

Item 6. [Reserved].

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation.

Pursuant to General Instruction G(2) to Form 10-K, the information required by this Item is incorporated herein by reference to the information under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's 2024 Annual Report to Shareholders (included as Exhibit 13 hereto).

Forward-Looking Statements

This report, including information included or incorporated by reference in this report, contains certain forward-looking statements with respect to the financial condition, results of operations, plans, objectives, strategy, future performance and business of the Company and its subsidiaries, including, without limitation:

- statements that are not historical in nature, and
- statements preceded by, followed by or that include the words "believes," "expects," "may," "will," "should," "could," "anticipates," "estimates," "intends" or similar expressions.

Forward-looking statements are not guarantees of future performance or results. They involve risks, uncertainties and assumptions. Actual results may differ materially from those contemplated by the forward-looking statements due to, among others, the following factors:

- competitive pressures among financial services companies may increase significantly,
- changes in the interest rate environment may reduce interest margins,
- general economic conditions, either nationally or in Missouri, may be less favorable than expected and may adversely affect the quality of the Company's loans and other assets,
- increases in non-performing assets in the Company's loan portfolios and adverse economic conditions may necessitate increases to the provisions for credit losses,
- costs or difficulties related to the integration of the business of the Company and its acquisition targets may be greater than expected,
- legislative, regulatory, or tax law changes may adversely affect the business in which the Company and its subsidiaries are engaged,
- credit and market risks relating to increasing inflation,
- economic or other disruptions caused by acts of terrorism, war or other conflicts, including the Russia-Ukraine conflict, and the Israel-Hamas conflict, natural disasters, such as hurricanes, wild fires, freezes, flooding and other man-made disasters, such as oil spills or power outages, health emergencies, epidemics or pandemics, climate changes or other catastrophic events,
- changes may occur in the securities markets,
- changes in the level and direction of loan delinquencies and write-offs and changes in estimates of the adequacy of the allowance for credit losses, and
- technological changes, including potential cyber-security incidents and other disruptions, or innovations to the financial services industry, including as a result of the increased telework environment.

We have described additional factors that could cause actual results to be materially different from those described in the forward-looking statements, which factors are identified in Item 1A of this report under the heading "Risk Factors." Other factors that we have not identified in this report could also have this effect. You are cautioned not to put undue reliance on any forward-looking statement, which speak only as of the date such statement is made. Except as otherwise required by law, we undertake no obligation to publicly update or revise any forward-looking statement to reflect events or circumstances after the date of this report or to reflect the occurrence of unanticipated events.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

The Company's exposure to market risk is reviewed on a regular basis by our Bank's asset/liability committee and board of directors. Interest rate risk is the potential of economic losses due to future interest rate changes. These economic losses can be reflected as a loss of future net interest income and/or a loss of current fair market values. The objective is to

measure the effect on net interest income and to adjust the balance sheet to minimize the inherent risk while at the same time maximizing income. Management realizes certain risks are inherent and that the goal is to identify and minimize those risks.

Tools used by the Bank's management include modeling the effects on net interest income under different rate shock scenarios. At December 31, 2024, the Company's rate shock scenario models indicated that annual net interest income could change by as much as (2.75)% or (0.38)% should interest rates rise or fall, respectively, 200 basis points from their current level over a one-year period. These levels of interest rate risk are within limits set by the board in the Company's *Funds Management, Investment Asset Liability Policy* and management believes this is an acceptable level of interest rate risk. However, there are no assurances that the change will not be more or less than this estimate.

Pursuant to General Instruction G(2) to Form 10-K, the information required by this Item, other than that provided above, is incorporated herein by reference to the information under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Quantitative and Qualitative Disclosures About Market Risk" in the Company's 2024 Annual Report to Shareholders (included as Exhibit 13 hereto).

Item 8. Financial Statements and Supplementary Data.

Pursuant to General Instruction G(2) to Form 10-K, the information required by this Item is incorporated herein by reference to the report of the independent registered public accounting firm and the information under the caption "Consolidated Financial Statements" in the Company's 2024 Annual Report to Shareholders (included as Exhibit 13 hereto).

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

(a) Evaluation of Disclosure Controls and Procedures.

As of the end of the period covered by this annual report, the Company's management, including the Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) promulgated under the Exchange Act). Based on that evaluation, the Company's management, including the Chief Executive Officer and Chief Financial Officer, concluded that, as of December 31, 2024, the Company's disclosure controls and procedures were effective.

(b) Management's Report on Internal Control Over Financial Reporting.

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of the Company's management, including the Company's principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of the Company's internal control over financial reporting, as of December 31, 2024, based on the framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control-Integrated Framework (2013)*. Based upon its assessment, management has concluded that, as of December 31, 2024, the Company's internal control over financial reporting, is effective based on the criteria established in *Internal Control-Integrated Framework (2013)*.

Management's assessment of the effectiveness of internal control over financial reporting, as of December 31, 2024, has been audited by Forvis Mazars, LLP, an independent registered public accounting firm, as stated in their report, which is included in this Annual Report on Form 10-K.

(c) Changes in Internal Control over Financial Reporting.

There has been no changes in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the quarter ended December 31, 2024 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Report of Independent Registered Public Accounting Firm

To the Shareholders, Board of Directors, and Audit Committee
Hawthorn Bancshares, Inc.:

Opinion on the Internal Control over Financial Reporting

We have audited Hawthorn Bancshares, Inc. and Subsidiaries' (the "Company") internal control over financial reporting as of December 31, 2024, based on criteria established in *Internal Control – Integrated Framework: (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2024, based on criteria established in *Internal Control – Integrated Framework: (2013)* issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated financial statements of the Company as of December 31, 2024, and for the year then ended, and our report dated March 17, 2025, expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Controls over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definitions and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of reliable financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

/s / Forvis Mazars, LLP

Kansas City, Missouri
March 17, 2025

Item 9B. Other Information.

During the three months ended December 31, 2024, no director or officer of the Company adopted or terminated a “Rule 10b5-1 trading arrangement” or “non-Rule 10b5-1 trading arrangement” as each term is defined in Item 408(a) of Regulation S-K.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections.

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

Pursuant to General Instruction G(3) to Form 10-K, the information required by this Item, other than that referred to below, is incorporated herein by reference to:

- (i) the information under the caption "Item 1: Election of Directors--What is the structure of our board and how often are directors elected?" in the Company's definitive Proxy Statement for its 2025 Annual Meeting of Shareholders to be filed pursuant to Regulation 14A;
- (ii) the information under the caption "Item 1: Election of Directors--Who are this year's nominees?" in the Company's definitive Proxy Statement for its 2025 Annual Meeting of Shareholders to be filed pursuant to Regulation 14A;
- (iii) the information under the caption "Item 1: Election of Directors--What is the business experience of the nominees and of our continuing board members?" in the Company's definitive Proxy Statement for its 2025 Annual Meeting of Shareholders to be filed pursuant to Regulation 14A;
- (iv) the information under the caption "Executive Officers of the Registrant" in Part I of this report;
- (v) the information under the caption "Delinquent Section 16(a) Reports" in the Company's definitive Proxy Statement for its 2025 Annual Meeting of Shareholders to be filed pursuant to Regulation 14A;
- (vi) the information under the caption "Corporate Governance and Board Matters--Consideration of Director Nominees" in the Company's definitive Proxy Statement for its 2025 Annual Meeting of Shareholders to be filed pursuant to Regulation 14A; and
- (vii) the information under the caption "Corporate Governance and Board Matters--Committees of the Board--Audit Committee" in the Company's definitive Proxy Statement for its 2025 Annual Meeting of Shareholders to be filed pursuant to Regulation 14A.

Code of Ethics

The Company has adopted a Code of Business Conduct and Ethics for directors, officers and employees including, its principal executive officer, principal financial officer, principal accounting officer, controller and persons performing similar functions. This code of Business Conduct and Ethics is posted on the Company's internet website (www.hawthornbancshares.com) under the "Governance Documents" menu tab and is available for your examination. A copy of this Code will be furnished without charge upon written request to Corporate Secretary, Hawthorn Bancshares, Inc., 132 East High Street, Jefferson City, Missouri 65101. Any substantive amendment to, or waiver from, a provision of this code that applies to the Company's principal executive officer, principal financial officer, principal accounting officer, controller, or persons performing similar functions will be disclosed on the Company's internet website (www.hawthornbancshares.com) and, if required by the rules of the SEC or The Nasdaq Stock Market LLC, in reports the Company files with the SEC.

Insider Trading Policy

The Company has adopted an Insider Trading Policy governing the purchase, sale and other disposition of its securities by directors, officers and employees that is designed to promote compliance with insider trading laws, rules and regulations, and applicable listing standards of the The Nasdaq Stock Market LLC, as well as procedures designed to

further the foregoing purposes. In addition, the Insider Trading Policy requires the Company to comply with applicable laws and regulations relating to trading in its securities. A copy of the Company's Insider Trading Policy is filed with this Annual Report on Form 10-K as Exhibit 19.

Item 11. Executive Compensation.

Pursuant to General Instruction G(3) to Form 10-K, the information required by this Item is incorporated herein by reference to:

- (i) the information under the caption "Executive Compensation and Related Matters" in the Company's definitive Proxy Statement for its 2025 Annual Meeting of Shareholders to be filed pursuant to Regulation 14A; and
- (ii) the information under the caption "Corporate Governance and Board Matters--Director Compensation" in the Company's definitive Proxy Statement for its 2025 Annual Meeting of Shareholders to be filed pursuant to Regulation 14A.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

Pursuant to General Instruction G(3) to Form 10-K, the information required by this Item, other than that presented below, is incorporated herein by reference to the information under the caption "Ownership of Common Stock" in the Company's definitive Proxy Statement for its 2025 Annual Meeting of Shareholders to be filed pursuant to Regulation 14A.

Securities Authorized For Issuance Under Equity Compensation Plans

Information pertaining to equity compensation plans is contained in "Part II - Item 8. Financial Statements and Supplementary Data - Note 13 - *"Share-based Compensation - Equity-Based Compensation Plan."* of the Company's 2024 Annual report and are incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

Pursuant to General Instruction G(3) to Form 10-K, the information required by this Item is incorporated herein by reference to:

- (i) the information under the caption "Related Party Transactions" in the Company's definitive Proxy Statement for its 2025 Annual Meeting of Shareholders to be filed pursuant to Regulation 14A;
- (ii) the information under the caption "Item 1: Election of Directors--What is the structure of our board and how often are directors elected?" in the Company's definitive Proxy Statement for its 2025 Annual Meeting of Shareholders to be filed pursuant to Regulation 14A; and
- (iii) the information under the caption "Corporate Governance and Board Matters--Committees of the Board" in the Company's definitive Proxy Statement for its 2025 Annual Meeting of Shareholders to be filed pursuant to Regulation 14A.

Item 14. Principal Accountant Fees and Services.

Pursuant to General Instruction G(3) to Form 10-K, the information required by this Item is incorporated herein by reference to the information under the caption "Independent Registered Public Accounting Firm Fees and Services" in the Company's definitive Proxy Statement for its 2025 Annual Meeting of Shareholders to be filed pursuant to Regulation 14A.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

(a) Exhibits, Financial Statements and Financial Statement Schedules:

1. Financial Statements:

The following consolidated financial statements of the Company and reports of the Company's independent registered public accounting firm, included in the Company's 2024 Annual Report to Shareholders (included as Exhibit 13 hereto) under the caption "Consolidated Financial Statements", are incorporated herein by reference:

Report of Independent Registered Public Accounting Firm.

Auditor Name: Forvis Mazars, LLP
Auditor Location: Kansas City, MO
Auditor Firm ID: 686

Consolidated Balance Sheets as of December 31, 2024 and 2023.

Consolidated Statements of Income for the years ended December 31, 2024, 2023, and 2022.

Consolidated Statements of Comprehensive Income for the years ended December 31, 2024, 2023, and 2022.

Consolidated Statements of Stockholders' Equity for the years ended December 31, 2024, 2023, and 2022.

Consolidated Statements of Cash Flows for the years ended December 31, 2024, 2023, and 2022.

Notes to the Consolidated Financial Statements.

2. Financial Statement Schedules:

Financial statement schedules have been omitted because they either are not required or are not applicable or because equivalent information has been included in the financial statements, the notes thereto or elsewhere herein.

3. Exhibits:

<u>Exhibit No.</u>	<u>Description</u>
3.1	<u>Restated Articles of Incorporation of the Company (filed as Exhibit 3.1 to the Company's current report on Form 8-K on August 9, 2007 and incorporated herein by reference).</u>
3.2	<u>Amended and Restated Bylaws of the Company (filed as Exhibit 3.1 to the Company's current report on Form 8-K on January 27, 2021 and incorporated herein by reference).</u>
4.1	<u>Description of the Company's Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934 (filed as Exhibit 4.0 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2019 and incorporated herein by reference).</u>
4.2	<u>Specimen certificate representing shares of the Company's \$1.00 par value Common Stock (filed as Exhibit 4.1 to the Company's current report on Form 8-K/A on June 23, 2017 and incorporated herein by reference).</u>
10.1	<u>Form of Change of Control Agreement and schedule of parties thereto (filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarterly period March 31, 2005 and incorporated herein by reference).*</u>

Exhibit No.	Description
10.2	<u>Hawthorn Bancshares, Inc. Excess Benefit Plan (filed as Exhibit 10.2 to the Company's current report on Form 8-K on November 13, 2018 and incorporated herein by reference).</u> *
10.3	<u>Hawthorn Bancshares, Inc. Equity Incentive Plan (filed as Exhibit 10.1 to the Company's current report on Form 8-K on June 12, 2023 and incorporated herein by reference).</u> *
10.4	<u>Form of Hawthorn Bancshares, Inc. Equity Incentive Plan Restricted Stock Unit Award (Service-Based Vesting) (filed as Exhibit 10.2 to the Company's current report on Form 8-K on June 12, 2023 and incorporated herein by reference).</u> *
10.5	<u>Hawthorn Bancshares, Inc. Employment Agreement (filed April 27, 2023 to the Company's current report on Form 8-K and incorporated herein by reference).</u> *
13	<u>The Company's 2024 Annual Report to Shareholders (only those portions of this Annual Report to Shareholders which are specifically incorporated by reference into this Annual Report on Form 10-K shall be deemed to be filed with the SEC).</u>
14	<u>Code of Business Conduct and Ethics of the Company (filed as Exhibit 14 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2018 and incorporated herein by reference).</u>
16.1	<u>Letter from KPMG LLP dated December 27, 2023 to the Securities and Exchange Commission (filed as Exhibit 16.1 to the Company's current report on Form 8-K on December 27, 2023 and incorporated herein by reference).</u>
19	<u>Policy on Securities Trading and Handling of Non-Public Information filed as Exhibit 19 to this Annual Report on Form 10-K.</u>
21	<u>List of Subsidiaries (filed as Exhibit 21 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2023 and incorporated herein by reference).</u>
23.1	<u>Consent of Independent Registered Public Accounting Firm.</u>
23.2	<u>Consent of Independent Registered Public Accounting Firm.</u>
24	Power of Attorney (included on the signature page to this Annual Report on Form 10-K).
31.1	<u>Certification of Chief Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended.</u>
31.2	<u>Certification of Chief Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended.</u>
32.1	<u>Certification of Chief Executive Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
32.2	<u>Certification of Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
97.1	<u>Policy for the Recovery of Erroneously Awarded Compensation (filed as Exhibit 97.1 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2023 and incorporated herein by reference).</u> *
101.INS	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document).
101.SCH	Inline XBRL Taxonomy Extension Schema Document.

Exhibit No.	Description
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101).

* Management contracts or compensatory plans or arrangements required to be identified by Item 15(a).

(b) Exhibits.

See exhibits identified above under Item 15(a)3.

(c) Financial Statement Schedules.

See financial statement schedules identified above under Item 15(a)2, if any.

Item 16. Form 10-K Summary.

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

HAWTHORN BANCSHARES, INC.

Dated: March 17, 2025

By /s/ Brent M. Giles
Brent M. Giles, Chief Executive Officer (Principal Executive Officer)

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Brent M. Giles and Chris E. Hafner, or either of them, his attorneys-in-fact, for such person in any and all capacities, to sign any amendments to this report and to file the same, with exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that either of said attorneys-in-fact, or substitute or substitutes, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Date	Signature and Title
March 17, 2025	<u>/s/ Brent M. Giles</u> Brent M. Giles, Chief Executive Officer (Principal Executive Officer) and Director
March 17, 2025	<u>/s/ Chris E. Hafner</u> Chris E. Hafner, Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)
March 17, 2025	<u>/s/ Gregg A. Bexten</u> Gregg A. Bexten, President, Director
March 17, 2025	<u>/s/ Kathleen L. Bruegenhemke</u> Kathleen L. Bruegenhemke, Director
March 17, 2025	<u>/s/ David T. Turner</u> David T. Turner, Chairman, Director
March 17, 2025	<u>/s/ Frank E. Burkhead</u> Frank E. Burkhead, Director
March 17, 2025	<u>/s/ Philip D. Freeman</u> Philip D. Freeman, Director
March 17, 2025	<u>/s/ Kevin L. Riley</u> Kevin L. Riley, Director
March 17, 2025	<u>/s/ Gus S. (Jack) Wetzel III</u> Gus S. (Jack) Wetzel III, Director
March 17, 2025	<u>/s/ Shawna M. Hettinger</u> Shawna M. Hettinger, Director
March 17, 2025	<u>/s/ Jonathan L. States</u> Jonathan L. States, Director
March 17, 2025	<u>/s/ Douglas T. Eden</u> Douglas T. Eden, Director
March 17, 2025	<u>/s/ Jonathan D. Holtaway</u> Jonathan D. Holtaway, Director

2024
ANNUAL REPORT
TO
SHAREHOLDERS

HAWTHORN BANCSHARES, INC.

Jefferson City, Missouri



March 17, 2025

Dear Shareholders:

In many ways, 2024 was a foundational year. Several key changes were implemented, and we progressed our strategic initiatives, setting the stage for Hawthorn Bancshares, Inc. and Hawthorn Bank to grow in 2025.

One of our most visible changes was the brand refresh that took place in October. The new look is rooted in our history, with a nod to the future. The arch in the 'H' of the new logo serves as an abstract horizon, much like looking across an open field in the heartland and seeing opportunity in what lies ahead. We added a new tagline as well, "Connecting you to what's possible." As a community bank, we are the connection point for families, businesses and organizations – whether it's financing a first home, getting a business off the ground, or finding the needed resources for schools and community groups – we are connecting them to something bigger, and making things possible.

We celebrated the opening of our Shoal Creek location in July. This new location will serve as a prototype for future banking center locations. In November, we officially expanded into Johnson County, Kansas with office space to grow our wealth management portfolio in this region, aiming to mirror the success our trust and investment teams have in mid- and southern Missouri.

We added talented individuals and leadership roles to nearly every area in 2024, and I am excited to see how our team continues to advance. I'm appreciative of our long-time associates who welcomed change with optimism too. Due to unfortunate market conditions and the absence of rate cuts, in June we made the difficult decision to downsize the mortgage team.

Our Project Management Office also ramped up last year, giving us the ability to move projects efficiently. We have made significant strides on our product consolidation process and anticipate completion in 2025.

All of this leads to my focus for 2025: As a community bank competing against big banks, credit unions, and fintech companies, we cannot remain stagnant. The world is changing fast, which means our clients' needs are changing too. We need to stay nimble and continue to grow to remain a valuable and easy choice for current and future clients.

We are in a position where we have a lot of potential to grow our business deposits and loans. To encourage this growth, we are putting into place the right products, the right promotions, and the right people using a process that works, with several prospects all laddering-up to meet our priorities. Our leadership team has been working hard to make sure we have all these key elements in place.

Thank you to all our associates for their dedication and effort to move us towards our goals, while keeping our mission as a community bank at the heart of what we do each day.

Thank you for your investment in our company. We appreciate your trust and support.

Sincerely,

A handwritten signature in black ink, appearing to read 'Brent M. Giles', written in a cursive style.

Brent M. Giles,
Chief Executive Officer

A WORD CONCERNING FORWARD-LOOKING STATEMENTS

This report contains certain forward-looking statements with respect to the financial condition, results of operations, plans, objectives, strategy, future performance and business of the Company, Hawthorn Bancshares, Inc. (the "Company"), and its subsidiaries, including, without limitation:

- statements that are not historical in nature, and
- statements preceded by, followed by or that include the words *believes, expects, may, will, should, could, anticipates, estimates, intends* or similar expressions.

Forward-looking statements are not guarantees of future performance or results. They involve risks, uncertainties and assumptions. Actual results may differ materially from those contemplated by the forward-looking statements due to, among others, the following factors:

- competitive pressures among financial services companies may increase significantly,
- changes in the interest rate environment may reduce interest margins,
- general economic conditions, either nationally or in Missouri, may be less favorable than expected and may adversely affect the quality of our loans and other assets,
- increases in non-performing assets in the Company's loan portfolios and adverse economic conditions may necessitate increases to our provisions for credit losses,
- costs or difficulties related to any integration of any business of the Company and its acquisition targets may be greater than expected,
- legislative, regulatory or tax law changes may adversely affect the business in which the Company and its subsidiaries are engaged,
- credit and market risks relating to increasing inflation,
- economic or other disruptions caused by acts of terrorism, war or other conflicts, including the Russia-Ukraine conflict, and the Israel-Hamas conflict, natural disasters, such as hurricanes, wild fires, freezes, flooding and other man-made disasters, such as oil spills or power outages, health emergencies, epidemics or pandemics, climate changes or other catastrophic events,
- changes may occur in the securities markets,
- changes in the level and direction of loan delinquencies and write-offs and changes in estimates of the adequacy of the allowance for credit losses, and
- technological changes, including potential cyber-security incidents and other disruptions, or innovations to the financial services industry, including as a result of the increased telework environment.

In addition to the disclosure in this report, we have described additional factors that could cause actual results to be materially different from those described in the forward-looking statements under the caption *Risk Factors* in Item 1A of the Company's Annual Report on Form 10-K for the year ended December 31, 2024, and in other reports filed by us with the Securities and Exchange Commission ("SEC") from time to time. Other factors that have not been identified in this report or such other reports could also have this effect. You are cautioned not to put undue reliance on any forward-looking statement, which speak only as of the date they were made.

HAWTHORN BANCSHARES, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
CONSOLIDATED FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

Crucial to the Company's community banking strategy is growth in its commercial banking services, retail mortgage lending and retail banking services. Through the branch network of its subsidiary bank, Hawthorn Bank (the "Bank"), the Company, with \$1.8 billion in assets at December 31, 2024, provides a broad range of commercial and personal banking services. The Bank's specialties include commercial banking for small and mid-sized businesses, including equipment, operating, commercial real estate, Small Business Administration ("SBA") loans, and personal banking services including real estate mortgage lending, installment and consumer loans, certificates of deposit, individual retirement and other time deposit accounts, checking accounts, savings accounts, and money market accounts. Other financial services that the Company provides include trust services that include estate planning, investment and asset management services and a comprehensive suite of cash management services. The geographic areas in which the Company provides products and services include the Missouri communities in and surrounding Jefferson City, Columbia, Clinton, Warsaw, Springfield, and the greater Kansas City metropolitan area.

The Company's primary source of revenue is net interest income derived primarily from lending and deposit taking activities. Much of the Company's business is commercial, commercial real estate development, and residential mortgage lending. The Company's income from mortgage brokerage activities is directly dependent on mortgage rates and the level of home purchases and refinancing activity.

The success of the Company's growth strategy depends primarily on the ability of its banking subsidiary to generate an increasing level of loans and deposits at acceptable risk levels and on acceptable terms without significant increases in non-interest expenses relative to revenues generated. The Company's financial performance also depends, in part, on its ability to manage various portfolios and to successfully introduce additional financial products and services by expanding new and existing customer relationships, utilizing improved technology, and enhancing customer satisfaction. Furthermore, the success of the Company's growth strategy depends on its ability to maintain sufficient regulatory capital levels during periods in which general economic conditions are unfavorable and despite economic conditions being beyond its control.

The Company's subsidiary bank is a full-service bank that conducts general banking business, offering its customers checking and savings accounts, debit cards, certificates of deposit, safety deposit boxes and a wide range of lending services, including commercial and industrial loans, residential real estate loans, single payment personal loans, installment loans and credit card accounts. In addition, the Bank provides trust and brokerage services.

The deposit accounts of the Bank are insured by the Federal Deposit Insurance Corporation ("FDIC") to the extent provided by law. The operations of the Bank are supervised and regulated by the FDIC and the Missouri Division of Finance. Periodic examinations of the Bank are conducted by representatives of the FDIC and the Missouri Division of Finance. Such regulations, supervision and examinations are principally for the benefit of depositors, rather than for the benefit of shareholders. The Company is subject to supervision and examination by the Board of Governors of the Federal Reserve System.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The following accounting policies are considered most critical to the understanding of the Company's financial condition and results of operations. These critical accounting policies and estimates require management's most difficult, subjective and complex judgments about matters that are inherently uncertain. Because these estimates and judgments are based on current circumstances, they may change over time or prove to be inaccurate based on actual experiences. In the event that different assumptions or conditions were to prevail, and depending upon the severity of such changes, the possibility of a materially different financial condition and/or results of operations could reasonably be expected. The impact and any associated risks related to the Company's critical accounting policies and estimates on its business operations are discussed throughout *Management's Discussion and Analysis of Financial Condition and Results of Operations*, where such policies affect the reported and expected financial results.

Allowance for Credit Losses

Management has identified the accounting policy related to the allowance for credit losses ("ACL") as critical to the understanding of the Company's results of operations, since the application of this policy requires significant management assumptions and estimates that could result in materially different amounts to be reported if conditions or underlying circumstances were to change.

The Company's ACL represents management's best estimate of losses inherent in the portfolio. The policy is designed to maintain the allowance at a level sufficient to absorb reasonably estimated and probable losses within the portfolio. A mathematical calculation of an estimate is made to assist in determining the adequacy and reasonableness of management's recorded ACL.

The Company's methodology includes qualitative risk factors that allow management to adjust modeled historical losses and to address other limitations in the quantitative component that is based on modeled historical loss rates. Such risk factors are generally reviewed and updated quarterly, as appropriate, and are adjusted to reflect changes in national and local economic conditions, other external factors, the nature, volume and terms of loans in the portfolio, the volume and severity of past due loans, concentrations, trends in collateral values, the quality of the Company's internal loan review department, lending management, and lending policies and procedures. At December 31, 2024 and 2023, the ACL on loans included a qualitative adjustment of approximately \$11.2 million and \$10.9 million, respectively.

The ending result of this process is a recorded consolidated ACL that represents management's best estimate of the total modeled losses included in the portfolio considering available information from internal and external sources, relevant to assessing exposure to credit loss over the contractual term of the instrument. While management utilizes its best judgment and information available, the ultimate adequacy of the ACL is dependent upon a variety of factors beyond the Company's control, including the performance of its portfolios, the economy, and changes in interest rates. As such, significant downturns in circumstances relating to instrument quality and economic conditions could result in a requirement for additional allowance. Likewise, an upturn in instrument quality and improved economic conditions may allow a reduction in the required allowance. In either instance, unanticipated changes could have a significant impact on the Company's provision for credit losses and ACL reported in its Consolidated Income Statements and Consolidated Balance Sheets, respectively.

Further discussion of the methodology used in establishing the allowance and the impact of any associated risks related to these policies on the Company's business operations is provided in Note 1 to the Company's consolidated financial statements and is also discussed in the *Lending and Credit Management* section below.

Executive Summary

The Company has prepared all of the consolidated financial information in this report in accordance with United States generally accepted accounting principles ("U.S. GAAP") and the rules of the SEC. In preparing the consolidated financial statements in accordance with U.S. GAAP, the Company makes estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. There can be no assurances that actual results will not differ from those estimates.

<i>(dollars in thousands, except per share amounts)</i>	For the years ended December 31,		
	2024	2023	2022
Statement of income information:			
Total interest income	\$ 95,351	\$ 91,968	\$ 69,256
Total interest expense	36,758	32,826	10,493
Net interest income	58,593	59,142	58,763
Provision for (release of) credit losses (2)	1,027	2,340	(900)
Non-interest income	14,320	7,536	13,978
Investment securities (losses) gains, net	(4)	(11,547)	(14)
Non-interest expense	49,524	52,359	48,538
Pre-tax income	22,358	432	25,089
Income taxes (benefit)	4,102	(524)	4,338
Net income	\$ 18,256	\$ 956	\$ 20,751
Basic earnings per share	\$ 2.61	\$ 0.14	\$ 2.94
Diluted earnings per share	\$ 2.61	\$ 0.14	\$ 2.94

	As of and for the years ended December 31,		
	2024	2023	2022
Market and per share data			
Book value per share	\$ 21.36	\$ 19.33	\$ 18.04
Market price per share	\$ 28.35	\$ 25.37	\$ 20.57
Cash dividends paid on common stock	\$ 5,047	\$ 4,649	\$ 4,240
Common stock dividend	\$ —	\$ 6,005	\$ 6,865
Performance Ratios			
Return on average assets	1.00 %	0.05 %	1.16 %
Return on average common equity	13.04 %	0.76 %	15.94 %
Efficiency ratio (1)	67.92 %	78.53 %	66.73 %
Net interest margin	3.41 %	3.29 %	3.53 %
Average stockholders' equity to average total assets	7.66 %	6.68 %	7.27 %

1. Efficiency ratio is calculated as non-interest expense as a percentage of revenue. Total revenue includes net interest income and non-interest income.
2. Prior to adoption of ASU No 2016-13 on January 1, 2023, credit losses were estimated using the incurred loss approach.

<i>(dollars in thousands, except per share amounts)</i>	As of and for the years ended December 31,		
	2024	2023	2022
Asset Quality Ratios			
Non-performing loans	\$ 2,747	\$ 6,413	\$ 18,701
Non-performing assets	\$ 4,193	\$ 8,157	\$ 27,496
Net-charge-offs (recoveries)	\$ 2,725	\$ 302	\$ 415
Net charge-offs to average loans	0.18%	0.02%	0.03%
Allowance for credit losses to total loans (2)	1.50%	1.54%	1.02%
Non-performing loans to total loans	0.19%	0.42%	1.23%
Non-performing assets to loans	0.29%	0.53%	1.81%
Non-performing assets to total assets	0.23%	0.43%	1.43%
Allowance for credit losses to non-performing loans	802.48%	370.25%	83.35%
Capital Ratios			
Average stockholders' equity to total assets	7.66%	6.68%	7.27%
Stockholders' equity to assets	8.19%	7.26%	6.62%
Total risk-based capital ratio	14.79%	13.99%	13.85%
Tier 1 risk-based capital ratio	13.54%	12.59%	12.52%
Common equity Tier 1 capital	10.49%	9.73%	9.89%
Tier 1 leverage ratio (1)	11.46%	10.29%	10.76%

(1) Tier 1 leverage ratio is calculated by dividing Tier 1 capital by average total consolidated assets and still accruing interest.

(2) Prior to adoption of ASU No 2016-13 on January 1, 2023, credit losses were estimated using the incurred loss approach.

Results of Operations Highlights

Consolidated net income increased \$17.3 million to \$18.3 million, or \$2.61 per diluted share, for the year ended December 31, 2024 compared to \$1.0 million, or \$0.14 per diluted share, for the year ended December 31, 2023. For the year ended December 31, 2024, the return on average assets (ROA) was 1.00%, the return on average stockholders' equity (ROE) was 13.04%, and the efficiency ratio was 67.9%.

Consolidated net income decreased \$19.8 million to \$1.0 million, or \$0.14 per diluted share, for the year ended December 31, 2023 compared to \$20.8 million, or \$2.94 per diluted share, for the year ended December 31, 2022. For the year ended December 31, 2023, the return on average assets (ROA) was 0.05%, the return on average stockholders' equity (ROE) was 0.76%, and the efficiency ratio was 78.5%.

Net interest income was \$58.6 million for the year ended December 31, 2024 compared to \$59.1 million and \$58.8 million for the years ended December 31, 2023 and 2022, respectively. The net interest margin, on a fully taxable equivalent basis (FTE), was 3.41% for the year ended December 31, 2024 compared to 3.29% and 3.53% for the years ended December 31, 2023 and 2022, respectively.

Provision for (release of) credit losses For the year ended December 31, 2024, the Company recognized a provision expense for credit losses on loans and unfunded commitments of \$1.0 million compared to a provision expense of \$2.3 million and a release of provision expense of \$0.9 million for years ended December 31, 2023 and 2022, respectively. During the fourth quarter of 2023, an additional \$1.3 million of specific reserve resulted from the downgrade of one commercial loan relationship. The release of provision expense for 2022 was driven in part from the release of specific reserves due to returning significant loan balances to accruing from non-accrual status.

Non-interest income increased \$6.8 million, or 90.0%, for the year ended December 31, 2024 compared to the year ended December 31, 2023, and decreased \$6.4 million, or 46.1%, for the year ended December 31, 2023 compared to the year ended December 31, 2022. These changes are discussed in greater detail below under Non-interest Income.

Non-interest expense decreased \$2.8 million, or 5.4%, for the year ended December 31, 2024 compared to the year ended December 31, 2023, and increased \$3.8 million, or 7.9%, for the year ended December 31, 2023 compared to the year ended December 31, 2022. These changes are discussed in greater detail below under Non-interest Expense.

Balance Sheet Highlights

Cash and cash equivalents – Cash and cash equivalents decreased \$42.5 million, or 45.4%, to \$51.0 million as of December 31, 2024, compared to \$93.5 million as of December 31, 2023, and increased \$9.7 million, or 11.6%, to \$93.5 million as of December 31, 2023 compared to \$83.7 million as of December 31, 2022. See the *Liquidity Management* section for further discussion.

Loans – Loans held for investment decreased \$73.0 million, or 4.7%, to \$1.47 billion as of December 31, 2024 compared to December 31, 2023, and increased \$17.9 million, or 1.2%, to \$1.54 billion as of December 31, 2023 compared to \$1.52 billion as of December 31, 2022.

Asset quality – Non-performing assets decreased \$4.0 million to \$4.2 million, or 0.29% of total loans, at December 31, 2024, compared to \$8.2 million, or 0.53% of total loans, at December 31, 2023, and decreased \$19.3 million to \$8.2 million, or 0.53% of total loans, at December 31, 2023 compared to \$27.5 million, or 1.81% of total loans, at December 31, 2022. The reduction in non-performing assets primarily resulted from non-accrual loan relationships returning to accrual status in both 2023 and 2022.

The allowance for credit losses to total loans was 1.50% at December 31, 2024, compared to 1.54% at December 31, 2023 and 1.02% at December 31, 2022. The Company's net charge-offs for the year ended December 31, 2024, were \$2.7 million, or 0.18% of average loans, compared to \$0.3 million, or 0.02% of average loans, for the year ended December 31, 2023, and \$0.4 million, or 0.03% of average loans, for the year ended December 31, 2022. See *Lending and Credit Management* section below for further discussion.

Deposits – Total deposits decreased \$37.7 million, or 2.4%, to \$1.53 billion as of December 31, 2024 compared to December 31, 2023, and decreased \$61.2 million, or 3.8%, to \$1.57 billion as of December 31, 2023 compared to \$1.63 billion as of December 31, 2022.

Federal Home Loan Bank advances and other borrowings – Total FHLB advances and other borrowings decreased \$25.5 million, or 23.8%, equal to \$81.5 million as of December 31, 2024 compared to \$107.0 million as of December 31, 2023, and increased \$9.0 million, or 9.2%, to \$107.0 million as of December 31, 2023 compared to \$98.0 million as of December 31, 2022.

Capital – The Company maintains its “well capitalized” regulatory capital position. At December 31, 2024, capital ratios were as follows: total risk-based capital to risk-weighted assets 14.79%; tier 1 capital to risk-weighted assets 13.54%; tier 1 leverage 11.46%; and common equity to assets 10.49%.

Average Balance Sheets

Net interest income is the largest source of revenue resulting from the Company's lending, investing, borrowing, and deposit gathering activities. It is affected by both changes in the level of interest rates and changes in the amounts and mix of interest-earning assets and interest-bearing liabilities. The following table presents average balance sheets, net interest income, average yields of earning assets, average costs of interest bearing liabilities, net interest spread and net interest margin on a FTE basis for each of the years ended December 31, 2024, 2023, and 2022, respectively. The average balances used in this table and other statistical data were calculated using average daily balances.

(dollars in thousands)	2024			2023			2022		
	Average Balance	Interest Income/Expense(1)	Rate Earned/Paid(1)	Average Balance	Interest Income/Expense(1)	Rate Earned/Paid(1)	Average Balance	Interest Income/Expense(1)	Rate Earned/Paid(1)
ASSETS									
Loans: (2)									
Commercial	\$ 214,548	\$ 14,342	6.68 %	\$ 230,988	\$ 14,401	6.23 %	\$ 236,228	\$ 12,320	5.22 %
Real estate construction - residential	42,486	3,309	7.79	50,497	3,707	7.34	24,766	1,296	5.23
Real estate construction - commercial	70,698	5,190	7.34	136,455	7,511	5.50	115,424	5,307	4.60
Real estate mortgage - residential	369,516	20,929	5.66	370,024	19,862	5.37	313,926	13,736	4.38
Real estate mortgage - commercial	782,218	41,957	5.36	734,657	37,957	5.17	692,712	29,881	4.31
Installment and other consumer	17,002	997	5.86	22,307	1,056	4.73	23,237	847	3.65
Total loans	\$ 1,496,468	\$ 86,724	5.80 %	\$ 1,544,928	\$ 84,494	5.47 %	\$ 1,406,293	\$ 63,387	4.51 %
Loans held for sale	\$ 1,454	\$ 84	5.78 %	\$ 3,609	\$ 160	4.43 %	\$ 1,738	\$ 90	5.18 %
Investment securities:									
U.S. Treasury	\$ 1,237	\$ 58	4.69 %	\$ 4,200	\$ 176	4.19 %	\$ 3,538	\$ 40	1.13 %
U.S. government and federal agency obligations	14,561	642	4.41	24,832	436	1.76	25,709	362	1.41
Obligations of states and political subdivisions	104,062	3,031	2.91	107,482	3,374	3.14	115,132	4,112	3.57
Mortgage-backed securities	59,045	1,941	3.29	96,649	2,038	2.11	116,061	1,996	1.72
Other debt securities	14,439	828	5.73	11,787	696	5.90	12,889	644	5.00
Total investment securities	\$ 193,344	\$ 6,500	3.36 %	\$ 244,950	\$ 6,720	2.74 %	\$ 273,329	\$ 7,154	2.62 %
Other investment securities	5,948	563	9.47	6,973	441	6.32	5,627	270	4.80
Interest bearing deposits in other financial institutions	42,292	2,287	5.41	25,481	1,241	4.87	33,679	419	1.24
Total interest earning assets	\$ 1,739,506	\$ 96,158	5.53 %	\$ 1,825,941	\$ 93,056	5.10 %	\$ 1,720,666	\$ 71,320	4.14 %
All other assets	111,005			89,071			86,985		
Allowance for credit losses	(22,878)			(20,737)			(15,581)		
Total assets	\$ 1,827,633			\$ 1,894,275			\$ 1,792,070		

Average Balance Sheets (continued)

(dollars in thousands)	2024			2023			2022		
	Average Balance	Interest Income/Expense(1)	Rate Earned/Paid(1)	Average Balance	Interest Income/Expense(1)	Rate Earned/Paid(1)	Average Balance	Interest Income/Expense(1)	Rate Earned/Paid(1)
LIABILITIES AND STOCKHOLDERS' EQUITY									
Savings	\$ 255,730	\$ 5,305	2.07 %	\$ 182,870	\$ 1,026	0.56 %	\$ 180,122	\$ 61	0.03 %
NOW accounts	201,174	2,830	1.41	199,234	2,280	1.14	252,842	1,627	0.64
Interest checking	128,548	5,659	4.40	167,157	7,648	4.58	64,473	1,786	2.77
Money market	224,033	4,730	2.11	282,924	5,842	2.06	297,153	1,535	0.52
Time deposits	326,165	11,352	3.48	329,091	8,988	2.73	261,833	2,140	0.82
Total interest bearing deposits	\$ 1,135,650	\$ 29,876	2.63 %	\$ 1,161,276	\$ 25,784	2.22 %	\$ 1,056,423	\$ 7,149	0.68 %
Federal funds purchased and securities sold under agreements to repurchase	7	—	—	5,253	115	2.19	7,982	51	0.64
Federal Home Loan Bank advances and other borrowings	100,899	3,095	3.07	112,271	3,255	2.90	80,867	1,268	1.57
Subordinated notes	49,486	3,899	7.88	49,486	3,774	7.63	49,486	2,072	4.19
Total borrowings	\$ 150,392	\$ 6,994	4.65 %	\$ 167,010	\$ 7,144	4.28 %	\$ 138,335	\$ 3,391	2.45 %
Total interest bearing liabilities	\$ 1,286,042	\$ 36,870	2.87 %	\$ 1,328,286	\$ 32,928	2.48 %	\$ 1,194,758	\$ 10,540	0.88 %
Demand deposits	389,707			426,739			454,931		
Other liabilities	11,896			12,719			12,170		
Total liabilities	1,687,645			1,767,744			1,661,859		
Stockholders' equity	139,988			126,531			130,211		
Total liabilities and stockholders' equity	\$ 1,827,633			\$ 1,894,275			\$ 1,792,070		
Net interest income (FTE)	\$ 59,288			\$ 60,128			\$ 60,780		
Net interest spread (FTE)			2.66 %			2.62 %			3.26 %
Net interest margin (FTE)			3.41 %			3.29 %			3.53 %

- (1) Interest income and yields are presented on a FTE basis using the federal statutory income tax rate of 21%, net of nondeductible interest expense for the years ended December 31, 2024, 2023 and 2022, respectively. Such adjustments totaled \$0.8 million, \$1.1 million and \$2.1 million for the years ended December 31, 2024, 2023, and 2022, respectively.

- (2) Non-accruing loans are included in the average amounts outstanding.

Rate and Volume Analysis

The following table summarizes the changes in net interest income on a FTE basis, by major category of interest earning assets and interest bearing liabilities, identifying changes related to volumes and rates for the years ended December 31, 2024, compared to December 31, 2023, and for the years ended December 31, 2023 compared to December 31, 2022. The change in interest due to the combined rate/volume variance has been allocated to rate and volume changes in proportion to the absolute dollar amounts of change in each.

	2024			2023		
	Total Change	Change due to		Total Change	Change due to	
		Average Volume	Average Rate		Average Volume	Average Rate
<i>(dollars in thousands)</i>						
Interest income on a FTE basis: (1)						
Loans: (2)						
Commercial	\$ (59)	\$ (1,059)	\$ 1,000	\$ 2,081	\$ (279)	\$ 2,360
Real estate construction - residential	(398)	(612)	214	2,411	1,737	674
Real estate construction - commercial	(2,321)	(4,322)	2,001	2,204	1,059	1,145
Real estate mortgage - residential	1,067	(27)	1,094	6,126	2,700	3,426
Real estate mortgage - commercial	4,000	2,510	1,490	8,076	1,893	6,183
Installment and other consumer	(59)	(280)	221	209	(35)	244
Loans held for sale	(76)	(114)	38	70	85	(15)
Investment securities:						
U.S. Treasury	(118)	(136)	18	136	9	127
U.S. government and federal agency obligations	206	(238)	444	74	(13)	87
Obligations of states and political subdivisions	(343)	(105)	(238)	(738)	(262)	(476)
Mortgage-backed securities	(97)	(972)	875	42	(366)	408
Other debt securities	132	152	(20)	52	(58)	110
Other investment securities	122	(72)	194	171	73	98
Interest bearing deposits in other financial institutions	1,046	894	152	822	(125)	947
Total interest income	\$ 3,102	\$ (4,381)	\$ 7,483	\$ 21,736	\$ 6,418	\$ 15,318
Interest expense:						
Savings	4,279	549	3,730	965	1	964
NOW accounts	550	22	528	653	(402)	1,055
Interest checking	(1,989)	(1,704)	(285)	5,862	4,160	1,702
Money market	(1,112)	(1,237)	125	4,307	(77)	4,384
Time deposits	2,364	(80)	2,444	6,848	677	6,171
Federal funds purchased and securities sold under agreements to repurchase	(115)	(57)	(58)	64	(23)	87
Federal Home Loan Bank advances and other borrowings	(160)	(341)	181	1,987	624	1,363
Subordinated notes	125	—	125	1,702	—	1,702
Total interest expense	\$ 3,942	\$ (2,848)	\$ 6,790	\$ 22,388	\$ 4,960	\$ 17,428
Net interest income on a FTE basis	\$ (840)	\$ (1,533)	\$ 693	\$ (652)	\$ 1,458	\$ (2,110)

- (1) Interest income and yields are presented on a FTE basis using the federal statutory income tax rate of 21%, net of nondeductible interest expense for the years ended December 31, 2024, 2023 and 2022, respectively. Such adjustments totaled \$0.8 million, \$1.1 million and \$2.1 million for the years ended December 31, 2024, 2023, and 2022, respectively.

- (2) Non-accruing loans are included in the average amounts outstanding.

Financial results for the year ended December 31, 2024 compared to the year ended December 31, 2023 reflected a decrease in net interest income, on a FTE basis, of \$0.8 million, or 1.4%, and financial results for the year ended December 31, 2023 compared to the year ended December 31, 2022 reflected an increase of \$0.7 million, or 1.1%. Measured as a percentage of average earning assets, the net interest margin (expressed on a FTE basis) was 3.41% for the year ended December 31, 2024, compared to 3.29% and 3.53% for the years ended December 31, 2023 and 2022, respectively.

Average interest-earning assets decreased \$86.4 million, or 4.7%, to \$1.74 billion for the year ended December 31, 2024 compared to \$1.83 billion for the year ended December 31, 2023, and average interest bearing liabilities decreased \$42.2 million, or 3.2%, to \$1.29 billion for the year ended December 31, 2024 compared to \$1.33 billion for the year ended December 31, 2023.

Average interest-earning assets increased \$105.3 million, or 6.1%, to \$1.83 billion for the year ended December 31, 2023 compared to \$1.72 billion for the year ended December 31, 2022, and average interest bearing liabilities increased \$133.5 million, or 11.2%, to \$1.33 billion for the year ended December 31, 2023 compared to \$1.19 billion for the year ended December 31, 2022.

Total interest income (expressed on a FTE basis) increased \$3.1 million to \$96.2 million for the year ended December 31, 2024 compared to \$93.1 million for the year ended December 31, 2023 and increased \$21.8 million to \$93.1 million for the year ended December 31, 2023 compared to \$71.3 million for the year ended December 31, 2022. The Company's rates earned on interest earning assets were 5.53% for the year ended December 31, 2024 compared to 5.10% and 4.14% for the years ended December 31, 2023 and 2022, respectively.

Interest income on loans held for investment increased to \$86.7 million for the year ended December 31, 2024 compared to \$84.5 million and \$63.4 million for the years ended December 31, 2023 and 2022, respectively.

Average loans outstanding decreased \$48.5 million, or 3.1%, to \$1.50 billion for the year ended December 31, 2024 compared to \$1.54 billion for the year ended December 31, 2023. The average yield on loans receivable increased to 5.80% during the year ended December 31, 2024 compared to 5.47% for the year ended December 31, 2023.

Average loans outstanding increased \$138.6 million, or 9.9%, to \$1.54 billion for the year ended December 31, 2023 compared to \$1.41 billion for the year ended December 31, 2022. The average yield on loans receivable increased to 5.47% during the year ended December 31, 2023 compared to 4.51% for the year ended December 31, 2022. The increase in yield as of December 31, 2024 compared to the prior year is reflective of recent market conditions where most loan types have seen

an increase in yield, consistent with recent increases in the prime rate. Contributing to the increase in yield was interest accreted into income on three loans returning to accruing status in 2023. See the *Lending and Credit Management* section for further discussion of changes in the composition of the lending portfolio.

Interest income on available-for-sale securities decreased to \$6.5 million for the year ended December 31, 2024 compared to \$6.7 million and \$7.2 million for the years ended December 31, 2023 and 2022, respectively.

Average securities decreased \$51.7 million, or 21.1%, to \$193.3 million for the year ended December 31, 2024 compared to \$245.0 million for the year ended December 31, 2023. The average yield on securities increased to 3.36% for the year ended December 31, 2024 compared to 2.74% for the year ended December 31, 2023.

Average securities decreased \$28.4 million, or 10.4%, to \$245.0 million for the year ended December 31, 2023 compared to \$273.3 million for the year ended December 31, 2022. The average yield on securities increased to 2.74% for the year ended December 31, 2023 compared to 2.62% for the year ended December 31, 2022. During the fourth quarter of 2023, the Company repositioned its balance sheet by selling \$83.7 million in book value of investment securities, with an average yield of 1.57%. See the *Liquidity Management* section for further discussion.

Total interest expense increased \$3.9 million to \$36.9 million for the year ended December 31, 2024 compared to \$32.9 million for the year ended December 31, 2023, and increased \$22.4 million to \$32.9 million for the year ended December 31, 2023 compared to \$10.5 million for the year ended December 31, 2022. The Company's rate paid on interest bearing liabilities was 2.87% for the year ended December 31, 2024 compared to 2.48% and 0.88% for the years ended December 31, 2023 and 2022, respectively. See the *Liquidity Management* section for further discussion.

Interest expense on deposits was \$29.9 million for the year ended December 31, 2024 compared to \$25.8 million and \$7.1 million for the years ended December 31, 2023 and 2022, respectively.

Average interest bearing deposits decreased \$25.6 million, or 2.2%, to \$1.14 billion for the year ended December 31, 2024 compared to \$1.16 billion for the year ended December 31, 2023. The average cost of deposits increased to 2.63% during the year ended December 31, 2024 compared to 2.22% for the year ended December 31, 2023.

Average interest bearing deposits increased \$104.9 million, or 9.9%, to \$1.16 billion for the year ended December 31, 2023 compared to \$1.06 billion for the year ended December 31, 2022. The average cost of deposits increased to 2.22% during the year ended December 31, 2023 compared to 0.68% for the year ended December 31, 2022.

Interest expense on borrowings was \$7.0 million for the year ended December 31, 2024 compared to \$7.1 million and \$3.4 million for the years ended December 31, 2023 and 2022, respectively.

Average borrowings decreased \$16.6 million, or 10.0%, to \$150.4 million for the year ended December 31, 2024 compared to \$167.0 million for the year ended December 31, 2022. The average cost of borrowings increased to 4.65% during the year ended December 31, 2024 compared to 4.28% for the year ended December 31, 2023.

Average borrowings increased \$28.7 million, or 20.7%, to \$167.0 million for the year ended December 31, 2023 compared to \$138.3 million for the year ended December 31, 2022. The average cost of borrowings increased to 4.28% during the year ended December 31, 2023 compared to 2.45% for the year ended December 31, 2022. The Company utilizes funding capacity with the FHLB to meet its short-term liquidity needs. The increase in cost of funds is consistent with increases in prime resulting from higher market interest rates. See the *Liquidity Management* section for further discussion.

Non-interest Income and Expense

Non-interest income for the years ended December 31, 2024, 2023, and 2022 was as follows:

(dollars in thousands)	2024	2023	2022	\$ Change		% Change	
				2024 vs 2023	2023 vs 2022	2024 vs 2023	2023 vs 2022
Service charges and other fees	\$ 3,301	\$ 2,942	\$ 3,002	\$ 359	\$ (60)	12.2 %	(2.0)%
Bank card income and fees	4,097	4,028	4,083	69	(55)	1.7	(1.3)
Wealth management revenue	1,728	1,385	1,433	343	(48)	24.8	(3.3)
Earnings on bank-owned life insurance	1,682	57	58	1,625	(1)	NM	(1.7)
Real estate servicing fees, net	33	(584)	1,004	617	(1,588)	(105.7)	(158.2)
Gain on sales of mortgage loans, net	896	2,560	2,661	(1,664)	(101)	(65.0)	(3.8)
Gains (losses) on other real estate owned, net	883	(4,429)	289	5,312	(4,718)	(119.9)	NM
Other	1,700	1,577	1,448	123	129	7.8	8.9
Total non-interest income	\$ 14,320	\$ 7,536	\$ 13,978	\$ 6,784	\$ (6,442)	90.0 %	(46.1)%
Non-interest income as a % of total revenue *	19.6 %	11.3 %	19.2 %				

* Total revenue is calculated as net interest income plus non-interest income.

NM = not meaningful

Total non-interest income increased \$6.8 million, or 90.0%, to \$14.3 million for the year ended December 31, 2024 compared to the year ended December 31, 2023, and decreased \$6.4 million, or 46.1%, to \$7.5 million for the year ended December 31, 2023 compared to the year ended December 31, 2022.

Earnings on bank-owned life insurance increased to \$1.7 million for the year ended December 31, 2024 compared to \$0.1 million and \$0.1 million the years ended December 31, 2023 and 2022, respectively. The Company purchased \$35.0 million in bank-owned life insurance policies in the first quarter of 2024. The earnings generated from these policies are primarily derived from the investment returns on the cash value component.

Real estate servicing fees, net of the change in valuation of mortgage serving rights (MSRs) was \$0.03 million for the year ended December 31, 2024 compared to \$(0.6) million and \$1.0 million for the years ended December 31, 2023 and 2022, respectively. On January 31, 2024, the Company sold its servicing portfolio and the balance of the serviced loans transferred on April 30, 2024. The remaining servicing fees and costs were settled during the second and third quarter of 2024.

Gain on sales of mortgage loans was \$0.9 million for the year ended December 31, 2024 compared to \$2.6 million and \$2.7 million for the years ended December 31, 2023 and 2022, respectively. The Company sold loans totaling \$48.9 million for the year ended December 31, 2024 compared to \$106.2 million and \$87.2 million for the years ended December 31, 2023 and 2022, respectively.

Gains (losses) on other real estate owned, net was \$0.9 million, for the year ended December 31, 2024 compared to \$(4.4) million and \$0.3 million for the years ended December 31, 2023 and 2022, respectively. During the second and third quarter of 2023, the Company recognized \$1.8 million and \$2.8 million in valuation write-downs, respectively, on foreclosed property in other real estate owned based on current appraisals. The Company sold the remaining parcel related to one of these properties in the second quarter of 2024 and recognized a \$0.4 million release of the valuation write-down.

During the third and fourth quarters of 2024 the Company recognized \$0.7 million in gains on sales of foreclosed properties, which included land previously intended for a new branch. Partially offsetting these gains, the Company recognized an additional \$0.3 million valuation write-down.

Investment Securities (Losses) Gains, Net

The following table presents the gross realized gains and losses from sales and calls of available-for-sale securities, as well as gains and losses on equity securities from fair value adjustments which have been recognized in earnings for the years ended December 31, 2024, 2023, and 2022:

<i>(dollars in thousands)</i>	2024	2023	2022
Available-for-sale securities:			
Gross realized gains	\$ —	\$ —	\$ —
Gross realized losses	—	(11,562)	—
Credit losses recognized	—	—	—
Other investment securities:			
Fair value adjustments, net	(4)	32	(14)
Certificates of deposit:			
Gross realized gains	—	—	—
Gross realized losses	—	(17)	—
Investment securities (losses) gains, net	\$ (4)	\$ (11,547)	\$ (14)

During the fourth quarter of 2023, the Company repositioned its balance sheet by selling \$83.7 million in book value of investment securities, with an average yield of 1.57%.

Non-interest expense for the years ended December 31, 2024, 2023, and 2022 was as follows:

<i>(dollars in thousands)</i>	2024	2023	2022	\$ Change		% Change	
				2024 vs 2023	2023 vs 2022	2024 vs 2023	2023 vs 2022
Salaries	\$ 21,004	\$ 23,273	\$ 20,612	\$ (2,269)	\$ 2,661	(9.7)%	12.9 %
Employee benefits	5,574	5,698	6,446	(124)	(748)	(2.2)	(11.6)
Occupancy expense, net	3,251	3,247	3,175	4	72	0.1	2.3
Furniture and equipment expense	3,019	3,008	3,054	11	(46)	0.4	(1.5)
Processing, network and bank card expense	5,530	5,151	4,788	379	363	7.4	7.6
Legal, examination, and professional fees	2,608	2,508	1,630	100	878	4.0	53.9
Advertising and promotion	976	1,522	1,529	(546)	(7)	(35.9)	(0.4)
Postage, printing, and supplies	910	846	878	64	(32)	7.6	(3.6)
Other	6,652	7,106	6,426	(454)	680	(6.4)	10.6
Total non-interest expense	\$ 49,524	\$ 52,359	\$ 48,538	\$ (2,835)	\$ 3,821	(5.4)%	7.9 %
Efficiency ratio*	67.9 %	78.5 %	66.7 %				
Number of full-time equivalent employees	262	281	304				

* Efficiency ratio is calculated as non-interest expense as a percentage of total revenue. Total revenue includes net interest income and non-interest income.

Total non-interest expense decreased \$2.8 million, or 5.4%, to \$49.5 million for the year ended December 31, 2024 compared to the year ended December 31, 2023, and increased \$3.8 million, or 7.9%, to \$52.4 million for the year ended December 31, 2023 compared to the year ended December 31, 2022.

Salaries decreased \$2.3 million, or 9.7%, to \$21.0 million for the year ended December 31, 2024 compared to the year ended December 31, 2023, and increased \$2.7 million, or 12.9%, to \$23.3 million for the year ended December 31, 2023 compared to the year ended December 31, 2022. The decreases were primarily due to planned reductions of full-time employees during the fourth quarter of 2023 and second quarter of 2024.

Employee benefits decreased \$0.1 million, or 2.2%, to \$5.6 million for the year ended December 31, 2024 compared to the year ended December 31, 2023, and decreased \$0.7 million, or 11.6%, to \$5.7 million for the year ended December 31, 2023 compared to the year ended December 31, 2022. The decrease for the year ended December 31, 2024 over the year

ended December 31, 2023 was primarily due to a decrease in health insurance expense partially offset by an increase in 401(k) plan contributions. The decrease for the year ended December 31, 2023 over the year ended December 31, 2022 was primarily due to a decrease in 401(k) plan contributions and a decrease in the pension cost due to higher annual discount rate assumptions compared to the prior year's annual assumptions.

Legal, examination, and professional fees increased \$0.1 million, or 4.0%, to \$2.6 million for the year ended December 31, 2024 compared to the year ended December 31, 2023, and increased \$0.9 million, or 53.9%, to \$2.5 million for the year ended December 31, 2023 compared to the year ended December 31, 2022. The increase for the years ended 2024 over 2023 was primarily due to legal fees related to loan workouts and additional consulting fees. The increase for the years ended 2023 over 2022 primarily related to a write-off of consulting fees related to a digital account opening project canceled during the fourth quarter of 2023.

Advertising and promotion decreased \$0.5 million, or 35.9%, to \$1.0 million for the year ended December 31, 2024 compared to the year ended December 31, 2023, and decreased \$0.01 million, or 0.4%, for the year ended December 31, 2023 compared to the year ended December 31, 2022. The decrease for the years ended 2024 over 2023 was the result of a strategic decision to discontinue the Company's outsourced marketing efforts. The Company has hired internal marketing resources and reduced costs by transitioning to an in-house marketing team.

Income Taxes (Benefit)

Income taxes as a percentage of earnings before income taxes as reported in the consolidated financial statements were 18.3% for the year ended December 31, 2024 compared to (121.5)% and 17.3% for the years ended December 31, 2023 and 2022, respectively. The effective tax rate for each of years ended December 31, 2024, 2023, and 2022, respectively, is lower than the U.S. federal statutory rate of 21% primarily due to tax-free revenues. In addition, the effective tax rate for the year ended December 31, 2023 was primary attributable to the decrease in earnings.

Lending and Credit Management

Interest earned on the loan portfolio is a primary source of interest income for the Company. Loans held for investment represented 79.1% of total assets as of December 31, 2024 compared to 80.8% as of December 31, 2023.

Lending activities are conducted pursuant to an established loan policy approved by the Bank's Board of Directors. The Bank's credit review process is overseen by regional loan committees with established loan approval limits. In addition, a executive loan committee reviews all credit relationships in aggregate over an established dollar amount. The executive loan committee meets weekly and is comprised of senior managers of the Bank.

Major classifications within the Company's held-for-investment loan portfolio as of the dates indicated is as follows:

	December 31,			
	2024		2023	
<i>(dollars in thousands)</i>	Amount	% of Loans	Amount	% of Loans
Commercial, financial, and agricultural	\$ 202,329	13.8 %	\$ 226,275	14.7 %
Real estate construction – residential	32,046	2.2	58,347	3.8
Real estate construction – commercial	80,435	5.4	130,296	8.5
Real estate mortgage – residential	361,735	24.7	372,391	24.2
Real estate mortgage – commercial	775,594	52.9	731,024	47.5
Installment and other consumer	14,021	1.0	20,814	1.3
Total loans	\$ 1,466,160	100.0 %	\$ 1,539,147	100.0 %

The contractual maturities of loan categories at December 31, 2024 and the composition of those loans between fixed rate and floating rate loans are as follows:

<i>(dollars in thousands)</i>	Principal Payments Due					Total
	One Year Or Less	Over One Year Through Five Years	Over Five Years Through 15 Years	Over 15 Years		
Commercial, financial, and agricultural	\$ 65,853	\$ 81,928	\$ 28,967	\$ 25,581	\$	\$ 202,329
Real estate construction – residential	18,513	4,161	483	8,889		32,046
Real estate construction – commercial	29,151	43,024	7,461	799		80,435
Real estate mortgage – residential	23,125	43,405	59,980	235,225		361,735
Real estate mortgage – commercial	99,429	411,852	132,798	131,515		775,594
Installment and other consumer	3,198	10,358	465	—		14,021
Total loans	\$ 239,269	\$ 594,728	\$ 230,154	\$ 402,009	\$	\$ 1,466,160
Loans with fixed rates						
Commercial, financial, and agricultural	\$ 17,141	\$ 71,704	\$ 12,687	\$ —	\$	\$ 101,532
Real estate construction – residential	3,282	131	—	—		3,413
Real estate construction – commercial	7,584	18,161	179	—		25,924
Real estate mortgage – residential	15,994	38,314	18,615	37,028		109,951
Real estate mortgage – commercial	72,819	378,098	54,455	5,045		510,417
Installment and other consumer	1,257	10,358	465	—		12,080
Total	118,077	516,766	86,401	42,073		763,317
Loans with floating rates						
Commercial, financial, and agricultural	\$ 48,712	\$ 10,224	\$ 16,280	\$ 25,581	\$	\$ 100,797
Real estate construction – residential	15,231	4,030	483	8,889		28,633
Real estate construction – commercial	21,567	24,863	7,282	799		54,511
Real estate mortgage – residential	7,131	5,091	41,365	198,197		251,784
Real estate mortgage – commercial	26,610	33,754	78,343	126,470		265,177
Installment and other consumer	1,941	—	—	—		1,941
Total	121,192	77,962	143,753	359,936		702,843
Total loans	\$ 239,269	\$ 594,728	\$ 230,154	\$ 402,009	\$	\$ 1,466,160

Commercial Real Estate Loans

Commercial real estate loans ("CRE") consist primarily of income-producing investment property loans. Additionally, CRE loans include 1-4 family property loans as well as land and development loans.

Concentration risk exists when FDIC-insured institutions deploy too many assets to any one industry or segment. A concentration in CRE is one example of regulatory concern, which has been subject to additional scrutiny by federal banking agencies as well as the SEC (for publicly-traded banking organizations) in recent years. The interagency Concentrations in Commercial Real Estate Lending, Sound Risk Management Practices guidance ("CRE Guidance") provides supervisory criteria, including the following numerical indicators, to assist bank examiners in identifying banks with potentially significant CRE loan concentrations that may warrant greater supervisory scrutiny: (i) CRE loans exceeding 300 percent of capital and increasing 50 percent or more in the preceding three years; or (ii) construction and land development loans exceeding 100 percent of capital. The CRE Guidance does not limit banks' levels of CRE lending activities, but rather guides institutions in developing risk management practices and levels of capital that are commensurate with the level and nature of their CRE concentrations. On December 18, 2015, and again in recent years, the federal banking agencies have issued statements to reinforce prudent risk-management practices related to CRE lending, having observed substantial growth in many CRE asset and lending markets, increased competitive pressures, rising CRE concentrations in banks, and an easing of CRE underwriting standards. The federal banking agencies reminded FDIC-

insured institutions to maintain underwriting discipline and exercise prudent risk-management practices to identify, measure, monitor and manage the risks arising from CRE lending. In addition, FDIC-insured institutions must maintain capital commensurate with the level and nature of their CRE concentration risk. The Company has historically exceeded, and continues to exceed, the 300 percent guideline for CRE loans and additional monitoring process have been implemented to manage this increased risk.

The following table shows the categories of the Company's non-owner occupied CRE loan portfolio at December 31, 2024 and 2023:

<i>(Dollars in thousands)</i>	December 31, 2024		December 31, 2023	
	Amount	% of Loans	Amount	% of Loans
Retail	\$ 190,915	30.0 %	\$ 157,890	24.6 %
Multi Family	168,629	26.5	144,254	22.4
Hotel & Food Service	70,816	11.2	66,244	10.3
Office Buildings	47,042	7.4	49,991	7.8
Other Construction	39,696	6.3	33,807	5.3
1-4 Family Construction	32,045	5.0	58,347	9.0
Other Real Estate	27,053	4.3	21,445	3.3
Residential Building Construction	20,413	3.2	29,149	4.5
Industrial	18,446	2.9	14,741	2.3
Land Subdivision	10,844	1.7	42,561	6.6
Commercial and Institutional Building Construction	9,481	1.5	24,778	3.9
Total Commercial Real Estate - Non Owner Occupied	\$ 635,380	100.0 %	\$ 643,207	100.0 %

The Company extends credit to its local community market through traditional real estate mortgage products. The Company does not participate in credit extensions to sub-prime residential real estate markets. The Company does not lend funds for the type of transactions defined as “highly leveraged” by bank regulatory authorities or for foreign loans. Additionally, the Company does not have any concentrations of loans exceeding 10% of total loans that are not otherwise disclosed in the loan portfolio composition table.

Risk Elements of the Loan Portfolio

Management, internal loan review and the executive loan committee formally review all loans in excess of certain dollar amounts (periodically established) at least annually. Loans in excess of \$2.0 million in the aggregate and all adversely classified credits identified by management are reviewed by the executive loan committee. In addition, all other loans are reviewed on a risk weighted selection process. The executive loan committee reviews and reports to the Board of Directors, at scheduled meetings: past due, classified, and watch list loans in order to classify or reclassify loans as loans requiring attention, special mention, substandard, doubtful, or loss. During this review, management will evaluate individual loans for expected credit losses when those loans do not share similar risk characteristics with loans evaluated using a collective (pooled) basis. If management determines that it is probable that all amounts due on a loan will not be collected under the original terms of the loan agreement, the loan is individually analyzed and in conjunction with current economic conditions and loss experience, reserves are estimated as further discussed below.

Loans not individually evaluated are aggregated and collectively analyzed. Management determined that segmenting loans not individually analyzed by the federal call report codes represents the most prudent way to consolidate loans by their associated risk qualities.

General reserves are recorded for collectively analyzed loans using a consistent methodology. Two different models are used for calculating the general reserve. The Discounted Cash Flow model considers quantitative peer group historic loss experience, forecasts over the estimated life of the loan pools, industry data, and qualitative or environmental factors, such as: lending policies and procedures; economic conditions; the nature, volume and terms of the portfolio; lending staff and management; past due loans; the loan review system; collateral values; concentrations of credit; and external factors. The Remaining Life model applies a long-term average loss rate calculated using peer data that is adjusted for qualitative or

environmental factors such as those previously noted. The model used depends on the loan portfolio segment. Management believes, but there can be no assurance, that these procedures keep management informed of potential problem loans.

Non-Performing Assets

The following table summarizes nonperforming assets:

<i>(dollars in thousands)</i>	December 31,	
	2024	2023
Non-accrual loans		
Commercial, financial, and agricultural	\$ 923	\$ 2,228
Real estate construction – residential	454	432
Real estate construction – commercial	49	69
Real estate mortgage – residential	963	587
Real estate mortgage – commercial	138	2,978
Installment and other consumer	10	—
Total	\$ 2,537	\$ 6,294
Loans contractually past - due 90 days or more and still accruing:		
Real estate mortgage – residential	\$ 207	\$ 115
Installment and other consumer	3	4
Total	\$ 210	\$ 119
Total non-performing loans (a)	2,747	6,413
Other real estate owned and repossessed assets	1,446	1,744
Total non-performing assets	\$ 4,193	\$ 8,157
Loans held for investment	\$ 1,466,160	\$ 1,539,147
Allowance for credit losses on loans	22,044	23,744
Allowance for credit losses to loans	1.50 %	1.54 %
Non-accrual loans to total loans	0.17 %	0.41 %
Non-performing loans to loans (a)	0.19 %	0.42 %
Non-performing assets to loans (b)	0.29 %	0.53 %
Non-performing assets to assets (b)	0.23 %	0.43 %
Allowance for credit losses to non-accrual loans	868.90 %	377.25 %
Allowance for credit losses to non-performing loans	802.48 %	370.25 %

(a) Non-performing loans include loans 90 days past due and accruing and non-accrual loans.

(b) Non-performing assets include non-performing loans and other real estate owned and repossessed assets.

Total non-performing assets were \$4.2 million, or 0.29% of total loans, at December 31, 2024 compared to \$8.2 million, or 0.53% of total loans, at December 31, 2023.

Total non-accrual loans at December 31, 2024 decreased \$3.8 million to \$2.5 million compared to \$6.3 million at December 31, 2023. The decrease in non-accrual loans was primarily due to a \$1.8 million charged off commercial loan relationship and three commercial real estate relationships totaling \$2.3 million returning to accrual status.

Loans past due 90 days and still accruing interest at December 31, 2024, were \$0.2 million compared to \$0.1 million at December 31, 2023. Other real estate owned and repossessed assets at December 31, 2024 were \$1.4 million compared to \$1.7 million at December 31, 2023. During the year ended December 31, 2024, \$3.6 million of non-accrual loans, net of charge-offs taken, moved to other real estate owned and repossessed assets compared to \$0.1 million for the year ended December 31, 2023.

Provision and Allowance for Credit Losses on Loans and Liability for Unfunded Commitments

Allowance for Credit Losses

The following table is a summary of the allocation of the allowance for credit losses:

<i>(dollars in thousands)</i>	December 31,			
	2024		2023	
	Amount	% of loans in each category to total loans	Amount	% of loans in each category to total loans
Allocation of allowance for credit losses at end of period:				
Commercial, financial, and agricultural	\$ 1,560	13.8 %	\$ 3,208	14.7 %
Real estate construction – residential	578	2.2	1,043	3.8
Real estate construction – commercial	2,221	5.4	3,273	8.5
Real estate mortgage – residential	5,310	24.7	5,264	24.2
Real estate mortgage – commercial	12,305	52.9	10,537	47.5
Installment and other consumer	138	1.0	232	1.3
Unallocated	(68)	—	187	—
Total	\$ 22,044	100.0 %	\$ 23,744	100.0 %

The allowance for credit losses was \$22.0 million, or 1.50%, of loans outstanding at December 31, 2024 compared to \$23.7 million, or 1.54%, of loans outstanding at December 31, 2023. The ratio of the allowance for credit losses to non-performing loans was 802.48% at December 31, 2024, compared to 370.25% at December 31, 2023.

Provision for (Release of) Credit Losses

<i>(dollars in thousands)</i>	2024		2023		2022	
Provision for (release of) credit losses on loans	\$	1,025	\$	2,665	\$	(900)
Provision for (release of) credit losses for off-balance sheet commitments		2		(325)		—
Total Provision for (release of) credit losses	\$	1,027	\$	2,340	\$	(900)

The Company recognized a provision expense for credit losses of \$1.0 million for the year ended December 31, 2024 compared to a provision expense of \$2.3 million and a release of provision expense of \$0.9 million for years ended December 31, 2023 and 2022, respectively. During the fourth quarter of 2023, an additional \$1.3 million of specific reserve resulted from the downgrade of one commercial loan relationship. The release of provision expense for 2022 primarily resulted from the release of specific reserves totaling \$2.8 million due to returning significant commercial real-estate loan balances to accruing from non-accrual status.

The following table is a summary of net charge-offs to average loans:

<i>(dollars in thousands)</i>	December 31, 2024			December 31, 2023		
	Net (Charge-offs) Recoveries	Average Loans	Net (Charge-offs) Recoveries / Average Loans	Net (Charge-offs) Recoveries	Average Loans	Net (Charge-offs) Recoveries / Average Loans
Commercial, financial, and agricultural	\$ (2,120)	\$ 214,548	(0.99)%	\$ 31	\$ 230,988	0.01 %
Real estate construction – residential	—	42,486	—	—	50,497	—
Real estate construction – commercial	27	70,698	0.04	22	136,455	0.02
Real estate mortgage – residential	(38)	369,516	(0.01)	(65)	370,024	(0.02)
Real estate mortgage – commercial	(437)	782,218	(0.06)	(28)	734,657	—
Installment and other consumer	(157)	17,002	(0.92)	(262)	22,307	(1.17)
Total	\$ (2,725)	\$ 1,496,468	(0.18)%	\$ (302)	\$ 1,544,928	(0.02)%

Net Loan Charge-offs

The Company's net loan charge-offs were \$2.7 million, or 0.18% of average loans, for the year ended December 31, 2024 compared to net charge-offs of \$0.3 million, or 0.02% of average loans, for the year ended December 31, 2023. The charge-offs in 2024 primarily related to one commercial and one commercial real estate loan relationship that was adequately reserved for.

Loans Held For Sale

The Company designates certain long-term fixed rate personal real estate loans as held for sale. Prior to September 30, 2024, these loans were initially measured at fair value under the fair value option election with subsequent changes in fair value recognized in mortgage banking income. As of September 30, 2024, loans held for sale are being carried at the lower of cost or estimated fair value. The loans are primarily sold to Freddie Mac, Fannie Mae, PennyMac, and various other secondary market investors. The Company sells loans with servicing retained or released depending on pricing and market conditions. There were no mortgage loans held for sale at December 31, 2024 compared to \$3.9 million at December 31, 2023.

The Company generally does not retain long-term fixed rate residential mortgage loans in its portfolio. Fixed rate loans conforming to standards required by the secondary market are offered to qualified borrowers but are not funded until the Company has a non-recourse purchase commitment from the secondary market at a predetermined price. For the year ended December 31, 2024, the Company sold approximately \$48.9 million of loans to investors compared to \$106.2 million and \$87.2 million for the years ended December 31, 2023 and 2022, respectively. On January 31, 2024, the Company sold its servicing portfolio and the balance of the serviced loans transferred on April 30, 2024.

Investment Portfolio

The Company's investment portfolio consists of securities classified as available-for-sale, equity or other. Available-for-sale debt securities, the largest component, are carried at estimated fair value. Unrealized holding gains and losses from available-for-sale securities are excluded from earnings and reported, net of applicable taxes, as a separate component of stockholders' equity until realized.

The Company does not engage in trading activities and, accordingly, does not have any debt or equity securities classified as trading securities. Historically, the Company's practice was to purchase and hold debt instruments until maturity unless special circumstances existed. However, since the investment portfolio's major function is to provide liquidity and to balance the Company's interest rate sensitivity position, all debt securities are now classified as available-for-sale.

At December 31, 2024, the investment portfolio classified as available-for-sale represented 12.0% of total consolidated assets. Future levels of investment securities can be expected to vary depending upon liquidity and interest sensitivity needs as well as other factors.

Available-for-Sale Securities

The following table presents the composition of the investment portfolio and related fair value by major category:

<i>(dollars in thousands)</i>	2024	2023
U.S. Treasury	\$ 4,915	\$ 1,978
U.S. government and federal agency obligations	401	427
U.S. government-sponsored enterprises	12,804	21,822
Obligations of states and political subdivisions	102,486	106,885
Mortgage-backed securities	78,110	45,640
Other debt securities (a)	18,687	10,821
Bank issued trust preferred securities (a)	1,249	1,169
Total available-for-sale debt securities, at fair value	\$ 218,652	\$ 188,742

(a) Certain hybrid instruments possessing characteristics typically associated with debt obligations.

As of December 31, 2024, the expected maturity and tax-equivalent yield in the investment portfolio was as follows:

<i>(dollars in thousands)</i>	1 Year Or Less	Yield	Over 1 Through 5 Years	Yield	Over 5 Through 10 Years	Yield	Over 10 Years	Yield	Total	Yield
U.S. Treasury	\$ —	—%	\$ 4,915	4.29%	\$ —	—%	\$ —	—%	\$ 4,915	4.29%
U.S. government and federal agency obligations	401	2.25	—	—	—	—	—	—	401	2.25
U.S. government-sponsored enterprises	1,827	4.27	9,650	4.48	1,327	2.08	—	—	12,804	4.20
States and political subdivisions (2)	2,042	2.78	4,915	2.15	13,731	2.21	81,798	2.17	102,486	2.17
Mortgage-backed securities (1)	—	—	1,296	2.10	4,982	2.37	71,832	3.71	78,110	3.60
Other debt securities	—	—	—	—	18,687	5.15	—	—	18,687	5.15
Bank issued trust preferred securities	—	—	—	—	685	7.31	564	6.44	1,249	6.92
Total available-for-sale debt securities	\$ 4,270	3.37%	\$ 20,776	3.74%	\$ 39,412	3.71%	\$ 154,194	2.90%	\$ 218,652	2.90%
Equity securities										
Federal Agriculture Mortgage Corporation	\$ —	—%	\$ —	—%	\$ —	—%	\$ 74	2.67%	\$ 74	2.67%

(1) Mortgage-backed securities have been included using historic repayment speeds. Repayment speeds were determined from actual portfolio experience during the 12 months ended December 31, 2024 calculated separately for each mortgage-backed security. These repayment speeds are not necessarily indicative of future repayment speeds and are subject to change based on changing mortgage interest rates. The tax equivalent yield is calculated on amortized cost using a level yield method and a 21% tax rate.

(2) Rates on obligations of states and political subdivisions have been adjusted to fully taxable equivalent rates using the statutory federal income tax rate of 21%.

At December 31, 2024, \$24.6 million of debt securities classified as available-for-sale in the table above had variable rate provisions with adjustment periods ranging from one week to twelve months.

Other Investment Securities

Other investment securities include equity securities with readily determinable fair values and other investments securities that do not have readily determinable fair values. Investments in FHLB stock, and Midwest Independent BankersBank ("MIB") stock, that do not have readily determinable fair values, are required for membership in those organizations.

(dollars in thousands)

	2024	2023
FHLB stock	\$ 4,924	\$ 6,071
MIB stock	151	151
Equity securities with readily determinable fair values	74	78
Total other investment securities	\$ 5,149	\$ 6,300

Liquidity and Capital Resources

Liquidity Management

The role of liquidity management is to ensure that funds are available to meet depositors' withdrawal and borrowers' credit demands while at the same time maximizing profitability. This is accomplished by balancing changes in demand for funds with changes in the supply of those funds. Liquidity to meet these demands is provided by maturing assets, short-term liquid assets that can be converted to cash and the ability to attract funds from external sources, principally depositors. Due to the nature of services offered by the Company, management prefers to focus on transaction accounts and full-service relationships with customers as the primary sources of funding.

The Company's Asset/Liability Committee (ALCO), primarily made up of senior management, has direct oversight responsibility for the Company's liquidity position and profile. A combination of daily, weekly, and monthly reports provided to management detail the following: internal liquidity metrics, composition and level of the liquid asset portfolio, timing differences in short-term cash flow obligations, available pricing and market access to the financial markets for capital, and exposure to contingent draws on the Company's liquidity.

The Company has a number of sources of funds to meet liquidity needs on a daily basis. The Company's most liquid assets are comprised of available-for-sale investment securities, federal funds sold, and excess reserves held at the Federal Reserve Bank.

(dollars in thousands)

	2024	2023
Other interest-bearing deposits	\$ 27,326	\$ 77,775
Certificates of deposit in other banks	1,000	—
Available-for-sale investment securities	218,652	188,742
Total	\$ 246,978	\$ 266,517

Federal funds sold and resale agreements normally have overnight maturities and are used for general daily liquidity purposes. The fair value of the available-for-sale investment portfolio was \$218.7 million at December 31, 2024 and included an unrealized net loss of \$30.9 million. The portfolio includes projected maturities and mortgage-backed securities pay-downs of approximately \$4.3 million over the next 12 months, which offer resources to meet either new loan demand or reductions in the Company's deposit base.

The Company pledges portions of its investment securities portfolio as collateral to secure public fund deposits, federal funds purchase lines, securities sold under agreements to repurchase, borrowing capacity at the Federal Reserve Bank, and for other purposes required by law. The Company's unpledged securities in the available-for-sale portfolio totaled approximately \$136.3 million and \$99.5 million at December 31, 2024 and 2023, respectively.

Total investment securities pledged for these purposes were as follows:

(dollars in thousands)

	2024	2023
Federal Reserve Bank borrowings	\$ 7,915	\$ 9,048
Other deposits	74,470	80,175
Total pledged, at fair value	\$ 82,385	\$ 89,223

Liquidity is available from the Company's base of core customer deposits, defined as demand, interest checking, savings, money market deposit accounts, and time deposits less than \$250,000, less all brokered deposits under \$250,000. Such deposits totaled \$1.4 billion and represented 93.5% of the Company's total deposits at December 31, 2024, compared to

\$1.5 billion and 93.1% of the Company's total deposits at December 31, 2023. These core deposits are normally less volatile and are often tied to other products of the Company through long-lasting relationships.

Core deposits at December 31, 2024 and 2023 were as follows:

(dollars in thousands)

	2024	2023
Non-interest bearing demand	\$ 385,022	\$ 402,241
Interest checking	381,877	387,242
Savings and money market	464,449	459,049
Other time deposits	201,438	214,004
Total	\$ 1,432,786	\$ 1,462,536

Maturities of uninsured time deposits with balances over \$250,000 as of December 31, 2024 were as follows:

(dollars in thousands)

Due within:		
Three months or less	\$	34,613

Over three through six months	63,232
Over six through 12 months	2,538
Over 12 months	—
Total	\$ 100,383

Estimated uninsured deposits totaled \$352.0 million, including \$100.4 million of certificates of deposit, at December 31, 2024, compared to \$387.1 million, including \$108.1 million of certificates of deposit, at December 31, 2023. The Company had brokered deposits totaling \$0.01 million and \$0.2 million at December 31, 2024 and 2023, respectively.

Included in the uninsured deposits at December 31, 2024 and 2023 are public fund deposits greater than \$250,000, which are collateralized by the Company totaling \$149.5 million and \$137.7 million, respectively.

Other components of liquidity are the level of borrowings from third party sources and the availability of future credit. The Company's outside borrowings are comprised of securities sold under agreements to repurchase, FHLB advances, and subordinated notes. Federal funds purchased are overnight borrowings obtained mainly from upstream correspondent banks with which the Company maintains approved credit lines. As of December 31, 2024, under agreements with these unaffiliated banks, the Bank may borrow up to \$35.0 million in federal funds on an unsecured basis and \$7.5 million on a secured basis. There were no federal funds purchased outstanding at December 31, 2024. The Company may periodically borrow additional short-term funds from the Federal Reserve Bank through the discount window; although no such borrowings were outstanding at December 31, 2024.

As a member of the FHLB, the Bank has access to credit products of the FHLB. As of December 31, 2024, the Bank had \$81.4 million in outstanding borrowings with the FHLB. In addition, the Company has \$49.5 million at December 31, 2024 in outstanding subordinated notes issued to wholly-owned grantor trusts, funded by preferred securities issued by the trusts.

Borrowings outstanding at December 31, 2024 and 2023 were as follows:

<i>(dollars in thousands)</i>	2024	2023
Federal Home Loan Bank advances	\$ 81,425	\$ 107,000
Other borrowings	100	—
Subordinated notes	49,486	49,486
Total	\$ 131,011	\$ 156,486

The Company pledges certain assets, including loans and investment securities to the Federal Reserve Bank, FHLB, and other correspondent banks as security to establish lines of credit and borrow from these entities. Based on the type and value of collateral pledged, the Company may draw advances against this collateral.

The following table reflects the advance equivalent of the assets pledged, borrowings, and letters of credit outstanding, in addition to the estimated future funding capacity available to the Company.

<i>(dollars in thousands)</i>	2024				2023			
	FHLB	Federal Reserve Bank	Federal Funds Purchased Lines	Total	FHLB	Federal Reserve Bank	Federal Funds Purchased Lines	Total
Advance equivalent	\$ 407,678	\$ 7,468	\$ 35,000	\$ 450,146	\$ 425,367	\$ 8,563	\$ 35,000	\$ 468,930
Letters of credit	(139,000)	—	—	(139,000)	(107,500)	—	—	(107,500)
Advances outstanding	(81,425)	—	—	(81,425)	(107,000)	—	—	(107,000)
Total available	\$ 187,253	\$ 7,468	\$ 35,000	\$ 229,721	\$ 210,867	\$ 8,563	\$ 35,000	\$ 254,430

At December 31, 2024, loans of \$746.3 million were pledged to the FHLB as collateral for borrowings and letters of credit. At December 31, 2024, investments with a market value of \$7.9 million were pledged to secure federal funds purchase lines and borrowing capacity at the Federal Reserve Bank.

Sources and Uses of Funds

Cash and cash equivalents were \$51.0 million at December 31, 2024 compared to \$93.5 million at December 31, 2023. The \$42.5 million decrease resulted from changes in the various cash flows produced by operating, investing, and financing activities of the Company, as shown in the accompanying consolidated statement of cash flows for the year ended December 31, 2024. Cash flow provided from operating activities consists mainly of net income adjusted for certain non-cash items. Operating activities provided cash flow of \$25.6 million for the year ended December 31, 2024.

Investing activities, consisting mainly of purchases, sales and maturities of available-for-sale securities, and changes in the level of the loan portfolio, provided total cash of \$1.3 million for the year ended December 31, 2024. The cash flow primarily consisted of a \$66.6 million net decrease in loans held for investment and \$22.8 million proceeds from maturities and calls of available-for-sale securities, partially offset by \$57.2 million in purchases of securities and \$35.0 million in purchases of bank owned life insurance policies.

Financing activities used cash of \$69.3 million for the year ended December 31, 2024, resulting primarily from a \$17.2 million decrease in demand deposits, a \$20.3 million decrease in time deposits, and a \$25.5 million net decrease in FHLB advances.

In the normal course of business, the Company enters into certain forms of off-balance-sheet transactions, including unfunded loan commitments and letters of credit. These transactions are managed through the Company's various risk management processes. Management considers both on-balance sheet and off-balance-sheet transactions in its evaluation of the Company's liquidity. The Company had \$447.6 million in unused loan commitments and standby letters of credit as of December 31, 2024. Although the Company's current liquidity sources are adequate to fund this commitment level, many of the unused commitments are expected to expire or be partially used, and does not necessarily represent future cash requirements.

The Company is a legal entity, separate and distinct from the Bank, which must provide its own liquidity to meet its operating needs. The Company's ongoing liquidity needs primarily include funding its operating expenses and paying cash dividends to its shareholders. The Company paid cash dividends to its common shareholders totaling approximately \$5.0 million and \$4.6 million for the years ended December 31, 2024 and 2023, respectively. A large portion of the Company's liquidity is

obtained from the Bank in the form of dividends. The Bank declared and paid \$20.0 million and \$9.0 million in dividends to the Company during the years ended December 31, 2024 and 2023, respectively. At December 31, 2024 and 2023, the Company had cash and cash equivalents totaling \$15.3 million and \$6.8 million, respectively.

Capital Management

The Company is subject to various regulatory capital requirements administered by federal and state banking agencies. Under the Basel III Capital Rules, at December 31, 2024, the Company met all capital adequacy requirements and had regulatory capital ratios in excess of the levels established for well-capitalized institutions, as shown in the following table as of December 31, for the years indicated:

	2024	2023	2022	Minimum Capital Required - Basel III Fully Phased-In	Minimum Required to be Considered Well-Capitalized Under Prompt Corrective Action Banks
Risk-based capital ratios:					
Total capital ratio	14.79 %	13.99 %	13.85 %	10.5 %	10.0 %
Tier 1 capital ratio	13.54 %	12.59 %	12.52 %	8.5 %	8.0 %
Common Equity Tier 1 capital ratio	10.49 %	9.73 %	9.89 %	7.0 %	6.5 %
Tier 1 leverage ratio	11.46 %	10.29 %	10.76 %	4.0 %	5.0 %

Commitments, Contractual Obligations, and Off-Balance-Sheet Arrangements

The required payments of time deposits and other borrowed money, not including interest, at December 31, 2024 are as follows:

<i>(dollars in thousands)</i>	Payments due by Period				
	Total	Less than 1 Year	1-3 Years	3-5 Years	Over 5 Years
Time deposits	\$ 301,821	\$ 279,190	\$ 19,436	\$ 3,195	\$ —
FHLB advances and other borrowed money	81,525	40,000	30,500	2,925	8,100
Subordinated notes	49,486	—	—	—	49,486
Operating lease liabilities	1,678	391	727	442	118
Total	\$ 434,510	\$ 319,581	\$ 50,663	\$ 6,562	\$ 57,704

In the normal course of business, the Company is party to activities that contain credit, market and operational risk that are not reflected in whole or in part in the Company's consolidated financial statements. Such activities include traditional off-balance-sheet credit related financial instruments.

The Company provides customers with off-balance-sheet credit support through loan commitments and standby letters of credit. Summarized credit-related financial instruments, including both commitments to extend credit and letters of credit at December 31, 2024 are as follows:

<i>(dollars in thousands)</i>	Amount of Commitment Expiration per Period				
	Total	Less than 1 Year	1-3 Years	3-5 Years	Over 5 Years
Unused loan commitments	\$ 305,811	\$ 144,425	\$ 57,429	\$ 25,698	\$ 78,259
Standby letters of credit	141,807	141,807	—	—	—
Total	\$ 447,618	\$ 286,232	\$ 57,429	\$ 25,698	\$ 78,259

Since many of the unused commitments are expected to expire or be only partially used, the total amount of commitments in the preceding table does not necessarily represent future cash requirements.

Quantitative and Qualitative Disclosures about Market Risk

Asset/Liability and Interest Rate Risk

Management and the Board of Directors are responsible for managing interest rate risk and employing risk management policies that monitor and limit this exposure. Interest rate risk is measured using net interest income simulations and market value of portfolio equity analyses. These analyses use various assumptions, including the nature and timing of interest rate changes, yield curve shape, prepayments on loans and securities, deposit decay rates, pricing decisions on loans and deposits, and reinvestment/replacement of asset and liability cash flows.

The principal objective of the Company's asset and liability management function is to evaluate the interest rate risk within the balance sheet and pursue a controlled assumption of interest rate risk while maximizing earnings and preserving adequate levels of liquidity and capital. The asset and liability management function is under the guidance of the Asset Liability Committee from direction of the Board of Directors. The Asset Liability Committee meets quarterly to review, among other things, the sensitivity of the Company's assets and liabilities to interest rate changes, local and national market conditions and rates. The Asset Liability Committee also reviews the liquidity, capital, deposit mix, loan mix and investment positions of the Company.

Instantaneous parallel rate-shift scenarios are modeled and utilized to evaluate risk and establish exposure limits for acceptable changes in net interest margin. These scenarios, known as rate shocks, simulate an instantaneous change in interest rates and use various assumptions, including, but not limited to, prepayments on loans and securities, deposit decay rates, pricing decisions on loans and deposits, reinvestment and replacement of asset and liability cash flows.

Management analyzes the economic value of equity as a secondary measure of interest rate risk. This is a complementary measure to net interest income where the calculated value is the result of the market value of assets less the market value of liabilities. The economic value of equity is a longer-term view of interest rate risk because it measures the present value of the future cash flows. The impact of changes in interest rates on this calculation is analyzed for the risk to our future earnings and is used in conjunction with the analyses on net interest income.

The table below illustrates the impact of an immediate and sustained 200 and 100 basis point increase and a 200 and 100 basis point decrease in interest rates on net interest income in year one based on the interest rate risk model at December 31, 2024 and 2023.

Hypothetical shift in interest rates (<i>bps</i>)	% Change in projected net interest income	
	December 31,	
	2024	2023
200	(2.75)%	(1.57)%
100	(1.27)%	(0.38)%
(100)	0.30 %	0.51 %
(200)	(0.38)%	0.49 %

The change in the Company's interest rate risk exposure from December 31, 2023 to December 31, 2024 is primarily due to moderately higher rates on interest bearing assets projected to reprice in the next 12 months and projected repricing speeds on interest bearing assets and liabilities. In an immediate and sustained shock, interest bearing assets and liabilities are projected to reprice at relatively the same pace. In up rate scenarios, interest bearing assets are projected to reprice moderately slower than interest bearing liabilities providing slightly less net interest income in a falling rate market. Management believes the change in projected net interest income from interest rate shifts of up 200 bps and down 200 bps is an acceptable level of interest rate risk.

Many assumptions are used to calculate the impact of interest rate fluctuations. Actual results may be significantly different than our projections due to several factors, including the timing and frequency of rate changes, market conditions and the shape of the yield curve. The computations of interest rate risk shown above do not include actions that management may undertake to manage the risks in response to anticipated changes in interest rates and actual results may also differ due to any actions taken in response to the changing rates.

Derivative Instruments for Interest Rate Risk Management

The Company is exposed to certain risk arising from both its business operations and economic conditions. The Company principally manages its exposures to a wide variety of business and operational risks through management of its core business activities. The Company manages economic risks, including interest rate, liquidity, and credit risk primarily by managing the amount, sources, and duration of its assets and liabilities and the use of derivative financial instruments. Specifically, the Company enters into derivative financial instruments to manage exposures that arise from business activities that result in the receipt or payment of future known and uncertain cash amounts, the value of which are determined by interest rates. See Note 7. Derivative Instruments for more information on the effects on the Consolidated financial statements.

Effects of Inflation

The effects of inflation on financial institutions are different from the effects on other commercial enterprises because financial institutions make few significant capital or inventory expenditures, which are directly affected by changing prices. Because bank assets and liabilities are virtually all monetary in nature, inflation does not affect a financial institution as much as do changes in interest rates. The general level of inflation does underlie the general level of most interest rates, but interest rates do not increase at the rate of inflation as do prices of goods and services. Rather, interest rates react more to changes in the expected rate of inflation and to changes in monetary and fiscal policy.

Inflation does have an impact on the growth of total assets in the banking industry, often resulting in a need to increase capital at higher than normal rates to maintain an appropriate capital to asset ratio. In the opinion of management, inflation did not have a significant effect on the Company's operations for the three months ended December 31, 2024.

Recently Issued Accounting Standards

See "Part II - Item 8. Financial Statements and Supplementary Data - Note 1 - Summary of Significant Accounting Policies" of this Report for further information.

CONSOLIDATED FINANCIAL STATEMENTS

The following consolidated financial statements of the Company and report of the Company's independent auditors appear on the pages indicated.

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Consolidated Balance Sheets as of December 31, 2024 and 2023	29
Consolidated Statements of Income for each of the years ended December 31, 2024, 2023, and 2022	30
Consolidated Statements of Comprehensive Income for each of the years ended December 31, 2024, 2023, and 2022	31
Consolidated Statements of Stockholders' Equity for each of the years ended December 31, 2024, 2023, and 2022	32
Consolidated Statements of Cash Flows for each of the years ended December 31, 2024, 2023, and 2022	33
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Report of Independent Registered Public Accounting Firm

To the Shareholders, Board of Directors, and Audit Committee
Hawthorn Bancshares, Inc.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheet of Hawthorn Bancshares, Inc. and Subsidiaries (the "Company") as of December 31, 2024, the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for the year ended December 31, 2024, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2024, and the results of its operations and its cash flows for the year ended December 31, 2024, in conformity with accounting principles generally accepted in the United States of America.

We also have audited the adjustments to the 2023 and 2022 financial statements to retrospectively apply the change in accounting associated with the adoption of ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*, as described in Note 20. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2023 and 2022 financial statements of the Company other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2023 and 2022 financial statements taken as a whole.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Company's internal control over financial reporting as of December 31, 2024, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 17, 2025, expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audit.

We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Qualitative Risk Factors of the Allowance for Credit Losses on Loans

As described in Notes 1 and 2 to the financial statements, the Company's loan portfolio and the associated allowance for credit losses ("ACL") were \$1.47 billion and \$22 million as of December 31, 2024, respectively. The ACL considers calculated loss rates, supportable forecast adjustments, and qualitative reserves. The ACL is estimated on a collective basis for groups of loans that share similar risk characteristics. Qualitative reserves reflect management's overall estimate of the extent to which the current expected credit losses on collectively evaluated loans will differ from historical loss experience.

We identified the qualitative adjustment to the ACL as a critical audit matter. The principal consideration for our determination was the degree of subjectivity and judgment utilized by management in determining and applying the qualitative adjustment to the ACL. This required a higher degree of judgment and subjectivity to audit management's determinations and application of the qualitative adjustment.

The primary audit procedures we performed to address this critical audit matter included:

- Evaluated the design and tested the operating effectiveness of key controls relating to management's determination of the ACL, including controls over:
 - Management's process for identification, basis for development and related adjustments, of the qualitative risk factors; and
 - Management's review of reliability, accuracy, and completeness of data used to calculate and estimate the qualitative adjustment.
- Assessed the reasonableness of the qualitative adjustment, including management's identification of qualitative risk factors, the application of qualitative risk factor adjustments within the model, and the accuracy and completeness of data utilized in development of qualitative adjustment.
- Evaluated management's judgments and assumptions related to the qualitative adjustment by assessing trends in relevant factors and evaluating the relationship of those trends to the qualitative adjustment applied to the ACL.
- Evaluated the mathematical accuracy of the ACL, including the mathematical application of the qualitative adjustment on the loan segments.

/s/ Forvis Mazars, LLP

We have served as the Company's auditor since 2024.

Kansas City, Missouri

March 17, 2025

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
Hawthorn Bancshares, Inc. and subsidiaries:

Opinion on the Consolidated Financial Statements

We have audited, before the effects of the adjustments to retrospectively apply the change in segment accounting, as described in Note 1, and the adjustment to retrospectively include Note 20 for Segment Information, the consolidated balance sheet of Hawthorn Bancshares, Inc. and subsidiaries (the Company) as of December 31, 2023, the related consolidated statements of income, comprehensive income (loss), stockholders' equity, and cash flows for each of the years in the two-year period ended December 31, 2023, and the related notes (collectively, the consolidated financial statements). The December 31, 2023 and December 31, 2022 consolidated financial statements before the effects of the adjustments described in Note 1 are not presented herein. In our opinion, the consolidated financial statements, before the effects of the adjustments to retrospectively apply the change in segment accounting, as described in Note 1, and the adjustment to retrospectively include Note 20 for Segment Information, present fairly, in all material respects, the financial position of the Company as of December 31, 2023, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2023, in conformity with U.S. generally accepted accounting principles.

We were not engaged to audit, review, or apply any procedures to the adjustments to retrospectively apply the change in segment accounting, as described in Note 1, and the adjustment to retrospectively include Note 20 for Segment Information and, accordingly, we do not express an opinion or any other form of assurance about whether such adjustments are appropriate and have been properly applied. Those adjustments were audited by other auditors.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ KPMG, LLP

We served as the Company's auditor from 1993 to 2023.

St. Louis, Missouri
March 18, 2024

HAWTHORN BANCSHARES, INC. AND SUBSIDIARIES
Consolidated Balance Sheets

(Dollars in thousands, except per share data)	December 31,	
	2024	2023
ASSETS		
Cash and due from banks	\$ 23,668	\$ 15,675
Other interest-bearing deposits	27,326	77,775
Cash and cash equivalents	50,994	93,450
Certificates of deposit in other banks	1,000	—
Available-for-sale debt securities, at fair value	218,652	188,742
Other investments	5,149	6,300
Loans held for investment	1,466,160	1,539,147
Allowance for credit losses	(22,044)	(23,744)
Net loans	1,444,116	1,515,403
Loans held for sale	—	3,884
Premises and equipment - net	31,166	32,047
Other real estate owned - net	1,446	1,744
Cash surrender value bank-owned life insurance	38,912	2,624
Accrued interest receivable and other assets	33,750	31,156
Total assets	\$ 1,825,185	\$ 1,875,350
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits		
Non-interest bearing demand	\$ 385,022	\$ 402,241
Savings, interest checking and money market	846,339	846,452
Time deposits	301,821	322,151
Total deposits	1,533,182	1,570,844
Federal Home Loan Bank advances and other borrowings	81,525	107,000
Subordinated notes	49,486	49,486
Operating lease liabilities	1,678	1,213
Accrued interest payable and other liabilities	9,767	10,722
Total liabilities	1,675,638	1,739,265
Stockholders' equity:		
Common stock, \$1 par value, authorized 15,000,000 shares; issued 7,554,893 shares	7,555	7,555
Surplus	76,857	76,818
Retained earnings	89,542	76,464
Accumulated other comprehensive loss, net of tax	(12,443)	(13,762)
Treasury stock; 566,268, and 515,570 shares, at cost, respectively	(11,964)	(10,990)
Total stockholders' equity	149,547	136,085
Total liabilities and stockholders' equity	\$ 1,825,185	\$ 1,875,350

See accompanying notes to the consolidated financial statements.

HAWTHORN BANCSHARES, INC. AND SUBSIDIARIES
Consolidated Statements of Income

<i>(Dollars in thousands, except per share amounts)</i>	Years Ended December 31,		
	2024	2023	2022
INTEREST INCOME			
Interest and fees on loans	\$ 86,472	\$ 84,187	\$ 62,888
Interest and fees on loans held for sale	84	160	90
Interest on investment securities:			
Taxable	3,572	3,450	3,150
Nontaxable	2,373	2,489	2,439
Other interest-bearing deposits and certificates of deposit in other banks	2,287	1,241	419
Dividends on other investments	563	441	270
Total interest income	95,351	91,968	69,256
INTEREST EXPENSE			
Interest on deposits:			
Savings, interest checking and money market	18,524	16,796	5,009
Time deposits	11,240	8,886	2,093
Total interest expense on deposits	29,764	25,682	7,102
Interest on federal funds purchased and securities sold under agreements to repurchase	—	115	51
Interest on Federal Home Loan Bank advances	3,095	3,255	1,268
Interest on subordinated notes	3,899	3,774	2,072
Total interest expense on borrowings	6,994	7,144	3,391
Total interest expense	36,758	32,826	10,493
Net interest income	58,593	59,142	58,763
Provision for (release of) credit losses on loans (1)	1,025	2,665	(900)
Provision for (release of) credit losses on unfunded commitments (1)	2	(325)	—
Total provision for (release of) credit losses on loans and unfunded commitments	1,027	2,340	(900)
Net interest income after provision for (release of) credit losses on loans and unfunded commitments	57,566	56,802	59,663
NON-INTEREST INCOME			
Service charges and other fees	3,301	2,942	3,002
Bank card income and fees	4,097	4,028	4,083
Earnings on bank-owned life insurance	1,682	57	58
Wealth management revenue	1,728	1,385	1,433
Real estate servicing fees, net	33	(584)	1,004
Gain on sale of mortgage loans, net	896	2,560	2,661
Gains (losses) on other real estate owned, net	883	(4,429)	289
Other	1,700	1,577	1,448
Total non-interest income	14,320	7,536	13,978
Investment securities losses, net	(4)	(11,547)	(14)
NON-INTEREST EXPENSE			
Salaries and employee benefits	26,578	28,971	27,058
Occupancy expense, net	3,251	3,247	3,175
Furniture and equipment expense	3,019	3,008	3,054
Processing, network, and bank card expense	5,530	5,151	4,788
Legal, examination, and professional fees	2,608	2,508	1,630
Advertising and promotion	976	1,522	1,529
Postage, printing, and supplies	910	846	878
Other	6,652	7,106	6,426
Total non-interest expense	49,524	52,359	48,538
Income before income taxes	22,358	432	25,089
Income tax expense (benefit)	4,102	(524)	4,338
Net income	\$ 18,256	\$ 956	\$ 20,751
Basic earnings per share	\$ 2.61	\$ 0.14	\$ 2.94
Diluted earnings per share	\$ 2.61	\$ 0.14	\$ 2.94

(1) Prior to adoption of ASU No 2016-13 on January 1, 2023, credit losses were estimated using the incurred loss approach. See accompanying notes to the consolidated financial statements.

HAWTHORN BANCSHARES, INC. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income (Loss)

<i>(dollars in thousands)</i>	Years Ended December 31,					
	2024		2023		2022	
Net income	\$	18,256	\$	956	\$	20,751
Other comprehensive income (loss), net of tax						
Investment securities available-for-sale:						
Unrealized (losses) gains on investment securities available-for-sale, net of tax		(2,955)		6,048		(37,019)
Adjustment for losses on sale of investment securities, net of tax		—		9,148		—
Defined benefit pension plans:						
Net gains arising during the year, net of tax		4,819		3,262		2,012
Amortization of net gains included in net periodic pension income, net of tax		(545)		(506)		—
Total other comprehensive income (loss)		1,319		17,952		(35,007)
Total comprehensive income (loss)	\$	19,575	\$	18,908	\$	(14,256)

See accompanying notes to the consolidated financial statements.

HAWTHORN BANCSHARES, INC. AND SUBSIDIARIES
Consolidated Statements of Stockholders' Equity

<i>(dollars in thousands)</i>	Common Stock	Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Stock - holders' Equity
Balance, December 31, 2021	\$ 7,024	\$ 64,437	\$ 82,300	\$ 3,293	\$ (8,098)	\$ 148,956
Net income	—	—	20,751	—	—	20,751
Other comprehensive loss	—	—	—	(35,007)	—	(35,007)
Purchase of treasury stock	—	—	—	—	(2,892)	(2,892)
Stock dividend (\$0.04 per share)	260	6,605	(6,865)	—	—	—
Cash dividends declared, common stock (\$0.66 per share)	—	—	(4,397)	—	—	(4,397)
Balance, December 31, 2022	\$ 7,284	\$ 71,042	\$ 91,789	\$ (31,714)	\$ (10,990)	\$ 127,411
Adoption of ASU 2016-13	—	—	(5,581)	—	—	(5,581)
Balance, January 01, 2023	7,284	71,042	86,208	(31,714)	(10,990)	121,830
Net income	—	—	956	—	—	956
Other comprehensive income	—	—	—	17,952	—	17,952
Share-based compensation expense	—	42	—	—	—	42
Stock dividend (\$0.04 per share)	271	5,734	(6,005)	—	—	—
Cash dividends declared, common stock (\$0.68 per share)	—	—	(4,695)	—	—	(4,695)
Balance, December 31, 2023	\$ 7,555	\$ 76,818	\$ 76,464	\$ (13,762)	\$ (10,990)	\$ 136,085
Net income	—	—	18,256	—	—	18,256
Other comprehensive income	—	—	—	1,319	—	1,319
Share-based compensation expense	—	184	—	—	—	184
Purchase of treasury stock	—	—	—	—	(1,116)	(1,116)
Issuance of treasury shares for share based awards, net	—	(145)	—	—	142	(3)
Cash dividends declared, common stock (\$0.74 per share)	—	—	(5,178)	—	—	(5,178)
Balance, December 31, 2024	\$ 7,555	\$ 76,857	\$ 89,542	\$ (12,443)	\$ (11,964)	\$ 149,547

See accompanying notes to the consolidated financial statements.

HAWTHORN BANCSHARES, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows

<i>(dollars in thousands)</i>	Year Ended December 31,		
	2024	2023	2022
Cash flows from operating activities:			
Net income	\$ 18,256	\$ 956	\$ 20,751
Adjustments to reconcile net income to net cash from operating activities:			
Provision for (release of) for credit losses on loans and unfunded commitments	1,027	2,340	(900)
Depreciation expense	1,650	2,106	2,141
Net amortization of investment securities, premiums, and discounts	789	1,008	1,358
Change in fair value of mortgage servicing rights	68	1,200	(176)
Investment securities losses, net	4	11,547	14
Losses (gains) on sales and dispositions of premises and equipment	199	(133)	(160)
Gain on sales and dispositions of other real estate & repossessed assets	(747)	(298)	(255)
Proceeds from the sale of mortgage servicing rights	1,670	—	—
(Release of) provision for other real estate owned	(127)	4,729	(29)
Share-based compensation expense	184	42	—
Increase in cash surrender value - life insurance	(1,288)	(57)	(58)
Decrease (increase) in other assets	1,303	(5,602)	(2,745)
Decrease in operating lease liabilities	(258)	(320)	(304)
(Decrease) increase in other liabilities	(1,021)	3,423	(902)
Origination of mortgage loans held for sale	(44,134)	(106,978)	(83,012)
Proceeds from the sale of mortgage loans held for sale	48,914	106,206	87,217
Gain on sale of mortgage loans, net	(896)	(2,560)	(2,661)
Net cash provided by operating activities	25,593	17,609	20,279
Cash flows from investing activities:			
Purchase of certificates of deposit in other banks	(1,000)	—	(735)
Proceeds from maturities of certificates of deposit in other banks	—	2,219	2,966
Purchase of bank-owned life insurance	(35,000)	—	—
Net decrease (increase) in loans	66,631	(18,267)	(219,646)
Purchase of available-for-sale debt securities	(57,248)	(29,512)	(21,282)
Proceeds from maturities of available-for-sale debt securities	10,533	23,780	30,899
Proceeds from calls of available-for-sale debt securities	12,276	615	2,295
Proceeds from sales of available-for-sale debt securities	—	74,506	—
Purchases of FHLB stock	(931)	(14,672)	(13,334)
Proceeds from sales of FHLB stock	2,078	14,757	12,375
Purchases of premises and equipment	(3,004)	(2,097)	(2,566)
Proceeds from sales of premises and equipment	425	172	317
Proceeds from sales of other real estate and repossessed assets	6,494	2,691	2,176
Net cash provided by (used in) investing activities	1,254	54,192	(206,535)
Cash flows from financing activities:			
Net (decrease) increase in demand deposits	(17,219)	(51,202)	377
Net (decrease) increase in interest-bearing transaction accounts	(113)	(77,150)	105,244
Net (decrease) increase in time deposits	(20,330)	67,117	9,638
Net decrease in federal funds purchased and securities sold under agreements to repurchase	—	(5,187)	(18,642)
Repayment of FHLB advances and other borrowings	(40,203)	(337,840)	(315,399)
FHLB advances	14,728	346,840	335,981
Purchase of treasury stock	(1,119)	—	(2,892)
Cash dividends paid - common stock	(5,047)	(4,649)	(4,240)
Net cash (used in) provided by financing activities	(69,303)	(62,071)	110,067
Net (decrease) increase in cash and cash equivalents	(42,456)	9,730	(76,189)
Cash and cash equivalents, beginning of year	93,450	83,720	159,909
Cash and cash equivalents, end of year	\$ 50,994	\$ 93,450	\$ 83,720

See accompanying notes to the consolidated financial statements.

HAWTHORN BANCSHARES, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows *continued*

<i>(dollars in thousands)</i>	Year Ended December 31,		
	2024	2023	2022
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Interest	\$ 36,888	\$ 32,059	\$ 9,919
Income taxes	\$ 2,596	\$ 1,925	\$ 4,307
Noncash investing and financing activities:			
Other real estate and repossessed assets acquired in settlement of loans	\$ 3,631	\$ 71	\$ 162
Right of use assets obtained in exchange for new operating lease liabilities	\$ 723	\$ —	\$ —
Dividends declared not paid - common stock	\$ 1,328	\$ 1,197	\$ 1,151
Stock dividends	\$ —	\$ 6,005	\$ 6,865

**HAWTHORN BANCSHARES, INC.
AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements
December 31, 2024, 2023, and 2022

(1) Summary of Significant Accounting Policies

Hawthorn Bancshares, Inc. (the "Company") through its subsidiary, Hawthorn Bank (the "Bank"), provides a broad range of banking services to individual and corporate customers located within the Missouri communities in and surrounding Jefferson City, Columbia, Clinton, Warsaw, Springfield, and the greater Kansas City metropolitan area. The Company is subject to competition from other financial and nonfinancial institutions providing financial products. Additionally, the Company and its subsidiaries are subject to the regulations of certain regulatory agencies and undergo periodic examinations by those regulatory agencies.

The accompanying consolidated financial statements of the Company have been prepared in conformity with United States generally accepted accounting principles ("U.S. GAAP"). The preparation of the consolidated financial statements includes all adjustments that, in the opinion of management, are necessary in order to make those statements not misleading. Management is required to make estimates and assumptions, including the determination of the allowance for credit losses, real estate acquired in connection with foreclosure or in satisfaction of loans, and fair values of investment securities available-for-sale that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The Company's management has evaluated and did not identify any subsequent events or transactions requiring recognition or disclosure in the consolidated financial statements other than what is disclosed in the *Pending Litigation* section below.

The significant accounting policies used by the Company in the preparation of the consolidated financial statements are summarized below:

Principles of Consolidation

In December of 2008, the Company formed Hawthorn Real Estate, LLC, (the "Real Estate Company"); a wholly owned subsidiary of the Company. In December of 2017, the Company formed Hawthorn Risk Management, Inc., (the "Insurance Captive"); a wholly owned subsidiary of the Company. The consolidated financial statements include the accounts of the Company, the Bank, the Real Estate Company, and the Insurance Captive. The Insurance Captive was dissolved December 1, 2023. All significant intercompany accounts and transactions have been eliminated in consolidation.

Loans

Loans that the Company has the intent and ability to hold for the foreseeable future or to maturity are held for investment at their stated unpaid principal balance amount less unearned income and the allowance for credit losses. Income on loans is accrued on a simple-interest basis. Loan origination fees and certain direct costs are deferred and recognized over the life of the loan as an adjustment to yield.

Loans Held for Sale

The Company designates certain long-term fixed rate personal real estate loans as held for sale. Prior to September 30, 2024, these loans were initially measured at fair value under the fair value option election with subsequent changes in fair value recognized in mortgage banking income. As of September 30, 2024, loans held for sale are being carried at the lower of cost or estimated fair value. The loans are primarily sold to Freddie Mac, Fannie Mae, PennyMac, and various other secondary market investors. The Company sells loans with servicing retained or released depending on pricing and market conditions. There were no mortgage loans held for sale at December 31, 2024 compared to \$3.9 million at December 31, 2023.

Non-Accrual Loans

Loans are placed on non-accrual status when management believes that the borrower's financial condition, after consideration of business conditions and collection efforts, is such that collection of interest is doubtful. Loans that are

**HAWTHORN BANCSHARES, INC.
AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements
December 31, 2024, 2023, and 2022

contractually 90 days past due as to principal and/or interest payments are generally placed on non-accrual, unless they are both well-secured and in the process of collection. Real estate loans secured by one-to-four family residential properties are exempt from these non-accrual guidelines. These loans are placed on non-accrual status after they become 120 days past due. Subsequent interest payments received on such loans are applied to principal if doubt exists as to the collectability of such principal; otherwise, such receipts are recorded as interest income on a cash basis. A loan remains on non-accrual status until the loan is current as to payment of both principal and interest and/or the borrower demonstrates the ability to pay and remain current.

Allowance for Credit Losses

The allowance for credit losses ("ACL") is measured using a lifetime expected loss model that incorporates relevant information about past events, including historical credit loss experience on loans with similar risk characteristics, current conditions, and reasonable and supportable forecasts that affect the collectability of the remaining cash flows over the contractual term of the loans. The allowance for credit losses is measured on a collective (pool) basis. Loans are aggregated into pools based on similar risk characteristics including borrower type, collateral type and expected credit loss patterns. Loans that do not share similar risk characteristics, primarily large loans on non-accrual status, are evaluated on an individual basis. The allowance for credit losses is a valuation account that is deducted from loans amortized cost basis to present the net amount expected to be collected on the instrument. Expected recoveries are included in the allowance and do not exceed the aggregate of amounts previously charged-off and expected to be charged-off. Loans are charged off against the allowance for credit losses when management believes the balance has become uncollectible.

For loans evaluated for credit losses on a collective basis, average historical loss rates are calculated for each pool using relevant peer historical net charge-offs (combined charge-offs and recoveries by observable historical reporting period) and the Company's outstanding loan balances during a lookback period. The Company chose to use relevant peer loan loss data due to statistical relevance concerns, low observation counts, historical data limitations, and the inability to secure through the cycle loan-level data. Lookback periods can be different based on the individual pool and represent management's credit expectations for the pool of loans over the remaining contractual life. The calculated average net charge-off rate is then adjusted for current conditions and reasonable and supportable forecasts. These adjustments increase or decrease the average historical loss rate to reflect expectations of future losses given a single path economic forecast of a single macroeconomic variable, which is the civilian unemployment rate. The adjustments are based on results from various regression models projecting the impact of the selected macroeconomic variable to loss rates. The forecast is used for a reasonable and supportable period before reverting back to historical averages using a straight-line method. The forecast adjusted loss rate is applied to the loans over the remaining contractual lives, adjusted for expected prepayments and curtailments. The contractual term excludes expected extensions, renewals and modifications. Credit cards and certain similar consumer lines of credit do not have stated maturities and therefore, for these loan classes, remaining contractual lives are determined by estimating future cash flows expected to be received from customers until payments have been fully allocated to outstanding balances. Agriculture loans also use the remaining life methodology for estimating life of loan losses. Additionally, the allowance for credit losses considers qualitative or environmental factors, such as: lending policies and procedures; economic conditions; the nature, volume and terms of the portfolio; lending staff and management; past due loans; the loan review system; collateral values; concentrations of credit; and external factors.

Allowance for Credit Losses on Off-Balance-Sheet Credit Exposures

The Company maintains a separate allowance for credit losses for off-balance-sheet credit exposures, including unfunded loan commitments, unless the associated obligation is unconditionally cancellable by the Company. This allowance is included in other liabilities on the consolidated balance sheets with associated expense recognized as a component of the provision for credit losses on the consolidated statements of income. The liability for unfunded lending commitments utilizes the same model as the allowance for credit losses on loans, however, the liability for unfunded lending commitments incorporates an assumption for the portion of unfunded commitments that are expected to be funded. The allowance for credit losses on unfunded commitments totaled \$0.9 million at both December 31, 2024 and 2023, respectively.

**HAWTHORN BANCSHARES, INC.
AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements
December 31, 2024, 2023, and 2022

Certificates of Deposit in other banks

Certificates of deposit are investments made by the Company with other financial institutions, in amounts less than \$250,000 each in order to qualify for insurance coverage under the Federal Deposit Insurance Corporation ("FDIC"), that are carried at cost which approximates fair values.

Investment Securities

Available-for-sale Securities

The largest component of the Company's investment portfolio consists of debt securities which are classified as available-for-sale and are carried at fair value. Changes in fair value, excluding certain losses associated with other-than-temporary impairment, are reported in other comprehensive income, net of taxes, a component of stockholders' equity. Securities are periodically evaluated for impairment related to credit loss in accordance with guidance provided by the Financial Accounting Standards Board ("FASB") under Accounting Standards Codification ("ASC") Topic 326, *Financial Instruments – Credit Losses*. The Company assesses whether it intends to sell the securities or believes it more likely than not that it will be required to sell the security before the anticipated recovery. If neither condition is met, but the Company does not expect to recover the amortized cost basis, the Company determines whether a credit loss has occurred, which is then recognized in current earnings. Any impairment that has not been recorded through an allowance for credit losses related to all other factors is recognized in other comprehensive income.

Premiums and discounts are amortized using the interest method over the lives of the respective securities, with consideration of historical and estimated prepayment rates for mortgage-backed securities, as an adjustment to yield. Dividend and interest income are recognized when earned. Realized gains and losses for securities classified as available-for-sale are included in earnings based on the specific identification method for determining the cost of securities sold.

Other Investment Securities

Other investment securities include equity securities with readily determinable fair values and other investment securities that do not have readily determinable fair values. Investments in Federal Home Loan Bank of Des Moines ("FHLB") stock, and Midwest Independent BankersBank ("MIB") stock, that do not have readily determinable fair values, are required for membership in those organizations.

Equity securities with readily determinable fair values are recorded at fair value, with changes in fair value reflected in earnings. Equity securities that do not have readily determinable fair values are carried at cost and are periodically assessed for impairment.

Capital Stock of the FHLB

The Bank, as a member of the Federal Home Loan Bank System administered by the Federal Housing Finance Agency, is required to maintain an investment in the capital stock of the Federal Home Loan Bank of Des Moines (FHLB) in an amount equal to 6 basis points of the Bank's year-end total assets plus 4.50% of advances from the FHLB to the Bank. These investments are recorded at cost, which represents redemption value.

Premises and Equipment

Premises and equipment are stated at cost, less accumulated depreciation. Depreciation applicable to buildings and improvements and furniture and equipment is charged to expense using straight-line and accelerated methods over the estimated useful lives of the assets. Such lives are estimated to be five to 40 years for buildings and improvements and three to 15 years for furniture and equipment. Maintenance and repairs are charged to expense as incurred.

**HAWTHORN BANCSHARES, INC.
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Notes to the Consolidated Financial Statements
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Derivative Instruments

The Company recognizes derivatives as either assets or liabilities in the balance sheet, and measures those instruments at fair value. The Company enters into interest rate swap agreements to facilitate the risk management strategies of certain commercial banking clients. The Company mitigates this risk by entering into equal and offsetting interest rate swap agreements with highly rated third-party financial institutions.

Loan commitments related to the origination or acquisition of mortgage loans that will be held for sale are accounted for as derivative instruments. The Company enters into commitments to originate loans whereby the interest rate on the loan is determined prior to funding (rate lock commitments). The Company also enters into forward sales commitments for the mortgage loans underlying the rate lock commitments. As of December 31, 2024, the Company elected not to record the derivatives associated with IRLC due to the reduced volume of loans sold to the secondary market and therefore immateriality of the derivative.

The accounting for changes in the fair value of derivatives depends on the intended use of the derivative, whether the Company has elected to designate a derivative in a hedging relationship and apply hedge accounting and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. Derivatives designated and qualifying as a hedge of the exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk, such as interest rate risk, are considered fair value hedges. Derivatives designated and qualifying as a hedge of the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges. Derivatives may also be designated as hedges of the foreign currency exposure of a net investment in a foreign operation. Hedge accounting generally provides for the matching of the timing of gain or loss recognition on the hedging instrument with the recognition of the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk in a fair value hedge or the earnings effect of the hedged forecasted transactions in a cash flow hedge. The Company may enter into derivative contracts that are intended to economically hedge certain of its risk, even though hedge accounting does not apply or the Company elects not to apply hedge accounting.

FASB ASC 815, *Derivatives and Hedging* ("ASC 815"), provides the disclosure requirements for derivatives and hedging activities with the intent to provide users of financial statements with an enhanced understanding of: (a) how and why an entity uses derivative instruments, (b) how the entity accounts for derivative instruments and related hedged items, and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows.

In accordance with the FASB's fair value measurement guidance in ASU 2011-04, the Company made an accounting policy election to measure the credit risk of its derivative financial instruments that are subject to master netting agreements on a net basis by counterparty portfolio.

Mortgage Servicing Rights

The Company originates and sells residential mortgage loans in the secondary market and typically retains the right to service the loans sold. Servicing involves the collection of payments from individual borrowers and the distribution of those payments to the investors or master servicer. Upon a sale of mortgage loans for which servicing rights are retained, the retained mortgage servicing rights asset is capitalized at the fair value of future net cash flows expected to be realized for performing servicing activities.

Mortgage servicing rights ("MSRs") are carried at fair value in the consolidated balance sheet with changes in the fair value recognized in earnings. Because most servicing rights do not trade in an active market with readily observable prices, the Company determines the fair value of mortgage servicing rights by estimating the fair value of the future cash flows associated with the mortgage loans being serviced. Key assumptions used in measuring the fair value of mortgage servicing rights include, but are not limited to, prepayment speeds, discount rates, delinquencies, ancillary income, and cost to service. These assumptions are validated on a periodic basis. The fair value is validated on a quarterly basis with an independent third party valuation specialist firm.

**HAWTHORN BANCSHARES, INC.
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Notes to the Consolidated Financial Statements
December 31, 2024, 2023, and 2022

In addition to the changes in fair value of the mortgage servicing rights, the Company also records loan servicing fee income as part of real estate servicing fees, net, in the consolidated statements of income. Loan servicing fee income represents revenue earned for servicing mortgage loans. The servicing fees are based on contractual percentage of the outstanding principal balance and recognized as revenue as the related mortgage payments are collected. Corresponding loan servicing costs are charged to expense as incurred.

Other Real Estate Owned and Repossessed Assets

Other real estate owned and repossessed assets consist of loan collateral that has been repossessed through foreclosure. This collateral is comprised of commercial and residential real estate and other non-real estate property, including autos, manufactured homes, and construction equipment. Other real estate owned assets are initially recorded as held for sale at the fair value of the collateral less estimated selling costs. Any adjustment is recorded as a charge-off against the allowance for credit losses. The Company relies on external appraisals and assessment of property values by internal staff. In the case of non-real estate collateral, reliance is placed on a variety of sources, including external estimates of value and judgment based on experience and expertise of internal specialists. Subsequent to foreclosure, valuations are updated periodically, and the assets may be written down to reflect a new cost basis. The valuation write-downs are recorded as other non-interest expense. The Company establishes a valuation allowance related to other real estate owned and repossessed assets on an asset-by-asset basis. The valuation allowance is created during the holding period when the fair value less cost to sell is lower than the cost of the asset.

Pension Plan

The Company provides a noncontributory defined benefit pension plan for all full-time and eligible employees. The benefits are based on age, years of service and the level of compensation during the respective employee's highest ten years of compensation before retirement. Net periodic costs are recognized as employees render the services necessary to earn the retirement benefits. The Company records annual amounts relating to its pension plan based on calculations that incorporate various actuarial and other assumptions including discount rates, mortality, assumed rates of return, compensation increases, and turnover rates. The Company reviews its assumptions on an annual basis and may make modifications to the assumptions based on current rates and trends when it is appropriate to do so. The Company believes that the assumptions utilized in recording its obligations under its plan are reasonable based on its experience and market conditions.

The Company follows authoritative guidance included in the FASB ASC Topic 715, *Compensation – Retirement Plans* under the subtopic *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*. ASC Topic 715 requires an employer to recognize the overfunded or underfunded status of a defined benefit postretirement plan (other than a multiemployer plan) as an asset or liability in its consolidated balance sheet and to recognize changes in the funded status in the year in which the changes occur through comprehensive income. This guidance also requires an employer to measure the funded status of a plan as of the date of its fiscal year-end, with limited exceptions. Additional disclosures are required to provide users with an understanding of how investment allocation decisions are made, major categories of plan assets, and fair value measurement of plan assets as defined in ASC Topic 820, *Fair Value Measurements and Disclosures*.

Investments in Historic Tax Credits.

The Company has a noncontrolling financial investment in a private investment fund and partnership that finances the rehabilitation and re-use of historic buildings. This unconsolidated investment may generate a return through the realization of federal income tax credits, as well as other tax benefits, such as tax deductions from net operating losses of the investments over a period of time. Investments in historic tax credits are accounted for under the equity method of accounting and the Company's recorded investment in these entities is carried in other assets on the Consolidated Balance Sheets with any unfunded commitment recorded in other liabilities. The tax credits and other net tax benefits received are recognized as a component of income tax expense in the Consolidated Statements of Income.

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Income Taxes

Income taxes are accounted for under the asset/liability method by recognizing the amount of taxes payable or refundable for the current period and deferred tax assets and liabilities for future tax consequences of events that have been recognized in the Company's financial statements or tax returns. Deferred income tax assets and liabilities are provided as temporary differences between the tax basis of an asset or liability and its reported amount in the consolidated financial statements at the enacted tax rate expected to be applied in the period the deferred tax item is expected to be realized. A valuation allowance, if needed, reduces deferred tax assets to the expected amount most likely to be realized. Realization of deferred tax assets is dependent upon the generation of a sufficient level of future taxable income and recoverable taxes paid in prior years.

A tax position is initially recognized in the financial statements when it is more likely than not that the position will be sustained upon examination by the tax authorities. Such tax positions are initially and subsequently measured as the largest amount of tax benefit that is greater than 50% likely of being realized upon ultimate settlement with the tax authority assuming full knowledge of the position and all relevant facts. Penalties and interest incurred under the applicable tax law are classified as income tax expense. The Company has not recognized any tax liabilities or any interest or penalties in income tax expense related to uncertain tax positions as of December 31, 2024, 2023, and 2022.

Trust Department

Property held by the Bank in a fiduciary or agency capacity for customers is not included in the accompanying consolidated balance sheets, since such items are not assets of the Company. Trust department income is recognized on the accrual basis.

Consolidated Statements of Cash Flows

For the purpose of the consolidated statements of cash flows, cash and cash equivalents consist of short-term federal funds sold and securities sold or purchased under agreements to resell, overnight interest earning deposits with banks, and cash and due from banks. The Federal Reserve is authorized to establish reserve requirements on depository institutions. In 2020, the Federal Reserve reduced the reserve requirement to zero percent. As such, cash balances at the Federal Reserve at December 31, 2024 and 2023 were not subject to a reserve requirement.

Treasury Stock

The purchase of the Company's common stock is recorded at cost. Purchases of the stock are made both in the open market and through negotiated private purchases based on market prices. At the date of subsequent reissue, the treasury stock account is reduced by the cost associated with such stock on a first-in-first-out basis. Gains on the sale of treasury stock are credited to additional paid-in-capital. Losses on the sale of treasury stock are charged to additional paid-in-capital to the extent of previous gains, otherwise charged to retained earnings.

Reclassifications

Certain prior year information has been reclassified to conform to the 2024 presentation.

Recent Accounting Pronouncements

Standards Adopted in 2024

Segment disclosures. In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*, which requires enhanced disclosures on both an annual and interim basis about significant segment expenses, including for companies with only one reportable segment. This ASU is effective on a retrospective basis for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. The adoption of this ASU did not have a material effect on the Company's consolidated financial statements and related disclosures. See Note 20 Segment Information.

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Impact of Recently Issued Accounting Standards But Not Yet Adopted

Income Taxes. In December 2023, the FASB issued ASU No. 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*. This ASU requires that public business entities on an annual basis (1) disclose specific categories in the rate reconciliation and (2) provide additional information for reconciling items that meet a quantitative threshold. The ASU requires that all entities disclose on an annual basis (1) the amount of income taxes paid, disaggregated by federal, state and foreign taxes and (2) the amount of income taxes paid disaggregated by individual jurisdictions in which income taxes paid is equal or greater than 5 percent of total income taxes paid. The ASU also requires that all entities disclose (1) income (loss) from continuing operations before income tax expense (or benefit) disaggregated between domestic or foreign and (2) income tax expense (or benefit) from continuing operations disaggregated by federal (national), state and foreign. This ASU is effective for public business entities for annual periods beginning after December 15, 2024. The Company does not expect adoption of the ASU to have a material effect on the Company's consolidated financial statements.

Income Statement. In November 2024, the FASB issued ASU No. 2024-03, *Income Statement-Reporting Comprehensive Income-Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses*. The amendments in this ASU require public companies to disclose, in the notes to the financial statements, specified information about certain costs and expenses at each interim and annual reporting period. Additionally, in January 2025, the FASB issued ASU No. 2025-01, *Income Statement-Reporting Comprehensive Income-Expense Disaggregation Disclosures (Subtopic 220-40): Clarifying the Effective Date*. This ASU amends the effective date of ASU No. 2024-03 to clarify that all public business entities are required to adopt the guidance in annual reporting periods beginning after December 15, 2026, and interim periods within annual reporting periods beginning after December 15, 2027. Early adoption of ASU No. 2024-03 is permitted. The Company is currently evaluating the impact of the ASU on the Company's consolidated financial statements.

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(2) Loans and Allowance for Credit Losses

Loans

Major classifications within the Company's held for investment loan portfolio at December 31, 2024 and 2023 were as follows:

<i>(dollars in thousands)</i>	2024	2023
Commercial, financial, and agricultural	\$ 202,329	\$ 226,275
Real estate construction – residential	32,046	58,347
Real estate construction – commercial	80,435	130,296
Real estate mortgage – residential	361,735	372,391
Real estate mortgage – commercial	775,594	731,024
Installment and other consumer	14,021	20,814
Total loans held for investment	\$ 1,466,160	\$ 1,539,147

The Bank grants real estate, commercial, installment, and other consumer loans to customers located within the Missouri communities surrounding Jefferson City, Columbia, Clinton, Warsaw, Springfield, and the greater Kansas City metropolitan area. As such, the Bank is susceptible to changes in the economic environment in these communities. The Bank does not have a concentration of credit in any one economic sector. Installment and other consumer loans consist primarily of the financing of vehicles. Accrued interest on loans totaled \$6.5 million and \$7.2 million at December 31, 2024 and 2023, respectively, and is included in the accrued interest receivable and other assets on the Company's consolidated balance sheets. The total amount of accrued interest is excluded from the amortized cost basis of loans presented above. Further, the Company has elected not to measure an allowance for credit losses for accrued interest receivable. At December 31, 2024, \$746.3 million of loans were pledged to the FHLB as collateral for borrowings and letters of credit.

The following is a summary of loans to directors and executive officers or to entities in which such individuals had a beneficial interest of the Company:

<i>(dollars in thousands)</i>		
Balance at December 31, 2023	\$	9,597
New loans		9,452
Amounts collected		(6,474)
Balance at December 31, 2024	\$	12,575

Management believes such loans were made in the normal course of business on substantially the same terms, including interest rates and collateral requirements, as those prevailing at the same time for comparable transactions with other persons, and did not involve more than the normal risk of collectability or present unfavorable features.

Allowance for Credit Losses

The allowance for credit losses is measured using a lifetime expected loss model that incorporates relevant information about past events, including historical credit loss experience on loans with similar risk characteristics, current conditions, and reasonable and supportable forecasts that affect the collectability of the remaining cash flows over the contractual term of the loans. The allowance for credit losses is measured on a collective (pool) basis. Loans are aggregated into pools based on similar risk characteristics including borrower type, collateral type and expected credit loss patterns. Loans that do not share similar risk characteristics, primarily large loans on non-accrual status, are evaluated on an individual basis. The allowance for credit losses is a valuation account that is deducted from loans amortized cost basis to present the net amount expected to be collected on the instrument. Expected recoveries are included in the allowance and do not exceed the

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aggregate of amounts previously charged-off and expected to be charged-off. Loans are charged off against the allowance for credit losses when management believes the balance has become uncollectible.

Allowance for Credit Losses on Off-Balance-Sheet Credit Exposures

The Company maintains a separate allowance for credit losses for off-balance-sheet credit exposures, including unfunded loan commitments, unless the associated obligation is unconditionally cancellable by the Company. This allowance is included in other liabilities on the consolidated balance sheets with associated expense recognized as a component of the provision for credit losses on the consolidated statements of income. The liability for unfunded lending commitments utilizes the same model as the allowance for credit losses on loans, however, the liability for unfunded lending commitments incorporates an assumption for the portion of unfunded commitments that are expected to be funded.

Sensitivity in the Allowance for Credit Loss Model

The allowance for credit losses is an estimate that requires significant judgment including projections of the macroeconomic environment. The forecasted macroeconomic environment continuously changes, which can cause fluctuations in estimated expected losses.

The following table illustrates the changes in the allowance for credit losses by portfolio segment:

<i>(dollars in thousands)</i>	Commercial, Financial, & Agricultural	Real Estate Construction - Residential	Real Estate Construction - Commercial	Real Estate Mortgage - Residential	Real Estate Mortgage - Commercial	Installment and other Consumer	Un- allocated	Total
Balance at, December 31, 2021	2,717	137	588	2,482	10,662	256	61	16,903
Charge-offs	(135)	—	—	—	(181)	(321)	—	(637)
Recoveries	56	—	22	45	11	88	—	222
Provision for (release of) loan losses (1)	97	20	265	802	(2,492)	303	105	(900)
Balance at, December 31, 2022	2,735	157	875	3,329	8,000	326	166	15,588
Adoption of ASU 2016-13	\$ (649)	\$ 291	\$ 2,894	\$ 1,890	\$ 1,613	\$ (80)	\$ (166)	\$ 5,793
Balance at January 1, 2023	2,086	448	3,769	5,219	9,613	246	—	21,381
Charge-offs	(161)	—	—	(88)	(32)	(347)	—	(628)
Recoveries	192	—	22	23	4	85	—	326
Provision for (release of) credit losses	1,091	595	(518)	110	952	248	187	2,665
Balance at, December 31, 2023	3,208	1,043	3,273	5,264	10,537	232	187	23,744
Charge-offs	\$ (2,238)	\$ —	\$ —	\$ (51)	\$ (437)	\$ (265)	\$ —	\$ (2,991)
Recoveries	118	—	27	13	—	108	—	266
Provision for (release of) credit losses	472	(465)	(1,079)	84	2,205	63	(255)	1,025
Balance at, December 31, 2024	1,560	578	2,221	5,310	12,305	138	(68)	22,044

(1) Beginning January 1, 2023, calculation is based on CECL methodology. Prior to January 1, 2023, calculation was based on probable incurred loss methodology.

Collateral-Dependent Loans

Collateral-dependent loans are loans for which the repayment is expected to be provided substantially through the operation or sale of the collateral and the borrower is experiencing financial difficulty. Under the CECL methodology, for collateral-dependent loans, the Company has adopted the practical expedient to measure the allowance on the fair value of collateral.

The allowance is calculated on an individual loan basis based on the shortfall between the fair value of the loan's collateral, which is adjusted for liquidation costs/discounts, and the loan's amortized cost. If the fair value of the collateral exceeds the loan's amortized cost, no allowance is necessary. The Company's policy is to obtain appraisals on any significant pieces of collateral. Higher discounts are applied in determining fair value for real estate collateral in industries that are undergoing significant stress, or for properties that are specialized use or have limited marketability.

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The amortized cost of collateral-dependent loans by class as of December 31, 2024 and 2023 was as follows:

<i>(dollars in thousands)</i>	Collateral Type		Allowance Allocated
	Real Estate	Other	
December 31, 2024			
Commercial, financial, and agricultural	\$ —	\$ 766	\$ 125
Real estate construction – residential	454	—	194
Real estate mortgage – commercial	65	—	—
Total	\$ 519	\$ 766	\$ 319
December 31, 2023			
Commercial, financial, and agricultural	\$ —	\$ 2,221	\$ 1,300
Real estate construction – residential	432	—	164
Real estate mortgage – residential	46	—	19
Real estate mortgage – commercial	2,369	—	—
Total	\$ 2,847	\$ 2,221	\$ 1,483

Credit Quality

The Company categorizes loans into risk categories based upon an internal rating system reflecting management's risk assessment. Risk ratings are assigned for each loan at the time of approval, and they change as circumstances dictate during the term of the loan.

- *Pass* - loans that are well protected by the current net worth and paying capacity of the obligor (or guarantors, if any) or by the fair value, less cost to acquire and sell in a timely manner, of any underlying collateral.
- *Watch* - loans that have one or more weaknesses identified that may result in the borrower being unable to meet repayment terms or when the Company's credit position could deteriorate at some future date.
- *Special Mention* - loans that have negative financial trends, or other weaknesses that if left uncorrected, could threaten its capacity to meet its debt obligations. This is a transitional grade that is closely monitored by management for improvement or deterioration.
- *Substandard* - loans that are inadequately protected by the current sound worth and paying capacity of the obligor or by the collateral pledged, if any. Loans so classified may have a well-defined weakness or weaknesses that jeopardize the repayment of the debt. Such loans are characterized by the distinct possibility that the Company may sustain some loss if the deficiencies are not corrected.
- *Doubtful* - loans that have all the weaknesses inherent in loans classified as Substandard with the added characteristic that the weaknesses make collection or liquidation in full highly questionable and improbable on the basis of currently known facts, conditions, and values. These loans are also on non-accrual status.
- *Non-accrual* - loans that are delinquent for 90 days or more and the ultimate collectability of interest or principal is no longer probable. Real estate loans secured by one-to-four family residential properties are exempt from these non-accrual guidelines. These loans are placed on non-accrual status after they become 120 days past due (The majority of the Company's non-accrual loans have a substandard risk grade.)

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<i>(dollars in thousands)</i>	Term Loans							Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term Loans Amortized Cost Basis	Total
	Amortized Cost Basis by Origination Year and Risk Grades									
December 31, 2024	2024	2023	2022	2021	2020	Prior				
Commercial, Financial, & Agricultural										
Pass	\$ 22,726	\$ 21,302	\$ 30,025	\$ 25,338	\$ 26,557	\$ 3,932	\$ 62,205	\$ 1,531	\$ 193,616	
Watch	—	120	1,473	—	—	262	504	—	2,359	
Special Mention	—	—	—	—	309	—	741	—	1,050	
Substandard	—	—	3,350	628	—	—	—	403	4,381	
Doubtful	—	—	—	—	—	—	79	—	79	
Non-accrual loans	286	87	78	—	37	—	356	—	844	
Total	\$ 23,012	\$ 21,509	\$ 34,926	\$ 25,966	\$ 26,903	\$ 4,194	\$ 63,885	\$ 1,934	\$ 202,329	
Gross YTD charge-offs	—	230	—	104	2	106	1,796	—	2,238	
Real Estate Construction - Residential										
Pass	\$ 16,368	\$ 13,808	\$ 601	\$ 617	\$ 165	\$ —	\$ —	\$ 33	\$ 31,592	
Non-accrual loans	454	—	—	—	—	—	—	—	454	
Total	\$ 16,822	\$ 13,808	\$ 601	\$ 617	\$ 165	\$ —	\$ —	\$ 33	\$ 32,046	
Gross YTD charge-offs	—	—	—	—	—	—	—	—	—	
Real Estate Construction - Commercial										
Pass	\$ 49,742	\$ 7,057	\$ 10,424	\$ 3,828	\$ 622	\$ 564	\$ 7,072	\$ —	\$ 79,309	
Watch	911	124	13	—	—	—	—	—	1,048	
Substandard	—	29	—	—	—	—	—	—	29	
Non-accrual loans	—	—	—	—	—	49	—	—	49	
Total	\$ 50,653	\$ 7,210	\$ 10,437	\$ 3,828	\$ 622	\$ 613	\$ 7,072	\$ —	\$ 80,435	
Gross YTD charge-offs	—	—	—	—	—	—	—	—	—	
Real Estate Mortgage - Residential										
Pass	\$ 30,005	\$ 46,795	\$ 115,928	\$ 49,519	\$ 42,036	\$ 23,440	\$ 44,148	\$ 1,543	\$ 353,414	
Watch	5,702	—	40	391	423	675	30	—	7,261	
Substandard	—	—	—	—	—	98	—	—	98	
Non-accrual loans	—	—	426	89	—	278	169	—	962	
Total	\$ 35,707	\$ 46,795	\$ 116,394	\$ 49,999	\$ 42,459	\$ 24,491	\$ 44,347	\$ 1,543	\$ 361,735	
Gross YTD charge-offs	—	—	—	—	—	14	37	—	51	
Real Estate Mortgage - Commercial										
Pass	\$ 56,648	\$ 117,853	\$ 212,698	\$ 203,591	\$ 69,342	\$ 57,352	\$ 14,815	\$ 137	\$ 732,436	
Watch	2,298	51	4,763	1,961	—	184	—	581	9,838	
Special Mention	27,271	—	5,679	—	—	—	—	—	32,950	
Substandard	—	—	231	—	—	—	—	—	231	
Non-accrual loans	64	75	—	—	—	—	—	—	139	
Total	\$ 86,281	\$ 117,979	\$ 223,371	\$ 205,552	\$ 69,342	\$ 57,536	\$ 14,815	\$ 718	\$ 775,594	
Gross YTD charge-offs	—	340	—	65	—	32	—	—	437	
Installment and other Consumer										
Pass	\$ 2,188	\$ 3,636	\$ 3,591	\$ 1,165	\$ 554	\$ 2,805	\$ 72	\$ —	\$ 14,011	
Non-accrual loans	—	—	—	—	—	10	—	—	10	
Total	\$ 2,188	\$ 3,636	\$ 3,591	\$ 1,165	\$ 554	\$ 2,815	\$ 72	\$ —	\$ 14,021	
Gross YTD charge-offs	10	11	9	3	1	230	1	—	265	
Total Portfolio										
Pass	\$ 177,677	\$ 210,451	\$ 373,267	\$ 284,058	\$ 139,276	\$ 88,093	\$ 128,312	\$ 3,244	\$ 1,404,378	
Watch	8,911	295	6,289	2,352	423	1,121	534	581	20,506	
Special Mention	27,271	—	5,679	—	309	—	741	—	34,000	
Substandard	—	29	3,581	628	—	98	—	403	4,739	
Doubtful	—	—	—	—	—	—	79	—	79	
Non-accrual loans	804	162	504	89	37	337	525	—	2,458	
Total	\$ 214,663	\$ 210,937	\$ 389,320	\$ 287,127	\$ 140,045	\$ 89,649	\$ 130,191	\$ 4,228	\$ 1,466,160	
Total Gross YTD charge-offs	\$ 10	\$ 581	\$ 9	\$ 172	\$ 3	\$ 382	\$ 1,834	\$ —	\$ 2,991	

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The following table presents the recorded investment by risk categories at December 31, 2023:

<i>(dollars in thousands)</i>	Term Loans						Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term Loans Amortized Cost Basis	Total
	Amortized Cost Basis by Origination Year and Risk Grades								
	2023	2022	2021	2020	2019	Prior			
December 31, 2023									
Commercial, Financial, & Agricultural									
Pass	\$ 40,103	\$ 43,082	\$ 32,812	\$ 30,965	\$ 4,774	\$ 5,022	\$ 55,379	\$ 213	\$ 212,350
Watch	1	2,505	32	586	3	282	2,502	—	5,911
Substandard	371	3,758	19	16	—	—	323	1,299	5,786
Non-accrual loans	159	96	317	—	7	—	1,649	—	2,228
Total	\$ 40,634	\$ 49,441	\$ 33,180	\$ 31,567	\$ 4,784	\$ 5,304	\$ 59,853	\$ 1,512	\$ 226,275
Gross YTD charge-offs	—	1	—	—	—	160	—	—	161
Real Estate Construction - Residential									
Pass	\$ 39,847	\$ 17,259	\$ 634	\$ 175	\$ —	\$ —	\$ —	\$ —	\$ 57,915
Non-accrual loans	432	—	—	—	—	—	—	—	432
Total	\$ 40,279	\$ 17,259	\$ 634	\$ 175	\$ —	\$ —	\$ —	\$ —	\$ 58,347
Gross YTD charge-offs	—	—	—	—	—	—	—	—	—
Real Estate Construction - Commercial									
Pass	\$ 49,041	\$ 53,058	\$ 24,371	\$ 1,040	\$ 31	\$ 735	\$ 187	\$ —	\$ 128,463
Watch	934	17	—	—	—	—	103	—	1,054
Substandard	710	—	—	—	—	—	—	—	710
Non-accrual loans	—	—	—	—	—	69	—	—	69
Total	\$ 50,685	\$ 53,075	\$ 24,371	\$ 1,040	\$ 31	\$ 804	\$ 290	\$ —	\$ 130,296
Gross YTD charge-offs	—	—	—	—	—	—	—	—	—
Real Estate Mortgage - Residential									
Pass	\$ 65,472	\$ 121,430	\$ 62,998	\$ 47,884	\$ 7,242	\$ 19,193	\$ 44,574	\$ 202	\$ 368,995
Watch	179	251	411	293	71	1,310	23	—	2,538
Substandard	16	—	—	129	—	126	—	—	271
Non-accrual loans	—	23	93	135	—	246	90	—	587
Total	\$ 65,667	\$ 121,704	\$ 63,502	\$ 48,441	\$ 7,313	\$ 20,875	\$ 44,687	\$ 202	\$ 372,391
Gross YTD charge-offs	—	—	—	75	—	—	13	—	88
Real Estate Mortgage - Commercial									
Pass	\$ 99,081	\$ 208,699	\$ 204,789	\$ 84,363	\$ 27,085	\$ 39,941	\$ 16,059	\$ 659	\$ 680,676
Watch	15,759	10,978	2,737	91	345	897	70	—	30,877
Substandard	—	215	15,944	—	45	289	—	—	16,493
Non-accrual loans	1,817	54	712	212	83	—	100	—	2,978
Total	\$ 116,657	\$ 219,946	\$ 224,182	\$ 84,666	\$ 27,558	\$ 41,127	\$ 16,229	\$ 659	\$ 731,024
Gross YTD charge-offs	—	—	—	—	—	32	—	—	32
Installment and other Consumer									
Pass	\$ 7,430	\$ 6,497	\$ 2,720	\$ 1,287	\$ 987	\$ 1,803	\$ 90	\$ —	\$ 20,814
Total	\$ 7,430	\$ 6,497	\$ 2,720	\$ 1,287	\$ 987	\$ 1,803	\$ 90	\$ —	\$ 20,814
Gross YTD charge-offs	84	23	7	—	—	232	1	—	347
Total Portfolio									
Pass	\$ 300,974	\$ 450,025	\$ 328,324	\$ 165,714	\$ 40,119	\$ 66,694	\$ 116,289	\$ 1,074	\$ 1,469,213
Watch	16,873	13,751	3,180	970	419	2,489	2,698	—	40,380
Substandard	1,097	3,973	15,963	145	45	415	323	1,299	23,260
Non-accrual loans	2,408	173	1,122	347	90	315	1,839	—	6,294
Total	\$ 321,352	\$ 467,922	\$ 348,589	\$ 167,176	\$ 40,673	\$ 69,913	\$ 121,149	\$ 2,373	\$ 1,539,147
Total Gross YTD charge-offs	\$ 84	\$ 24	\$ 7	\$ 75	\$ —	\$ 424	\$ 14	\$ —	\$ 628

Delinquent and Non-Accrual Loans

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The delinquency status of loans is determined based on the contractual terms of the notes. Loans are generally classified as delinquent once payments become 30 days or more past due. The Company's policy is to discontinue the accrual of interest income on any loan when, in the opinion of management, the ultimate collectability of interest or principal is no longer probable. In general, loans are placed on non-accrual status when they become 90 days or more past due. However, management considers many factors before placing a loan on non-accrual status, including the delinquency status of the loan, the overall financial condition of the borrower, the progress of management's collection efforts and the value of the underlying collateral. Subsequent interest payments received on non-accrual loans are applied to principal if any doubt exists as to the collectability of such principal; otherwise, such receipts are recorded as interest income on a cash basis. Non-accrual loans are returned to accrual status when, in the opinion of management, the financial condition of the borrower indicates that the timely collectability of interest and principal is probable and the borrower demonstrates the ability to pay under the terms of the note through a sustained period of repayment performance, which is generally six months.

The following tables present the recorded investment in non-accrual loans and loans past due over 90 days still on accrual by class of loans as of December 31, 2024 and 2023.

<i>(dollars in thousands)</i>	Non-accrual with no Allowance	Non-accrual with Allowance	Total Non-accrual	90 Days Past Due And Still Accruing	Total Non-performing Loans
December 31, 2024					
Commercial, Financial, and Agricultural	\$ —	\$ 923	\$ 923	\$ —	\$ 923
Real estate construction – residential	—	454	454	—	454
Real estate construction – commercial	—	49	49	—	49
Real estate mortgage – residential	—	963	963	207	1,170
Real estate mortgage – commercial	—	138	138	—	138
Installment and Other Consumer	—	10	10	3	13
Total	\$ —	\$ 2,537	\$ 2,537	\$ 210	\$ 2,747
December 31, 2023					
Commercial, Financial, and Agricultural	\$ —	\$ 2,228	\$ 2,228	\$ —	\$ 2,228
Real estate construction – residential	—	432	432	—	432
Real estate construction – commercial	—	69	69	—	69
Real estate mortgage – residential	—	587	587	115	702
Real estate mortgage – commercial	2,368	610	2,978	—	2,978
Installment and Other Consumer	—	—	—	4	4
Total	\$ 2,368	\$ 3,926	\$ 6,294	\$ 119	\$ 6,413

No material amount of interest income was recognized on non-accrual loans during the year ended December 31, 2024.

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The following table provides aging information for the Company's past due and non-accrual loans at December 31, 2024 and 2023.

<i>(dollars in thousands)</i>	Current or Less Than 30 Days Past Due	30 - 89 Days Past Due	90 Days Past Due And Still Accruing	Non-Accrual	Total
December 31, 2024					
Commercial, Financial, and Agricultural	\$ 201,201	\$ 205	\$ —	\$ 923	\$ 202,329
Real estate construction – residential	31,592	—	—	454	32,046
Real estate construction – commercial	80,386	—	—	49	80,435
Real estate mortgage – residential	358,393	2,172	207	963	361,735
Real estate mortgage – commercial	773,918	1,538	—	138	775,594
Installment and Other Consumer	13,900	108	3	10	14,021
Total	\$ 1,459,390	\$ 4,023	\$ 210	\$ 2,537	\$ 1,466,160
December 31, 2023					
Commercial, Financial, and Agricultural	\$ 223,845	\$ 202	\$ —	\$ 2,228	\$ 226,275
Real estate construction – residential	57,568	347	—	432	58,347
Real estate construction – commercial	130,227	—	—	69	130,296
Real estate mortgage – residential	368,956	2,733	115	587	372,391
Real estate mortgage – commercial	728,029	17	—	2,978	731,024
Installment and Other Consumer	20,607	203	4	—	20,814
Total	\$ 1,529,232	\$ 3,502	\$ 119	\$ 6,294	\$ 1,539,147

Loan Modifications for Borrowers Experiencing Financial Difficulty

In the normal course of business, the Company may execute loan modifications with borrowers. These modifications are analyzed to determine whether the modification is considered concessionary, long-term and made to a borrower experiencing financial difficulty. The Company's modifications generally include interest rate adjustments, principal reductions, and amortization and maturity date extensions. If a loan modification is determined to be made to a borrower experiencing financial difficulty, the loan is considered collateral-dependent and evaluated as part of the allowance for credit losses as described above in the *Allowance for Credit Losses* section of this note.

For the year ended December 31, 2024, the Company did not modify any loans made to borrowers experiencing financial difficulty. The Company monitors loan payments on an on-going basis to determine if a loan is considered to have a payment default. Determination of payment default involves analyzing the economic conditions that exist for each customer and their ability to generate positive cash flows during the loan term.

Loans Held For Sale

The Company designates certain long-term fixed rate personal real estate loans as held for sale. Prior to September 30, 2024, these loans were initially measured at fair value under the fair value option election with subsequent changes in fair value recognized in mortgage banking income. As of September 30, 2024, loans held for sale are being carried at the lower of cost or estimated fair value. The loans are primarily sold to Freddie Mac, Fannie Mae, PennyMac, and various other secondary market investors. The Company sells loans with servicing retained or released depending on pricing and market conditions. There were no mortgage loans held for sale at December 31, 2024 compared to \$3.9 million at December 31, 2023.

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(3) Other Real Estate and Other Assets Acquired in Settlement of Loans

<i>(in thousands)</i>	2024	2023
Real estate construction - commercial	\$ 2,549	\$ 7,668
Real estate mortgage - residential	42	20
Real estate mortgage - commercial	858	—
Reposessed assets	—	6
Total	\$ 3,449	\$ 7,694
Less valuation allowance for other real estate owned	(2,003)	(5,950)
Total other real estate owned	\$ 1,446	\$ 1,744

At December 31, 2024, there were \$0.3 million of consumer mortgage loans secured by residential real estate properties in the process of foreclosure compared to \$0.1 million at December 31, 2023.

Activity in the valuation allowance for other real estate owned in settlement of loans for the years indicated:

<i>(dollars in thousands)</i>	2024	2023	2022
Balance, beginning of year	\$ 5,950	\$ 2,664	\$ 2,911
Provision for (release of) other real estate owned	(127)	4,729	(29)
Charge-offs	(3,820)	(1,443)	(218)
Balance, end of year	\$ 2,003	\$ 5,950	\$ 2,664

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(4) Investment Securities

The amortized cost, gross unrealized gains and losses, and fair value of debt securities classified as available-for-sale at December 31, 2024 and 2023 were as follows:

(dollars in thousands)	Total Amortized Cost	Gross Unrealized		Fair Value
		Gains	Losses	
December 31, 2024				
U.S. Treasury	\$ 4,937	\$ —	\$ (22)	\$ 4,915
U.S. government and federal agency obligations	408	—	(7)	401
U.S. government-sponsored enterprises	13,020	11	(227)	12,804
Obligations of states and political subdivisions	125,559	7	(23,080)	102,486
Mortgage-backed securities	84,729	59	(6,678)	78,110
Other debt securities (a)	19,419	49	(781)	18,687
Bank issued trust preferred securities (a)	1,486	—	(237)	1,249
Total available-for-sale securities	\$ 249,558	\$ 126	\$ (31,032)	\$ 218,652
December 31, 2023				
U.S. Treasury	\$ 1,977	\$ 1	\$ —	\$ 1,978
U.S. government and federal agency obligations	446	—	(19)	427
U.S. government-sponsored enterprises	22,042	16	(236)	21,822
Obligations of states and political subdivisions	126,396	55	(19,566)	106,885
Mortgage-backed securities	51,736	27	(6,123)	45,640
Other debt securities (a)	11,825	22	(1,026)	10,821
Bank issued trust preferred securities (a)	1,486	—	(317)	1,169
Total available-for-sale securities	\$ 215,908	\$ 121	\$ (27,287)	\$ 188,742

(a) Certain hybrid instruments possessing characteristics typically associated with debt obligations.

The Company's investment securities are classified as available-for-sale. Agency bonds and notes, SBA-guaranteed loan certificates, residential and commercial agency mortgage-backed securities, and agency collateralized mortgage obligations include securities issued by the Government National Mortgage Association, a U.S. government agency, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation and the FHLB, which are U.S. government-sponsored enterprises

Debt securities with carrying values aggregating approximately \$82.4 million and \$89.2 million at December 31, 2024 and December 31, 2023, respectively, were pledged to secure public funds, securities sold under agreements to repurchase, and for other purposes as required or permitted by law.

The amortized cost and fair value of debt securities classified as available-for-sale at December 31, 2024, by contractual maturity are shown below. Accrued interest on investments totaled \$1.6 million and \$1.4 million at December 31, 2024 and December 31, 2023, respectively, and is included in the accrued interest receivable and other assets on the Company's consolidated balance sheets. The total amount of accrued interest is excluded from the amortized cost basis of investments presented below. Further, the Company has elected not to measure an allowance for credit losses for accrued interest

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receivable. Expected maturities may differ from contractual maturities because borrowers have the right to call or prepay obligations with or without prepayment penalties.

(dollars in thousands)	Amortized Cost	Fair Value
Due in one year or less	\$ 4,275	\$ 4,270
Due after one year through five years	19,715	19,480
Due after five years through ten years	37,506	34,431
Due after ten years	103,333	82,361
Total	164,829	140,542
Mortgage-backed securities	84,729	78,110
Total available-for-sale securities	\$ 249,558	\$ 218,652

Other Investment Securities

Other investment securities include equity securities with readily determinable fair values and other investment securities that do not have readily determinable fair values. Investments in FHLB stock and MIB stock, that do not have readily determinable fair values, are required for membership in those organizations.

(dollars in thousands)	2024	2023
FHLB stock	\$ 4,924	\$ 6,071
MIB stock	151	151
Equity securities with readily determinable fair values	74	78
Total other investment securities	\$ 5,149	\$ 6,300

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Gross unrealized losses on debt securities and the fair value of the related securities, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at December 31, 2024 and December 31, 2023 were as follows:

	Less than 12 months		12 months or more		Total Fair Value	Total Unrealized Losses
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses		
<i>(dollars in thousands)</i>						
At December 31, 2024						
U.S. Treasury	\$ 4,915	\$ (22)	\$ —	\$ —	\$ 4,915	\$ (22)
U.S. government and federal agency obligations	—	—	401	(7)	401	(7)
U.S. government-sponsored enterprises	996	(5)	1,778	(222)	2,774	(227)
Obligations of states and political subdivisions	2,791	(163)	98,442	(22,917)	101,233	(23,080)
Mortgage-backed securities	37,759	(563)	33,612	(6,115)	71,371	(6,678)
Other debt securities	4,900	(58)	9,101	(723)	14,001	(781)
Bank issued trust preferred securities	—	—	1,249	(237)	1,249	(237)
Total	\$ 51,361	\$ (811)	\$ 144,583	\$ (30,221)	\$ 195,944	\$ (31,032)

<i>(in thousands)</i>						
At December 31, 2023						
U.S. Treasury	\$ 997	\$ —	\$ —	\$ —	\$ 997	\$ —
U.S. government and federal agency obligations	—	—	427	(19)	427	(19)
U.S. government-sponsored enterprises	11,995	(8)	1,772	(228)	13,767	(236)
Obligations of states and political subdivisions	1,501	(158)	103,283	(19,408)	104,784	(19,566)
Mortgage-backed securities	2,935	(40)	39,793	(6,083)	42,728	(6,123)
Other debt securities	—	—	8,799	(1,026)	8,799	(1,026)
Bank issued trust preferred securities	—	—	1,169	(317)	1,169	(317)
Total	\$ 17,428	\$ (206)	\$ 155,243	\$ (27,081)	\$ 172,671	\$ (27,287)

The total available-for-sale portfolio consisted of approximately 398 securities at December 31, 2024. The portfolio included 375 securities having an aggregate fair value of \$195.9 million that were in a loss position at December 31, 2024. Securities identified as temporarily impaired which had been in a loss position for 12 months or longer totaled \$144.6 million at fair value at December 31, 2024. The \$31.0 million aggregate unrealized loss included in accumulated other comprehensive income at December 31, 2024 was caused by interest rate fluctuations.

The decline in fair value is attributable to changes in interest rates and not credit quality. In the absence of changes in credit quality of these investments, the fair value is expected to recover on all debt securities as they approach their maturity date or re-pricing date, or if market yields for such investments decline. The Company does not have the intent to sell these investments over the period of recovery, and it is not more likely than not that the Company will be required to sell such investment securities.

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The following table presents the gross realized gains and losses from sales and calls of available-for-sale securities, as well as gains and losses on equity securities from fair value adjustments which have been recognized in earnings:

<i>(dollars in thousands)</i>	2024	2023	2022
Available-for-sale securities:			
Gross realized gains	\$ —	\$ —	\$ —
Gross realized losses	—	(11,562)	—
Credit losses recognized	—	—	—
Other investment securities:			
Fair value adjustments, net	(4)	32	(14)
Certificates of deposit:			
Gross realized gains	—	—	—
Gross realized losses	—	(17)	—
Investment securities (losses) gains, net	\$ (4)	\$ (11,547)	\$ (14)

(5) Premises and Equipment

A summary of premises and equipment at December 31, 2024 and 2023 is as follows:

<i>(dollars in thousands)</i>	2024	2023
Land and land improvements	\$ 9,190	\$ 9,683
Buildings and improvements	36,401	35,195
Furniture and equipment	13,675	13,214
Operating leases - right of use asset	2,796	2,073
Construction in progress	271	2,103
Total	62,333	62,268
Less accumulated depreciation	31,167	30,221
Premises and equipment, net	\$ 31,166	\$ 32,047

Depreciation expense for the years ended December 31, 2024, 2023, and 2022 was as follows:

<i>(in thousands)</i>	2024	2023	2022
Depreciation expense	\$ 1,650	\$ 2,106	\$ 2,141

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(6) Intangible Assets

Mortgage Servicing Rights

On January 31, 2024, the Company sold its mortgage servicing rights portfolio and all serviced loans transferred to the new servicer on April 30, 2024.

The table below presents changes in mortgage servicing rights for the years ended December 31, 2024, 2023, and 2022.

<i>(dollars in thousands)</i>	2024	2023	2022
Balance at beginning of year	\$ 1,738	\$ 2,899	\$ 2,659
Originated mortgage servicing rights	—	39	64
Sale proceeds	(1,670)	—	—
Changes in fair value:			
Due to changes in model inputs and assumptions (1)	—	(939)	479
Other changes in fair value (2)	(68)	(261)	(303)
Total changes in fair value	(68)	(1,200)	176
Balance at end of year	\$ —	\$ 1,738	\$ 2,899

- (1) The change in fair value resulting from changes in valuation inputs or assumptions, reported in real estate servicing fees, net, used in the valuation model reflects the change in discount rates and prepayment speed assumptions primarily due to changes in interest rates.
- (2) Other changes in fair value, reported in real estate servicing fees, net, reflect changes due to customer payments and passage of time.

Total changes in fair value are reported in real estate servicing fees, net, reported in non-interest income in the Company's consolidated statements of income. In the fourth quarter of 2023, the Company recognized a \$1.1 million mortgage MSR valuation write-down upon accepting a letter of intent to sell the Company's servicing portfolio, which closed during the first quarter of 2024. Prior to the fourth quarter of 2023, valuation assumptions were reviewed with a third party specialist.

The following key data and assumptions were used in estimating the fair value of the Company's mortgage servicing rights as of December 31, 2024 and 2023:

	2024	2023
Weighted average constant prepayment rate	NA	6.55 %
Weighted average note rate	NA	3.52 %
Weighted average discount rate	NA	11.00 %
Weighted average expected life (in years)	NA	7.1

(7) Derivative Instruments

As part of the Company's overall interest rate risk management, the Company utilizes derivative instruments to minimize significant, unanticipated earnings fluctuations caused by interest rate volatility, including interest rate lock commitments, forward commitments to sell mortgage-backed securities, cash flow hedges and interest rate swap contracts. The notional amount does not represent amounts exchanged by the parties, rather the amount exchanged is determined by reference to the notional amount and the other terms of the individual agreements.

Interest Rate Swap Contracts Not Designated as Hedges

The Company entered into interest rate swap contracts sold to commercial customers who wish to modify their interest rate sensitivity. These swaps are offset by contracts simultaneously purchased by the Company from other financial dealer institutions with mirror-image terms. Because of the mirror-image terms of the offsetting contracts, in addition to collateral

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provisions which mitigate the impact of non-performance risk, changes in the fair value subsequent to initial recognition have a minimal effect on earnings. These derivative contracts do not qualify for hedge accounting.

The following table reflects the estimated fair value of derivative instruments included in other assets and other liabilities on the consolidated balance sheets along with their respective notional amounts on a gross basis.

	As of December 31, 2024		
	Notional Amount	Fair Value	
		Derivative Assets	Derivative Liabilities
Derivatives not designated as hedging instruments			
Derivative instruments, interest rate swaps	\$ 16,542	\$ 66	\$ 89
Mortgage derivatives - Interest rate lock commitments		—	—
Mortgage derivatives - Forward commitments		—	—
Total derivatives not designated as hedging instruments		<u>\$ 66</u>	<u>\$ 89</u>

The table below presents the effect of the Company's derivative financial instruments that are not designated as hedging instruments on the Consolidated Statements of Income as of December 31, 2024. The Company recognized \$0.3 million of other income related to client swaps during the year ended December 31, 2024.

<i>(dollars in thousands)</i>	Location of Gain or (Loss) Recognized in Income on Derivative	Gain or (Loss) Recognized in Income on Derivative	
		For The Year Ended December 31, 2024	
Derivatives Not Designated as Hedging Instruments:			
Derivative instruments, interest rate swaps (1)	Other non-interest income	\$	(23)
Mortgage derivatives - Interest rate lock commitments	Other non-interest income / expense		(41)
Mortgage derivatives - Forward commitments	Other non-interest income / expense		41
Total		<u>\$</u>	<u>(23)</u>

(1) Gain (loss) represents net fair value adjustments (including credit related adjustments) for client swaps.

Credit-risk-related Contingent Features

The Company has agreements with each of its derivative counterparties that contain a provision to the effect that, if the Company (either) defaults (or is capable of being declared in default) on any of its indebtedness, then the Company could also be declared in default on its derivative obligations.

Collateral Requirements

The Company has agreements with certain of its derivative counterparties that contain a provision where if the company fails to maintain its status as a well / adequate capitalized institution, then the Company could be required to post additional collateral.

Certain derivative transactions have collateral requirements, both at the inception of the trade, and as the value of each derivative position changes. As of December 31, 2024, the Company had recorded the obligation to return cash collateral of \$0.1 million.

As of December 31, 2024, the fair value of derivatives in a net liability position, which includes accrued interest but excludes any adjustment for nonperformance risk, related to these agreements was \$0.02 million. As of December 31, 2024, the Company has not posted any collateral related to these agreements. If the Company had breached any of these provisions at December 31, 2024, it could have been required to settle its obligations under the agreements at their termination value of \$0.

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(8) Deposits

The table below represents the aggregate amount of time deposits with balances that met or exceeded the FDIC insurance limit of \$250,000 and brokered deposits as of December 31, 2024 and 2023:

<i>(aggregate amounts in thousands)</i>	December 31, 2024		December 31, 2023	
Time deposits with balances > \$250,000	\$	100,383	\$	108,147
Brokered deposits	\$	13	\$	161

The scheduled maturities of total time deposits at December 31, 2024 were as follows:

<i>(aggregate amounts in thousands)</i>			
Due within:			
2025		\$	279,190
2026			13,356
2027			6,080
2028			2,885
2029			310
Thereafter			—
Total		\$	301,821

(9) Leases

The Company's leases primarily consist of office space and bank branches with remaining lease terms of generally 1 to 10 years. As of December 31, 2024, operating right-of-use (ROU) assets and liabilities were \$1.6 million and \$1.7 million, respectively. As of December 31, 2024, the weighted-average remaining lease term on these operating leases is approximately 5.7 years and the weighted-average discount rate used to measure the lease liabilities is approximately 4.1%.

Operating leases in which the Company is the lessee are recorded as operating lease right-of-use assets and operating lease liabilities. Currently, the Company does not have any finance leases. The ROU assets are included in premises and equipment, net on the consolidated balance sheets.

Operating lease ROU assets represent the Company's right to use an underlying asset during the lease term and operating lease liabilities represent the Company's obligation to make lease payments arising from the lease. ROU assets and operating lease liabilities are recognized at lease commencement based on the present value of the remaining lease payments using a discount rate that represents the Company's incremental borrowing rate at the lease commencement date.

Operating lease cost, which is comprised of amortization of the ROU asset and the implicit interest accreted on the operating lease liability, is recognized on a straight-line basis over the lease term, and is recorded in net occupancy expense in the consolidated statements of income. The operating lease cost was \$0.3 million and \$0.4 million for the years ended December 31, 2024 and 2023, respectively.

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The table below summarizes the maturity of remaining operating lease liabilities:

Lease payments due in:	Operating Lease
<i>(dollars in thousands)</i>	
2025	\$ 391
2026	400
2027	327
2028	330
2029	112
Thereafter	326
Total lease payments	1,886
Less imputed interest	(208)
Total lease liabilities, as reported	\$ 1,678

(10) Borrowings

Federal Home Loan Bank and other borrowings of the Company consisted of the following:

	2024			2023		
	Maturity Date	Year End Balance	Year End Weighted Rate	Year End Balance	Year End Weighted Rate	
<i>(dollars in thousands)</i>						
FHLB advances	2024	\$ —	— %	\$ 26,000	3.47 %	
	2025	40,000	3.37 %	30,000	2.89 %	
	2026	23,000	2.53 %	23,000	2.53 %	
	2027	7,500	2.05 %	17,500	3.28 %	
	2028	—	— %	—	— %	
	2029	2,925	1.91 %	—	— %	
	Thereafter	8,000	1.41 %	10,500	1.61 %	
Other	2031	\$ 100	4.42 %	\$ —	— %	
Total		\$ 81,525		\$ 107,000		
Subordinated notes	2034	\$ 25,774	7.31 %	\$ 25,774	8.34 %	
	2035	23,712	6.44 %	23,712	7.47 %	
Total		\$ 49,486		\$ 49,486		

The Bank is a member of the Federal Home Loan Bank of Des Moines (FHLB) and has access to term financing from the FHLB. These borrowings, which are all fixed rate, are secured under a blanket agreement, which assigns all investment in FHLB stock, as well as qualifying first mortgage loans as collateral to secure amounts borrowed by the Bank. As of December 31, 2024, the Bank had \$81.4 million in outstanding borrowings with the FHLB. Based upon the collateral pledged to the FHLB at December 31, 2024, the Bank could borrow up to an additional \$187.3 million under the agreement.

On March 17, 2005, Exchange Statutory Trust II, a business trust and subsidiary of the Company, issued \$23.0 million of 30-year floating rate Trust Preferred Securities (TPS) to a TPS Pool. The floating rate is equal to the three-month CME

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Term SOFR rate plus 1.83% and reprices quarterly (6.44% at December 31, 2024). The TPS can be prepaid without penalty at any time after five years from the issuance date.

The TPS represent preferred interests in the trust. The Company invested approximately \$0.7 million in common interests in the trust and the purchaser in the private placement purchased \$23.0 million in preferred interests. The proceeds were used by the trust to purchase from the Company its 30-year subordinated debentures whose terms mirror those stated above for the TPS. The debentures are guaranteed by the Company pursuant to a subordinated guarantee. Distributions on the TPS are payable quarterly on March 17, June 17, September 17, and December 17 of each year that the TPS are outstanding. The trustee for the TPS holders is U.S. Bank, N.A. The trustee does not have the power to take enforcement action in the event of a default under the TPS for five years from the date of default. In the event of default, however, the Company would be precluded from paying dividends until the default is cured.

On March 17, 2004, Exchange Statutory Trust I, a business trust and subsidiary of the Company issued \$25.0 million of floating rate TPS to a TPS Pool. The floating rate is equal to the three-month CME Term SOFR rate plus 2.70% and reprices quarterly (7.31% at December 31, 2024). The TPS are fully, irrevocably, and unconditionally guaranteed on a subordinated basis by the Company.

The TPS represent preferred interests in the trust. The Company invested approximately \$0.8 million in common interests in the trust and the purchaser in the private placement purchased \$25.0 million in preferred interests. The proceeds of the TPS were invested in junior subordinated debentures of the Company. Distributions on the TPS are payable quarterly on March 17, June 17, September 17, and December 17 of each year that the TPS are outstanding. The TPS mature on March 17, 2034. That maturity date may be shortened if certain conditions are met.

The Exchange Statutory Trusts are not consolidated in the Company's financial statements. Accordingly, the Company does not report the securities issued by the Exchange Statutory Trusts as liabilities, and instead reports the subordinated notes issued by the Company and held by the Exchange Statutory Trusts as liabilities. The amount of the subordinated notes as of December 31, 2024 and 2023 was \$49.5 million, respectively. The Company has recorded the investments in the common securities issued by the Exchange Statutory Trusts aggregating \$1.2 million as of both December 31, 2024 and 2023, respectively, and the corresponding obligations under the subordinated notes, as well as the interest income and interest expense on such investments and obligations in its consolidated financial statements.

(11) Income Tax Expense (Benefit)

The composition of income tax expense (benefit) for the years ended December 31, 2024, 2023, and 2022 was as follows:

<i>(dollars in thousands)</i>	2024	2023	2022
Current:			
Federal	\$ 3,070	\$ 793	\$ 4,591
State	—	67	(134)
Total current	3,070	860	4,457
Deferred:			
Federal	1,032	(1,384)	(119)
State	—	—	—
Total deferred	1,032	(1,384)	(119)
Total income tax expense (benefit)	\$ 4,102	\$ (524)	\$ 4,338

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Applicable income tax expense (benefit) for financial reporting purposes differs from the amount computed by applying the statutory federal income tax rate for the reasons noted in the table for the years ended December 31, 2024, 2023, and 2022 are as follows:

<i>(dollars in thousands)</i>	2024		2023		2022	
	Amount	%	Amount	%	Amount	%
Income before provision for income tax (benefit)	\$ 22,358		\$ 432		\$ 25,089	
Tax at statutory federal income tax rate	\$ 4,695	21.00 %	\$ 91	21.00 %	\$ 5,269	21.00 %
Tax-exempt income, net	(567)	(2.54)	(509)	(117.88)	(821)	(3.27)
State income tax expense (benefit), net of federal tax expense (benefit)	—	—	53	12.25	(106)	(0.42)
Other, net	(26)	(0.11)	(159)	(36.86)	(4)	(0.02)
Provision for income tax (benefit) expense	\$ 4,102	18.35 %	\$ (524)	(121.49)%	\$ 4,338	17.29 %

Income taxes (benefit) as a percentage of earnings before income taxes (benefit) as reported in the consolidated financial statements were 18.3% for the year ended December 31, 2024 compared to (121.5)% and 17.3% for the years ended December 31, 2023 and 2022, respectively. The effective tax rate for each of years ended December 31, 2024, 2023, and 2022, respectively, is lower than the U.S. federal statutory rate of 21% primarily due to tax-free revenues.

The components of deferred tax assets and deferred tax liabilities at December 31, 2024 and 2023 were as follows:

<i>(dollars in thousands)</i>	2024	2023
Deferred tax assets:		
Allowance for credit losses	\$ 4,589	\$ 4,669
Securities	6,428	5,653
Other real estate owned	421	1,250
Deferred loan fees	450	437
Lease liability	352	255
Accrued / deferred compensation	763	835
Other	497	592
Total deferred tax assets	\$ 13,500	\$ 13,691
Deferred tax liabilities:		
Premises and equipment	\$ 515	\$ 319
Mortgage servicing rights	—	365
Deferred loan costs	395	444
Pension	2,424	1,180
Right-of-use asset	343	246
Prepaid expenses	233	187
Other	61	38
Total deferred tax liabilities	3,971	2,779
Net deferred tax assets	\$ 9,529	\$ 10,912

The deferred tax asset associated with the unrealized losses on securities is mainly a result of changes in interest rates, and the unrealized losses are considered to be temporary as the fair value is expected to recover as the securities approach their respective maturity dates. The issuers of the securities are of high credit quality and all principal amounts are expected to

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be paid when the securities mature. The Company does not intend to sell and it is more likely than not that the Company will not be required to sell the securities prior to their anticipated recovery.

The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income of the appropriate character during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning initiatives in making this assessment. In management's opinion, the Company will more likely than not realize the benefits of its deferred tax assets and, therefore, has not established a valuation allowance against its deferred tax assets as of December 31, 2024. Management arrived at this conclusion based upon the level of historical taxable income and projections for future taxable income of the appropriate character over the periods in which the deferred tax assets are deductible.

The Company follows ASC Topic 740, *Income Taxes*, which addresses the accounting for uncertain tax positions. For each of the years ended December 31, 2024 and 2023, respectively, the Company did not have any uncertain tax provisions, and did not record any related tax liabilities.

(12) Stockholders' Equity and Accumulated Other Comprehensive Income (Loss)

Accumulated Other Comprehensive Income (Loss)

The following table summarizes the change in the components of the Company's accumulated other comprehensive income (loss) for the years ended December 31, as indicated.

<i>(dollars in thousands)</i>	Unrealized Income (Loss) on Securities (1)	Unrecognized Net Pension and Postretirement Costs (2)	Accumulated Other Comprehensive Income (Loss)
Balance, December 31, 2022	\$ (36,657)	\$ 4,943	\$ (31,714)
Other comprehensive income (loss), before reclassifications	10,087	(640)	9,447
Amounts reclassified from accumulated other comprehensive income (loss)	9,148	4,129	13,277
Other comprehensive income, before tax	19,235	3,489	22,724
Income tax expense	(4,039)	(733)	(4,772)
Other comprehensive income, net of tax	15,196	2,756	17,952
Balance, December 31, 2023	\$ (21,461)	\$ 7,699	\$ (13,762)
Other comprehensive income (loss), before reclassifications	(3,740)	(690)	(4,430)
Amounts reclassified from accumulated other comprehensive income (loss)	—	6,100	6,100
Other comprehensive income (loss), before tax	(3,740)	5,410	1,670
Income tax (expense) benefit	785	(1,136)	(351)
Other comprehensive income (loss), net of tax	(2,955)	4,274	1,319
Balance, December 31, 2024	\$ (24,416)	\$ 11,973	\$ (12,443)

- (1) The pre-tax amounts reclassified from accumulated other comprehensive income (loss) are included in gains (losses) on sale of investment securities in the consolidated statements of income.
- (2) The pre-tax amounts reclassified from accumulated other comprehensive income (loss) are included in the computation of net periodic pension (income) cost. See Note 14.

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Shares issued and outstanding

The following table shows the changes in shares of common stock issues and common stock held as treasury shares for the years ended December 31, 2023, 2023, and 2022.

	Common Stock Issued	Treasury Stock Held	Common Stock Outstanding
Balance at, December 31, 2021	\$ 7,023,821	\$ (406,846)	\$ 6,616,975
Stock dividend	260,330	—	260,330
Repurchase of common stock	—	(108,724)	(108,724)
Balance at, December 31, 2022	\$ 7,284,151	\$ (515,570)	\$ 6,768,581
Stock dividend	270,742	—	270,742
Balance at, December 31, 2023	\$ 7,554,893	\$ (515,570)	\$ 7,039,323
Restricted share unit activity	—	5,994	5,994
Repurchase of common stock	—	(56,692)	(56,692)
Balance at, December 31, 2024	\$ 7,554,893	\$ (566,268)	\$ 6,988,625

Stock Dividend On July 1, 2023, the Company paid a stock dividend of four percent to common shareholders of record at the close of business on June 15, 2023. For all periods presented, share information, including basic and diluted earnings per share, has been adjusted retroactively to reflect this change.

Repurchase Program

Pursuant to the Company's 2019 Repurchase Plan, management is given discretion to determine the number and pricing of the shares to be purchased, as well as the timing of any such purchases. The Company repurchased 56,692 common shares under the repurchase plan during the year end December 31, 2024 at an average cost of \$19.51 per share totaling \$1.1 million. As of December 31, 2024, \$3.9 million remained available for share repurchase pursuant to the plan.

(13) Share-Based Compensation

Equity-Based Compensation Plan

At the 2023 Annual Meeting of Shareholders, held on June 6, 2023, the Company's shareholders approved the Hawthorn Bancshares, Inc. Equity Incentive Plan (the "Equity Plan"), which was previously approved by the Company's Board of Directors (the "Board"). The purpose of the Equity Plan is to allow eligible participants of the Company and its subsidiaries to acquire or increase a proprietary and vested interest in the growth and performance of the Company. The Equity Plan is also designed to assist the Company in attracting and retaining selected service providers by providing them with the opportunity to participate in the success and profitability of the Company. The terms of the Equity Plan provide for the grant of stock options, stock appreciation rights, restricted stock, restricted stock units, performance shares, other equity-based awards and cash awards. Subject to certain adjustments, the maximum number of shares of the Company's common stock that may be delivered pursuant to awards under the Equity Plan is 203,000 shares. Eligible participants under the Equity Plan include all employees, non-employee directors and consultants of the Company or its subsidiaries. The Equity Plan will be administered by the Board or a committee thereof.

The Compensation Committee adopted a form of restricted stock unit award agreement (service-based vesting). The Company issues restricted share units ("RSUs") to provide additional incentives to key officers, employees, and non-

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employee directors. Awards are granted as determined by the Compensation Committee. The service-based RSUs vest, and shares of common stock are issued, in equal installments on the first, second, and third anniversaries of the date of grant.

The following table summarizes the status of the Company's RSUs for the year ended December 31, 2024:

	RSUs			
	2024		2023	
<i>(dollars in thousands, except per share amounts)</i>	Quantity	Weighted-Average Grant Date Fair Value Per share	Quantity	Weighted-Average Grant Date Fair Value Per share
Non-vested beginning of year	18,277	\$ 20.63	—	\$ —
Granted	23,151	24.68	18,277	20.63
Vested	6,092	23.81	—	—
Forfeited	—	—	—	—
Non-vested end of year	35,336	\$ 22.84	18,277	\$ 20.63

The fair value of the RSUs units is determined using the Company's stock price on the date of grant. Total share-based compensation expense recognized for these RSUs was \$184,000 and \$42,000 for the years ended December 31, 2024 and 2023, respectively. No share-based compensation expense was recognized in the year ended December 31, 2022.

At December 31, 2024 there was \$0.7 million of total unrecognized compensation expense related to RSUs that is expected to be recognized over a weighted-average period of 2.4 years.

(14) Retirement Plans

Profit-sharing Plan

The Company's profit-sharing plan includes a matching 401(k) portion, in which the Company matches the first 3% of eligible employee contributions. The Company made annual contributions for the discretionary portion in an amount up to 6% of income before income taxes and before contributions to the profit-sharing and pension plans for all participants, limited to the maximum amount deductible for federal income tax purposes, for each of the years shown. In addition, employees were able to make additional tax-deferred contributions. Total expense recorded for the Company match was \$0.5 million, \$0.6 million and \$0.5 million for the years ended December 31, 2024, 2023, and 2022, respectively. The employer discretionary profit sharing contribution made to the 401(k) plan was \$0.8 million, \$0.6 million, and \$1.0 million for plan years 2024, 2023 and 2022, respectively.

Other Plans

On November 7, 2018, the Board of Directors of the Company adopted a supplemental executive retirement plan (SERP), effective on January 1, 2018. The SERP provides select employees who satisfy certain eligibility requirements with certain benefits upon retirement, termination of employment or death.

As of December 31, 2024, the accrued liability under the plan was \$1.7 million and the expense was \$0.1 million, \$0.04 million, and \$0.4 million for the years ended December 31, 2024 and 2023, and 2022, respectively, is recognized over the required service period. For the year ended December 31, 2024 a \$0.1 million distribution was paid.

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Pension

The Company provides a noncontributory defined benefit pension plan for all full-time and eligible employees. Beginning January 1, 2018 and for all retrospective periods presented, the Company adopted the guidance under ASU 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. Under the new guidance, only the service cost component of the net periodic benefit cost is reported in the same income statement line item as salaries and benefits, and the remaining components are reported as other non-interest income. An employer is required to recognize the funded status of a defined benefit postretirement plan as an asset or liability in its balance sheet and to recognize changes in that funded status in the year in which the changes occur through comprehensive income. Under the Company's funding policy for the defined benefit pension plan, contributions are made to a trust as necessary to provide for current service and for any unfunded accrued actuarial liabilities over a reasonable period. To the extent that these requirements are fully covered by assets in the trust, a contribution might not be made in a particular year. The Company did not elect to make a pension contribution in 2024.

Effective July 1, 2017, the Company amended the pension plan to effectuate a "soft freeze" such that no individual hired (or rehired in the case of a former employee) by the Company after September 30, 2017, whether or not such individual is or was a vested member in the plan, will be eligible to be an active member and be entitled to accrue any benefits under the plan.

Obligations and Funded Status at December 31,

<i>(dollars in thousands)</i>	2024	2023
Change in projected benefit obligation:		
Balance, January 1	\$ 30,623	\$ 29,131
Service cost	947	946
Interest cost	1,477	1,428
Actuarial (gain) loss *	(3,147)	49
Benefits paid	(1,113)	(931)
Balance, December 31,	\$ 28,787	\$ 30,623
Change in plan assets:		
Fair value, January 1	\$ 36,242	\$ 30,932
Actual return on plan assets	5,348	6,350
Employer contribution	—	—
Expenses paid	(145)	(109)
Benefits paid	(1,113)	(931)
Fair value, December 31,	\$ 40,332	\$ 36,242
Funded status at end of year	\$ 11,544	\$ 5,619
Accumulated benefit obligation	\$ 24,954	\$ 25,897

Amounts recognized in the consolidated balance sheet consist of the following:

<i>(in thousands)</i>	2024	2023
Non-current assets	\$ 11,544	\$ 5,619
Net asset at end of year	\$ 11,544	\$ 5,619

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*The actuarial gain in 2024 was primarily driven by the increase in the year-over-year discount rate, which resulted in a gain for the plan.

Components of Net Pension (Income) Cost and Other Amounts Recognized in Accumulated Other Comprehensive Income (Loss)

The following items are components of net pension (income) cost for the years ended December 31, as indicated:

<i>(dollars in thousands)</i>	2024	2023	2022
Service cost - benefits earned during the year	\$ 947	\$ 946	\$ 1,491
Interest costs on projected benefit obligations (a)	1,477	1,428	1,174
Expected return on plan assets (a)	(2,358)	(2,178)	(2,282)
Expected administrative expenses	109	115	118
Amortization of unrecognized net (gain) loss (a)	(690)	(640)	—
Net periodic pension (income) cost	\$ (515)	\$ (329)	\$ 501

(a) The components of net periodic pension (income) cost other than the service cost component are included in other non-interest income.

Net periodic pension benefit costs include interest costs based on an assumed discount rate, the expected return on plan assets based on actuarially derived market-related values, and the amortization of net actuarial losses. Net periodic postretirement benefit costs include service costs, interest costs based on an assumed discount rate, and the amortization of prior service credits and net actuarial gains. Differences between expected and actual results in each year are included in the net actuarial gain or loss amount, which is recognized in other comprehensive income. The net actuarial gain or loss in excess of a 10% corridor is amortized in net periodic benefit cost over the average remaining service period of active participants in the Plans. The prior service credit is amortized over the average remaining service period to full eligibility for participating employees expected to receive benefits.

Amounts not yet reflected in net periodic benefit cost and included in accumulated other comprehensive income (loss) at December 31, 2024 and 2023 are shown below, including amounts recognized in other comprehensive income during the periods. All amounts are shown on a pre-tax basis.

<i>(dollars in thousands)</i>	2024	2023
Net accumulated actuarial net gain	\$ 15,155	\$ 9,745
Accumulated other comprehensive gain	15,155	9,745
Net periodic benefit cost in excess of cumulative employer contributions	(3,611)	(4,126)
Net amount recognized at December 31, balance sheet	\$ 11,544	\$ 5,619
Net actuarial gain arising during period	\$ 6,100	\$ 4,129
Amortization of net actuarial gain	(690)	(640)
Total recognized in other comprehensive income (loss)	\$ 5,410	\$ 3,489
Total recognized in net periodic pension cost and other comprehensive income (loss)	\$ (5,925)	\$ (3,818)

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Assumptions utilized to determine benefit obligations as of December 31, 2024, 2023, and 2022 and to determine pension expense for the years then ended are as follows:

	2024	2023	2022
Determination of benefit obligation at year end:			
Discount rate	5.65 %	4.95 %	5.10 %
Annual rate of compensation increase	4.50 %	4.50 %	4.50 %
Determination of pension expense for year ended:			
Discount rate for the service cost	4.95 %	5.10 %	3.10 %
Annual rate of compensation increase	4.50 %	4.50 %	4.50 %
Expected long-term rate of return on plan assets	6.75 %	6.75 %	6.75 %

The assumed overall expected long-term rate of return on pension plan assets used in calculating 2024 pension expense was 6.75%. Determination of the plan's rate of return is based upon historical returns for equities and fixed income indexes. During the past five years, the Company's plan assets have experienced the following annual returns:

<i>(dollars in thousands)</i>	2024	2023	2022	2021	2020
Plan Assets:					
Actual rate of return	15.9%	21.1%	(17.0)%	22.1%	19.7%

The rate used in plan calculations may be adjusted by management for current trends in the economic environment. With a traditional investment mix of over half of the plan's investments in equities, the actual return for any one plan year may fluctuate significantly with changes in the stock market. Primarily due to an increase in the discount rate used in the actuarial calculation of plan income, the Company expects to incur \$0.8 million of income in 2025 compared to \$0.5 million of income in 2024.

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Plan Assets

The investment policy of the pension plan is designed for growth in value while minimizing risk to the overall portfolio. The Company diversifies the assets through investments in domestic fixed income securities and domestic and international equity securities. The assets are readily marketable and can be sold to fund benefit payment obligations as they become payable. The Company regularly reviews its policies on the investment mix and may make changes depending on economic conditions and perceived investment mix.

The fair value of the Company's pension plan assets at December 31, 2024 and 2023 by asset category was as follows:

<i>(dollars in thousands)</i>	Fair Value Measurements			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2024				
Cash equivalents	\$ 3,630	\$ 3,630	\$ —	\$ —
U.S government agency obligations	7,536	—	7,536	—
Corporate bonds	975	—	975	—
Mutual funds *	28,191	28,191	—	—
Total	\$ 40,332	\$ 31,821	\$ 8,511	\$ —
December 31, 2023				
Cash equivalents	\$ 1,521	\$ 1,521	\$ —	\$ —
U.S government agency obligations	2,587	—	2,587	—
Mutual funds *	32,134	32,134	—	—
Total	\$ 36,242	\$ 33,655	\$ 2,587	\$ —

* Mutual funds consist of equity securities

The following future benefit payments are expected to be paid:

Year	Pension benefits
<i>(dollars in thousands)</i>	
2025	\$ 1,124
2026	1,208
2027	1,345
2028	1,466
2029	1,602
Thereafter	10,036

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(15) Earnings per Share

The following table displays a reconciliation of the information used in calculating basic and diluted earnings per common share for the years ended December 31, 2024, 2023, and 2022, which have been restated for stock dividends. Diluted earnings per common share incorporates the potential impact of contingently issuable shares, including awards which require future service as a condition of delivery of the underlying common stock.

(dollars in thousands, except per share data)

	2024	2023	2022
Net income available to common shareholders	\$ 18,256	\$ 956	\$ 20,751
Weighted average common shares outstanding	7,000,480	7,039,323	7,063,054
Effect of dilutive equity-based awards	—	—	—
Weighted average dilutive common shares outstanding	7,000,480	7,039,323	7,063,054
Basic earnings per share	\$ 2.61	\$ 0.14	\$ 2.94
Diluted earnings per share	\$ 2.61	\$ 0.14	\$ 2.94

The dilutive effect of restricted share units is reflected in diluted earnings per share unless the impact is anti-dilutive, by application of the treasury stock method.

(16) Capital Requirements

The Company and the Bank are subject to various regulatory capital requirements administered by federal and state banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional discretionary, actions by regulators that, if undertaken, could have a direct material effect on the Company's consolidated financial statements. Under capital adequacy guidelines, the Company and the Bank must meet specific capital guidelines that involve quantitative measures of assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The capital amounts and classification of the Company and the Bank are subject to qualitative judgments by the regulators about components, risk-weightings, and other factors.

The Basel III regulatory capital reforms adopted by U.S. federal regulatory authorities (the "Basel III Capital Rules"), among other things, (i) establish the capital measure called "Common Equity Tier 1" ("CET1"), (ii) specify that Tier 1 capital consists of CET1 and "Additional Tier 1 Capital" instruments meeting stated requirements, (iii) require that most deductions/adjustments to regulatory capital measures be made to CET1 and not to other components of capital and (iv) define the scope of the deductions/adjustments to the capital measures.

Additionally, the Basel III Capital Rules require that the Company maintain a 2.50% capital conservation buffer with respect to each of CET1, Tier 1 and total capital to risk-weighted assets, which provides for capital levels that exceed the minimum risk-based capital adequacy requirements. A financial institution with a conservation buffer of less than the required amount is subject to limitations on capital distributions, including dividend payments and stock repurchases, and certain discretionary bonus payments to executive officers.

Quantitative measures established by regulation to ensure capital adequacy require the Company and the Bank to maintain minimum amounts and ratios of CET1, Tier 1 and total capital to risk-weighted assets, and of Tier 1 capital to average assets, each as defined in the regulations. Management believes, as of December 31, 2024, that the Company and the Bank meet all capital adequacy requirements to which they are subject.

Financial institutions are categorized as well capitalized or adequately capitalized, based on minimum total risk-based, Tier 1 risk-based, CET1 and Tier 1 leverage ratios. As shown in the table below, the Company's capital ratios exceeded the regulatory definition of adequately capitalized as of December 31, 2024 and 2023. Based upon the information in its most recently filed call report, the Bank met the capital ratios necessary to be well-capitalized. The regulatory authorities can apply changes in classification of assets and such changes may retroactively subject the Company to changes in capital ratios. Any such change could reduce one or more capital ratios below well-capitalized status. In addition, a change may result in imposition of additional assessments by the FDIC or could result in regulatory actions that could have a material effect on our condition and results of operations. In addition, bank holding companies generally are required to maintain a Tier 1 leverage ratio of at least 4%.

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Because the Bank had less than \$15 billion in total consolidated assets as of December 31, 2009, the Company is allowed to continue to classifying its trust preferred securities, all of which were issued prior to May 19, 2010, as Tier 1 capital.

Under the Basel III requirements, at December 31, 2024 and December 31, 2023, the Company met all capital adequacy requirements and had regulatory capital ratios in excess of the levels established for well-capitalized institutions, as shown in the following table as of years indicated:

<i>(dollars in thousands)</i>	Actual		Minimum Capital Required - Basel III Fully Phased-In		Required to be Considered Well- Capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2024						
Total Capital (to risk-weighted assets):						
Company	\$ 232,400	14.79 %	\$ 164,953	10.50 %	\$ —	N.A%
Bank	219,410	14.10 %	163,365	10.50 %	155,586	10.00 %
Tier 1 Capital (to risk-weighted assets):						
Company	\$ 212,780	13.54 %	\$ 133,533	8.50 %	\$ —	N.A%
Bank	199,960	12.85 %	132,248	8.50 %	124,469	8.00 %
Common Equity Tier 1 Capital (to risk-weighted assets):						
Company	\$ 164,780	10.49 %	\$ 109,968	7.00 %	\$ —	N.A%
Bank	199,960	12.85 %	108,910	7.00 %	101,131	6.50 %
Tier 1 leverage ratio (to adjusted average assets):						
Company	\$ 212,780	11.46 %	\$ 74,261	4.00 %	\$ —	N.A%
Bank	199,960	10.83 %	73,847	4.00 %	92,309	5.00 %
December 31, 2023						
Total Capital (to risk-weighted assets):						
Company	\$ 221,586	13.99 %	\$ 166,266	10.50 %	\$ —	N.A%
Bank	219,043	13.91 %	165,369	10.50 %	157,494	10.00 %
Tier 1 Capital (to risk-weighted assets):						
Company	\$ 199,395	12.59 %	\$ 134,596	8.50 %	\$ —	N.A%
Bank	199,490	12.67 %	133,870	8.50 %	125,995	8.00 %
Common Equity Tier 1 Capital (to risk-weighted assets):						
Company	\$ 154,033	9.73 %	\$ 110,844	7.00 %	\$ —	N.A%
Bank	199,490	12.67 %	110,246	7.00 %	102,371	6.50 %
Tier 1 leverage ratio:						
Company	\$ 199,395	10.29 %	\$ 77,492	4.00 %	\$ —	N.A%
Bank	199,490	10.31 %	77,411	4.00 %	96,763	5.00 %

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(17) Fair Value Measurements

Fair value represents the amount expected to be received to sell an asset or paid to transfer a liability in its principal or most advantageous market in an orderly transaction between market participants at the measurement date.

Depending on the nature of the asset or liability, the Company uses various valuation methodologies and assumptions to estimate fair value. The measurement of fair value under U.S. GAAP uses a hierarchy intended to maximize the use of observable inputs and minimize the use of unobservable inputs. This hierarchy uses three levels of inputs to measure the fair value of assets and liabilities as follows. During the year ended December 31, 2024 there were no transfers into or out of Levels 1-3.

The fair value hierarchy uses three levels of inputs to measure the fair value of assets and liabilities as follows:

Level 1 – Inputs are unadjusted quoted prices for identical assets or liabilities in active markets. A quoted price in an active market provides the most reliable evidence of fair value and is used to measure fair value whenever available. A contractually binding sales price also provides reliable evidence of fair value.

Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These might include quoted prices for similar assets and liabilities in active markets, such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 – Inputs are unobservable inputs for the asset or liability and significant to the fair value. These may be internally developed using the Company's best information and assumptions that a market participant would consider.

In accordance with fair value accounting guidance, the Company measures, records, and reports various types of assets and liabilities at fair value on either a recurring or non-recurring basis in the Consolidated Financial Statements. Nonfinancial assets measured at fair value on a nonrecurring basis would include foreclosed real estate, long-lived assets, and core deposit intangible assets, which are reviewed when circumstances or other events indicate that impairment may have occurred.

Valuation Methods for Assets and Liabilities Measured at Fair Value on a Recurring Basis

Following is a description of the Company's valuation methodologies used for assets and liabilities recorded at fair value on a recurring basis:

Available-for-Sale Securities

The fair value measurements of the Company's investment securities are determined by a third party pricing service which considers observable data that may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, live trading levels, trade execution data, market consensus prepayment speeds, credit information and the bond's terms and conditions, among other things. The fair value measurements are subject to independent verification to another pricing source by management each quarter for reasonableness.

Other Investment Securities

Other investment securities include equity securities with readily determinable fair values and other investment securities that do not have readily determinable fair values. Investments in FHLB stock and MIB bankers bank stock, that do not have readily determinable fair values, are required for membership in those organizations. Equity securities that are not actively traded are classified in Level 2.

Equity securities with readily determinable fair values are recorded at fair value, with changes in fair value reflected in earnings. Equity securities that do not have readily determinable fair values are carried at cost and are periodically assessed for impairment. The Company uses Level 1 inputs to value equity securities that are traded in active markets.

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Loans Held for Sale

The fair value of the committed in forward sale agreements loans is the price at which they could be sold in the principal market at the measurement date, therefore the Company classifies as level 2.

Derivative Assets and Liabilities

Derivative assets and liabilities include interest rate lock commitments ("IRLCs") and forward sale commitments. The fair values of IRLCs and forward sale commitments are determined using readily observable market data such as interest rates, prices, volatility factors, and customer credit-related adjustments. For IRLCs, the fair value is subject to the anticipated loan funding probability (pull-through rate), which is considered an unobservable factor. Factors that affect pull-through rates include origination channel, current mortgage interest rates in the market versus the interest rate incorporated in the IRLC, the purpose of the mortgage, stage of completion of the underlying application and underwriting process, and the time remaining until the IRLC expires. The Company classifies IRLCs as Level 3 due to the unobservable input of pull-through rates. As of September 30, 2024, the Company elected not to record the derivatives associated with IRLC due to the reduced volume of loans sold to the secondary market and therefore immateriality of the derivative.

Fair values of interest rate swaps are determined using a discounted cash flow analysis on the expected cash flows of each derivative, which also includes a credit value adjustment for client swaps. An independent third-party valuation is used to verify and confirm these values, which are classified as Level 2 within the fair value hierarchy.

Mortgage Servicing Rights (MSRs)

The Company sold its servicing portfolio on January 31, 2024. In prior periods, the fair value of MSRs is based on the discounted value of estimated future cash flows utilizing contractual cash flows, servicing rate, constant prepayment rate, servicing cost, and discount rate factors. Accordingly, the fair value is estimated based on a valuation model that calculates the present value of estimated future net servicing income. The model incorporates assumptions that market participants use in estimating future net servicing income, including estimates of prepayment speeds, market discount rates, cost to service, float earnings rates, and other ancillary income, including late fees. The valuation models estimate the present value of estimated future net servicing income. The Company classifies its MSRs as Level 3.

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<i>(dollars in thousands)</i>	Fair Value Measurements			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2024				
Assets:				
U.S. Treasury	\$ 4,915	\$ 4,915	\$ —	\$ —
U.S. government and federal agency obligations	401	—	401	—
U.S. government-sponsored enterprises	12,804	—	12,804	—
Obligations of states and political subdivisions	102,486	—	102,486	—
Mortgage-backed securities	78,110	—	78,110	—
Other debt securities	18,687	—	18,687	—
Bank-issued trust preferred securities	1,249	—	1,249	—
Equity securities	74	74	—	—
Derivative instruments, interest rate swaps	66	—	66	—
Total	\$ 218,792	\$ 4,989	\$ 213,803	\$ —
Liabilities:				
Derivative instruments, interest rate swaps	\$ 89	\$ —	\$ 89	\$ —
Total	\$ 89	\$ —	\$ 89	\$ —
December 31, 2023				
Assets:				
U.S. Treasury	\$ 1,978	\$ 1,978	\$ —	\$ —
U.S. government and federal agency obligations	427	—	427	—
U.S. government-sponsored enterprises	21,822	—	21,822	—
Obligations of states and political subdivisions	106,885	—	106,885	—
Mortgage-backed securities	45,640	—	45,640	—
Other debt securities	10,821	—	10,821	—
Bank-issued trust preferred securities	1,169	—	1,169	—
Equity securities	78	78	—	—
Interest rate lock commitments	43	—	—	43
Loans held for sale	3,884	—	3,884	—
Mortgage servicing rights	1,738	—	—	1,738
Total	\$ 194,485	\$ 2,056	\$ 190,648	\$ 1,781
Liabilities:				
Interest rate lock commitments	\$ 2	\$ —	\$ —	\$ 2
Forward sale commitments	41	—	41	—
Total	\$ 43	\$ —	\$ 41	\$ 2

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The changes in Level 3 assets and liabilities measured at fair value on a recurring basis are summarized as follows:

<i>(dollars in thousands)</i>	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)	
	Mortgage Servicing Rights	Interest Rate Lock Commitments
Balance at December 31, 2022	\$ 2,899	\$ 2
Total (losses) or gains (realized/unrealized):		
Included in earnings	(1,200)	(35)
Included in other comprehensive income	—	—
Purchases	—	—
Sales	—	(169)
Issues	39	243
Settlements	—	—
Balance at December 31, 2023	\$ 1,738	\$ 41
Total (losses) or gains (realized/unrealized):		
Included in earnings	(68)	(11)
Included in other comprehensive income	—	—
Purchases	—	—
Sales	(1,670)	(86)
Issues	—	56
Settlements	—	—
Balance at December 31, 2024	\$ —	\$ —

Valuation methods for instruments measured at fair value on a nonrecurring basis

Following is a description of the Company's valuation methodologies used for assets and liabilities recorded at fair value on a nonrecurring basis:

Collateral Dependent Loans

While the overall loan portfolio is not carried at fair value, the Company periodically records nonrecurring adjustments to the carrying value of impaired loans based on fair value measurements for partial charge-offs of the uncollectible portions of those loans. Nonrecurring adjustments also include certain impairment amounts for collateral dependent loans when establishing the allowance for credit losses. Such amounts are generally based on the fair value of the underlying collateral supporting the loan. In determining the fair value of real estate collateral, the Company relies on external and internal appraisals of property values depending on the size and complexity of the real estate collateral. The appraisals may be discounted based on the Company's historical knowledge, changes in market conditions from the time of appraisal, or other information available. The Company maintains staff trained to perform in-house evaluations and also to review third-party appraisal reports for reasonableness. In the case of non-real estate collateral, reliance is placed on a variety of sources, including external estimates of value and judgments based on the experience and expertise of internal specialists. Fair values of all loan collateral are regularly reviewed by executive loan committee. Because many of these inputs are not observable, the measurements are classified as Level 3.

Other Real Estate Owned and Repossessed Assets

Other real estate owned ("OREO") and repossessed assets consist of loan collateral repossessed through foreclosure. This collateral is comprised of commercial and residential real estate and other non-real estate property, including autos,

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manufactured homes, and construction equipment. Subsequent to foreclosure, these assets are initially carried at fair value of the collateral less estimated selling costs. Fair value, when recorded, is generally based upon appraisals by approved, independent state certified appraisers. Like impaired loans, appraisals on OREO may be discounted based on the Company's historical knowledge, changes in market conditions from the time of appraisal or other information available. During the holding period, valuations are updated periodically, and the assets may be written down to reflect a new cost basis. Because many of these inputs are not observable, the measurements are classified as Level 3.

<i>(dollars in thousands)</i>	Fair Value Measurements Using				
	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Gains (Losses)*
December 31, 2024					
Assets:					
Collateral dependent loans:					
Commercial, financial, & agricultural	\$ 641	\$ —	\$ —	\$ 641	\$ (1,931)
Real estate construction - residential	260	—	—	260	—
Real estate mortgage - residential	—	—	—	—	(50)
Real estate mortgage - commercial	65	—	—	65	(436)
Total	\$ 966	\$ —	\$ —	\$ 966	\$ (2,417)
Other real estate and repossessed assets	\$ 546	\$ —	\$ —	\$ 546	\$ 875
December 31, 2023					
Assets:					
Collateral dependent loans:					
Commercial, financial, & agricultural	\$ 921	\$ —	\$ —	\$ 921	\$ (76)
Real estate construction - residential	268	—	—	268	—
Real estate mortgage - residential	27	—	—	27	(88)
Real estate mortgage - commercial	\$ 2,369	\$ —	\$ —	\$ 2,369	\$ (32)
Total	\$ 3,585	\$ —	\$ —	\$ 3,585	\$ (196)
Other real estate and repossessed assets	\$ 1,744	\$ —	\$ —	\$ 1,744	\$ (4,431)

* Total gains (losses) reported for other real estate owned and repossessed assets includes charge-offs, valuation write-downs, and net losses taken during the periods reported.

(18) Fair Value of Financial Instruments

This summary excludes certain financial assets and liabilities for which carrying value approximates fair value and financial instruments that are recorded at fair value on a recurring basis disclosed above. The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate such value:

Loans

Fair values are estimated for portfolios with similar financial characteristics. Loans are segregated by type, such as commercial, real estate, and consumer. Each loan category is further segmented into fixed and variable interest rate categories. The fair value of loans, or exit price, is estimated by using the future value of discounted cash flows using comparable market rates for similar types of loan products and adjusted for market factors. The

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discount rates used are estimated using comparable market rates for similar types of loan products adjusted to be commensurate with the credit risk, overhead costs, and optionality of such instruments.

Federal Funds Sold, Cash, and Due from Banks

The carrying amounts of short-term federal funds sold and securities purchased under agreements to resell, interest-earning deposits with banks, and cash and due from banks approximate fair value. Federal funds sold and securities purchased under agreements to resell classified as short-term generally mature in 90 days or less.

Certificates of Deposit in Other Banks

Certificates of deposit are other investments made by the Company with other financial institutions that are carried at cost; which is equal to fair value.

Accrued Interest Receivable and Payable

For accrued interest receivable and payable, the carrying amount is a reasonable estimate of fair value because of the short maturity for these financial instruments.

Deposits

The fair value of deposits with no stated maturity, such as non-interest-bearing demand, Negotiable Order of Withdrawal accounts, savings accounts, and money market accounts, is equal to the amount payable on demand. The fair value of time deposits is based on the discounted value of contractual cash flows. The discount rate is estimated using the rates currently offered for deposits of similar remaining maturities.

Federal Funds Purchased and Securities Sold under Agreements to Repurchase

For federal funds purchased and securities sold under agreements to repurchase, the carrying amount is a reasonable estimate of fair value, as such instruments reprice in a short time period.

Subordinated Notes and Other Borrowings

The fair value of subordinated notes and other borrowings is based on the discounted value of contractual cash flows. The discount rate is estimated using the rates currently offered for other borrowed money of similar remaining maturities.

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A summary of the carrying amounts and fair values of the Company's financial instruments at December 31, 2024 and 2023 is as follows:

	December 31, 2024					
			Fair Value Measurements			
	December 31, 2024		Quoted Prices in Active Markets for Identical	Other Observable	Net Significant Unobservable	
<i>(dollars in thousands)</i>	Carrying amount	Fair value	Assets (Level 1)	Inputs (Level 2)	Inputs (Level 3)	
Assets:						
Cash and due from banks	\$ 23,668	\$ 23,668	\$ 23,668	\$ —	\$ —	
Federal funds sold and overnight interest-bearing deposits	27,326	27,326	27,326	—	—	
Certificates of deposit in other banks	1,000	1,000	1,000	—	—	
Other investment securities	5,149	5,149	74	5,075	—	
Loans, net	1,444,116	1,380,252	—	—	1,380,252	
Accrued interest receivable	8,221	8,221	8,221	—	—	
Liabilities:						
Deposits:						
Non-interest bearing demand	\$ 385,022	\$ 385,022	\$ 385,022	\$ —	\$ —	
Savings, interest checking and money market	846,339	846,339	846,339	—	—	
Time deposits	301,821	300,386	—	—	300,386	
FHLB advances and other borrowings	81,525	81,585	—	81,585	—	
Subordinated notes	49,486	41,602	—	41,602	—	
Accrued interest payable	1,754	1,754	1,754	—	—	

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	December 31, 2023					
			Fair Value Measurements			
	December 31, 2023		Quoted Prices in Active Markets for Identical	Other Observable	Net Significant Unobservable	
<i>(dollars in thousands)</i>	Carrying amount	Fair value	Assets (Level 1)	Inputs (Level 2)	Inputs (Level 3)	
Assets:						
Cash and due from banks	\$ 15,675	\$ 15,675	\$ 15,675	\$ —	\$ —	
Federal funds sold and overnight interest-bearing deposits	77,775	77,775	77,775	—	—	
Other investment securities	6,300	6,300	78	6,222	—	
Loans, net	1,515,403	1,364,533	—	—	1,364,533	
Loans held for sale	3,884	3,884	—	3,884	—	
Accrued interest receivable	8,661	8,661	8,661	—	—	
Liabilities:						
Deposits:						
Non-interest bearing demand	\$ 402,241	\$ 402,241	\$ 402,241	\$ —	\$ —	
Savings, interest checking and money market	846,452	846,452	846,452	—	—	
Time deposits	322,151	319,929	—	—	319,929	
FHLB advances and other borrowings	107,000	107,245	—	107,245	—	
Subordinated notes	49,486	38,939	—	38,939	—	
Accrued interest payable	1,772	1,772	1,772	—	—	

Off-Balance-Sheet Financial Instruments

The fair value of commitments to extend credit and standby letters of credit is estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements, the likelihood of the counterparties drawing on such financial instruments, and the present creditworthiness of such counterparties. The Company believes such commitments have been made on terms that are competitive in the markets in which it operates.

Limitations

The fair value estimates provided are made at a point in time based on market information and information about the financial instruments. Because no market exists for a portion of the Company's financial instruments, fair value estimates are based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of various financial instruments, and other factors. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the fair value estimates.

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(19) Commitments and Contingencies

The Company issues financial instruments with off-balance-sheet risk in the normal course of business in meeting the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit. These instruments may involve, to varying degrees, elements of credit and interest rate risk in excess of the amounts recognized in the consolidated balance sheets.

The Company's extent of involvement and maximum potential exposure to credit loss in the event of non-performance by the other party to the financial instrument for commitments to extend credit and standby letters of credit is represented by the contractual amount of these instruments. The Company uses the same credit policies in making commitments and conditional obligations as it does for financial instruments included on its consolidated balance sheets.

The allowance for credit losses associated with unfunded commitments and letters of credit is recorded within other liabilities on the consolidated balance sheets. At December 31, 2024, the allowance for credit losses for unfunded commitments was \$0.9 million.

The contractual amount of off-balance-sheet financial instruments as of December 31, 2024 and 2023 is as follows:

<i>(dollars in thousands)</i>	2024	2023
Commitments to extend credit	\$ 305,811	\$ 286,939
Interest rate lock commitments	—	3,694
Forward sale commitments	—	3,779
Standby letters of credit	141,807	111,631
Total	\$ 447,618	\$ 406,043

Commitments

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since certain of the commitments and letters of credit are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Company evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Company upon extension of credit, is based on management's credit evaluation of the customer. Collateral held varies, but may include accounts receivable, inventory, furniture and equipment, and real estate.

The Company has two types of commitments related to mortgage loans held for sale: interest rate lock commitments and forward loan sale commitments. Interest rate lock commitments are commitments to extend credit to a customer that has an interest rate lock and are considered derivative instruments. As of December 31, 2024, the Company elected not to record the derivatives associated with IRLCS due to the reduced volume of loans sold to the secondary market.

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third-party. These standby letters of credit are primarily issued to support contractual obligations of the Company's customers. The approximate remaining term of standby letters of credit range from one month to five years at December 31, 2024.

Pending Litigation

The Company and its subsidiaries are defendants in various legal actions incidental to the Company's past and current business activities. Based on the Company's analysis, and considering the inherent uncertainties associated with litigation, management does not believe that it is reasonably possible that these legal actions will materially adversely affect the Company's consolidated financial condition or results of operations in the near term. The Company records a loss accrual for all legal matters for which it deems a loss is probable and can be reasonably estimated. Some legal matters, which are at early stages in the legal process, have not yet progressed to the point where a loss amount can be estimated.

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(20) Segment Information

The Company determines its operating segments based on how the chief operating decision maker (CODM) views and analyzes each segment's operations, performance and allocates resources. The Chief Executive Officer, is the CODM. The CODM reviews the actual net income compared to budgeted net income on a monthly basis to evaluate segment performance, make decisions, and determine where to deploy capital. This analysis is also used for benchmarking performance against the Company's peers.

For the years ended December 31, 2024, 2023, and 2022, the Company had one aggregated reporting segment, Hawthorn Bank. The Bank is composed of operations from providing a broad range of banking products and services located within the Missouri communities in and surrounding Jefferson City, Columbia, Clinton, Warsaw, Springfield, and the greater Kansas City metropolitan area.

The table below highlights the Company's revenues, expenses and net income (loss) for each reportable segment and is reconciled to net income (loss) on a consolidated basis for the years ended December 31, 2024, 2023, and 2022 was as follows:

(dollars in thousands)

	Hawthorn Bank	Non-Banks	Total
Year ended December 31, 2024			
Operating revenue			
Interest income	\$ 95,234	\$ 117	\$ 95,351
Interest expense	32,859	3,899	36,758
Net interest income	\$ 62,375	\$ (3,782)	\$ 58,593
Provision for credit losses	1,027	—	1,027
Operating expenses			
Salaries and employee benefits	\$ 25,238	1,340	26,578
Occupancy, furniture and equipment expense	4,555	—	4,555
Processing, network, and bank card expense	5,530	—	5,530
Legal, examination, and professional fees	2,273	335	2,608
Depreciation and amortization	1,715	—	1,715
Other	7,723	815	8,538
Total operating expenses	\$ 47,034	\$ 2,490	\$ 49,524
Other			
Non-interest income	13,382	938	14,320
Investment securities losses, net	(4)	—	(4)
Income taxes	5,827	(1,725)	4,102
Net income	\$ 21,865	\$ (3,609)	\$ 18,256
Segment assets	\$ 1,812,168	\$ 13,017	\$ 1,825,185

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(dollars in thousands)

	Hawthorn Bank		Non-Banks		Total
Year ended December 31, 2023					
Operating revenue					
Interest income	\$ 91,743	\$	225	\$	91,968
Interest expense	29,052		3,774		32,826
Net interest income	\$ 62,691	\$	(3,549)	\$	59,142
Provision for credit losses	2,340		—		2,340
Operating expenses					
Salaries and employee benefits	\$ 27,830		1,141		28,971
Occupancy, furniture and equipment expense	4,040		1		4,041
Processing, network, and bank card expense	5,151		—		5,151
Legal, examination, and professional fees	2,006		502		2,508
Depreciation and amortization	2,214		—		2,214
Other	9,761		(287)		9,474
Total operating expenses	\$ 51,002	\$	1,357	\$	52,359
Other					
Non-interest income	7,416		120		7,536
Investment securities losses, net	(11,500)		(47)		(11,547)
Income taxes	698		(1,222)		(524)
Net income	\$ 4,567	\$	(3,611)	\$	956
Segment assets	\$ 1,867,686	\$	7,664	\$	1,875,350

(dollars in thousands)

	Hawthorn Bank		Non-Banks		Total
Year ended December 31, 2022					
Operating revenue					
Interest income	\$ 69,155	\$	101	\$	69,256
Interest expense	8,421		2,072		10,493
Net interest income	\$ 60,734	\$	(1,971)	\$	58,763
Provision for credit losses	(900)		—		(900)
Operating expenses					
Salaries and employee benefits	\$ 25,077		1,981		27,058
Occupancy, furniture and equipment expense	3,931		(1)		3,930
Processing, network, and bank card expense	4,788		—		4,788
Legal, examination, and professional fees	1,318		312		1,630
Depreciation and amortization	2,299		—		2,299
Other	9,428		(595)		8,833
Total operating expenses	\$ 46,841	\$	1,697	\$	48,538
Other					
Non-interest income	13,147		831		13,978
Investment securities losses, net	(14)		—		(14)
Income taxes	5,193		(855)		4,338
Net income	\$ 22,733	\$	(1,982)	\$	20,751
Segment assets	\$ 1,913,990	\$	9,550	\$	1,923,540

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(21) Condensed Financial Information of the Parent Company Only

Following are the condensed financial statements of Hawthorn Bancshares, Inc. (Parent only) as of and for the years indicated:

Condensed Balance Sheets

<i>(dollars in thousands)</i>	December 31,	
	2024	2023
Assets		
Cash and due from bank subsidiaries	\$ 15,273	\$ 6,807
Investment in bank-issued trust preferred securities	1,249	1,169
Investment in subsidiaries	173,916	175,273
Other assets	13,797	6,187
Total assets	\$ 204,235	\$ 189,436
Liabilities and Stockholders' Equity		
Subordinated notes	\$ 49,486	\$ 49,486
Deferred tax liability	1,981	735
Other liabilities	3,221	3,130
Stockholders' equity	149,547	136,085
Total liabilities and stockholders' equity	\$ 204,235	\$ 189,436

Condensed Statements of Income

<i>(dollars in thousands)</i>	For the Years Ended December 31,		
	2024	2023	2022
Income			
Interest and dividends received from subsidiaries	\$ 20,117	\$ 10,158	\$ 11,497
Other	1,581	1,390	1,108
Total income	21,698	11,548	12,605
Expenses			
Interest on subordinated notes	3,899	3,774	2,072
Other	2,875	2,771	3,191
Total expenses	6,774	6,545	5,263
Income before income tax benefit and equity in undistributed income of subsidiaries	14,924	5,003	7,342
Income tax benefit	1,672	1,058	859
Equity in undistributed (loss) income of subsidiaries	1,660	(5,105)	12,550
Net income	\$ 18,256	\$ 956	\$ 20,751

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Condensed Statements of Cash Flows

<i>(dollars in thousands)</i>	For the Years Ended December 31,		
	2024	2023	2022
Cash flows from operating activities:			
Net income	\$ 18,256	\$ 956	\$ 20,751
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity in undistributed (income) loss of subsidiaries	(1,660)	5,105	(12,550)
(Increase) decrease in other assets	(1,418)	1,486	540
(Decrease) increase in other liabilities	(215)	(262)	—
Other, net	\$ (331)	\$ (5,868)	\$ (1,060)
Net cash provided by operating activities	\$ 14,632	\$ 1,417	\$ 7,681
Cash flows from investing activities:			
Decrease in investment in subsidiaries, net	\$ —	\$ 7,575	\$ 110
Net cash provided by investing activities	\$ —	\$ 7,575	\$ 110
Cash flows from financing activities:			
Cash dividends paid - common stock	\$ (5,047)	\$ (4,649)	\$ (4,240)
Purchase of treasury stock	(1,119)	—	(2,892)
Net cash used in financing activities	\$ (6,166)	\$ (4,649)	\$ (7,132)
Net increase in cash and due from banks	\$ 8,466	\$ 4,343	\$ 659
Cash and due from banks at beginning of year	6,807	2,464	1,805
Cash and due from banks at end of year	\$ 15,273	\$ 6,807	\$ 2,464

MARKET PRICE AND DIVIDENDS ON EQUITY SECURITIES AND RELATED MATTERS

Market Price

The Company's common stock trades on Nasdaq's global select market under the stock symbol of *HWBK*.

Shares Outstanding

As of December 31, 2024, the Company had issued 7,554,893 shares of common stock, of which 6,988,625 shares were outstanding. The outstanding shares were held of record by approximately 1,935 shareholders.

Dividends

The following table sets forth information on dividends paid by the Company in 2024 and 2023.

Month Paid	Dividends Paid Per Share
January, 2024	\$ 0.17
April, 2024	0.17
July, 2024	0.19
October, 2024	0.19
Total for, 2024	\$ 0.72
January, 2023	\$ 0.17
April, 2023	0.17
July, 2023	0.17
October, 2023	0.17
Total for, 2023	\$ 0.68

The board of directors intends that the Company will continue to pay quarterly dividends. The actual amount of quarterly dividends and the payment, as well as the amount, of any special dividend ultimately will depend on the payment of sufficient dividends by the subsidiary Bank to the Company. The payment by the Bank of dividends to the Company will depend upon such factors as the Bank's financial condition, results of operations and current and anticipated cash needs, including capital requirements.

DIRECTORS AND EXECUTIVE OFFICERS OF THE COMPANY

Name	Position with the Company	Position with the Bank	Principal Occupation
Brent M. Giles	Chief Executive Officer, Director -Class II	Chief Executive Officer, and Director	Position with the Company and the Bank
Kathleen L. Bruegenhemke	Executive Vice President, Chief Risk Officer, Chief Operations Officer, Corporate Secretary, and Director-Class I	Executive Vice President, Chief Risk Officer, Chief Operations Officer, Corporate Secretary, and Director	Position with the Company and the Bank
Chris E. Hafner	Executive Vice President and Chief Financial Officer	Executive Vice President and Chief Financial Officer	Position with the Company and the Bank
Gregg A. Bexten	President and Director-Class III	President and Director	Position with the Company and the Bank

<u>Name</u>	<u>Position with the Company</u>	<u>Position with Subsidiary Bank</u>	<u>Principal Occupation</u>
Douglas T. Eden	Director-Class I	Director	Principal, Eden Capital Management, LLC
David T. Turner	Chairman and Director-Class III	Chairman and Director	Retired, Jefferson City, Missouri
Kevin L. Riley	Director-Class III	Director	Retired, Jefferson City, Missouri
Frank E. Burkhead	Director-Class II	Director	Owner, Burkhead Wealth Management, Co-owner, Burkhead & Associates, LLC, Pro 356, LLC, and FACT Properties, LLC, Jefferson City, Missouri
Philip D. Freeman	Director-Class I	Director	Owner, Freeman Properties, JCMO, LLC, Jefferson City, Missouri
Gus S. (Jack) Wetzel III	Director-Class II	Director	Co-owner, Meadows Construction Co, Inc., Meadows Contracting LLC, Meadows Development Co, Village Park Investments, LLC, Meadows Property, LLC, TWC Enterprise, LLC, Wetzel Investments Ltd., and GCSL, LLC, all of Clinton, Missouri
Jonathan D. Holtaway	Director – Class I	Director	Managing Member, Ategra GP, LLC, President, Ategra Capital Management LLC, and Managing Member of Ategra LS500, LP and Ategra Community Financial Institution Fund, LP, all of Vienna, Virginia
Jonathan L. States	Director-Class II	Director	Member / owner, Little Dixie Construction, LLC, Columbia, Missouri.
Shawna M. Hettinger	Director-Class III	Director	President & majority owner, Streetwise, Inc., Grandview, Missouri

ANNUAL REPORT ON FORM 10-K

A copy of the Company's Annual Report on Form 10-K for the year ended December 31, 2024, as filed with the Securities and Exchange Commission, excluding exhibits, will be furnished without charge to shareholders entitled to vote at the 2024 annual meeting of shareholders upon written request to Kathleen L. Bruegenhemke, Corporate Secretary, Hawthorn Bancshares, Inc., 132 East High Street, Jefferson City, Missouri 65101. The Company will provide a copy of any exhibit to the Form 10-K to any such person upon written request and the payment of the Company's reasonable expenses in furnishing such exhibits.

Hawthorn Bancshares, Inc.
Policy on Securities Trading and
Handling of Nonpublic Information

INTRODUCTION

The employees of Hawthorn Bancshares, Inc. ("Bancshares") and of its subsidiaries (Bancshares and its subsidiaries are together referred to as the "Company") may receive nonpublic information regarding the Company and other companies with which we do business. Accordingly, the Board of Directors has adopted this Policy on Securities Trading and Handling of Nonpublic Information.

This Policy applies to all executive officers and directors, and to employees who, in the judgment of management, regularly come in contact with material nonpublic information. These executive officers, directors and employees are referred to as "Covered Persons." A Covered Person will remain bound by this Policy while employed by the Company, and for a period of six months after his or her affiliation with the Company has ended. The term "Covered Persons" also includes (i) relatives who share the same home with a Covered Person, (ii) relatives who do not share the same home but whose transactions in the Company's securities are directed by or subject to the influence or control of a Covered Person, and (iii) persons under the control of a Covered Person or such relatives. In addition, pursuant to this Policy, the Company will comply with all applicable insider trading laws, rules, regulations and listing standards, including those governing its purchase, sale or other disposition of Company securities.

OBJECTIVES

This Policy is designed to accomplish the following objectives:

- (i) promote awareness of the laws prohibiting insider trading;
- (ii) prevent occurrences which could cause the Company to violate confidentiality agreements with third parties, prejudice the Company's business relationships, or damage our reputation for integrity and ethical conduct;
- (iii) prevent violations of, and help protect the Company from liability under, applicable securities laws; and
- (iv) ensure that no release of confidential information occurs except through a coordinated public disclosure by proper corporate personnel.

STRICT COMPLIANCE WITH THIS POLICY IS EXPECTED OF ALL COVERED PERSONS. ANY VIOLATION MAY RESULT IN SANCTIONS, INCLUDING TERMINATION OF EMPLOYMENT.

IN ADDITION TO THIS POLICY, COVERED PERSONS ARE INDIVIDUALLY RESPONSIBLE FOR COMPLIANCE WITH THE FEDERAL SECURITIES LAWS AND WILL BE PERSONALLY LIABLE FOR THEIR OWN VIOLATIONS.

As a condition of employment with the Company, Covered Persons must acknowledge in writing that they have received, read, understand and agree to comply with this Policy. **UPON YOUR RECEIPT OF THIS POLICY, PLEASE STUDY IT CAREFULLY AND COMPLETE, SIGN AND DATE THE AGREEMENT ATTACHED AS EXHIBIT A.** Please return the signed Agreement to the corporate secretary. Questions relating to this Policy should be directed to the corporate secretary and/or investor relations officer.

BACKGROUND

A. Purposes

In the course of performing their duties for the Company, Covered Persons may receive information regarding the Company (and possibly other public companies) which is not generally available to the investing public. Any person who, by virtue of his or her position or relationship with the Company, possesses material nonpublic information concerning the Company, is prohibited by federal securities laws from buying or selling the common stock (the "Common Stock") of Bancshares or directly or indirectly passing that information to others who may engage in such transactions (sometimes referred to as "tipping"). **SUCH VIOLATIONS MAY BE BASED ON THE MERE FACT THAT YOU POSSESS MATERIAL NONPUBLIC INFORMATION, WITHOUT REGARD TO WHETHER YOUR DECISION TO TRADE WAS BASED ON THAT INFORMATION.**

It is also a violation of federal securities laws to trade on or tip material nonpublic information concerning other public companies with which we have a business relationship, including our customers or suppliers. The Company may pursue from time to time potential business transactions with other companies and may receive material nonpublic information concerning those companies. Such discussions may be conducted under an agreement requiring the Company to preserve the confidentiality of the information. It is important to understand that all nonpublic information with respect to other companies with which the Company has or proposes to have a business relationship is fully covered by this Policy, even though its misuse might not be a violation of federal securities law. One of the important purposes of this Policy is to prevent damage to the Company's business relationships, to avoid violation of confidentiality agreements and to preserve the Company's reputation for integrity and ethical conduct. The Company's goal is therefore to ensure that Covered Persons do not engage in conduct in this regard which would create the appearance of impropriety, regardless of whether it violates applicable law.

Public investors must have a reasonable waiting period after material nonpublic information is publicly disclosed by the Company before Covered Persons in possession of such information may purchase or sell the Common Stock (unless such purchase or sale is pursuant to a Qualified Rule 10b5-1 trading plan, as described below) or disclose such information outside

the Company. The purpose of this waiting period is to enable the securities markets to receive and evaluate the information so corporate insiders will not have an undue advantage over the investing public. While the length of a reasonable waiting period may vary depending on the circumstances, we have selected a waiting period of two trading days after the day on which the information is made publicly available by the Company.

There may be a valid corporate purpose for withholding public disclosure of material information at certain times. There also may be occasions where information concerning the Company is material but may not yet be ripe for public disclosure; for example, because of the risk its premature release would be misleading without the opportunity to adequately verify it. Although the Company has the legal right to withhold public disclosure in such circumstances, Covered Persons are prohibited by the federal securities laws and this Policy from trading on or tipping such information. The scope and timing of public disclosure must be determined in a coordinated and appropriate manner by proper personnel of the Company.

B. Important Definitions

In order for Covered Persons to comply with the Policy, it is important they understand the meaning and scope of the following terms:

1. **Material Information.** Information is material for purposes of this Policy if (i) there is a substantial likelihood an investor would consider it important in deciding whether to buy, sell or hold a security, or (ii) the release of the information could have a significant impact on the price of a security. Information can be material (a) whether it is positive or negative, (b) whether it was received from the Company or from a source not connected with the Company, (c) whether it affects the Company or its business, financial condition, results of operations, assets, net worth or future prospects, or affects the market price of the Common Stock, or (d) even though it would not by itself determine an investor's decision or affect the market price. It is important to bear in mind that information need not be historical or certain to be material; events or projections that are uncertain or contingent may also be material depending on their magnitude and likelihood of occurrence. Material nonpublic information is sometimes called "inside information."

Although it is not possible to list all types of information that may be "material," information concerning the following events should be presumed "material" for purposes of this Policy: results of operations, especially earnings; financial forecasts, especially estimates of earnings; significant changes in previously disclosed financial information; declaration of dividends; declaration of stock splits or stock dividends; proposals or agreements regarding mergers, acquisitions or dispositions; proposed issuances of new securities; significant expansion or reduction of operations; the award or loss of a significant contract; significant development of new products; borrowings; significant license arrangements; major litigation or contingent liabilities or obligations; significant changes in financial liquidity; other significant positive or negative events, uncertainties or developments; and significant changes in management. This list is not exhaustive. Other types of information may be material at any particular time, depending on the circumstances.

WHEN IN DOUBT, INFORMATION SHOULD ALWAYS BE PRESUMED TO BE MATERIAL.

2. **Nonpublic.** In order for information to be considered "publicly available" or "made available to the public," it must have been released by the Company through appropriate public media in a manner designed to achieve a broad dissemination to the investing public generally and without favoring any special person or group. Information should be considered to have been "made available to the public" or "publicly available" only if (i) it has been disclosed in an annual, quarterly or other report by the Company (or the company with which we have business dealings, as the case may be), (ii) it has been included in a press release made available to the general public, or (iii) it has been widely reported in the media. Any information which does not meet these standards is considered "nonpublic." Any doubts in this regard should be resolved in favor of considering it "nonpublic."

3. **Security.** The term "security" includes the Common Stock and any put, call, option, warrant, right or privilege with respect to the Common Stock. Securities also include preferred stock, certain debt instruments, and securities indices. All types of securities are covered by this Policy, whether or not they are traded on an exchange or in the over-the-counter market or otherwise.

4. **Affiliate.** An "affiliate" of a person is a person who directly or indirectly, through one or more intermediaries, controls, or is controlled by, or is under common control with that person. Control for this purpose means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities, by contract or otherwise.

C. Penalties and Sanctions

Under federal securities laws, a person who purchases or sells a security while in possession of material nonpublic information (unless such purchase or sale is pursuant to a Qualified Rule 10b5-1 trading plan, as described below), or who discloses material nonpublic information to another who then purchases or sells a security, is subject to civil penalties which may be sought by the Securities and Exchange Commission of up to three times the profit gained (or loss avoided) as a result of the transaction. **IN ADDITION, SUCH PERSON IS SUBJECT TO CRIMINAL FINES WHICH MAY BE SOUGHT BY THE DEPARTMENT OF JUSTICE OF UP TO \$5 MILLION AND IMPRISONMENT FOR UP TO TWENTY YEARS, OR BOTH.**

Persons who directly or indirectly "control" a person who commits a violation may be subject to insider trading liability for the controlled person's violation. A controlling person is subject to civil penalties equal to the greater of \$1 million or three times the profit gained or loss avoided as a result of a controlled person's violation. If the controlled person's violation consisted of tipping and involved no trading on his or her part, the liability of the controlling person would be the profit gained (or loss avoided) by the person to whom the controlled person tipped the information (the "tippee").

The potential for controlling person liability is particularly important for the Company because the law may consider the Company (and possibly our directors and certain officers) to "control" employees of the Company for this purpose. One of the ways the Company has decided to protect itself from controlling person liability has been to adopt and implement this Policy in order to discourage insider trading by our employees.

It should be noted that the civil and criminal penalties referred to above are not exclusive. Investors who trade in Company securities contemporaneously with the unlawful trading or tipping can sue in federal court to recover damages up to the amount of the profit gained (or loss avoided) by the violation. When tipping occurs, both the "tipper" and the "tippee" may be held liable, and this liability may extend to all those to whom the tippee turns around and gives the information and trade on it.

TRADING IN SECURITIES BY COVERED PERSONS

For purposes of the following policy statements and procedures, transactions by a Covered Person shall include any purchase or sale of a security, directly or indirectly, (a) by or at the direction of a Covered Person, (b) by or at the direction of a relative who resides with the Covered Person, or (c) by any person who is under the control of the Covered Person or such relative, whether the trade is for the benefit of the Covered Person or another person. These policy statements and procedures apply while the Covered Person is employed by the Company, and for a period of six months after his or her affiliation with the Company has ended.

POLICY STATEMENTS

- 1. A COVERED PERSON WHO POSSESSES, OR HAS REASON TO KNOW THE COMPANY POSSESSES, MATERIAL NONPUBLIC INFORMATION CONCERNING THE COMPANY OR ANY PUBLICLY-HELD COMPANY WITH WHICH WE ARE DEALING IS PROHIBITED FROM PURCHASING OR SELLING SECURITIES OF THE COMPANY (OTHER THAN PURSUANT TO A QUALIFIED RULE 10b5-1 TRADING PLAN, AS DESCRIBED BELOW) OR OF SUCH OTHER COMPANY UNTIL (i) AT LEAST TWO FULL TRADING DAYS HAVE ELAPSED FOLLOWING THE DATE ON WHICH THE INFORMATION HAS BEEN MADE PUBLICLY AVAILABLE AND (ii) THE PURCHASE OR SALE HAS BEEN CLEARED IN ACCORDANCE WITH POLICY 3.**
- 2. NO COVERED PERSON SHALL PURCHASE, SELL OR OTHERWISE TRANSFER ANY SECURITIES OF THE COMPANY DURING A BLACKOUT PERIOD (OTHER THAN PURSUANT TO A QUALIFIED RULE 10b5-1 TRADING PLAN, AS DESCRIBED BELOW).**

A "**Quarterly Blackout Period**" is the period commencing on the 15th day of the last month in each quarter and ending after the market closes on the second trading day after the Company's results of operations for that quarter have been publicly disclosed (or, in the case of the fourth quarter, after the Company's results of operations for the fiscal year

then ended have been disclosed). Therefore, one would not be in a Quarterly Blackout Period at the beginning of the third trading day after the day on which the results of operations were released.

It should be noted that gifts, as well as purchases and sales, are prohibited during these Quarterly Blackout Periods. The sole exception to this prohibition is the exercise of stock options by a Covered Person (however, the subsequent sale of option shares during any Quarterly Blackout Period is prohibited). This exemption is not available to Covered Persons who are directors or executive officers of the Company unless the exercise is first approved by the SWT.

The prohibition against trading during a Quarterly Blackout Period does not mean that trading during other periods (a "Trading Window") is automatically permitted. This Policy continues to govern trading on nonpublic information during any Trading Window. **IN OTHER WORDS, YOU ARE ALWAYS PROHIBITED FROM TRADING DURING A QUARTERLY BLACKOUT PERIOD, AND SO LONG AS YOU ARE AWARE OF MATERIAL NONPUBLIC INFORMATION, YOU ARE ALSO PROHIBITED FROM TRADING ON OR DISCLOSING THAT INFORMATION DURING A TRADING WINDOW (IN EACH CASE, OTHER THAN PURSUANT TO A QUALIFIED RULE 10b5-1 TRADING PLAN).**

From time to time, other types of material nonpublic information regarding the Company (such as negotiation of mergers, acquisitions or dispositions, investigation and assessment of cybersecurity incidents or new product developments) may be pending and not be publicly disclosed. While such material nonpublic information is pending, the Company may impose special blackout periods during which Covered Persons are prohibited from trading in the Company's securities (such special blackout periods, together with Quarterly Blackout Periods, are referred to herein as "**Blackout Periods**"). If the Company imposes a special blackout period, it will notify the Covered Persons affected.

- 3. NO COVERED PERSON MAY PURCHASE OR SELL ANY SECURITIES OF THE COMPANY WITHOUT THE PRIOR APPROVAL IN EACH INSTANCE OF THE SECURITIES WATCH TEAM ("SWT") (OTHER THAN PURSUANT TO A QUALIFIED RULE 10b5-1 TRADING PLAN, AS DESCRIBED BELOW) (SEE "PROCEDURES").**

Pre-clearance enables the SWT to determine whether circumstances exist which might subject a Covered Person to a charge of trading on inside information. The Company reserves the right to prohibit trading in its securities by Covered Persons for any reason. Regardless of whether the SWT gives its approval for a Covered Person to proceed with a securities transaction the Covered Person will continue to be obligated under the law and this Policy to refrain from engaging in the transaction if the Covered Person possesses material nonpublic information about the Company. **IN OTHER WORDS, CLEARANCE FOR TRADING BY THE SWT DOES NOT PROVIDE AN INSURANCE POLICY AGAINST LIABILITY FOR INSIDER TRADING, AND A**

COVERED PERSON WILL BE SUBJECT TO SUCH LIABILITY IF HE OR SHE VIOLATES THE LAW OR THIS POLICY BY TRADING ON INSIDE INFORMATION.

- 4. NO COVERED PERSON SHALL ADVISE ANY OTHER PERSON REGARDING THE SECURITIES OF THE COMPANY OR ANY PUBLICLY-HELD COMPANY WITH WHICH THEY ARE DEALING, ESPECIALLY WHEN HE OR SHE POSSESSES, OR HAS REASON TO KNOW THAT THE COMPANY POSSESSES, MATERIAL NONPUBLIC INFORMATION ABOUT THE COMPANY OR SUCH OTHER COMPANY.**
- 5. NO COVERED PERSON SHALL ENGAGE IN ANY "SHORT SALE" OR OTHER SPECULATIVE INVESTMENT OF ANY SECURITIES OF THE COMPANY OR ANY PUBLICLY-HELD COMPANY WITH WHICH WE ARE DEALING.**

You must not engage in transactions in securities of the Company that are speculative in nature. These transactions include, but are not limited to, (1) the writing of a call option and the purchase of a put option if the amount of securities underlying the option exceed the securities you otherwise own; (2) "sales against the box" (*i.e.*, selling of borrowed securities when you own sufficient shares to cover the sale); and (3) transacting in the securities of any entity with which the Company is dealing or is proposing to deal.

Certain forms of hedging or monetization transactions, such as zero-cost collars and forward sale contracts, allow an insider to lock in much of the value of his or her stock holdings, often in exchange for all or part of the potential for upside appreciation in the stock. These transactions allow the insider to continue to own the covered securities, but without the full risks and rewards of ownership. When that occurs, the insider may no longer have the same objectives as the Company's other shareholders. Therefore, the Company strongly discourages you from engaging in such transactions. Any insider wishing to enter into such an arrangement must first pre-clear the proposed transaction with the SWT. Any request for pre-clearance of a hedging or similar arrangement must be submitted to the SWT at least two weeks prior to the proposed execution of documents evidencing the proposed transaction and must set forth a justification for the proposed transaction.

- 6. IF ANY COVERED PERSON BECOMES AWARE THAT ANY OTHER COVERED PERSON IS VIOLATING OR IS ABOUT TO VIOLATE THIS POLICY, SUCH ACTUAL OR POTENTIAL VIOLATION MUST BE REPORTED IMMEDIATELY TO THE SWT.**
- 7. NO COVERED PERSON SHALL HOLD SECURITIES OF THE COMPANY IN A MARGIN ACCOUNT OR PLEDGE SECURITIES OF THE COMPANY AS COLLATERAL FOR A LOAN WITHOUT FIRST OBTAINING APPROVAL FROM THE SWT.**

Securities that are margined may be sold by the broker without the customer's consent if the customer fails to meet a margin call. Similarly, securities pledged (or hypothecated) as collateral for a loan may be sold in foreclosure if the borrower defaults on the loan. Because a margin sale or foreclosure sale may occur at a time when the pledgor is aware of material nonpublic information or otherwise is not permitted to trade in securities of the Company, you are prohibited from entering into an arrangement to margin securities of the Company or pledge securities of the Company as collateral for a loan. An exception to this prohibition may be granted where a person wishes to pledge securities of the Company as collateral for a loan (not including margin debt) and clearly demonstrates the financial capacity to repay the loan without resort to the pledged securities. Any person who wishes to pledge securities of the Company as collateral for a loan must submit a request for approval to the SWT at least two weeks prior to the proposed execution of documents evidencing the proposed pledge.

RULE 10b5-1 TRADING PLANS

1. **Affirmative defense.** A Rule 10b5-1 trading plan would provide an affirmative defense against liability for trading in the Company's securities while the trading person was aware of Material Nonpublic Information if the purchase or sale in question occurred pursuant to a binding contract, trading instruction, or written plan that came into existence before the trading person became aware of Material Nonpublic Information and satisfied the other requirements set forth herein. In order to qualify as a Rule 10b5-1 trading plan for purposes of this Policy (a "Qualified Rule 10b5-1 trading plan"), (i) it must be approved as such in writing in advance by the SWT and any documentation required by the SWT in connection therewith must be executed and delivered by the trading person, and (ii) the Rule 10b5-1 trading plan must be adopted during a Trading Window and when the trading person is not aware of Material Nonpublic Information. Any change in a Qualified Rule 10b5-1 trading plan (including any cancellations of trades thereunder) is deemed to be the creation of a new Rule 10b5-1 trading plan that would require that the trading person satisfy the two steps specified in the immediately preceding sentence. Any termination of a Qualified Rule 10b5-1 trading plan must also be approved in the same manner.
2. **Requirements Applicable to Qualified Rule 10b5-1 Trading Plans.** In general, in order for a Rule 10b5-1 trading plan to qualify as a Qualified Rule 10b5-1 trading plan, the following requirements must be satisfied:
 - A. Before becoming aware of Material Nonpublic Information, the person:
 - (i) Entered into a binding contract to purchase or sell the securities,
 - (ii) Instructed another person to purchase or sell the securities for the instruction person's account, or

- (iii) Adopted a written plan for trading the securities.
- B. The contract, instruction, or plan either:
 - (i) Specified the Amount of securities to be purchased or sold, the Price at which, and Date on which the securities are to be purchased or sold;
 - (ii) Included a written formula or algorithm, or computer program, for determining Amounts, Prices, and Dates; or
 - (iii) Did not permit the person to exercise any subsequent influence over how, when, or whether to effect purchases or sales and provided that no other person exercises influence under the plan when aware of Material Nonpublic Information.
- C. The purchase or sale occurred pursuant to the contract, instruction, or plan and there was no deviation or alteration thereof.
- D. The trader is not permitted to enter into or alter a corresponding or hedging transaction or position with respect to the securities subject to the trading plan.
- E. The Rule 10b5-1 trading plan was entered into in good faith and not as part of a plan or scheme to evade the prohibitions of Rule 10b5-1 and the trader must act in good faith with respect to the Rule 10b5-1 trading plan throughout the duration of the plan.

In order to be a Qualified Rule 10b5-1 trading plan for purposes of this Policy, it must also meet the following additional guidelines:

- Covered Persons may not enter into, modify or terminate a Qualified Rule 10b5-1 trading plan during a Blackout Period or otherwise while in the possession of material nonpublic information.
- All Qualified Rule 10b5-1 trading plans must have a duration of at least six months and no more than two years.
- For Covered Persons who are officers and directors of the Company, no transaction may take place under a Qualified Rule 10b5-1 trading plan until the later of (a) 90 days after adoption or modification (as specified in Rule 10b5-1) of the Qualified Rule 10b5-1 trading plan or (b) two business days following the disclosure of the Company's financial results in a Form 10-Q or Form 10-K for the fiscal quarter (the Company's fourth fiscal quarter in the case of a Form 10-K) in which the Qualified Rule 10b5-1 trading plan was adopted or modified (as specified in Rule 10b5-1). In any event, the cooling-off period is subject to a maximum of 120 days after adoption of the plan.

- For Covered Persons other than officers and directors of the Company, no transaction may take place under a Qualified Rule 10b5-1 trading plan until 30 days following the adoption or modification (as specified in Rule 10b5-1) of a Qualified Rule 10b5-1 trading plan.
- Subject to certain limited exceptions specified in Rule 10b5-1, a Covered Person may not enter into more than one Qualified Rule 10b5-1 trading plan at the same time.
- Subject to certain limited exceptions specified in Rule 10b5-1, Covered Persons are limited to only one Qualified Rule 10b5-1 trading plan designed to effect an open market purchase or sale of the total amount of securities subject to the Qualified Rule 10b-1 trading plan as a single transaction in any 12-month period.
- Covered Persons must act in good faith with respect to a Qualified Rule 10b5-1 trading plan. A Qualified Rule 10b5-1 trading plan cannot be entered into as part of a plan or scheme to evade the prohibition of Rule 10b-5. Therefore, although modifications to an existing Qualified Rule 10b5-1 trading plan are not prohibited, a Qualified Rule 10b5-1 trading plan should be adopted with the intention that it will not be amended or terminated prior to its expiration.
- Covered Persons who are officers and directors of the Company must include a representation to the Company at the time of adoption or modification of a Qualified Rule 10b5-1 trading plan that (i) the person is not aware of material nonpublic information about the Company or Company securities and (ii) the person is adopting the plan in good faith and not as part of plan or scheme to evade the prohibitions of Rule 10b-5.

The Company and the Company's officers and directors must make certain disclosures in SEC filings concerning Rule 10b5-1 trading plans. Officers and directors of the Company must undertake to provide any information requested by the Company regarding Qualified Rule 10b5-1 trading plans for the purpose of providing the required disclosures or any other disclosures that the Company deems to be appropriate under the circumstances.

Each director, officer and other Section 16 insider understands that the approval or adoption of a pre-planned selling program in no way reduces or eliminates such person's obligations under Section 16 of the Securities Exchange Act of 1934, including such person's disclosure and short-swing trading liabilities thereunder. If any questions arise, such person should consult with their own counsel in implementing a Qualified Rule 10b5-1 trading plan.

3. **Defined Terms**. Three terms are critical to the Rule 10b5-1 trading plan defense and are defined as follows:

"**Amount**" means either a specified number of shares of stock or other securities or specified dollar value of such stock or securities;

"Price" means the market price on a particular date or a limit price, or particular dollar price; and

"Date" means: (i) in the case of a market order, the specific day of the year on which the order is to be executed (or as soon thereafter as is practicable under ordinary principles of best execution), and (ii) in the case of limit order, a day of the year on which the limit order is in force.

PROCEDURES

Kathleen Bruegenhemke and Chris Hafner have been designated as the Securities Watch Team ("SWT") for purposes of implementing the following procedures:

Covered Persons must seek approval of the SWT prior to consummating any transaction in the Company's securities (other than transactions pursuant to a Qualified Rule 10b5-1 trading plan) (Policy 3).

Covered Persons must seek prior approval of transactions in the securities of the Company by persons under their control or relatives who live with them. Approval should be sought by contacting any member of the SWT and inquiring whether transactions in securities of the Company are permissible at that time. A SWT member will verbally respond to the inquiry as soon as possible. If approval is granted, it shall be considered automatically revoked 72 hours following the approval, or earlier if the inquiring Covered Person is so notified by a member of the SWT.

Upon becoming aware of any material nonpublic information, written or otherwise, relating to the Company, Covered Persons shall verbally notify the SWT of the existence and substance of such information.

Any question regarding the materiality of information should be resolved in favor of notifying the SWT of the information.

The foregoing policy statements and procedures do not apply to transactions with any mutual funds or money market funds which may hold the securities of the Company, nor do they apply to trust accounts for the benefit of a Covered Person, provided the Covered Person has no discretion with respect to the investment decisions of the trust.

HANDLING NONPUBLIC INFORMATION

POLICY STATEMENTS

- ALL MATERIAL INFORMATION REGARDING THE COMPANY MAY BE PUBLICLY DISCLOSED ONLY BY DESIGNATED COMPANY PERSONNEL FOLLOWING APPROVAL IN EACH INSTANCE BY THE CHIEF EXECUTIVE OFFICER AND THE CHIEF FINANCIAL OFFICER. THE COMPANY HAS**

THE DISCRETION TO WITHHOLD DISCLOSURE OF MATERIAL INFORMATION IF THE INFORMATION IS NOT RIPE FOR DISCLOSURE OR FOR OTHER PROPER CORPORATE PURPOSES.

- 2. COVERED PERSONS SHALL NOT DISCLOSE NONPUBLIC INFORMATION REGARDING THE COMPANY OR ANY OTHER COMPANY WITH WHICH WE ARE DEALING, EXCEPT TO PERSONNEL OR AUTHORIZED AGENTS OF THE COMPANY ON A NEED-TO-KNOW BASIS.**
- 3. COVERED PERSONS ARE STRICTLY PROHIBITED FROM DISSEMINATING OR OTHERWISE USING NONPUBLIC INFORMATION ACQUIRED IN THE COURSE OF THEIR AFFILIATION WITH THE COMPANY FOR THEIR DIRECT OR INDIRECT PERSONAL BENEFIT, GAIN OR PROFIT.**

PROCEDURES

Covered Persons shall only discuss nonpublic information relating to the Company with Company personnel or authorized agents of the Company who need to know such information to fulfill their responsibilities to the Company.

Covered Persons shall not discuss nonpublic information relating to the Company with friends, relatives or acquaintances or in public places such as elevators, restaurants or social gatherings.

Covered Persons shall refer all inquiries from other employees, and from non-employees such as securities analysts, stock brokers, investment advisors, securities regulators and the media, regarding the securities, business operations or financial condition of the Company or companies with which we are dealing to the Investor Relations Officer, Chief Executive Officer or the Chief Financial Officer.

Management employees shall be responsible for evaluating the content of written documents and, to the extent reasonably possible and in accordance with sound business judgment, do the following:

Restrict access to any documents (such as, by maintaining them in locked file cabinets or in secure locations) which, in the opinion of management, contain material nonpublic information ("Confidential Documents"), to Company personnel or authorized agents of the Company who need to know such information to fulfill their responsibilities to the Company.

Restrict access to Confidential Documents contained in the Company's computer system, by passwords or other blocking techniques, to Company personnel or authorized agents of the

Company who need to know such information to fulfill their responsibilities to the Company.

Advise and supervise non-management employees with access to Confidential Documents as to the proper handling (such as, by marking documents as "confidential," utilizing sign-out sheets and creating limited and numbered copies) of such documents under the circumstances presented.

Exercise care in disposing of Confidential Documents (such as shredding).

AGREEMENT

In consideration of the compensation I am to receive as an employee, executive officer or director of Hawthorn Bancshares, Inc. or any of its subsidiaries (the "Company"), and as a condition of my employment or affiliation with the Company, but without limiting the Company's right to terminate my employment at any time, I make the following representations and agreements:

1. I acknowledge receipt of the Company's Policy Regarding Securities Trading and Handling of Nonpublic Information (the "Policy").
2. I have read and understand the Policy.
3. I have had ample opportunity to ask questions concerning the meaning or application of the Policy and have received satisfactory answers to all such questions.
4. I agree to comply with all of the policies and procedures expressed in the Policy.
5. I understand a violation of the Policy may result in disciplinary action, including the possible termination of my employment or affiliation with the Company, as well as civil or criminal liability. I also understand any violation could result in the imposition of penalties against the Company.
6. I understand and agree that, in addition to disciplinary action, if I fail to comply with the Policy, I will be required to reimburse the Company for any losses, claims, damages, expenses (including reasonable attorney's fees) or liabilities to which the Company or any officer, director, employee or agent may become subject under the Securities Exchange Act of 1934, applicable state securities laws or otherwise, arising from my violation of the Policy.

This Agreement does not constitute an offer or guaranty of employment, continued employment or continued affiliation in any way.

Date: _____

Signature

Print Name

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the registration statement (No. 333-136477) on Form S-8 and registration statement (No. 333-101415) on Form S-3D of Hawthorn Bancshares, Inc., of our reports dated March 17, 2025, with respect to the consolidated financial statements of Hawthorn Bancshares, Inc. and subsidiaries, and the effectiveness of internal control over financial reporting.

/s/ Forvis Mazars, LLP

Kansas City, Missouri

March 17, 2025

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the annual report on Form 10-K of our report dated March 18, 2024, with respect to the consolidated financial statements of Hawthorn Bancshares, Inc. and subsidiaries.

/s/ KPMG, LLP

St. Louis, Missouri

March 17, 2025

CERTIFICATIONS

I, Brent M. Giles, certify that:

1. I have reviewed this report on Form 10-K of Hawthorn Bancshares, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 17, 2025

/s/ Brent M. Giles

Brent M. Giles

Chief Executive Officer (Principal Executive Officer)

CERTIFICATIONS

I, Chris E. Hafner, certify that:

1. I have reviewed this report on Form 10-K of Hawthorn Bancshares, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 17, 2025

/s/ Chris E. Hafner

Chris E. Hafner
Chief Financial Officer

Certification of Chief Executive Officer

In connection with the Annual Report of Hawthorn Bancshares, Inc. (the Company) on Form 10-K for the period ended December 31, 2024 as filed with the Securities and Exchange Commission (the Report), I, Brent M. Giles, Chief Executive Officer of the Company, hereby certify in accordance with 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (a) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (b) The information contained in the Report fairly presents, in all material aspects, the financial condition and results of operations of the Company.

Dated: March 17, 2025

/s/ Brent M. Giles

Brent M. Giles

Chief Executive Officer (Principal Executive Officer)

“A signed original of this written statement required by Section 906 has been provided to Hawthorn Bancshares, Inc. and will be retained by Hawthorn Bancshares, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.”

Certification of Chief Financial Officer

In connection with the Annual Report of Hawthorn Bancshares, Inc. (the Company) on Form 10-K for the period ended December 31, 2024 as filed with the Securities and Exchange Commission (the Report), I, Chris E. Hafner, Chief Financial Officer of the Company, hereby certify in accordance with 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (a) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (b) The information contained in the Report fairly presents, in all material aspects, the financial condition and results of operations of the Company.

Dated: March 17, 2025

/s/ Chris E. Hafner

Chris E. Hafner
Chief Financial Officer

“A signed original of this written statement required by Section 906 has been provided to Hawthorn Bancshares, Inc. and will be retained by Hawthorn Bancshares, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.”