

HAWTHORN BANCSHARES, INC.
Form 10-Q
August 14, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended June 30, 2012

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)

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Missouri **43-1626350**
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)
300 Southwest Longview Boulevard, Lees Summit, Missouri 64081

(Address of principal executive offices) (Zip Code)

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(816) 347-8100

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report.)

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes No

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

Large accelerated filer Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

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

As of August 14, 2012, the registrant had 4,839,114 shares of common stock, par value \$1.00 per share, outstanding

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Part I - FINANCIAL INFORMATION**Item 1. Financial Statements****HAWTHORN BANCSHARES, INC. AND SUBSIDIARIES****Consolidated Balance Sheets (unaudited)**

	June 30, 2012	December 31, 2011
ASSETS		
Loans	\$ 844,104,983	\$ 842,930,548
Allowances for loan losses	(15,313,584)	(13,809,224)
Net loans	828,791,399	829,121,324
Investment in available-for-sale securities, at fair value	228,269,741	213,806,001
Federal funds sold and securities purchased under agreements to resell	75,000	75,000
Cash and due from banks	40,329,180	43,134,530
Premises and equipment - net	37,350,456	37,953,372
Other real estate owned and repossessed assets - net	21,582,893	16,020,023
Accrued interest receivable	5,280,353	5,340,610
Mortgage servicing rights	2,666,498	2,308,377
Intangible assets - net	336,710	542,746
Cash surrender value - life insurance	2,097,824	2,064,452
Other assets	20,439,155	20,794,988
Total assets	\$ 1,187,219,209	\$ 1,171,161,423
LIABILITIES AND STOCKHOLDERS EQUITY		
Deposits:		
Non-interest bearing demand	\$ 169,124,794	\$ 159,186,859
Savings, interest checking and money market	402,529,604	384,598,688
Time deposits \$100,000 and over	130,193,612	139,504,648
Other time deposits	282,730,595	274,933,958
Total deposits	984,578,605	958,224,153
Federal funds purchased and securities sold under agreements to repurchase	23,843,510	24,516,277
Subordinated notes	49,486,000	49,486,000
Federal Home Loan Bank advances	28,280,725	28,409,989
Accrued interest payable	1,427,066	1,054,202
Other liabilities	7,461,732	6,895,029
Total liabilities	1,095,077,638	1,068,585,650
Stockholders equity:		
Preferred stock, \$0.01 par value per share, 1,000,000 shares authorized; Issued 18,255 shares and 30,255, respectively, \$1,000 per share liquidation value, net of discount	17,833,215	29,317,716
Common stock, \$1 par value Authorized 15,000,000 shares; issued 4,814,852 shares respectively	4,814,852	4,814,852

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Surplus	31,992,617	30,265,992
Retained earnings	39,570,876	40,354,112
Accumulated other comprehensive income, net of tax	1,446,829	1,339,919
Treasury stock; 161,858 shares, at cost	(3,516,818)	(3,516,818)
Total stockholders equity	92,141,571	102,575,773
Total liabilities and stockholders equity	\$ 1,187,219,209	\$ 1,171,161,423

See accompanying notes to the unaudited consolidated financial statements.

HAWTHORN BANCSHARES, INC. AND SUBSIDIARIES**Consolidated Statements of Income (unaudited)**

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2012	2011	2012	2011
INTEREST INCOME				
Interest and fees on loans	\$ 10,944,089	\$ 11,991,200	\$ 22,186,297	\$ 24,078,842
Interest on debt securities:				
Taxable	1,084,854	1,342,958	2,201,283	2,497,854
Nontaxable	227,439	254,093	462,083	529,901
Interest on federal funds sold and securities purchased under agreements to resell	20	25	35	62
Interest on interest-bearing deposits	15,627	11,695	36,900	32,288
Dividends on other securities	24,761	40,661	56,137	84,361
Total interest income	12,296,790	13,640,632	24,942,735	27,223,308
INTEREST EXPENSE				
Interest on deposits:				
Savings, interest checking and money market	328,064	447,813	653,498	931,504
Time deposit accounts \$100,000 and over	308,900	432,649	537,566	895,821
Other time deposit accounts	1,004,691	1,315,987	1,788,696	2,738,789
Interest on federal funds purchased and securities sold under agreements to repurchase	4,755	12,628	9,444	25,983
Interest on subordinated notes	344,741	323,016	698,752	725,177
Interest on Federal Home Loan Bank advances	133,669	326,008	268,048	642,967
Total interest expense	2,124,820	2,858,101	3,956,004	5,960,241
Net interest income	10,171,970	10,782,531	20,986,731	21,263,067
Provision for loan losses	1,500,000	1,883,334	3,200,000	3,633,336
Net interest income after provision for loan losses	8,671,970	8,899,197	17,786,731	17,629,731
NON-INTEREST INCOME				
Service charges on deposit accounts	1,459,564	1,419,272	2,707,581	2,729,763
Trust department income	224,532	228,771	436,363	423,866
Gain on sale of mortgage loans, net	475,317	215,996	993,961	462,230
Other	283,747	314,585	275,551	614,845
Total non-interest income	2,443,160	2,178,624	4,413,456	4,230,704
NON-INTEREST EXPENSE				
Salaries and employee benefits	4,897,918	4,333,620	9,704,166	9,010,693
Occupancy expense, net	640,911	584,685	1,287,552	1,223,049
Furniture and equipment expense	467,535	509,104	970,658	1,015,783
FDIC insurance assessment	258,730	396,266	502,581	875,013
Legal, examination, and professional fees	259,193	307,105	595,915	797,609
Advertising and promotion	218,025	269,700	461,852	501,875
Postage, printing, and supplies	279,340	295,774	543,330	564,481
Processing expense	1,011,100	812,808	1,778,856	1,634,885
Other real estate expense	1,015,079	548,436	1,596,022	1,040,869
Other	1,049,868	950,627	2,136,937	1,721,592

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Total non-interest expense	10,097,699	9,008,125	19,577,869	18,385,849
Income before income taxes	1,017,431	2,069,696	2,622,318	3,474,586
Income tax expense	277,400	661,202	431,552	1,112,475
Net income	740,031	1,408,494	2,190,766	2,362,111
Preferred stock dividends	295,723	382,390	665,506	752,173
Accretion of discount on preferred stock				