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HAWTHORN BANCSHARES, Form 10-Q August 14, 2014	INC.
UNITED STATES	
SECURITIES AND EXCHAN	IGE COMMISSION
Washington, D.C. 20549	
FORM 10-Q	
(Mark One)	
x Quarterly Report Pursuant t	to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ende	d June 30, 2014
or	
" Transition Report Pursuant t	to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from	1to
Commission File Number: 0-230	636
HAWTHORN BANCSHARES	S, INC.
(Exact name of registrant as spe	cified in its charter)
Missouri (State or other jurisdiction of incorporation or organization)	
132 East High Street, Box 688, J	Jefferson City, Missouri 65102
(Address of principal executive of	offices) (Zip Code)

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(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. • x 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). **x** 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 " Accelerated filer " 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 x No

As of August 14, 2014, the registrant had 5,233,986 shares of common stock, par value \$1.00 per share, outstanding

Part I - Financial Information

Item 1. Financial Statements

HAWTHORN BANCSHARES, INC. AND SUBSIDIARIES

Consolidated Balance Sheets (unaudited)

(In thousands, except per share data)

	June 30, 2014	December 31, 2013
ASSETS	***	* ** ***
Cash and due from banks	\$27,065	\$ 27,079
Federal funds sold and other overnight interest-bearing deposits	7,175	1,360
Cash and cash equivalents	34,240	28,439
Investment in available-for-sale securities, at fair value	215,653	205,985
Other investments and securities, at cost	3,962	4,001
Total investment securities	219,615	209,986
Loans	857,461	839,547
Allowances for loan losses	(12,150)	
Net loans	845,311	825,828
Premises and equipment - net	37,946	38,079
Mortgage servicing rights	2,911	3,036
Other real estate and foreclosed assets - net	12,026	14,867
Accrued interest receivable	4,751	4,999
Cash surrender value - life insurance	2,251	2,213
Other assets	11,493	12,675
Total assets	\$1,170,544	\$ 1,140,122
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits		
Non-interest bearing demand	\$196,171	\$ 187,382
Savings, interest checking and money market	448,836	419,085
Time deposits \$100,000 and over	113,063	111,667
Other time deposits	230,380	238,337
Total deposits	988,450	956,471
Federal funds purchased and securities sold under agreements to repurchase	22,849	31,084
Subordinated notes	49,486	49,486
Federal Home Loan Bank advances	24,000	24,000
Accrued interest payable	393	426
Other liabilities	5,841	4,275
Total liabilities	1,091,019	1,065,742
Stockholders' equity:	1,001,010	1,000,712
Stockholders equity.	5,195	5,195

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Common stock, \$1 par value, authorized 15,000,000 shares; issued 5,194,537 shares,

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respectively			
Surplus	36,092	33,385	
Retained earnings	40,970	40,086	
Accumulated other comprehensive income (loss), net of tax	785	(769)
Treasury stock; 161,858 shares, at cost	(3,517)	(3,517)
Total stockholders' equity	79,525	74,380	
Total liabilities and stockholders' equity	\$1,170,544	\$ 1,140,122	

HAWTHORN BANCSHARES, INC. AND SUBSIDIARIES

Consolidated Statements of Income (unaudited)

(In thousands, except per share amounts) 2014 2013 2014 2013 2014 2013 INTEREST INCOME Interest and fees on loans \$10,048 \$10,435 \$19,913 \$20,823 Interest on investment securities \$70,000 \$10,048 \$10,043 \$19,913 \$20,823 Interest on investment securities \$174 \$213 \$363 \$430 Federal funds sold and other overnight interest-bearing deposits \$9 \$15 \$18 \$29 Dividends on other securities \$20 \$19 \$40 \$41 \$41 \$20 \$11,925 \$23,93 \$23,137 \$187 \$25 \$1,520 \$22,009 \$23,137 \$187 \$24 \$20 \$23,137 \$187 \$24 \$20 \$23,137 \$187 \$24 \$20 \$23,137 \$187 \$24 \$25 \$23 \$21 \$14 \$1 \$20 \$21 \$21 \$14 \$20 \$21 \$21 \$21 \$21 \$21 \$21 \$21 \$21 \$21 \$22		Three Months Ended June 30,		Six Months Ended June 30,	
Interest and fees on loans 10,048 10,435 19,108 10,2082	(In thousands, except per share amounts)	2014	2013	2014	2013
Interest on investment securities: 874 910 1,755 1,814 Nontaxable 174 213 363 430 Federal funds sold and other overnight interest-bearing deposits 9 15 18 29 Dividends on other securities 20 19 40 41 Total interest income 11,125 11,592 22,089 23,137 INTEREST EXPENSE Interest on deposits: Savings, interest checking and money market 255 253 521 514 Time deposit accounts \$100,000 and over 187 233 378 481 Other time deposits 413 857 845 1,739 Interest on federal funds purchased and securities sold under agreements to repurchase 4 5 9 10 Interest on Federal Home Loan Bank advances 104 109 208 208 Total interest expense 1,278 1,777 2,588 3,593 Net interest income 9,847 9,815 19,501 19,544 Provision for loan losses 9,847<					
Interest on investment securities: 874 910 1,755 1,814 Nontaxable 174 213 363 430 Federal funds sold and other overnight interest-bearing deposits 9 15 18 29 Dividends on other securities 20 19 40 41 Total interest income 11,125 11,592 22,089 23,137 INTEREST EXPENSE Interest on deposits: Savings, interest checking and money market 255 253 521 514 Time deposit accounts \$100,000 and over 187 233 378 481 Other time deposits 413 857 845 1,739 Interest on federal funds purchased and securities sold under agreements to repurchase 4 5 9 10 Interest on Federal Home Loan Bank advances 104 109 208 208 Total interest expense 1,278 1,777 2,588 3,593 Net interest income 9,847 9,815 19,501 19,544 Provision for loan losses 9,847<	Interest and fees on loans	\$10,048	\$10,435	\$19,913	\$20,823
Taxable 874 910 1,755 1,814 Nontaxable 174 213 363 430 Federal funds sold and other overnight interest-bearing deposits 9 15 18 29 Dividends on other securities 20 19 40 41 Total interest income 11,125 11,592 22,089 23,137 INTEREST EXPENSE 11,125 11,592 22,089 23,137 INTEREST EXPENSE 11,125 11,592 22,089 23,137 Interest on deposits: 255 253 521 514 Time deposit accounts \$100,000 and over 187 233 378 481 Other time deposits 413 857 845 1,739 Interest on federal funds purchased and securities sold under agreements to repurchase 4 5 9 10 Interest on Federal Home Loan Bank advances 104 109 208 208 Total interest expense 1,278 1,777 2,588 3,593 Net interest income <td></td> <td>. ,</td> <td>, ,</td> <td>, ,</td> <td>, ,</td>		. ,	, ,	, ,	, ,
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Federal funds sold and other overnight interest-bearing deposits 9 15 18 29 Dividends on other securities 20 19 40 41 Total interest income 11,125 11,592 22,089 23,137 INTEREST EXPENSE Interest on deposits: Savings, interest checking and money market 255 253 521 514 Time deposit accounts \$100,000 and over 187 233 378 481 Other time deposits 413 857 845 1,739 Interest on federal funds purchased and securities sold under agreements to repurchase 4 5 9 10 Interest on subordinated notes 315 320 627 641 Interest on Federal Home Loan Bank advances 104 109 208 208 Total interest expense 1,278 1,777 2,588 3,593 Net interest income 9,847 9,815 19,501 19,544		174		•	
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Interest on deposits: Savings, interest checking and money market 255 253 521 514 Time deposit accounts \$100,000 and over 187 233 378 481 Other time deposits 413 857 845 1,739 Interest on federal funds purchased and securities sold under agreements to repurchase 4 5 9 10 Interest on subordinated notes 315 320 627 641 Interest on Federal Home Loan Bank advances 104 109 208 208 Total interest expense 1,278 1,777 2,588 3,593 Net interest income 9,847 9,815 19,501 19,544 Provision for loan losses 0 1,000 0 2,000 Net interest income after provision for loan losses 9,847 8,815 19,501 17,544 NON-INTEREST INCOME 8 1,343 1,391 2,573 2,749		, -	,	,	-,
Savings, interest checking and money market 255 253 521 514 Time deposit accounts \$100,000 and over 187 233 378 481 Other time deposits 413 857 845 1,739 Interest on federal funds purchased and securities sold under agreements to repurchase 4 5 9 10 Interest on subordinated notes 315 320 627 641 Interest on Federal Home Loan Bank advances 104 109 208 208 Total interest expense 1,278 1,777 2,588 3,593 Net interest income 9,847 9,815 19,501 19,544 Provision for loan losses 0 1,000 0 2,000 Net interest income after provision for loan losses 9,847 8,815 19,501 17,544 NON-INTEREST INCOME Service charges on deposit accounts 1,343 1,391 2,573 2,749					
Time deposit accounts \$100,000 and over 187 233 378 481 Other time deposits 413 857 845 1,739 Interest on federal funds purchased and securities sold under agreements to repurchase 4 5 9 10 Interest on subordinated notes 315 320 627 641 Interest on Federal Home Loan Bank advances 104 109 208 208 Total interest expense 1,278 1,777 2,588 3,593 Net interest income 9,847 9,815 19,501 19,544 Provision for loan losses 0 1,000 0 2,000 Net interest income after provision for loan losses 9,847 8,815 19,501 17,544 NON-INTEREST INCOME Service charges on deposit accounts 1,343 1,391 2,573 2,749	•	255	253	521	514
Other time deposits 413 857 845 1,739 Interest on federal funds purchased and securities sold under agreements to repurchase 4 5 9 10 Interest on subordinated notes 315 320 627 641 Interest on Federal Home Loan Bank advances 104 109 208 208 Total interest expense 1,278 1,777 2,588 3,593 Net interest income 9,847 9,815 19,501 19,544 Provision for loan losses 0 1,000 0 2,000 Net interest income after provision for loan losses 9,847 8,815 19,501 17,544 NON-INTEREST INCOME 5 9,847 1,343 1,391 2,573 2,749		187	233	378	481
Interest on federal funds purchased and securities sold under agreements to repurchase 4 5 9 10 Interest on subordinated notes 315 320 627 641 Interest on Federal Home Loan Bank advances 104 109 208 208 Total interest expense 1,278 1,777 2,588 3,593 Net interest income 9,847 9,815 19,501 19,544 Provision for loan losses 0 1,000 0 2,000 Net interest income after provision for loan losses 9,847 8,815 19,501 17,544 NON-INTEREST INCOME Service charges on deposit accounts 1,343 1,391 2,573 2,749	•				
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Interest on subordinated notes 315 320 627 641 Interest on Federal Home Loan Bank advances 104 109 208 208 Total interest expense 1,278 1,777 2,588 3,593 Net interest income 9,847 9,815 19,501 19,544 Provision for loan losses 0 1,000 0 2,000 Net interest income after provision for loan losses 9,847 8,815 19,501 17,544 NON-INTEREST INCOME Service charges on deposit accounts 1,343 1,391 2,573 2,749		4	5	9	10
Interest on Federal Home Loan Bank advances 104 109 208 208 Total interest expense 1,278 1,777 2,588 3,593 Net interest income 9,847 9,815 19,501 19,544 Provision for loan losses 0 1,000 0 2,000 Net interest income after provision for loan losses 9,847 8,815 19,501 17,544 NON-INTEREST INCOME Service charges on deposit accounts 1,343 1,391 2,573 2,749		315	320	627	641
Total interest expense 1,278 1,777 2,588 3,593 Net interest income 9,847 9,815 19,501 19,544 Provision for loan losses 0 1,000 0 2,000 Net interest income after provision for loan losses 9,847 8,815 19,501 17,544 NON-INTEREST INCOME Service charges on deposit accounts 1,343 1,391 2,573 2,749					
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NON-INTEREST INCOME Service charges on deposit accounts 1,343 1,391 2,573 2,749		9.847	•		
Service charges on deposit accounts 1,343 1,391 2,573 2,749	<u>-</u>	- ,	-,	- ,	- ,-
		1.343	1,391	2,573	2,749
		-	•		
Real estate servicing fees, net 22 263 199 422	•				
Gain on sale of mortgage loans, net 257 620 448 1,340					
Gain on sale of investment securities 0 260 0 554					
Other 333 345 618 613					
Total non-interest income 2,183 3,088 4,269 6,096					
NON-INTEREST EXPENSE		,	,	,	,
Salaries and employee benefits 4,960 4,822 9,991 9,733		4,960	4,822	9,991	9,733
Occupancy expense, net 672 642 1,292 1,277					
Furniture and equipment expense 453 530 896 965	* * *				
FDIC insurance assessment 242 257 480 499					
Legal, examination, and professional fees 282 294 508 520					
Advertising and promotion 256 316 546 597	· ·				
Postage, printing, and supplies 280 291 545 547	T .				
Processing expense 761 734 1,520 2,009					
Other real estate expense, net 172 351 296 3,173					

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Other	733	1,044	1,444	1,896
Total non-interest expense	8,811	9,281	17,518	21,216
Income before income taxes	3,219	2,622	6,252	2,424
Income tax expense	1,121	810	2,167	748
Net income	2,098	1,812	4,085	1,676
Preferred stock dividends and accretion of discount	0	320	0	615
Net income available to common shareholders	\$ 2,098	\$1,492	\$4,085	\$1,061
Basic earnings per share	\$ 0.40	\$0.29	\$0.78	\$0.20
Diluted earnings per share	\$ 0.40	\$0.29	\$0.78	\$0.20

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands)	2014	2013	2014	2013
Net income	\$ 2,098	\$ 1,812	\$4,085	\$1,676
Other comprehensive income (loss), net of tax				
Investment securities available-for-sale:				
Unrealized gain (loss) on investment securities available-for-sale, net of	981	(2,722)	1,530	(3,262)
Adjustment for gain on sale of investment securities, net of tax	0	(161)	0	(343)
Defined benefit pension plans:	U	(101)	U	(343)
Amortization of prior service cost included in net periodic pension cost, net of tax	12	17	24	33
Total other comprehensive income (loss)	993	(2,866)	1,554	(3,572)
Total comprehensive income (loss)	\$ 3,091	\$ (1,054)	\$5,639	\$(1,896)

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

					Accumulated		
					Other		Total
					Comprehensiv	ve	Stock -
	Preferred	Common		Retained	Income	Treasury	holders'
(In thousands)	Stock	Stock	Surplus	Earnings	(Loss)	Stock	Equity
Balance, December 31, 2012	\$17,977	\$ 5,001	\$31,816	\$39,118	\$ 1,825	\$(3,517)	\$92,220
Net income	0	0	0	1,676	0	0	1,676
Other comprehensive loss	0	0	0	0	(3,572) 0	(3,572)
Stock based compensation expense	0	0	7	0	0	0	7
Accretion of preferred stock discount	278	0	0	(278)	0	0	0
Redemption of 18,255 shares of preferred stock	(18,255)	0					(18,255)
Redemption of common stock warrant	0	0	(540)	0	0	0	(540)
Stock dividend	0	0	2,284	(2,284)	1		0
Cash dividends declared, preferred stock	0	0	0	(456)	0	0	(456)
Cash dividends declared, common stock	0	0	0	(484)	0	0	(484)
Balance, June 30, 2013	\$0	\$ 5,001	\$33,567	\$37,292	\$ (1,747) \$(3,517)	\$70,596
Balance, December 31, 2013	\$0	\$ 5,195	\$33,385	\$40,086	\$ (769) \$(3,517)	\$74,380
Net income	0	0	0	4,085	0	0	4,085
Other comprehensive income	0	0	0	0	1,554	0	1,554
Stock based compensation expense	0	0	10	0	0	0	10
Stock dividend	0	0	2,697	(2,697)	0	0	0
Cash dividends declared, common stock	0	0	0	(504)	0	0	(504)
Balance, June 30, 2014	\$0	\$ 5,195	\$36,092	\$40,970	\$ 785	\$(3,517)	\$79,525