

HAWTHORN BANCSHARES, INC.
Form 10-Q
November 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 September 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
(State or other jurisdiction of
incorporation or organization)

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

300 Southwest Longview Boulevard,

Lee s Summit, Missouri
(Address of principal executive offices)

64081
(Zip Code)

(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 November 14, 2012, the registrant had 4,839,114 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)**

	September 30, 2012	December 31, 2011
	<i>(In thousands, except per share amounts)</i>	
ASSETS		
Loans	\$ 843,098	\$ 842,930
Allowances for loan losses	(16,920)	(13,809)
Net loans	826,178	829,121
Investment in available-for-sale securities, at fair value	216,788	213,806
Federal funds sold and securities purchased under agreements to resell	0	75
Cash and due from banks	20,286	43,135
Premises and equipment - net	37,218	37,953
Other real estate owned and repossessed assets - net	25,195	16,020
Accrued interest receivable	5,467	5,341
Mortgage servicing rights	2,624	2,308
Intangible assets - net	236	543
Cash surrender value - life insurance	2,119	2,064
Other assets	21,180	20,795
Total assets	\$ 1,157,291	\$ 1,171,161
LIABILITIES AND STOCKHOLDERS EQUITY		
Deposits:		
Non-interest bearing demand	\$ 165,131	\$ 159,187
Savings, interest checking and money market	389,632	384,599
Time deposits \$100,000 and over	126,685	139,504
Other time deposits	274,962	274,934
Total deposits	956,410	958,224
Federal funds purchased and securities sold under agreements to repurchase	24,109	24,516
Subordinated notes	49,486	49,486
Federal Home Loan Bank advances	28,216	28,410
Accrued interest payable	684	1,054
Other liabilities	7,955	6,895
Total liabilities	1,066,860	1,068,585
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	17,905	29,318
Common stock, \$1 par value, authorized 15,000,000 shares; Issued 5,000,972 and 4,814,852 shares, respectively	5,001	4,815
Surplus	31,814	30,266
Retained earnings	37,457	40,354
Accumulated other comprehensive income, net of tax	1,771	1,340
Treasury stock; 161,858 shares, at cost	(3,517)	(3,517)

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Total stockholders equity	90,431	102,576
Total liabilities and stockholders equity	\$ 1,157,291	\$ 1,171,161

See accompanying notes to the unaudited consolidated financial statements.

HAWTHORN BANCSHARES, INC. AND SUBSIDIARIES

Consolidated Statements of Income (unaudited)

(In thousands, except per share amounts)	For the Three Months Ended		For the Nine Months Ended	
	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011
INTEREST INCOME				
Interest and fees on loans	\$ 10,881	\$ 11,852	\$ 33,068	\$ 35,930
Interest on debt securities:				
Taxable	1,016	1,237	3,216	3,735
Nontaxable	225	250	688	780
Interest on federal funds sold and securities purchased under agreements to resell	0	0	0	1
Interest on interest-bearing deposits	6	8	43	40
Dividends on other securities	23	37	79	121
Total interest income	12,151	13,384	37,094	40,607
INTEREST EXPENSE				
Interest on deposits:				
Savings, interest checking and money market	265	387	919	1,319
Time deposit accounts \$100,000 and over	297	402	1,316	1,298
Other time deposit accounts	979	1,244	2,286	3,983
Interest on federal funds purchased and securities sold under agreements to repurchase	7	13	17	38
Interest on subordinated notes	346	322	1,045	964
Interest on Federal Home Loan Bank advances	135	212	403	938
Total interest expense	2,029	2,580	5,986	8,540
Net interest income	10,122	10,804	31,108	32,067
Provision for loan losses	4,700	2,010	7,900	5,643
Net interest income after provision for loan losses	5,422	8,794	23,208	26,424
NON-INTEREST INCOME				
Service charges on deposit accounts	1,360	1,446	4,067	4,176
Trust department income	234	209	670	632
Gain on sale of mortgage loans, net	779	431	1,773	894
Gain on sale of investment securities	26	0	26	0
Other	281	271	557	886
Total non-interest income	2,680	2,357	7,093	6,588
NON-INTEREST EXPENSE				
Salaries and employee benefits	4,761	4,505	14,465	13,516
Occupancy expense, net	666	735	1,953	1,958
Furniture and equipment expense	431	467	1,403	1,483
FDIC insurance assessment	249	255	752	1,130
Legal, examination, and professional fees	284	286	880	1,083
Advertising and promotion	288	272	750	774
Postage, printing, and supplies	274	271	817	836
Processing expense	888	787	2,667	2,422
Other real estate expense	1,787	523	3,383	1,564
Other	750	824	2,885	2,545

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Total non-interest expense	10,378	8,925	29,955	27,311
(Loss) income before income taxes	(2,276)	2,226	346	5,701
Income tax (benefit) expense	(704)	711	(273)	1,823
Net (loss) income	(1,572)	1,515	619	3,878
Preferred stock dividends	228	378	894	1,131
Accretion of discount on preferred stock	72	119	587	