

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, 2025

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 4,314,962 shares of voting and non-voting common equity of the registrant held by non-affiliates computed by reference to the \$29.14 closing price of such common equity on June 30, 2025, the last business day of the registrant's most recently completed second fiscal quarter, was \$125,737,993. Aggregate market value excludes an aggregate of 2,601,695 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 2, 2026, the registrant had 7,554,893 shares of common stock, par value \$1.00 per share, issued and 6,901,810 shares outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the following documents are incorporated by reference into Parts I, II, III and IV of this report: (1) 2025 Annual Report to Shareholders, attached hereto as Exhibit 13 and (2) definitive Proxy Statement for the 2026 Annual Meeting of Shareholders to be filed with the Commission pursuant to Regulation 14A.

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.

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.

During 2025, the Company identified its Wealth Management business as a strategic opportunity and hired additional management resources to provide the structure for products and processes for this business. As a result, beginning with the first quarter of 2025, the Company identified its Wealth Management Business as a separate reportable segment and now has two reportable segments: the Bank segment and the Wealth Management segment. The Company's remaining operations are not reportable segments, as defined by applicable accounting standards, and are classified as Non-Bank, and primarily represent the parent holding company, other insignificant non-bank subsidiaries and eliminations. For the years ended December 31, 2024 and 2023, the Company had one reportable segment, the Bank. Refer to Note 20, "Segment Information," in the Company's consolidated financial statements, included under the caption "Consolidated Financial Statements" in the Company's 2025 Annual Report to Shareholders (included as Exhibit 13 hereto), incorporated herein by reference.

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, Missouri. See "Item 2. Properties".

The Bank is a full service bank and, through the Bank segment, conducts a general banking business, offering its customers checking and savings accounts, internet banking, debit cards, certificates of deposit, 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 also offers, through the Wealth Management segment, a broad range of financial and investment planning services for individuals and business owners, as well as trust services formerly included in the Bank segment.

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 ("REIT") 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 \$404.7 million. As of December 31, 2025, the approximate aggregate book value of the mortgage loans held by HB Realty was \$578.4 million. Effective September 30, 2022, HB Realty only acquires mortgage loans from the Bank, not participation interests.

Qualification as a REIT requires satisfaction of specific provisions of the IRC, including gross asset tests, gross income tests, and a minimum of 100 shareholders. 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 ("JCIHC"), a Missouri limited liability company that is wholly owned by the Bank. Pursuant to a newly established Hawthorn Bank Real Estate Investment Trust Ownership Plan, beginning in January 2019, the Bank made available to certain of its employees, as an employee benefit and to enable HB Realty to qualify as a REIT, up to a total of 150 preferred shares of HB Realty. 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 controls the management of, and owns the remaining economic interest associated with membership interests in, HB Realty.

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 that 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.

Human Capital

We believe our employees are connected to each other as "One Hawthorn," collaborating to serve our customers and ensuring community banking will continue to thrive. Our employees are one of our most valuable assets. We encourage employees to participate and engage in activities which support the communities we serve. We are grateful for each other and appreciate each other's contributions.

We strive to provide a safe and enjoyable workplace for our employees. We offer a comprehensive benefits package to qualifying employees, including health, dental and vision insurance, as well as a 401(k) plan and profit-sharing plan. We believe that employee retention is critical to our success and periodically review our compensation and benefit packages to ensure we remain competitive.

As of December 31, 2025, the Company and its subsidiaries had approximately 255 full-time and 11 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 non-banking sources in all of their activities. The Bank segment'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 segment'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 segment experiences substantial competition for deposits and loans within its primary service areas of the cities of Jefferson City, Columbia, Clinton, Warsaw, and Springfield, Missouri and the Kansas City metropolitan statistical area ("MSA")

as well as within its secondary service areas of the nearby communities in the Missouri counties of Cole, Boone, Henry, Cass, Benton, and Greene. The Bank segment'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.

The Wealth Management segment's competitors include a diverse mix of national banks, regional banks and other community banks, as well as commercial banks, full-service firms, and brokerage houses, alongside disruptive robo-advisors, fintech platforms, and independent advisors, both inside and outside the markets in which it serves.

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.

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.

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.

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 Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act ("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.

Capital Adequacy. Banks and bank holding companies are subject to various regulatory capital requirements administered by state and federal regulatory agencies, which involve quantitative measures of assets, liabilities, and certain off-balance sheet items calculated under regulatory guidelines. Capital amounts and classifications are also subject to qualitative judgments by regulators about components, risk weighting, and other factors. The capital requirements are intended to ensure that institutions have adequate capital given the risk levels of assets and off-balance sheet financial instruments and are applied separately to the Company and the Bank.

Federal regulations require insured depository institutions and bank holding companies to meet several minimum capital standards as shown in the table below. The regulations also require a capital conservation buffer designed to absorb losses during periods of economic stress. 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 regulations change the risk-weights of certain assets for purposes of the risk-based capital ratios and phase out certain instruments as qualifying capital.

The Federal regulations also address the prompt corrective action framework, which is designed to place restrictions on an insured depository institution if its capital levels begin to show signs of weakness. Under the prompt corrective action requirements, which are designed to complement the capital conservation buffer, insured depository institutions are required to meet the following increased capital level requirements to qualify as "well-capitalized" as shown in the table below.

Ratio	Entity	Minimum Regulatory Capital Ratio %	Minimum Ratio + Capital Buffer % ⁽¹⁾	Well-Capitalized Minimum % Ratio ⁽²⁾
Common equity tier 1 risk-based capital	Company	4.50 %	7.00 %	N/A
	Bank	4.50	7.00	6.50 %
Tier 1 risk-based capital	Company	6.00	8.50	N/A
	Bank	6.00	8.50	8.00
Total risk-based capital	Company	8.00	10.50	N/A
	Bank	8.00	10.50	10.00
Leverage ratio	Company	4.00	N/A	N/A
	Bank	4.00	N/A	5.00

(1) Reflects a capital conservation buffer of 2.5%.

(2) Reflects the well-capitalized standard applicable to the Company under Federal Reserve Regulation Y and the well-capitalized standard applicable to the Bank.

The regulations contain other capital classification categories, such as "adequately capitalized," "undercapitalized," "significantly undercapitalized," and "critically undercapitalized," each of which are based on differing capital ratios. Undercapitalized institutions are subject to certain mandatory restrictions, including on capital distributions and growth. Significantly undercapitalized and critically undercapitalized institutions are subject to additional restrictions. An institution may be downgraded to a category lower than indicated by its capital ratios if it is determined to be in an unsafe or unsound condition, or if the institution receives an unsatisfactory examination rating.

The application of these regulations may result in lower returns on invested capital, require the raising of additional capital or require regulatory action if the Bank were unable to comply with such requirements. In addition, management may be required to modify its business strategy due to the changes to the asset risk-weights for risk-based capital calculations and the requirement to meet the capital conservation buffer. The imposition of liquidity requirements in connection with these rules could also cause the Bank to increase its holdings of liquid assets, change its business strategy, and make other changes to the terms of its funding.

As of December 31, 2025 the Company was in compliance with the FRB's capital adequacy guidelines. As of December 31, 2025, the Bank was classified as "well-capitalized," which is required for the Company to remain a financial holding company. Refer to Note 16, "Capital Requirements," in the Company's consolidated financial statements, included under the caption "Consolidated Financial Statements" in the Company's 2025 Annual Report to Shareholders (included as Exhibit 13 hereto), incorporated herein by reference for further discussion on capital adequacy.

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. As of December 31, 2025, 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.

Regulations 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.

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. The National Bank Act and Missouri banking law also prohibit the declaration of a dividend out of the capital and surplus of the Bank.

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. In 2025, the Federal Reserve, FDIC and Office of the Comptroller of Currency ("OCC") proposed to rescind the 2023 regulations. The Company is following the original regulations and will evaluate the effects of any final rules 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.

Consumer Protection. The Bank is subject to a variety of federal and state consumer protection laws and regulations that govern its relationships and interactions with consumers. The Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") enacted substantial changes to the legal framework of the entire financial services industry and created the Consumer Financial Protection Bureau ("CFPB"). The CFPB has broad rulemaking authority over a wide range of federal consumer protection laws that apply to banks and other providers of financial products and services, including the authority to prohibit "unfair, deceptive or abusive" acts and practices. In recent years, examination and enforcement by federal and state banking agencies for compliance with consumer protection laws and regulations have increased and become more intense. Failure to comply with these laws and regulations may subject the Bank to various penalties. The Bank closely monitors changes to the rules enforced by the CFPB and has a compliance system to ensure consumer protection.

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. There have been several bills introduced in Congress that propose to establish additional regulation and oversight of the digital asset markets. On July 18, 2025, the Guiding and Establishing National Innovation for U.S. Stablecoins Act (the "GENIUS Act") was passed and signed into law of the United States, which directs for a federal regulatory framework for the issuance of "payment stablecoins" that are designed to be used as a means of payment and settlement. The GENIUS Act proscribes a regulatory framework that would further reduce uncertainty of the legal status and treatment of "payment stablecoins" or other digital assets in general and clarify in certain instances that such digital assets would not be treated or regulated as "securities." The GENIUS Act may accelerate and increase the competition that non-traditional financial institutions pose to banks' payment services but may also create opportunities for banks to hold stablecoin reserve assets, custody stablecoins, or issue stablecoins. Several key provisions of the GENIUS Act require federal regulatory agencies to adopt implementing regulations, and the GENIUS Act will take effect the earlier of 18 months after its enactment or 120 days after the agencies issue final implementing regulations.

On July 4, 2025, the One Big Beautiful Bill Act (the "OBBBA") was signed into law in the United States. The OBBBA includes significant changes to tax provisions, such as the permanent extension of certain expiring provisions enacted in the Tax Cuts and Jobs Act of 2017 and the restoration of favorable tax treatment for certain business provisions. The OBBBA tax provisions have multiple effective dates, with certain provisions effective in 2025 and others being phased in through 2027. The Company is continuing to evaluate the effect that the OBBBA will have on the Company's financial condition but does not currently expect it will have a material impact on its results of operations.

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 banks 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 regulations 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 and West Central Missouri, as well as the Kansas City MSA, 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 the Kansas City MSA. The financial condition of the Bank is affected by slowing or recessionary economic conditions and business activity prevailing in the portion of Missouri 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 our markets.

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. 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 inflationary environment and elevated 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. Therefore, the loan portfolio is susceptible to factors affecting the central, west central, and southwest Missouri area, as well as the Kansas City MSA, 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, rising inflation, 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 may result in decreased lending by financial institutions to their customers and to each other. Market turmoil may lead 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 may experience decreased access to deposits or borrowings due to unfavorable or uncertain economic and market conditions.

Emerging financial technologies such as digital assets, stablecoins, and distributed ledger systems may reduce the demand for traditional banking services and create new competitive pressures that adversely affect our business.

The rapid development and increasing regulatory acceptance of financial technologies such as digital assets (including cryptocurrencies and tokenized money), stablecoins and distributed ledger technologies ("DLT") could materially alter the

financial services sector. These technologies enable near-instantaneous value transfer, programmable money and peer-to-peer settlement mechanisms, many of which may operate outside the traditional banking system.

Large technology companies, fintech platforms and digital asset service providers are increasingly offering products that compete with core banking functions, such as payments, custody, lending and liquidity management. Many of the providers of these emerging financial technology providers are not subject to the same regulatory or capital constraints as depository institutions. The adoption of digital financial infrastructure by governments or central banks, such as central bank digital currencies ("CBDCs"), or by major corporate platforms could accelerate these shifts.

Our ability to compete with larger institutions or well-capitalized technology entrants in developing or integrating emerging financial technologies is limited by our size, risk profile and depository institution regulatory obligations. A failure to adapt to or participate in these emerging ecosystems—either directly or through strategic partnerships—could erode the Bank's traditional banking functions, reduce the Bank's share of customer deposits and fee income, and adversely affect the Company's long-term growth prospects and financial condition.

Recent federal legislation, including the GENIUS Act enacted in July 2025, established new regulatory requirements for payment stablecoins issued by banking organizations and their subsidiaries. Compliance with these requirements involves maintaining adequate asset reserves, extensive reporting obligations, independent audits and increased supervisory oversight. The Company's potential involvement in issuing or supporting payment stablecoins could expose us to regulatory compliance risks, increased operational costs and evolving legal uncertainties. Additionally, rapid changes in digital asset regulation or adverse regulatory interpretations could adversely affect our business strategies and prospects in this emerging market, which could materially impact our financial condition and results of operations.

Smaller commercial borrowers may have fewer financial resources, which may impair their ability to repay loans.

We provide lending to many small- and medium-sized businesses, which generally 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, could lead 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.

The bank failures of Silicon Valley Bank and First Republic Bank in California and Signature Bank in New York during 2023 caused a degree of panic and uncertainty in the investor community and among bank customers generally. Any future bank failures may reduce customer confidence, affect sources of funding and liquidity, increase regulatory requirements and costs, adversely affect financial markets and/or have a negative reputational ramification for the banking industry, including the Company.

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 Federal Home Loan Bank ("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.

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.

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, but that special assessment did not apply to the Bank.

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. 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 it is 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. 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", 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; and
- credit unions.

Competition for deposits comes principally from:

- other commercial banks;
- savings banks;
- savings and loan associations;
- credit unions;
- brokerage firms;
- insurance companies; and
- mutual funds, including money market mutual funds and 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 further increase the number and financial strength of companies that compete directly with the Bank. In addition, competition from emerging financial technology companies, including crypto currencies, stable coins and other digital assets, may also increase if current adoption and usage trends continue.

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 face strong competition from financial service companies and other companies that offer banking and wealth management services, which could adversely affect our business.

Many competitors offer the same, or a wider variety of, banking and wealth management services within the Company's market areas. These competitors include national banks, regional banks and other community banks. The Company also faces

competition from many other types of financial institutions, including savings and loan institutions, finance companies, brokerage firms, insurance companies, credit unions, mortgage banks and online lenders, and other financial intermediaries. In addition, a number of out-of-state financial intermediaries have entered the Company's primary market areas. Also, as discussed above, technology and other changes have lowered barriers to entry and made it possible for non-banks, or financial technology companies, to offer products and services traditionally provided by banks. We may not be able to compete successfully against current and future competitors. If we are unable to attract and retain banking and wealth management customers, we may be unable to grow our loan and deposit portfolios or our wealth management commissions, which could adversely affect our business, results of operations and financial condition.

Our wealth management fees may decrease as a result of poor investment performance, in either relative or absolute terms, which could decrease our revenues and net earnings.

The Company's wealth management business derives a significant amount of its revenues from investment management fees based on assets under management. The Company's ability to maintain or increase assets under management is subject to a number of factors, including investors' perception of the Company's past performance, in either relative or absolute terms, general market and economic conditions, and competition from other investment management firms or substitutes. A decline in the fair value of the assets under management would decrease the Company's trust and wealth management fee income.

Investment performance is one of the most important factors in retaining existing clients and competing for new wealth management clients. Poor investment performance could reduce the Company's revenues and impede the growth of the Company's wealth management business. For example, existing clients may withdraw funds from the Company's wealth management business in favor of better performing products or firms; asset-based management fees could decline from a decrease in assets under management; the Company's ability to attract funds from existing and new clients might diminish; and the Company's portfolio managers may depart, to join a competitor or otherwise.

Even when market conditions are generally favorable, the Company's investment performance may be adversely affected by the investment style of its portfolio managers and the particular investments that they make or recommend. Ultimately, the Company may not be able to compete successfully against current and future competitors. If the Company is unable to attract and retain banking and wealth management customers, it may be unable to grow its loan and deposit portfolios or its wealth management commissions, which could adversely affect its business, results of operations and financial condition.

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.

Fraudulent activity 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 cyberattacks. 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 a limited number of executive officers and key employees. These individuals are expected to continue to perform their services. However, the loss of the services of any of these individuals 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, 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. Geopolitical relations and events, including international trade relations and global military conflicts, 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. 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 may 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.

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 bank customers 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. Future changes in the banking laws and regulations and tax and accounting rules applicable to financial institutions could have a material adverse effect on the operations and financial condition of the Company and the Bank.

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 current 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 borrowings 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 the changing regulatory capital requirements and new capital rules 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.

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, 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 1C. 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 will 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; and
- 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.

The development and use of artificial intelligence presents risks and challenges that may adversely impact our business.

The Company or its third-party (or fourth party) vendors, clients or counterparties may develop or incorporate artificial intelligence ("AI") technology in certain business processes, services, or products. The development and use of AI presents risks and challenges to the Company's business. The legal and regulatory environment relating to AI is uncertain and rapidly evolving, both in the U.S. and internationally, and includes regulatory schemes targeted specifically at AI as well as provisions in intellectual property, privacy, consumer protection, employment, and other laws applicable to the use of AI. These evolving laws and regulations could require changes in the Company's implementation of AI technology and increase the Company's compliance costs and the risk of non-compliance. AI models, particularly generative AI models, may produce output or take action that is incorrect, that reflects biases included in the data on which they are trained, that results in the release of private, confidential, or proprietary information, that infringes on the intellectual property rights of others, or that is otherwise harmful. In addition, the complexity of many AI models makes it difficult to understand why they are generating particular outputs. This limited transparency increases the challenges associated with assessing the proper operation of AI models, understanding and monitoring the capabilities of the AI models, reducing erroneous output, eliminating bias, and complying with regulations that require documentation or explanation of the basis on which decisions are made. Further, the Company may rely on AI models developed by third parties, and, to that extent, would be dependent in part on the manner in which those third parties develop and train their models, including risks arising from the inclusion of any unauthorized material in the training data for their models and the effectiveness of the steps these third parties have taken to limit the risks associated with the output of their models, matters over which the Company may have limited visibility. Any of these risks could expose the Company to liability or adverse legal or regulatory consequences and harm the Company's reputation and the public perception of its business or the effectiveness of its security measures.

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 expenses.

Risks Related to Our Common Stock

The price of our common stock could fluctuate significantly, and this 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.

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 is 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 cybersecurity 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 protection 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 security information and event management 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 other 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. "Risk Factors" for additional information regarding information technology risks.

Item 2. Properties.

The Company does not own or lease any property. The Company's principal offices are located at 132 East High Street, Jefferson City, Missouri 65101. The table below provides a list of and information about the Bank's facilities as of December 31, 2025.

Location	Approximate Square Footage	Owned or Leased
8127 East 171st Street, Belton, MO	13,000	Owned
910 West Buchanan Street, California, MO	2,270	Owned
1400 East Ohio Street, Clinton, MO	13,551	Owned
803 E. Walnut St, Columbia, MO	9,698	Leased ⁽¹⁾
1110 Club Village Drive, Columbia, MO	5,000	Owned
115 South 2nd Street, Drexel, MO	4,000	Owned
100 Plaza Drive, Harrisonville, MO	4,000	Owned
17430 East 39th Street, Independence, MO	4,070	Owned
132 East High Street, Jefferson City, MO	34,800	Owned
211 West Dunklin Street, Jefferson City, MO	2,500	Owned
800 Eastland Drive, Jefferson City, MO	4,100	Owned
3701 West Truman Blvd, Jefferson City, MO	21,000	Owned
8625 NE 85th St, Kansas City, MO	1,823	Leased ⁽²⁾
300 S.W. Longview Blvd, Lee's Summit, MO	11,700	Owned
335 Chestnut, Osceola, MO	1,580	Owned
321 West Battlefield, Springfield, MO	12,500	Owned
1891 Commercial Drive, Warsaw, MO	11,000	Owned
7400 College Boulevard, Suites 200 & 205, Overland Park, KS	15,172	Leased ⁽³⁾

(1) The term of this lease expires in February 2029.

(2) The term of this lease expires in August 2034.

(3) The term of this lease expires in March 2032.

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. Refer to Note 9, "Leases" in the Company's consolidated financial statements, included under the caption "Consolidated Financial Statements" in the Company's 2025 Annual Report to Shareholders (included as Exhibit 13 hereto), incorporated herein by reference.

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 "Notes to the Consolidated Financial Statements" in the Company's 2025 Annual Report to Shareholders (included as Exhibit 13 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	58	Chief Executive Officer and Director
Gregg A. Bexten	58	President and Director
Chris E. Hafner	59	Executive Vice President and Chief Financial Officer
Kathleen L. Bruegenhemke	60	Executive Vice President, Chief Risk Officer 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 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 1998 until 2014 he served as a commercial lender in our Central Region with titles of Senior Vice President and Vice President and as an Internal Auditor. 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 of the Company since May 2024 and as Chief Risk Officer of the Company since June 2006. She served as Secretary of the Company from 1997 until 2025. From January 2017 until November 2023, she served as Chief Operating Officer of the Bank. From October 2014 until December 2016, she served as Columbia Market President for the Bank. 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 2025 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 three months ended December 31, 2025:

Period	Total Number of Shares (or Units) Purchased ⁽¹⁾	Average Price Paid per Share (or Unit)	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs ⁽¹⁾
October 2025	—	\$ —	—	\$ 8,732,076
November 2025	9,892	30.58	9,892	8,429,797
December 2025	—	—	—	8,429,797
Total	9,892	\$ 30.58	9,892	\$ 8,429,797

(1) On June 5, 2025, the Company announced that its Board of Directors approved a new common stock repurchase program under which the Company may repurchase up to \$10.0 million of its common stock, which replaced the Company's prior common stock repurchase program. Pursuant to the repurchase program, management is given discretion to determine the number and pricing of the shares to be repurchased, as well as the timing of any such repurchases. The timing and total amount of stock repurchases will depend on market and other conditions and may be made from time to time in open market purchases or privately negotiated transactions. The program has no termination date, may be suspended or discontinued at any time and does not obligate the Company to acquire any amount of common stock. As of December 31, 2025, \$8.4 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 2025 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 the communities we serve, 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;
- changes may occur in the securities markets;
- credit and market risks relating to increasing inflation;
- economic or other disruptions caused by acts of terrorism, war or other conflicts, changes in geopolitical conditions, 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 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 cybersecurity incidents and other disruptions, or innovations to the financial services industry.

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, 2025, the Company's rate shock scenario models indicated that annual net interest income could change by as much as (0.43)% or (1.58)% 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 2025 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 2025 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, 2025, 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, 2025, 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, 2025, 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, 2025, 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 have 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, 2025 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, 2025, 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, 2025, 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, 2025 and 2024, and for each of the two years in the period ended December 31, 2025, and our report dated March 5, 2026 expressed an unqualified opinion on those 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 audits provide 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 5, 2026

Item 9B. Other Information.

During the three months ended December 31, 2025, 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.

None

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

The information under the caption “Executive Officers of the Registrant” in Part I of this report is incorporated herein by reference. The Company’s definitive Proxy Statement for its 2026 Annual Meeting of Shareholders (the “Proxy Statement”) will contain under the captions “Item 1: Election of Directors,” “Delinquent Section 16(a) Reports” (if applicable), “Corporate Governance and Board Matters—Consideration of Director Nominees” and “Corporate Governance and Board Matters—Committees of the Board—Audit Committee” additional information required by Item 10 of this report, which information is incorporated herein by this reference.

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 reasonably designed to promote compliance with insider trading laws, rules and regulations, and applicable listing standards of 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 report as Exhibit 19.

Item 11. Executive Compensation.

The Proxy Statement will contain under the captions “Executive Compensation and Related Matters,” “Corporate Governance and Board Matters—Director Compensation,” and “Policies and Practices for Granting Certain Equity Awards” the information required by Item 11 of this report, which information is incorporated herein by reference.

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

The Proxy Statement will contain under the caption “Ownership of Common Stock” information required by Item 12 of this report, which information is incorporated herein by reference.

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 12 “Stockholders’ Equity and Accumulated Other Comprehensive Income (Loss) Equity-Based Compensation Plan” of the Company’s 2025 Annual Report and are incorporated herein by reference.

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

The Proxy Statement will contain under the captions “Related Party Transactions,” “Item 1: Election of Directors,” and “Corporate Governance and Board Matters—Committees of the Board” the information required by Item 13 of this report, which information is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services.

The Proxy Statement will contain under the caption "Independent Registered Public Accounting Firm Fees and Services" the information required by Item 14 of this report, which information is incorporated herein by reference.

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 2025 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, 2025 and 2024.

Consolidated Statements of Income for the years ended December 31, 2025, 2024, and 2023.

Consolidated Statements of Comprehensive Income for the years ended December 31, 2025, 2024, and 2023.

Consolidated Statements of Stockholders' Equity for the years ended December 31, 2025, 2024, and 2023.

Consolidated Statements of Cash Flows for the years ended December 31, 2025, 2024, and 2023.

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:

Exhibit No.	Description
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>

Exhibit No.	Description
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>
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>
13	<u>The Company's 2025 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>
19	<u>Policy on Securities Trading and Handling of Non-Public Information (filed as Exhibit 19 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2024 and incorporated herein by reference).</u>
21	<u>List of Subsidiaries.</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.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.

Exhibit No.	Description
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 5, 2026

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 5, 2026	<u>/s/ Brent M. Giles</u> Brent M. Giles, Chief Executive Officer (Principal Executive Officer) and Director
March 5, 2026	<u>/s/ Chris E. Hafner</u> Chris E. Hafner, Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)
March 5, 2026	<u>/s/ Gregg A. Bexten</u> Gregg A. Bexten, President, Director
March 5, 2026	<u>/s/ Kathleen L. Bruegenhemke</u> Kathleen L. Bruegenhemke, Director
March 5, 2026	<u>/s/ David T. Turner</u> David T. Turner, Chairman, Director
March 5, 2026	<u>/s/ Frank E. Burkhead</u> Frank E. Burkhead, Director
March 5, 2026	<u>/s/ Philip D. Freeman</u> Philip D. Freeman, Director
March 5, 2026	<u>/s/ Kevin L. Riley</u> Kevin L. Riley, Director
March 5, 2026	<u>/s/ Gus S. (Jack) Wetzel III</u> Gus S. (Jack) Wetzel III, Director
March 5, 2026	<u>/s/ Shawna M. Hettinger</u> Shawna M. Hettinger, Director
March 5, 2026	<u>/s/ Jonathan L. States</u> Jonathan L. States, Director
March 5, 2026	<u>/s/ Douglas T. Eden</u> Douglas T. Eden, Director
March 5, 2026	<u>/s/ Jonathan D. Holtaway</u> Jonathan D. Holtaway, Director

2025
ANNUAL REPORT
TO
SHAREHOLDERS

HAWTHORN BANCSHARES, INC.
Jefferson City, Missouri



March 5, 2026

Dear Shareholder,

The past year marked several important milestones for Hawthorn Bank, and we made meaningful progress on our top priority—growth. By strengthening relationships, expanding business deposits and lending, and expanding our wealth management services, we continued to connect individuals, families, and businesses to their goals. At the same time, these efforts reinforced our role as a trusted community partner and supported long-term value for our shareholders. The changes implemented in 2023 and 2024, and further refined over the past year, are delivering results.

In February, we opened a new banking center in Overland Park—our first location in Kansas. This prominent location in Johnson County enhances our footprint in the Kansas City metro area and contributes to increased brand awareness. That visibility was further strengthened through high-profile sponsorships, including the Titanic exhibit at Union Station in Kansas City, helping introduce Hawthorn Bank to new audiences across the region.

We also completed major initiatives, including the account consolidation project, which improved efficiency. As we continue to invest in technology to enhance the customer experience, we remain focused on what truly differentiates us—our people. The hybrid banking experience—seamless technology paired with personal, trusted relationships—continues to set Hawthorn Bank apart.

In September, we were proud to celebrate our 160th anniversary, reflecting on what it takes to remain relevant through generations of change. That longevity is a testament to our ability to evolve while staying true to our values.

Growth has no finish line, and sustaining it requires discipline. In 2026, my priority is momentum. With a strong foundation and continued alignment with our strategic initiatives, we are positioned to drive wins and move forward with confidence.

I'm incredibly proud of what we accomplished in 2025, and we continue our shared mission of connecting our customers, our communities, and each other to what's possible.

Thank you for your investment in Hawthorn Bank. We appreciate your continued support and trust.

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 the communities we serve, 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;
- changes may occur in the securities markets;
- credit and market risks relating to increasing inflation;
- economic or other disruptions caused by acts of terrorism, war or other conflicts, changes in geopolitical conditions, 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 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 cybersecurity incidents and other disruptions, or innovations to the financial services industry.

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, 2025, 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 \$1.89 billion in assets at December 31, 2025, 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 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.

During 2025, the Company identified its Wealth Management business as a strategic opportunity and hired additional management resources to provide the structure for products and processes for this business. As a result, beginning with the first quarter of 2025, the Company identified its Wealth Management Business as a separate reportable segment and now has two reportable segments: the Bank segment and the Wealth Management segment. The Company's remaining operations are not reportable segments, as defined by applicable accounting standards, and are classified as Non-Bank, and primarily represent the parent holding company, other insignificant non-bank subsidiaries and eliminations. For the years ended December 31, 2024 and 2023, the Company had one reportable segment, the Bank.

The Bank is a full service bank and, through the Bank segment, conducts a general banking business, offering its customers checking and savings accounts, internet banking, debit cards, certificates of deposit, 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 also offers, through the Wealth Management segment, a broad range of financial and investment planning services for individuals and business owners, as well as trust services formerly included in the Bank segment.

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.

The Wealth Management segment was immaterial to the Company's total consolidated operating results for the periods presented in this report. Accordingly, for presentation purposes, the financial information and discussion below is presented on an aggregated basis, except as otherwise noted. Refer to Note 20, "Segment Information," in the Company's consolidated financial statements for further details regarding the financial results of each segment.

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, 2025 and 2024, the ACL on loans included a qualitative adjustment of approximately \$10.3 million and \$11.2 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, "Significant Accounting Policies" 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.

For the year ended December 31,

(dollars in thousands, except per share amounts)

	For the year ended December 31,		
	2025	2024	2023
Statement of income information:			
Total interest income	\$ 97,658	\$ 95,351	\$ 91,968
Total interest expense	31,778	36,758	32,826
Net interest income	65,880	58,593	59,142
Provision for credit losses	360	1,027	2,340
Non-interest income	14,309	14,320	7,536
Investment securities (losses) gains, net	117	(4)	(11,547)
Non-interest expense	50,847	49,524	52,359
Pre-tax income	29,099	22,358	432
Income taxes (benefit)	5,298	4,102	(524)
Net income	\$ 23,801	\$ 18,256	\$ 956
Basic earnings per share	\$ 3.44	\$ 2.61	\$ 0.14
Diluted earnings per share	\$ 3.43	\$ 2.61	\$ 0.14

As of and for the year ended December 31,

	2025	2024	2023
Market and per share data			
Book value per share	\$ 25.13	\$ 21.36	\$ 19.33
Market price per share	34.88	28.35	25.37
Cash dividends paid on common stock	5,426	5,047	4,649
Common stock dividend	—	—	6,005
Performance Ratios			
Return on average assets	1.30 %	1.00 %	0.05 %
Return on average common equity	14.95	13.04	0.76
Efficiency ratio ⁽¹⁾	63.41	67.92	78.53
Net interest margin, fully taxable equivalent	3.89	3.41	3.29

(1) Efficiency ratio is calculated as non-interest expense as a percentage of revenue. Total revenue includes net interest income and non-interest income.

	As of and for the year ended December 31,		
	2025	2024	2023
<i>(dollars in thousands, except per share amounts)</i>			
Asset Quality Ratios			
Non-performing loans	\$ 6,865	\$ 2,747	\$ 6,413
Non-performing assets	6,963	4,193	8,157
Net-charge-offs	1,196	2,725	302
Net charge-offs to average loans	0.08 %	0.18 %	0.02 %
Allowance for credit losses to total loans	1.42	1.50	1.54
Non-performing loans to total loans	0.46	0.19	0.42
Non-performing assets to loans	0.47	0.29	0.53
Non-performing assets to total assets	0.37	0.23	0.43
Allowance for loan losses to non-performing loans	307.52	802.48	370.25
Capital Ratios			
Average stockholders' equity to total assets	8.72 %	7.66 %	6.68 %
Stockholders' equity to assets	9.19	8.19	7.26
Total risk-based capital ratio	15.49	14.79	13.99
Tier 1 risk-based capital ratio	14.24	13.54	12.59
Common equity Tier 1 capital	11.23	10.49	9.73
Tier 1 leverage ratio ⁽¹⁾	12.12	11.46	10.29

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

Results of Operations Highlights

Consolidated net income for the year ended December 31, 2025 was \$23.8 million, or \$3.43 per diluted share, which improved \$5.5 million, or 30.4%, compared to \$18.3 million, or \$2.61 per diluted share, for the year ended December 31, 2024, an increase of \$0.82 per diluted share, or 31.4%. For the year ended December 31, 2025, the return on average assets ("ROA") was 1.30%, the return on average stockholders' equity ("ROE") was 14.95%, and the efficiency ratio was 63.41%.

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, ROA was 1.00%, ROE was 13.04%, and the efficiency ratio 67.92%.

Net interest income was \$65.9 million for the year ended December 31, 2025 compared to \$58.6 million and \$59.1 million for the years ended December 31, 2024 and 2023, respectively. The net interest margin on a fully taxable equivalent ("FTE") basis was 3.89% for the year ended December 31, 2025 compared to 3.41% and 3.29% for the years ended December 31, 2024 and 2023, respectively.

Provision for credit losses recognized during the year ended December 31, 2025 was \$0.4 million compared to provision expense of \$1.0 million and \$2.3 million for the years ended December 31, 2024 and 2023, respectively.

Non-interest income was \$14.3 million for both of the years ended December 31, 2025 and December 31, 2024. Non-interest income increased \$6.8 million, or 90.0%, for the year ended December 31, 2024 compared to \$7.5 million the year ended December 31, 2023. These changes are discussed in greater detail below under *Non-interest Income*.

Non-interest expense increased \$1.3 million, or 2.7%, to \$50.8 million for the year ended December 31, 2025 compared to \$49.5 million for the year ended December 31, 2024. Non-interest expense decreased \$2.8 million, or 5.4%, for the year ended December 31, 2024 compared to \$52.4 million for the year ended December 31, 2023. These changes are discussed in greater detail below under *Non-interest Expense*.

Balance Sheet Highlights

Cash and cash equivalents – Cash and cash equivalents increased \$53.3 million, or 104.6%, to \$104.3 million as of December 31, 2025, compared to \$51.0 million as of December 31, 2024, and decreased \$42.5 million, or 45.4%, as of December 31, 2024 compared to \$93.5 million as of December 31, 2023. See the *Liquidity Management* section for further discussion.

Loans – Loans held for investment increased \$20.6 million, or 1.4%, to \$1.49 billion as of December 31, 2025 compared to December 31, 2024, and decreased \$73.0 million, or 4.7%, to \$1.47 billion as of December 31, 2024 compared to \$1.54 billion as of December 31, 2023.

Asset quality – Non-performing assets increased \$2.8 million to \$7.0 million, or 0.47% of total loans, at December 31, 2025, compared to \$4.2 million, or 0.29% of total loans, at December 31, 2024, and decreased \$4.0 million at December 31, 2024 compared to \$8.2 million, or 0.53% of total loans, at December 31, 2023.

The allowance for credit losses to total loans was 1.42% at December 31, 2025, compared to 1.50% at December 31, 2024 and 1.54% at December 31, 2023. The Company's net charge-offs for the year ended December 31, 2025 were \$1.2 million, or 0.08% of average loans, compared to \$2.7 million, or 0.18% of average loans, for the year ended December 31, 2024, and \$0.3 million, or 0.02% of average loans, for the year ended December 31, 2023. See *Lending and Credit Management* below for further discussion.

Deposits – Total deposits increased \$21.0 million, or 1.4%, to \$1.55 billion as of December 31, 2025 compared to December 31, 2024, and decreased \$37.7 million, or 2.4%, to \$1.53 billion as of December 31, 2024 compared to \$1.57 billion as of December 31, 2023.

Federal Home Loan Bank advances and other borrowings – Total FHLB advances and other borrowings increased \$20.6 million, or 25.2%, to \$102.1 million as of December 31, 2025 compared to \$81.5 million as of December 31, 2024, and decreased \$25.5 million, or 23.8%, to \$81.5 million as of December 31, 2024 compared to \$107.0 million as of December 31, 2023.

Capital – The Company maintains its “well-capitalized” regulatory capital position. At December 31, 2025, capital ratios were as follows: total risk-based capital to risk-weighted assets 15.49%; tier 1 capital to risk-weighted assets 14.24%; tier 1 leverage 12.12%; and common equity to assets 9.19%.

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, 2025, 2024, and 2023, respectively. The average balances used in this table and other statistical data were calculated using average daily balances.

	For the year ended December 31,								
	2025			2024			2023		
	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⁾
<i>(dollars in thousands)</i>									
ASSETS									
Loans: ⁽²⁾									
Commercial	\$ 211,451	\$ 14,391	6.81 %	\$ 214,548	\$ 14,342	6.68 %	\$ 230,988	\$ 14,401	6.23 %
Real estate construction - residential	32,004	2,452	7.66	42,486	3,309	7.79	50,497	3,707	7.34
Real estate construction - commercial	73,428	5,675	7.73	70,698	5,190	7.34	136,455	7,511	5.50
Real estate mortgage - residential	373,674	21,646	5.79	369,516	20,929	5.66	370,024	19,862	5.37
Real estate mortgage - commercial	772,725	44,010	5.70	782,218	41,957	5.36	734,657	37,957	5.17
Installment and other consumer	11,632	763	6.56	17,002	997	5.86	22,307	1,056	4.73
Total loans	1,474,914	88,937	6.03	1,496,468	86,724	5.80	1,544,928	84,494	5.47
Loans held for sale	437	25	5.72	1,454	84	5.78	3,609	160	4.43
Investment securities:									
U.S. Treasury	5,020	212	4.22	1,237	58	4.69	4,200	176	4.19
U.S. government and federal agency obligations	11,743	493	4.20	14,561	642	4.41	24,832	436	1.76
Obligations of states and political subdivisions	99,807	3,119	3.13	104,062	3,031	2.91	107,482	3,374	3.14
Mortgage-backed securities	77,010	2,964	3.85	59,045	1,941	3.29	96,649	2,038	2.11
Other debt securities	25,373	1,544	6.09	14,439	828	5.73	11,787	696	5.90
Total investment securities	218,953	8,332	3.81	193,344	6,500	3.36	244,950	6,720	2.74
Other investment securities	4,724	421	8.91	5,948	563	9.47	6,973	441	6.32
Interest bearing deposits in other financial institutions	24,141	1,123	4.65	42,292	2,287	5.41	25,481	1,241	4.87
Total interest earning assets	1,723,169	98,838	5.74	1,739,506	96,158	5.53	1,825,941	93,056	5.10
All other assets	123,200			111,005			89,071		
Allowance for loan losses	(21,916)			(22,878)			(20,737)		
Total assets	\$ 1,824,453			\$ 1,827,633			\$ 1,894,275		

Average Balance Sheets (continued)

	For the year ended December 31,								
	2025			2024			2023		
	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⁾
<i>(dollars in thousands)</i>									
LIABILITIES AND STOCKHOLDERS' EQUITY									
Savings	\$ 274,569	\$ 4,721	1.72 %	\$ 255,730	\$ 5,305	2.07 %	\$ 182,870	\$ 1,026	0.56 %
NOW accounts	181,381	2,665	1.47	201,174	2,830	1.41	199,234	2,280	1.14
Interest checking	147,956	5,295	3.58	128,548	5,659	4.40	167,157	7,648	4.58
Money market	204,837	3,685	1.80	224,033	4,730	2.11	282,924	5,842	2.06
Time deposits	306,200	9,791	3.20	326,165	11,352	3.48	329,091	8,988	2.73
Total interest bearing deposits	1,114,943	26,157	2.35	1,135,650	29,876	2.63	1,161,276	25,784	2.22
Federal funds purchased and securities sold under agreements to repurchase	70	3	4.29	7	—	—	5,253	115	2.19
Federal Home Loan Bank advances and other borrowings	74,187	2,224	3.00	100,899	3,095	3.07	112,271	3,255	2.90
Subordinated notes	49,486	3,394	6.86	49,486	3,899	7.88	49,486	3,774	7.63
Total borrowings	123,743	5,621	4.54	150,392	6,994	4.65	167,010	7,144	4.28
Total interest bearing liabilities	1,238,686	31,778	2.57	1,286,042	36,870	2.87	1,328,286	32,928	2.48
Demand deposits	413,506			389,707			426,739		
Other liabilities	13,082			11,896			12,719		
Total liabilities	1,665,274			1,687,645			1,767,744		
Stockholders' equity	159,179			139,988			126,531		
Total liabilities and stockholders' equity	\$ 1,824,453			\$ 1,827,633			\$ 1,894,275		

Net interest income (FTE)	\$ 67,060	\$ 59,288	\$ 60,128
Net interest spread (FTE)	3.17 %	2.66 %	2.62 %
Net interest margin (FTE)	3.89 %	3.41 %	3.29 %

- (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, 2025, 2024 and 2023, respectively. Such adjustments totaled \$1.2 million, \$0.8 million and \$1.1 million for the years ended December 31, 2025, 2024, and 2023, 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, 2025, compared to December 31, 2024, and for the years ended December 31, 2024 compared to December 31, 2023. 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.

<i>(dollars in thousands)</i>	2025			2024		
	Total Change	Change due to		Total Change	Change due to	
		Average Volume	Average Rate		Average Volume	Average Rate
Interest income on a FTE basis: ⁽¹⁾						
Loans: ⁽²⁾						
Commercial	\$ 49	\$ (210)	\$ 259	\$ (59)	\$ (1,059)	\$ 1,000
Real estate construction - residential	(857)	(807)	(50)	(398)	(612)	214
Real estate construction - commercial	485	206	279	(2,321)	(4,322)	2,001
Real estate mortgage - residential	717	238	479	1,067	(27)	1,094
Real estate mortgage - commercial	2,053	(516)	2,569	4,000	2,510	1,490
Installment and other consumer	(234)	(343)	109	(59)	(280)	221
Loans held for sale	(59)	(58)	(1)	(76)	(114)	38
Investment securities:						
U.S. Treasury	154	161	(7)	(118)	(136)	18
U.S. government and federal agency obligations	(149)	(120)	(29)	206	(238)	444
Obligations of states and political subdivisions	88	(127)	215	(343)	(105)	(238)
Mortgage-backed securities	1,023	657	366	(97)	(972)	875
Other debt securities	716	664	52	132	152	(20)
Other investment securities	(142)	(111)	(31)	122	(72)	194
Interest bearing deposits in other financial institutions	(1,164)	(881)	(283)	1,046	894	152
Total interest income	2,680	(1,247)	3,927	3,102	(4,381)	7,483
Interest expense:						
Savings	(584)	372	(956)	4,279	549	3,730
NOW accounts	(165)	(287)	122	550	22	528
Interest checking	(364)	785	(1,149)	(1,989)	(1,704)	(285)
Money market	(1,045)	(384)	(661)	(1,112)	(1,237)	125
Time deposits	(1,561)	(673)	(888)	2,364	(80)	2,444
Federal funds purchased and securities sold under agreements to repurchase	3	—	3	(115)	(57)	(58)
Federal Home Loan Bank advances and other borrowings	(871)	(804)	(67)	(160)	(341)	181
Subordinated notes	(505)	—	(505)	125	—	125
Total interest expense	(5,092)	(991)	(4,101)	3,942	(2,848)	6,790
Net interest income on a FTE basis	\$ 7,772	\$ (256)	\$ 8,028	\$ (840)	\$ (1,533)	\$ 693

- (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, 2025, 2024 and 2023, respectively. Such adjustments totaled \$1.2 million, \$0.8 million and \$1.1 million for the years ended December 31, 2025, 2024, and 2023, respectively.
- (2) Non-accruing loans are included in the average amounts outstanding.

Financial results for the year ended December 31, 2025 compared to the year ended December 31, 2024 reflected an increase in net interest income, on a FTE basis, of \$7.8 million, or 13.1%, and financial results for the year ended December 31, 2024 compared to the year ended December 31, 2023 reflected a decrease of \$0.8 million, or 1.4%, in net interest income, on a FTE basis. Measured as a percentage of average earning assets, the net interest margin, on a FTE basis, was 3.89% for the year ended December 31, 2025, compared to 3.41% and 3.29% for the years ended December 31, 2024 and 2023, respectively.

Average interest-earning assets decreased \$16.3 million, or 0.9%, to \$1.72 billion for the year ended December 31, 2025 compared to \$1.74 billion for the year ended December 31, 2024, and average interest bearing liabilities decreased \$47.4 million, or 3.7%, to \$1.24 billion for the year ended December 31, 2025 compared to \$1.29 billion for the year ended December 31, 2024.

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.

Total interest income, on a FTE basis, increased \$2.7 million to \$98.8 million for the year ended December 31, 2025 compared to \$96.2 million for the year ended December 31, 2024 and increased \$3.1 million in 2024 compared to \$93.1 million for the year ended December 31, 2023. The Company's rate earned on interest earning assets was 5.74% for the year ended December 31, 2025 compared to 5.53% and 5.10% for the years ended December 31, 2024 and 2023, respectively.

Interest income on loans held for investment increased to \$88.9 million for the year ended December 31, 2025 compared to \$86.7 million and \$84.5 million for the years ended December 31, 2024 and 2023, respectively.

Average loans outstanding decreased \$21.6 million, or 1.4%, to \$1.47 billion for the year ended December 31, 2025 compared to \$1.50 billion for the year ended December 31, 2024. The average yield on loans, on a FTE basis, increased to 6.03% during the year ended December 31, 2025 compared to 5.80% for the year ended December 31, 2024, primarily due to pricing discipline.

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, on a FTE basis, increased to 5.80% during the year ended December 31, 2024 compared to 5.47% for the year ended December 31, 2023. 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 increased to \$8.3 million for the year ended December 31, 2025 compared to \$6.5 million and \$6.7 million for the years ended December 31, 2024 and 2023, respectively.

Average securities increased \$25.6 million, or 13.2%, to \$219.0 million for the year ended December 31, 2025 compared to \$193.3 million for the year ended December 31, 2024. The average yield on securities, on a FTE basis, increased to 3.81% for the year ended December 31, 2025 compared to 3.36% for the year ended December 31, 2024.

Average securities decreased \$51.6 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, on a FTE basis, increased to 3.36% for the year ended December 31, 2024 compared to 2.74% for the year ended December 31, 2023. 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%.

Total interest expense decreased \$5.1 million to \$31.8 million for the year ended December 31, 2025 compared to \$36.9 million for the year ended December 31, 2024, and increased \$3.9 million in 2024 compared to \$32.9 million for the year ended December 31, 2023. The Company's rate paid on interest bearing liabilities was 2.57% for the year ended December 31, 2025 compared to 2.87% and 2.48% for the years ended December 31, 2024 and 2023, respectively. See the *Liquidity Management* section for further discussion.

Interest expense on deposits was \$26.2 million for the year ended December 31, 2025 compared to \$29.9 million and \$25.8 million for the years ended December 31, 2024 and 2023, respectively.

Average interest bearing deposits decreased \$20.7 million, or 1.8%, to \$1.11 billion for the year ended December 31, 2025 compared to \$1.14 billion for the year ended December 31, 2024. The average cost of deposits decreased to 2.35% during the year ended December 31, 2025 compared to 2.63% for the year ended December 31, 2024.

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.

Interest expense on borrowings was \$5.6 million for the year ended December 31, 2025 compared to \$7.0 million and \$7.1 million for the years ended December 31, 2024 and 2023, respectively.

Average borrowings decreased \$26.6 million, or 17.7%, to \$123.7 million for the year ended December 31, 2025 compared to \$150.4 million for the year ended December 31, 2024. The average cost of borrowings decreased to 4.54% during the year ended December 31, 2025 compared to 4.65% for the year ended December 31, 2024.

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, 2023. 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. The Company utilizes funding capacity with the FHLB to meet its short-term liquidity needs. The changes in cost of funds for the years ended December 31, 2025 and 2024 were consistent with changes in prime rates. See the *Liquidity Management* section for further discussion.

Non-interest Income

Non-interest income for the years ended December 31, 2025, 2024, and 2023 was as follows:

(dollars in thousands)	For the year ended December 31,			\$ Change		% Change	
	2025	2024	2023	2025 vs 2024	2024 vs 2023	2025 vs 2024	2024 vs 2023
Service charges and other fees	\$ 3,666	\$ 3,301	\$ 2,942	\$ 365	\$ 359	11.1 %	12.2 %
Bank card income and fees	3,897	4,097	4,028	(200)	69	(4.9)	1.7
Earnings on bank-owned life insurance	2,050	1,682	57	368	1,625	21.9	30.6
Wealth management revenue	2,202	1,728	1,385	474	343	27.4	24.8
Gain on sales of mortgage loans, net	448	896	2,560	(448)	(1,664)	(50.0)	(65.0)
(Losses) gains on other real estate owned and other assets, net	(156)	883	(4,429)	(1,039)	5,312	(117.7)	(119.9)
Other	2,202	1,733	993	469	740	27.1	74.5
Total non-interest income	\$ 14,309	\$ 14,320	\$ 7,536	\$ (11)	\$ 6,784	(0.1)%	90.0 %
Non-interest income as a % of total revenue ⁽¹⁾	17.8 %	19.6 %	11.3 %				

(1) Total revenue is calculated as net interest income plus non-interest income.

Total non-interest income was \$14.3 million for both the years ended December 31, 2025 and 2024, and 2024 increased \$6.8 million, or 90.0%, from \$7.5 million for the year ended December 31, 2023.

Service charges and fees increased \$0.4 million, or 11.1%, to \$3.7 million for the year ended December 31, 2025 compared to \$3.3 million for the year ended December 31, 2024, and increased \$0.4 million, or 12.2%, in 2024 compared to \$2.9 million for the year ended December 31, 2023 compared to 2024. The increase for both the years ended December 31, 2025 and 2024 was primarily attributable to an increase in service charge rates assessed on customer accounts beginning in the second half of 2024.

Bank card income and fees decreased \$0.2 million, or 4.9%, to \$3.9 million for the year ended December 31, 2025 compared to \$4.1 million for the year ended December 31, 2024, and increased \$0.1 million, or 1.7% in 2024 compared to \$4.0 million for the year ended December 31, 2023. The decrease for the year ended December 31, 2025 compared to December 31, 2024 was primarily attributable to a reduction in debit card income.

Earnings on bank-owned life insurance increased to \$2.1 million for the year ended December 31, 2025 compared to \$1.7 million and \$0.1 million for the years ended December 31, 2024 and 2023, 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.

Wealth management revenue increased \$0.5 million, or 27.4%, to \$2.2 million for the year ended December 31, 2025 compared to \$1.7 million for the year ended December 31, 2024, and increased \$0.3 million, or 24.8%, from \$1.4 million for the year ended December 31, 2023 compared to 2024. The increases for both the years ended December 31, 2025 and 2024 were primarily attributable to the Company's identification of a strategic opportunity to add resources and provide a structure for Wealth Management products and services.

Gain on sales of mortgage loans was \$0.4 million for the year ended December 31, 2025 compared to \$0.9 million and \$2.6 million for the years ended December 31, 2024 and 2023, respectively. In 2025, the Company recorded a gain related to the release of its servicing repurchase liability of \$0.2 million. The Company sold loans totaling \$11.3 million for the year ended December 31, 2025 compared to \$48.9 million and \$106.2 million for the years ended December 31, 2024 and 2023, respectively.

(Losses) gains on other real estate owned and other assets, net totaled net losses of \$0.2 million for the year ended December 31, 2025 compared to net gains of \$0.9 million and net losses of \$4.4 million for the years ended December 31, 2024 and 2023, respectively. During 2025, the Company recorded \$0.2 million of write-downs related to property, plant and equipment transferred to held for sale. During 2024, the Company recognized \$0.7 million of 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. In 2023, the Company recognized \$4.6 million in valuation write-downs 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.

Investment Securities Gains (Losses), 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, 2025, 2024, and 2023:

<i>(dollars in thousands)</i>	For the year ended December 31,		
	2025	2024	2023
Available-for-sale securities:			
Gross realized gains	\$ 125	\$ —	\$ —
Gross realized losses	—	—	(11,562)
Other investment securities:			
Fair value adjustments, net	(8)	(4)	32
Certificates of deposit:			
Gross realized losses	—	—	(17)
Investment securities gains (losses), net	\$ 117	\$ (4)	\$ (11,547)

For the year ended December 31, 2025, the Company recorded net investment securities gains of approximately \$0.1 million from called securities. 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

Non-interest expense for the years ended December 31, 2025, 2024, and 2023 was as follows:

<i>(dollars in thousands)</i>	For the year ended December 31,			\$ Change		% Change	
	2025	2024	2023	2025 vs 2024	2024 vs 2023	2025 vs 2024	2024 vs 2023
Salaries and employee benefits	\$ 27,841	\$ 26,578	\$ 28,971	\$ 1,263	\$ (2,393)	4.8 %	(8.3)%
Occupancy expense, net	3,824	3,251	3,247	573	4	17.6	0.1
Furniture and equipment expense	2,877	3,019	3,008	(142)	11	(4.7)	0.4
Processing, network and bank card expense	5,656	5,530	5,151	126	379	2.3	7.4
Legal, examination, and professional fees	1,698	2,608	2,508	(910)	100	(34.9)	4.0
Advertising and promotion	1,067	976	1,522	91	(546)	9.3	(35.9)
Postage, printing, and supplies	1,349	910	846	439	64	48.2	7.6
Other	6,535	6,652	7,106	(117)	(454)	(1.8)	(6.4)
Total non-interest expense	\$ 50,847	\$ 49,524	\$ 52,359	\$ 1,323	\$ (2,835)	2.7 %	(5.4)%
Efficiency ratio ⁽¹⁾	63.41 %	67.92 %	78.53 %				
Number of full-time equivalent employees	263	262	281				

(1) 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 increased \$1.3 million, or 2.7%, to \$50.8 million for the year ended December 31, 2025 compared to the year ended December 31, 2024, and 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.

Salaries and employee benefits increased \$1.3 million, or 4.8%, to \$27.8 million for the year ended December 31, 2025 compared to the year ended December 31, 2024, and decreased \$2.4 million, or 8.3%, to \$26.6 million for the year ended December 31, 2024 compared to \$29.0 million for the year ended December 31, 2023. The increase for the year ended December 31, 2025 was primarily attributable to overall merit increases and focused recruiting efforts to hire more experienced candidates, which aligns with the Company's overall strategic plan. The decrease for the year ended December 31, 2024 was primarily due to planned reductions of full-time employees during the fourth quarter of 2023 and second quarter of 2024.

In our Wealth Management segment, salaries and employee benefits totaled \$0.9 million for the year ended December 31, 2025, which was primarily attributable to the hiring of additional resources.

Occupancy expense, net increased \$0.6 million, or 17.6%, to \$3.8 million for the year ended December 31, 2025 compared to \$3.3 million for the year ended December 31, 2024, which was primarily attributable to the opening of two new branch locations and one new operations facility. Occupancy expense was substantially unchanged for the year ended December 31, 2024 compared to the year ended December 31, 2023.

Legal, examination, and professional fees decreased \$0.9 million, or 34.9%, to \$1.7 million for the year ended December 31, 2025 compared to the year ended December 31, 2024, and increased \$0.1 million, or 4.0%, to \$2.6 million for the year ended December 31, 2024 compared to \$2.5 million for the year ended December 31, 2023. The higher fees for the year ended December 31, 2024 were primarily due to legal fees related to loan workouts and additional consulting fees, which did not recur in the year ended December 31, 2025.

Advertising and promotion increased \$0.1 million, or 9.3%, to \$1.1 million for the year ended December 31, 2025 compared to \$1.0 million for the year ended December 31, 2024, and decreased \$0.5 million, or 35.9%, from \$1.5 million for the year ended December 31, 2023 compared to 2024. The lower expenses for 2024 compared to 2023 were the result of a strategic decision to discontinue the Company's outsourced marketing efforts. The Company has hired internal marketing resources and by transitioning to an in-house marketing team, the Company has reduced costs.

Income Tax Expense (Benefit)

Income tax expense (benefit) as a percentage of earnings before income taxes as reported in the consolidated financial statements was 18.21% for the year ended December 31, 2025 compared to 18.35% and (121.49)% for the years ended December 31, 2024 and 2023, respectively. The effective tax rate for each of the years ended December 31, 2025, 2024, and 2023, 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.

Segments

During 2025, the Company identified its Wealth Management business as a strategic opportunity and hired additional management resources to provide the structure for products and processes for this business. As a result, beginning with the first quarter of 2025, the Company identified its Wealth Management Business as a separate reportable segment and now has two reportable segments: the Bank segment and the Wealth Management segment. The Company's CEO is the Chief Operating Decision Maker ("CODM") for both segments. The Company's remaining operations are not reportable segments, as defined by applicable accounting standards, and are classified as Non-Bank, and primarily represent the parent holding company, other insignificant non-bank subsidiaries and eliminations. For the years ended December 31, 2024 and 2023, the Company had one reportable segment, the Bank, and prior period information has not been recast because it would be impractical to do so.

Refer to Note 20, "Segment Information" for further details regarding the financials results of each segment for the year ended December 31, 2025. Refer to the "Non-Interest Income" and "Non-Interest Expense" sections of Management's Discussion and Analysis for further discussion of material changes and trends impacting the Company's results of operation.

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 78.5% of total assets as of December 31, 2025 compared to 80.3% as of December 31, 2024.

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, an 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 were as follows:

	December 31,			
	2025		2024	
	Amount	% of Loans	Amount	% of Loans
<i>(dollars in thousands)</i>				
Commercial, financial, and agricultural	\$ 227,584	15.3 %	\$ 202,329	13.8 %
Real estate construction – residential	39,609	2.7	32,046	2.2
Real estate construction – commercial	83,846	5.6	80,435	5.4
Real estate mortgage – residential	369,636	24.9	361,735	24.7
Real estate mortgage – commercial	755,892	50.8	775,594	52.9
Installment and other consumer	10,225	0.7	14,021	1.0
Total loans held for investment	\$ 1,486,792	100.0 %	\$ 1,466,160	100.0 %

The contractual maturities of loan categories at December 31, 2025 and the composition of those loans between fixed rate and floating rate loans are as follows:

	Principal Payments Due				
	One Year Or Less	Over One Year Through Five Years	Over Five Years Through 15 Years	Over 15 Years	Total
<i>(dollars in thousands)</i>					
Commercial, financial, and agricultural	\$ 57,684	\$ 111,646	\$ 51,809	\$ 6,445	\$ 227,584
Real estate construction – residential	12,209	17,280	—	10,120	39,609
Real estate construction – commercial	22,293	53,684	6,985	884	83,846
Real estate mortgage – residential	24,333	56,992	55,947	232,364	369,636
Real estate mortgage – commercial	113,921	419,470	116,115	106,386	755,892
Installment and other consumer	3,097	6,374	754	—	10,225
Total loans	\$ 233,537	\$ 665,446	\$ 231,610	\$ 356,199	\$ 1,486,792
Loans with fixed rates					
Commercial, financial, and agricultural	\$ 15,912	\$ 85,592	\$ 21,616	\$ —	\$ 123,120
Real estate construction – residential	2,906	15,067	—	—	17,973
Real estate construction – commercial	8,001	19,169	156	—	27,326
Real estate mortgage – residential	14,866	50,058	8,368	48,616	121,908
Real estate mortgage – commercial	91,049	368,906	24,360	4,098	488,413
Installment and other consumer	1,464	6,374	754	—	8,592
Total	134,198	545,166	55,254	52,714	787,332
Loans with floating rates					
Commercial, financial, and agricultural	41,772	26,054	30,193	6,445	104,464
Real estate construction – residential	9,303	2,213	—	10,120	21,636
Real estate construction – commercial	14,292	34,515	6,829	884	56,520
Real estate mortgage – residential	9,467	6,934	47,579	183,748	247,728
Real estate mortgage – commercial	22,872	50,564	91,755	102,288	267,479
Installment and other consumer	1,633	—	—	—	1,633
Total	99,339	120,280	176,356	303,485	699,460
Total loans	\$ 233,537	\$ 665,446	\$ 231,610	\$ 356,199	\$ 1,486,792

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 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 processes 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, 2025 and 2024:

<i>(dollars in thousands)</i>	December 31, 2025		December 31, 2024	
	Amount	% of Loans	Amount	% of Loans
Retail	\$ 171,366	27.9 %	\$ 190,915	30.0 %
Multi Family	165,663	27.0	168,629	26.5
Hotel & Food Service	63,279	10.3	70,816	11.2
Other Construction	55,947	9.1	39,696	6.3
Office Buildings	48,028	7.8	47,042	7.4
1-4 Family Construction	39,609	6.4	32,045	5.0
Other Real Estate	24,379	4.0	27,053	4.3
Industrial	18,450	3.0	18,446	2.9
Land Subdivision	15,765	2.6	10,844	1.7
Commercial and Institutional Building Construction	6,228	1.0	9,481	1.5
Residential Building Construction	5,906	1.0	20,413	3.2
Total Commercial Real Estate - Non Owner Occupied	\$ 614,620	100.0 %	\$ 635,380	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:

	December 31,	
	2025	2024
<i>(dollars in thousands)</i>		
Non-accrual loans		
Commercial, financial, and agricultural	\$ 1,003	\$ 923
Real estate construction – residential	—	454
Real estate construction – commercial	—	49
Real estate mortgage – residential	5,656	963
Real estate mortgage – commercial	143	138
Installment and other consumer	34	10
Total	6,836	2,537
Loans contractually past - due 90 days or more and still accruing:		
Real estate mortgage – residential	29	207
Installment and other consumer	—	3
Total	29	210
Total non-performing loans ⁽¹⁾	6,865	2,747
Other real estate owned and repossessed assets	98	1,446
Total non-performing assets	\$ 6,963	\$ 4,193
Loans held for investment	\$ 1,486,792	\$ 1,466,160
Allowance for credit losses on loans	21,111	22,044
Allowance for credit losses to loans	1.42 %	1.50 %
Non-accrual loans to total loans	0.46	0.17
Non-performing loans to loans ⁽¹⁾	0.46	0.19
Non-performing assets to loans ⁽²⁾	0.47	0.29
Non-performing assets to assets ⁽²⁾	0.37	0.23
Allowance for credit losses to non-accrual loans	308.82	868.90
Allowance for credit losses to non-performing loans	307.52	802.48

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

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

Total non-performing assets were \$7.0 million, or 0.47% of total loans, at December 31, 2025 compared to \$4.2 million, or 0.29% of total loans, at December 31, 2024.

Total non-accrual loans at December 31, 2025 increased \$4.3 million, or 169.4%, to \$6.8 million compared to \$2.5 million at December 31, 2024, which was primarily attributable to one \$3.5 million relationship moving to non-accrual. Total non-accrual loans at December 31, 2024 decreased \$3.8 million from \$6.3 million at December 31, 2023, which 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, 2025 were immaterial compared to \$0.2 million at December 31, 2024. Other real estate owned and repossessed assets at December 31, 2025 were \$0.1 million compared to \$1.4 million at December 31, 2024. During the year ended December 31, 2025, no non-accrual loans moved to other real estate owned and repossessed assets compared to \$3.6 million for the year ended December 31, 2024.

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,			
	2025		2024	
	Amount	Loan category to Gross Loans	Amount	Loan category to Gross Loans
Commercial, financial, and agricultural	\$ 3,655	15.3 %	\$ 1,560	13.8 %
Real estate construction – residential	975	2.7	578	2.2
Real estate construction – commercial	1,719	5.6	2,221	5.4
Real estate mortgage – residential	4,823	24.9	5,310	24.7
Real estate mortgage – commercial	9,839	50.8	12,305	52.9
Installment and other consumer	100	0.7	138	1.0
Unallocated	—	—	(68)	—
Total	\$ 21,111	100.0 %	\$ 22,044	100.0 %

The allowance for credit losses was \$21.1 million, or 1.42%, of loans outstanding at December 31, 2025 compared to \$22.0 million, or 1.50%, of loans outstanding at December 31, 2024. The ratio of the allowance for credit losses to non-performing loans was 307.52% at December 31, 2025, compared to 802.48% at December 31, 2024.

Provision for (Release of) Credit Losses

The following table summarizes provision for (release of) credit losses for loans and unfunded commitments:

<i>(dollars in thousands)</i>	For the year ended December 31,		
	2025	2024	2023
Provision for credit losses on loans	\$ 263	\$ 1,025	\$ 2,665
Provision for (release of) credit losses for unfunded commitments	97	2	(325)
Total provision for (release of) credit losses	\$ 360	\$ 1,027	\$ 2,340

The Company recognized a provision expense for credit losses of \$0.4 million for the year ended December 31, 2025 compared to provision expense of \$1.0 million and \$2.3 million for the years ended December 31, 2024 and 2023, 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 following table is a summary of net (charge-offs) recoveries to average loans:

<i>(dollars in thousands)</i>	December 31, 2025			December 31, 2024		
	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	\$ (872)	\$ 211,451	(0.41)%	\$ (2,120)	\$ 214,548
Real estate construction – residential	—	32,004	—	—	42,486	—
Real estate construction – commercial	—	73,428	—	27	70,698	0.04
Real estate mortgage – residential	28	373,674	0.01	(38)	369,516	(0.01)
Real estate mortgage – commercial	(99)	772,725	(0.01)	(437)	782,218	(0.06)
Installment and other consumer	(253)	11,632	(2.18)	(157)	17,002	(0.92)
Total	\$ (1,196)	\$ 1,474,914	(0.08)%	\$ (2,725)	\$ 1,496,468	(0.18)%

Net Loan Charge-offs

The Company's net loan charge-offs were \$1.2 million, or 0.08% of average loans, for the year ended December 31, 2025 compared to net charge-offs of \$2.7 million, or 0.18% of average loans, for the year ended December 31, 2024. In the fourth quarter of 2025, the Company charged off \$0.8 million related to one commercial relationship that had been reserved for in a prior

period. The charge-offs in 2024 primarily related to one commercial loan 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 the fair value recognized as mortgage banking income. Beginning September 30, 2024, loans held for sale are 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 \$0.6 million of mortgage loans held for sale at December 31, 2025 compared to none at December 31, 2024.

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, 2025, the Company sold approximately \$11.3 million of loans to investors compared to \$48.9 million and \$106.2 million for the years ended December 31, 2024 and 2023, 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, 2025, the investment portfolio classified as available-for-sale represented 11.1% of total consolidated assets compared to 12.0% at December 31, 2024. 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:

	December 31,	
	2025	2024
<i>(dollars in thousands)</i>		
U.S. Treasury	\$ 5,068	\$ 4,915
U.S. government and federal agency obligations	—	401
U.S. government-sponsored enterprises	4,916	12,804
Obligations of states and political subdivisions	104,191	102,486
Mortgaged-backed securities	71,497	78,110
Other debt securities ⁽¹⁾	22,951	18,687
Bank issued trust preferred securities ⁽¹⁾	1,316	1,249
Total available-for-sale debt securities, at fair value	\$ 209,939	\$ 218,652

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

As of December 31, 2025, the expected maturity and tax-equivalent yield in the investment portfolio was as follows:

(dollars in thousands)

	1 Year Or Less		Over 1 Through 5 Years		Over 5 Through 10 Years		Over 10 Years		Total	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
U.S. Treasury	\$ —	—%	\$ 5,068	4.29%	\$ —	—%	\$ —	—%	\$ 5,068	4.29%
U.S. government-sponsored enterprises	1,002	4.63	3,914	3.25	—	—	—	—	4,916	3.53
States and political subdivisions ⁽¹⁾	90	3.22	7,442	2.28	17,202	2.21	79,457	2.22	104,191	2.22
Mortgage-backed securities ⁽²⁾	5	2.37	792	2.05	6,708	2.55	63,992	3.20	71,497	3.13
Other debt securities	—	—	384	8.67	17,982	5.11	4,585	7.20	22,951	5.59
Bank issued trust preferred securities	—	—	—	—	1,316	6.28	—	—	1,316	6.28
Total available-for-sale debt securities	\$ 1,097	4.50%	\$ 17,600	3.01%	\$ 43,208	3.59%	\$ 148,034	2.80%	\$ 209,939	2.99%

Equity securities

Federal Agriculture Mortgage Corporation	\$ —	—%	\$ —	—%	\$ —	—%	\$ 66	4.23%	\$ 66	4.23%
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- (1) Rates on obligations of states and political subdivisions have been adjusted to fully taxable equivalent rates using the federal statutory income tax rate of 21%.
- (2) 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, 2025 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.

At December 31, 2025, \$27.4 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, which do not have readily determinable fair values, are required for membership in those organizations.

(dollars in thousands)

	December 31,	
	2025	2024
FHLB stock	\$ 5,759	\$ 4,924
MIB stock	151	151
Equity securities with readily determinable fair values	66	74
Total other investment securities	\$ 5,976	\$ 5,149

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. The following table summarizes the Company's sources of funding as of December 31, 2025 and 2024:

(dollars in thousands)

	December 31,	
	2025	2024
Other interest-bearing deposits	\$ 87,680	\$ 27,326
Certificates of deposit in other banks	1,000	1,000
Available-for-sale investment securities	209,939	218,652
Total	\$ 298,619	\$ 246,978

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 \$209.9 million at December 31, 2025 and included an unrealized net loss of \$21.0 million. The portfolio includes projected contractual maturities of approximately \$1.1 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 \$108.4 million and \$136.3 million at December 31, 2025 and 2024, respectively.

Total investment securities pledged for these purposes were as follows:

	December 31,	
	2025	2024
<i>(dollars in thousands)</i>		
Federal Reserve Bank borrowings	\$ 8,288	\$ 7,915
Other deposits	93,177	74,470
Total pledged, at fair value	\$ 101,465	\$ 82,385

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 \$1.46 billion and represented 94.1% of the Company's total deposits at December 31, 2025, compared to \$1.43 billion and 93.5% of the Company's total deposits at December 31, 2024. 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, 2025 and 2024 were as follows:

	December 31,	
	2025	2024
<i>(dollars in thousands)</i>		
Non-interest bearing demand	\$ 423,568	\$ 385,022
Interest checking	372,595	381,877
Savings and money market	453,972	464,449
Other time deposits	213,008	201,438
Total	\$ 1,463,143	\$ 1,432,786

Maturities of uninsured time deposits with balances over \$250,000 as of December 31, 2025 were as follows:

	December 31, 2025	
<i>(dollars in thousands)</i>		
Three months or less	\$ 26,208	26,208
Over three through six months		61,475
Over six through 12 months		2,821
Over 12 months		—
Total	\$ 90,504	90,504

Estimated uninsured deposits totaled \$384.6 million, including \$90.5 million of certificates of deposit, at December 31, 2025, compared to \$352.0 million, including \$100.4 million of certificates of deposit, at December 31, 2024. The Company had brokered deposits totaling \$502,000 and \$13,000 at December 31, 2025 and 2024, respectively.

Included in the uninsured deposits at December 31, 2025 and 2024 are public fund deposits greater than \$250,000, which are collateralized by the Company totaling \$145.8 million and \$149.5 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, 2025, under agreements with these unaffiliated banks, the Bank may borrow up to \$35.0 million in federal funds on an unsecured basis and \$7.8 million on a secured basis. There were no federal funds purchased outstanding at December 31, 2025. 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, 2025.

As a member of the FHLB, the Bank has access to credit products of the FHLB. As of December 31, 2025, the Bank had \$102.0 million in outstanding borrowings with the FHLB. In addition, as of December 31, 2025, the Company had \$49.5 million in outstanding subordinated notes issued to wholly-owned grantor trusts, funded by preferred securities issued by the trusts.

Borrowings outstanding at December 31, 2025 and 2024 were as follows:

	December 31,	
	2025	2024
<i>(dollars in thousands)</i>		
Federal Home Loan Bank advances	\$ 102,000	\$ 81,425
Other borrowings	86	100
Subordinated notes	49,486	49,486
Total	\$ 151,572	\$ 131,011

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 as of December 31, 2025 and 2024.

	December 31,							
	2025				2024			
<i>(dollars in thousands)</i>	FHLB	Federal Reserve Bank	Federal Funds Purchased Lines	Total	FHLB	Federal Reserve Bank	Federal Funds Purchased Lines	Total
Advance equivalent	\$ 437,998	\$ 7,796	\$ 35,000	\$ 480,794	\$ 407,678	\$ 7,468	\$ 35,000	\$ 450,146
Letters of credit	(81,625)	—	—	(81,625)	(139,000)	—	—	(139,000)
Advances outstanding	(102,000)	—	—	(102,000)	(81,425)	—	—	(81,425)
Total available	<u>\$ 254,373</u>	<u>\$ 7,796</u>	<u>\$ 35,000</u>	<u>\$ 297,169</u>	<u>\$ 187,253</u>	<u>\$ 7,468</u>	<u>\$ 35,000</u>	<u>\$ 229,721</u>

At December 31, 2025, loans of \$730.9 million were pledged to the FHLB as collateral for borrowings and letters of credit. At December 31, 2025, investments with a market value of \$8.3 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 \$104.3 million at December 31, 2025 compared to \$51.0 million at December 31, 2024. The \$53.3 million increase resulted from changes in the various cash flows produced by operating, investing, and financing activities of the Company, as shown in the accompanying consolidated statements of cash flows for the year ended December 31, 2025. Cash flow provided from operating activities consists mainly of net income adjusted for certain non-cash items. Operating activities provided cash flow of \$26.9 million for the year ended December 31, 2025.

Investing activities, consisting mainly of purchases, sales and maturities of available-for-sale securities, and changes in the level of the loan portfolio, used total cash of \$6.9 million for the year ended December 31, 2025. The cash flow primarily consisted of a \$21.8 million net increase in loans held for investment and \$39.0 million proceeds from maturities and calls of available-for-sale securities, partially offset by \$20.6 million in purchases of securities.

Financing activities provided cash of \$33.3 million for the year ended December 31, 2025, resulting primarily from a \$38.5 million net increase in demand deposits and a \$1.7 million net increase in time deposit, which was offset by a \$19.3 million net decrease in interest-bearing deposits and a \$39.4 million net decrease in FHLB advances. Net short-term FHLB borrowing activity provided cash of \$60.0 million during 2025.

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 \$423.7 million in unused loan commitments and standby letters of credit as of December 31, 2025. 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 do 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 \$5.4 million and \$5.0 million for the years ended December 31, 2025 and 2024, respectively. A large portion of the Company's liquidity is obtained from the Bank in the form of dividends. The Bank declared and paid \$22.0 million and \$20.0 million in dividends to the Company during the years ended December 31, 2025 and 2024, respectively. At December 31, 2025 and 2024, the Company had cash and cash equivalents totaling \$25.5 million and \$15.3 million, respectively.

On June 24, 2025, the Company filed a universal shelf registration statement on Form S-3 with the Securities and Exchange Commission, which became effective on July 2, 2025. The shelf registration statement is intended to provide the Company with financial flexibility to raise capital from the offering of up to \$150 million of any combination of common stock, preferred stock, debt securities, depository shares, warrants, purchase contracts, purchase units, subscription rights and units in one or multiple offerings while the shelf registration statement is effective.

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, 2025, 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 table below as of December 31, 2025, 2024 and 2023. Refer to Note 16, "Capital Requirements," in the Company's consolidated financial statements for further details regarding capital requirements.

	Total Capital Ratio	Tier 1 Capital Ratio	Common Equity Tier 1 capital ratio	Tier 1 leverage ratio
December 31, 2025	15.49 %	14.24 %	11.23 %	12.12 %
December 31, 2024	14.79	13.54	10.49	11.46
December 31, 2023	13.99	12.59	9.73	10.29

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

The required payments of material fixed and determinable contractual obligations, not including interest, at December 31, 2025 are as follows:

	Payments due by Period				
	Total	Less than 1 Year	1-3 Years	3-5 Years	Over 5 Years
<i>(dollars in thousands)</i>					
Time deposits	\$ 303,512	\$ 280,853	\$ 21,752	\$ 907	\$ —
FHLB advances and other borrowed money	102,086	83,000	7,500	11,500	86
Subordinated notes	49,486	—	—	—	49,486
Operating lease liabilities	2,682	550	1,252	807	73
Finance lease liabilities	1,205	201	402	402	200
Total	\$ 458,971	\$ 364,604	\$ 30,906	\$ 13,616	\$ 49,845

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, 2025 are as follows:

	Amount of Commitment Expiration per Period				
	Total	Less than 1 Year	1-3 Years	3-5 Years	Over 5 Years
<i>(dollars in thousands)</i>					
Unused loan commitments	\$ 335,244	\$ 170,850	\$ 90,975	\$ 22,653	\$ 50,766
Standby letters of credit	88,457	88,451	—	6	—
Total	\$ 423,701	\$ 259,301	\$ 90,975	\$ 22,659	\$ 50,766

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

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, 2025 and 2024.

Hypothetical shift in interest rates <i>(bps)</i>	% Change in projected net interest income	
	December 31,	
	2025	2024
200	(0.43)%	(2.75)%
100	(0.09)	(1.27)
(100)	(0.49)	0.30
(200)	(1.58)	(0.38)

The change in the Company's interest rate risk exposure from December 31, 2024 to December 31, 2025 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 rising 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 and year ended December 31, 2025.

Impact of New Accounting Standards

Income Statement. In November 2024, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2024-03, *Income Statement-Reporting Comprehensive Income-Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses* ("ASU No. 2024-03"). 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*. The ASU addresses investors requests for more disaggregated expense information to better understand an entity's performance, better assess the entity's prospects for future cash flows, and compare an entity's performance over time and with that of other entities. 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 this ASU on the Company's consolidated financial statements.

CONSOLIDATED FINANCIAL STATEMENTS

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

	Page
<u>Report of Independent Registered Public Accounting Firm</u>	22
<u>Consolidated Balance Sheets as of December 31, 2025 and 2024</u>	25
<u>Consolidated Statements of Income for each of the years ended December 31, 2025, 2024, and 2023</u>	26
<u>Consolidated Statements of Comprehensive Income for each of the years ended December 31, 2025, 2024, and 2023</u>	27
<u>Consolidated Statements of Stockholders' Equity for each of the years ended December 31, 2025, 2024, and 2023</u>	28
<u>Consolidated Statements of Cash Flows for each of the years ended December 31, 2025, 2024, and 2023</u>	29
<u>Notes to the Consolidated Financial Statements</u>	30

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 sheets of Hawthorn Bancshares, Inc. and Subsidiaries (the “Company”) as of December 31, 2025 and 2024, the related consolidated statements of income, comprehensive income, stockholders’ equity, and cash flows for each of the years in the two-year period ended December 31, 2025, 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, 2025 and 2024, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2025, in conformity with accounting principles generally accepted in the United States of America.

We also have audited the adjustments to the 2023 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 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 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, 2025, 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 5, 2026, 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 audits.

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 audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the 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 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 audits 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 audits 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 \$1.49 billion and \$21 million as of December 31, 2025, 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 5, 2026

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 described in Note 1, and the adjustment to retrospectively include Note 7 for Derivative Instruments and Note 20 for Segment Information, the accompanying consolidated statements of income, comprehensive income, stockholders' equity, and cash flows of Hawthorn Bancshares, Inc. and subsidiaries (the Company) for the year ended December 31, 2023, and the related notes (collectively, the consolidated financial statements). The December 31, 2023 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 accounting described in Note 1, and the adjustment to retrospectively include Note 7 for Derivative Instruments and 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 the year 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 accounting described in Note 1, and the adjustment to retrospectively include Note 7 for Derivative Instruments and 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 audit. 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 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 consolidated 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 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 audit 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 audit provides 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

	December 31,	
	2025	2024
(Dollars in thousands, except per share data)		
ASSETS		
Cash and due from banks	\$ 16,632	\$ 23,668
Other interest-bearing deposits	87,680	27,326
Cash and cash equivalents	104,312	50,994
Certificates of deposit in other banks	1,000	1,000
Available-for-sale debt securities, at fair value (cost of \$230,939 and \$249,558, respectively)	209,939	218,652
Other investments	5,976	5,149
Loans held for investment	1,486,792	1,466,160
Allowance for credit losses	(21,111)	(22,044)
Net loans	1,465,681	1,444,116
Loans held for sale	616	—
Premises and equipment, net	29,963	31,166
Premises and equipment held for sale, net	3,956	—
Other real estate owned, net	98	1,446
Cash surrender value bank-owned life insurance	40,444	38,912
Accrued interest receivable and other assets	32,865	33,750
Total assets	\$ 1,894,850	\$ 1,825,185
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Non-interest bearing demand	\$ 423,568	\$ 385,022
Savings, interest checking and money market	827,069	846,339
Time deposits	303,512	301,821
Total deposits	1,554,149	1,533,182
Federal Home Loan Bank advances and other borrowings	102,086	81,525
Subordinated notes	49,486	49,486
Operating lease liabilities	2,682	1,678
Finance lease liabilities	1,205	—
Accrued interest payable and other liabilities	11,013	9,767
Total liabilities	1,720,621	1,675,638
Stockholders' equity:		
Common stock, \$1 par value, authorized 15,000,000 shares; issued 7,554,893 shares	7,555	7,555
Surplus	76,828	76,857
Retained earnings	107,863	89,542
Accumulated other comprehensive loss, net of tax	(3,613)	(12,443)
Treasury stock; 653,633, and 566,268 shares, at cost, respectively	(14,404)	(11,964)
Total stockholders' equity	174,229	149,547
Total liabilities and stockholders' equity	\$ 1,894,850	\$ 1,825,185

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>	Year Ended December 31,		
	2025	2024	2023
INTEREST INCOME			
Interest and fees on loans	\$ 88,432	\$ 86,472	\$ 84,187
Interest and fees on loans held for sale	25	84	160
Interest on investment securities:			
Taxable	5,316	3,572	3,450
Nontaxable	2,341	2,373	2,489
Other interest-bearing deposits and certificates of deposit in other banks	1,123	2,287	1,241
Dividends on other investments	421	563	441
Total interest income	97,658	95,351	91,968
INTEREST EXPENSE			
Interest on deposits:			
Savings, interest checking and money market	16,366	18,524	16,796
Time deposits	9,791	11,240	8,886
Total interest expense on deposits	26,157	29,764	25,682
Interest on federal funds purchased and securities sold under agreements to repurchase	3	—	115
Interest on Federal Home Loan Bank advances	2,224	3,095	3,255
Interest on subordinated notes	3,394	3,899	3,774
Total interest expense on borrowings	5,621	6,994	7,144
Total interest expense	31,778	36,758	32,826
Net interest income	65,880	58,593	59,142
Provision for credit losses on loans	263	1,025	2,665
Provision for (release of) credit losses on unfunded commitments	97	2	(325)
Total provision for credit losses on loans and unfunded commitments	360	1,027	2,340
Net interest income after provision for credit losses on loans and unfunded commitments	65,520	57,566	56,802
NON-INTEREST INCOME			
Service charges and other fees	3,666	3,301	2,942
Bank card income and fees	3,897	4,097	4,028
Earnings on bank-owned life insurance	2,050	1,682	57
Wealth management revenue	2,202	1,728	1,385
Gain on sale of mortgage loans, net	448	896	2,560
(Losses) gains on other real estate owned and other assets, net	(156)	883	(4,429)
Other	2,202	1,733	993
Total non-interest income	14,309	14,320	7,536
Investment securities gains (losses), net	117	(4)	(11,547)
NON-INTEREST EXPENSE			
Salaries and employee benefits	27,841	26,578	28,971
Occupancy expense, net	3,824	3,251	3,247
Furniture and equipment expense	2,877	3,019	3,008
Processing, network, and bank card expense	5,656	5,530	5,151
Legal, examination, and professional fees	1,698	2,608	2,508
Advertising and promotion	1,067	976	1,522
Postage, printing, and supplies	1,349	910	846
Other	6,535	6,652	7,106
Total non-interest expense	50,847	49,524	52,359
Income before income taxes	29,099	22,358	432
Income tax expense (benefit)	5,298	4,102	(524)
Net income	\$ 23,801	\$ 18,256	\$ 956
Basic earnings per share	\$ 3.44	\$ 2.61	\$ 0.14
Diluted earnings per share	\$ 3.43	\$ 2.61	\$ 0.14

See accompanying notes to the consolidated financial statements.

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

<i>(dollars in thousands)</i>	Year Ended December 31,		
	2025	2024	2023
Net income	\$ 23,801	\$ 18,256	\$ 956
Other comprehensive income, net of tax			
Investment securities available-for-sale:			
Unrealized gains (losses) on investment securities available-for-sale, net of tax	7,925	(2,955)	6,048
Adjustment for (gains) losses on sale of investment securities, net of tax	(99)	—	9,148
Defined benefit pension plans:			
Net gains arising during the year, net of tax	2,011	4,819	3,262
Amortization of net gains included in net periodic pension income, net of tax	(1,007)	(545)	(506)
Total other comprehensive income	8,830	1,319	17,952
Total comprehensive income	\$ 32,631	\$ 19,575	\$ 18,908

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, 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)
Net share-based awards activity	—	(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
Net income	—	—	23,801	—	—	23,801
Other comprehensive income	—	—	—	8,830	—	8,830
Share-based compensation expense	—	392	—	—	—	392
Purchase of treasury stock	—	—	—	—	(2,838)	(2,838)
Net share-based awards activity	—	(421)	—	—	398	(23)
Cash dividends declared, common stock (\$0.79 per share)	—	—	(5,480)	—	—	(5,480)
Balance, December 31, 2025	\$ 7,555	\$ 76,828	\$ 107,863	\$ (3,613)	\$ (14,404)	\$ 174,229

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,		
	2025	2024	2023
Cash flows from operating activities:			
Net income	\$ 23,801	\$ 18,256	\$ 956
Adjustments to reconcile net income to net cash from operating activities:			
Provision for credit losses on loans and unfunded commitments	360	1,027	2,340
Depreciation expense	2,241	1,650	2,106
Net amortization of investment securities, premiums, and discounts	389	789	1,008
Change in fair value of mortgage servicing rights	—	68	1,200
Investment securities (gains) losses, net	(117)	4	11,547
(Gains) losses on sales and dispositions of premises and equipment	(63)	199	(133)
Losses (gains) on sales and dispositions of other real estate & repossessed assets	197	(747)	(298)
Gain on cancellation of debt	(14)	—	—
Proceeds from the sale of mortgage servicing rights	—	1,670	—
(Release of) provision for other real estate owned	(41)	(127)	4,729
Share-based compensation expense	392	184	42
Increase in cash surrender value - life insurance	(1,532)	(1,288)	(57)
Decrease (increase) in other assets	1,107	1,303	(5,602)
Decrease in operating lease liabilities	(347)	(258)	(320)
Increase (decrease) in other liabilities	1,162	(1,021)	3,423
Origination of mortgage loans held for sale	(11,447)	(44,134)	(106,978)
Proceeds from the sale of mortgage loans held for sale	11,279	48,914	106,206
Gain on sale of mortgage loans, net	(448)	(896)	(2,560)
Net cash provided by operating activities	26,919	25,593	17,609
Cash flows from investing activities:			
Purchase of certificates of deposit in other banks	(1,000)	(1,000)	—
Proceeds from maturities of certificates of deposit in other banks	1,000	—	2,219
Purchase of bank-owned life insurance	—	(35,000)	—
Net (increase) decrease in loans	(21,828)	66,631	(18,267)
Purchase of available-for-sale debt securities	(20,627)	(57,248)	(29,512)
Proceeds from maturities of available-for-sale debt securities	28,970	10,533	23,780
Proceeds from calls of available-for-sale debt securities	10,011	12,276	615
Proceeds from sales of available-for-sale debt securities	—	—	74,506
Purchases of FHLB stock	(99,606)	(931)	(14,672)
Proceeds from sales of FHLB stock	98,771	2,078	14,757
Purchases of premises and equipment	(4,078)	(3,004)	(2,097)
Proceeds from sales of premises and equipment	114	425	172
Proceeds from sales of other real estate and repossessed assets	1,417	6,494	2,691
Net cash provided by (used in) investing activities	(6,856)	1,254	54,192
Cash flows from financing activities:			
Net increase (decrease) in demand deposits	38,546	(17,219)	(51,202)
Net decrease in interest-bearing transaction accounts	(19,270)	(113)	(77,150)
Net increase (decrease) in time deposits	1,691	(20,330)	67,117
Net decrease in federal funds purchased and securities sold under agreements to repurchase	—	—	(5,187)
Repayment of FHLB advances and other borrowings	(40,000)	(36,000)	(16,000)
Proceeds from FHLB advances	575	10,000	30,000
Net increase (decrease) in short term FHLB borrowings	60,000	525	(5,000)
Purchase of treasury stock	(2,861)	(1,119)	—
Cash dividends paid - common stock	(5,426)	(5,047)	(4,649)
Net cash provided by (used in) financing activities	33,255	(69,303)	(62,071)
Net increase (decrease) in cash and cash equivalents	53,318	(42,456)	9,730
Cash and cash equivalents, beginning of year	50,994	93,450	83,720
Cash and cash equivalents, end of year	\$ 104,312	\$ 50,994	\$ 93,450

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,		
	2025	2024	2023
Supplemental disclosures of cash flow information:			

Cash paid during the year for:

Interest	\$	31,907	\$	36,888	\$	32,059
Income taxes		3,206		2,596		1,925
Noncash investing and financing activities:						
Other real estate and repossessed assets acquired in settlement of loans		—		3,631		71
Right of use assets obtained in exchange for new operating lease liabilities		1,351		723		—
Right of use assets obtained in exchange for new finance lease liabilities		1,205		—		—
Dividends declared not paid - common stock		1,382		1,328		1,197
Stock dividends		—		—		6,005

See accompanying notes to the consolidated financial statements.

HAWTHORN BANCSHARES, INC.
AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
December 31, 2025, 2024, and 2023

(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.

Recent Developments

One Big Beautiful Bill Act. On July 4, 2025, the One Big Beautiful Bill Act (the "OBBBA") was signed into law in the United States. The OBBBA includes significant changes to tax provisions, such as the permanent extension of certain expiring provisions enacted in the Tax Cuts and Jobs Act of 2017 and the restoration of favorable tax treatment for certain business provisions. The OBBBA tax provisions have multiple effective dates, with certain provisions effective in 2025 and others being phased in through 2027. The Company is continuing to evaluate the effect that the OBBBA will have on the Company's financial condition but does not currently expect it will have a material impact on its results of operations.

Shelf Registration. On June 24, 2025, the Company filed a universal shelf registration statement on Form S-3 with the Securities and Exchange Commission, which became effective on July 2, 2025. The shelf registration statement is intended to provide the Company with financial flexibility to raise capital from the offering of up to \$150 million of any combination of common stock, preferred stock, debt securities, depository shares, warrants, purchase contracts, purchase units, subscription rights and units in one or multiple offerings while the shelf registration statement is effective.

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 the fair value recognized as mortgage banking income. Beginning September 30, 2024, loans held for sale are 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 with servicing released. There were \$0.6 million of mortgage loans held for sale at December 31, 2025 compared to none at December 31, 2024.

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 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 \$1.0 million and \$0.9 million at December 31, 2025 and 2024, respectively.

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, which 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, net

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 forty years for buildings and improvements and three to fifteen years for furniture and equipment. Maintenance and repairs are expensed as incurred.

Premises and Equipment Held for Sale, net

Premises and equipment held for sale, net, are carried at the lower of cost or estimated fair value less disposal costs. Subsequent write-downs and gains or losses on the sales are recorded to (losses) gains on other real estate owned and other assets, net.

Derivative Instruments

The Company recognizes derivative instruments as either assets or liabilities in the balance sheet and measures those instruments at fair value. The related cash flows are recorded in the operating activities section of the Consolidated Statements of Cash Flows.

The Company enters into interest rate derivative instruments with customers while at the same time entering into offsetting interest rate derivative instruments with another financial institution. These transactions allow the customer to effectively manage their exposure to variable rate loans. Because the Company acts as an intermediary for its customers, changes in the fair value of the underlying derivative instruments substantially offset each other and do not have a material impact on the Company's Consolidated Statements of Income.

Mortgage Servicing Rights

The Company originates and sells residential mortgage loans in the secondary market and historically retained the right to service the loans sold. In January 2024, the Company sold its mortgage servicing rights portfolio, and the balance was \$0 at both December 31, 2025 and 2024. See Note 6, "Intangible Assets" for further details of this sale.

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.

Cash Surrender Value Bank-Owned Life Insurance

The Company has purchased life insurance policies on the lives of certain officers and non-employee directors. The premiums paid for the policies, which coincide with the initial cash surrender value, are recorded as an asset. Changes in the cash surrender value, other than proceeds from death benefits, are recorded as noninterest income as earnings on bank-owned life insurance. Proceeds from death benefits first reduce the cash surrender value attributable to the individual policy and then any proceeds are recorded in other noninterest income.

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 Sheets 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.

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, 2025, 2024, and 2023.

Revenue Recognition

ASC Topic 606, *Revenue from Contracts with Customers* ("ASC 606"), establishes principles for reporting information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts to provide goods or services to customers. The core principle requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration that it expects to be entitled to receive in exchange for those goods or services recognized as performance obligations are satisfied.

The majority of the Company's revenue-generating transactions are not subject to ASC 606, including revenue generated from financial instruments, such as loans and investment securities, earnings on bank-owned life insurance, real estate servicing fees, net, gain on sale of mortgage loans, net, gains (losses) on other real estate, net, and other non-interest income. Revenue from contracts with customers primarily consists of service charges and other fees, bank card income and fees and wealth management revenue, which are reflected as components of non-interest income on the Consolidated Statements of Income.

- Service charges and other fees consist of revenue generated from deposit account related service charges and fees, overdraft fees and other service charges and fees. Service charges on deposit accounts may be transactional or non-transactional in nature. Transactional service charges occur in the form of a service or penalty and are charged upon the occurrence of an event and are recognized as services are delivered to and consumed by the customer, or as penalty fees are charged. Non-transactional service charges are charges that are based on a broader service, such as account maintenance fees, and are recognized on a monthly basis.
- Bank card income and fees include interchange fee income from debit and credit cards processed through card association networks. The Company's performance obligation is generally complete when the transaction generating the fee is processed, and the Company records interchange fees as services are provided.
- Wealth management revenue includes monthly fees from brokerage commission and wealth management customers as consideration for managing the customers' assets. Brokerage commission primarily consists of commissions related to broker-dealer contracts. The contracts are between the customer and the broker-dealer, and the Company satisfies its

performance obligation and earns commission when the transactions are completed. Wealth management services include custody of assets, investment management, escrow services, fees for trust services and other similar fiduciary activities. These fees are typically paid on a monthly basis and recognized as the performance obligation is satisfied.

The Company generally does not enter into long-term revenue contracts with customers, and therefore does not experience significant contract balances.

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, 2025 and 2024 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. To the extent that the reissuance price exceeds the cost of the shares, the excess is credited to additional paid-in capital. If the reissuance price is less than the cost of the shares, the difference is charged to additional paid-in capital or to retained earnings if additional paid-in capital is insufficient.

Reclassifications

Certain prior year information has been reclassified to conform to the 2025 presentation. There was no impact to net income or stockholders' equity in prior years as a result of these reclassifications.

Recently Adopted Accounting Pronouncements

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 was effective for public business entities for annual periods beginning after December 15, 2024. Because this ASU affects disclosures only, the adoption did not affect the Company's Consolidated Balance Sheets or Consolidated Statements of Income, and the Company adopted this ASU prospectively. See Note 11, "Income Taxes," for more information.

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 was 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," for more information.

Purchased loans. In November 2025, the FASB issued ASU 2025-08, *Financial Instruments-Credit Losses (Topic 326): Purchased Loans*, which expands the population of acquired financial assets subject to the gross-up approach in Topic 326. Under the gross-up approach, an allowance for credit losses is recognized at the acquisition date with an offsetting entry to the asset's amortized cost basis. Specifically, this ASU does the following:

- applies the gross-up approach to acquired non-purchased credit deteriorated assets that are purchased seasoned loans and provides criteria for determining whether acquired loans qualify as purchased seasoned loans;
- for purchased seasoned loans, eliminates the Day 1 credit loss expense and reduces interest income recognized in subsequent periods because the gross-up approach will now apply to these loans;
- keeps the guidance for purchased credit deteriorated ("PCD") assets unchanged; and
- results in narrow subsequent measurement differences between purchased seasoned loans and PCD assets.

This ASU is effective for interim and annual reporting periods in fiscal years beginning after December 15, 2026, and is applied on a prospective basis. Early adoption was permitted, and the Company adopted this ASU on January 1, 2026. The adoption of this ASU did not have a material effect on the Company's consolidated financial statements and related disclosures.

(2) Loans and Allowance for Credit Losses

Loans

Major classifications within the Company's held for investment loan portfolio at December 31, 2025 and 2024 were as follows:

<i>(dollars in thousands)</i>	December 31,	
	2025	2024
Commercial, financial, and agricultural	\$ 227,584	\$ 202,329
Real estate construction – residential	39,609	32,046
Real estate construction – commercial	83,846	80,435
Real estate mortgage – residential	369,636	361,735
Real estate mortgage – commercial	755,892	775,594
Installment and other consumer	10,225	14,021
Total loans held for investment	\$ 1,486,792	\$ 1,466,160

The Bank grants real estate, commercial, installment, and other consumer loans to customers located within the communities surrounding Jefferson City, Columbia, Clinton, Warsaw, and Springfield, Missouri, and the greater Kansas City metropolitan area. As such, the Bank is susceptible to changes in the economic environment in these communities. Installment and other consumer loans consist primarily of the financing of vehicles. Accrued interest on loans totaled \$6.8 million and \$6.5 million at December 31, 2025 and 2024, respectively, and is included in the accrued interest receivable 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, 2025, \$730.9 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>	December 31,	
	2025	2024
Balance at January 1,	\$ 12,575	\$ 9,597
New loans	15,102	9,452
Amounts collected	(6,797)	(6,474)
Balance at December 31,	\$ 20,880	\$ 12,575

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.

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, 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 ⁽¹⁾	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
Charge-offs	(1,038)	—	—	(14)	(157)	(379)	—	(1,588)
Recoveries	166	—	—	42	58	126	—	392
Provision for (release of) credit losses	2,967	397	(502)	(515)	(2,367)	215	68	263
Balance at December 31, 2025	\$ 3,655	\$ 975	\$ 1,719	\$ 4,823	\$ 9,839	\$ 100	\$ —	\$ 21,111

(1) Beginning January 1, 2023, calculation is based on current expected credit losses ("CECL") 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.

The amortized cost of collateral-dependent loans by class as of December 31, 2025 and 2024 was as follows:

<i>(dollars in thousands)</i>	Collateral Type		Allowance Allocated
	Real Estate	Other	
December 31, 2025			
Commercial, financial, and agricultural	\$ —	\$ 3,558	\$ 1,477
Real estate mortgage – residential	3,914	—	432
Total	\$ 3,914	\$ 3,558	\$ 1,909
December 31, 2024			
Commercial, financial, and agricultural	\$ —	\$ 766	\$ 125
Real estate construction – residential	454	—	194
Real estate mortgage – commercial	65	—	—
Total	\$ 519	\$ 766	\$ 319

Credit Quality

The Company categorizes loans into risk categories based upon an internal rating system reflecting management's risk assessment.

- *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. The substandard category includes non-accrual loans.
- *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.

The following table presents the recorded investment by risk categories at December 31, 2025:

	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								
(dollars in thousands)	2025	2024	2023	2022	2021	Prior			
December 31, 2025									
Commercial, Financial, & Agricultural									
Pass	\$ 65,367	\$ 11,383	\$ 9,223	\$ 17,270	\$ 19,867	\$ 24,386	\$ 66,741	\$ 1,279	\$ 215,516
Watch	581	164	93	8	—	148	1,473	—	2,467
Special Mention	729	—	3,058	317	—	261	—	—	4,365
Substandard	203	679	15	3,184	536	25	594	—	5,236
Total	66,880	12,226	12,389	20,779	20,403	24,820	68,808	1,279	227,584
Gross YTD charge-offs	—	307	73	78	—	59	521	—	1,038
Real Estate Construction - Residential									
Pass	30,523	4,066	4,881	—	—	—	51	—	39,521
Watch	—	—	88	—	—	—	—	—	88
Total	30,523	4,066	4,969	—	—	—	51	—	39,609
Gross YTD charge-offs	—	—	—	—	—	—	—	—	—
Real Estate Construction - Commercial									
Pass	44,693	17,876	8,737	3,226	2,757	687	4,660	1,085	83,721
Watch	59	29	—	8	—	—	—	—	96
Substandard	29	—	—	—	—	—	—	—	29
Total	44,781	17,905	8,737	3,234	2,757	687	4,660	1,085	83,846
Gross YTD charge-offs	—	—	—	—	—	—	—	—	—
Real Estate Mortgage - Residential									
Pass	63,792	21,182	36,980	98,512	42,745	48,795	48,900	1,039	361,945
Watch	442	—	—	487	370	442	31	157	1,929
Substandard	3,463	98	495	1,301	—	189	216	—	5,762
Total	67,697	21,280	37,475	100,300	43,115	49,426	49,147	1,196	369,636
Gross YTD charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 14	\$ —	\$ —	\$ 14

Term Loans									
Amortized Cost Basis by Origination Year and Risk Grades									
	2025	2024	2023	2022	2021	Prior	Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term Loans Amortized Cost Basis	Total
<i>(dollars in thousands)</i>									
December 31, 2025									
Real Estate Mortgage - Commercial									
Pass	\$ 186,984	\$ 43,797	\$ 82,928	\$ 161,945	\$ 151,011	\$ 70,426	\$ 16,381	\$ 1,642	\$ 715,114
Watch	3,185	445	214	3,978	325	631	—	—	8,778
Special Mention	—	20,561	—	4,932	—	—	—	—	25,493
Substandard	1,311	147	—	4,145	—	760	144	—	6,507
Total	191,480	64,950	83,142	175,000	151,336	71,817	16,525	1,642	755,892
Gross YTD charge-offs	—	49	76	—	—	32	—	—	157
Installment and other Consumer									
Pass	2,696	1,063	1,764	1,628	367	2,605	68	—	10,191
Substandard	—	—	7	13	14	—	—	—	34
Total	2,696	1,063	1,771	1,641	381	2,605	68	—	10,225
Gross YTD charge-offs	—	3	33	13	—	330	—	—	379
Total Portfolio									
Pass	394,055	99,367	144,513	282,581	216,747	146,899	136,801	5,045	1,426,008
Watch	4,267	638	395	4,481	695	1,221	1,504	157	13,358
Special Mention	729	20,561	3,058	5,249	—	261	—	—	29,858
Substandard	5,006	924	517	8,643	550	974	954	—	17,568
Total	\$ 404,057	\$ 121,490	\$ 148,483	\$ 300,954	\$ 217,992	\$ 149,355	\$ 139,259	\$ 5,202	\$ 1,486,792
Total Gross YTD charge-offs	\$ —	\$ 359	\$ 182	\$ 91	\$ —	\$ 435	\$ 521	\$ —	\$ 1,588

The following table presents the recorded investment by risk categories at December 31, 2024:

Term Loans									
Amortized Cost Basis by Origination Year and Risk Grades									
	2024	2023	2022	2021	2020	Prior	Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term Loans Amortized Cost Basis	Total
<i>(dollars in thousands)</i>									
December 31, 2024									
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	286	87	3,428	628	37	—	356	403	5,225
Doubtful	—	—	—	—	—	—	79	—	79
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
Substandard	454	—	—	—	—	—	—	—	454
Total	16,822	13,808	601	617	165	—	—	33	32,046
Gross YTD charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

Term Loans
Amortized Cost Basis by Origination Year and Risk Grades

<i>(dollars in thousands)</i>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>Prior</u>	<u>Revolving Loans Amortized Cost Basis</u>	<u>Revolving Loans Converted to Term Loans Amortized Cost Basis</u>	<u>Total</u>
December 31, 2024									
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	—	—	—	49	—	—	78
Total	<u>50,653</u>	<u>7,210</u>	<u>10,437</u>	<u>3,828</u>	<u>622</u>	<u>613</u>	<u>7,072</u>	<u>—</u>	<u>80,435</u>
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	—	—	426	89	—	376	169	—	1,060
Total	<u>35,707</u>	<u>46,795</u>	<u>116,394</u>	<u>49,999</u>	<u>42,459</u>	<u>24,491</u>	<u>44,347</u>	<u>1,543</u>	<u>361,735</u>
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	64	75	231	—	—	—	—	—	370
Total	<u>86,281</u>	<u>117,979</u>	<u>223,371</u>	<u>205,552</u>	<u>69,342</u>	<u>57,536</u>	<u>14,815</u>	<u>718</u>	<u>775,594</u>
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
Substandard	—	—	—	—	—	10	—	—	10
Total	<u>2,188</u>	<u>3,636</u>	<u>3,591</u>	<u>1,165</u>	<u>554</u>	<u>2,815</u>	<u>72</u>	<u>—</u>	<u>14,021</u>
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	804	191	4,085	717	37	435	525	403	7,197
Doubtful	—	—	—	—	—	—	79	—	79
Total	<u>\$ 214,663</u>	<u>\$ 210,937</u>	<u>\$ 389,320</u>	<u>\$ 287,127</u>	<u>\$ 140,045</u>	<u>\$ 89,649</u>	<u>\$ 130,191</u>	<u>\$ 4,228</u>	<u>\$ 1,466,160</u>
Total Gross YTD charge-offs	<u>\$ 10</u>	<u>\$ 581</u>	<u>\$ 9</u>	<u>\$ 172</u>	<u>\$ 3</u>	<u>\$ 382</u>	<u>\$ 1,834</u>	<u>\$ —</u>	<u>\$ 2,991</u>

Delinquent and Non-Accrual Loans

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, 2025 and 2024.

(dollars in thousands)

	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, 2025					
Commercial, Financial, and Agricultural	\$ 603	\$ 400	\$ 1,003	\$ —	\$ 1,003
Real estate mortgage – residential	—	5,656	5,656	29	5,685
Real estate mortgage – commercial	—	143	143	—	143
Installment and Other Consumer	—	34	34	—	34
Total	\$ 603	\$ 6,233	\$ 6,836	\$ 29	\$ 6,865
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

No material amount of interest income was recognized on non-accrual loans during the year ended December 31, 2025.

The following table provides aging information for the Company's past due and non-accrual loans at December 31, 2025 and 2024.

(dollars in thousands)

	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, 2025					
Commercial, Financial, and Agricultural	\$ 226,129	\$ 452	\$ —	\$ 1,003	\$ 227,584
Real estate construction – residential	39,521	88	—	—	39,609
Real estate construction – commercial	83,846	—	—	—	83,846
Real estate mortgage – residential	362,289	1,662	29	5,656	369,636
Real estate mortgage – commercial	755,512	237	—	143	755,892
Installment and Other Consumer	10,105	86	—	34	10,225
Total	\$ 1,477,402	\$ 2,525	\$ 29	\$ 6,836	\$ 1,486,792
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

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 years ended December 31, 2025 and 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.

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

The following table shows the balance of the Company's other real estate and other assets acquired in the settlement of loans for the years indicated:

<i>(dollars in thousands)</i>	December 31,	
	2025	2024
Real estate construction - commercial	\$ —	\$ 2,549
Real estate mortgage - residential	—	42
Real estate mortgage - commercial	98	858
Total	98	3,449
Less valuation allowance for other real estate owned	—	(2,003)
Total other real estate owned	\$ 98	\$ 1,446

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

<i>(dollars in thousands)</i>	For the year ended December 31,		
	2025	2024	2023
Balance, beginning of year	\$ 2,003	\$ 5,950	\$ 2,664
Provision for (release of) other real estate owned	(41)	(127)	4,729
Charge-offs	(1,962)	(3,820)	(1,443)
Balance, end of year	\$ —	\$ 2,003	\$ 5,950

(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, 2025 and 2024 were as follows:

<i>(dollars in thousands)</i>	Total Amortized Cost	Gross Unrealized		Fair Value
		Gains	Losses	
December 31, 2025				
U.S. Treasury	\$ 4,949	\$ 119	\$ —	\$ 5,068
U.S. government-sponsored enterprises	5,001	31	(116)	4,916
Obligations of states and political subdivisions	121,569	28	(17,406)	104,191
Mortgage-backed securities	74,955	769	(4,227)	71,497
Other debt securities ⁽¹⁾	22,979	297	(325)	22,951
Bank issued trust preferred securities ⁽¹⁾	1,486	—	(170)	1,316
Total available-for-sale securities	\$ 230,939	\$ 1,244	\$ (22,244)	\$ 209,939
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 ⁽¹⁾	19,419	49	(781)	18,687
Bank issued trust preferred securities ⁽¹⁾	1,486	—	(237)	1,249
Total available-for-sale securities	\$ 249,558	\$ 126	\$ (31,032)	\$ 218,652

(1) 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 \$101.5 million and \$82.4 million at December 31, 2025 and December 31, 2024, 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, 2025, by contractual maturity are shown below. Accrued interest on investments totaled \$1.5 million and \$1.6 million at December 31, 2025 and December 31, 2024, respectively, and is included in the accrued interest receivable 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 receivable. There were no past due or non-accrual available-for-sale securities at December 31, 2025 or 2024. 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)	December 31, 2025	
	Amortized Cost	Fair Value
Due in one year or less	\$ 1,090	\$ 1,092
Due after one year through five years	16,988	16,808
Due after five years through ten years	38,315	36,500
Due after ten years	99,591	84,042
Total	155,984	138,442
Mortgage-backed securities	74,955	71,497
Total available-for-sale securities	\$ 230,939	\$ 209,939

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, which do not have readily determinable fair values, are required for membership in those organizations. The other investment securities held by the Company as of December 31, 2025 and December 31, 2024 are shown in the table below.

(dollars in thousands)	December 31,	
	2025	2024
FHLB stock	\$ 5,759	\$ 4,924
MIB stock	151	151
Equity securities with readily determinable fair values	66	74
Total other investment securities	\$ 5,976	\$ 5,149

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, 2025 and December 31, 2024 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>						
December 31, 2025						
U.S. government-sponsored enterprises	\$ —	\$ —	\$ 1,884	\$ (116)	\$ 1,884	\$ (116)
Obligations of states and political subdivisions	604	(1)	100,994	(17,405)	101,598	(17,406)
Mortgage-backed securities	848	(7)	30,172	(4,220)	31,020	(4,227)
Other debt securities	2,703	(72)	4,572	(253)	7,275	(325)
Bank issued trust preferred securities	—	—	1,316	(170)	1,316	(170)
Total	\$ 4,155	\$ (80)	\$ 138,938	\$ (22,164)	\$ 143,093	\$ (22,244)
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)

The total available-for-sale portfolio consisted of approximately 386 securities at December 31, 2025. The portfolio included 339 securities having an aggregate fair value of \$143.1 million that were in a loss position at December 31, 2025. Securities identified as temporarily impaired which had been in a loss position for 12 months or longer totaled \$138.9 million at fair value at December 31, 2025. The \$22.2 million aggregate unrealized loss included in accumulated other comprehensive loss at December 31, 2025 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.

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 year ended December 31,		
	2025	2024	2023
<i>(dollars in thousands)</i>			
Available-for-sale securities:			
Gross realized gains	\$ 125	\$ —	\$ —
Gross realized losses	—	—	(11,562)
Other investment securities:			
Fair value adjustments, net	(8)	(4)	32
Certificates of deposit:			
Gross realized losses	—	—	(17)
Investment securities gains (losses), net	\$ 117	\$ (4)	\$ (11,547)

(5) Premises and Equipment

A summary of premises and equipment, excluding those that were held for sale, at December 31, 2025 and 2024 was as follows:

<i>(dollars in thousands)</i>	December 31,	
	2025	2024
Land and land improvements	\$ 7,854	\$ 9,190
Buildings and improvements	32,177	36,401
Furniture and equipment	12,344	13,675
Operating leases - right of use asset	5,352	2,796
Construction in progress	1,972	271
Total	59,699	62,333
Less accumulated depreciation	29,736	31,167
Premises and equipment, net	\$ 29,963	\$ 31,166

Depreciation expense for the years ended December 31, 2025, 2024, and 2023 was as follows:

<i>(in thousands)</i>	For the year ended December 31,		
	2025	2024	2023
Depreciation expense	\$ 2,241	\$ 1,650	\$ 2,106

(6) Intangible Assets

Mortgage Servicing Rights

On January 31, 2024, the Company sold its mortgage servicing rights ("MSRs") 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, 2025, 2024, and 2023.

<i>(dollars in thousands)</i>	For the year ended December 31,		
	2025	2024	2023
Balance at beginning of year	\$ —	\$ 1,738	\$ 2,899
Originated mortgage servicing rights	—	—	39
Sale proceeds	—	(1,670)	—
Changes in fair value:			
Due to changes in model inputs and assumptions ⁽¹⁾	—	—	(939)
Other changes in fair value ⁽²⁾	—	(68)	(261)
Total changes in fair value	—	(68)	(1,200)
Balance at end of year	\$ —	\$ —	\$ 1,738

(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.

(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 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, 2025			As of December 31, 2024		
	Notional Amount	Fair Value		Notional Amount	Fair Value	
		Derivative Assets	Derivative Liabilities		Derivative Assets	Derivative Liabilities
Interest Rate Products	\$ 16,542	\$ 180	\$ 191	\$ 16,542	\$ 66	\$ 89
Total derivatives not designated as hedging instruments	\$ 16,542	\$ 180	\$ 191	\$ 16,542	\$ 66	\$ 89

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, 2025, 2024, and 2023. The Company recognized \$0.02 million, \$0.3 million and \$0 of other income related to client swaps during the years ended December 31, 2025, 2024, and 2023 respectively.

(dollars in thousands)	Location of Gain or (Loss) Recognized in Income	For the year ended December 31,		
		2025	2024	2023
Interest Rate Products ⁽¹⁾	Other non-interest income	\$ 12	\$ (23)	\$ —
Mortgage derivatives - Interest rate lock commitments	Other non-interest income / expense	—	(41)	—
Mortgage derivatives - Forward commitments	Other non-interest income / expense	—	41	—
Total		\$ 12	\$ (23)	\$ —

(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, 2025, the Company was required to post collateral of \$0.4 million. As of December 31, 2024, the Company had recorded an obligation to return cash collateral of \$0.1 million.

As of December 31, 2025, 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 \$0.01 million. As of December 31, 2025, the Company has not posted any collateral related to these agreements. If the Company had breached any of these provisions at December 31, 2025, it could have been required to settle its obligations under the agreements at their termination value of \$0.

(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, 2025 and 2024:

	December 31,	
	2025	2024
<i>(dollars in thousands)</i>		
Time deposits with balances > \$250,000	\$ 90,504	\$ 100,383
Brokered deposits	502	13
Total	\$ 91,006	\$ 100,396

The scheduled maturities of total time deposits at December 31, 2025 were as follows:

<i>(dollars in thousands)</i>		
2026	\$	280,853
2027		16,925
2028		4,827
2029		531
2030		376
Thereafter		—
Total	\$	303,512

(9) Leases

Leases are classified as operating or finance leases at the lease commencement date. The Company's leases primarily consist of office space, bank branches and bank equipment with original lease terms of generally 1 to 10 years. Lease right-of-use ("ROU") assets represent the Company's right to use an underlying asset during the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. ROU assets and 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 expense, 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 components of lease expense for the years ending December 31, 2025, 2024 and 2023 are shown in the table below. There was no expense recorded related to the Company's finance lease due to the timing of its commencement date.

<i>(dollars in thousands)</i>	For the year ended December 31,		
	2025	2024	2023
Operating lease expense	\$ 626	\$ 316	\$ 405

ROU assets and lease liabilities by lease type, and the associated balance sheet classifications are shown in table below as of December 31, 2025 and 2024.

<i>(dollars in thousands)</i>	Balance Sheet Classification	December 31,	
		2025	2024
ROU assets			
ROU assets-operating leases	Premises and equipment, net	\$ 2,476	\$ 1,635
ROU assets-finance leases	Premises and equipment, net	1,205	—
Total ROU assets		\$ 3,681	\$ 1,635
Lease liabilities			
Operating lease liabilities	Operating lease liabilities	\$ 2,682	\$ 1,678
Finance lease liabilities	Finance lease liabilities	1,205	—
Total lease liabilities		\$ 3,887	\$ 1,678

Contractual lease payment obligations for each of the next five years and thereafter, in addition to a reconciliation to the Company's lease liabilities were as follows:

<i>(dollars in thousands)</i>	Operating Leases		Finance Leases		Total	
2026	\$	550	\$	201	\$	751
2027		621		201		822
2028		631		201		832
2029		420		201		621
2030		387		201		588
Thereafter		415		400		815
Total lease payments		3,024		1,405		4,429
Less imputed interest		(342)		(200)		(542)
Total lease liabilities, as reported	\$	2,682	\$	1,205	\$	3,887

The following table presents the weighted average remaining lease term, in years, and the weighted average discount rate by lease type as of December 31, 2025 and 2024.

	December 31,	
	2025	2024
Operating lease weighted average remaining lease term (in years)	5.4	5.7
Operating lease weighted average discount rate	4.38 %	4.10 %
Finance lease weighted average remaining lease term (in years)	7	0
Finance lease weighted average discount rate	4.55 %	— %

(10) Borrowings

Federal Home Loan Bank advances and other borrowings of the Company consisted of the following as of December 31, 2025 and 2024:

<i>(dollars in thousands)</i>	December 31,	
	2025	2024
FHLB advances; weighted average interest rate of 3.21% and 2.77% at December 31, 2025 and 2024, respectively	\$ 102,000	\$ 81,425
Other	86	100
Subordinated notes	49,486	49,486
Total	\$ 151,572	\$ 131,011

The Bank is a member of the Federal Home Loan Bank of Des Moines 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, 2025, the Bank had \$102.0 million in outstanding borrowings with the FHLB. Based upon the collateral pledged to the FHLB at December 31, 2025, the Bank could borrow up to an additional \$254.4 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 term Secured Overnight Financing Rate ("SOFR") plus 1.83% and reprices quarterly (5.80% at December 31, 2025). 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 term SOFR plus 2.70% and reprices quarterly (6.67% at December 31, 2025). 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 both December 31, 2025 and 2024 was \$49.5 million. The Company has recorded the investments in the common securities issued by the Exchange Statutory Trusts aggregating \$1.3 million as of both December 31, 2025 and 2024, 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.

In 2024, the Company entered into a debt agreement with an unrelated-third party to borrow \$100,000 with an interest rate of 4.42%. The loan is forgiven on a straight-line basis over seven years if certain terms and conditions contained in the debt agreement are met. Any accrued interest is forgiven annually. The principal forgiveness is recorded as a component of wealth management revenue in the Consolidated Statements of Income and is shown as gain on cancellation of debt in the Consolidated Statements of Cash Flow.

Future payments for FHLB advances and other borrowings at their maturity date are shown in the table below as of the year ended December 31, 2025.

<i>dollars in thousands</i>	As of December 31, 2025	
2026	\$	83,000
2027		7,500
2028		—
2029		2,925
2030		8,575
Thereafter		49,572
Total	\$	151,572

(11) Income Tax

The composition of income tax expense (benefit) for the years ended December 31, 2025, 2024, and 2023 was as follows:

<i>(dollars in thousands)</i>	For the year ended December 31,		
	2025	2024	2023
Current:			
Federal	\$ 4,039	\$ 3,070	\$ 793
State	23	—	67
Total current	4,062	3,070	860
Deferred:			
Federal	1,236	1,032	(1,384)
State	—	—	—
Total deferred	1,236	1,032	(1,384)
Total income tax expense (benefit)	\$ 5,298	\$ 4,102	\$ (524)

A reconciliation between reported income tax expense and the amounts computed by applying the U.S. federal statutory income tax rate of 21% to income before income taxes is presented in the table below for the year ended December 31, 2025. State and

local income taxes are primarily related to the State of Kansas, while amounts related to other jurisdictions were not significant, in the aggregate, during the reported periods.

<i>(dollars in thousands)</i>	For the year ended December 31,	
	2025	
	Amount	%
Tax at statutory federal income tax rate	\$ 6,111	21.00 %
State and local income taxes, net of federal benefit	(5)	(0.02)
Foreign tax effects	—	—
Effect of changes in tax laws or rates enacted in current period	—	—
Effect of cross-border tax laws	—	—
Tax credits	(53)	(0.18)
Changes in federal valuation allowances	—	—
Nontaxable or nondeductible items		
Tax exempt income, net	(688)	(2.36)
Section 265/291 interest disallowance	375	1.29
Income on BOLI	(431)	(1.48)
Other nondeductible items	46	0.16
Changes in unrecognized tax benefits	—	—
Other, net	(57)	(0.20)
Provision for income tax expense	\$ 5,298	18.21 %

The effective tax rate differs from the U.S. federal statutory rate primarily due to tax-free revenues for the year ended December 31, 2025.

The following table presents the required disclosures prior to the Company's adoption of ASU 2023-09 and reconciles the U.S. federal statutory income tax rate to the effective tax rate for the years ended December 31, 2024 and 2023:

<i>(dollars in thousands)</i>	For the year ended December 31,			
	2024		2023	
	Amount	%	Amount	%
Income before provision for income tax (benefit)	\$ 22,358		\$ 432	
Tax at statutory federal income tax rate	4,695	21.00	91	21.00
Tax-exempt income, net	(567)	(2.54)	(509)	(117.88)
State income tax expense, net of federal tax expense	—	—	53	12.25
Other, net	(26)	(0.11)	(159)	(36.86)
Provision for income tax expense (benefit)	\$ 4,102	18.35 %	\$ (524)	(121.49)%

Income taxes (benefit) as a percentage of earnings before income taxes (benefit) as reported in the consolidated financial statements were 18.35% and (121.49)% for the years ended December 31, 2024 and 2023, respectively, which was lower than the U.S. federal statutory rate of 21% primarily due to tax-free revenues.

The Company adopted ASU 2023-09 on a prospective basis for the year ended December 31, 2025, and has included the following table as a result of the adoption, which presents income taxes paid (net of refunds received) for the year ended December 31, 2025:

<i>(dollars in thousands)</i>	For the year ended December 31,	
	2025	
Federal	\$	3,192
State and local taxes		14
Total	\$	3,206

The following table summarizes the income taxes paid for the years ended December 31, 2024 and 2023:

(dollars in thousands)	For the year ended December 31,	
	2024	2023
Cash paid during the year for:		
Income taxes	\$ 2,596	\$ 1,925

The components of deferred tax assets and deferred tax liabilities at December 31, 2025 and 2024 were as follows:

(dollars in thousands)	December 31,	
	2025	2024
Deferred tax assets:		
Allowance for loan losses	\$ 4,123	\$ 4,589
Securities	4,344	6,428
Other real estate owned	—	421
Deferred loan fees	524	450
Lease liability	816	352
Accrued / deferred compensation	560	763
Other	508	497
Total deferred tax assets	10,875	13,500
Deferred tax liabilities:		
Premises and equipment	413	515
Deferred loan costs	374	395
Pension	2,949	2,424
Right-of-use asset	773	343
Prepaid expenses	341	233
Other	79	61
Total deferred tax liabilities	4,929	3,971
Net deferred tax assets	\$ 5,946	\$ 9,529

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, 2025 and 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, 2025 and 2024, 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, 2023	\$ (21,461)	\$ 7,699	\$ (13,762)
Other comprehensive loss, before reclassifications	(3,740)	(690)	(4,430)
Amounts reclassified from accumulated other comprehensive loss	—	6,100	6,100
Other comprehensive (loss) income, before tax	(3,740)	5,410	1,670
Income tax expense	785	(1,136)	(351)
Other comprehensive (loss) income, net of tax	(2,955)	4,274	1,319
Balance, December 31, 2024	(24,416)	11,973	(12,443)
Other comprehensive income (loss), before reclassifications	10,032	(1,275)	8,757
Amounts reclassified from accumulated other comprehensive income (loss)	(125)	2,546	2,421
Other comprehensive income, before tax	9,907	1,271	11,178
Income tax expense	(2,081)	(267)	(2,348)
Other comprehensive income, net of tax	7,826	1,004	8,830
Balance, December 31, 2025	\$ (16,590)	\$ 12,977	\$ (3,613)

(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, "Retirement Plans."

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, 2025, 2024, and 2023.

<i>(dollars in thousands)</i>	Common Stock Issued	Treasury Stock Held	Common Stock Outstanding
Balance at, December 31, 2022	\$ 7,284	\$ (516)	\$ 6,769
Stock dividend	271	—	271
Repurchase of common stock	—	—	—
Balance at, December 31, 2023	7,555	(516)	7,039
Restricted share unit activity	—	6	6
Repurchase of common stock	—	(57)	(57)
Balance at, December 31, 2024	7,555	(566)	6,989
Restricted share unit activity	—	13	13
Repurchase of common stock	—	(100)	(100)
Balance at, December 31, 2025	\$ 7,555	\$ (654)	\$ 6,901

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 common stock repurchase program adopted in 2019, management was 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 45,686 shares under this repurchase plan at an average cost of \$27.09 per share totaling \$1.2 million during the year ended December 31, 2025.

On June 5, 2025, the Company announced that its Board of Directors approved a new common stock repurchase program under which the Company may repurchase up to \$10.0 million of its common stock, which replaced the Company's prior 2019 common stock repurchase program. Pursuant to the repurchase program, management is given discretion to determine the number and pricing of the shares to be repurchased, as well as the timing of any such repurchases. The timing and total amount of stock repurchases will depend on market and other conditions and may be made from time to time in open market purchases or privately negotiated transactions. The program has no termination date, may be suspended or discontinued at any time and does not obligate the Company to acquire any amount of common stock. As of December 31, 2025, \$8.4 million remains available for share repurchases pursuant to the plan. The Company repurchased 54,672 common shares under the repurchase plan during the year end December 31, 2025 at an average cost of \$28.72 per share totaling \$1.6 million, exclusive of any applicable excise tax.

(13) Share-Based Compensation

Equity-Based Compensation Plan

In 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. As of December 31, 2025, there were 145,065 shares of common stock that may be granted under the Equity Plan for future award issuances. Eligible participants under the Equity Plan include all employees, non-employee directors and consultants of the Company or its subsidiaries. The Equity Plan is 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-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 years ended December 31, 2025, 2024 and 2023.

	For the year ended December 31,					
	2025		2024		2023	
	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value
<i>(dollars in thousands, except per share amounts)</i>						
Non-vested beginning of year	35,336	\$ 22.84	18,277	\$ 20.63	—	\$ —
Granted	18,174	30.94	23,151	24.68	18,277	20.63
Vested	13,806	22.32	6,092	23.81	—	—
Forfeited	667	32.01	—	—	—	—
Non-vested end of year	<u>39,037</u>	<u>\$ 26.64</u>	<u>35,336</u>	<u>\$ 22.84</u>	<u>18,277</u>	<u>\$ 20.63</u>

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 \$392,000, \$184,000, and \$42,000 for the years ended December 31, 2025, 2024, and 2023 respectively. The Company's income tax expense included an immaterial amount of tax benefit for the years ended December 31, 2025 and 2024 related to the vesting and forfeiture of equity-based awards.

At December 31, 2025, there was \$0.8 million of total unrecognized compensation expense related to RSUs that is expected to be recognized over a weighted-average period of 2.1 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, \$0.5 million and \$0.6 million for the years ended December 31, 2025, 2024, and 2023, respectively. The employer discretionary profit-sharing contribution made to the 401(k) plan was \$1.2 million, \$0.8 million, and \$0.6 million for plan years 2025, 2024 and 2023, 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, 2025, the accrued liability under the plan was \$1.7 million and the expense was \$0.1 million, \$0.1 million and \$0.04 million for the years ended December 31, 2025, 2024, and 2023, respectively, and is recognized over the required service period. For the year ended December 31, 2025, a \$0.2 million distribution was paid.

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 Accounting Standards Update (“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 expense. 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 2025.

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.

The funded status and the amounts recognized on the Consolidated Balance Sheets for the years ended December 31, 2025 and 2024 are shown in the table below.

	December 31,	
	2025	2024
<i>(dollars in thousands)</i>		
Change in projected benefit obligation:		
Balance, January 1	\$ 28,787	\$ 30,623
Service cost	695	947
Interest cost	1,550	1,477
Actuarial gain ⁽¹⁾	(417)	(3,147)
Benefits paid	(1,389)	(1,113)
Balance, December 31,	29,226	28,787
Change in plan assets:		
Fair value, January 1	40,332	36,242
Actual return on plan assets	4,473	5,348
Employer contribution	—	—
Expenses paid	(149)	(145)
Benefits paid	(1,389)	(1,113)
Fair value, December 31,	43,267	40,332
Funded status at end of year	14,041	11,544
Accumulated benefit obligation	\$ 26,370	\$ 24,954
Amounts recognized in the statement of financial position consist of the following:		
Non-current assets	\$ 14,041	\$ 11,544
Net asset at end of year	\$ 14,041	\$ 11,544

(1) 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 for the years ended December 31, 2025, 2024, and 2023 as indicated:

	For the year ended December 31,		
	2025	2024	2023
<i>(dollars in thousands)</i>			
Service cost - benefits earned during the year	\$ 695	\$ 947	\$ 946
Interest costs on projected benefit obligations ⁽¹⁾	1,550	1,477	1,428
Expected return on plan assets ⁽¹⁾	(2,340)	(2,358)	(2,178)
Expected administrative expenses	145	109	115
Amortization of unrecognized net (gain) loss ⁽¹⁾	(1,275)	(690)	(640)
Net periodic pension income	\$ (1,225)	\$ (515)	\$ (329)

(1) The components of net periodic pension income 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, 2025 and 2024 are shown below, including amounts recognized in other comprehensive income during the periods. All amounts are shown on a pre-tax basis.

	December 31,	
	2025	2024
<i>(dollars in thousands)</i>		
Net accumulated actuarial net gain	\$ 16,426	\$ 15,155
Accumulated other comprehensive gain	16,426	15,155
Net periodic benefit cost in excess of cumulative employer contributions	(2,385)	(3,611)
Net amount recognized at December 31, balance sheet	\$ 14,041	\$ 11,544
Net actuarial gain arising during period	\$ 2,546	\$ 6,100
Amortization of net actuarial gain	(1,275)	(690)
Total recognized in other comprehensive income	\$ 1,271	\$ 5,410

Assumptions utilized to determine benefit obligations as of December 31, 2025, 2024, and 2023 and to determine pension expense for the years then ended are as follows:

	December 31,		
	2025	2024	2023
Determination of benefit obligation at year end:			
Discount rate	5.55 %	5.65 %	4.95 %
Annual rate of compensation increase	4.50	4.50	4.50
Determination of pension expense for year ended:			
Discount rate for the service cost	5.65 %	4.95 %	5.10 %
Annual rate of compensation increase	4.50	4.50	4.50
Expected long-term rate of return on plan assets	6.25	6.75	6.75

The assumed overall expected long-term rate of return on pension plan assets used in calculating 2025 pension expense was 6.25%. 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:

	For the year ended December 31,				
	2025	2024	2023	2022	2021
Actual rate of return	11.3%	15.9%	21.1%	(17.0)%	22.1%

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 recognize \$1.2 million of income in 2026 compared to expected income of \$0.8 million in 2025.

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, 2025 and 2024 by asset category was as follows:

	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)
<i>(dollars in thousands)</i>				
December 31, 2025				
Cash equivalents	\$ 4,426	\$ 4,426	\$ —	\$ —
U.S government agency obligations	12,013	—	12,013	—
Corporate bonds	5,358	—	5,358	—
Mutual funds	21,470	21,470	—	—
Total	\$ 43,267	\$ 25,896	\$ 17,371	\$ —
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	\$ —

The future benefit payments expected to be paid during the following years ended December 31, are as follows:

<i>(dollars in thousands)</i>	
2026	\$ 1,241
2027	1,377
2028	1,501
2029	1,629
2030	1,822
Thereafter	10,538
Total	\$ 18,108

(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, 2025, 2024, and 2023, which have been restated for stock dividends. Diluted earnings per common share incorporate the potential impact of contingently issuable shares, including awards which require future service as a condition of delivery of the underlying common stock.

	As of and for the year ended December 31,		
	2025	2024	2023
<i>(dollars and shares in thousands, except per share data)</i>			
Net income available to common shareholders	\$ 23,801	\$ 18,256	\$ 956
Weighted average common shares outstanding	6,932	7,000	7,039
Effect of dilutive equity-based awards	10	—	—
Weighted average dilutive common shares outstanding	<u>6,942</u>	<u>7,000</u>	<u>7,039</u>
Basic earnings per share	\$ 3.44	\$ 2.61	\$ 0.14
Diluted earnings per share	\$ 3.43	\$ 2.61	\$ 0.14

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, 2025, 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, 2025 and 2024. 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%.

Because the Bank had less than \$15 billion in total consolidated assets as of December 31, 2009, the Company is allowed to continue 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, 2025 and 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 years indicated:

	Actual		Minimum Capital Required - Basel III Fully Phased-In		Required to be Considered Well-Capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
<i>(dollars in thousands)</i>						
December 31, 2025						
Total Capital (to risk-weighted assets):						
Company	\$ 247,190	15.49 %	\$ 167,563	10.50 %	\$ —	N/A
Bank	222,887	14.08	166,169	10.50	158,256	10.00 %
Tier 1 Capital (to risk-weighted assets):						
Company	227,237	14.24	135,646	8.50	—	N/A
Bank	203,097	12.83	134,518	8.50	126,605	8.00
Common Equity Tier 1 Capital (to risk-weighted assets):						
Company	179,237	11.23	111,709	7.00	—	N/A
Bank	203,097	12.83	110,779	7.00	102,866	6.50
Tier 1 leverage ratio (to adjusted average assets):						
Company	227,237	12.12	74,994	4.00	—	N/A
Bank	203,097	10.90	74,546	4.00	93,183	5.00
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:						
Company	212,780	11.46	74,261	4.00	—	N/A
Bank	199,960	10.83	73,847	4.00	92,309	5.00

(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 described below. During the year ended December 31, 2025 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. U.S. Treasury securities are classified as Level 1, and all other available for sale securities are classified as Level 2.

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, which 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.

Derivative Assets and Liabilities

Derivative assets and liabilities include interest rate swaps. The fair value is 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

The Company sold its servicing portfolio on January 31, 2024. In prior periods, the fair value of MSR 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 was estimated based on a valuation model that calculates the present value of estimated future net servicing income. The model incorporated 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 estimated the present value of estimated future net servicing income. The Company classified its MSR as Level 3.

	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)
<i>(dollars in thousands)</i>				
December 31, 2025				
Assets:				
U.S. Treasury	\$ 5,068	\$ 5,068	\$ —	\$ —
U.S. government and federal agency obligations	—	—	—	—
U.S. government-sponsored enterprises	4,916	—	4,916	—
Obligations of states and political subdivisions	104,191	—	104,191	—
Mortgage-backed securities	71,497	—	71,497	—
Other debt securities	22,951	—	22,951	—
Bank-issued trust preferred securities	1,316	—	1,316	—
Equity securities	66	66	—	—
Interest rate swaps	180	—	180	—
Total	\$ 210,185	\$ 5,134	\$ 205,051	\$ —
Liabilities:				
Interest rate swaps	\$ 191	\$ —	\$ 191	\$ —
Total	\$ 191	\$ —	\$ 191	\$ —
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	—	—
Interest rate swaps	66	—	66	—
Total	\$ 218,792	\$ 4,989	\$ 213,803	\$ —
Liabilities:				
Interest rate swaps	\$ 89	\$ —	\$ 89	\$ —
Total	\$ 89	\$ —	\$ 89	\$ —

The changes in Level 3 assets and liabilities measured at fair value on a recurring basis are summarized as follows for the year ended December 31, 2024. The Company sold its mortgage servicing portfolio on January 1, 2024. There was no activity related to mortgage servicing rights and interest rate lock commitments during the year ended December 31, 2025.

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)	
	Mortgage Servicing Rights	Interest Rate Lock Commitments
<i>(dollars in thousands)</i>		
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 non-recurring adjustments to the carrying value of loans based on fair value measurements for partial charge-offs of the uncollectible portions of those loans. Non-recurring 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 less estimated selling costs. In determining the 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. Appraisals may be discounted based on the Company's historical experience or other available information. 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. Values of all loan collateral are regularly reviewed by the 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, 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.

Premises and Equipment Held for Sale, net

Premises and equipment held for sale, net, are carried at the lower of cost or estimated fair value less disposal costs. Fair value, when recorded, is generally based upon appraisals by approved, independent state certified appraisers. 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. Subsequent write-downs and gains or losses on the sales are recorded to (losses) gains on other real estate owned and other assets, net.

	Total Fair Value	Fair Value Measurements Using			Total Gains (Losses) ⁽¹⁾
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
<i>(dollars in thousands)</i>					
December 31, 2025					
Assets:					
Collateral dependent loans:					
Commercial, financial, & agricultural	\$ 2,081	\$ —	\$ —	\$ 2,081	\$ (1,640)
Real estate mortgage - residential	3,482	—	—	3,482	(432)
Total	\$ 5,563	\$ —	\$ —	\$ 5,563	\$ (2,072)
Other real estate and repossessed assets	\$ 98	\$ —	\$ —	\$ 98	\$ —
Premises and equipment held for sale, net	3,956	—	—	3,956	(225)

	Fair Value Measurements Using				Total Gains (Losses) ⁽¹⁾
	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
<i>(dollars in thousands)</i>					
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

(1) Total gains (losses) reported for Other real estate owned and repossessed assets and Premises and equipment held for sale, net, includes charge-offs, valuation write-downs, and net losses taken during the periods reported.

(18) Fair Value of Financial Instruments

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 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.

Loans Held for Sale

The fair value of the loans held for sale is the price at which they could be sold in the principal market at the measurement date, therefore the Company classifies these loans as Level 2.

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.

Cash Surrender Value Bank-Owned Life Insurance

The carrying amount of the cash surrender value of bank-owned life insurance is a reasonable estimate of the fair value because it is representative of the liquidation value as of the reporting date.

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.

A summary of the carrying amounts and fair values of the Company's financial instruments at December 31, 2025 and 2024 is as follows:

	December 31, 2025				
	Carrying amount	Fair value	Fair Value Measurements		
			Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Net Significant Unobservable Inputs (Level 3)
<i>(dollars in thousands)</i>					
Assets:					
Cash and due from banks	\$ 16,632	\$ 16,632	\$ 16,632	\$ —	\$ —
Federal funds sold and overnight interest-bearing deposits	87,680	87,680	87,680	—	—
Certificates of deposit in other banks	1,000	1,000	1,000	—	—
Other investment securities	5,910	5,910	—	5,910	—
Loans, net	1,465,681	1,445,226	—	—	1,445,226
Loans held for sale	616	616	—	616	—
Accrued interest receivable	8,447	8,447	8,447	—	—
Total assets	<u>\$ 1,585,966</u>	<u>\$ 1,565,511</u>	<u>\$ 113,759</u>	<u>\$ 6,526</u>	<u>\$ 1,445,226</u>
Liabilities:					
Deposits:					
Non-interest bearing demand	\$ 423,568	\$ 423,568	\$ 423,568	\$ —	\$ —
Savings, interest checking and money market	827,069	827,069	827,069	—	—
Time deposits	303,512	302,189	—	—	302,189
FHLB advances and other borrowings	102,086	102,114	86	102,028	—
Subordinated notes	49,486	43,829	—	43,829	—
Accrued interest payable	1,625	1,625	1,625	—	—
Total liabilities	<u>\$ 1,707,346</u>	<u>\$ 1,700,394</u>	<u>\$ 1,252,348</u>	<u>\$ 145,857</u>	<u>\$ 302,189</u>

December 31, 2024

	Fair Value Measurements				
	Carrying amount	Fair value	Quoted Prices in Active Markets for Identical	Other Observable	Net Significant Unobservable
			Assets (Level 1)	Inputs (Level 2)	Inputs (Level 3)
<i>(dollars in thousands)</i>					
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	—	—
Total assets	\$ 1,509,480	\$ 1,445,616	\$ 60,289	\$ 5,075	\$ 1,380,252
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	—	—
Total liabilities	\$ 1,665,947	\$ 1,656,688	\$ 1,233,115	\$ 123,187	\$ 300,386

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.

(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, 2025 and 2024, the allowance for credit losses for unfunded commitments was \$1.0 million and \$0.9 million, respectively.

The contractual amount of off-balance-sheet financial instruments as of December 31, 2025 and 2024 was as follows:

<i>(dollars in thousands)</i>	December 31,	
	2025	2024
Commitments to extend credit	\$ 335,244	\$ 305,811
Standby letters of credit	88,457	141,807
Total	\$ 423,701	\$ 447,618

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.

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 ranges from one month to 6.2 years at December 31, 2025.

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.

(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 ("CEO") is the CODM.

During 2025, the Company identified its Wealth Management business as a strategic opportunity and hired additional management resources to provide the structure for products and processes for this business. As a result, beginning with the first quarter of 2025, the Company identified its Wealth Management Business as a separate reportable segment and now has two reportable segments: the Bank segment and the Wealth Management segment. The Company's CEO is the CODM for both segments. 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.

The Company's remaining operations are not reportable segments, as defined by applicable accounting standards, and are classified as Non-Bank, and primarily represent the parent holding company, other insignificant non-bank subsidiaries and eliminations. For the years ended December 31, 2024 and 2023, the Company had one reportable segment, the Bank, and prior period information has not been recast because it would be impractical to do so.

The Bank segment is composed of operations 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 Wealth Management segment includes a broad range of financial and investment planning services for individuals and business owners as well as the Company's existing trust services.

The tables below highlight the Company's revenues, expenses and net income (loss) for each reportable segment and Non-Bank and is reconciled to net income (loss) on a consolidated basis for the years ended December 31, 2025, 2024, and 2023.

	As of and for the year ended December 31, 2025			
	Bank	Wealth Management	Non-Bank	Total
<i>(dollars in thousands)</i>				
Operating revenue				
Interest income	\$ 97,554	\$ —	\$ 104	\$ 97,658
Interest expense	28,384	—	3,394	31,778
Net interest income	69,170	—	(3,290)	65,880
Provision for credit losses	360	—	—	360
Operating expenses				
Salaries and employee benefits	26,271	871	699	27,841
Occupancy, furniture and equipment expense	4,304	69	—	4,373
Processing, network, and bank card expense	5,530	126	—	5,656
Legal, examination, and professional fees	1,406	—	292	1,698
Depreciation and amortization	2,328	—	—	2,328
Other	7,953	102	896	8,951
Total operating expenses	47,792	1,168	1,887	50,847
Other				
Non-interest income	10,388	2,202	1,719	14,309
Investment securities gains, net	117	—	—	117
Income tax expense (benefit)	6,024	—	(726)	5,298
Net income (loss)	\$ 25,499	\$ 1,034	\$ (2,732)	\$ 23,801
Segment assets	\$ 1,881,724	\$ 13	\$ 13,113	\$ 1,894,850

	As of and for the year ended December 31, 2024		
	Bank	Non-Bank	Total
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 tax expense (benefit)	5,827	(1,725)	4,102
Net income (loss)	\$ 21,865	\$ (3,609)	\$ 18,256
Segment assets	\$ 1,812,168	\$ 13,017	\$ 1,825,185

As of and for the year ended December 31, 2023

	Bank	Non-Bank	Total
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 tax expense (benefit)	698	(1,222)	(524)
Net income (loss)	\$ 4,567	\$ (3,611)	\$ 956
Segment assets	\$ 1,867,686	\$ 7,664	\$ 1,875,350

(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,	
	2025	2024
Assets		
Cash and due from bank subsidiaries	\$ 25,465	\$ 15,273
Investment in bank-issued trust preferred securities	1,316	1,249
Investment in subsidiaries	185,685	173,916
Other assets	16,870	13,797
Total assets	\$ 229,336	\$ 204,235
Liabilities and Stockholders' Equity		
Subordinated notes	\$ 49,486	\$ 49,486
Deferred tax liability	2,578	1,981
Other liabilities	3,043	3,221
Stockholders' equity	174,229	149,547
Total liabilities and stockholders' equity	\$ 229,336	\$ 204,235

Condensed Statements of Income

<i>(dollars in thousands)</i>	For the Year Ended December 31,		
	2025	2024	2023
Income			
Interest and dividends received from subsidiaries	\$ 22,102	\$ 20,117	\$ 10,158
Other	2,068	1,581	1,390
Total income	24,170	21,698	11,548
Expenses			
Interest on subordinated notes	3,394	3,899	3,774
Other	2,271	2,875	2,771
Total expenses	5,665	6,774	6,545
Income before income tax benefit and equity in undistributed income of subsidiaries	18,505	14,924	5,003
Income tax benefit	734	1,672	1,058
Equity in undistributed income (loss) of subsidiaries	4,562	1,660	(5,105)
Net income	\$ 23,801	\$ 18,256	\$ 956

Condensed Statements of Cash Flows

	For the Years Ended December 31,		
	2025	2024	2023
<i>(dollars in thousands)</i>			
Cash flows from operating activities:			
Net income	\$ 23,801	\$ 18,256	\$ 956
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity in undistributed (income) loss of subsidiaries	(4,562)	(1,660)	5,105
(Increase) decrease in other assets	(527)	(1,418)	1,486
Increase (decrease) in other liabilities	84	(215)	(262)
Other, net	(883)	(331)	(5,868)
Net cash provided by operating activities	17,913	14,632	1,417
Cash flows from investing activities:			
Decrease in investment in subsidiaries, net	566	—	7,575
Net cash provided by investing activities	566	—	7,575
Cash flows from financing activities:			
Cash dividends paid - common stock	(5,426)	(5,047)	(4,649)
Purchase of treasury stock	(2,861)	(1,119)	—
Net cash used in financing activities	(8,287)	(6,166)	(4,649)
Net increase in cash and due from banks	10,192	8,466	4,343
Cash and due from banks at beginning of year	15,273	6,807	2,464
Cash and due from banks at end of year	\$ 25,465	\$ 15,273	\$ 6,807

MARKET PRICE AND DIVIDENDS ON EQUITY SECURITIES AND RELATED MATTERS

Market Price

The Company's common stock trades on The Nasdaq Global Select Market under the stock symbol of *HWBK*.

Shares Outstanding

As of December 31, 2025, the Company had issued 7,554,893 shares of common stock, of which 6,901,260 shares were outstanding. The outstanding shares were held of record by approximately 3,179 shareholders.

Dividends

The following table sets forth information on dividends paid by the Company in 2025 and 2024.

		Dividends Paid Per Share
2025		
January	\$	0.19
April		0.19
July		0.20
October		0.20
Total	\$	0.78
2024		
January	\$	0.17
April		0.17
July		0.19
October		0.19
Total	\$	0.72

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, and Director-Class I	Executive Vice President, Chief Risk Officer 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

Name	Position with the Company	Position with Subsidiary Bank	Principal Occupation
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 Development Co. Member of Meadows Contracting LLC, Village Park Investments, LLC, Meadows Property, LLC, TWC Enterprise, LLC, Wetzel Investments LP, GCSL, LLC, Calvird Land Holdings, LLC, Village Park Properties, LLC, Town Creek Plaza, LLC, Atchison Granite Properties, LLC, Rifle Investments, LLC, Meadow Lake Golf Operations, LLC, MLCC Equipment LLC, and LGC Properties, 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 the General Partner for 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, President, Quality Traffic Control, 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, 2025, as filed with the Securities and Exchange Commission, excluding exhibits, will be furnished without charge to shareholders entitled to vote at the 2025 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.

List of Subsidiaries

Name of Subsidiary	Jurisdiction of Organization
Hawthorn Bank	Missouri
Jefferson City IHC, LLC	Missouri (limited liability company)
HB Realty, LLC	Missouri (limited liability company)
Exchange National Statutory Trust I	Connecticut
Exchange National Statutory Trust II	Delaware
Hawthorn Real Estate, LLC	Missouri (limited liability company)

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statements on Forms S-8 (Nos. 333-136477 and 333-273051), on Form S-3D (No. 333-101415), and on Form S-3 (No. 333-288274) of Hawthorn Bancshares, Inc. of our reports dated March 5, 2026, with respect to the consolidated financial statements of Hawthorn Bancshares, Inc. and Subsidiaries, and the effectiveness of internal control over financial reporting, included in this Annual Report on Form 10-K for the year ended December 31, 2025.

/s/ Forvis Mazars, LLP

Kansas City, Missouri

March 5, 2026

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 5, 2026

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 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 5, 2026

/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 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 5, 2026

/s/ Chris E. Hafner

Chris E. Hafner
Principal Financial Officer

Certification of Chief Executive Officer

I, Brent M. Giles, Chief Executive Officer of Hawthorn Bancshares, Inc. (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, to my knowledge:

(a) The Annual Report on Form 10-K for the year ended December 31, 2025 (the “Report”) of the Company 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 5, 2026

/s/ Brent M. Giles

Brent M. Giles

Chief Executive Officer (Principal Executive Officer)

Certification of Chief Financial Officer

I, Chris E. Hafner, Chief Financial Officer of Hawthorn Bancshares, Inc. (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 Annual Report on Form 10-K for the year ended December 31, 2025 (the “Report”) of the Company 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 5, 2026

/s/ Chris E. Hafner

Chris E. Hafner
Principal Financial Officer