

HAWTHORN BANCSHARES, INC.

FAIR DISCLOSURE POLICY

Hawthorn Bancshares, Inc. and its subsidiaries (the "Company") are committed to fair disclosure of information to its shareholders, potential investors, the financial community and the media, consistent with the Fair Disclosure Regulation ("Regulation FD")¹ of the Securities and Exchange Commission (the "SEC").

The Company believes it is in the Company's best interest to maintain an active and open communication with its shareholders, potential investors, the financial community and the media regarding the Company's historical performance and future prospects. The Company understands that it can enhance shareholder value by publicly articulating its strategies, business strengths, and growth opportunities. At the same time, the Company also is aware of the need for confidentiality about details of key business and operating strategies and, accordingly, may at times limit its comments for competitive reasons.

The Company has established this policy to ensure compliance with the federal securities laws, to avoid selective disclosure of material nonpublic information and to promote equal access to the Company's information, and is publishing this policy for the benefit of its shareholders, potential investors, the financial community, the media and its employees.

I. OVERVIEW

A. Scope of the Policy

This policy applies to all directors, officers and employees of the Company. It covers disclosures in documents the Company files with, or furnishes to, the SEC and written statements made in the Company's periodic reports, news and earnings releases, letters to shareholders, speeches by employees and information contained in the Company's website, if any. It also covers any communications to analysts, investors, regulators, the media, customers, suppliers and friends and relatives of the Company's employees.

An employee who violates this policy may face disciplinary action, including, but not limited to, termination of his or her employment.

B. Full Disclosure of Nonpublic Material Information

It is the Company's policy to disclose nonpublic, material information about the Company in a manner to ensure full disclosure to the public on a non-selective basis.

Information is material for purposes of this policy if:

- (i) there is a substantial likelihood that an investor would consider the information to be important in deciding whether to buy, sell or hold a security, or

¹ 17 C.F.R. 243.100 et seq.

- (ii) there is a substantial likelihood that the information would be viewed by a reasonable investor as having significantly altered the "total mix" of information made available.

While not part of the judicially created test for determining materiality, courts frequently infer the materiality of information by examining whether disclosure of the information in question had a significant impact on the price of a security following its public dissemination. Information can be material (a) whether it is positive or negative, (b) whether it was received from the Company or from a source not connected with the Company, (c) whether it affects the Company, or its business, condition (financial or otherwise), results of operations, assets, net worth or prospects (the foregoing are sometimes referred to as "inside information") or affects the market price of its securities (so-called "market information"), or (d) even though it would not alone determine an investor's decision. It is important to bear in mind that information need not be a historical or certain fact to be material; data or events that are uncertain or contingent can be material depending upon a balancing of their magnitude and likelihood of occurrence.

Although it is not possible to list all of the types of information that may be "material," the SEC has said that information concerning the following events should be presumed to be "material" for purposes of this policy: results of operations, especially earnings; financial forecasts, especially estimates of earnings; changes in previously disclosed financial information; increases or decreases in dividends or the decision to declare dividends; declarations of stock splits and stock dividends; proposals or agreements relating to mergers or other acquisitions; proposed issuances of new securities; significant expansion or curtailment of operations; significant increases or decreases in business; significant increases or declines in backlog orders or the award or loss of a significant contract; significant new products to be introduced; unusual borrowings; major litigation or other possible contingent liabilities or obligations; financial liquidity problems; significant changes in management; and the purchase or sale of substantial assets.² This list is not exhaustive; other types of information may be material at any particular time, depending upon all the circumstances.

C. Primary Principles of Disclosure Policy

Material information will be publicly disclosed promptly by news-wire release. The only exceptions occur in restricted circumstances where regulation allows the maintenance of confidentiality for a period of time and regulatory filings on a confidential basis.

Disclosure must include any information the omission of which would make the rest of the disclosure misleading.

Precautions are to be taken against selective disclosure. Previously undisclosed material information will not be disclosed selectively to an individual or limited group. If nonpublic material information is unintentionally disclosed by the Company or its authorized spokespersons, the Company will promptly issue a press release, file or furnish the SEC with a Form 8-K or take other

² SEC Release No. 33-7881.

steps to fully disclose such information and to avoid unequal access to material nonpublic information.³

Management is encouraged to use the Company's website to enhance dissemination of information, by posting information contemporaneously with the issuance of news-wire releases, regulatory filings of financial statements or other disclosure documents, and presentations by senior officers.

This policy applies to all methods of communication to the public, including written, oral and electronic communications.

D. Quiet Period

In order to avoid any potential for, or the perception or appearance of, selective disclosure, the Company observes a "quiet period." This is the period commencing on the 15th day of the last month of each fiscal quarter and ending after the market closes on the second trading day after the release of the results of operations for that quarter (and in the case of the last fiscal quarter, its results of operations for the fiscal year then ended) to the public. Thus, a "quiet period" does not expire until the beginning of the third trading day after the day on which the results of operations were released.

During the quiet period, spokespersons will not initiate meetings or telephone contacts with analysts, investors or the media, and will refrain from discussing matters related to earnings and financial performance. Exceptions, however, may occur at the Company's discretion based on a need to discuss breaking news.

E. Responding to Market Rumors

Generally, the Company adopts a "no comment" policy with respect to rumors that are not attributable to the Company. In this way, spokespersons may state, for example, that "it is the Company's policy to neither confirm nor deny rumors."

The Company does not have a general duty to monitor and to correct or verify rumors in the market unless (i) those rumors can be attributed to the Company or (ii) a stock exchange requests disclosure when the rumor is causing unusual activity in the Company's securities. However, the Company's spokespersons may respond if a rumor is causing market volatility or if a stock exchange or securities regulator requests that the Company make a statement.

F. Restrictions on Trading

This policy includes by reference portions of the Company's Code of Business Conduct and Ethics, Section 16 Reporting Policy, and Policies Regarding Securities Trading and Handling of Nonpublic Information (including the Company-Wide Policy), which mandate employee requirements with respect to maintaining confidentiality of information, prohibitions against trading on the basis of or tipping undisclosed material information, and restrictions on periods during which insiders may effect trades in Company securities in the absence of such information.

³ 17 C.F.R. 243.101(e).

II. ENSURING ACCURACY

A. Responsible Officers

The Company's Chief Executive Officer and Chief Financial Officer are responsible for the execution of this policy. They are responsible for fair and accurate disclosure. With the assistance of others under their direction, they will continually ensure that they are seeking information from all relevant sources within the Company and will question these sources to verify how the information was derived and to independently assess whether the information has a reasonable basis and is both accurate and complete.

B. Duty to Correct and Duty to Update

If the Company subsequently discovers that a disclosure was factually and materially incorrect at the time disclosed, it will publicly announce and correct the error once it is discovered. The Company recognizes that the law on the duty to update is evolving and differs among the Federal Circuit Courts of Appeal. Determinations on whether previous disclosure must be updated will be made on a case by case basis with the advice of counsel. Management may include a general disclaimer of any duty to update in corporate communications in order to retain appropriate flexibility in this regard.

C. Forward-Looking Statements

Communications by the Company may constitute forward looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements may contain known and unknown risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements. Such risks and uncertainties include but are not limited to those noted in the communications themselves and in the Company's filings with the SEC. Thus, the Company's forward-looking information will be accompanied by cautionary statements identifying important factors that could cause actual results to differ materially from what is projected. In addition, particular care will be taken to avoid selective disclosure of forward-looking information because of its extreme price sensitivity.

III. AUTHORIZED SPOKESPERSONS

The Company speaks to its shareholders, potential investors and the financial community only through authorized spokespersons. The authorized spokespersons include:

- Chief Executive Officer;
- Chief Financial Officer; and
- Other officers, employees or representatives of the Company specifically authorized by the Chief Executive Officer or Chief Financial Officer from time to time. It should be stated that these individuals are speaking on behalf of the Company and are covered by Regulation FD.

No other employees are authorized to communicate business or financial information about the Company that is nonpublic, material information, except through Company-sanctioned public disclosure or for business purposes under a non-disclosure agreement. Inquiries from

shareholders, potential investors and the financial community are to be referred to an authorized spokesperson.

The Company recommends that its shareholders, potential investors and the financial community send all written inquiries to the Company by e-mail at kbruegenhemke@HawthornBank.com or by mail to the following address:

Hawthorn Bancshares, Inc.
132 East High Street, Box 688
Jefferson City, Missouri 65102
Attention: Investor Relations

Employees will be notified that, except as specified in this policy, they shall not communicate to shareholders, potential investors, analysts and other members of the financial community and shall refer all questions to the Chief Executive Officer, the Chief Financial Officer or other authorized spokesperson. All employees will be trained accordingly. Appropriate training also will be provided to each authorized spokesperson on compliance with this policy, review of public statements regarding material information, and procedures for disclosing nonpublic information.

IV. COMMUNICATIONS

A. Quarterly Earnings Releases and Quarterly Earnings Conference Calls

If the Company plans to conduct a conference call regarding earnings, it should comply with the following procedures.

1. Content

Each quarterly earnings press release and conference call, if any, should include a discussion of the results of operations of the Company.

2. Notice of Quarterly Conference Call

The Company should provide the public with approximately one week prior notice of the exact date and time of any upcoming quarterly conference call. This notice should be in the form of a press release and should include instructions as to when and how to access the presentation and, if applicable, the location on the Company's website where the information will be available. Simultaneous with this notification, the Company should provide notice of the upcoming conference call, or a link to such press release, on its website.

3. Earnings Release

At least three hours before the scheduled time of any earnings conference call, the Company should distribute its quarterly earnings press release to various newswires by way of facsimile transmittal (through PR Newswire), electronic mail or other similar means. The Company will provide that information which it believes necessary for an understanding of the Company's

performance in the previous quarter in the quarterly earnings press release. The quarterly earnings press release will be furnished to the SEC on Form 8-K.⁴

After its release of the quarterly earnings press release, the Company should post that press release on its website.

4. Conference Calls

Any quarterly earnings conference calls should be broadly accessible to the public by dial-in conference call, webcast or similar technology. The Company should discuss its quarterly earnings press release during the conference call and should provide some context to the numbers provided in the release.

The Company will file a Form 8-K to disclose any material, non-public information discussed in the conference call unless:

- the related, quarterly earnings press release containing such information has been furnished to the SEC on Form 8-K within 48 hours prior to the presentation; and
- the financial and statistical information contained in the presentation made on the conference call is provided on the Company's website, together with any information that would be required under Regulation G, which is discussed below in Section IV.E. (Non-GAAP Financial Information).

In addition, replays of the quarterly earnings conference call generally should be available on a website via webcast for approximately 12 months.

B. Analysts/Investor Conferences

From time to time, representatives of the Company may participate in investor/analyst conferences and conference calls sponsored by securities firms or other interested organizations. It is the Company's policy to not disclose material, nonpublic information during these conferences and calls unless:

- the conference or conference call employs methods of communication that are sufficient to ensure full public disclosure; or
- the Company uses other methods to ensure full public disclosure, such as those described in Section IV.F. (Other Public Communications).

The Company will encourage sponsors of conferences and conference calls in which it participates to make webcasting available to the public. However, the Company may continue to participate in investor/analyst conferences and conference calls that are not webcast, as long as the Company can otherwise ensure full public disclosure of any material, nonpublic information disclosed.

The Company should provide the public with approximately one week prior notice of the exact date and time of any investor/analyst conference or conference call. This notice should be in

⁴ Item 2.02 to Form 8-K.

the form of a press release and should provide information sufficient to enable all interested parties to listen (if available) to the conference or conference call live. These press releases will also be furnished to the SEC on Form 8-K.

After its release, the Company will post the press release on its website. In addition, at the time of the conference or conference call, the Company should post any Company presentations on such website. Any such presentations generally should remain available on the website after the conference or conference call for a reasonable period of time.

C. One-on-One Conversations with Investors, Financial Analysts or Securities Markets Professional

One-on-one conversations with investors and the financial community, including financial analysts and securities market professionals, are valuable to the Company's investor relations program. However, the Company will not disclose material nonpublic information during such conversations. Accordingly, during such conversations the Company and its authorized spokespersons may discuss only:

- information that has been previously publicly disclosed;
- nonmaterial information; and/or
- generally known Company or industry-related information, such as historical Company or industry information, the Company's strategy, missions, goals, management philosophy in running the Company, strength and depth of management, general business trends and competitive advantages/disadvantages.

The Company will not comment in one-on-one conversations on any previously issued earnings guidance.

D. Responding to Investor Questions

The Company's investor relations personnel will continue to take phone calls from analysts, securities market professionals, institutional investors, and shareholders with questions. In order to comply with Regulation FD, however, the Company has adopted the following rules about when and how it will answer them.

The Company may immediately respond to questions that relate to information which is solely historical and already public. During the two-week period following the Company's quarterly earnings press release, it may also answer questions that relate to forward-looking information contained in the quarterly earnings press release or disclosed during any earnings conference call made in compliance with this policy. All other questions from analysts, securities market professionals, institutional investors, and shareholders must be submitted via e-mail or by letter to the address specified above under Section III. (Authorized Spokespersons). The Company will then determine whether to respond (i) directly to the person making the inquiry, (ii) through a public disclosure, or (iii) not at all.

E. Non-GAAP Financial Information

1. General Disclosure Requirement

The Company, or a person acting on its behalf, will not make public a non-GAAP financial measure that, taken together with the information accompanying that measure, contains an untrue statement of a material fact or omits to state a material fact necessary in order to make the presentation of the non-GAAP financial measure, in light of the circumstances under which it is presented, not misleading.

2. Reconciliation Requirement

Whenever the Company, or a person acting on its behalf, publicly discloses any material information that includes a non-GAAP financial measure, the Company will provide the following information as part of the disclosure or release of the non-GAAP financial measure:

- a presentation of the most directly comparable financial measure calculated and presented in accordance with GAAP; and
- a reconciliation (by schedule or other clearly understandable method), which shall be quantitative for historic measures and quantitative, to the extent available without unreasonable efforts, for prospective measures, of the differences between the non-GAAP financial measure presented and the most directly comparable financial measure or measures calculated and presented in accordance with GAAP.⁵

If a non-GAAP financial measure is released orally, telephonically, by webcast, by broadcast, or by similar means, the Company may provide the above information by: (1) posting that information on its website; and (2) disclosing the location and availability of the required accompanying information during its presentation.

With regard to the quantitative reconciliation of non-GAAP financial measures that are forward-looking, the Company will provide a schedule or other presentation detailing the differences between the forward-looking non-GAAP financial measure and the appropriate forward-looking GAAP financial measure. If the GAAP financial measure is not accessible on a forward-looking basis, the Company will disclose that fact and provide reconciling information that is available without an unreasonable effort. Furthermore, the Company will identify information that is unavailable, disclose its probable significance and disclose that it is relying on an applicable exception for excluding such information.

F. Other Public Communications

In addition, to the above methods of communication, the Company may communicate with its shareholders and other members of the financial community about its business operations. The Company does so through the following methods:

- issuing a press release;

⁵ Regulation G as adopted by SEC Release 33-8176. To the extent applicable, the Company will also comply with Item 10(e) of Regulation S-K.

- filing with or furnishing to the SEC, a Form 8-K or including the information in another SEC filing;
- initiating an internet webcast and/or telephone conference to which the public is allowed to listen and which has been announced in advance through a press release; or
- using any combination of the above methods or other methods designed to provide full public disclosure.

G. Media

The Company endeavors to make appropriate announcements and to conduct interviews with the media about its business, technology and significant developments. Appropriate training will be provided to each authorized spokesperson on compliance with the policy, review of public statements regarding material information, and procedures for disclosing non-public information.

V. REVIEW OF ANALYST REPORTS

A. Reviewing Analyst Reports or Models

Occasionally, the Company may be requested to review financial analyst draft reports or models. In general, the Company will not comment on analyst conclusions.

When asked to review analyst draft reports, the Company will limit review and comment to the followings:

- correcting errors in historical factual information;
- pointing out information that is in the public domain;
- providing information the Company believes is clearly nonmaterial; and
- discussing generally the factors that might influence the underlying assumptions used for future projections.

B. Earnings Guidance

Any earnings guidance, and changes to or affirmations of guidance, will be provided through public disclosure, such as press releases or conference calls open to the public. To the extent that the Company provides such guidance, the Company will do so only in accordance with the policies and procedures contained in this policy. See Section II.C. (Forward Looking Statements) above.

C. Review of Earnings Models

The Company will not review earnings models of analysts or others.

D. Distributing or Referring to Analyst Reports

As a general rule, the Company will not circulate copies of analyst reports. The Company will limit its involvement to providing interested persons with a list of analysts covering the

Company and referring requests for reports to the analysts' respective firms. The Company may also post copies of analyst reports on its internet website.

VI. TAKING ANALYSTS OVER THE WALL

Extreme care will be taken in permitting the Company's financial advisors to bring analysts "over the wall" to permit them to participate in investment banking projects. In normal circumstances, investment bankers will maintain a Chinese wall between their analysts and their investment banking departments. This separation permits investment bankers to consult freely with their issuing clients about their financing needs, acquisitions strategies and earnings prospects without tainting analysts in the same firm with inside information about the Company.

At times, however, it may be deemed desirable to bring an analyst "over the wall" to assist in an investment banking project, to assist in due diligence investigations, to support sales and marketing efforts or to help to generate earnings estimates for use in forecasts or projections. Such involvement may be critical to the success of a project where an analyst's specialized knowledge of the industry may be indispensable in providing the expertise necessary to complete the project.

The Company is aware that in such circumstances, the analyst may be "tainted" and will be prohibited from issuing research reports or otherwise advising with respect to the Company's securities while in the possession of material non-publicly disclosed information.

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