UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the quarterly period ended September 30, 2026

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	**43-1626350**
(State or other jurisdiction of incorporation or organization)	*(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)

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

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

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 is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☒ No

As of November 9, 2026, the registrant had 7,315,290 shares of common stock, par value $1.00 per share, outstanding.

HAWTHORN BANCSHARES, INC. AND SUBSIDIARIES
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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

HAWTHORN BANCSHARES, INC. AND SUBSIDIARIES
Consolidated Balance Sheets

(dollars in thousands, except per share data)	September 30, 2026	December 31, 2025
	(Unaudited)	
ASSETS		
Cash and due from banks	$ 17,466	$ 16,632
Other interest bearing deposits	16,294	87,680
Cash and cash equivalents	33,760	104,312
Certificates of deposit in other banks	1,000	1,000
Available-for-sale debt securities, at fair value	271,093	209,939
Other investments	6,811	5,976
Loans held for investment	1,690,134	1,486,792
Allowance for credit losses	(24,443)	(21,111)
Net loans	1,665,691	1,465,681
Loans held for sale	223	616
Premises and equipment - net	36,149	29,963
Premises and equipment held for sale, net	1,080	3,956
Other real estate owned - net	101	98
Cash surrender value of bank-owned life insurance	41,383	40,444
Goodwill and other intangible assets, net	25,999	—
Accrued interest receivable and other assets	57,790	32,865
Total assets	$ 2,141,080	$ 1,894,850
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits		
Non-interest bearing demand	$ 476,837	$ 423,568
Savings, interest checking and money market	930,516	827,069
Time deposits	383,597	303,512
Total deposits	1,790,950	1,554,149
Federal Home Loan Bank advances and other borrowings	74,343	102,086
Subordinated notes	54,682	49,486
Operating lease liabilities	3,417	2,682
Finance lease liabilities	1,092	1,205
Accrued interest payable and other liabilities	25,556	11,013
Total liabilities	1,950,040	1,720,621
Stockholders' equity:		
Common stock, $1.00 par value, authorized 15,000,000 shares; issued 7,967,935 and 7,554,893 shares at September 30, 2026 and December 31, 2025, respectively	7,968	7,555
Surplus	92,800	76,828
Retained earnings	123,560	107,863
Accumulated other comprehensive loss, net of tax	(18,899)	(3,613)
Treasury stock; 654,215 and 653,633 shares, at cost, respectively	(14,389)	(14,404)
Total stockholders' equity	191,040	174,229
Total liabilities and stockholders' equity	$ 2,141,080	$ 1,894,850

See accompanying notes to the consolidated financial statements *(unaudited)*.

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

(dollars in thousands, except per share data)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2026	**2025**	**2026**	**2025**
INTEREST INCOME				
Interest and fees on loans	$ 24,110	$ 22,635	$ 68,054	$ 65,380
Interest and fees on loans held for sale	4	10	11	15
Interest on investment securities:				
Taxable	1,758	1,403	4,286	4,105
Nontaxable	607	585	1,776	1,758
Federal funds sold and Other interest-bearing deposits	184	256	1,069	795
Dividends on other investments	111	114	323	319
Total interest income	26,774	25,003	75,519	72,372
INTEREST EXPENSE				
Interest on deposits:				
Savings, interest checking and money market	3,772	4,036	10,943	12,471
Time deposits	2,341	2,523	6,726	7,409
Total interest expense on deposits	6,113	6,559	17,669	19,880
Interest on federal funds purchased and securities sold under agreements to repurchase and other	13	1	40	2
Interest on Federal Home Loan Bank advances	539	718	1,790	1,621
Interest on subordinated notes	819	860	2,370	2,568
Total interest expense on borrowings	1,371	1,579	4,200	4,191
Total interest expense	7,484	8,138	21,869	24,071
Net interest income	19,290	16,865	53,650	48,301
Provision for (release of) credit losses on loans	300	375	115	(66)
Provision for credit losses on unfunded commitments	—	—	496	50
Total provision for (release of) credit losses on loans and unfunded commitments	300	375	611	(16)
Net interest income after provision for (release of) credit losses on loans and unfunded commitments	18,990	16,490	53,039	48,317
NON-INTEREST INCOME				
Service charges and other fees	879	928	2,514	2,781
Bank card income and fees	1,068	1,000	2,993	2,929
Earnings on bank-owned life insurance	490	513	1,481	1,532
Wealth management revenue	740	651	2,010	1,667
Gain on sale of mortgage loans, net	61	78	207	320
Gains (losses) on other real estate owned and other assets, net	104	—	405	(156)
Other	362	546	2,570	1,651
Total non-interest income	3,704	3,716	12,180	10,724
Investment securities gains, net	98	105	383	102
NON-INTEREST EXPENSE				
Salaries and employee benefits	7,222	7,207	21,628	20,822
Occupancy expense, net	1,012	931	2,862	2,814
Furniture and equipment expense	794	683	2,355	2,149
Processing, network, and bank card expense	2,602	1,372	5,439	4,216
Legal, examination, and professional fees	896	470	2,642	1,391
Advertising and promotion	284	252	723	624
Postage, printing, and supplies	236	354	737	990
Other	1,899	1,552	5,307	4,583
Total non-interest expense	14,945	12,821	41,693	37,589
Income before income taxes	7,847	7,490	23,909	21,554
Income tax expense	785	1,358	3,778	3,938
Net income	$ 7,062	$ 6,132	$ 20,131	$ 17,616
Basic earnings per share	$ 1.01	$ 0.89	$ 2.90	$ 2.54
Diluted earnings per share	$ 1.01	$ 0.88	$ 2.90	$ 2.53

See accompanying notes to the consolidated financial statements *(unaudited)*.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
(dollars in thousands)	**2026**	**2025**	**2026**	**2025**
Net income	$ 7,062	$ 6,132	$ 20,131	$ 17,616
Other comprehensive income (loss), net of tax				
Investment securities available-for-sale:				
Change in unrealized gains (losses) on investment securities available-for-sale, net of tax	(13,462)	3,733	(14,203)	4,791
Adjustment for gains on sale of investment securities, net of tax	(77)	90	(297)	90
Defined benefit pension plans:				
Amortization of net gains included in net periodic pension income, net of tax	(263)	(252)	(786)	(756)
Total other comprehensive income (loss)	(13,802)	3,571	(15,286)	4,125
Total comprehensive income (loss)	$ (6,740)	$ 9,703	$ 4,845	$ 21,741

See accompanying notes to the consolidated financial statements *(unaudited)*.

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

	Three Months Ended September 30, 2026 and 2025					
(In thousands, except per share data)	**Common Stock**	**Surplus**	**Retained Earnings**	**Accumulated Other Comprehensive Income (Loss)**	**Treasury Stock**	**Total Stockholders' Equity**
Balance, June 30, 2026	$ 7,555	$ 76,691	$ 118,034	$ (5,097)	$ (14,389)	$ 182,794
Net income	—	—	7,062	—	—	7,062
Other comprehensive loss	—	—	—	(13,802)	—	(13,802)
Share-based compensation expense	—	174	—	—	—	174
Cash dividends declared, common stock ($0.21 per share)	—	—	(1,536)	—	—	(1,536)
Stock issued in connection with acquisition	413	15,935	—	—	—	16,348
Balance, September 30, 2026	$ 7,968	$ 92,800	$ 123,560	$ (18,899)	$ (14,389)	$ 191,040
Balance, June 30, 2025	$ 7,555	$ 76,812	$ 98,309	$ (11,889)	$ (13,964)	$ 156,823
Net income	—	—	6,132	—	—	6,132
Other comprehensive income	—	—	—	3,571	—	3,571
Share-based compensation expense	—	104	—	—	—	104
Purchase of treasury stock	—	—	—	—	(308)	(308)
Cash dividends declared, common stock ($0.19 per share)	—	—	(1,384)	—	—	(1,384)
Balance, September 30, 2025	$ 7,555	$ 76,916	$ 103,057	$ (8,318)	$ (14,272)	$ 164,938

	Nine Months Ended September 30, 2026 and 2025					
(In thousands, except per share data)	**Common Stock**	**Surplus**	**Retained Earnings**	**Accumulated Other Comprehensive Income (Loss)**	**Treasury Stock**	**Total Stockholders' Equity**
Balance, December 31, 2025	$ 7,555	$ 76,828	$ 107,863	$ (3,613)	$ (14,404)	$ 174,229
Net income	—	—	20,131	—	—	20,131
Other comprehensive loss	—	—	—	(15,286)	—	(15,286)
Share-based compensation expense	—	448	—	—	—	448
Purchase of treasury stock	—	—	—	—	(396)	(396)
Restricted share unit vesting and taxes paid related to net share settlement	—	(411)	—	—	411	—
Cash dividends declared, common stock ($0.63 per share)	—	—	(4,434)	—	—	(4,434)
Stock issued in connection with acquisition	413	15,935	—	—	—	16,348
Balance, September 30, 2026	$ 7,968	$ 92,800	$ 123,560	$ (18,899)	$ (14,389)	$ 191,040
Balance, December 31, 2024	$ 7,555	$ 76,857	$ 89,542	$ (12,443)	$ (11,964)	$ 149,547
Net income	—	—	17,616	—	—	17,616
Other comprehensive income	—	—	—	4,125	—	4,125
Share-based compensation expense	—	281	—	—	—	281
Purchase of treasury stock	—	—	—	—	(2,530)	(2,530)
Restricted share unit vesting and taxes paid related to net share settlement	—	(222)	—	—	222	—
Cash dividends declared, common stock ($0.55 per share)	—	—	(4,101)	—	—	(4,101)
Balance, September 30, 2025	$ 7,555	$ 76,916	$ 103,057	$ (8,318)	$ (14,272)	$ 164,938

See accompanying notes to the consolidated financial statements *(unaudited)*.

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

(In thousands)	Nine Months Ended September 30, 2026	2025
Cash flows from operating activities:		
Net income	$ 20,131	$ 17,616
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for (release of) credit losses on loans and unfunded commitments	611	(16)
Depreciation expense	1,911	1,681
Net amortization of investment securities, premiums, and discounts	92	301
Provision for valuation allowance for premises and equipment held for sale	548	—
Investment securities gains, net	(383)	(102)
Gain on sales and dispositions of premises and equipment	(1,393)	(61)
Gain on sales and dispositions of other real estate	(405)	(28)
Provision for valuation allowance for other real estate owned	—	184
Share-based compensation expense	448	281
Increase in cash surrender value - life insurance	(939)	(1,146)
Increase in accrued interest receivable and other assets	(9,781)	(6,556)
Decrease in operating lease liabilities	(387)	(242)
Increase in accrued interest payable and other liabilities	6,100	1,299
Origination of mortgage loans held for sale	(20,809)	(6,223)
Proceeds from the sale of mortgage loans held for sale	20,793	5,111
Gain on sale of mortgage loans, net	(207)	(320)
Net cash provided by operating activities	16,330	11,779
Cash flows from investing activities:		
Purchase of certificates of deposit in other banks	(1,000)	—
Proceeds from maturities of certificates of deposit in other banks	1,000	—
Net (increase) decrease in loans	88,236	(47,916)
Purchase of available-for-sale debt securities	(45,309)	(18,777)
Proceeds from maturities, calls, and paydowns of available-for-sale debt securities	18,263	26,715
Purchases of FHLB stock	(76,572)	(48,830)
Proceeds from sales of FHLB stock	78,798	44,655
Purchases of premises and equipment	(2,835)	(1,946)
Proceeds from sales of premises and equipment	1,921	61
Proceeds from sales of other real estate and repossessed assets	1,012	1,418
Net cash paid from acquisition	(10,296)	—
Net cash provided by (used in) investing activities	53,218	(44,620)
Cash flows from financing activities:		
Net increase (decrease) in demand deposits	(7,852)	39,415
Net decrease in interest bearing transaction accounts	(76,738)	(58,280)
Net increase (decrease) in time deposits	(3,901)	11,600
Repayment of FHLB advances and other borrowings	(1,767,782)	(35,014)
Proceeds from FHLB advances and other borrowings	1,719,057	575
Net increase in short term FHLB borrowings	—	130,000
Decrease in finance lease liabilities	(113)	—
Proceeds from financing obligation	1,908	—
Repayment of financing obligation	(3)	—
Purchase of treasury stock	(396)	(2,530)
Cash dividends paid - common stock	(4,280)	(4,044)
Net cash provided by (used in) financing activities	(140,100)	81,722
Net (decrease) increase in cash and cash equivalents	(70,552)	48,881
Cash and cash equivalents, beginning of period	104,312	50,994
Cash and cash equivalents, end of period	$ 33,760	$ 99,875

See accompanying notes to the consolidated financial statements *(unaudited)*.

HAWTHORN BANCSHARES, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows *(unaudited) continued*

(In thousands)	Nine Months Ended September 30, 2026	2025
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	$ 21,609	$ 24,152
Income taxes	19	1,518
Non-cash investing and financing activities:		
Other real estate and repossessed assets acquired in settlement of loans	$ 2,709	$ —
Loans held for investment originated through other real estate and repossessed assets sold	2,099	—
Loans held for investment originated through premises and equipment sold	1,875	—
Right of use assets obtained in exchange for new operating lease liabilities	1,122	1,351
Dividends declared not paid - common stock	1,536	1,385
Acquisitions		
Fair value of common stock issued	16,348	—
Cash consideration	16,989	—
Fair value of assets acquired	386,530	—
Fair value of liabilities assumed	353,193	—

See accompanying notes to the consolidated financial statements *(unaudited)*.

(1) Summary of Significant Accounting Policies

Hawthorn Bancshares, Inc. (the "Company") through its subsidiary, Hawthorn Bank (the "Bank"), provides a broad range of banking and financial services to individual and corporate customers located in central, southern, northwest Missouri, and also the Kansas City metropolitan area, including one branch in Kansas. The Company is subject to competition from other financial and nonfinancial institutions that provide financial products and services. 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 unaudited consolidated financial statements of the Company have been prepared in conformity with United States ("U.S.") generally accepted accounting principles ("U.S. GAAP") for interim financial information and with the instructions to Form 10-Q, and Rule 10-01 of Regulation S-X. Accordingly, the unaudited consolidated financial statements do not include all of the information and disclosures required by U.S. GAAP for complete financial statements and should be read in conjunction with the consolidated financial statements and related notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2025. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included.

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.

Recent Developments

One Big Beautiful Bill Act*.* On July 4, 2025, the One Big Beautiful Bill Act (the "OBBBA"), which includes a broad range of tax reform provisions, was signed into law in the United States. 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, depositary shares, warrants, purchase contracts, purchase units, subscription rights and units in one or multiple offerings while the shelf registration statement is effective.

Failed Sale-Leaseback/Financing Obligation. In March 2026, the Company transferred legal title to certain real estate and entered into a related lease and development arrangement with the buyer. The transaction did not qualify as a sale under Accounting Standards Codification ("ASC") Topic 842 because control did not transfer under ASC Topic 606 due to continuing involvement, including contractual provisions that affect the transfer of control. Accordingly, the Company continues to recognize the real estate within premises and equipment and recorded the $1.9 million of proceeds received as a financing obligation. The financing obligation is subsequently accounted for under the effective interest method and periodic payments are allocated between interest expense and reduction of the financing obligation. Proceeds received are presented as financing cash inflows and principal repayments as financing cash outflows in the statement of cash flows.

Acquisition. On September 3, 2026, the Company completed its acquisition of FSC Bancshares, Inc. and its wholly owned subsidiary, Farmers State Bank (collectively, "FSC"), whereby FSC Bancshares, Inc. was merged with and into the Company and Farmers State Bank was merged with and into the Bank. Pursuant to the merger agreement executed on April 29, 2026, the Company paid $17.0 million of cash consideration and issued 413,042 shares of the Company's common stock. The Company and the Bank assumed all of the assets and liabilities of the FSC entities with which they

merged by operation of law. The acquisition added nine full-service branch locations located in northern Missouri. Refer to Note 17, “Acquisition”, for further details regarding this transaction.

Goodwill and other intangible assets, net. Goodwill is established and recorded if the consideration given during an acquisition transaction exceeds the fair value of the net assets received. Goodwill has an indefinite life and is not amortized.

Intangible assets that have finite useful lives, such as core deposit intangibles and servicing assets, are amortized over their estimated useful lives. The Company’s core deposit intangible assets represent acquired customer relationships arising from whole bank and branch acquisitions. Core deposit intangibles are initially measured at fair value and then amortized over their estimated useful life using an accelerated approach. The useful lives of the core deposits are estimated to be ten years.

Goodwill and core deposit intangibles are evaluated annually for potential impairment or when events or circumstances indicate that it will be more likely than not that the fair value of the reporting unit is less than its carrying amount.

Recent Accounting Pronouncements

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*. 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 the ASU on the Company’s consolidated financial statements and disclosures

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.

During 2026, the Company acquired $306.0 million of purchased seasoned loans in connection with the FSC acquisition. At the acquisition date, the Company recognized a $3.5 million allowance for credit losses on those loans and added the allowance to their purchase price in determining the initial amortized cost basis. The initial allowance did not result in credit loss expense at the acquisition date.

(2) Loans and Allowance for Credit Losses

Loans

Major classifications within the Company's loans held for investment portfolio at September 30, 2026 and December 31, 2025 were as follows:

(dollars in thousands)	**September 30, 2026**	**December 31, 2025**
Commercial, financial, and agricultural	$ 205,274	$ 227,584
Real estate construction − residential	63,703	39,609
Real estate construction − commercial	104,871	83,846
Real estate mortgage − residential	535,934	369,636
Real estate mortgage − commercial	761,832	755,892
Installment and other consumer	18,520	10,225
Total loans held for investment	$ 1,690,134	$ 1,486,792
Net deferred origination fees included in loans held for investment	$ (965)	$ (1,250)
Net purchase accounting discounts included in loans held for investment	$ (17,141)	$ (86)

The Bank grants real estate, commercial, installment, and other consumer loans to customers located in central, southern, and northwest Missouri, and also the Kansas City metropolitan area, including one branch in Kansas. As such, the Bank is susceptible to changes in the economic environment in these communities. The Bank does not have a concentration of credit in any one geographic sector. Accrued interest on loans totaled $7.5 million and $6.8 million at September 30, 2026 and December 31, 2025, respectively, and is included in accrued interest receivable and other assets 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 September 30, 2026, loans of $662.7 million were pledged to the Federal Home Loan Bank ("FHLB") as collateral for borrowings and letters of credit.

The Company has acquired loans through an acquisition, some of which have experienced more than insignificant credit deterioration since origination. The Company considers all acquired non-accrual loans to be PCD loans. An ACL is determined using the same methodology as other loans held for investment. The ACL determined on a collective basis is allocated to individual loans. The sum of a loan's fair value and ACL becomes the initial amortized cost basis. The difference between the initial amortized cost basis and the par value of the loan is a noncredit discount or premium, which is amortized into interest income over the life of the loan. Subsequent changes to the ACL are recorded through provision for credit losses.

Allowance for Credit Losses

The allowance for credit losses 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.

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 $1.7 million and $1.0 million at September 30, 2026 and December 31, 2025, respectively.

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 tables illustrate the changes in the allowance for credit losses on loans by portfolio segment:

	Three Months Ended September 30, 2026							
(dollars in thousands)	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
Allowance for Credit Losses on Loans								
Balance at beginning of period	$ 3,628	$ 1,041	$ 2,221	$ 4,557	$ 9,028	$ 93	$ 162	$ 20,730
PSL allowance for credit loss at acquisition	144	299	298	1,630	979	102	—	3,452
PCD allowance for credit loss at acquisition	4	—	—	23	1	—	—	28
Charge-offs	(52)	—	—	(76)	(3)	(67)	—	(198)
Recoveries	72	—	27	5	—	27	—	131
Provision for (release of) credit losses	333	430	459	36	(724)	34	(268)	300
Balance at end of period	$ 4,129	$ 1,770	$ 3,005	$ 6,175	$ 9,281	$ 189	$ (106)	$ 24,443

	Nine Months Ended September 30, 2026							
(dollars in thousands)	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
Allowance for Credit Losses on Loans								
Balance at beginning of period	$ 3,655	$ 975	$ 1,719	$ 4,823	$ 9,839	$ 100	$ —	$ 21,111
PSL allowance for credit loss at acquisition	144	299	298	1,630	979	102	—	3,452
PCD allowance for credit loss at acquisition	4	—	—	23	1	—	—	28
Charge-offs	(246)	—	—	(76)	(28)	(183)	—	(533)
Recoveries	123	—	49	15	1	82	—	270
Provision for (release of) credit losses	449	496	939	(240)	(1,511)	88	(106)	115
Balance at end of period	$ 4,129	$ 1,770	$ 3,005	$ 6,175	$ 9,281	$ 189	$ (106)	$ 24,443

	Three Months Ended September 30, 2025							
(dollars in thousands)	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
Allowance for Credit Losses on Loans								
Balance at beginning of period	$ 2,144	$ 328	$ 1,484	$ 4,917	$ 12,392	$ 112	$ 193	$ 21,570
Charge-offs	(5)	—	—	(1)	(4)	(104)	—	(114)
Recoveries	30	—	—	14	—	29	—	73
Provision for (release of) credit losses	252	93	18	186	(261)	51	36	375
Balance at end of period	$ 2,421	$ 421	$ 1,502	$ 5,116	$ 12,127	$ 88	$ 229	$ 21,904

	Nine Months Ended September 30, 2025							
(dollars in thousands)	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
Allowance for Credit Losses on Loans								
Balance at beginning of period	$ 1,560	$ 578	$ 2,221	$ 5,310	$ 12,305	$ 138	$ (68)	$ 22,044
Charge-offs	(39)	—	—	(15)	(40)	(303)	—	(397)
Recoveries	132	—	—	33	58	100	—	323
Provision for (release of) credit losses	768	(157)	(719)	(212)	(196)	153	297	(66)
Balance at end of period	$ 2,421	$ 421	$ 1,502	$ 5,116	$ 12,127	$ 88	$ 229	$ 21,904

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 current 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.

There have been no significant changes to the types of collateral securing the Company's collateral-dependent loans since December 31, 2025.

The amortized cost of collateral-dependent loans by class as of September 30, 2026 and December 31, 2025 was as follows:

	Collateral Type		
(dollars in thousands)	**Real Estate**	**Other**	**Allowance Allocated**
September 30, 2026			
Commercial, financial, and agricultural	$ —	$ 3,566	$ 1,186
Real estate mortgage − residential	1,834	—	69
Real estate mortgage − commercial	1,291	—	237
Total	$ 3,125	$ 3,566	$ 1,492
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

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 the borrower's 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.

The following table presents the recorded investment by risk categories at September 30, 2026:

	Term Loans Amortized Cost Basis by Origination Year and Risk Grades								
(dollars in thousands)	**2026**	**2025**	**2024**	**2023**	**2022**	**Prior**	**Revolving Loans Amortized Cost Basis**	**Revolving Loans Converted to Term Loans Amortized Cost Basis**	**Total**
Commercial, Financial, & Agricultural									
Pass	$ 20,135	$ 35,663	$ 10,121	$ 5,415	$ 12,819	$ 32,737	$ 78,189	$ 151	$ 195,230
Watch	—	365	136	47	7	173	830	—	1,558
Special Mention	—	—	—	—	—	223	—	—	223
Substandard	—	492	712	2,802	2,590	531	1,098	—	8,225
Doubtful	—	—	23	15	—	—	—	—	38
Total	$ 20,135	$ 36,520	$ 10,992	$ 8,279	$ 15,416	$ 33,664	$ 80,117	$ 151	$ 205,274
Gross YTD charge-offs	$ 8	$ 171	$ 8	$ 3	$ —	$ 30	$ 26	$ —	$ 246
Real Estate Construction - Residential									
Pass	$ 20,777	$ 27,757	$ 1,597	$ 4,808	$ —	$ —	$ 176	$ —	$ 55,115
Watch	8,500	—	—	88	—	—	—	—	8,588
Total	$ 29,277	$ 27,757	$ 1,597	$ 4,896	$ —	$ —	$ 176	$ —	$ 63,703
Gross YTD charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Real Estate Construction - Commercial									
Pass	$ 17,277	$ 23,701	$ 29,504	$ 2,439	$ 3,727	$ 3,853	$ 24,256	$ —	$ 104,757
Watch	58	—	27	—	—	—	—	—	85
Substandard	—	29	—	—	—	—	—	—	29
Total	$ 17,335	$ 23,730	$ 29,531	$ 2,439	$ 3,727	$ 3,853	$ 24,256	$ —	$ 104,871
Gross YTD charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Real Estate Mortgage - Residential									
Pass	$ 75,773	$ 72,218	$ 25,677	$ 47,920	$ 112,759	$ 135,750	$ 56,444	$ 1,592	$ 528,133
Watch	273	832	166	—	348	2,366	48	—	4,033
Substandard	—	853	—	468	1,207	952	213	70	3,763
Doubtful	—	—	—	—	—	5	—	—	5
Total	$ 76,046	$ 73,903	$ 25,843	$ 48,388	$ 114,314	$ 139,073	$ 56,705	$ 1,662	$ 535,934
Gross YTD charge-offs	$ —	$ —	$ —	$ —	$ 51	$ 25	$ —	$ —	$ 76
Real Estate Mortgage - Commercial									
Pass	$ 170,685	$ 121,921	$ 39,322	$ 65,259	$ 144,048	$ 162,522	$ 22,534	$ 1,624	$ 727,915
Watch	2,537	2,193	119	188	14,376	1,337	930	—	21,680
Special Mention	—	—	—	—	4,732	—	—	—	4,732
Substandard	4,708	1,270	681	381	171	294	—	—	7,505
Total	$ 177,930	$ 125,384	$ 40,122	$ 65,828	$ 163,327	$ 164,153	$ 23,464	$ 1,624	$ 761,832
Gross YTD charge-offs	$ —	$ —	$ —	$ —	$ —	$ 28	$ —	$ —	$ 28
Installment and other Consumer									
Pass	$ 5,555	$ 5,119	$ 1,955	$ 1,671	$ 961	$ 2,541	$ 330	$ —	$ 18,132
Watch	6	179	67	51	15	6	—	—	324
Substandard	3	5	11	39	5	1	—	—	64
Total	$ 5,564	$ 5,303	$ 2,033	$ 1,761	$ 981	$ 2,548	$ 330	$ —	$ 18,520
Gross YTD charge-offs	$ —	$ 2	$ —	$ 8	$ —	$ 173	$ —	$ —	$ 183
Total Portfolio									
Pass	$ 310,202	$ 286,379	$ 108,176	$ 127,512	$ 274,314	$ 337,403	$ 181,929	$ 3,367	$ 1,629,282
Watch	11,374	3,569	515	374	14,746	3,882	1,808	—	36,268
Special Mention	—	—	—	—	4,732	223	—	—	4,955
Substandard	4,711	2,649	1,404	3,690	3,973	1,778	1,311	70	19,586
Doubtful	—	—	23	15	—	5	—	—	43
Total	$ 326,287	$ 292,597	$ 110,118	$ 131,591	$ 297,765	$ 343,291	$ 185,048	$ 3,437	$ 1,690,134
Total Gross YTD charge-offs	$ 8	$ 173	$ 8	$ 11	$ 51	$ 256	$ 26	$ —	$ 533

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

(dollars in thousands)	Term Loans Amortized Cost Basis by Origination Year and Risk Grades						Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term Loans Amortized Cost Basis	Total
	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
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

Delinquent and Non-Accrual Loans

The delinquency status of loans is determined based on the contractual terms of the loans. 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 loan through a sustained period of repayment performance, which is generally six months.

The following table presents the recorded investment in non-accrual loans and loans past due over 90 days still on accrual by class of loans as of September 30, 2026 and December 31, 2025:

(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
September 30, 2026					
Commercial, Financial, and Agricultural	$ 1,538	$ 3,050	$ 4,588	$ —	$ 4,588
Real estate mortgage − residential	854	2,825	3,679	59	3,738
Real estate mortgage − commercial	—	1,481	1,481	—	1,481
Installment and Other Consumer	—	16	16	5	21
Total	$ 2,392	$ 7,372	$ 9,764	$ 64	$ 9,828
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

No material amount of interest income was recognized on non-accrual loans during the three and nine months ended September 30, 2026.

The following table provides aging information for the Company's past due and non-accrual loans at September 30, 2026 and December 31, 2025:

(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
September 30, 2026					
Commercial, Financial, and Agricultural	$ 200,446	$ 240	$ —	$ 4,588	$ 205,274
Real estate construction − residential	63,073	630	—	—	63,703
Real estate construction − commercial	104,871	—	—	—	104,871
Real estate mortgage − residential	530,720	1,476	59	3,679	535,934
Real estate mortgage − commercial	760,046	305	—	1,481	761,832
Installment and Other Consumer	18,325	174	5	16	18,520
Total	$ 1,677,481	$ 2,825	$ 64	$ 9,764	$ 1,690,134
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

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 each of the three and nine months ended September 30, 2026 and 2025, 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.

Loans Held for Sale

The Company designates certain long-term fixed rate personal real estate loans as held for sale. Loans held for sale are being 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. Loans held for sale totaled $0.2 million at September 30, 2026 and $0.6 million at December 31, 2025.

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

The following table provides details of the Company's other real estate and other assets acquired in the settlement of loans as of September 30, 2026 and December 31, 2025:

(dollars in thousands)	**September 30, 2026**	**December 31, 2025**
Real estate mortgage - residential	$ 101	$ —
Real estate mortgage - commercial	—	98
Total	$ 101	$ 98
Less valuation allowance for other real estate owned	—	—
Total other real estate owned and repossessed assets	$ 101	$ 98

At September 30, 2026, there were $0.2 million of consumer mortgage loans secured by residential real estate properties in the process of foreclosure. There were no such loans outstanding at December 31, 2025.

Activity in the valuation allowance for other real estate owned was as follows for the periods indicated:

	Three Months Ended September 30,		**Nine Months Ended September 30,**	
(dollars in thousands)	**2026**	**2025**	**2026**	**2025**
Balance at beginning of period	$ —	$ 225	$ —	$ 2,003
Provision for (release of) valuation allowance for other real estate owned	—	—	—	184
Charge-offs	—	—	—	(1,962)
Balance at end of period	$ —	$ 225	$ —	$ 225

(4) Investment Securities

The amortized cost and fair value of debt securities classified as available-for-sale at September 30, 2026 and December 31, 2025 were as follows:

(dollars in thousands)	Total Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
September 30, 2026				
U.S. Treasury	$ 6,917	$ —	$ (161)	$ 6,756
U.S. government-sponsored enterprises	4,001	—	(194)	3,807
Obligations of states and political subdivisions	126,851	—	(28,808)	98,043
Mortgage-backed securities				
Residential	111,817	41	(6,519)	105,339
Commercial	14,070	—	(2,397)	11,673
Other debt securities [1]	45,150	178	(1,317)	44,011
Bank issued trust preferred securities [1]	1,642	—	(178)	1,464
Total available-for-sale securities	$ 310,448	$ 219	$ (39,574)	$ 271,093
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				
Residential	59,865	750	(2,232)	58,383
Commercial	15,090	19	(1,995)	13,114
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

(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, loan certificates guaranteed by the Small Business Administration, 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, and 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 $108.3 million and $101.5 million at September 30, 2026 and December 31, 2025, respectively, were pledged to secure public funds, securities sold under agreements to repurchase, and for other purposes as required or permitted by law.

There were no proceeds from sales of available-for-sale securities for each of the three and nine months ended September 30, 2026 and 2025. All gains and losses recognized on equity securities during each of the three and nine months ended September 30, 2026 and 2025 were unrealized. The Company recorded net investment securities gains from called securities of approximately $0.1 million and $0.4 million for the three and nine months ended September 30, 2026, respectively, compared to $0.1 million for both the three and nine months ended September 30, 2025.

The amortized cost and fair value of debt securities classified as available-for-sale at September 30, 2026, by contractual maturity are shown below. Accrued interest on investments totaled $1.8 million and $1.5 million at September 30, 2026 and December 31, 2025, respectively, and is included in accrued interest receivable and other assets 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. Expected maturities may differ from contractual maturities because borrowers have the right to call or prepay obligations with or without prepayment penalties.

	September 30, 2026	
(dollars in thousands)	**Amortized Cost**	**Fair Value**
Due in one year or less	$ 2,518	$ 2,504
Due after one year through five years	21,677	20,805
Due after five years through ten years	63,842	57,366
Due after ten years	96,524	73,406
Total	184,561	154,081
Mortgage-backed securities	125,887	117,012
Total available-for-sale securities	$ 310,448	$ 271,093

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 and are shown in the table below. Investments in FHLB stock, Midwest Independent BankersBank ("MIB") stock, and The Independent BankersBank ("TIB") stock that do not have readily determinable fair values are required for membership in those organizations.

(dollars in thousands)	**September 30, 2026**	**December 31, 2025**
FHLB stock	$ 6,306	$ 5,759
MIB stock	151	151
TIB stock	281	—
Equity securities with readily determinable fair values	73	66
Total other investment securities	$ 6,811	$ 5,976

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 September 30, 2026 and December 31, 2025 were as follows:

	Less than 12 months		12 months or more			
(dollars in thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Total Fair Value	Total Unrealized Losses
September 30, 2026						
U.S. Treasury	$ 6,756	$ (161)	$ —	$ —	$ 6,756	$ (161)
U.S. government-sponsored enterprises	983	(17)	1,823	(177)	2,806	(194)
Obligations of states and political subdivisions	10,389	(625)	86,904	(28,183)	97,293	(28,808)
Mortgage-backed securities						
Residential	86,824	(3,694)	17,154	(2,825)	103,978	(6,519)
Commercial	3,486	(237)	8,188	(2,160)	11,674	(2,397)
Other debt securities	28,060	(1,195)	2,703	(122)	30,763	(1,317)
Bank issued trust preferred securities	155	(1)	1,309	(177)	1,464	(178)
Total	$ 136,653	$ (5,930)	$ 118,081	$ (33,644)	$ 254,734	$ (39,574)
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						
Residential	—	—	20,533	(2,232)	20,533	(2,232)
Commercial	848	(7)	9,639	(1,988)	10,487	(1,995)
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)

The total available-for-sale portfolio consisted of approximately 471 securities at September 30, 2026. The portfolio included 450 securities having an aggregate fair value of $254.7 million that were in a loss position at September 30, 2026. The $39.6 million aggregate unrealized loss included in accumulated other comprehensive loss at September 30, 2026 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. In addition, 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.

(5) 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, 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 enters 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 not designated as hedging 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 September 30, 2026			As of December 31, 2025		
		Fair Value			Fair Value	
(dollars in thousands)	Notional Amount	Derivative Assets	Derivative Liabilities	Notional Amount	Derivative Assets	Derivative Liabilities
Interest Rate Products	$ 16,542	$ 1,044	$ 1,007	$ 16,542	$ 180	$ 191
Total derivatives not designated as hedging instruments		$ 1,044	$ 1,007		$ 180	$ 191

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 for each of the three and nine months ended September 30, 2026 and 2025. The Company did not recognize other income related to client swaps in any of the three or nine months ended September 30, 2026 and 2025.

		Gain or (Loss) Recognized in Income on Derivative			
		Three Months Ended September 30,		Nine Months Ended September 30,	
(dollars in thousands)	Location of Gain or (Loss) Recognized in Income on Derivative	2026	2025	2026	2025
Interest Rate Products [(1)]	Other non-interest income	$ (62)	$ 6	$ (49)	$ (13)
Total		$ (62)	$ 6	$ (49)	$ (13)

(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-capitalized or adequately-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 September 30, 2026, the Company had no obligation to return cash collateral.

As of September 30, 2026, the fair value of derivatives in a net asset position, which includes accrued interest but excludes any adjustment for nonperformance risk, related to these agreements was $0.04 million. As of September 30, 2026, the Company has not posted any collateral related to these agreements. If the Company had breached any of these agreements at September 30, 2026, it could have been required to settle its obligations under the agreements at their termination value of $0.

(6) Deposits

The table below presents the aggregate amount of time deposits with balances that met or exceeded the Federal Deposit Insurance Corporation ("FDIC") insurance limit of $250,000 and brokered deposits for the periods indicated.

(dollars in thousands)	September 30, 2026	December 31, 2025
Time deposits with balances ≥ $250,000	$ 112,355	$ 90,504
Brokered deposits	5,014	502
Total	$ 117,369	$ 91,006

(7) 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 one 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 three and nine months ended September 30, 2026, and 2025 are shown in the table below.

	Three Months Ended September 30,		Nine Months Ended September 30,	
(dollars in thousands)	**2026**	**2025**	**2026**	**2025**
Operating lease expense	$ 228	$ 162	$ 683	$ 464
Finance lease expense	13	—	39	—

ROU assets and lease liabilities by lease type, and the associated balance sheet classifications are shown in table below as of September 30, 2026 and December 31, 2025.

(dollars in thousands)	**Balance Sheet Classification**	**September 30, 2026**	**December 31, 2025**
ROU assets			
ROU assets-operating leases	Premises and equipment, net	$ 3,146	$ 2,476
ROU assets-finance leases	Premises and equipment, net	1,092	1,205
Total ROU assets		$ 4,238	$ 3,681
Lease liabilities			
Operating lease liabilities	Operating lease liabilities	$ 3,417	$ 2,682
Finance lease liabilities	Finance lease liabilities	1,092	1,205
Total lease liabilities		$ 4,509	$ 3,887

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:

Lease payments due in:	**Operating Lease**	**Finance Leases**	**Total**
(dollars in thousands)			
2026 remaining	$ 194	$ 50	$ 244
2027	789	201	990
2028	789	201	990
2029	596	201	797
2030	567	200	767
Thereafter	909	400	1,309
Total lease payments	3,844	1,253	5,097
Less imputed interest	(427)	(161)	(588)
Total lease liabilities, as reported	$ 3,417	$ 1,092	$ 4,509

The following table presents the weighted average remaining lease term, in years, and the weighted average discount rate by lease type as of September 30, 2026 and December 31, 2025.

	September 30, 2026	December 31, 2025
Operating lease weighted average remaining lease term (in years)	5.3	5.4
Operating lease weighted average discount rate	4.41 %	4.38 %
Finance lease weighted average remaining lease term (in years)	6.3	7.0
Finance lease weighted average discount rate	4.55 %	4.55 %

(8) 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 nine months ended September 30, 2026 and 2025:

	Nine Months Ended September 30, 2026		
(dollars in thousands)	Unrealized Gains (Losses) on Securities [1]	Unrecognized Net Pension and Postretirement (Income) Costs [2]	Accumulated Other Comprehensive Income (Loss)
Balance at beginning of period	$ (16,590)	$ 12,977	$ (3,613)
Other comprehensive loss, before reclassifications	(17,972)	(995)	(18,967)
Amounts reclassified from accumulated other comprehensive loss	(383)	—	(383)
Current period other comprehensive loss, before tax	(18,355)	(995)	(19,350)
Income tax benefit	3,855	209	4,064
Current period other comprehensive loss, net of tax	(14,500)	(786)	(15,286)
Balance at end of period	$ (31,090)	$ 12,191	$ (18,899)

	Nine Months Ended September 30, 2025		
(dollars in thousands)	Unrealized Gains (Losses) on Securities [1]	Unrecognized Net Pension and Postretirement (Income) Costs [2]	Accumulated Other Comprehensive Income (Loss)
Balance at beginning of period	$ (24,416)	$ 11,973	$ (12,443)
Other comprehensive income (loss), before reclassifications	6,179	(957)	5,222
Current period other comprehensive income (loss), before tax	6,179	(957)	5,222
Income tax (benefit) expense	(1,298)	201	(1,097)
Current period other comprehensive income (loss), net of tax	4,881	(756)	4,125
Balance at end of period	$ (19,535)	$ 11,217	$ (8,318)

(1) The pre-tax amounts reclassified from accumulated other comprehensive income (loss) are included in investment securities gains (losses), net, 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.

Repurchase Program

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. The Company

repurchased 12,000 common shares under its repurchase program during the first nine months of 2026 at an average cost of $32.68 per share totaling $0.4 million. On July 29, 2026, the Company's Board of Directors amended the repurchase program to increase the authorized repurchase limit back to $10.0 million. As of September 30, 2026, $10.0 million remained available for share repurchases pursuant to the Company's current repurchase program.

(9) Share-Based Compensation

Equity-Based Compensation Plan

At the 2023 Annual Meeting of Shareholders, 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 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 designed to assist the Company with 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. Eligible participants under the Equity Plan include all employees, non-employee directors and consultants of the Company or its subsidiaries. The Equity Plan is currently administered by the Compensation Committee of the Board of Directors.

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 nine months ended September 30, 2026 and 2025:

	Nine Months Ended September 30,			
	2026		2025	
	Quantity	Weighted-Average Grant Date Fair Value Per share	Quantity	Weighted-Average Grant Date Fair Value Per share
Non-vested at beginning of period	39,037	$ 26.64	35,336	$ 22.84
Granted	14,849	34.99	11,174	29.18
Vested	11,534	22.43	7,809	19.21
Forfeited	667	32.01	—	—
Non-vested at end of period	41,685	$ 30.69	38,701	$ 25.40

The fair value of the RSUs is determined using the Company's stock price on the date of grant. Total share-based compensation expense recognized for these RSUs was $0.2 million and $0.4 million for the three and nine months ended September 30, 2026, respectively, compared to $0.1 million and $0.3 million for the three and nine months ended September 30, 2025, respectively. Forfeitures will be recognized as they occur.

At September 30, 2026, there was $0.9 million of total unrecognized compensation expense related to RSUs that is expected to be recognized over a weighted-average period of 1.8 years.

(10) 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 periods shown. In addition, employees were able to make additional tax-deferred contributions. Total expense recorded for the Company match was $0.1 million and $0.4 million for the three and nine months ended September 30, 2026, respectively, compared to $0.1 million and $0.4 million for the three and nine months ended September 30, 2025, respectively. The employer discretionary profit-sharing expense for the 401(k) plan was $0.3 million and $0.8 million for the three and nine months ended September 30, 2026, respectively, compared to $0.4 million and $0.9 million for the three and nine months ended September 30, 2025, respectively.

Other Plans

On November 7, 2018, the Board of Directors of the Company adopted a supplemental executive retirement plan (“SERP”), effective as of January 1, 2018. The SERP provides select employees who satisfy certain eligibility requirements with certain benefits upon retirement, termination of employment or death.

The accrued liability relating to the SERP was $1.6 million as of September 30, 2026, and the expense for the three and nine months ended September 30, 2026 was $0.02 million and $0.06 million, respectively, compared to $0.02 million and $0.06 million for the three and nine months ended September 30, 2025, respectively, and is recognized over the required service period.

Pension

The Company maintains a noncontributory defined benefit pension plan for all full-time and eligible employees hired before September 30, 2017. Beginning January 1, 2018, and for all retrospective periods presented, the Company adopted the guidance under ASU 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. Under the 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 income. 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.

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.

Components of Net Pension Cost (Income) and Other Amounts Recognized in Accumulated Other Comprehensive Income (Loss)

The following items are components of net pension income for the periods indicated:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(dollars in thousands)	**2026**	**2025**	**2026**	**2025**
Service cost - benefits earned during the year	$ 124	$ 174	$ 371	$ 521
Interest costs on projected benefit obligations [(1)]	387	388	1,161	1,164
Expected return on plan assets [(1)]	(616)	(585)	(1,848)	(1,755)
Expected administrative expenses	37	36	112	109
Amortization of unrecognized net gain [(1)]	(332)	(319)	(995)	(958)
Net periodic pension income	$ (400)	$ (306)	$ (1,199)	$ (919)

(1) The components of net periodic pension (income) other than the service cost and expected administrative expenses are included in other non-interest income.

Net periodic pension cost (income) includes 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 (gains) 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 (loss) 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 pension plan. The prior service credit is amortized over the average remaining service period to full eligibility for participating employees expected to receive benefits. Currently, there is no prior service cost or net transition (asset)/obligation to be amortized.

(11) Earnings per Share

Basic earnings per share is computed by dividing net income available to shareholders by the weighted average number of shares outstanding during the period. Diluted earnings per share gives effect to all dilutive potential shares that were outstanding during the period.

Presented below is a summary of the components used to calculate basic and diluted earnings per common share:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(dollar amounts in thousands, except per share data)	**2026**	**2025**	**2026**	**2025**
Net income available to shareholders	$ 7,062	$ 6,132	$ 20,131	$ 17,616
Basic weighted-average shares outstanding	6,999,449	6,908,248	6,931,289	6,942,043
Effect of dilutive equity-based awards	17,897	13,772	15,532	13,066
Diluted weighted-average shares outstanding	7,017,346	6,922,020	6,946,821	6,955,109
Basic earnings per share	$ 1.01	$ 0.89	$ 2.90	$ 2.54
Diluted earnings per share	$ 1.01	$ 0.88	$ 2.90	$ 2.53

The dilutive effect of RSUs is reflected in diluted earnings per share unless the impact is anti-dilutive, by application of the treasury stock method. No RSUs were determined to be anti-dilutive during the three and nine months ended September 30, 2026 and September 30, 2025.

(12) 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 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 non-recurring 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 that 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 management's independent verification to another pricing source for reasonableness each quarter. 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, MIB stock, and TIB 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.

The following table presents assets and liabilities that are measured at fair value on a recurring basis as of September 30, 2026 and December 31, 2025 aggregated by the level in the fair value hierarchy within which those measurements fall:

		Fair Value Measurements		
(dollars in thousands)	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
September 30, 2026				
Assets:				
U.S. Treasury	$ 6,756	$ 6,756	$ —	$ —
U.S. government-sponsored enterprises	3,807	—	3,807	—
Obligations of states and political subdivisions	98,043	—	98,043	—
Mortgage-backed securities				
Residential	105,339	—	105,339	—
Commercial	11,673	—	11,673	—
Other debt securities	44,011	—	44,011	—
Bank-issued trust preferred securities	1,464	—	1,464	—
Equity securities	73	73	—	—
Derivative instruments, interest rate swaps	1,044	—	1,044	—
Total	$ 272,210	$ 6,829	$ 265,381	$ —
Liabilities:				
Derivative instruments, interest rate swaps	$ 1,007	$ —	$ 1,007	$ —
Total	$ 1,007	$ —	$ 1,007	$ —
December 31, 2025				
Assets:				
U.S. Treasury	$ 5,068	$ 5,068	$ —	$ —
U.S. government-sponsored enterprises	4,916	—	4,916	—
Obligations of states and political subdivisions	104,191	—	104,191	—
Mortgage-backed securities				
Residential	58,383	—	58,383	—
Commercial	13,114	—	13,114	—
Other debt securities	22,951	—	22,951	—
Bank-issued trust preferred securities	1,316	—	1,316	—
Equity securities	66	66	—	—
Derivative instruments, interest rate swaps	180	—	180	—
Total	$ 210,185	$ 5,134	$ 205,051	$ —
Liabilities:				
Derivative instruments, interest rate swaps	$ 191	$ —	$ 191	$ —
Total	$ 191	$ —	$ 191	$ —

Valuation Methods for Assets and Liabilities Measured at Fair Value on a Non-Recurring Basis

Following is a description of the Company's valuation methodologies used for assets and liabilities recorded at fair value on a non-recurring 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 and Repossessed Assets

Other real estate owned ("OREO") and repossessed assets consisted 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 collateral-dependent 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 sales are recorded to (losses) gains on other real estate owned and other assets, net.

		Fair Value Measurements Using		
(dollars in thousands)	**Total Fair Value**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
September 30, 2026				
Collateral-dependent loans:				
Commercial, financial, & agricultural	$ 2,380	$ —	$ —	$ 2,380
Real estate mortgage - residential	1,765	—	—	1,765
Real estate mortgage - commercial	1,054	—	—	1,054
Total	$ 5,199	$ —	$ —	$ 5,199
Other real estate and repossessed assets	$ 101	$ —	$ —	$ 101
Premises and equipment held for sale, net	1,080	—	—	1,080
December 31, 2025				
Collateral-dependent loans:				
Commercial, financial, & agricultural	$ 2,081	$ —	$ —	$ 2,081
Real estate mortgage - residential	3,482	—	—	3,482
Total	$ 5,563	$ —	$ —	$ 5,563
Other real estate and repossessed assets	$ 98	$ —	$ —	$ 98
Premises and equipment held for sale, net	3,956	—	—	3,956

Quantitative Information about Level 3 Fair Value Instruments

			Weighted Average Discount	
	Valuation Technique	**Unobservable Input**	**September 30, 2026**	**December 31, 2025**
Nonrecurring measurements:				
Collateral-dependent loans	Discounted appraisals	Collateral discounts	31 %	48 %
Other real estate and repossessed assets and Premises and equipment held for sale, net	Discounted appraisals	Collateral discounts and estimated costs to sell	12 %	5 %

(13) 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, interest earning deposits with banks, and cash and due from banks approximate fair value. Federal funds sold 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.

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, NOW accounts, savings, and money market, 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 September 30, 2026 and December 31, 2025 is as follows:

			September 30, 2026 Fair Value Measurements		
	September 30, 2026		Quoted Prices in Active Markets for Identical Assets	Other Observable Inputs	Net Significant Unobservable Inputs
(dollars in thousands)	Carrying amount	Fair value	(Level 1)	(Level 2)	(Level 3)
Assets:					
Cash and due from banks	$ 17,466	$ 17,466	$ 17,466	$ —	$ —
Federal funds sold and overnight interest bearing deposits	16,294	16,294	16,294	—	—
Certificates of deposit in other banks	1,000	1,000	1,000	—	—
Other investment securities	6,738	6,738	—	6,738	—
Loans, net	1,665,691	1,671,887	—	—	1,671,887
Loans held for sale	223	223	—	223	—
Accrued interest receivable	9,463	9,463	9,463	—	—
Total assets	$ 1,716,875	$ 1,723,071	$ 44,223	$ 6,961	$ 1,671,887
Liabilities:					
Deposits:					
Non-interest bearing demand	$ 476,837	$ 476,837	$ 476,837	$ —	$ —
Savings, interest checking and money market	930,516	930,516	930,516	—	—
Time deposits	383,597	380,434	—	—	380,434
FHLB advances and other borrowings	74,343	72,924	—	72,924	—
Subordinated notes	54,682	48,747	—	48,747	—
Accrued interest payable	1,885	1,885	1,885	—	—
Total liabilities	$ 1,921,860	$ 1,911,343	$ 1,409,238	$ 121,671	$ 380,434

	December 31, 2025		December 31, 2025 Fair Value Measurements		
			Quoted Prices in Active Markets for Identical Assets	Other Observable Inputs	Net Significant Unobservable Inputs
(dollars in thousands)	Carrying amount	Fair value	(Level 1)	(Level 2)	(Level 3)
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	$ 1,585,966	$ 1,565,511	$ 113,759	$ 6,526	$ 1,445,226
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	$ 1,707,346	$ 1,700,394	$ 1,252,348	$ 145,857	$ 302,189

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.

(14) Commitments and Contingencies

The Company issues financial instruments with off-balance sheet risk in the normal course of business of 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 September 30, 2026 and December 31, 2025, the allowance for credit losses for unfunded commitments was $1.7 million and $1.0 million, respectively.

The contractual amounts of off-balance sheet financial instruments were as follows as of the dates indicated:

(dollars in thousands)	**September 30, 2026**	**December 31, 2025**
Commitments to extend credit	$ 485,764	$ 335,244
Standby letters of credit	73,491	88,457
Total	$ 559,255	$ 423,701

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.

The Company's forward loan sale commitments are related to mortgage loans held for sale. 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 ranged from one month to 2.4 years at September 30, 2026.

Pending Litigation

From time to time, 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 is deemed probable or an amount can be estimated.

(15) 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. 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 previously reported under one segment. 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 in the first quarter of 2025, the Company identified its Wealth Management business as its own separate reporting segment and now reports two aggregated reporting segments, consisting of the Bank and its Wealth Management business, and the CEO is the CODM for both segments.

The Bank segment is composed of operations providing a broad range of banking services to individual and corporate customers located in central, southern, northwest Missouri, and also the Kansas City metropolitan area, including one branch in Kansas. 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 is reconciled to net income (loss) on a consolidated basis for the three and nine months ended September 30, 2026 and 2025, respectively:

	Three Months Ended September 30, 2026			
(dollars in thousands)	**Hawthorn Bank**	**Wealth Management**	**Non-Bank**	**Total**
Operating revenue				
Interest income	$ 26,753	$ —	$ 21	$ 26,774
Interest expense	6,662	—	822	7,484
Net interest income	20,091	—	(801)	19,290
Provision for credit losses	300	—	—	300
Operating expenses				
Salaries and employee benefits	6,681	361	180	7,222
Occupancy, furniture and equipment expense	317	17	—	334
Processing, network, and bank card expense	2,538	64	—	2,602
Legal, examination, and professional fees	469	—	427	896
Depreciation	1,471	1	—	1,472
Other	2,043	27	349	2,419
Total operating expenses	13,519	470	956	14,945
Other				
Non-interest income	2,504	740	460	3,704
Investment securities gains, net	98	—	—	98
Income taxes	1,048	—	(263)	785
Net income (loss)	$ 7,826	$ 270	$ (1,034)	$ 7,062

	Nine Months Ended September 30, 2026			
(dollars in thousands)	**Hawthorn Bank**	**Wealth Management**	**Non-Bank**	**Total**
Operating revenue				
Interest income	$ 75,446	$ —	$ 73	$ 75,519
Interest expense	19,499	—	2,370	21,869
Net interest income	55,947	—	(2,297)	53,650
Provision for credit losses	611	—	—	611
Operating expenses				
Salaries and employee benefits	19,983	1,102	543	21,628
Occupancy, furniture and equipment expense	3,257	51	(2)	3,306
Processing, network, and bank card expense	5,283	156	—	5,439
Legal, examination, and professional fees	1,760	—	882	2,642
Depreciation	1,909	2	—	1,911
Other	5,804	104	859	6,767
Total operating expenses	37,996	1,415	2,282	41,693
Other				
Non-interest income	8,787	2,010	1,383	12,180
Investment securities gains, net	383	—	—	383
Income taxes	4,442	—	(664)	3,778
Net income (loss)	$ 22,068	$ 595	$ (2,532)	$ 20,131
Segment assets	$ 2,127,727	$ 19	$ 13,334	$ 2,141,080

(dollars in thousands)	Three Months Ended September 30, 2025			
	Hawthorn Bank	Wealth Management	Non-Bank	Total
Operating revenue				
Interest income	$ 24,976	$ —	$ 27	$ 25,003
Interest expense	7,277	—	861	8,138
Net interest income	17,699	—	(834)	16,865
Provision for credit losses	375	—	—	375
Operating expenses				
Salaries and employee benefits	6,586	285	336	7,207
Occupancy, furniture and equipment expense	1,059	14	—	1,073
Processing, network, and bank card expense	1,332	40	—	1,372
Legal, examination, and professional fees	403	1	66	470
Depreciation	541	—	—	541
Other	1,928	26	204	2,158
Total operating expenses	11,849	366	606	12,821
Other				
Non-interest income	2,645	651	420	3,716
Investment securities gains (losses), net	105	—	—	105
Income taxes	1,572	—	(214)	1,358
Net income (loss)	$ 6,653	$ 285	$ (806)	$ 6,132

(dollars in thousands)	Nine Months Ended September 30, 2025			
	Hawthorn Bank	Wealth Management	Non-Bank	Total
Operating revenue				
Interest income	$ 72,293	$ —	$ 79	$ 72,372
Interest expense	21,502	—	2,569	24,071
Net interest income	50,791	—	(2,490)	48,301
Release of credit losses	(16)	—	—	(16)
Operating expenses				
Salaries and employee benefits	18,896	950	976	20,822
Occupancy, furniture and equipment expense	3,230	52	—	3,282
Processing, network, and bank card expense	4,140	76	—	4,216
Legal, examination, and professional fees	1,140	1	250	1,391
Depreciation	1,681	—	—	1,681
Other	5,467	73	657	6,197
Total operating expenses	34,554	1,152	1,883	37,589
Other				
Non-interest income	7,758	1,667	1,299	10,724
Investment securities gains (losses), net	102	—	—	102
Income taxes	4,583	—	(645)	3,938
Net income (loss)	$ 19,530	$ 515	$ (2,429)	$ 17,616
Segment assets	$ 1,920,938	$ 16	$ 11,151	$ 1,932,105

(16) Qualified Affordable Housing Tax Credit and Other Investments

The Company invested in a qualified affordable housing project utilizing the Low-Income Housing Tax Credit ("LIHTC") pursuant to Section 42 of the Internal Revenue Code. This investment is intended to achieve a satisfactory return on capital, facilitate the sale of affordable housing product offerings, and assist in achieving goals associated with the Community Reinvestment Act. At September 30, 2026 and December 31, 2025, the balance of the investment for qualified housing projects was $4.7 million and $0, respectively. This balance is reflected in accrued interest receivable and other assets on

the consolidated balance sheets. Total unfunded commitments related to the affordable housing project investment was $3.9 million and $0 at September 30, 2026 and December 31, 2025, respectively. This balance is reflected in accrued interest payable and other liabilities on the consolidated balance sheets. The Company expects to fulfill the majority of the commitment over the next two years. The Company elected to use the proportional amortization method ("PAM") to amortize the investment. As of September 30, 2026, the project had not begun generating tax credits so no amortization expense was taken during the period. The Company expects the project to begin generating tax credits in 2027.

The Company also invested in a Small Business Investment Company ("SBIC"). At September 30, 2026 and December 31, 2025, the balance of the investment was $0.2 million and $0, respectively. This balance is reflected in accrued interest receivable and other assets on the consolidated balance sheets. Total unfunded commitments related to the SBIC investment totaled $1.8 million and $0 at September 30, 2026 and December 31, 2025, respectively. The Company expects to fulfill a majority of the commitment over the next five years. The Company elected to use the equity method to account for this investment. As of September 30, 2026, the Company has not recorded any income or loss on the investment due to the first capital call occurring at quarter-end. The Company will evaluate the need to adjust the balance of the investment for earnings generated by the SBIC through the equity method in future periods.

(17) Acquisition

On September 3, 2026, the Company completed its acquisition of the FSC entities whereby FSC Bancshares, Inc. was merged with and into the Company and Farmers State Bank was merged with and into the Bank. Pursuant to the merger agreement executed on April 29, 2026, the Company paid approximately $17.0 million of cash consideration and issued 413,042 shares of the Company's common stock. The Company and the Bank assumed all of the assets and liabilities of the FSC entities with which they merged by operation of law. The acquisition added nine full-service branch locations located in northern Missouri.

Acquisition-related costs totaled $2.0 million and $2.6 million for the three and nine months ended September 30, 2026, respectively. These costs were included in the Company's consolidated statements of income. The results of the acquisition mentioned above are included in the results of the Company subsequent to the acquisition date and reported in this quarterly report on Form 10-Q.

The Company determined that the acquisition constitutes a business combination as defined in ASC Topic 805, *Business Combinations*. Accordingly, as of the date of the acquisition, the Company recorded the assets acquired and liabilities assumed at fair value. The Company determined fair values in accordance with the guidance provided in ASC Topic 820, *Fair Value Measurements and Disclosures*. In many cases, the determination of these fair values required management to make estimates about discount rates, future expected cash flows, market conditions and other future events that are highly subjective in nature and subject to change. Actual results could differ materially. The Company has made the determination of fair values using the best information available at the time, however, purchase accounting is not complete and the assumptions used are subject to change and, if changed, could have a material effect on the Company's financial position and results of operations.

The table below summarizes net assets acquired and consideration transferred by the Company in the FSC acquisition at the acquisition date:

(dollars in thousands)	As of September 3, 2026
Consideration:	
Cash	$ 16,989
Common stock	16,348
Total consideration	$ 33,337
Assets:	
Cash and cash equivalents	6,693
Investment securities	52,024
Loans held for investment	289,961
Allowance for credit losses	(3,480)
Premises and equipment, net	6,123
Core deposit intangible	10,271
Other assets	9,013
Total assets acquired	$ 370,605
Liabilities:	
Deposits	325,292
Trust preferred securities	5,196
Other borrowings	20,982
Other liabilities	1,723
Total liabilities assumed	$ 353,193
Identifiable net assets acquired	$ 17,412
Goodwill	$ 15,925

In connection with the FSC acquisition, the Company recorded $15.9 million of goodwill. The amount of goodwill recorded reflects the expanded market presence, synergies and operational efficiencies that are expected to result from the acquisition. Acquired loans were recorded at fair value at the date of the acquisition utilizing a discounted cash flow analysis based on the remaining maturity and repricing terms. Additionally, the Company recorded a core deposit intangible of $10.3 million. The core deposit intangible is amortized on an accelerated basis over the estimated useful life of the deposits.

Loans acquired are recorded at fair value with no carryover of the related allowance for credit losses. Purchased-credit deteriorated loans (“PCD”) are loans that have experienced more than insignificant credit deterioration since origination. Management determined that loans on non-accrual constituted significant credit deterioration. Purchased-seasoned loans (“PSL”) have not experienced a more than insignificant credit deterioration since origination. For both PCDs and PSLs, the sum of the loan’s purchase price and allowance for credit losses becomes its initial amortized cost basis. For PCDs, the difference between the initial amortized cost basis and the par value of the loan is a noncredit discount or premium, which is amortized into interest income over the life of the loan. For PSLs, the difference between fair value and the outstanding balance of the loans is recognized as an adjustment to interest income over the life of the loan.

The following tables provide a summary of PSL and PCD loans purchased as of the acquisition date:

(dollars in thousands)		**Total**
Purchased seasoned loans ("PSL")		
Unpaid principal balance	$	305,998
PSL allowance for credit loss at acquisition		(3,452)
Discount on acquired loans		(17,308)
Purchase price of PSL loans	$	285,238
Purchased-credit deteriorated loans ("PCD")		
Unpaid principal balance	$	1,414
PCD allowance for credit loss at acquisition		(28)
Discount on acquired loans		(143)
Purchase price of PCD loans	$	1,243
Total purchased loans		
Purchased seasoned loans	$	285,238
Purchased-credit deteriorated loans		1,243
Total loans	$	286,481

Assuming the FSC acquisition would have taken place on January 1, 2025, the Company's net interest income would have been $64.5 million and $59.7 million for the nine months ended September 30, 2026 and 2025, respectively, non-interest income would have been $13.2 million and $11.8 million for the nine months ended September 30, 2026 and 2025, respectively, and net income would have been $22.0 million and $18.1 million for the nine months ended September 30, 2026, and 2025, respectively.

(18) Subsequent Events

The Company has evaluated subsequent events that may require recognition or disclosure through the filing date of this Quarterly Report on Form 10-Q and did not identify any such events.

Item 2 - ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

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 Hawthorn Bancshares, Inc., and its subsidiaries (collectively, the "Company", "we", "our", or "us"), 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, plans, hopes* 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, such possible events or factors such as: changes in economic conditions generally or in the Company's market area, changes in policies by regulatory agencies, governmental legislation and regulation, tariffs and trade disruptions, fluctuations in interest rates, changes in liquidity requirements, demand for loans in the Company's market area, changes in accounting and tax principles, estimates made on income taxes, competition with other entities that offer financial services, cybersecurity threats, economic or other disruptions caused by acts of terrorism, war or other conflicts, changes in geopolitical conditions, natural disasters, such as hurricanes, wildfires, freezes, flooding and other man-made disasters, health emergencies, epidemics or pandemics, climate changes or other catastrophic events and such other factors as 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 (the "2025 Form 10-K"), 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 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. Except as required by law, the Company undertakes no obligation to update or revise forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events, or changes in its business, results of operations or financial condition over time. During the quarter ended September 30, 2026, there were no material changes to the Risk Factors disclosed in the Company's 2025 Form 10-K.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Certain accounting policies and estimates 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 estimates and 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 Company has identified certain accounting policies and estimates as "critical accounting policies and estimates," consisting of those related to the allowance for credit losses, as described in the section captioned "*Critical Accounting Policies and Estimates"* incorporated by reference in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations included in the 2025 Form 10-K. There have been no changes in the Company's application of critical accounting policies and estimates since December 31, 2025, except as noted below regarding the accounting for business combinations.

Business Combinations

The Company applies the acquisition method of accounting for business combinations in accordance with ASC 805, Business Combinations. Under the acquisition method, the acquiring entity in a business combination recognizes all of the identifiable assets acquired and liabilities assumed at their acquisition date fair values. Management utilizes prevailing valuation techniques appropriate for the asset or liability being measured in determining these fair values. Any excess of the purchase price over amounts allocated to net assets acquired, including identifiable intangible assets, is recorded as goodwill. Acquisition-related costs are expensed as incurred. Refer to Note 17, "Acquisition", in the Company's consolidated financial statements for further information.

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 $2.14 billion in assets at September 30, 2026, provides a broad range of commercial and personal banking and other financial 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. The Company also provides other financial services through its Wealth Management business, including trust services, estate planning, investment and asset management services and a comprehensive suite of cash management services. Beginning with the first quarter of 2025, the Company's Wealth Management business is reported as a separate reporting segment, and the Company operates two reporting segments, consisting of the Bank and the Wealth Management business. The geographic areas in which the Company provides products and services include central, southern, northwest Missouri, and also the Kansas City metropolitan area, including one branch in Kansas.

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 Company's income from mortgage brokerage activities is directly dependent on mortgage rates and the level of home purchases and refinancing activity.

The success of the Company's growth strategy depends 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. 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.

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.

On September 3, 2026, the Company completed its acquisition of FSC Bancshares, Inc. and its wholly owned subsidiary, Farmers State Bank (collectively, "FSC") whereby FSC Bancshares, Inc. was merged with and into the Company and Farmers State Bank was merged with and into the Bank. Pursuant to the merger agreement executed on April 29, 2026, the Company paid approximately $17.0 million of cash consideration and issued 413,042 shares of the Company's common stock. The Company and the Bank assumed all of the assets and liabilities of the FSC entities with which they merged by operation of law. The acquisition added nine full-service branch locations located in northern Missouri. Refer to Note 17, "Acquisition", in the Company's consolidated financial statements for further details regarding this transaction.

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 15, "Segment Information," in the Company's consolidated financial statements for further details regarding the financial results of each segment.

Executive Summary

The Company has prepared all of the consolidated financial information in this report in accordance with United States ("U.S.") 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.

(dollars in thousands, except per share data)	As of and for the Three Months Ended September 30, 2026	2025	As of and for the Nine Months Ended September 30, 2026	2025
Net interest income	$ 19,290	$ 16,865	$ 53,650	$ 48,301
Provision for (release of) credit losses	300	375	611	(16)
Non-interest income	3,704	3,716	12,180	10,724
Investment securities gains, net	98	105	383	102
Non-interest expense	14,945	12,821	41,693	37,589
Income before income taxes	7,847	7,490	23,909	21,554
Income tax expense	785	1,358	3,778	3,938
Net income	$ 7,062	$ 6,132	$ 20,131	$ 17,616
Basic earnings per share	$ 1.01	$ 0.89	$ 2.90	$ 2.54
Adjusted basic earnings per share[3]	$ 1.23	$ 0.89	$ 3.20	$ 2.54
Diluted earnings per share	$ 1.01	$ 0.88	$ 2.90	$ 2.53
Adjusted diluted earnings per share[3]	$ 1.23	$ 0.88	$ 3.20	$ 2.53
Performance Ratios				
Return on average total assets	1.48%	1.33%	1.46%	1.30%
Adjusted return on average total assets[3]	1.80	1.33	1.61	1.30
Return on average stockholders' equity	14.91	15.21	14.80	15.13
Adjusted return on average stockholders' equity[3]	18.17	15.21	16.33	15.13
Return on average tangible stockholders' equity[3]	17.30	15.21	17.27	15.13
Adjusted return on average tangible stockholders' equity[3]	21.09	15.21	19.06	15.13
Efficiency ratio [1]	65.00	62.30	63.33	63.68
Adjusted efficiency ratio[1][3]	55.64	62.30	59.04	63.68
Net interest margin, fully tax-equivalent	4.41	3.97	4.21	3.85
Average stockholders' equity to total assets	9.92	8.74	9.84	8.58
Market and per share data				
Book value per share [2]			$ 27.56	$ 23.76
Tangible book value per share[2][3]			$ 23.81	$ 23.88
Market price per share			$ 38.02	$ 31.04
Cash dividends declared on common stock	$ 1,536	$ 1,384	$ 4,434	$ 4,101

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

(2) Book value per share is calculated using weighted average shares.

(3) Represents a non-GAAP financial measure. See the "Non-GAAP Financial Measures" section for a reconciliation of these measures.

(dollars in thousands, except per share data)	As of and for the Three Months Ended September 30,		As of and for the Nine Months Ended September 30,	
	2026	**2025**	**2026**	**2025**
Capital Ratios				
Stockholders' equity to assets			8.92%	8.54%
Total risk-based capital ratio			14.29	14.90
Tier 1 risk-based capital ratio			13.04	13.65
Common equity Tier 1 capital			10.15	10.71
Tier 1 leverage ratio [(1)]			12.59	11.97
Asset Quality				
Non-performing loans			$ 9,828	$ 4,911
Non-performing assets			$ 9,929	$ 7,336
Net loan charge-offs	$ 67	$ 41	$ 263	$ 74
Net charge-offs to average loans [(2)]	0.02%	0.01%	0.02%	0.01%
Allowance for credit losses to total loans			1.45	1.45
Non-performing loans to total loans			0.58	0.32
Non-performing assets to total loans			0.59	0.48
Non-performing assets to total assets			0.46	0.38

(1) Tier 1 leverage ratio is calculated by dividing Tier 1 capital by average total consolidated assets.
(2) Annualized.

Results of Operations Highlights:

Consolidated net income was $7.1 million, or $1.01 per diluted share, and $20.1 million, or $2.90 per diluted share, for the three and nine months ended September 30, 2026, respectively, compared to $6.1 million, or $0.88 per diluted share, and $17.6 million, or $2.53 per diluted share, for the three and nine months ended September 30, 2025, respectively. Adjusted consolidated net income[(1)] was $8.6 million, or $1.23 per diluted share, and $22.2 million, or $3.20 per diluted share, for the three and nine months ended September 30, 2026, respectively, compared to $6.1 million, or $0.88 per diluted share, and $17.6 million, or $2.53 per diluted share, for the three and nine months ended September 30, 2025, respectively. For the three and nine months ended September 30, 2026, the return on average assets was 1.48% and 1.46%, respectively, the return on average stockholders' equity was 14.91% and 14.80%, respectively, and the efficiency ratio was 65.00% and 63.33%, respectively. For the three and nine months ended September 30, 2026, the adjusted return on average assets[(1)] was 1.80% and 1.61%, respectively, the adjusted return on average stockholders' equity[(1)] was 18.17% and 16.33%, respectively, and the adjusted efficiency ratio[(1)] was 55.64% and 59.04%, respectively.

(1) Represents a non-GAAP financial measure. See the "Non-GAAP Financial Measures" section for a reconciliation of these measures.

Net interest income was $19.3 million and $53.7 million for the three and nine months ended September 30, 2026, respectively, compared to $16.9 million and $48.3 million for the three and nine months ended September 30, 2025, respectively. Net interest margin, on a fully taxable equivalent ("FTE") basis, was 4.41% and 4.21% for the three and nine months ended September 30, 2026, respectively, compared to 3.97% and 3.85% for the three and nine months ended September 30, 2025, respectively. The change to net interest margin on an FTE basis is discussed in greater detail under the *Average Balance Sheet Data* and *Rate and Volume Analysis* sections.

Non-interest income was $3.7 million and $12.2 million for the three and nine months ended September 30, 2026, respectively, compared to $3.7 million and $10.7 million for the three and nine months ended September 30, 2025, respectively. These changes are discussed in greater detail under the *Non-interest Income and Expense* section.

Non-interest expense was $14.9 million and $41.7 million for the three and nine months ended September 30, 2026, respectively, compared to $12.8 million and $37.6 million for the three and nine months ended September 30, 2025, respectively. These changes are discussed in greater detail under the *Non-interest Income and Expense* section.

Balance Sheet Highlights:

Cash and cash equivalents – Cash and cash equivalents decreased $70.5 million to $33.8 million as of September 30, 2026, compared to $104.3 million as of December 31, 2025, and decreased $66.1 million compared to $99.9 million as of September 30, 2025. See the *Liquidity Management section* for further discussion.

Loans – Loans held for investment increased $203.3 million to $1.69 billion as of September 30, 2026, compared to $1.49 billion as of December 31, 2025, and increased $176.1 million compared to $1.51 billion as of September 30, 2025. The increases are mainly attributed to $290.0 million of acquired loans from the FSC acquisition.

Asset quality – Non-performing assets totaled $9.9 million, or 0.59% of total loans, at September 30, 2026, compared to $7.0 million, or 0.47% of total loans, at December 31, 2025 and $7.3 million, or 0.48% of total loans, at September 30, 2025.

In the third quarter of 2026, the Company had net loan charge-offs of $0.07 million, or 0.02% of average loans, compared to net loan charge-offs of $0.04 million, or 0.01% of average loans, in the same prior year quarter.

The allowance for credit losses was $24.4 million, or 1.45% of loans outstanding, at September 30, 2026, compared to $21.1 million, or 1.42% of loans outstanding, at December 31, 2025, and $21.9 million, or 1.45% of loans outstanding, at September 30, 2025. These changes are discussed in greater detail under the *Lending and Credit Management* section.

Deposits – Total deposits increased $236.8 million to $1.79 billion as of September 30, 2026, compared to $1.55 billion as of December 31, 2025, and increased $265.0 million compared to $1.53 billion as of September 30, 2025. The increases are mainly attributed to $325.3 million of acquired deposits from the FSC acquisition.

Federal Home Loan Bank ("FHLB") advances and other borrowings – Total FHLB advances and other borrowings decreased $27.8 million to $74.3 million as of September 30, 2026, compared to $102.1 million as of December 31, 2025, and decreased $102.8 million compared to $177.1 million as of September 30, 2025.

Capital – The Company maintains its "well-capitalized" regulatory capital position. At September 30, 2026, capital ratios were as follows: total risk-based capital to risk-weighted assets 14.29%; tier 1 capital to risk-weighted assets 13.04%; common equity tier 1 capital to risk-weighted assets 10.15%; tier 1 leverage 12.59%; and stockholders' equity to assets 8.92%.

Average Balance Sheet Data

Net interest income is the largest source of revenue resulting from the Company's lending, investing, borrowing, and deposit gathering activities. It is affected both by changes in the level of interest rates and changes in the amounts and mix of interest earning assets and interest bearing liabilities. The following tables present average balance sheet data, net interest income, average yields of earning assets, average costs of interest bearing liabilities, net interest spread and net interest margin on an FTE basis for each of the three and nine month periods ended September 30, 2026 and 2025, respectively. The average balances used in this table and other statistical data were calculated using average daily balances.

	Three Months Ended September 30,					
	2026			2025		
(dollars in thousands)	Average Balance	Interest Income/ Expense [1]	Rate Earned/ Paid [1]	Average Balance	Interest Income/ Expense [1]	Rate Earned/ Paid [1]
ASSETS						
Loans: [2]						
Commercial	$ 188,976	$ 3,347	7.03%	$ 214,213	$ 3,821	7.08%
Real estate construction - residential	41,240	766	7.37	31,032	598	7.65
Real estate construction - commercial	97,282	1,875	7.65	64,791	1,277	7.82
Real estate mortgage - residential	417,688	6,570	6.24	378,863	5,597	5.86
Real estate mortgage - commercial	742,690	11,479	6.13	778,290	11,320	5.77
Installment and other consumer	11,206	211	7.47	10,950	186	6.74
Total loans	$ 1,499,082	$ 24,248	6.42%	$ 1,478,139	$ 22,799	6.12%
Loans held for sale	657	4	2.42%	333	10	11.91%
Investment securities:						
U.S. Treasury	6,895	74	4.26	5,043	53	4.17
U.S. government and federal agency obligations	3,856	32	3.29	12,498	131	4.16
Obligations of states and political subdivisions	101,551	848	3.31	97,521	833	3.39
Mortgage-backed securities	92,901	969	4.14	76,014	729	3.80
Other debt securities	42,915	657	6.07	27,652	465	6.67
Total investment securities	248,118	2,580	4.13	218,728	2,211	4.01
Other investment securities	4,845	111	9.09	5,271	114	8.58
Interest bearing deposits in other financial institutions	16,365	184	4.46	21,590	256	4.70
Total interest earning assets	$ 1,769,067	$ 27,127	6.08%	$ 1,724,061	$ 25,390	5.84%
All other assets	148,040			126,307		
Allowance for credit losses	(21,848)			(21,689)		
Total assets	$ 1,895,259			$ 1,828,679		
LIABILITIES AND STOCKHOLDERS' EQUITY						
Savings	$ 269,830	$ 884	1.30%	$ 273,813	$ 1,164	1.69%
NOW accounts	167,182	549	1.30	158,379	581	1.46
Interest checking	179,969	1,432	3.16	147,609	1,308	3.52
Money market	199,073	907	1.81	207,184	983	1.88
Time deposits	321,347	2,341	2.89	314,847	2,523	3.18
Total interest bearing deposits	1,137,401	6,113	2.13	1,101,832	6,559	2.36%
Federal funds purchased and securities sold under agreements to repurchase	93	13	55.46	72	1	5.51
Federal Home Loan Bank advances and other borrowings	63,563	539	3.36	86,203	718	3.30
Subordinated notes	51,011	819	6.37	49,486	860	6.89
Total borrowings	114,667	1,371	4.74	135,761	1,579	4.61
Total interest bearing liabilities	$ 1,252,068	$ 7,484	2.37%	$ 1,237,593	$ 8,138	2.61%
Demand deposits	427,011			417,628		
Other liabilities	28,247			13,558		
Total liabilities	$ 1,707,326			$ 1,668,779		
Stockholders' equity	187,933			159,900		
Total liabilities and stockholders' equity	$ 1,895,259			$ 1,828,679		
Net interest income (FTE)		$ 19,643			$ 17,252	
Net interest spread (FTE)			3.71%			3.23%
Net interest margin (FTE)			4.41%			3.97%

(1) Interest income and yields are presented on an FTE basis using the federal statutory income tax rate of 21%, net of nondeductible interest expense, for both the three months ended September 30, 2026 and 2025. Such adjustments totaled $0.4 million for both the three months ended September 30, 2026 and 2025.

(2) Non-accruing loans are included in the average amounts outstanding.

	Nine Months Ended September 30,					
	2026			2025		
(dollars in thousands)	Average Balance	Interest Income/ Expense[1]	Rate Earned/ Paid[1]	Average Balance	Interest Income/ Expense[1]	Rate Earned/ Paid[1]
ASSETS						
Loans: [2]						
Commercial	$ 202,265	$ 10,595	7.00%	$ 207,419	$ 10,493	6.76%
Real estate construction - residential	40,859	2,256	7.38	29,895	1,744	7.80
Real estate construction - commercial	89,296	5,105	7.64	70,411	4,068	7.72
Real estate mortgage - residential	383,405	16,991	5.93	373,517	16,283	5.83
Real estate mortgage - commercial	741,737	33,032	5.95	772,091	32,543	5.64
Installment and other consumer	9,916	513	6.92	12,060	587	6.51
Total loans	$ 1,467,478	$ 68,492	6.24%	$ 1,465,393	$ 65,718	6.00%
Loans held for sale	852	11	1.73%	198	15	10.13%
Investment securities:						
U.S. Treasury	5,980	189	4.23	5,004	158	4.22
U.S. government and federal agency obligations	4,116	105	3.41	12,983	412	4.24
Obligations of states and political subdivisions	102,637	2,462	3.21	98,728	2,504	3.39
Mortgage-backed securities	79,950	2,369	3.96	78,223	2,272	3.88
Other debt securities	34,221	1,546	6.04	25,953	1,186	6.11
Total investment securities	226,904	6,671	3.93	220,891	6,532	3.95
Other investment securities	4,882	323	8.85	4,709	319	9.06
Federal funds sold	—	—	—	—	—	—
Interest bearing deposits in other financial institutions	35,074	1,069	4.07	23,066	795	4.61
Total interest earning assets	$ 1,735,190	$ 76,566	5.90%	$ 1,714,257	$ 73,379	5.72%
All other assets	133,641			123,118		
Allowance for credit losses	(21,436)			(21,918)		
Total assets	$ 1,847,395			$ 1,815,457		
LIABILITIES AND STOCKHOLDERS' EQUITY						
Savings	$ 264,239	$ 2,661	1.35%	$ 273,704	$ 3,669	1.79%
NOW accounts	167,364	1,792	1.43	184,341	1,988	1.44
Interest checking	175,062	4,058	3.10	143,650	3,975	3.70
Money market	190,538	2,432	1.71	206,771	2,839	1.84
Time deposits	307,912	6,726	2.92	306,050	7,409	3.24
Total interest bearing deposits	1,105,115	17,669	2.14	1,114,516	19,880	2.38
Federal funds purchased and securities sold under agreements to repurchase	34	40	157.29	58	2	4.61
Federal Home Loan Bank advances and other borrowings	73,406	1,790	3.26	73,673	1,621	2.94
Subordinated notes	50,000	2,370	6.34	49,486	2,568	6.94
Total borrowings	123,440	4,200	4.55	123,217	4,191	4.55
Total interest bearing liabilities	$ 1,228,555	$ 21,869	2.38%	$ 1,237,733	$ 24,071	2.60%
Demand deposits	416,798			409,219		
Other liabilities	20,204			12,815		
Total liabilities	$ 1,665,557			$ 1,659,767		
Stockholders' equity	181,838			155,690		
Total liabilities and stockholders' equity	$ 1,847,395			$ 1,815,457		
Net interest income (FTE)		$ 54,697			$ 49,308	
Net interest spread (FTE)			3.52%			3.12%
Net interest margin (FTE)			4.21%			3.85%

(1) Interest income and yields are presented on an FTE basis using the federal statutory income tax rate of 21%, net of nondeductible interest expense, for the nine months ended September 30, 2026 and 2025. Such adjustments totaled $1.0 million for both the nine months ended September 30, 2026 and 2025.

(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 an FTE basis, by major category of interest earning assets and interest bearing liabilities, identifying changes related to volumes and rates for the three and nine months ended September 30, 2026, compared to the three and nine months ended September 30, 2025. 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.

	Three Months Ended September 30, 2026 vs. 2025			Nine Months Ended September 30, 2026 vs. 2025		
		Change due to			Change due to	
(dollars in thousands)	Total Change	Average Volume	Average Rate	Total Change	Average Volume	Average Rate
Interest income on a fully taxable equivalent basis: [1]						
Loans: [2]						
Commercial	$ (474)	$ (447)	$ (27)	$ 102	$ (265)	$ 367
Real estate construction - residential	168	191	(23)	512	610	(98)
Real estate construction - commercial	598	627	(29)	1,037	1,080	(43)
Real estate mortgage - residential	973	597	376	708	435	273
Real estate mortgage - commercial	159	(532)	691	489	(1,309)	1,798
Installment and other consumer	25	4	21	(74)	(109)	35
Loans held for sale	(6)	6	(12)	(4)	17	(21)
Investment securities:						
U.S. Treasury	21	19	2	31	31	—
U.S. government and federal agency obligations	(99)	(76)	(23)	(307)	(238)	(69)
Obligations of states and political subdivisions	15	33	(18)	(42)	97	(139)
Mortgage-backed securities	240	172	68	97	51	46
Other debt securities	192	237	(45)	360	374	(14)
Other investment securities	(3)	(10)	7	4	12	(8)
Interest bearing deposits in other financial institutions	(72)	(60)	(12)	274	375	(101)
Total interest income	1,737	761	976	3,187	1,161	2,026
Interest expense:						
Savings	$ (280)	$ (17)	$ (263)	$ (1,008)	$ (123)	$ (885)
NOW accounts	(32)	31	(63)	(196)	(182)	(14)
Interest checking	124	267	(143)	83	788	(705)
Money market	(76)	(37)	(39)	(407)	(215)	(192)
Time deposits	(182)	51	(233)	(683)	45	(728)
Federal funds purchased and securities sold under agreements to repurchase	12	—	12	38	(1)	39
FHLB advances and other borrowings	(179)	(192)	13	169	(6)	175
Subordinated notes	(41)	26	(67)	(198)	27	(225)
Total interest expense	(654)	129	(783)	(2,202)	333	(2,535)
Net interest income on an FTE basis	$ 2,391	$ 632	$ 1,759	$ 5,389	$ 828	$ 4,561

(1) Interest income and yields are presented on an FTE basis using the federal statutory income tax rate of 21%, net of nondeductible interest expense, for each of the three and nine months ended September 30, 2026 and 2025. Such adjustments totaled $0.4 million and $1.0 million for the three and nine months ended September 30, 2026, respectively, compared to $0.4 million and $1.0 million for the three and nine months ended September 30, 2025, respectively.

(2) Non-accruing loans are included in the average amounts outstanding.

Financial results for the quarter ended September 30, 2026, compared to the quarter ended September 30, 2025, reflected an increase in net interest income on an FTE basis of $2.4 million, or 13.9%. Measured as a percentage of average earning assets, the net interest margin (expressed on an FTE basis) increased to 4.41% for the quarter ended September 30, 2026,

compared to 3.97% for the quarter ended September 30, 2025, and increased to 4.21% for the nine months ended September 30, 2026, compared to 3.85% for the nine months ended September 30, 2025.

Average interest earning assets increased $45.0 million, or 2.6%, to $1.77 billion for the quarter ended September 30, 2026, compared to $1.72 billion for the quarter ended September 30, 2025, and average interest bearing liabilities increased $14.5 million, or 1.2%, to $1.25 billion for the quarter ended September 30, 2026, compared to $1.24 billion for the quarter ended September 30, 2025.

Average interest earning assets increased $20.9 million, or 1.2%, to $1.74 billion for the nine months ended September 30, 2026, compared to $1.71 billion for the nine months ended September 30, 2025, and average interest bearing liabilities decreased $9.2 million, or 0.7%, to $1.23 billion for the nine months ended September 30, 2026, compared to $1.24 billion for the nine months ended September 30, 2025.

Total interest income (expressed on an FTE basis) was $27.1 million and $76.6 million for the three and nine months ended September 30, 2026, respectively, compared to $25.4 million and $73.4 million for the three and nine months ended September 30, 2025, respectively. The Company's rates earned on interest earning assets were 6.08% and 5.90% for the three and nine months ended September 30, 2026, respectively, compared to 5.84% and 5.72% for the three and nine months ended September 30, 2025, respectively.

Interest income on loans held for investment (expressed on an FTE basis) was $24.2 million and $68.5 million for the three and nine months ended September 30, 2026, respectively, compared to $22.8 million and $65.7 million for the three and nine months ended September 30, 2025, respectively.

Average loans outstanding increased $20.9 million, or 1.4%, to $1.50 billion for the quarter ended September 30, 2026, compared to $1.48 billion for the quarter ended September 30, 2025. The average yield on loans increased to 6.42% for the quarter ended September 30, 2026, compared to 6.12% for the quarter ended September 30, 2025.

Average loans outstanding remained consistent at $1.47 billion for the nine months ended September 30, 2026 and September 30, 2025. The average yield on loans increased to 6.24% for the nine months ended September 30, 2026, compared to 6.00% for the nine months ended September 30, 2025. 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 (expressed on an FTE basis) was $2.6 million and $6.7 million for the three and nine months ended September 30, 2026, respectively, compared to $2.2 million and $6.5 million for the three and nine months ended September 30, 2025, respectively.

Average securities increased $29.4 million, or 13.4%, to $248.1 million for the quarter ended September 30, 2026, compared to $218.7 million for the quarter ended September 30, 2025. The average yield on securities increased to 4.13% for the quarter ended September 30, 2026, compared to 4.01% for the quarter ended September 30, 2025.

Average securities increased $6.0 million, or 2.7%, to $226.9 million for the nine months ended September 30, 2026, compared to $220.9 million for the nine months ended September 30, 2025. The average yield on securities decreased to 3.93% for the nine months ended September 30, 2026, compared to 3.95% for the nine months ended September 30, 2025. See the *Liquidity Management* section for further discussion.

Total interest expense was $7.5 million and $21.9 million for the three and nine months ended September 30, 2026, respectively, compared to $8.1 million and $24.1 million for the three and nine months ended September 30, 2025, respectively. The Company's rates paid on interest bearing liabilities were 2.37% and 2.38% for the three and nine months ended September 30, 2026, respectively, compared to 2.61% and 2.60% for the three and nine months ended September 30, 2025, respectively. See the *Liquidity Management* section for further discussion.

Interest expense on deposits was $6.1 million and $17.7 million for the three and nine months ended September 30, 2026, respectively, compared to $6.6 million and $19.9 million for the three and nine months ended September 30, 2025, respectively.

Average interest bearing deposits increased $35.6 million, or 3.2%, to $1.14 billion for the quarter ended September 30, 2026, compared to $1.10 billion for the quarter ended September 30, 2025. The average cost of deposits decreased to 2.13% for the quarter ended September 30, 2026, compared to 2.36% for the quarter ended September 30, 2025.

Average interest bearing deposits remained consistent at $1.11 billion for both the nine months ended September 30, 2026 and September 30, 2025. The average cost of deposits decreased to 2.14% for the nine months ended September 30, 2026, compared to 2.38% for the nine months ended September 30, 2025.

Interest expense on borrowings was $1.4 million and $4.2 million for the three and nine months ended September 30, 2026, respectively, compared to $1.6 million and $4.2 million for the three and nine months ended September 30, 2025, respectively.

Average borrowings decreased $21.1 million, or 15.5%, to $114.7 million for the quarter ended September 30, 2026, compared to $135.8 million for the quarter ended September 30, 2025. The average cost of borrowings increased to 4.74% for the quarter ended September 30, 2026, compared to 4.61% for the quarter ended September 30, 2025.

Average borrowings increased $0.2 million, or 0.2%, to $123.4 million for the nine months ended September 30, 2026, compared to $123.2 million for the nine months ended September 30, 2025. The average cost of borrowings remained consistent at 4.55% for both the nine months ended September 30, 2026 and September 30, 2025.

Non-interest Income

The following table shows the principal components of non-interest income for the three and nine months ended September 30, 2026 and 2025.

	Three Months Ended September 30,				Nine Months Ended September 30,			
(dollars in thousands)	**2026**	**2025**	**$ Change**	**% Change**	**2026**	**2025**	**$ Change**	**% Change**
Service charges and other fees	$ 879	$ 928	$ (49)	(5.3)%	$ 2,514	$ 2,781	$ (267)	(9.6)%
Bank card income and fees	1,068	1,000	68	6.8	2,993	2,929	64	2.2
Earnings on bank-owned life insurance	490	513	(23)	(4.5)	1,481	1,532	(51)	(3.3)
Wealth management revenue	740	651	89	13.7	2,010	1,667	343	20.6
Gain on sales of mortgage loans, net	61	78	(17)	(21.8)	207	320	(113)	(35.3)
Gains (losses) on other real estate owned, net	104	—	104	N/A	405	(156)	561	359.6
Other	362	546	(184)	(33.7)	2,570	1,651	919	55.7
Total non-interest income	$ 3,704	$ 3,716	$ (12)	(0.3)%	$ 12,180	$ 10,724	$ 1,456	13.6 %
Non-interest income as a % of total revenue [(1)]	16.1 %	18.1 %			18.5 %	18.2 %		

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

Total non-interest income remained consistent at $3.7 million for both the quarter ended September 30, 2026 and September 30, 2025, and increased $1.5 million, or 13.6%, to $12.2 million for the nine months ended September 30, 2026, compared to $10.7 million for the nine months ended September 30, 2025. The changes for the nine months ended September 30, 2026 were primarily due to gains recorded on other real estate owned and premises and equipment held for sale.

Service charges and other fees decreased $0.05 million, or 5.3%, to $0.9 million for the quarter ended September 30, 2026, compared to $0.9 million for the quarter ended September 30, 2025, and decreased $0.3 million, or 9.6%, to $2.5 million for the nine months ended September 30, 2026, compared to $2.8 million for the nine months ended September 30, 2025. The decrease for the three and nine months ended September 30, 2026 was primarily attributable to a decrease in overall service charges on accounts and lower NSF charges.

Wealth management revenue increased $0.1 million, or 13.7%, to $0.7 million for the quarter ended September 30, 2026, compared to $0.7 million for the quarter ended September 30, 2025, and increased $0.3 million, or 20.6% to $2.0 million for the nine months ended September 30, 2026, compared to $1.7 million for the nine months ended September 30, 2025. The increase for the three and nine months ended September 30, 2026 was primarily attributable to continued growth in new and existing accounts.

Gains (losses) on other real estate owned were $0.1 million for the quarter ended September 30, 2026, compared to none for the quarter ended September 30, 2025, and gains of $0.4 million for the nine months ended September 30, 2026, compared to losses of $0.2 million for the nine months ended September 30, 2025. The increase for the three and nine months ended September 30, 2026 is primarily attributed to a sale of other real estate owned during the three and nine months ended September 30, 2026.

Non-interest Expense

The following table shows the principal components of non-interest expense for the three and nine months ended September 30, 2026 and 2025.

	Three Months Ended September 30,				Nine Months Ended September 30,			
(dollars in thousands)	**2026**	**2025**	**$ Change**	**% Change**	**2026**	**2025**	**$ Change**	**% Change**
Salaries	$ 5,751	$ 5,738	$ 13	0.2%	$ 17,298	$ 16,519	$ 779	4.7%
Employee benefits	1,471	1,469	2	0.1	4,330	4,303	27	0.6
Occupancy expense, net	1,012	931	81	8.7	2,862	2,814	48	1.7
Furniture and equipment expense	794	683	111	16.3	2,355	2,149	206	9.6
Processing, network and bank card expense	2,602	1,372	1,230	89.7	5,439	4,216	1,223	29.0
Legal, examination, and professional fees	896	470	426	90.6	2,642	1,391	1,251	89.9
Advertising and promotion	284	252	32	12.7	723	624	99	15.9
Postage, printing, and supplies	236	354	(118)	(33.3)	737	990	(253)	(25.6)
Other	1,899	1,552	347	22.4	5,307	4,583	724	15.8
Total non-interest expense	$ 14,945	$ 12,821	$ 2,124	16.6%	$ 41,693	$ 37,589	$ 4,104	10.9%
Efficiency ratio [1]	65.0 %	62.3 %			63.3 %	63.7 %		
Adjusted efficiency ratio[1][2]	55.6	62.3			59.0	63.7		
Number of full-time equivalent employees	316	259			316	259		

(1) Efficiency ratio is calculated as non-interest expense as a percent of revenue. Total revenue is calculated as net interest income plus non-interest income.

(2) Represents a non-GAAP financial measure. See the "Non-GAAP Financial Measures" section for a reconciliation of these measures.

Total non-interest expense increased $2.1 million, or 16.6%, to $14.9 million for the quarter ended September 30, 2026, compared to $12.8 million for the quarter ended September 30, 2025, and increased $4.1 million, or 10.9%, to $41.7 million for the nine months ended September 30, 2026, compared to $37.6 million for the nine months ended September 30, 2025.

Salaries increased $0.01 million, or 0.2%, to $5.8 million for the quarter ended September 30, 2026, compared to $5.7 million for the quarter ended September 30, 2025, and increased $0.8 million, or 4.7%, to $17.3 million for the nine months ended September 30, 2026, compared to $16.5 million for the nine months ended September 30, 2025. The increase for the three and nine months ended September 30, 2026 is attributed to increases in number of full-time equivalent employees.

Occupancy expense, net, increased $0.1 million, or 8.7%, to $1.0 million for the quarter ended September 30, 2026, compared to $0.9 million for the quarter ended September 30, 2025, and increased $0.05 million, or 1.7% to $2.9 million for the nine months ended September 30, 2026, compared to $2.8 million for the nine months ended September 30, 2025. The increase for the three and nine months ended September 30, 2026 primarily resulted from additional utilities expenses incurred with bringing on additional branch locations with the FSC acquisition as well as rising energy costs.

Furniture and equipment expense increased $0.1 million, or 16.3%, to $0.8 million for the quarter ended September 30, 2026, compared to $0.7 million for the quarter ended September 30, 2025, and increased $0.2 million, or 9.6%, to $2.4 million for the nine months ended September 30, 2026, compared to $2.1 million for the nine months ended September 30, 2025. The increase is attributed to an increase in maintenance fees paid during the nine months ended September 30, 2026.

Legal, examination, and professional fees increased $0.4 million, or 90.6%, to $0.9 million for the quarter ended September 30, 2026, compared to $0.5 million for the quarter ended September 30, 2025, and increased $1.3 million, or 89.9%, to $2.6 million for the nine months ended September 30, 2026, compared to $1.4 million for the nine months ended

September 30, 2025. The increase for the three and nine months ended September 30, 2026 is attributed to legal and professional fees incurred for the FSC acquisition.

Postage, printing, and supplies decreased $0.1 million, or 33.3%, to $0.2 million for the quarter ended September 30, 2026, compared to $0.4 million for the quarter ended September 30, 2025, and decreased $0.3 million, or 25.6%, to $0.7 million for the nine months ended September 30, 2026, compared to $1.0 million for the nine months ended September 30, 2025. The decrease is attributed to customer mailings sent in conjunction with an account consolidation project in the prior year that did not recur in the current year.

Processing, network, and bank card expense increased $1.2 million, or 89.7%, to $2.6 million for the quarter ended September 30, 2026, compared to $1.4 million for the quarter ended September 30, 2025, and increased $1.2 million, or 29.0%, to $5.4 million for the nine months ended September 30, 2026, compared to $4.2 million for the nine months ended September 30, 2025. The increase is mainly attributed to contract termination fees associated with the FSC acquisition.

Other increased $0.3 million, or 22.4%, to $1.9 million for the quarter ended September 30, 2026, compared to $1.6 million for the quarter ended September 30, 2025, and increased $0.7 million, or 15.8% to $5.3 million for the nine months ended September 30, 2026, compared to $4.6 million for the nine months ended September 30, 2025. The increase is attributed to merger-related expenses associated with the FSC acquisition.

Income Taxes

Income taxes as a percentage of earnings before income taxes as reported in the consolidated financial statements was 10.0% and 15.8% for the three and nine months ended September 30, 2026, respectively, compared to 18.1% and 18.3% for the three and nine months ended September 30, 2025, respectively. The effective tax rate for each of the three and nine months ended September 30, 2026 and 2025 was lower than the U.S. federal statutory rate of 21% primarily due to tax-free revenues, as well as the utilization of federal income tax credits purchased at a discount, which reduced tax expense during the current quarter.

Lending and Credit Management

Interest earned on the loan portfolio is a primary source of interest income for the Company. Gross loans represented 78.9% of total assets as of September 30, 2026, compared to 78.5% as of December 31, 2025.

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, the 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 are as follows:

	September 30, 2026		December 31, 2025	
(dollars in thousands)	**Amount**	**% of Loans**	**Amount**	**% of Loans**
Commercial, financial, and agricultural	$ 205,274	12.1 %	$ 227,584	15.3 %
Real estate construction − residential	63,703	3.8	39,609	2.7
Real estate construction − commercial	104,871	6.2	83,846	5.6
Real estate mortgage − residential	535,934	31.7	369,636	24.9
Real estate mortgage − commercial	761,832	45.1	755,892	50.8
Installment and other consumer	18,520	1.1	10,225	0.7
Total loans held for investment	$ 1,690,134	100.0 %	$ 1,486,792	100.0 %

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.

The following table shows the categories of the Company's non-owner occupied CRE loan portfolio at September 30, 2026 and December 31, 2025:

	September 30, 2026		December 31, 2025	
(dollars in thousands)	**Amount**	**% of Loans**	**Amount**	**% of Loans**
Retail	$ 182,859	29.2 %	$ 171,366	27.9 %
Multi Family	138,170	22.1	165,663	26.9
Other Construction	66,721	10.7	55,947	9.1
1-4 Family Const	63,132	10.1	39,609	6.4
Hotel & Food Service	46,201	7.4	63,279	10.3
Office Buildings	40,472	6.5	48,028	7.8
Other Real Estate	33,859	5.4	24,379	4.0
Land Subdivision	21,100	3.4	15,765	2.6
Industrial	15,077	2.4	18,450	3.0
Residential Building Construction	9,272	1.5	5,906	1.0
Commercial and Institutional Building Construction	8,349	1.3	6,228	1.0
Total Commercial Real Estate - Non-Owner Occupied	$ 625,212	100.0 %	$ 614,620	100.0 %

The Company extends credit to its local community markets 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 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: all 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 based on 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. At September 30, 2026 and December 31, 2025, the ACL on loans included a qualitative adjustment of approximately $11.0 million and $10.3 million, respectively.

Non-Performing Assets

The following table summarizes non-performing assets at the dates indicated:

(dollars in thousands)	September 30, 2026	December 31, 2025
Non-accrual loans:		
Commercial, financial, and agricultural	$ 4,588	$ 1,003
Real estate mortgage − residential	3,679	5,656
Real estate mortgage − commercial	1,481	143
Installment and other consumer	16	34
Total	9,764	6,836
Loans contractually past due 90 days or more and still accruing:		
Real estate mortgage − residential	59	29
Installment and other consumer	5	—
Total	64	29
Total non-performing loans [(1)]	9,828	6,865
Other real estate owned and repossessed assets	101	98
Total non-performing assets [(2)]	$ 9,929	$ 6,963
Loans held for investment	$ 1,690,134	$ 1,486,792
Allowance for credit losses on loans	$ 24,443	$ 21,111
Allowance for credit losses to loans	1.45 %	1.42 %
Non-accrual loans to total loans	0.58	0.46
Non-performing loans to loans [(1)]	0.58	0.46
Non-performing assets to loans [(2)]	0.59	0.47
Non-performing assets to assets [(2)]	0.46	0.37
Allowance for credit losses to non-accrual loans	250.34	308.82
Allowance for credit losses to non-performing loans	248.71	307.52

(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 $9.9 million, or 0.59% of total loans, at September 30, 2026, compared to $7.0 million, or 0.47% of total loans, at December 31, 2025.

Total non-accrual loans at September 30, 2026 increased $2.9 million, or 42.8%, to $9.8 million compared to $6.8 million at December 31, 2025. There were $0.06 million in loans past due 90 days and still accruing interest at September 30, 2026, compared to $0.03 million at December 31, 2025. Other real estate and repossessed assets were $0.1 million at both September 30, 2026 and December 31, 2025.

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 at the end of the periods shown below:

	September 30, 2026		December 31, 2025	
(dollars in thousands)	**Amount**	**% of loans to total loans**	**Amount**	**% of loans to total loans**
Commercial, financial, and agricultural	$ 4,129	12.1 %	$ 3,655	15.3 %
Real estate construction − residential	1,770	3.8	975	2.7
Real estate construction − commercial	3,005	6.2	1,719	5.6
Real estate mortgage − residential	6,175	31.7	4,823	24.9
Real estate mortgage − commercial	9,281	45.1	9,839	50.8
Installment and other consumer	189	1.1	100	0.7
Unallocated	(106)	—	—	—
Total	$ 24,443	100.0 %	$ 21,111	100.0 %

The allowance for credit losses was $24.4 million, or 1.45% of loans outstanding, at September 30, 2026, compared to $21.1 million, or 1.42% of loans outstanding, at December 31, 2025. The ratio of the allowance for credit losses to non-performing loans was 248.71% at September 30, 2026, compared to 307.52% at December 31, 2025. The increase is mainly attributed to the PSL and PCD allowance added due to the FSC acquisition.

Provision for (Release of) Credit Losses

	Three Months Ended September 30,		Nine Months Ended September 30,	
(dollars in thousands)	**2026**	**2025**	**2026**	**2025**
Provision for (release of) credit losses on loans	$ 300	$ 375	$ 115	$ (66)
Provision for credit losses for off-balance sheet commitments	—	—	496	50
Total provision for (release of) credit losses	$ 300	$ 375	$ 611	$ (16)

The Company recognized provision for credit losses of $0.3 million and $0.6 million for the three and nine months ended September 30, 2026, respectively, compared to provision for credit losses of $0.4 million and release of provision for credit losses of $0.02 million for the three and nine months ended September 30, 2025, respectively.

The following table summarizes the credit loss experience for the periods indicated:

	Three Months Ended September 30,					
	2026			2025		
(dollars in thousands)	Net (Charge-offs) Recoveries	Average Loans	Net (Charge-offs) Recoveries / Average Loans [1]	Net (Charge-offs) Recoveries	Average Loans	Net (Charge-offs) Recoveries / Average Loans [1]
Commercial, financial, and agricultural	$ 20	$ 188,976	0.04 %	$ 25	$ 214,213	0.05 %
Real estate construction − residential	—	41,240	—	—	31,032	—
Real estate construction − commercial	27	97,282	0.11	—	64,791	—
Real estate mortgage − residential	(71)	417,688	(0.07)	13	378,863	0.01
Real estate mortgage − commercial	(3)	742,690	—	(4)	778,290	—
Installment and other consumer	(40)	11,206	(1.42)	(75)	10,950	(2.72)
Total	$ (67)	$ 1,499,082	(0.02)%	$ (41)	$ 1,478,139	(0.01)%

	Nine Months Ended September 30,					
	2026			2025		
(dollars in thousands)	Net (Charge-offs) Recoveries	Average Loans	Net (Charge-offs) Recoveries / Average Loans [1]	Net (Charge-offs) Recoveries	Average Loans	Net (Charge-offs) Recoveries / Average Loans [1]
Commercial, financial, and agricultural	$ (123)	$ 202,265	(0.08)%	$ (93)	$ 207,419	(0.06)%
Real estate construction − residential	—	40,859	—	—	29,895	—
Real estate construction − commercial	49	89,296	0.07	—	70,411	—
Real estate mortgage − residential	(61)	383,405	(0.02)	(18)	373,518	(0.01)
Real estate mortgage − commercial	(27)	741,737	—	(18)	772,091	—
Installment and other consumer	(101)	9,916	(1.36)	203	12,060	2.25
Total	$ (263)	$ 1,467,478	(0.02)%	$ 74	$ 1,465,394	0.01 %

(1) Annualized ratio of net (charge-offs) recoveries to average loans by loan type.

Net Loan Charge-Offs/Recoveries

The Company's net charge-offs were $0.1 million and $0.3 million for the three and nine months ended September 30, 2026, respectively, compared to $0.04 million and $0.07 million of net charge-offs for the three and nine months ended September 30, 2025, respectively.

Loans Held for Sale

The Company designates certain long-term fixed rate personal real estate loans as held for sale. Loans held for sale are being 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. There were $0.2 million of loans held for sale at September 30, 2026, compared to $0.6 million of loans held for sale at December 31, 2025.

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. During the nine months ended September 30, 2026, the Company sold approximately $20.8 million of loans to investors compared to $5.1 million during the nine months ended September 30, 2025.

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, not including other debt securities, federal funds sold, and excess reserves held at the Federal Reserve. The following table shows the Company's sources of funds as of September 30, 2026 and December 31, 2025.

(dollars in thousands)	**September 30, 2026**	**December 31, 2025**
Other interest bearing deposits	$ 16,294	$ 87,680
Certificates of deposit in other banks	1,000	1,000
Available-for-sale investment securities	271,093	209,939
Total	$ 288,387	$ 298,619

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 $271.1 million at September 30, 2026 and included an unrealized net loss of $39.4 million. The portfolio includes projected maturities and mortgage-backed securities pay-downs of approximately $2.5 million over the next twelve months, which offer resources to meet either new loan demand or reductions in the Company's borrowings.

The Company pledges portions of its investment securities portfolio 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 as required or permitted by law. At September 30, 2026 and December 31, 2025, the Company's unpledged securities in the available-for-sale portfolio totaled approximately $162.8 million and $108.4 million, respectively.

Total investment securities pledged for these purposes were as follows as of September 30, 2026 and December 31, 2025:

(dollars in thousands)	**September 30, 2026**	**December 31, 2025**
Federal Reserve Bank borrowings	$ 7,547	$ 8,288
Other deposits	100,732	93,177
Total pledged, at fair value	$ 108,279	$ 101,465

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. At September 30, 2026, such deposits totaled $1.67 billion and represented 93.4% of the Company's total deposits. These core deposits are normally less volatile and are often tied to other products of the Company through long lasting relationships.

Core deposits at September 30, 2026 and December 31, 2025 were as follows:

(dollars in thousands)	September 30, 2026	December 31, 2025
Non-interest bearing demand	$ 476,837	$ 423,568
Interest checking	400,727	372,595
Savings and money market	524,775	453,972
Other time deposits	271,242	213,008
Total	$ 1,673,581	$ 1,463,143

Estimated uninsured deposits totaled $341.9 million, including $112.4 million of certificates of deposit, at September 30, 2026, compared to $384.6 million, including $90.5 million of certificates of deposit, at December 31, 2025. The Company's brokered deposits were $5.0 million at September 30, 2026 and $0.5 million at December 31, 2025.

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 federal funds purchased, advances from the FHLB 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 September 30, 2026, under agreements with these unaffiliated banks, the Bank may borrow up to $35.0 million in federal funds on an unsecured basis and $7.0 million on a secured basis. There were no federal funds purchased outstanding at September 30, 2026. 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 September 30, 2026.

The Bank is a member of the FHLB and has access to credit products of the FHLB. As of September 30, 2026, the Bank had $74.3 million in outstanding borrowings with the FHLB. In addition, the Company has $54.7 million in outstanding subordinated notes issued to wholly-owned grantor trusts, funded by preferred securities issued by the trusts.

Borrowings outstanding at September 30, 2026 and December 31, 2025 were as follows:

(dollars in thousands)	September 30, 2026	December 31, 2025
Federal Home Loan Bank advances	$ 74,272	$ 102,000
Other borrowings	71	86
Subordinated notes	54,682	49,486
Total	$ 129,025	$ 151,572

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 to borrow from these entities. Based on the type and value of collateral pledged, the FHLB establishes a collateral value from which the Company may draw advances against this collateral. This collateral is also used to enable the FHLB to issue letters of credit in favor of public fund depositors of the Company. The Federal Reserve Bank also establishes a collateral value of assets pledged to support borrowings from the discount window.

The following table reflects collateral value of assets pledged, borrowings, and letters of credit outstanding, in addition to the estimated future funding capacity available to the Company as of September 30, 2026 and December 31, 2025:

	September 30, 2026				December 31, 2025			
(dollars in thousands)	FHLB	Federal Reserve Bank	Federal Funds Purchased Lines	Total	FHLB	Federal Reserve Bank	Federal Funds Purchased Lines	Total
Advance equivalent	$ 402,512	$ 6,997	$ 35,000	$ 444,509	$ 437,998	$ 7,796	$ 35,000	$ 480,794
Letters of credit	(68,375)	—	—	(68,375)	(81,625)	—	—	(81,625)
Advances outstanding	(74,272)	—	—	(74,272)	(102,000)	—	—	(102,000)
Total available	$ 259,865	$ 6,997	$ 35,000	$ 301,862	$ 254,373	$ 7,796	$ 35,000	$ 297,169

At September 30, 2026, loans of $662.7 million were pledged to the FHLB as collateral for borrowings and letters of credit. At September 30, 2026, investments with a market value of $7.5 million were pledged to secure federal funds purchase lines and borrowing capacity at the Federal Reserve Bank.

Based upon the above, management believes the Company has more than adequate liquidity, both on balance sheet and through additional funding capacity with the FHLB, the Federal Reserve Bank and Federal funds purchased lines, to meet future anticipated liquidity needs in both the short- and long-term.

Sources and Uses of Funds

Cash and cash equivalents were $33.8 million at September 30, 2026, compared to $104.3 million at December 31, 2025 and $99.9 million at September 30, 2025. The $70.6 million decrease since December 31, 2025 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 nine months ended September 30, 2026. Cash flow provided by operating activities consists mainly of net income adjusted for certain non-cash items. Operating activities provided total cash of $16.3 million for the nine months ended September 30, 2026.

Investing activities, consisting mainly of purchases, sales and maturities of available-for-sale securities, and changes in the level of the loan portfolio, provided total cash of $53.2 million during the nine months ended September 30, 2026. The cash inflow primarily consisted of $18.3 million of proceeds from maturities and calls of available-for-sale securities and a $88.2 million net decrease in loans held for investment, partially offset by $45.3 million in purchases of securities.

Financing activities used total cash of $140.1 million during the nine months ended September 30, 2026, resulting primarily from a $76.7 million decrease in interest bearing transaction accounts, a $3.9 million decrease in time deposits, a $7.9 million decrease in demand deposits, and a $48.7 million net decrease in FHLB advances, partially offset by a $1.9 million increase from financing obligations.

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 $559.3 million in unused loan commitments and standby letters of credit as of September 30, 2026. Although the Company’s current liquidity resources are adequate to fund this commitment level, the nature of these commitments is such that the likelihood of such a funding demand is very low.

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, paying cash dividends to its shareholders and, to a lesser extent, repurchasing its shares of common stock. The Company paid cash dividends to its shareholders totaling approximately $4.3 million and $4.0 million during the nine months ended September 30, 2026 and 2025, respectively. A large portion of the Company’s liquidity is obtained from the Bank in the form of dividends. The Bank declared $18.0 million and $16.0 million in dividends to the Company during the nine months ended September 30, 2026 and 2025, respectively. At September 30, 2026 and December 31, 2025, the Company had cash and cash equivalents totaling $18.7 million and $25.5 million, respectively. Subject to declaration by the Company's Board of Directors, the Company expects to continue paying quarterly cash dividends as a part of its current capital allocation strategy. Future dividends will be subject to the determination, declaration and discretion of the Company's Board of Directors and compliance with applicable regulatory capital requirements.

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. The Company repurchased 12,000 common shares under its repurchase programs during the first nine months of 2026 at an average cost of $32.68 per share totaling $0.4 million. On July 29, 2026, the Company’s Board of Directors amended the repurchase

program to increase the authorized repurchase limit to $10.0 million. As of September 30, 2026, $10.0 million remained available for share repurchases pursuant to the Company's current repurchase program.

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 us with financial flexibility to raise capital from the offering of up to $150 million of any combination of common stock, preferred stock, debt securities, depositary shares, warrants, purchase contracts, purchase units, subscription rights and units in one or multiple offerings while the shelf registration statement is effective.

On September 3, 2026, the Company completed its acquisition of the FSC entities whereby FSC Bancshares, Inc. was merged with and into the Company and Farmers State Bank was merged with and into the Bank. Pursuant to the merger agreement executed on April 29, 2026, the Company paid approximately $17.0 million of cash consideration and issued 413,042 shares of the Company's common stock. The Company and the Bank assumed all of the assets and liabilities of the FSC entities with which they merged by operation of law. The acquisition added nine full-service branch locations located in northern Missouri. Refer to Note 17, "Acquisition", in the Company's consolidated financial statements for further details regarding this transaction.

Capital Management

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 September 30, 2026, 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 both September 30, 2026 and December 31, 2025. 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 Company had less than $15.0 billion in total consolidated assets as of December 31, 2009, the Company is allowed to continue including its trust preferred securities, all of which were issued prior to May 19, 2010, as Tier 1 capital.

Under the Basel III Capital Rules, at both September 30, 2026 and 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 following table as of the dates indicated:

	Actual		Minimum Capital Required - Basel III Fully Phased-In		Required to be Considered Well-Capitalized	
(dollars in thousands)	Amount	Ratio	Amount	Ratio	Amount	Ratio
September 30, 2026						
Total Capital (to risk-weighted assets):						
Company	$ 262,103	14.29 %	$ 192,590	10.50 %	$ —	N/A
Bank	243,916	13.40	191,173	10.50	182,069	10.00 %
Tier 1 Capital (to risk-weighted assets):						
Company	$ 239,137	13.04 %	$ 155,907	8.50 %	$ —	N/A
Bank	221,116	12.14	154,759	8.50	145,655	8.00 %
Common Equity Tier 1 Capital (to risk-weighted assets):						
Company	$ 186,097	10.15 %	$ 128,394	7.00 %	$ —	N/A
Bank	221,116	12.14	127,449	7.00	118,345	6.50 %
Tier 1 leverage ratio (to adjusted average assets):						
Company	$ 239,137	12.59 %	$ 75,953	4.00 %	$ —	N/A
Bank	221,116	11.73	75,953	4.00	94,941	5.00 %
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:						
Company	$ 227,237	12.12 %	$ 74,994	4.00 %	$ —	N/A
Bank	203,097	10.90	74,546	4.00	93,183	5.00 %

Non-GAAP Financial Measures

We identify certain financial measures discussed in this Quarterly Report as being “non-GAAP financial measures” including “tangible common stockholders’ equity”, “tangible book value per share”, “adjusted efficiency ratio”, “adjusted net income”, “adjusted basic earnings per share”, “adjusted diluted earnings per share”, “adjusted return on average assets”, “adjusted return on average stockholders’ equity”, “return on average tangible stockholders’ equity”, and “adjusted return on average tangible stockholders’ equity”. We consider the use of select non-GAAP financial measures and ratios to be useful for financial and operational decision making and useful in evaluating period-to-period comparisons. We believe that these non-GAAP financial measures provide meaningful supplemental information to investors regarding our performance by excluding certain expenditures or gains that we believe are not indicative of our primary business results. Prior periods have been adjusted where applicable to reflect consistent application.

The non-GAAP financial measures that we discuss in this Quarterly Report should not be considered in isolation or as a substitute for the most direct comparable financial measures calculated in accordance with GAAP. The non-GAAP financial measures used by our peers or other companies may differ from the non-GAAP financial measures that we are presenting. Management believes that these measures are important to many investors interested in changes from period to period in these areas.

A reconciliation of non-GAAP financial measures to comparable GAAP financial measures follows:

	Quarter Ended			Nine Months Ended	
	September 30, 2026	June 30, 2026	September 30, 2025	September 30, 2026	September 30, 2025
Adjusted net income:					
Net income	$ 7,062	$ 7,326	$ 6,132	$ 20,131	$ 17,616
Add: Acquisition Costs	1,955	557	—	2,634	—
Less: Tax effect[1]	(411)	(117)	—	(553)	—
Adjusted net income	$ 8,606	$ 7,766	$ 6,132	$ 22,212	$ 17,616
Weighted average common shares outstanding	6,999,449	6,895,811	6,908,248	6,931,289	6,942,043
Diluted weighted average common shares outstanding	7,017,346	6,906,497	6,922,020	6,946,821	6,955,109
Earnings per common share	**$ 1.01**	**$ 1.06**	**$ 0.89**	**$ 2.90**	**$ 2.54**
Adjusted earnings per common share	**$ 1.23**	**$ 1.13**	**$ 0.89**	**$ 3.20**	**$ 2.54**
Diluted earnings per common share	**$ 1.01**	**$ 1.06**	**$ 0.88**	**$ 2.90**	**$ 2.53**
Adjusted diluted earnings per common share	**$ 1.23**	**$ 1.12**	**$ 0.88**	**$ 3.20**	**$ 2.53**

	Quarter Ended			Nine Months Ended	
	September 30, 2026	June 30, 2026	September 30, 2025	September 30, 2026	September 30, 2025
Adjusted return on average assets:					
Net income	$ 7,062	$ 7,326	$ 6,132	$ 20,131	$ 17,616
Adjusted net income	8,606	7,766	6,132	22,212	17,616
Average assets	$ 1,895,259	$ 1,803,267	$ 1,828,679	$ 1,847,395	$ 1,815,457
Return on average assets	**1.48 %**	**1.63 %**	**1.33 %**	**1.46 %**	**1.30 %**
Adjusted return on average assets	**1.80 %**	**1.73 %**	**1.33 %**	**1.61 %**	**1.30 %**

	Quarter Ended			Nine Months Ended	
	September 30, 2026	June 30, 2026	September 30, 2025	September 30, 2026	September 30, 2025
Adjusted return on average common equity:					
Net income attributable to common shareholders	$ 7,062	$ 7,326	$ 6,132	$ 20,131	$ 17,616
Adjusted net income attributable to common shareholders	8,606	7,766	6,132	22,212	17,616
Average common equity	187,933	179,233	159,900	181,838	155,690
Less: goodwill and other intangible assets	(25,999)	—	—	(25,999)	—
Average tangible common equity	$ 161,934	$ 179,233	$ 159,900	$ 155,839	$ 155,690
Return on average common equity	**14.91 %**	**16.39 %**	**15.21 %**	**14.80 %**	**15.13 %**
Adjusted return on average common equity	**18.17 %**	**17.38 %**	**15.21 %**	**16.33 %**	**15.13 %**
Return on average tangible common equity	**17.30 %**	**16.39 %**	**15.21 %**	**17.27 %**	**15.13 %**
Adjusted return on average tangible common equity	**21.09 %**	**17.38 %**	**15.21 %**	**19.06 %**	**15.13 %**

	Quarter Ended			Nine Months Ended	
	September 30, 2026	June 30, 2026	September 30, 2025	September 30, 2026	September 30, 2025
Adjusted Efficiency Ratio					
Non-interest expense	$ 14,945	$ 13,747	$ 12,821	$ 41,693	$ 37,589
Less: acquisition costs	(1,955)	(557)	—	(2,634)	—
Less core deposit intangible amortization	(196)	—	—	(196)	—
Adjusted non-interest expense	$ 12,794	$ 13,190	$ 12,821	$ 38,863	$ 37,589
Net interest income	19,290	17,258	16,865	53,650	48,301
Non-interest income	3,704	5,377	3,716	12,180	10,724
Total income	$ 22,994	$ 22,635	$ 20,581	$ 65,830	$ 59,025
Efficiency Ratio	**65.00 %**	**60.73 %**	**62.30 %**	**63.33 %**	**63.68 %**
Adjusted Efficiency Ratio	**55.64 %**	**58.27 %**	**62.30 %**	**59.04 %**	**63.68 %**

	Quarter Ended			Nine Months Ended	
	September 30, 2026	June 30, 2026	September 30, 2025	September 30, 2026	September 30, 2025
Tangible common stockholders' equity:					
Total stockholders' equity	$ 191,040	$ 182,794	$ 164,938	$ 191,040	$ 164,938
Less: goodwill and other intangible assets	(25,999)	—	—	(25,999)	—
Tangible common stockholders' equity	$ 165,041	$ 182,794	$ 164,938	$ 165,041	$ 164,938
Weighted average common shares outstanding	6,999,449	6,895,811	6,908,248	6,931,289	6,942,043
Diluted weighted average common shares outstanding	7,017,346	6,906,497	6,922,020	6,946,821	6,955,109
Book value per common share	**$ 27.29**	**$ 26.51**	**$ 23.88**	**$ 27.56**	**$ 23.76**
Tangible book value per common share	**$ 23.58**	**$ 26.51**	**$ 23.88**	**$ 23.81**	**$ 23.76**
Book value per diluted common share	**$ 27.22**	**$ 26.47**	**$ 23.83**	**$ 27.50**	**$ 23.71**
Tangible book value per diluted common share	**$ 23.52**	**$ 26.47**	**$ 23.83**	**$ 23.76**	**$ 23.71**

Item 3. 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 the sensitivity of the Company's assets and liabilities to interest rate changes and local and national market conditions. 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 ("bps") increase and a 200 and 100 bps decrease in interest rates on net interest income for the next 12 months based on the interest rate risk model at September 30, 2026 and December 31, 2025.

	% Change in projected net interest income	
Hypothetical shift in interest rates *(bps)*	**September 30, 2026**	**December 31, 2025**
200	0.31%	(0.43)%
100	0.21	(0.09)
(100)	(0.77)	(0.49)
(200)	(2.48)	(1.58)

The change in the interest rate risk exposure from December 31, 2025 to September 30, 2026 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 faster than interest bearing liabilities providing slightly more 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 these 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.

Effects of Inflation

The effects of inflation on financial institutions are different from the effects on other commercial enterprises since 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 ended September 30, 2026.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our Company's management has evaluated, with the participation of our principal executive officer and principal financial officer, the effectiveness of our disclosure controls and procedures as of September 30, 2026. The term "disclosure controls and procedures," as defined in Rules 13a - 15(e) and 15d - 15(e) of the Securities Exchange Act of 1934, means controls and procedures that are designed to provide reasonable assurance that information required to be disclosed in the reports we file and submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported as and when required. Based upon and as of the date of that evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were not effective due to the material weakness in internal control over financial reporting described below.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. As previously reported, during the preparation of our financial statements for the periods ended March 31, 2026 and June 30, 2026, management identified a material weakness in the Company's internal control over financial reporting related to the evaluation and application of U.S. GAAP to certain non-routine transactions. This material weakness was evidenced by errors identified in the accounting for a sale-leaseback transaction under ASC 842-40 during the quarter ended March 31, 2026, in the accounting for a low-income housing tax credit investment under ASC 323-740 during the quarter ended June 30, 2026, and in the accounting for purchased tax credits under ASC 740 during the quarter ended September 30, 2026. As of September 30, 2026, the material weakness had not been remediated. Management is in the process of developing remediation measures to address this material weakness, including enhancing its accounting review procedures for non-routine transactions, strengthening controls over the evaluation of technical accounting matters, engaging additional external resources with specialized accounting expertise when appropriate, and formalizing procedures for evaluating and documenting the accounting conclusions for non-routine transactions. Management may determine to take additional measures to address the material weakness or modify the remediation efforts described above. The material weakness will be considered remediated after applicable controls operate for a sufficient period of time, and management has concluded that the controls are effective.

Notwithstanding the material weakness, and based on additional analyses and other procedures management performed, we have concluded that our consolidated financial statements included in this Quarterly Report on Form 10-Q present fairly, in all material respects, our financial position and results of operations and cash flows as of each of the dates, and for each of the periods, presented herein. The material weakness did not result in any identified misstatements or require any restatement of our consolidated financial statements for any prior periods.

It should be noted that any system of disclosure controls and procedures, however well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of the system are met. In addition, the design of any system of disclosure controls and procedures is based in part upon assumptions about the likelihood of future events. Because of these and other inherent limitations of any such system, there can be no assurance that any design will always succeed in achieving its stated goals under all circumstances.

Changes in Internal Control Over Financial Reporting

Except as disclosed above, there have been no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) or 15d-15(f) of the Securities Exchange Act of 1934) that occurred during the three months ended September 30, 2026 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

The information required by this Item is set forth under the caption “Pending Litigation” in *Note 14 - Commitments and Contingencies,* in the Company’s consolidated financial statements (*unaudited)*.

Item 1A. Risk Factors

There have been no material changes in the risk factors previously disclosed under Part I, Item 1A of the 2025 Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

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 quarter ended September 30, 2026:

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]
July 2026	—	$ —	—	$ 10,000,000
August 2026	—	—	—	10,000,000
September 2026	—	—	—	10,000,000
Total	—	$ —	—	$ 10,000,000

l) 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 by the Company from time to time, as well as the timing of any such repurchases. 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. On July 29, 2026, the Company’s Board of Directors amended the repurchase program to increase the authorized repurchase limit back to $10.0 million. The Company did not repurchase any common shares under its repurchase program during the third quarter of 2026. As of September 30, 2026, $10.0 million remained available for share repurchases pursuant to the Company's current repurchase program.

The Company’s ability to pay dividends to its shareholders and repurchase shares is affected by the Company's financial condition and liquidity, general corporate law requirements and the regulations and policies of U.S. federal regulatory authorities applicable to bank holding companies, including the Basel III Capital Rules. The Company's principal source of funds to pay dividends on its common stock and to repurchase shares, other than further issuances of securities, is dividends received from the Bank. The ability of the Bank to pay dividends to the Company depends on the earnings and financial condition of the Bank and various business considerations. In addition, the Bank is subject to federal and state laws limiting the payment of dividends, including the Federal Deposit Insurance Act and Missouri banking law. Future dividends declared and paid by the Company are subject to the determination, declaration and discretion of the Company's Board of Directors and compliance with applicable regulatory capital requirements.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

During the three months ended September 30, 2026, no director or officer of the Company adopted, modified 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. There were no reportable events during the quarter ended September 30, 2026 otherwise reportable under this Item 5.

Item 6. Exhibits

Exhibit No.	Description
3.1	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).
3.2	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).
4.1	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).
31.1	Certification of the Chief Executive Officer of the Company pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Chief Financial Officer of the Company pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of the Chief Executive Officer of the Company pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of the Chief Financial Officer of the Company pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
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.
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).

SIGNATURES

Pursuant to the requirements 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.

Date	
	/s/ Brent M. Giles
November 9, 2026	Brent M. Giles, Chief Executive Officer (Principal Executive Officer)
	/s/ Chris E. Hafner
November 9, 2026	Chris E. Hafner, Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)

Exhibit 31.1

CERTIFICATIONS

I, Brent M. Giles, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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(s) 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: November 9, 2026

/s/ Brent M. Giles

Brent M. Giles

Chief Executive Officer (Principal Executive Officer)

Exhibit 31.2

CERTIFICATIONS

I, Chris E. Hafner, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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(s) 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: November 9, 2026

/s/ Chris E. Hafner

Chris E. Hafner

Chief Financial Officer

Exhibit 32.1

Certification of Chief Executive Officer

In connection with the Quarterly Report of Hawthorn Bancshares, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2026 as filed with the Securities and Exchange Commission (the "Report"), I, Brent M. Giles, Chief Executive Officer of our 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 Report 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: November 9, 2026

/s/ Brent M. Giles

Brent M. Giles

Chief Executive Officer (Principal Executive Officer)

Exhibit 32.2

Certification of Chief Financial Officer

In connection with the Quarterly Report of Hawthorn Bancshares, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2026 as filed with the Securities and Exchange Commission (the "Report"), I, Chris E. Hafner, Chief Financial Officer of our 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 Report 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: November 9, 2026

/s/ Chris E. Hafner

Chris E. Hafner

Chief Financial Officer