



Another Year of Growth

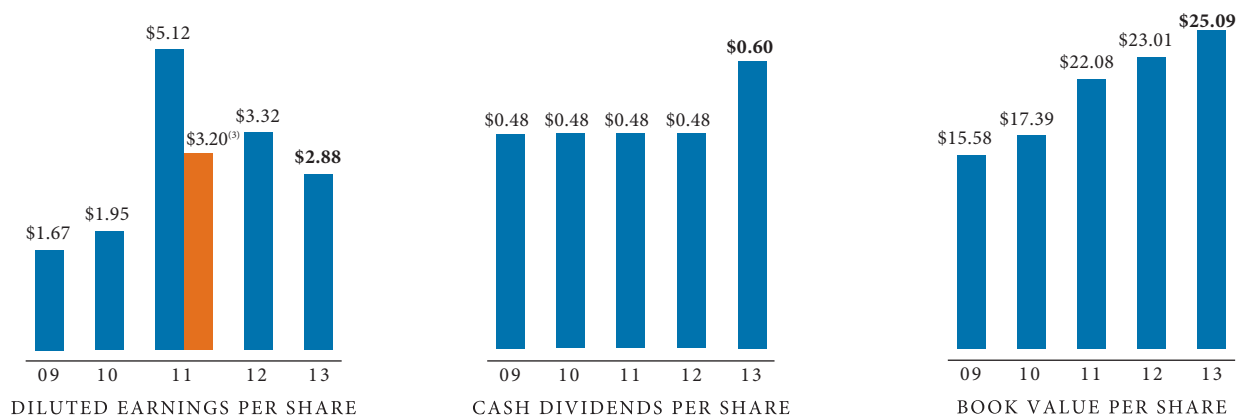
Southern Missouri Bancorp, Inc. | 2013 Annual Report

> FINANCIAL SUMMARY <

	2013	2012	CHANGE(%)
EARNINGS (dollars in thousands)			
Net interest income	\$ 28,790	\$ 29,022	-0.8%
Provision for loan losses	1,716	1,785	-3.9
Noninterest income	4,468	4,063	10.0
Noninterest expense	17,521	16,605	5.5
Income taxes	3,954	4,597	-14.0
Net income	10,067	10,098	-0.3
Effective dividend on preferred shares	345	518	-33.4
Net income available to common stockholders	9,722	9,580	1.5
PER COMMON SHARE			
Net income:			
Basic	\$ 2.95	\$ 3.43	-14.0
Diluted	2.88	3.32	-13.3
Tangible book value	24.77	22.56	9.8
Closing market price	25.67	21.50	19.4
Cash dividends declared	.60	.48	25.0
AT YEAR-END (dollars in thousands)			
Total assets	\$ 796,391	\$ 739,189	7.7
Loans, net of allowance	647,166	583,465	10.9
Reserves as a percent of nonperforming loans	584%	312%	
Deposits	\$ 632,379	\$ 584,814	8.1
Stockholders' equity	101,829	94,728	7.5
FINANCIAL RATIOS			
Return on average common stockholders' equity	12.34%	15.15%	
Return on average assets	1.32	1.37	
Net interest margin	4.02	4.12	
Efficiency ratio	52.68	50.19	
Allowance for loan losses to loans	1.28	1.27	
Equity to average assets at year-end	13.32	12.83	
OTHER DATA ⁽¹⁾			
Common shares outstanding	3,294,040	3,287,440	
Common shares outstanding for book value calculation ⁽²⁾	3,262,040	3,247,440	
Average common and dilutive shares outstanding	3,375,553	2,888,913	
Common stockholders of record	249	245	
Full-time equivalent employees	173	177	
Assets per employee (in thousands)	\$ 4,603	\$ 4,176	
Banking offices	18	18	

⁽¹⁾ Other data is as of year-end, except for average shares.

⁽²⁾ Excludes unvested restricted stock award shares.



⁽³⁾ Diluted Earnings Per Share for fiscal 2011, excluding impact of bargain purchase gain on Acquisition, net of related tax and transaction expenses. (See "Non-GAAP Financial Information" included in Item 7 of our Annual Report.)



Dear Shareholder,

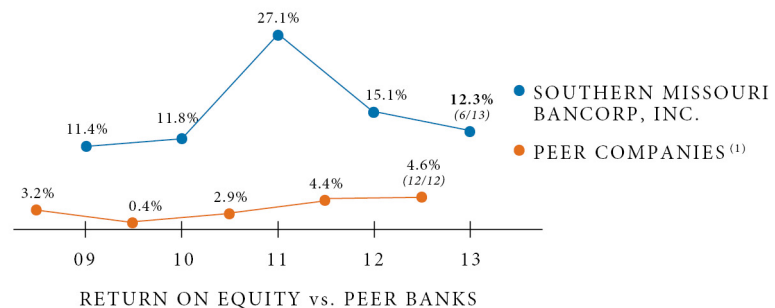
Fiscal 2013 saw Southern Missouri Bancorp improve core profitability, experience significant loan and deposit growth, sign a definitive merger agreement that should contribute additional growth in the next fiscal year, and continue evaluation of other acquisition opportunities.

For fiscal 2013, net income available to common shareholders was \$9.7 million, an increase of 1.5% from the \$9.6 million earned in fiscal 2012. Because of the November 2011 common stock offering, average common shares outstanding increased, resulting in a decrease in earnings per share. We earned \$2.88 per fully diluted share in fiscal 2013, down from \$3.32 in the prior fiscal year.

The Company generated a return on common equity of 12.3%, and a return on average assets of 1.32% for fiscal 2013, as compared to 15.1% and 1.37%, respectively, in fiscal 2012. The December 2010 acquisition of the former First Southern Bank, Batesville, Arkansas (the "Acquisition"), continued to positively affect results through the accretion of fair value discount on acquired loans and the amortization of fair value premium on assumed time deposits, but the impact was much lower.

Return on common equity compares well to peer banks

The Company's returns have been reduced over the last two years by the declining impact of the Acquisition, while peer banks are slowly improving.



With the Acquisition in fiscal 2011, the Company recorded the acquired loan portfolio at a fair value discount, most of which would be recognized as interest income as it was accreted over time. Along with a much smaller premium to be amortized on the acquired time deposit portfolio, the accretion of the fair value discount contributed \$1.4 million (pre-tax) to net interest income in fiscal 2013, as compared to \$3.9 million (pre-tax) in fiscal 2012. We estimate that this "non-core" item improved fiscal 2013 results (after-tax) by approximately \$873,000, and fiscal 2012 results (after-tax) by approximately \$2.4 million.

Net income available to common shareholders, excluding this non-core item, approximated \$8.8 million in fiscal 2013, as compared to \$7.1 million in fiscal 2012. These non-GAAP figures would have resulted in a return on average assets of 1.20% in fiscal 2013, as compared to 1.04% in fiscal 2012, and a return on average common equity of 11.2% in fiscal 2013, as compared to 11.3% in fiscal 2012. Net interest margin excluding these non-core

⁽¹⁾ Peer data is based on the median year-end figures (December) from SNL DataSource's Index of publicly traded commercial banks and thrifts with assets of \$100 million to \$1 billion, headquartered in Missouri, Arkansas, Illinois, Iowa, Kansas, Kentucky, Nebraska, Oklahoma, and Tennessee. SMBC data is as of fiscal year-end (June).

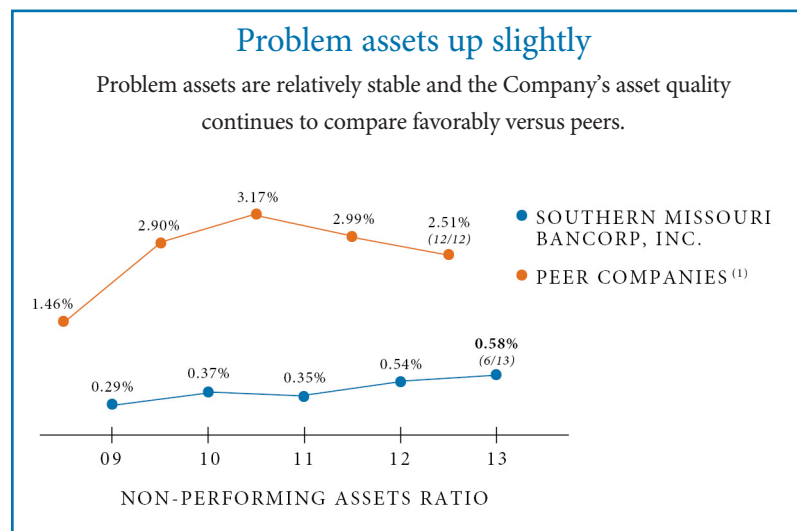
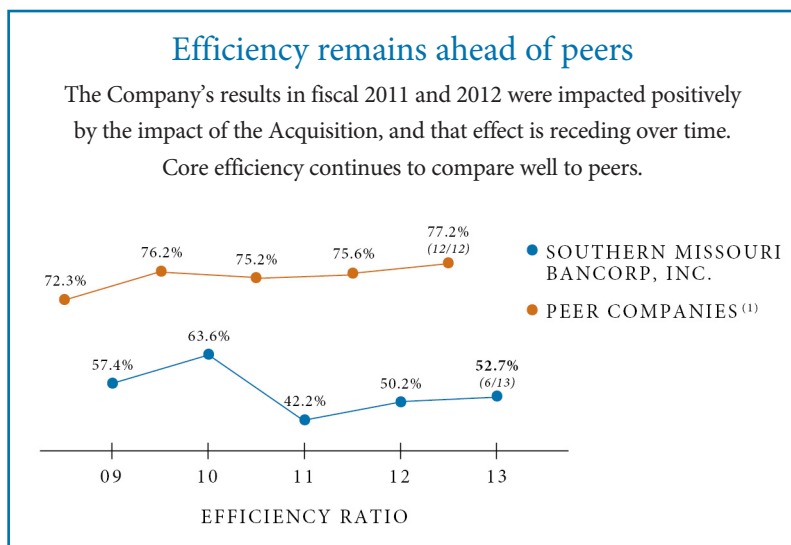
items would have approximated 3.83% in fiscal 2013, as compared to 3.55% in fiscal 2012. As the acquired loan portfolio continues to repay, the impact should significantly dissipate further in fiscal 2014. (See “Non-GAAP Financial Information” included in Item 7 of our Annual Report.)

The improvement in margin, exclusive of the non-core discount accretion, was the result primarily of the redeployment of cash equivalent balances into relatively higher-yielding loans and investment securities. Average loan balances increased 10.8% over the prior fiscal year, mostly offsetting the downward repricing of most assets during fiscal 2013.

Noninterest income improved 10.0% in fiscal 2013, as a revamped overdraft privilege program produced solid results in the second half of the fiscal year. Bank card interchange revenue improved on higher transaction volume, and we benefitted from a bank-owned life insurance investment completed late in fiscal 2012. The comparison would have actually been more favorable but for a fiscal 2012 benefit from settlement of a legal claim obtained in the Acquisition.

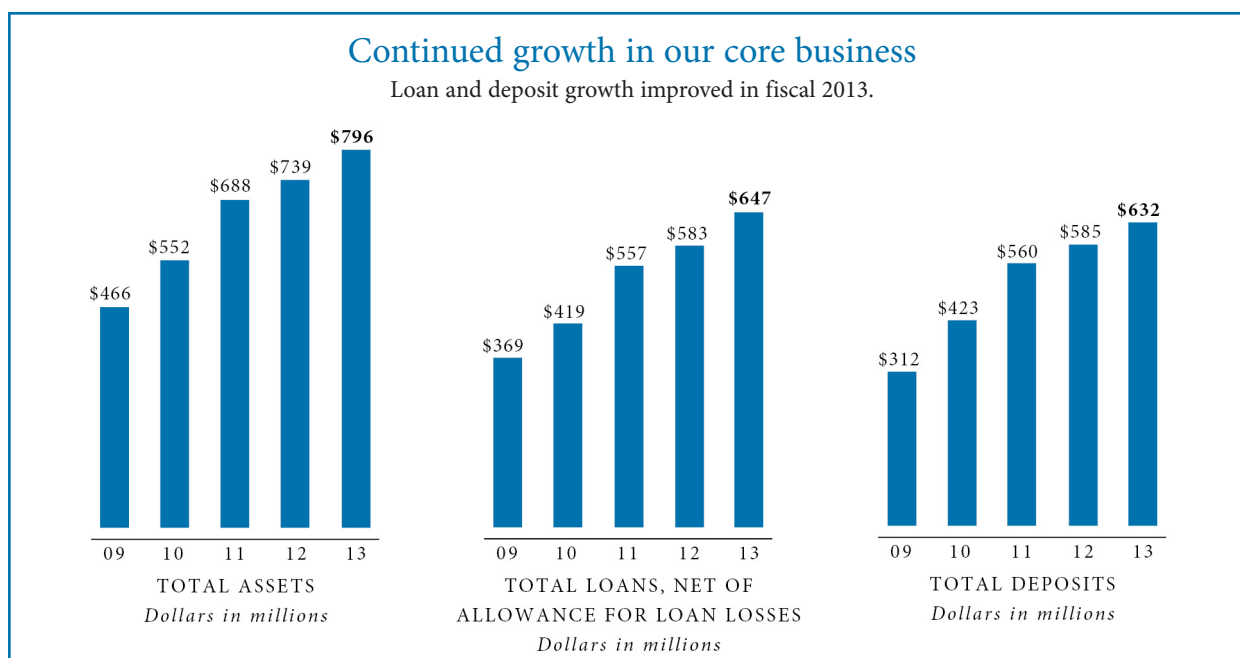
Noninterest expense increased just 5.5% for fiscal 2013. But, this increase is in comparison to fiscal 2012 which included prepayment penalties of approximately \$476,000 on FHLB advances. Increases in compensation and occupancy resulted in some deterioration of our efficiency ratio, to 52.7%, as compared to 50.2% in the prior fiscal year, but the efficiency ratio is also significantly impacted by the reduced fair value discount accretion discussed above.

Loan and deposit growth was strong in fiscal 2013, as we experienced benefit from recent expansion into new markets. Loan growth of \$63.7 million, or 10.9%, was the result of increases in our commercial and agricultural real estate loans, and residential multi-family and single-family loans. Deposit growth of \$47.6 million, or 8.1%, was concentrated in certificates of deposit, interest-bearing checking, and money market deposit accounts.



Nonperforming assets increased to \$4.6 million, or 0.58% of total assets, at June 30, 2013, as compared to \$4.0 million, or 0.54% of assets, at June 30, 2012, as asset quality continued to compare very favorably to peers. At June 30, 2013, non-performing loans were 0.22% of gross loans, as compared to 0.41% of gross loans at June 30, 2012. Net charge-offs were 0.13% of average loans outstanding for fiscal 2013, unchanged from fiscal 2012.

Book value per common share increased to \$25.09 at June 30, 2013, up 9.0% over the prior fiscal year end. Tangible book value



per share, a non-GAAP measure, improved to \$24.77 at June 30, 2013, up 9.8%. Our closing stock price for the fiscal year was \$25.67, up 19.4%, compared to the previous year end. Over that same one-year period, the SNL U.S. Bank Index increased 34.7%. That disparity might indicate that we are underperforming our peers, however, a look at a longer timeline shows that in the three years ended June 30, 2013, our stock price has increased 70.0%, as compared to a 36.4% price increase in the SNL U.S. Bank Index during that period. Including dividends, SMBC has returned 82.8% over that three-year period, while the SNL U.S. Bank Index has returned 43.1%.

Our dividends paid during fiscal 2013 represented a 2.3% return on our closing stock price on the final day of the fiscal year, and a 2.5% return on our average closing stock price for fiscal 2013. In July 2013, the board was pleased to increase our dividend by 6.7%, to \$0.16 per quarter, effective with the August 2013 payment.

Tangible common equity as a percentage of tangible assets stood at 10.2% at the end of fiscal 2013, as compared to 10.0% at the end of fiscal 2012, providing a sound equity base from which to continue to grow the Company.

Our goals for 2014 include:

- **Identification of additional acquisition opportunities in order to profitably leverage capital, build scale, and improve efficiency.** We believe regulatory and competitive pressures in the industry will continue to encourage smaller community banks to look for partners, and we want to evaluate these opportunities both as a strategic and financial opportunity, achieving long-term objectives without losing our focus on near-term results.
- **Successful integration of our recently-announced acquisition.** The Bank of Thayer acquisition is scheduled for closing early in the fourth calendar quarter, and we expect systems integration to be complete before the end of the calendar year. We are looking forward to doing business in these new markets and bringing Bank of Thayer employees into our Southern Bank family.
- **Continuing to add or reposition branch locations in key markets.** We transitioned into a new facility for our location in Batesville, Arkansas, and added a second facility in Jonesboro, Arkansas, during

fiscal 2013. Additionally, just before this letter went to press in early fiscal 2014, we moved into a newly-completed facility for our Searcy, Arkansas market. Additional needs remain, but we want to make certain these investments are made wisely and with an eye towards expected changes in consumer behavior.

- **A focus on growth in transaction account funding.** While our loan growth in fiscal 2013 was outstanding, and deposit growth mostly kept pace, deposit growth was overly-reliant on time deposits. We believe long-term stability of our funding base can continue to improve with a focus on transaction account funding.
- **As always, long-term improvement in shareholder value remains our top priority.** Recent increases in our stock price are encouraging, but we will continue to focus on what we can control: long-term growth in earnings per share and tangible book value. We know these will, over time, be the driver of improved shareholder value.

In recent years, it's sometimes been difficult to adequately convey just how pleased I am with the strategic progress our Company has achieved in improving our core business, so let me allow others to say it for me: in the last year we have been recognized for a third consecutive year as one of the top community banks in the United States by both SNL Financial and *American Banker*. I am very proud of the accomplishments made by our great team of bankers, acting on the opportunities provided to them daily in the communities we call home, and we can't say enough good things about the customer base that chooses to bank with us.

Finally, I thank you, our shareholder, for your continued investment in Southern Missouri Bancorp. We look forward to another year of putting your capital to work, profitably meeting the financial needs of our communities.



GREG STEFFENS
PRESIDENT and CHIEF EXECUTIVE OFFICER
SOUTHERN MISSOURI BANCORP, INC.

James W. Tatum

November 14, 1925 - January 28, 2013

With sadness, and appreciation for his service, we note the passing of James W. Tatum. Mr. Tatum was a director emeritus at the time of his passing, regularly attending our board meetings, providing us with his counsel, and eager to see our continued success.

We will remember Mr. Tatum for his commitment to his family, community, and profession. His marriage of 60 years to his wife, Gretchen, produced four children who are a living testimony of the home they made. An active participant in the civic development of our community, Mr. Tatum served his country with valor in World War II, earning the Bronze Star. Professionally, Mr. Tatum was a success, as well: his work ethic and devotion to his clients grew his accounting firm, and he served his vocation through numerous professional associations.



Mr. Tatum's tenure on our board began in 1983, when we were still a mutual thrift, and lasted through our conversion to stock ownership and a bank charter. He witnessed impressive changes in our industry and our institution, and we are a better Company for his 30 years of service.

> DIRECTORS *and* OFFICERS <



Standing: Charles Love, Ronnie Black, Sam Schalk, Rebecca Brooks, Dennis Robison, Charles Moffitt, David Tooley
Seated: Samuel Smith, Greg Steffens, Douglas Bagby

SOUTHERN MISSOURI BANCORP, INC.

Directors

Samuel H. Smith
Chairman of the Board;
Retired Engineer and former Majority
Owner, S.H. Smith and Company, Inc.

L. Douglas Bagby
Vice-Chairman of the Board;
City Manager, City of Poplar Bluff

Ronnie D. Black
Retired Executive Director,
General Association of General Baptists

Sammy A. Schalk
President,
Gamblin Lumber Company

Greg A. Steffens
President and Chief Executive Officer,
Southern Missouri Bancorp, Inc.

Rebecca M. Brooks
Financial Manager,
McLane Transport

Charles R. Love
Certified Public Accountant,
Kraft, Miles and Tatum

Charles R. Moffitt
Agency Manager,
Morse Harwell Jiles Insurance Agency

Dennis C. Robison
President, Robison Farms, Inc.

David J. Tooley
Retired President and CEO,
Metropolitan National Bank

Leonard W. Ehlers
Director Emeritus,
Retired Court Reporter,
36th Judicial Circuit



PLEASE JOIN US

at our 2013 Annual Meeting, where shareholders will hear
management review this year's performance in detail.

ANNUAL MEETING

MONDAY, OCTOBER 28, 2013 AT 9:00 AM
CHAMBER OF COMMERCE BUILDING
1111 WEST PINE, POPLAR BLUFF, MISSOURI

SOUTHERN MISSOURI BANCORP, INC.

is a single-bank holding company that has
improved core profitability and
experienced another year of growth.



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