

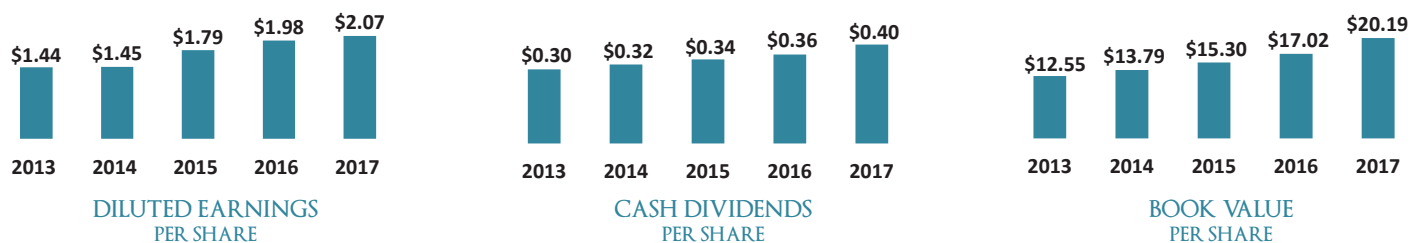



Southern
Missouri
BANCORP

Southern Missouri Bancorp, Inc. | 2017 Annual Report

> FINANCIAL SUMMARY <

	2017	2016	CHANGE (%)
EARNINGS (dollars in thousands)			
Net interest income	\$ 51,122	\$ 46,952	8.9%
Provision for loan losses	2,340	2,494	-6.2%
Noninterest income	11,084	9,758	13.6%
Noninterest expense	38,252	32,686	17.0%
Income taxes	6,062	6,682	-9.3%
Net income	15,552	14,848	4.7%
Dividend on preferred shares	-	85	-100.0%
Net income available to common stockholders	15,552	14,763	5.3%
PER COMMON SHARE			
Net income:			
Basic	\$ 2.08	\$ 1.99	4.5%
Diluted	2.07	1.98	4.5%
Closing market price	32.26	23.53	37.1%
Cash dividends declared	0.40	0.36	11.1%
AT YEAR-END (dollars in thousands)			
Total assets	\$ 1,707,712	\$ 1,403,910	21.6%
Loans, net of allowance	1,397,730	1,135,453	23.1%
Reserves as a percent of nonperforming loans	482%	244%	
Deposits	\$ 1,455,597	\$ 1,120,693	29.9%
Stockholder's equity	173,083	125,966	37.4%
FINANCIAL RATIOS			
Return on average common stockholder's equity	11.70%	12.34%	
Return on average assets	1.05	1.11	
Net interest margin	3.74	3.80	
Efficiency ratio	61.49	57.64	
Allowance for loan losses to loans	1.10	1.20	
Equity to average assets at year-end	11.66	9.44	
OTHER DATA ⁽¹⁾			
Common shares outstanding	8,591,363	7,437,616	
Common shares outstanding for book value calculation ⁽²⁾	8,572,588	7,400,816	
Average common and dilutive shares outstanding	7,510,880	7,458,759	
Common stockholders of record	243	250	
Full-time equivalent employees	375	321	
Assets per employee (in thousands)	\$ 4,554	\$ 4,374	
Banking offices	42	36	



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

⁽²⁾ Excludes unvested restricted stock award shares.



Dear Shareholder,

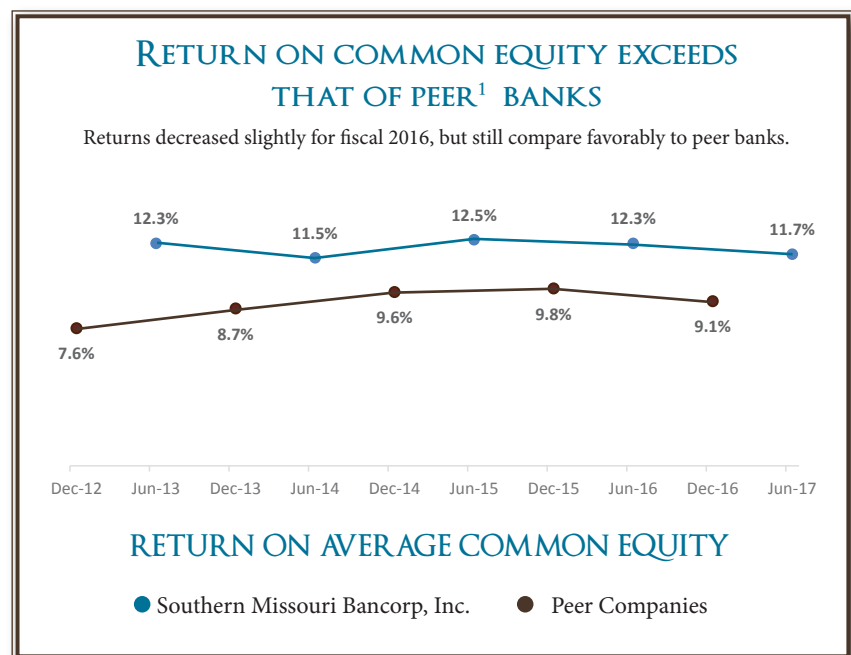
Fiscal 2017 saw Southern Missouri Bancorp complete a moderately sized acquisition in an adjacent market offering opportunities for additional growth, raise capital to support continuing growth, post solid organic loan and deposit growth, maintain solid core profitability, and improve on our already sound asset quality.

Southern Missouri Bancorp, Inc. (the Company), was pleased to report net income available to common shareholders of \$15.6 million for fiscal 2017, an increase of \$789,000, or 5.3%, over fiscal 2016. The Company's return on average common equity was 11.7%, and its return on average assets was 1.05% for fiscal 2017, as compared to 12.3% and 1.11%, respectively, for fiscal 2016.

Purchase accounting benefits reported on the acquired loan and deposit portfolios from the fiscal 2015 acquisition of Peoples Bank of the Ozarks ("Peoples") increased net interest income (pre-tax) by \$1.5 million in fiscal 2017, as compared to \$1.7 million in the prior fiscal year. Fiscal 2017 results included \$685,000 (pre-tax) in charges related to the acquisition of Capaha Bank, with no comparable charges in the prior fiscal year.

Net interest income improved 8.9%, as our average earning asset balances increased by 10.5%, while net interest margin declined by six basis points. Purchase accounting benefits from the Peoples acquisition contributed eleven basis points to net interest margin in the 2017 fiscal year, as compared to 14 basis points in the prior year.

Noninterest income increased 13.6%, attributed primarily to loan origination fees, bank card interchange income, deposit account service charges, loan servicing fees, increases in the cash value of bank-owned life insurance (BOLI), and net gains realized on the sale of residential loans originated for sale into the secondary market.



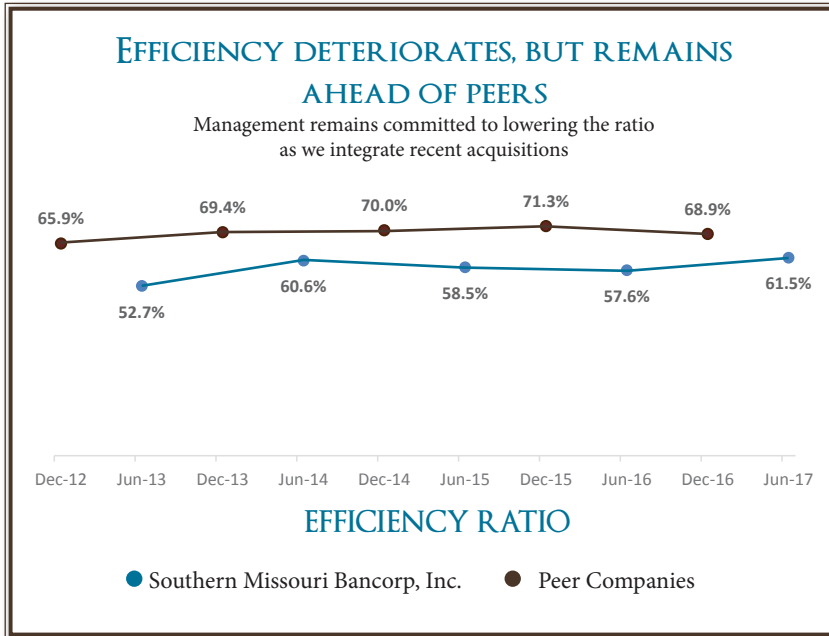
(1) Peer data is based on the median year-end figures (December) reported by S&P Global Market Intelligence (formerly, SNL Financial) for publicly-traded commercial banks and thrifts with assets of \$1 billion to \$2 billion as of December 31, 2016, headquartered in Missouri, Arkansas, Illinois, Iowa, Kansas, Kentucky, Nebraska, Oklahoma, and Tennessee. SMBC data is as of fiscal year-end (June).



Noninterest expense increased 17.0%, due to increased compensation, occupancy, legal and professional fees, charges to recognize the impairment of fixed assets, expenses attributable to the prepayment of FHLB advances, provisioning for off-balance sheet credit exposures, losses on foreclosed real estate, bank card network expenses, and expenses related to providing debit cards, internet banking, and other deposit service to new and existing customers. The increase included the \$685,000 in merger-related charges noted above.

While exclusion of the M&A expenses and other, smaller non-recurring items results in a core efficiency ratio we measure internally that is somewhat lower, our noninterest expense results have not been what we would want for the long term. Because

operating efficiently remains a key long-term strategy for the Company, we are focused on lowering the measure. Our effective tax rate improved primarily due to our formation of a real estate investment trust (REIT) subsidiary to hold certain qualified assets in order to minimize the Company's state tax liability. The formation of the REIT did require some legal and accounting expenditures, which contributed a relatively small amount to the annual increase in noninterest expense.



continue to expand those roots, announcing two acquisitions, and we remain focused on further opportunities to dynamically grow.

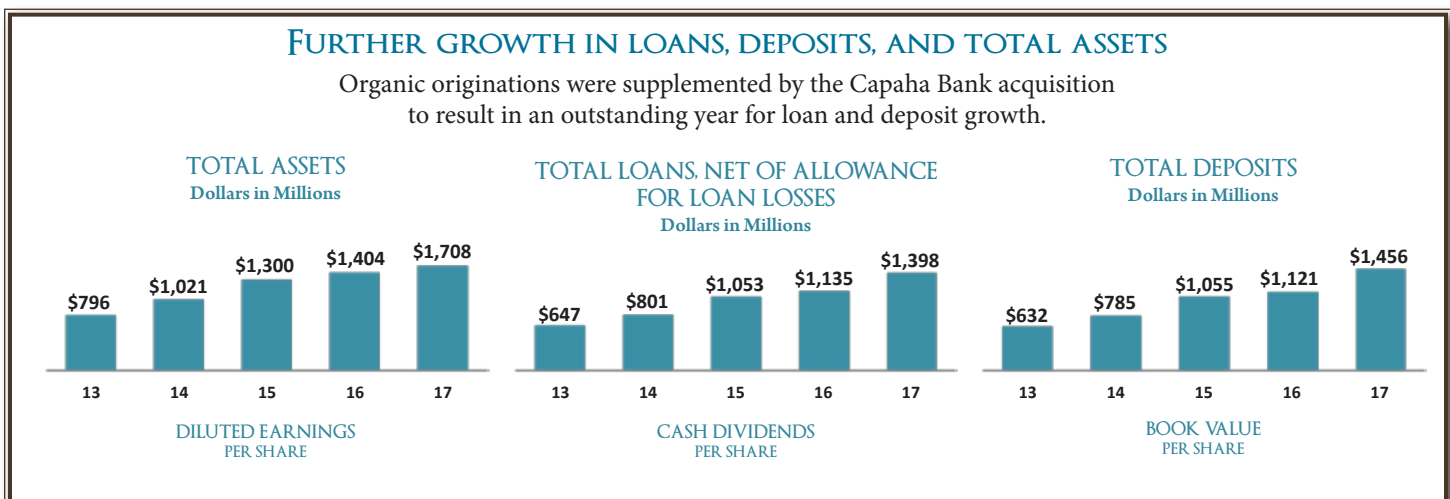
- In January, we reported that we'd reached an agreement to add Capaha Bank to our organization, with locations in Cape Girardeau and Jackson, Missouri, as well as locations in Anna, Cairo, and Tamms, Illinois, providing access to the only Metropolitan Statistical Area (MSA) in southeast Missouri. The merger was completed in June, with Capaha Bank being merged with and into Southern Bank, providing a solid core deposit franchise and a loan portfolio with a positive credit outlook. We look forward to the opportunity to grow both sides of the balance sheet in that market, as access to new products and higher lending limits will help the bankers who joined us from Capaha to serve their customers.



- Following our 2017 fiscal year end, in August, we reported that we will enter an adjacent market in Marshfield, Missouri, as Southern Missouri Bank of Marshfield agreed to merge with our Company. We're targeting closing for the first quarter of calendar year 2018, and look forward to expanding our presence in the Springfield, Missouri, MSA, through this addition of two locations in Webster County.

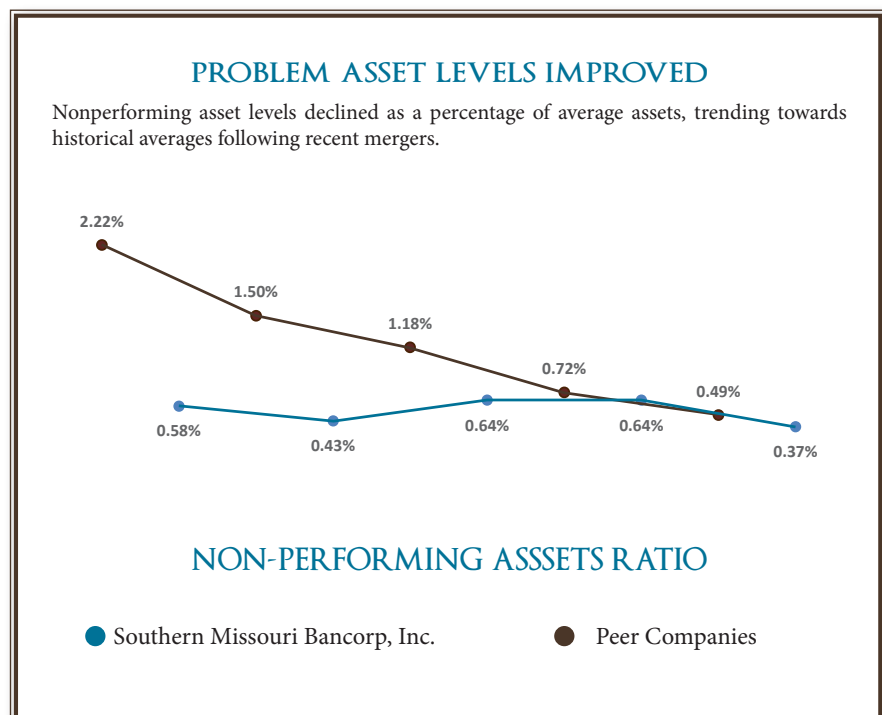
☛ We continue to evaluate new opportunities to grow through mergers and acquisitions, as a range of prospects appear to be in play across our footprint and beyond. As we consider each, we'll continue to focus on the growth of an institution built to serve our customers through an effective community banking business model providing a valued service to our market area and a solid return to our shareholders.


We saw strong loan growth in fiscal 2017 totaling \$262.3 million, or 23.1%. The mid-June Capaha Bank acquisition added their \$152.2 million loan portfolio to our organic growth for the year. In total, loan growth consisted primarily of increases in commercial real estate loans, residential real estate loans, and commercial loans.



Deposits increased \$334.9 million, or 29.9%, with the Capaha Bank acquisition contributing \$166.8 million to internally-generated growth. Additionally, we utilized brokered deposits to offset Federal Home Loan Bank advance repayments, and grew public unit deposits. On a core basis, excluding brokered and public unit deposits, and evaluating monthly average balances, we measured our nonmaturity deposit growth during the 2017 fiscal year at 8.5% at our legacy branches, down slightly from 9.7% growth in fiscal 2016. We continue to be quite pleased with those results.

We ended fiscal 2017 with improved credit quality, with nonperforming assets of \$6.3 million, or 0.37% of total assets, as compared to \$9.0 million, or 0.64% of total assets, at year end for fiscal 2016. Nonperforming loans were 0.23% of gross loans at June 30, 2017, as compared to 0.50%, at the prior fiscal year end. Net charge-offs for fiscal 2017 were 0.05% of average loans outstanding, as compared to 0.09% for fiscal 2016.





Our Company saw significant changes in its capital base during fiscal 2017, issuing common shares in the June closing of the Capaha Bank acquisition and completing an “at-the-market” capital raise in that same month. Absent the capital raise, the acquisition would have reduced our capital ratios compared to the prior fiscal year end. With the additional capital, however, we ended the fiscal year with a ratio of tangible common equity to tangible assets (TCE/TA) of 9.32%, as compared to 8.46% a year earlier. The additional capital raised, in addition to our normal retention, provides us with added capacity to grow organically or through acquisitions. At the same time, we are re-evaluating our targeted capital ratios, and anticipate that we’ll attempt to hold somewhat higher levels of capital over the near- to medium-term, attributable to continued expected growth opportunities, and our concentration of assets in commercial real estate loans.

Book value per common share at June 30, 2017, was \$20.19, an increase of 18.6% from the year prior, aided by the accretive capital raise. Tangible book value per common share, a non-GAAP measure, improved 15.3%, to \$18.40 at June 30, 2017. Our closing stock price at the end of the fiscal year was \$32.26, up 37.1% from \$23.53 at the previous fiscal year end. Over that same period, the SNL U.S. Bank Index was up 43.2%, while the S&P 500 was up 15.5%. We noted in last year’s report that the Company’s stock had been included in the Russell 2000 Index when it reconstituted in June 2016, and we have seen improved liquidity for our shareholders since then. Assuming dividends have been reinvested, our total shareholder return over the five years ended June 30, 2017, has been 229.3%, while the SNL U.S. Bank Index has returned 136.1%, and the S&P 500 has returned 97.4%.

Our dividends paid during fiscal 2017 represented a 1.24% return on our closing stock price on the final day of the fiscal year, and a 1.33% return on our average closing stock price for fiscal 2017. In July 2017, the board was pleased to increase our dividend by 10%, to \$0.11 per quarter, effective with the August 2017 payment.

As we plan for the coming year, we will, as always, look for opportunities to drive long-term shareholder value, including through acquisition opportunities that present growth potential, stable sources of funding, or both. As this letter goes to press, we were recently pleased to have been interviewed by the publication, Bank Director, for an upcoming article in which we were identified as one of the highest performing listed banks over the last decade. This success has provided a foundation from which we can look forward with optimism to the new fiscal year and beyond, and it is the result of a remarkable effort by our team members, the opportunities afforded by our legacy communities as well as those we’ve grown into, and the outstanding relationships we’re fortunate to enjoy with the businesses and consumers we serve.

Thank you for your continued confidence in our Company, and for the opportunity to serve you.

Sincerely,



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



> DIRECTORS <

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

Sammy A. Schalk
Vice-Chairman of the Board;
President, Gamblin Lumber Company

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

Greg A. Steffens
President & CEO,
Southern Missouri Bancorp, Inc.

Rebecca M. Brooks
Financial Manager, McLane Transport

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

Dennis C. Robison
President, Robison Farms, Inc.

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

Todd E. Hensley
Investor/Former Chairman,
Peoples Bank of the Ozarks

John R. Abercrombie
Retired President, Chairman & CEO,
Capaha Bank

> EXECUTIVE OFFICERS <

Greg A. Steffens
President & Chief Executive Officer

Kimberly A. Capps
Executive Vice President & Chief Operations Officer

William D. Hribovsek
Executive Vice President & Regional President

Matthew T. Funke
Executive Vice President & Chief Financial Officer

Lora L. Daves
Executive Vice President & Chief Risk Officer

Justin G. Cox
Executive Vice President & Regional President

Mark E. Hecker
Executive Vice President & Chief Credit Officer

Christopher R. (“Robb”) Roberts
Executive Vice President & Regional President



PLEASE JOIN US

at our 2017 Annual Meeting, where shareholders will hear
management review this year's performance in detail.







ANNUAL MEETING

Monday, October 30, 2017, at 9:00 AM
To be held at our headquarters facility
2991 Oak Grove Road
Poplar Bluff, Missouri



SOUTHERN MISSOURI BANCORP, INC.

offers community banking services
in Missouri, Arkansas, and Illinois
through its single bank subsidiary, Southern Bank.
Southern Bank is...

-  **Accessible** – Southern Bank is always accessible through our branches, website, mobile applications, ATMs and ITMs.
-  **Dynamic** – We are charismatic and progressive. We grow and adapt to meet the ever-changing needs of our customers and communities.
-  **Innovative** – We are unconventional pioneers. We offer cutting edge products, like Kasasa, to help our customers put their hard-earned money to work.
-  **Competitive** – We are as ambitious and driven as the people we serve. We offer the same quality products of mega bank chains without losing personal service or outsourcing decisions.
-  **Rooted** – Our culture is rooted in nearly 130 years of impeccable customer service, superior products, and philanthropy.
-  **Involved** – We believe that our personal investment in the lives of our customers and in the communities we serve is just as important as our financial investments.

Southern Missouri Bancorp, Inc.
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