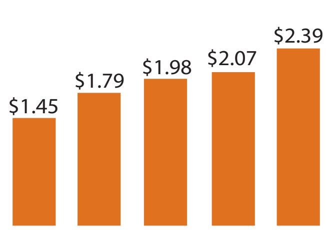
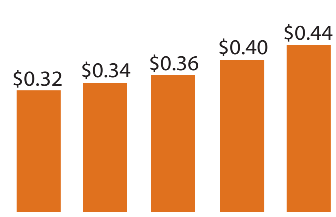
Southern Missouri Bancorp, Inc. | 2018 Annual Report

> FINANCIAL SUMMARY <

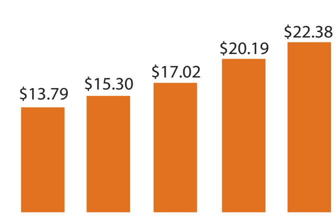
	2018	2017	CHANGE (%)
EARNINGS *(dollars in thousands)*			
Net interest income	$ 62,383	$ 51,122	22.0%
Provision for loan losses	3,047	2,340	30.2%
Noninterest income	13,871	11,084	25.1%
Noninterest expense	44,475	38,252	16.3%
Income taxes	7,803	6,062	28.7%
Net income	20,929	15,552	34.6%
PER COMMON SHARE			
Net income:			
Basic	$ 2.40	$ 2.08	15.4%
Diluted	2.39	2.07	15.5%
Closing market price	39.02	32.26	21.0%
Cash dividends declared	0.44	0.40	10.0%
AT YEAR-END *(dollars in thousands)*			
Total assets	$ 1,886,115	$ 1,707,712	10.4%
Loans, net of allowance	1,563,380	1,397,730	11.9%
Reserves as a percent of nonperforming loans	199%	482%	
Deposits	$ 1,579,902	$ 1,455,597	8.5%
Stockholder's equity	200,694	173,083	16.0%
FINANCIAL RATIOS			
Return on average common stockholder's equity	11.30%	11.70%	
Return on average assets	1.17	1.05	
Net interest margin	3.78	3.74	
Efficiency ratio	58.58	61.49	
Allowance for loan losses to loans	1.15	1.10	
Equity to average assets at year-end	11.18	11.66	
OTHER DATA[1]			
Common shares outstanding	8,996,584	8,591,363	
Common shares outstanding for book value calculation[2]	8,967,884	8,572,588	
Average common and dilutive shares outstanding	8,745,522	7,510,880	
Full-time equivalent employees	393	375	
Assets per employee *(in thousands)*	$ 4,799	$ 4,554	
Banking offices	41	42	



DILUTED EARNINGS
PER SHARE



CASH DIVIDENDS
PER SHARE



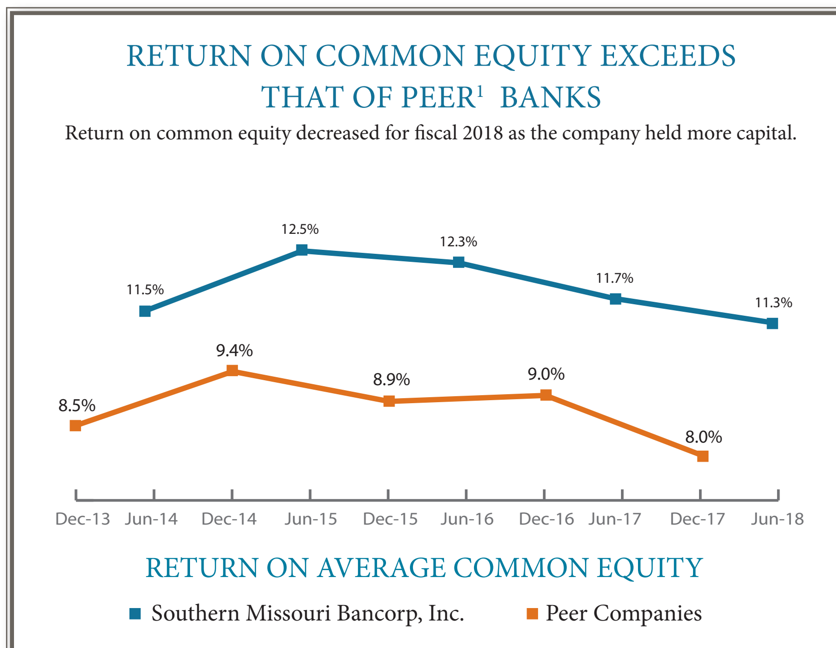
BOOK VALUE
PER SHARE

[1]Other data is as of year-end, except for average shares.
[2]Excludes unvested restricted stock award shares.

Dear Shareholder,

In fiscal 2018, Southern Missouri Bancorp reported improved profitability as it began to recognize the benefits of federal corporate income tax reform,operated more efficiently while continuing our merger and acquisition activity, realized stable core margins in an increasing rate environment, and achieved solid organic loan and deposit growth, all while capital ratios were strengthened, providing support for future growth.

Southern Missouri Bancorp, Inc. (the Company), was pleased to report net income available to common shareholders of $20.9 million for fiscal 2018, an increase of $5.4 million, or 34.6%, over fiscal 2017. The Company's return on average common equity was 11.3%, and its return on average assets was 1.17% for fiscal 2018, as compared to 11.7% and 1.05%, respectively, for fiscal 2017.



RETURN ON COMMON EQUITY EXCEEDS THAT OF PEER[1] BANKS

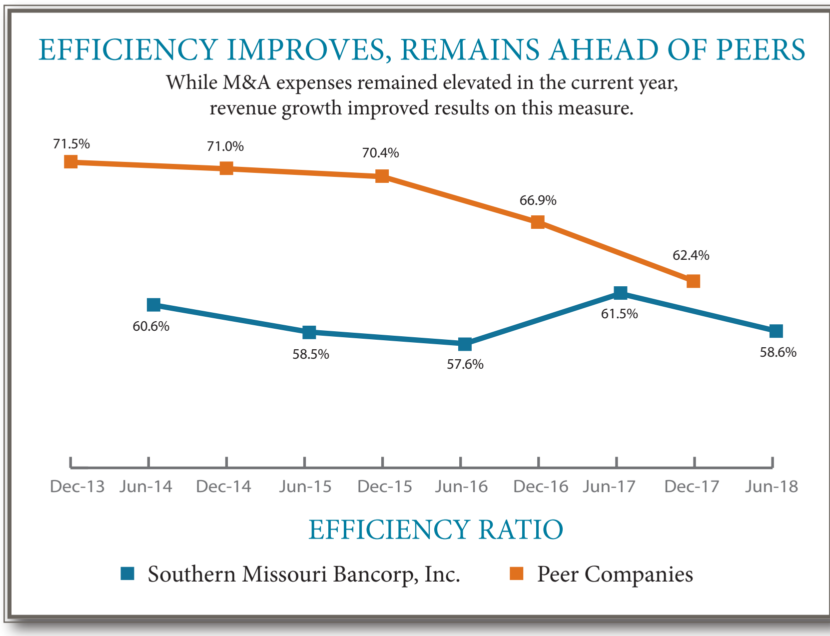
Return on common equity decreased for fiscal 2018 as the company held more capital.

Declines in purchase accounting benefits reported on the acquired loan and deposit portfolios from the fiscal 2015 acquisition of Peoples Bank of the Ozarks ("Peoples") were more than offset by new benefits resulting from the fiscal 2017 acquisition of Capaha Bank ("Capaha") and, to a much smaller extent, the fiscal 2018 acquisition of Southern Missouri Bank of Marshfield ("SMB-Marshfield"). In total, these benefits increased net interest income (pre-tax) by $2.3 million in fiscal 2018, as compared to $1.5 million in the prior fiscal year. Fiscal 2018 results included $925,000 (pre-tax) in merger-related expenses, as compared to $710,000 in the prior fiscal year.

Net interest income improved 22.0%, as our average earning asset balances increased by 20.9%, while net interest margin increased by four basis points. Average earning asset balance growth was due in part to the late-fiscal 2017 Capaha acquisition and the mid-2018 SMB-Marshfield acquisition. Purchase accounting benefits from our three most recent acquisitions, noted above, contributed 14 basis points to net interest margin in fiscal 2018, as compared to 11 basis points in the prior fiscal year.

(1) Peer data is based on the median year-end figures (December) reported by S&P Global Market Intelligence for publicly-traded commercial banks and thrifts with assets of $1 billion to $3 billion as of December 31, 2017, headquartered in Missouri, Arkansas, Illinois, Iowa, Kansas, Kentucky, Nebraska, Oklahoma, and Tennessee. SMBC data is as of fiscal year-end (June).

Noninterest income increased 25.1%, attributable in part to our growth through acquisitions. The increase consisted of higher bank card interchange income, deposit account service charges, loan servicing fees, gains on the sale of available-for-sale securities, and loan origination and other loan fees, partially offset by reduced earnings on bank-owned life insurance (BOLI).



Noninterest expense increased 16.3%, also due in part to the to our growth through acquisitions, as we saw increased compensation expenses, occupancy expenses, amortization of core deposit intangibles, and bank card network expense, partially offset by inclusion in the prior fiscal year's results of charges to recognize the impairment of fixed assets and expenses attributable to the prepayment of FHLB advances. The increase included the additional merger-related charges noted above.

The Company improved its efficiency ratio for the year, as noninterest expenses grew at a contained rate relative to our organic and acquisitive earning asset growth, while net interest margin was stable and noninterest income growth outpaced expense growth.

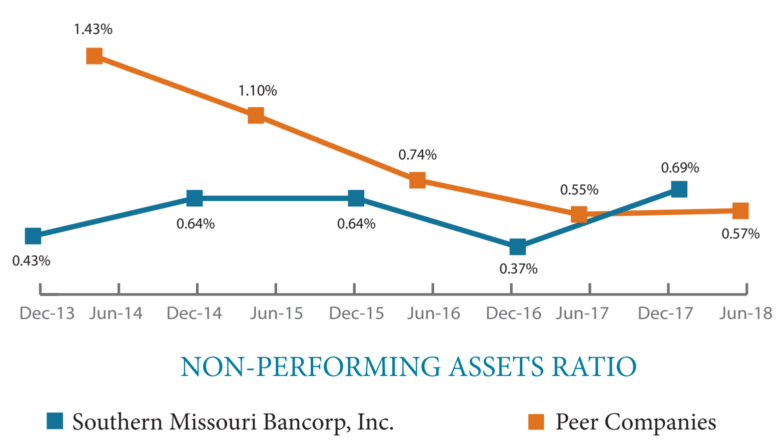
Loan growth slowed somewhat in fiscal 2018, as net loans increased $165.6 million, or 11.9%, inclusive of the February 2018 SMB-Marshfield acquisition, which contributed $68.3 million in loans at fair value as of the acquisition date. Inclusive of these acquired loans, growth consisted primarily of increases in commercial real estate loans, commercial loans, consumer loans, drawn balances in construction loans, and residential real estate loans.

Deposits grew more slowly, as well, increasing $124.3 million, or 8.5%, as the SMB-Marshfield added $68.2 million to internally-generated growth. We significantly reduced traditional brokered deposit funding, while we continued to use reciprocal brokered deposit arrangements, especially as a solution for public unit depositors. On a core basis, excluding traditional brokered deposits, public unit deposits, and the Marshfield acquisition, and evaluating monthly average balances, nonmaturity deposit growth dropped to 6.2% for fiscal 2018, down from 8.5% in fiscal 2017. Measured similarly, core certificate of deposit growth improved in fiscal 2018, as monthly average balances improved 7.4% in fiscal 2018, up from 4.0% in fiscal 2017, as depositors showed more interest in this product as rates moved higher.

After reporting improved credit quality for fiscal 2017, the Company saw an increase in nonperforming assets in fiscal 2018, finishing the fiscal year with nonperformers of $13.1 million, or 0.69% of total assets, as compared to $6.3 million, or 0.37% of total assets, at the previous fiscal year end. Nonperforming loans (NPLs) were 0.59% of gross loans at June 30, 2018, as compared to 0.23%, at the prior fiscal year end. Management believes the increases in NPLs are not systemic or indicative of the quality of the loan portfolio generally, and believes potential losses are manageable and properly reserved for. Net charge-offs for fiscal 2018 were lower, at 0.02% of average loans outstanding, as compared to 0.05% for fiscal 2017.

PROBLEM ASSET LEVELS INCREASED

Nonperforming asset levels increased as a percentage of average assets, following solid improvement in the prior fiscal year. Peer performance continues to improve.



NON-PERFORMING ASSETS RATIO

Book value per common share at June 30, 2018, was $22.38, an increase of 10.8% from the June 30, 2017. Tangible book value per common share, a non-GAAP measure, improved 9.5%, to $20.15 at June 30, 2018. Our closing stock price at the end of the fiscal year was $39.02, up 21.0% from $32.26 at the previous fiscal year end. Over that same period, the SNL U.S. Bank Index reported price appreciation of 8.2%, while the S&P 500 increased 12.2%. Assuming dividends had been reinvested, our total shareholder return over the five years ended June 30, 2018, has been 229.7%, while the SNL U.S. Bank Index has returned 90.3%, and the S&P 500 has returned 87.7%.

Our dividends paid during fiscal 2018 represented a 1.1% return on our closing stock price on the final day of the fiscal year, and a 1.2% return on our average closing stock price for fiscal 2018. In July 2018, the board was pleased to increase our dividend by 18.2%, to $0.13 per quarter, effective with the August 2018 payment.

The Company's capital base strengthened in fiscal 2018, as earnings retention outpaced organic asset growth, while we issued stock in the relatively small SMB-Marshfield acquisition, resulting in little change to our capital ratios. We ended fiscal 2018 with a ratio of tangible common equity to tangible assets (TCE/TA) of 9.68%, up from 9.32% a year earlier. We expect a modest decrease in the ratio with the pending acquisition of Gideon Bancshares, and its subsidiary, First Commercial Bank ("First Commercial"), and we expect that improved profitability and slower asset growth in the coming year will partially offset that reduction, even given the recently announced increase in our quarterly dividends.

In fiscal 2019, we will continue to look for opportunities to drive long-term shareholder value. We look forward to closing on our pending acquisition of First Commercial, targeted for the December quarter, subject to regulatory and shareholder approval. If successful, this will mark our third acquisition to close in an 18-month period, and I am very grateful to our hard-working team members who make this pace of activity possible.

We remain focused, as well, on organic growth in our communities, and expect that the coming year will again be a more challenging one as we work to maintain our trend of strong organic growth. We continue, as always, to be attentive to credit quality as we compete for opportunities, especially as we may be approaching the later stages of this business cycle. Finally, we are mindful of pricing in this current market with rising short term rates and a flattening yield curve.

I remain appreciative to our many customers in the communities we call home for the privilege to serve them. Thank you for your continued confidence in our Company. I look forward with confidence to our new fiscal year and to the challenges and opportunities it presents.

Sincerely,

Greg Steffens

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

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

Rick A. Windes
Executive Vice President & Chief Lending Officer

Southern Missouri BANCORP

PLEASE JOIN US
at our 2018 Annual Meeting, where shareholders will hear
management review this year's performance in detail.

ANNUAL MEETING

Monday, October 29, 2018, 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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