



# Acquisition of Peoples Service Company

*Investor Presentation*

*February 28, 2014*

# Important Statements

## **Safe Harbor Regarding Forward-Looking Statements**

This presentation may contain “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995 regarding Southern Missouri Bancorp, Inc. (the “Company”). Forward-looking statements often include the words “believes,” “expects,” “anticipates,” “estimates,” “forecasts,” “intends,” “plans,” “targets,” “potentially,” “probably,” “projects,” “outlook” or similar expressions or future or conditional verbs such as “may,” “will,” “should,” “would” and “could.” These forward-looking statements are subject to known and unknown risks, uncertainties and other factors that could cause the actual results to differ materially from the forward-looking statements, including, without limitation, the following: the requisite regulatory and shareholder approvals for the Company’s acquisition of Peoples Service Company (“PSC”), which is the 80% owner of Peoples Banking Company (“PBC”), which in turn is the 100% owner of Peoples Bank of the Ozarks, might not be obtained, the exchange transaction involving the minority shareholders of PBC might not be consummated, or other conditions to completion of the transaction might not be satisfied or waived; expected cost savings, synergies and other benefits from the Company’s merger and acquisition activities, including the acquisition of PSC and the Company’s other recently completed acquisitions, might not be realized within the anticipated time frames or at all, and costs or difficulties relating to integration matters, including but not limited to customer and employee retention, might be greater than expected; the strength of the United States economy in general and the strength of the local economies in which the Company conducts operations; fluctuations in interest rates and in real estate values; monetary and fiscal policies of the Board of Governors of the Federal Reserve System and the U.S. Government and other governmental initiatives affecting the financial services industry; the risks of lending and investing activities, including changes in the level and direction of loan delinquencies and write-offs and changes in estimates of the adequacy of the allowance for loan losses; the Company’s ability to access cost-effective funding; the timely development of and acceptance of the Company’s new products and services and the perceived overall value of these products and services by users, including the features, pricing and quality compared to competitors’ products and services; fluctuations in real estate values and both residential and commercial real estate market conditions; demand for loans and deposits in the Company’s market area; legislative or regulatory changes that adversely affect the Company’s business; results of examinations of the Company by its regulators, including the possibility that such regulators may, among other things, require the Company to increase its reserve for loan losses or to write-down assets; the impact of technological changes; and the Company’s success at managing the risks involved in the foregoing. Any forward-looking statements are based upon management’s beliefs and assumptions at the time they are made.

The Company undertakes no obligation to publicly update or revise any forward-looking statements or to update the reasons why actual results could differ from those contained in such statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking statements discussed might not occur, and you should not put undue reliance on any forward-looking statements.

## **No Offer or Solicitation**

This information is being provided for informational purposes only and does not constitute (i) an offer to purchase, nor a solicitation of an offer to sell, subscribe for or buy any securities, (ii) an offer to exchange any securities or (iii) the solicitation of any vote for approval of any transaction. There shall not be any offer, solicitation, sale or exchange of any securities in any state or other jurisdiction in which such offer, solicitation, sale, or exchange is not permitted.

# Transaction Overview



- Southern Missouri is acquiring Peoples Service Company and its banking subsidiary, Peoples Bank of the Ozarks (“Peoples Bank”), in order to strategically expand the bank’s footprint and franchise in the attractive Springfield, Missouri market.
- The acquisition of Peoples Bank will enhance Southern Missouri’s current organic growth efforts in Southwest Missouri and Springfield.
- Peoples Bank is headquartered in Nixa, Missouri with ten branches, eight of which are in the Springfield MSA, assets of \$272 million, loans of \$193 million, and deposits of \$228 million as of December 31, 2013.
- The merger provides the right opportunity to develop Southern Missouri’s strategy in Springfield given the complementary franchises, markets, cultures and operating philosophies.
- Attractive transaction economics: accretive to earnings per share, limited dilution to tangible book value with expected earnback in four years and pro forma capital levels that should support future growth.

# Transaction Pricing & Structure

- Aggregate deal value of \$22.9 million, subject to adjustment based on PSC's capital at closing.
- Consideration mix: 50% cash / 50% stock. Southern Missouri stock valued at \$33.13 per share, representing the 20-day average price immediately preceding the signing of the merger agreement.
- Transaction multiples: 115% of tangible book value<sup>1</sup>, 18.3x LTM earnings, and 2.0% core deposit premium.
- Southern Missouri to assume \$6.5 million in subordinated debt and retire \$2.9 million in other debt at closing.
- Estimated pre-tax transaction costs and expenses of \$1.3 million.
- Termination fee of \$0.9 million in certain circumstances.
- Anticipated closing date: fiscal first quarter 2015 (calendar 9/30/14).

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<sup>1</sup> Based on PSC's consummation of an exchange transaction with the minority shareholders of PBC, which transaction is anticipated to occur immediately prior to closing of the merger, which assumes pro forma capital of approximately \$19.9 million.

# Transaction Economics

- Immediately accretive to earnings per share.
- Tangible book value dilution of approximately (3.7%) at closing. Pro forma TBV dilution earned back in four years compared to Southern Missouri's estimated standalone TBV.
- Estimated pro forma capital levels exceed regulatory minimums and provide opportunity for further growth. Pro forma 7.1% TCE/TA and 10.0% Tier 1 Ratio.
- Expected cost savings of 17% of Peoples Bank operating expenses. Phase-in will depend on timing of the subsequent bank merger of Peoples Bank and Southern Bank that is tentatively targeted for early calendar year 2015.
- Estimated core deposit intangible of \$2.9 million or 1.25% (total deposits).

# Strategic Rationale

## Background on Peoples Bank

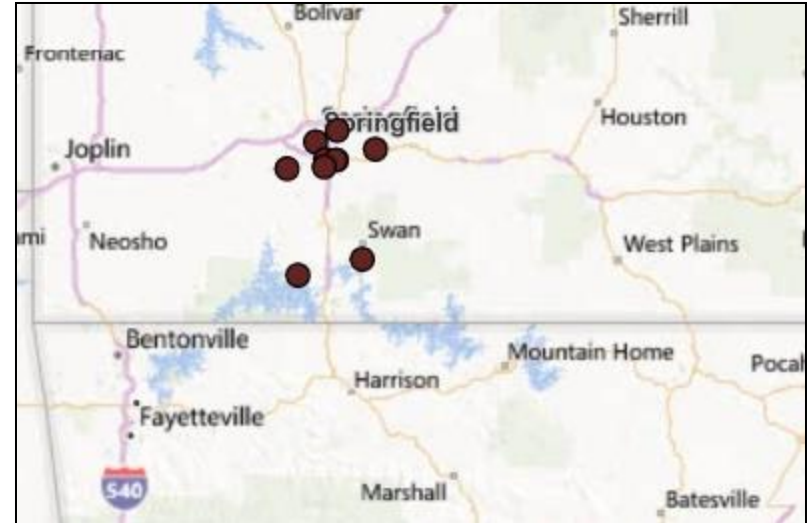
- Founded in 1917, Peoples Bank operates 10 branches in Christian, Greene, Stone, Taney and Webster counties in southwest Missouri.
- Eight branches are located in the economically and demographically attractive Springfield MSA.
- Historical track record of profitability and credit quality.
- Strong deposit franchise with approximately 92% core deposits and 29% transaction accounts.

## Springfield Market Opportunity

- The Springfield MSA is the third-largest banking market in Missouri with \$8 billion in total deposits.
- The Springfield MSA has the third-largest population in the state with 445,000 people.
- Southern Missouri initiated its organic growth efforts in Springfield with the launch of an LPO in mid-2010.

Source: SNL Financial.

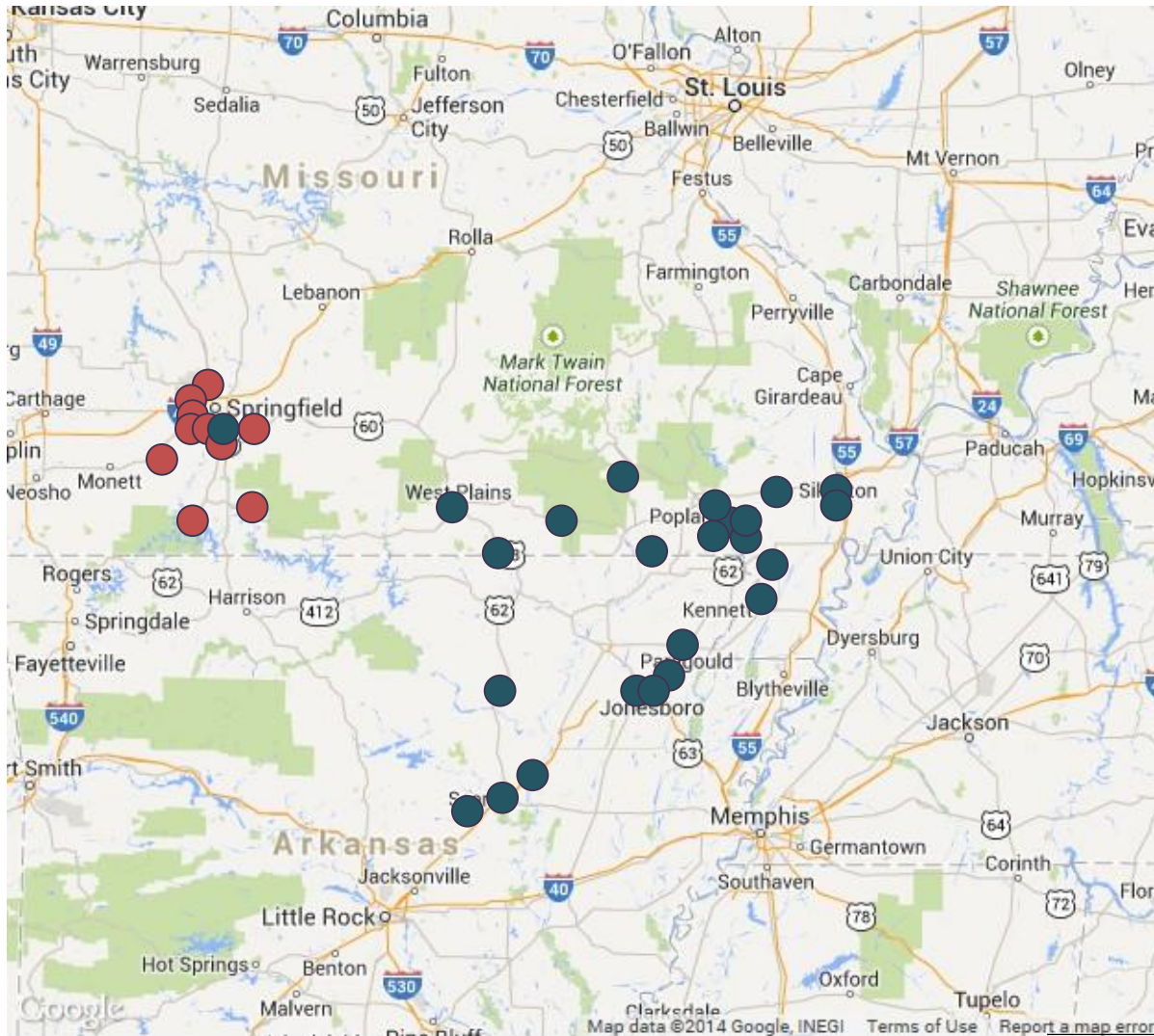
## Branch Footprint



## Peoples Bank Financial Highlights, As of or for the year ended, (\$'000)

	2011	2012	2013
<b>Balance Sheet</b>			
Total Assets	\$284,829	\$271,985	\$272,726
Total Loans	\$227,792	\$210,314	\$192,688
Total Deposits	\$237,089	\$227,450	\$227,926
Total Equity	\$27,944	\$28,814	\$29,071
TCE / TA	9.81%	10.59%	10.66%
<b>Earnings Profile</b>			
Bank Net Income	(\$387)	\$1,793	\$1,447
ROAA (%)	(0.13%)	0.64%	0.53%
ROAE (%)	(1.37%)	6.28%	4.99%
<b>Credit Quality</b>			
NPLs / Loans	6.64%	3.91%	3.33%
NPAs / Assets	7.11%	4.33%	3.27%
Reserves / Loans	2.75%	1.93%	1.90%
NCOs / Average Loans	1.53%	1.00%	0.20%

# Pro Forma Branch Map

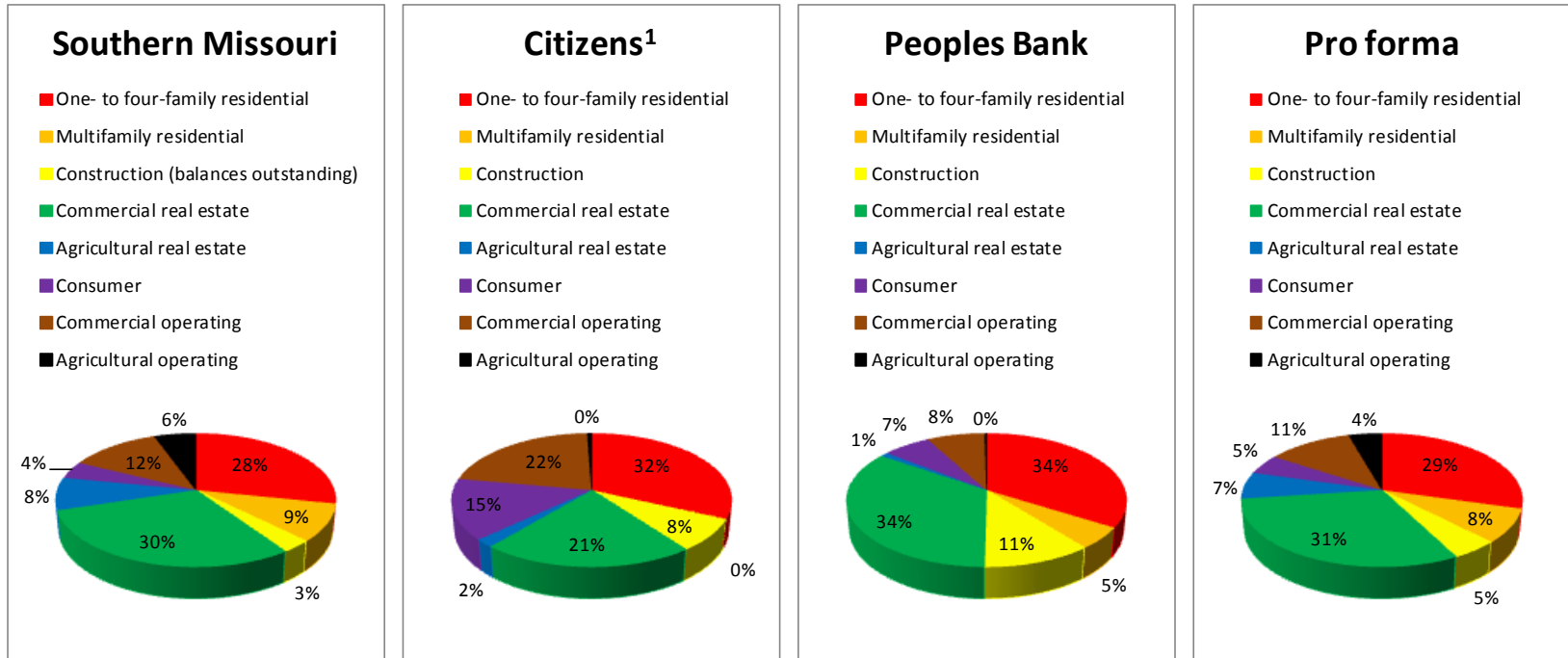


● Southern Missouri (25)

● Peoples Bank (10)

Source: SNL Financial.

# Pro Forma Loan Composition



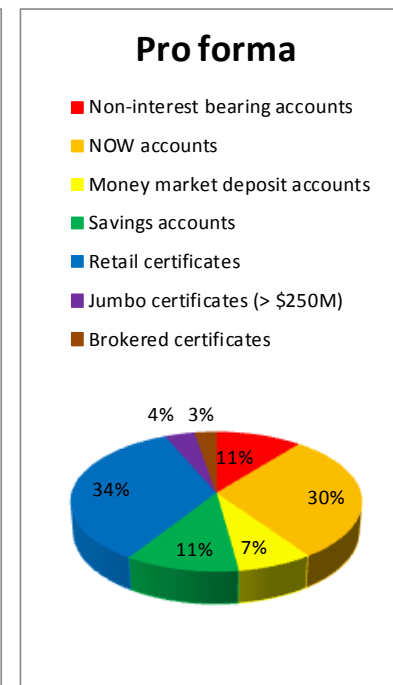
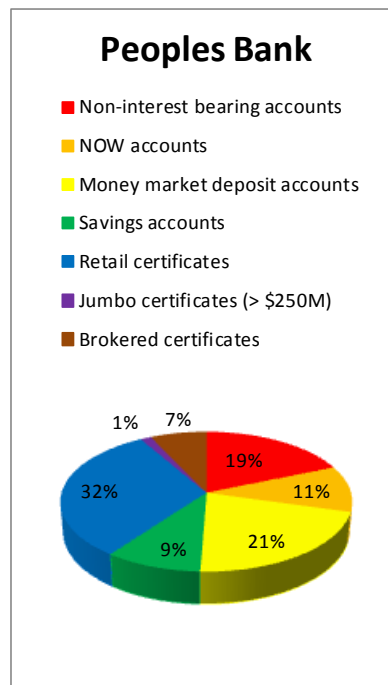
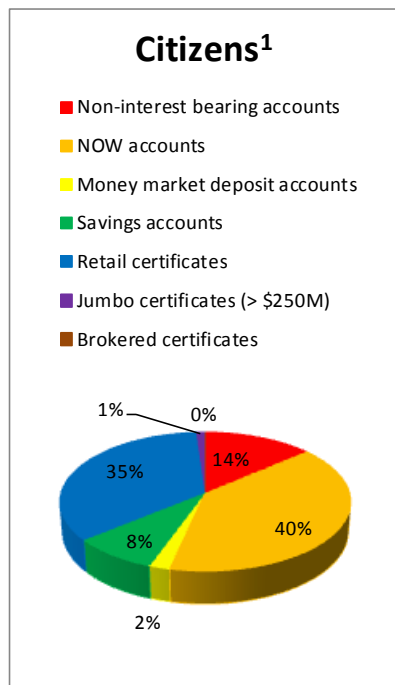
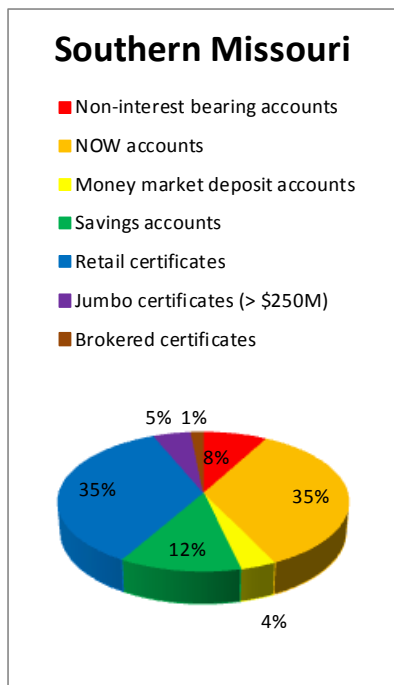
Category	Amount (\$000)	Category	Amount (\$000)	Category	Amount (\$000)	Category	Amount (\$000)
1-4	\$ 213,832	1-4	\$ 3,871	1-4	\$ 65,305	1-4	\$ 283,008
Multifam	69,518	Multifam	-	Multifam	10,412	Multifam	79,930
Construction	23,115	Construction	965	Construction	21,031	Construction	45,111
CRE	225,392	CRE	2,590	CRE	66,195	CRE	294,177
Ag R/E	60,069	Ag R/E	231	Ag R/E	2,067	Ag R/E	62,367
Consumer	32,106	Consumer	1,794	Consumer	12,393	Consumer	46,293
Commercial	91,700	Commercial	2,622	Commercial	14,864	Commercial	109,186
Agricultural	41,948	Agricultural	70	Agricultural	421	Agricultural	42,439
<b>Total</b>	<b>\$ 757,680</b>	<b>Total</b>	<b>\$ 12,143</b>	<b>Total</b>	<b>\$ 192,688</b>	<b>Total</b>	<b>\$ 962,511</b>

<sup>1</sup> The acquisition of Citizens State Bankshares of Bald Knob was completed on February 21, 2014.

Note: Data as of December 31, 2013. Pro forma figures exclude fair value purchase accounting adjustments.



# Pro Forma Deposit Composition



Category	Amount (\$000)
Non-interest	\$ 58,260
NOW	253,833
MMDA	26,186
Savings	87,337
Retail CD	258,256
Jumbo CD	34,624
Brokered CD	11,295
<b>Total</b>	<b>\$ 729,791</b>

Category	Amount (\$000)
Non-interest	\$ 8,611
NOW	24,702
MMDA	1,295
Savings	5,291
Retail CD	21,756
Jumbo CD	684
Brokered CD	-
<b>Total</b>	<b>\$ 62,339</b>

Category	Amount (\$000)
Non-interest	\$ 42,816
NOW	24,215
MMDA	48,344
Savings	21,609
Retail CD	71,887
Jumbo CD	3,182
Brokered CD	15,873
<b>Total</b>	<b>\$ 227,926</b>

Category	Amount (\$000)
Non-interest	\$ 109,687
NOW	302,750
MMDA	75,825
Savings	114,237
Retail CD	351,899
Jumbo CD	38,490
Brokered CD	27,168
<b>Total</b>	<b>\$ 1,020,056</b>

<sup>1</sup> The acquisition of Citizens State Bankshares of Bald Knob was completed on February 21, 2014.

Note: Data as of December 31, 2013. Pro forma figures exclude fair value purchase accounting adjustments.

# Summary and the Path Forward

- Southern Missouri's presence in the Springfield market began with an LPO in 2010, converted to a full-service facility in 2011. At December 31, 2013, that operation accounted for loans of \$128 million and deposits of \$38 million.
- Southern Missouri expects that the branch network will allow us to accomplish additional growth in loan types outside of our current concentration in multifamily and commercial real estate. Improved lending limits and Southern Missouri's expertise may allow Peoples Bank to penetrate new areas of the lending market.
- Additionally, Southern Missouri expects that deposit growth will improve given the retail branch network, cross-selling opportunities with existing customers, enhanced scale and access to customers, and a larger suite of banking products and services. Ultimate goal is to increase market penetration and grow market share in the Springfield MSA.
- Southern Missouri has held detailed discussions with Peoples Bank management, and expects all key personnel to remain in place after acquisition and through the bank merger (targeted for early calendar year 2015). Current President expected to transition to an advisory role in 2015, at which time Southern Missouri's current Community Bank President for the Springfield market will assume additional responsibilities for oversight of lending function for the combined entity.
- Todd Hensley, Chairman and CEO of Peoples Bank, is expected to join the Board of Directors of Southern Missouri.