

Peoples Service Company (Private; Nixa, MO) has agreed to merge with Southern Missouri Bancorp, Inc. (NASDAQ: SMBC; Poplar Bluff, MO)

Deal Value: \$22.9 million

Sandler O'Neill served as financial advisor to Peoples Service Company, Peoples Banking Company, and Peoples Bank of the Ozarks and rendered a fairness opinion to the minority shareholders of Peoples Banking Company in connection with the transaction. This transaction is Sandler O'Neill's 118th bank or thrift transaction nationwide since January 1, 2011. Sandler O'Neill has served as a financial advisor on more bank and thrift transactions than any other investment bank during that time period. This transaction represents Sandler O'Neill's 16th bank or thrift transaction in the Midwest since January 1, 2012, more than any other investment bank during that time period.¹

Poplar Bluff, Missouri - Southern Missouri Bancorp, Inc. (NASDAQ: SMBC, "Southern Missouri"), the parent corporation of Southern Bank, and Peoples Service Company ("Peoples"), which is the 80% owner of Peoples Banking Company ("PBC"), which is the 100% owner of Peoples Bank of the Ozarks, today announced the signing of a definitive merger agreement whereby Southern Missouri will acquire Peoples in a stock and cash transaction. The minority shareholders of PBC will be entitled to receive the merger consideration payable under the terms of the merger agreement.

Peoples operates ten branches in Christian, Greene, Stone, Taney, and Webster counties in southwest Missouri. Eight of these branches are located in the Springfield, Missouri, Metropolitan Statistical Area (MSA). At December 31, 2013, Peoples' consolidated assets were \$275 million, including loans, net, of \$191 million, while deposits totaled \$230 million.

Southern Missouri, following its February 21, 2014, acquisition of Citizens State Bankshares of Bald Knob, Inc., Bald Knob, Arkansas (the parent corporation of Citizens State Bank), would have reported total assets at December 31, 2013, of approximately \$1.0 billion, including loans, net, of \$760 million, and total deposits of \$792 million, on a pro forma basis. After Southern Missouri's acquisition of Peoples, the combined company's total assets will approximate \$1.3 billion, with total loans, net, of \$951 million, and total deposits of \$1.0 billion. The combined company will operate 35 branches in southern Missouri and northeast and north central Arkansas.

Under the terms of the merger agreement, unanimously approved by the boards of both entities, Peoples Service Company shareholders will receive 0.3289 shares of Southern Missouri common stock and \$10.90 in cash for each share of Peoples common stock, subject to adjustment based on Peoples' capital at closing. Based on the average closing price of \$33.13 per share for Southern Missouri stock over the most recent 20 trading days, the deal is valued at approximately \$22.9 million. As part of the merger, Southern Missouri will also assume approximately \$6.5 million in subordinated debt and retire \$2.9 million in other debt.

Todd Hensley, Chairman and CEO of Peoples, is expected to join the board of directors for the combined entity. "Peoples Service Company is the culmination of approximately 40 years of my family's involvement in the community banking industry," commented Mr. Hensley. "Southern Missouri Bancorp is a community-focused partner that can help us both leverage the strength of our franchise and continue to thrive in the ever-changing banking environment. We believe the proposed combination will provide improved service and product choices to our customers and even greater opportunity to our associates. We feel this partnership truly offers a win-win result for everyone: our communities, our customers, and our associates."

Southern Missouri and Peoples anticipate completion of the transaction in the third calendar quarter of 2014, subject to satisfaction of customary closing conditions, including regulatory and shareholder approvals, and consummation of an exchange transaction involving the minority shareholders of PBC.

Financial Highlights

(Dollars in millions)

	<u>Peoples</u>	<u>SMBC</u>
Total Assets	\$275	\$950
Net Loans	\$191	\$749
Total Deposits	\$230	\$730
Total Equity	\$20 ²	\$105

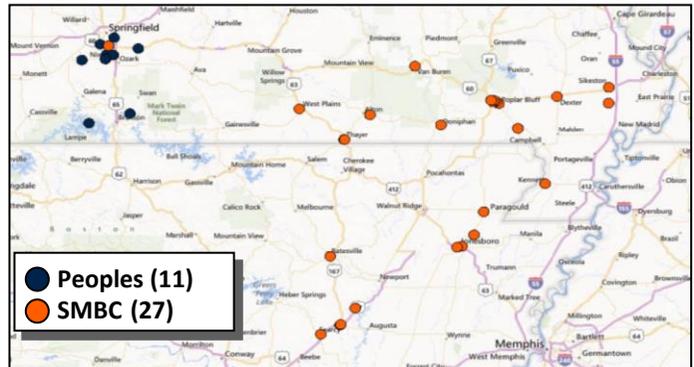
(1) Excludes terminated transactions and self-advisory roles

(2) Assumes the exchange of all Peoples Banking Company minority shares for Peoples Service Company shares immediately prior to the transaction

Note: Financial data as of 12/31/13

Source: SNL Financial

Pro Forma Branch Map



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