



ANNUAL USE OF CAPITAL SURVEY - 2009

NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Southern Missouri Bancorp, Inc.

Person to be contacted regarding this report:	Matt Funke	RSSD: (For Bank Holding Companies)	3266227
CPP Funds Received:	\$9,550,000	Holding Company Docket Number: (For Thrift Holding Companies)	
CPP Funds Repaid to Date:	\$0	FDIC Certificate Number: (For Depository Institutions)	
Date Funded (first funding):	12/5/2008	City:	Poplar Bluff
Date Repaid ¹ :		State:	Missouri

¹If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP). To answer that question, Treasury is seeking responses that describe generally how the CPP investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP investment was deployed or how many CPP dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP funds were outstanding).

<input checked="" type="checkbox"/>	Increase lending or reduce lending less than otherwise would have occurred.	From January 1, 2009, to December 31, 2009 (CY 2009), Southern Missouri Bancorp (SMBC) increased loans outstanding by \$51.3 million, or 14.6%. Approximately one-third of that increase was due to the July 2009 acquisition of Southern Bank of Commerce, discussed below.
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<input checked="" type="checkbox"/> To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).	<p>For CY 2009, SMBC loan portfolios increased as follows: residential R/E, \$9.7 million (6.4%); construction, \$7.2 million (83.2%); commercial R/E (incl. agriculture and other land), \$24.1 million (27.0%); consumer, \$5.4 million (24.8%); commercial, industrial, and agriculture, \$5.1 million (6.1%).</p>
<input checked="" type="checkbox"/> Increase securities purchased (ABS, MBS, etc.).	<p>In anticipation of and immediately following the Dec. 2008 CPP funding, SMBC significantly increased its investment portfolio (up \$17.8 million, or 43.4% during the quarter ended 12/31/08). During CY 2009, SMBC grew its portfolio by \$3.6 million, or 6.1%. (See further discussion, below.)</p>
<input type="checkbox"/> Make other investments	
<input type="checkbox"/> Increase reserves for non-performing assets	

<input type="checkbox"/>	Reduce borrowings	
<input type="checkbox"/>	Increase charge-offs	
<input checked="" type="checkbox"/>	Purchase another financial institution or purchase assets from another financial institution	In July 2009, SMBC acquired Southern Bank of Commerce, Paragould, AR. (See further discussion, below.)
<input type="checkbox"/>	Held as non-leveraged increase to total capital	

What actions were you able to avoid because of the capital infusion of CPP funds?

Because SMBC has had consistent earnings and sound asset quality, the company's need for capital was in relation to growth opportunities, rather than to avoid the negative actions which some financial institutions have been required to take related to capital preservation or de-leveraging. As such, SMBC's use of CPP capital is better addressed through the actions that SMBC may not have taken without the CPP investment. SMBC was not in a position where we would have had to reduce our asset size, raise dilutive capital, sell the institution, or take other negative actions; we simply would not have been able to grow our loan and investment portfolios as significantly, nor acquire another financial institution while continuing to meet our business plan targets for capitalization, without CPP funding.

What actions were you able to take that you may not have taken without the capital infusion of CPP funds?

While the previously-mentioned acquisition of Southern Bank of Commerce was a relatively small transaction (\$29.9 million in assets) relative to SMBC's pre-acquisition asset size, the fact that it was a troubled financial institution with significant asset quality issues meant that we would have been less likely to have attempted to acquire the institution (without FDIC assistance) had we not accepted CPP equity.

SMBC would almost certainly not have increased its investment securities holdings to the degree that it did during the quarter ended 12/31/08, held those securities throughout CY 2009, and continued to increase the portfolio during CY 2009. In that regard, here are the detailed portfolio changes since the CPP funding closed in the quarter ended 12/31/08:

US Gov't & Agency securities - 9/30/08 book value: \$4.0 million; 12/31/08 book value: \$4.0 million; 12/31/09 book value: \$6.9 million (73.3% increase during CY 2009; 73.4% increase since 9/30/08).

Municipals & other political subdivisions - 9/30/08 book value: \$6.8 million; 12/31/08 book value: \$10.7 million; 12/31/09 book value: \$18.1 million (68.9% increase during CY 2009; 165.2% increase since 9/30/08).

Mortgage-backed securities (agency pass-through MBS and agency CMOs) - 9/30/08 book value: \$28.4 million; 12/31/08 book value: \$42.7 million; 12/31/09 book value: \$35.7 million (16.3% decrease during CY 2009; 26.0% increase since 9/30/08).

As noted above, SMBC increased its loans outstanding by \$51.3 million, or 14.6% during CY 2009, with slightly less than one-third of that growth owing to the July 2009 acquisition of Southern Bank of Commerce. Excluding the loans acquired in the merger, SMBC loan growth would have approximated 10%. It is possible that, absent the CPP capital infusion, in order to maintain stronger capital ratios in a time of extreme economic uncertainty, SMBC would have been more restrictive of new credit in order to slow loan growth.

Please describe any other actions that you were able to undertake with the capital infusion of CPP funds.



According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 1505-0222. The time required to complete this information collection is estimated to average 80 hours per response.