



August 10<sup>th</sup>, 2016

Dear Customers

By now you may have heard of our plans to sell our 840 E. Main Street building to Patriots Bank.

Both of our banks have submitted formal applications to our regulators for their approval to make the sale final in the fall.

By sending you this now, we want to share our reasons for taking this action, and in doing so, also offer you additional background information we hope will further explain why we are doing this.

Our bank was started 'de novo', by a group of business people in 1983. Their plan was to fill a gap of opportunity they saw in Gardner, and in the greater KC metro area, for personal banking service and modernization. Most of those original investors still own their shares, having increased their investment over the years as we have grown, and with the fullest possible support.

We have been here since, with the same core ownership group that started the bank, and controls it today. In those days, like now, Kansas banks were forced to compete and survive by finding new ways to adapt to new regulations, difficult economic situations, and an unstable interest environment. A devastating recession in the early 1980's had resulted in the loss of more small Kansas banks than at any other time in the history of the State, and small banks were managing the obstacles posed by tougher competition and higher costs of operation by taking advantage of new intra-state branching laws. For the first time ever, small banks were legally permitted to put a full-service branch in a different Kansas community and thereby increase their customers and their chances for long term viability.

Today, really, is no different. The threats to the survival of small banks are no less grave, and some suggest they are more severe, and numerous. Aside from additional regulation that followed the recession of 2009, small banks also must now provide their customers with secure, reliable and user-friendly electronic banking channels. By expanding and improving online banking, small banks can focus on better service to keep their customers, but this is not done without the cost of tough choices.

- **Has Small Business Bank, formerly Gardner Bank, been sold?**
  - **No.** Small Business Bank is, and always has been, an independent Kansas community bank, and has been controlled by the same people since 1992.
- **Why are you selling the “main bank building”?**
  - The building is being sold because we don't need all of the size and space anymore. We have been steadily increasing our mobile and online banking options and services since

2009, and the reality is most of our customers use those channels for their normal transactions with us, compared to before 2009, when very few did.

- We are doing this to thrive in the future as an independent community bank. In our view, small banks have to be more efficient now than ever. We own 3 buildings, 2 in one town, and becoming more efficient in our operations is the best way for us to make sure we are able to serve ALL our customers in the future.

- **Is the bank having financial problems?**

- The opposite, actually. We moved away from problem lending businesses years ago, and in 2015, we ended a long association with large commercial real estate loans. Our capital and balance sheet liquidity are not only high, but more than adequate in terms of having resources on hand to meet all our obligations. Small Business Bank continues to be a “well-capitalized” bank according to the FDIC’s definitions. By contrast, our current lending business goals are based on getting more consumer and personal loans out to local people.
- The direct result of our website and online banking focus, increasing customer access and bank liquidity, and only making the safest investments, has paid off. We have been following a conservative plan, designed to allow us to be prepared for any future business, credit, or interest rate cycle.

- **Should we assume you don’t care about Gardner?**

- Not at all. We are doing this because *most* of our Gardner customers use mobile, online, and debit cards to bank with us. This is a reality for banks all over Kansas and the US. The move by bank customers to mobile and online banking channels is the biggest reason many banks, big and small, have been systematically reducing their branch systems in all regions and markets.
- Rather than close a branch, we sold our building to a local bank that needs more space.
- Most of our customers, including our Gardner customers, choose to do loans and deposits, as well as other services, remotely because they prefer that convenience.
- As a direct result of our actions now, we will be able to offer all of our customers, including GARDNER customers, better rates on loans, and savings accounts.

- **Why are you moving the bank’s headquarters to Lenexa?**

- We have been operating a branch in Old Town Lenexa since 2002.
- Though our bank has been based in Gardner, we have had growing deposit and loan businesses in Johnson County and KC metro for over 20 years.

- **When will this happen?**

- This sale is anticipated to be final sometime in October.
- The sale is not final until approved by the regulators

- **What will happen to the South branch?**

- We have a plan to analyze the volume and traffic patterns for business at South branch, before any decisions are finally made.

- **Where will the bank’s employees be moving to?**

- We will share information about where our employees will be located as a result of this sale after regulator approvals are received. More information will be made available and updated on our website, [www.smallbusinessbank.com](http://www.smallbusinessbank.com).

- **Do you not want my business anymore?**

- We offer every customer personal service, and multiple banking options. It is our *PLAN* and *DESIRE* to continue to increase the number of customers we serve in and around the Gardner area.
- We started offering easy, convenient and low cost online banking services in 2006 to ALL of our Gardner customers, and this will not change
- **Who can I speak to about this?**
  - Our president is directly involved with all aspects of this matter. You can reach him on his mobile phone at 913-433-6064, or by calling 913-856-7199. His email is rleno@smallbusinessbank.com. You can also talk to Mike Talley or Sara Foland anytime. Their email addresses are mtalley@smallbusinessbank.com and sfoland@smallbusinessbank.com. Both can also be reached by calling 913-856-7199.

We have come this far, thanks to our Customers. It is true that all of us, employees, directors and shareholders, and the innumerable persons of good will and good faith who've supported us unconditionally all these years, would have nothing to show for all their plans and support now without our Customers.

It is for this reason we hope our Customers will come to judge these plans by the light of necessity and prudent business judgment.

Sincerely yours,

Ralph J. Leno  
President and CEO