

The background of the entire page is a photograph of the San Francisco skyline at dusk. The city lights are visible against a darkening sky. Overlaid on this image are several large, semi-transparent geometric shapes in shades of orange and blue, creating a modern, abstract design.

ABB AMERICAN
BUSINESS BANK

ANNUAL REPORT
2018

► Y[OUR] LEGACY IS OURS

Honesty in action—that's the legacy American Business Bank is building. For over twenty years we have been analyzing the economic landscape for our clients; and year-after-year two truths always prevail: the marketplace will never cease to be elusive and dynamic, and it's our job to wade through the confusion and noise to provide our clients with the clarity and confidence they desire and deserve. In an industry where it's common to be both inactive and reactive, our clients trust us to guide them and leverage our collective experience to aid them in making the best decisions possible. That's why we lead with action and measure success by the decisions we share side-by-side —never from behind the scenes.

At American Business Bank, it's not in our culture to rest on our laurels. We approach every client relationship with their best interest at heart. It's our customer-centric approach that drives our long-term view, sets us apart and motivates us to continually evolve and be at our best. It's who we have always been and will proudly continue to be.



This is your bank. It always has been. From day one, our customers have been our partners. ABB's genuine interest in the success of its clients has long been the hallmark of our success. We are fortunate to call ourselves home to the best middle market businesses in Southern California, and our aim has not, and will not change — to continually contribute to their achievements. Their success is ours, and ours is most definitely theirs.

— **Leon Blankstein**
President, Chief Executive Officer, Director

HIGHLIGHTS*

REVENUE TOTAL



\$71MM

DEPOSIT GROWTH



INCREASE OF
\$334MM

LOAN GROWTH



INCREASE OF
\$330MM

NET EARNINGS

\$16.4MM

TOTAL RISK BASED CAPITAL

14.09%

Risk Based Capital

2018 HIGHLIGHTS

7.5%

ABB ranked in top 7.5% largest banks
370th/4,909 in country

*\$ AMOUNTS IN MILLIONS



▶ Y[OUR] TRUST TURNED INTO ACTION

Many call themselves doers, but few actually get it done. In our world, there is no “passing the buck”— we are both feet in at all times, working relentlessly to drive our clients’ business forward.

That’s why we believe in building relationships, not client rosters. We want our approach to be as unique as their objectives. By taking the right action, we can provide the financial resources businesses need to thrive. In doing so, American Business Bank will continue to build a legacy that quietly influences the way premiere Southern California businesses operate and grow for years to come.

WHAT THEY SAY

“We are customer focused”

“We have the best talent”

“We provide personal attention” /
“We focus on relationship”

“We operate with integrity”

“We have streamlined our process”

WHAT WE DO

The customer is ALWAYS first at ABB. Even our executive team retains direct responsibility for a portfolio of clients.

Our competitors have siloed departments, while American Business Bankers are well rounded in all aspects of our business. They establish new relationships, underwrite credit needs of their customers, and deliver on every aspect of our clients’ needs throughout the relationship. We never stop learning at ABB. Our staff is continually undergoing development and education with the goal of maximizing their potential and just simply being the best, in & outside of the financial sector.

With our clients, we strive to develop close relationships that are nonexistent, and frankly discouraged by our competitors. We care about them and we want to spend time with them. They have true, unbridled access to authority and real time feedback from actual decision makers. That’s how we interface with every client.

Our yes always means yes, and only means yes. With decentralized authority in every regional office, our clients enjoy getting decisions from a banker that has shaken their hand, toured their facility, and who knows their business. No bait and switch. No subject to decisions from a centralized unit somewhere else. When we say something, we do it.

We dislike red tape and make every effort to avoid it. Our process is designed to eliminate the pain customers experience from the industry’s clunky back office procedures. Our clients benefit daily from our decentralized mentality.

▶ Y[OUR] VALUES TURNED INTO ACTION

Never promise what you can't deliver. These are the words we bank by. At American Business Bank, every relationship we foster, decision we make or action we take all derive from a single, core principal—trust. It's how we start a conversation and keep our seat at the table. It's why we create clear boundaries and have the hard conversations. And it's how we measure success and achieve long-term growth.

TRUTHFUL

Honesty is at the core of who we are. It's how we speak to our clients and conduct our business. By communicating openly we can instill confidence to seize the right opportunity and offer guidance when patience is needed. It is crucial to how we achieve long-term success together.

REALISTIC

As competent and careful bankers, the reward lies in being able to ensure our depositors' funds are always available. That means being equally invested in both our bank and our clients. There is no room for complacency.

UNITED

Face-to-face and side-by-side, this is the only way we know how to do business; maintaining a shared focus with our clients every step of the way. We believe in accessibility, action and accountability, it's why we built our bank and it's how we have always done business.



SELECTIVE

We attribute a great deal of our success to being selective. Knowing who we are and who we are not is one of our greatest strengths, and in the best interest of our clients. We are careful about who we invite to join our bank — clients and employees alike. It allows us to set boundaries and provide thorough, prudent, careful decision making across all aspects of our business.

TANGIBLE

Our business model is simple: lead with our people who care, first and foremost for our clients. We earn a seat at the table, and they trust us with their deposits. We protect their interest by building and maintaining a strong balance sheet through stable practices.



► Y[OUR] BEST IS YET TO COME

- **Best in class customer experience.**

The client comes first: simple in theory, not in practice. At American Business Bank, it's a promise we stand by. A true testament to the longevity of our client relationships and our bank.

- **Highest employee satisfaction.**

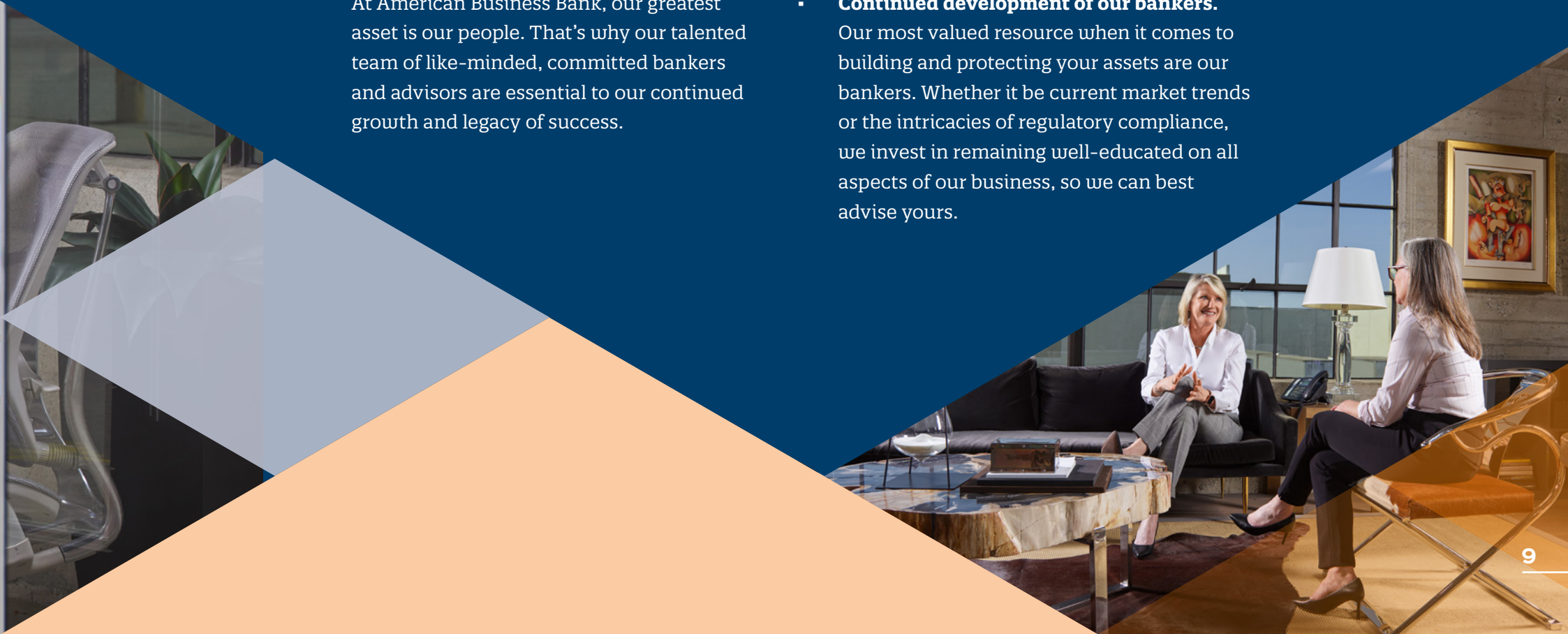
At American Business Bank, our greatest asset is our people. That's why our talented team of like-minded, committed bankers and advisors are essential to our continued growth and legacy of success.

- **Highest customer profitability.**

If actions speak louder than words, then our clients' profits speak volumes. For us, success should never be short lived, that's why we are always thinking of the big picture; knowing when to wait and when to strike is one of our greatest strengths.

- **Continued development of our bankers.**

Our most valued resource when it comes to building and protecting your assets are our bankers. Whether it be current market trends or the intricacies of regulatory compliance, we invest in remaining well-educated on all aspects of our business, so we can best advise yours.





► Y[OUR] NUMBERS

Our focus on you, drives our results — no matter the economic climate. Through good times and bad, our clients' funds are always first and foremost, that's why we maintain a fortress balance sheet and always err on the side of caution when it comes to predictable core earnings. Our clients look to us for counsel and results, and we never leave that to chance.

2018 HIGHLIGHTS

- Total loans of \$1,250MM, increase of 36% year over year
- Total deposits of \$1,974MM, increase of 20% year over year

BALANCE SHEETS

	December 31, 2018	December 31, 2017
ASSETS		
Cash and due from banks	\$26,911,365	\$32,423,699
Interest earning deposits in other financial institutions	<u>76,110,728</u>	<u>9,232,940</u>
Cash and cash equivalents	103,022,093	41,656,639
Certificates of deposit in other financial institutions	250,000	250,000
Securities available-for-sale, at fair value	658,354,332	854,986,942
Securities held-to-maturity, at amortized cost	87,526,084	-
Federal Home Loan Bank stock, at cost	10,356,200	9,937,600
Loans receivable	1,250,261,298	920,393,096
Allowance for loan losses	<u>(17,503,154)</u>	<u>(13,638,719)</u>
Loans receivable, net	1,232,758,144	906,754,377
Furniture, equipment and leasehold improvements, net	1,833,687	1,272,977
Bank owned life insurance	25,328,113	25,091,891
Deferred income tax assets, net	17,983,236	13,018,203
Other assets	20,031,045	20,580,509
TOTAL ASSETS	\$2,157,442,934	\$1,873,549,138
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits		
Non-interest bearing demand deposits	\$983,283,654	\$863,409,434
Interest bearing transaction accounts	211,794,286	170,326,230
Money market and savings deposits	728,236,757	563,610,453
Certificates of deposit	50,443,414	42,390,428
TOTAL DEPOSITS	1,973,758,111	1,639,736,545
Federal Home Loan Bank advances	-	42,000,000
Other borrowings	-	20,000,000
Accrued interest and other liabilities	18,617,425	19,009,810
TOTAL LIABILITIES	1,992,375,536	1,720,746,355
Commitments and contingencies		
Stockholders' equity		
Common stock, no par value; authorized, 15,000,000 shares; issued and outstanding, 7,705,590 and 7,539,922 shares at December 31, 2018 and 2017, respectively	154,709,805	149,819,034
Accumulated other comprehensive loss	(17,096,863)	(8,077,265)
Accumulated earnings	27,454,456	11,061,014
TOTAL STOCKHOLDERS' EQUITY	165,067,398	152,802,783
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$2,157,442,934	\$1,873,549,138
STANDBY LETTERS OF CREDIT	\$36,410,560	\$28,862,982



STATEMENTS OF EARNINGS

	Year ended December 31, 2018	Year ended December 31, 2017
INTEREST INCOME		
Interest and fees on loans	\$49,738,104	\$36,943,193
Investment securities	19,007,474	18,657,894
Interest earning deposits in other financial institutions	1,419,878	719,517
TOTAL INTEREST INCOME	70,165,456	56,320,604
INTEREST EXPENSE		
Interest bearing transaction accounts	373,850	262,640
Money market and savings deposits	2,099,996	969,397
Certificates of deposits	331,456	151,537
Federal Home Loan Bank advances and other	329,292	329,420
TOTAL INTEREST EXPENSE	3,134,594	1,712,994
NET INTEREST INCOME	67,030,862	54,607,610
Provision for loan losses	3,811,000	628,000
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	63,219,862	53,979,610
NONINTEREST INCOME		
Deposit fees	1,899,129	1,668,410
International fees	931,520	752,189
Gain (loss) on sale of investment securities	(627,074)	(364,798)
Gain on sale of SBA loans	885,671	-
Other	832,811	1,694,392
TOTAL NONINTEREST INCOME	3,922,057	3,750,193
NONINTEREST EXPENSE		
Salaries and employee benefits	31,673,524	26,129,500
Occupancy and equipment	3,252,983	2,669,427
Professional services	4,657,950	4,148,917
Promotion expenses	1,335,522	1,173,721
Other expenses	4,582,809	5,413,354
TOTAL NONINTEREST EXPENSE	45,502,788	39,534,919
Earnings before income taxes	21,639,131	18,194,884
Income tax expense	5,245,689	9,876,287
NET EARNINGS	\$16,393,442	\$8,318,597
EARNINGS PER SHARE - BASIC	\$2.15	\$1.11
EARNINGS PER SHARE - DILUTED	\$2.09	\$1.07
WEIGHTED AVERAGE SHARES - BASIC	7,642,390	7,508,168
WEIGHTED AVERAGE SHARES - DILUTED	7,860,712	7,799,975



▶ Y[OUR] LEADERSHIP

We are all Relationship Managers. We are all Portfolio Bankers. We are all Underwriters. Growing up in an era before our industry was commoditized, the Executive team at American Business Bank was established on principals of being a complete banker. No silos. Real time decisioning. Earning a seat at the table of our clients as an advisor, not the low price leader. That is how we founded the Bank, and run it today. A Bank for entrepreneurs, by entrepreneurs. Our leadership team continues to embody these principals.





Leon Blankstein
President
Chief Executive Officer
Director



Wes Schaefer
Executive Vice President
Chief Investment Officer
Director



Patti Vollmer
Executive Vice President
Chief Credit Officer



Karen Schoenbaum
Executive Vice President
Chief Financial Officer



Suzanne Dondanville
Executive Vice President
Chief Operations Officer



Phil Feghali
Executive Vice President
Corporate Banking



David Wolf
Executive Vice President
Corporate Banking

▶ Y|OUR| ABB FAMILY



DIRECTORS

Robert Schack

Chairman Emeritus,
Director and Co-Founder,
American Business Bank

Jon Schlobom

Former Chairman,
National Corset Supply

Edith Matthai

Managing Partner,
Robie & Matthai

Wes Schaefer

Director Emeritus,
Chief Investment Officer,
American Business Bank

Javier Sanchez

Co-Owner,
Executive Vice President
and Chief Financial Officer,
Jonathan Louis

Leon Blankstein

President, Chief Executive
Officer, Director, Co-Founder,
American Business Bank

Pasy Wang

Senior Managing Director
of Investments, California
Institute of Technology

D. Van Skilling

Chairman of the Board,
Onvia, Inc.

Gaurav Malhotra

Partner, Lucas Horsfall

Don Johnson

Vice Chairman,
Co-Founder,
American Business Bank

Robert Usdan

Chairman, American
Business Bank, Principal,
The Endicott Group

Trent Merrill

Chief Executive Officer,
Triple R, LLC



▶ WES SCHAEFER

Wes Schaefer was one of the original organizers and founders of American Business Bank. Along with our other four founders, Wes left his post at Mellon 1st Business Bank to contribute his energy, expertise, and vision in the founding of a premier middle market business bank. That was 21 years ago. Throughout his over two decades of service at the Bank, Wes has served as the Chief Operating Officer, Chief Financial officer, Vice Chairman, Chief Investment Officer, and Director. He was honored as CFO of the Year by L.A. Business Journal in 2012. He propelled the Bank forward and bolstered the income and safety of our institution with his investment strategies and balance sheet management. Beyond his tangible contributions, Wes's good nature, infectious attitude, and relentless sense of humor contributes significantly to the culture and quality of life of our employees. After so many years of dedicated service, Wes is retiring from the Bank's Board of Directors.

► D. VAN SKILLING

D. Van Skilling has served as a Director on the Board of American Business Bank since our inception. A titan of business, Van served as Chairman and CEO of Experian Corporation with over 11,000 employees and \$1.6B in annual revenues. He has served as a teacher of Business Policy and Strategy at Colorado College, where he also served as a Trustee and served on other boards as a Director throughout his esteemed career. Van's leadership, experience, and insights guided and protected the Bank every month of every year since we opened our doors in 1998. He has been a leader, mentor, and dear friend to us all. Van will be retiring from our Board and we are forever indebted to him for his years of tireless service to our Bank, our Shareholders, and our employees.





▶ Y[OUR] YEAR TO REMEMBER

Honesty in action. Every year this guiding principle helps us leverage our past to build a stronger financial future. 2018 proved to be year of tremendous opportunity and success:

At American Business Bank, we will continue to navigate the economic landscape in search of long-term growth and stability for our clients and our bank. Together, we will grow, achieve and continue building a strong legacy.

A very special thank you goes to Utopia Development for offering up their beautiful office space to serve as a backdrop for the portrait photography used in this report.



“

I think of my banker as an opportunity collaborator and mentor.

—John Long, Buddha Jones

“

Since day one, my banker has, and continues to take a vested interest in me, our business, and our industry.

—Larry Olson, Crenshaw Lumber

HEADQUARTERS

American Business Bank has seven offices in strategic locations including: Los Angeles, Anaheim, Irvine, Torrance, Woodland Hills, Corona, and Ontario.

www.americanbb.bank

LOS ANGELES

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