

AMERICAN BUSINESS BANK®

AMERICAN BUSINESS BANK ANNOUNCES RECORD OUTSTANDING LOANS OF \$1 BILLION

Loans and Deposits increase at double digit annualized growth rates

Los Angeles, California, May 3, 2018. AMERICAN BUSINESS BANK (OTCBB: AMBZ) today reported net income of \$2.4 million for the quarter ended March 31, 2018, or \$.31 per diluted share compared to net income of \$3.6 million or \$.46 per diluted share for the quarter ended March 31, 2017. The results for 2018 reflect an additional provision for loan losses of \$654,000 over first quarter 2017 related to strong loan growth during the first quarter of 2018. Furthermore, the increase in salaries and benefits of \$3 million over last year is primarily due to the hiring of additional relationship managers, production support personnel and an SBA group.

For the quarter, total assets increased \$59 million, or 13% annualized from year end December 31, 2017 to \$1.9 billion. This was driven by an increase in deposits of \$88 million, or 22% annualized growth from year end. Total loans increased \$79 million to \$1 billion, or 35% annualized growth from year end. This resulted in an increase in the loan to deposit ratio to 58% from 56% during the quarter. At March 31, 2018, non-interest bearing deposits represented 51% of total deposits. “This quarterly growth surpassed our expectations and reflects our commitment to and reception from small and medium size business customers who crave the value added service we provide,” said Leon Blankstein, ABB’s President, CEO and Director.

From a year ago, total assets increased \$114 million or 6%, from March 31, 2017. This was driven by an increase in deposits of \$177 million, or 11% over the twelve months. Total loans increased \$165 million, or 20% from a year ago. This resulted in an increase in the loan to deposit ratio to 58% from 54% a year ago.

During the first quarter of 2018, the Bank sold all of its treasury stock that it had at year end 2017; this generated an increase in capital of \$1.6 million.

Asset quality at the end of the first quarter remains excellent with non-performing assets to total assets of 0.06%, \$1.2 million in non-performing loans, and no Other Real Estate Owned (OREO). At the end of the quarter, the allowance for loan losses stood at \$14.5 million, or 1.45% of total loans. For 2018 year to date, the Bank had a recovery of (\$16,000).

Net Interest Income increased \$1.4 million, or 11% in the first quarter of 2018 compared to the first quarter of 2017 primarily due to the organic loan growth the Bank achieved in that period coupled with an increase in the loan yield to 4.48% for 2018 year to date.

Non-Interest Income decreased in 2018 year over year. During the first quarter of 2018, the Bank realized securities losses of (\$195,000) compared to realized securities gains of \$40,000 in the first quarter of 2017. The reduction of the securities portfolio during the period was related to continued restructuring and repositioning in response to the Tax Reform Act and heightened loan demand. However, during the quarter the Bank recorded a gain on sale of SBA loans of \$105,000 generated by the new SBA group.

Non-Interest Expense increased for the quarter ending March 31, 2018 compared to the prior year with the hiring of new personnel in the fourth quarter of 2017. “This investment we believe will yield greater profitability in the future as the new hires combined with the existing relationship management team continue to grow good credit quality loans and low cost core deposits,” said Karen Schoenbaum, Executive Vice President and Chief Financial Officer.

Additionally, one of the Bank’s founders and its former Chief Credit Officer, Robin Paterson took early retirement effective March 15, 2018 after 20 years of contributions to the Bank. “He was not only my partner, but also an outstanding banker,” said Leon Blankstein, ABB’s President, CEO and Director. “We are fortunate that another original employee of the Bank who Robin mentored, Patti Vollmer, has been promoted to Executive Vice President and Chief Credit Officer from Deputy Chief Credit Officer. Patti has been trained by the best and will continue our strong credit culture.” The early retirement increased salaries and benefits by \$979,000 in the quarter.

“In this same quarter we have been thrilled to announce receipt of the Preferred Lenders Program (“PLP”) participant status with the U.S. Small Business Administration (“SBA”),” said Stephen Pihl, Regional EVP and SBA Department Manager. “This is the highest bank designation granted by the SBA and is reserved only for top tier bank lenders.”

AMERICAN BUSINESS BANK headquartered in downtown Los Angeles offers a wide range of financial services to the business marketplace. Clients include wholesalers, manufacturers, service businesses, professionals and non-profits. The Bank has opened five Loan Production Offices in strategic areas including our North Orange County Office in Anaheim, our Orange County Office in Irvine, our South Bay Office in Torrance, our San Fernando Valley Office in the Warner Center, and our Inland Empire Office in Ontario.

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Figures in \$000, except per share amounts

CONSOLIDATED BALANCE SHEET (unaudited)

	As of:		
	March 2018	December 2017	March 2017
Assets:			
Cash and Due from Banks	\$ 44,171	\$ 32,205	\$ 57,853
Interest Earning Deposits with Other Financial Institutions	2,705	9,701	921
Investment Securities:			
US Agencies	551,783	584,950	550,381
Mortgage Backed Securities	88,362	86,909	74,050
State & Municipals	177,305	169,803	244,130
Other	11,816	13,325	6,478
Securities Available-for-Sale, at Fair Value	829,266	854,987	875,039
Federal Home Loan Bank Stock, at Cost	10,193	10,190	9,447
Total Investment Securities	839,459	865,177	884,486
Gross Loans:			
Commercial Real Estate	671,478	641,459	577,778
Commercial & Industrial	256,068	216,007	207,381
Residential Real Estate	68,956	59,665	45,919
Installment and Other	3,042	3,262	3,509
Total Gross Loans	999,544	920,393	834,587
Allowance for Loan & Lease Losses	(14,487)	(13,639)	(13,166)
Net Loans	985,057	906,754	821,421
Premises & Equipment	1,551	1,273	1,366
Other Assets	59,995	58,439	52,923
Total Assets	\$ 1,932,938	\$ 1,873,549	\$ 1,818,970
Liabilities:			
Non-Interest Bearing Demand Deposits	\$ 876,164	\$ 863,410	\$ 795,132
Interest Bearing Transaction Accounts	179,876	170,326	178,862
Money Market and Savings Deposits	613,881	563,611	537,464
Certificates of Deposit	57,544	42,390	39,455
Total Deposits	1,727,465	1,639,737	1,550,913
Federal Home Loan Bank Advances / Other Borrowings	32,000	62,000	118,000
Other Liabilities	20,336	19,009	9,305
Total Liabilities	\$ 1,779,801	\$ 1,720,746	\$ 1,678,218
Shareholders' Equity:			
Common Stock & Retained Earnings	\$ 165,750	\$ 160,880	\$ 153,315
Accumulated Other Comprehensive Income / (Loss)	(12,613)	(8,077)	(12,563)
Total Shareholders' Equity	\$ 153,137	\$ 152,803	\$ 140,752
Total Liabilities & Shareholders' Equity	\$ 1,932,938	\$ 1,873,549	\$ 1,818,970
Capital Adequacy:			
Tangible Common Equity / Tangible Assets	7.92%	8.16%	7.74%
Common Equity Tier 1 Ratio	14.84%	15.26%	14.96%
Tier 1 Capital Ratio	14.84%	15.26%	14.96%
Total Capital Ratio	16.09%	16.51%	16.21%
Tier 1 Leverage Ratio	8.55%	8.55%	7.51%
Per Share Information:			
Common Shares Outstanding	7,588,400	7,539,922	7,465,725
Book Value Per Share	\$ 20.18	\$ 20.27	\$ 18.84
Tangible Book Value Per Share	\$ 20.18	\$ 20.27	\$ 18.84

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Figures in \$000, except per share amounts

CONSOLIDATED INCOME STATEMENT (unaudited)

	For the period ended:	
	March 2018	March 2017
<u>Interest Income:</u>		
Loans	\$ 10,612	\$ 8,392
Investment Securities	4,983	5,643
Interest Bearing Deposits in Other Financial Institutions	45	36
Total Interest Income	15,640	14,071
<u>Interest Expense:</u>		
Money Market and Savings Deposits	407	271
Time Deposits	62	36
Federal Home Loan Bank Advances and Other	175	208
Total Interest Expense	644	515
Net Interest Income	14,996	13,557
Provision for Loan Losses	(832)	(178)
Net Interest Income after Provision for Loan Losses	14,164	13,379
<u>Non-Interest Income:</u>		
Deposit Fees	424	416
Realized Securities Gains (Losses)	(195)	40
Gains (Losses) on Sale of SBA Loans	105	-
Other	601	589
Total Non-Interest Income	935	1,045
<u>Non-Interest Expense:</u>		
Compensation & Benefits	8,793	6,862
Occupancy & Equipment	734	611
Other	2,587	2,377
Total Non-Interest Expense	12,114	9,850
Earnings before income taxes	2,985	4,574
Provision for Income Tax	(559)	(1,017)
<u>NET INCOME</u>	\$ 2,426	\$ 3,557
After-Tax Realized Securities (Gains) / Losses	\$ 159	\$ (31)
After-Tax Cash Value - DCP ABB stocks (Gains) / Losses	\$ 81	\$ 883
<u>Core Net Income</u>	\$ 2,666	\$ 4,409
<u>Per Share Information:</u>		
Earnings Per Share - Basic	\$ 0.32	\$ 0.48
Earnings Per Share - Diluted	\$ 0.31	\$ 0.46
Core Earnings Per Share - Diluted	\$ 0.34	\$ 0.57
Weighted Average Shares - Basic	7,569,277	7,457,949
Weighted Average Shares - Diluted	7,830,162	7,709,102

American Business Bank*Figures in \$000, except per share amounts*

	March 2018	March 2017
<u>Performance Ratios</u>		
Return on Average Assets (ROAA)	0.50%	0.76%
Return on Average Equity (ROAE)	6.37%	10.31%
Core Return on Average Assets (ROAA)	0.52%	0.81%
Core Return on Average Equity (ROAE)	6.53%	10.93%
<u>Asset Quality Overview</u>		
Non-Performing Loans	\$ 915	\$ 2,104
Loans 90+Days Past Due and Still Accruing	-	-
Total Non-Performing Loans	\$ 915	\$ 2,104
Restructured Loans (TDR's)	\$ 241	\$ 914
Other Real Estate Owned	0	0
ALLL / Gross Loans	1.45%	1.58%
Non-Performing Loans / Total Loans *	0.09%	0.25%
Non-Performing Assets / Total Assets *	0.05%	0.12%
Net Charge-Offs (Recoveries)	\$ (16)	\$ (22)
Net Charge-Offs (Recoveries) / Average Gross Loans	(0.00%)	(0.00%)

* Excludes Restructured Loans