

AMERICAN BUSINESS BANK®

AMERICAN BUSINESS BANK ANNOUNCES RECORD GROWTH IN NET LOANS

Total Assets reach over \$2 Billion

Los Angeles, California, July 26, 2018. AMERICAN BUSINESS BANK (OTCBB: AMBZ) today reported net income of \$3.7 million for the quarter ended June 30, 2018, or \$.48 per diluted share compared to net income of \$2.4 million or \$.31 per diluted share for the first quarter of 2018. The increase in net income was primarily due to an increase in net interest income in addition to an increase in the gain on sale of SBA loans with a reduction to normalized compensation expense.

Net interest income increased by \$850 thousand or 6% to \$15.8 million for the second quarter of 2018 compared to \$15 million for the first quarter of 2018. This quarterly increase represents a 23% annualized growth rate in net interest income.

Total assets increased \$148 million, or 16% annualized from year end December 31, 2017 to \$2.0 billion. This was driven by an increase in deposits of \$168 million, or 21% annualized growth from year end. Total loans increased \$173 million to \$1.1 billion, or 38% annualized growth from year end. This resulted in an increase in the loan to deposit ratio to 60% from 56% during the year. In the second quarter of 2018, the Bank grew loans by \$94 million and deposits by \$80 million. At June 30, 2018, non-interest bearing deposits represented 50% of total deposits.

“This double digit growth again surpassed our expectations. Although the investment we have made in hiring seasoned banking personnel has been a drag on earnings in the first half of the year, the shift to higher earning assets coupled with core deposit growth places the Bank in the right direction for the future,” said Leon Blankstein, ABB’s President, CEO and Director.

From a year ago, total assets increased \$244 million or 14%, from June 30, 2017. This was driven by an increase in deposits of \$214 million, or 13% over the twelve months. Total loans increased \$209 million, or 24% from a year ago. This resulted in an increase in the loan to deposit ratio to 60% from 55% a year ago.

Asset quality at June 30, 2018 remains excellent with non-performing assets to total assets of 0.10%, \$2.1 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 \$15.4 million, or 1.41% of total loans. For 2018 year to date, the Bank had a recovery of \$30,000.

“We are pleased with the quality of the new loan production as well as the even blend of C&I and real estate loans. As always, we are committed to growing with prudent underwriting as we have done since the beginning of the Bank twenty years ago. With the opportunities in our market place, the Bank prefers to focus its earning assets on organic loan growth over increasing the investment portfolio,” said Patti Vollmer, Executive Vice President and Chief Credit Officer.

Net Interest Income increased due to an increase in average outstanding loans, a higher yield on loans and a low deposit beta for the current quarter over the prior quarter. The yield on average loans increased to 4.55% for the second quarter of 2018 compared to 4.46% for the first quarter of 2018. The new loan production weighted average coupon was 4.88% in the quarter. The Bank’s core deposits continue to be a strength with the cost of deposits at 14 bps for the most recent quarter. Thus, net interest margin in the second quarter increased to 3.35% compared to 3.28% in the first quarter.

Non-Interest Income increased \$567,000 quarter over quarter primarily as the Bank recorded a gain on sale of SBA loans of \$491,000 generated by the new SBA group.

Non-Interest Expense decreased \$537,000 for the quarter ending June 30, 2018 compared to the prior quarter. The first quarter included a one-time charge of \$979,000 in compensation and benefits.

Year to date net income is below last year due to the significant investment in a growth strategy. Full time equivalent employees at June 30, 2018 were 184, an increase of 42 employees or 30% higher than a year ago.

As announced in May, the Bank expanded into North Orange County with a new loan production office. “North Orange County has always been an important market for American Business Bank, and we look forward to further penetrating this business rich environment. We hired an impressive team of bankers for this office and are confident that they will meet the needs of businesses in the area.” said David Wolf, Executive Vice President.

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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American Business Bank
Figures in \$000, except per share amounts
BALANCE SHEET (unaudited)

	June 2018	March 2018	December 2017	June 2017
Assets:				
Cash and Due from Banks	\$ 54,916	\$ 44,171	\$ 32,205	\$ 47,915
Interest Earning Deposits with Other Financial Institutions	41,709	2,705	9,701	12,706
Investment Securities:				
US Agencies	504,722	551,783	584,950	517,498
Mortgage Backed Securities	86,795	88,362	86,909	73,187
State & Municipals	166,504	177,305	169,803	183,213
US Treasuries	9,791	9,822	9,931	-
Corporate Bonds	1,995	1,994	3,394	6,488
Securities Available-for-Sale, at Fair Value	769,807	829,266	854,987	780,386
Federal Home Loan Bank Stock, at Cost	10,611	10,193	10,190	10,190
Total Investment Securities	780,418	839,459	865,177	790,576
Gross Loans:				
Commercial Real Estate	733,183	671,478	641,459	597,035
Commercial & Industrial	295,127	256,068	216,007	225,827
Residential Real Estate	61,807	68,956	59,665	58,457
Installment and Other	3,418	3,042	3,262	3,455
Total Gross Loans	1,093,535	999,544	920,393	884,774
Allowance for Loan & Lease Losses	(15,431)	(14,487)	(13,639)	(13,324)
Net Loans	1,078,104	985,057	906,754	871,450
Premises & Equipment	1,816	1,551	1,273	1,464
Other Assets	64,289	59,995	58,439	53,511
Total Assets	\$ 2,021,252	\$ 1,932,938	\$ 1,873,549	\$ 1,777,622
Liabilities:				
Non-Interest Bearing Demand Deposits	\$ 905,552	\$ 876,164	\$ 863,410	\$ 829,775
Interest Bearing Transaction Accounts	203,068	179,876	170,326	185,063
Money Market and Savings Deposits	632,257	613,881	563,611	536,790
Certificates of Deposit	67,032	57,544	42,390	42,690
Total Deposits	1,807,909	1,727,465	1,639,737	1,594,318
Federal Home Loan Bank Advances / Other Borrowings	37,000	32,000	62,000	18,000
Other Liabilities	21,686	20,336	19,009	13,059
Total Liabilities	\$ 1,866,595	\$ 1,779,801	\$ 1,720,746	\$ 1,625,377
Shareholders' Equity:				
Common Stock & Retained Earnings	\$ 170,673	\$ 165,750	\$ 160,880	\$ 157,691
Accumulated Other Comprehensive Income / (Loss)	(16,016)	(12,613)	(8,077)	(5,446)
Total Shareholders' Equity	\$ 154,657	\$ 153,137	\$ 152,803	\$ 152,245
Total Liabilities & Shareholders' Equity	\$ 2,021,252	\$ 1,932,938	\$ 1,873,549	\$ 1,777,622
Standby Letters of Credit	\$ 30,449	\$ 29,220	\$ 28,863	\$ 28,777
Capital Adequacy:				
Tangible Common Equity / Tangible Assets	7.65%	7.92%	8.16%	8.56%
Common Equity Tier 1 Ratio	14.12%	14.84%	15.26%	14.80%
Tier 1 Capital Ratio	14.12%	14.84%	15.26%	14.80%
Total Capital Ratio	15.37%	16.09%	16.51%	16.05%
Tier 1 Leverage Ratio	8.66%	8.55%	8.55%	8.02%
Per Share Information:				
Common Shares Outstanding	7,662,837	7,588,400	7,539,922	7,515,680
Book Value Per Share	\$ 20.18	\$ 20.18	\$ 20.27	\$ 20.23
Tangible Book Value Per Share	\$ 20.18	\$ 20.18	\$ 20.27	\$ 20.23

American Business Bank*Figures in \$000, except per share amounts***INCOME STATEMENT (unaudited)**

	For the three months ended:		
	June 2018	March 2018	June 2017
Interest Income:			
Loans	\$ 11,846	\$ 10,612	\$ 9,236
Investment Securities	4,652	4,983	4,458
Interest Earning Deposits in Other Financial Institutions	93	45	125
Total Interest Income	16,591	15,640	13,819
Interest Expense:			
Money Market and Savings Deposits	531	407	268
Certificates of Deposits	77	62	35
Federal Home Loan Bank Advances and Other	141	175	96
Total Interest Expense	749	644	399
Net Interest Income	15,842	14,996	13,420
Provision for Loan Losses	(931)	(832)	(150)
Net Interest Income after Provision for Loan Losses	14,911	14,164	13,270
Non-Interest Income:			
Deposit Fees	474	424	415
International Fees	220	194	186
Realized Securities Gains (Losses)	(149)	(195)	(87)
Gains (Losses) on Sale of SBA Loans	491	105	-
Other	466	407	400
Total Non-Interest Income	1,502	935	914
Non-Interest Expense:			
Compensation & Benefits	7,962	8,793	6,002
Occupancy & Equipment	853	734	702
Professional Services	1,207	1,139	972
Promotion Expenses	321	271	393
Other	1,234	1,177	1,335
Total Non-Interest Expense	11,577	12,114	9,404
Earnings before income taxes	4,836	2,985	4,780
Provision for Income Tax	(1,106)	(559)	(1,266)
NET INCOME	\$ 3,730	\$ 2,426	\$ 3,514
After-Tax Realized Securities (Gains) / Losses	\$ 115	\$ 159	\$ 64
After-Tax Cash Value - DCP ABB stocks (Gains) / Losses	\$ 50	\$ 81	\$ 1,026
Tax Reform Act Deferred Tax Asset Writeoff	\$ -	\$ -	\$ -
Core Net Income	\$ 3,895	\$ 2,666	\$ 4,604
Per Share Information:			
Earnings Per Share - Basic	\$ 0.49	\$ 0.32	\$ 0.47
Earnings Per Share - Diluted	\$ 0.48	\$ 0.31	\$ 0.45
Core Earnings Per Share - Diluted	\$ 0.50	\$ 0.34	\$ 0.59
Weighted Average Shares - Basic	7,616,766	7,569,277	7,515,680
Weighted Average Shares - Diluted	7,847,871	7,830,162	7,756,363

American Business Bank*Figures in \$000, except per share amounts***INCOME STATEMENT (unaudited)**

	For the six months ended:	
	June 2018	June 2017
<u>Interest Income:</u>		
Loans	\$ 22,458	\$ 17,628
Investment Securities	9,635	10,101
Interest Earning Deposits in Other Financial Institutions	138	161
Total Interest Income	32,231	27,890
<u>Interest Expense:</u>		
Money Market and Savings Deposits	940	540
Certificates of Deposits	138	70
Federal Home Loan Bank Advances and Other	315	304
Total Interest Expense	1,393	914
Net Interest Income	30,838	26,976
Provision for Loan Losses	(1,763)	(328)
Net Interest Income after Provision for Loan Losses	29,075	26,648
<u>Non-Interest Income:</u>		
Deposit Fees	898	819
International Fees	414	374
Realized Securities Gains (Losses)	(345)	(47)
Gains (Losses) on Sale of SBA Loans	596	-
Other	873	814
Total Non-Interest Income	2,436	1,960
<u>Non-Interest Expense:</u>		
Compensation & Benefits	16,755	12,863
Occupancy & Equipment	1,586	1,314
Professional Services	2,346	1,736
Promotion Expenses	592	648
Other	2,410	2,694
Total Non-Interest Expense	23,689	19,255
Earnings before income taxes	7,822	9,353
Provision for Income Tax	(1,665)	(2,283)
<u>NET INCOME</u>	\$ 6,157	\$ 7,070
After-Tax Realized Securities (Gains) / Losses	\$ 271	\$ 36
After-Tax Cash Value - DCP ABB stocks (Gains) / Losses	\$ 51	\$ 1,055
<u>Core Net Income</u>	\$ 6,479	\$ 8,161
<u>Per Share Information:</u>		
Earnings Per Share - Basic	\$ 0.81	\$ 0.94
Earnings Per Share - Diluted	\$ 0.79	\$ 0.91
Core Earnings Per Share - Diluted	\$ 0.83	\$ 1.05
Weighted Average Shares - Basic	7,593,022	7,515,680
Weighted Average Shares - Diluted	7,838,821	7,756,363

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

	June 2018	June 2017
Performance Ratios:		
Return on Average Assets (ROAA)	0.63%	0.77%
Return on Average Equity (ROAE)	8.09%	9.97%
Core Return on Average Assets (ROAA)	0.67%	0.89%
Core Return on Average Equity (ROAE)	8.52%	11.51%
Asset Quality Overview:		
Non-Performing Loans	\$ 2,115	\$ 933
Loans 90+Days Past Due and Still Accruing	-	-
Total Non-Performing Loans	\$ 2,115	\$ 933
Restructured Loans (TDRs)	\$ 239	\$ 247
Other Real Estate Owned	-	-
ALLL / Gross Loans	1.41%	1.51%
Non-Performing Loans / Total Loans *	0.19%	0.11%
Non-Performing Assets / Total Assets *	0.10%	0.05%
Net Charge-Offs (Recoveries)	\$ (30)	\$ (31)
Net Charge-Offs (Recoveries) / Average Gross Loans	(0.00%)	(0.00%)

* Excludes Restructured Loans

American Business Bank
Figures in \$000

QUARTERLY AVERAGE BALANCE SHEETS AND YIELD ANALYSIS (unaudited)

	For the three months ended:					
	June 2018			March 2018		
	Average Balance	Interest Inc/Exp	Average Yield/Rate	Average Balance	Interest Inc/Exp	Average Yield/Rate
Interest Earning Assets:						
Interest Earning Deposits with Other Financial Institutions	\$ 21,686	\$ 93	1.74%	\$ 11,658	\$ 45	1.55%
Investment Securities:						
US Agencies	528,777	2,180	1.65%	580,066	2,580	1.78%
Mortgage Backed Securities	92,146	627	2.72%	91,726	587	2.56%
State & Municipals	187,246	1,621	3.46%	181,741	1,580	3.48%
US Treasuries	10,073	37	1.49%	10,079	37	1.48%
Corporate Bonds	2,000	16	3.12%	2,353	16	2.76%
Securities Available-for-Sale	820,242	4,481	2.16%	865,965	4,801	2.22%
Federal Home Loan Bank Stock	10,524	171	6.50%	10,192	183	7.16%
Total Investment Securities	830,766	4,652	2.22%	876,157	4,983	2.27%
Gross Loans:						
Commercial Real Estate	698,804	7,801	4.48%	659,296	7,193	4.42%
Commercial & Industrial	275,934	3,156	4.59%	238,393	2,592	4.41%
Residential Real Estate	66,101	811	4.92%	64,624	757	4.75%
Installment and Other	3,719	78	8.36%	3,389	70	8.39%
Total Gross Loans	1,044,558	11,846	4.55%	965,702	10,612	4.46%
Total Interest Earning Assets	\$ 1,897,010	\$ 16,591	3.46%	\$ 1,853,517	\$ 15,640	3.38%
Liabilities:						
Non-Interest Bearing Demand Deposits	895,336	-	0.00%	881,512	-	0.00%
Interest Bearing Transaction Accounts	180,292	76	0.17%	173,091	74	0.17%
Money Market and Savings Deposits	629,622	455	0.29%	593,198	333	0.23%
Certificates of Deposit	62,415	77	0.49%	56,548	62	0.44%
Total Deposits	1,767,664	608	0.14%	1,704,350	469	0.11%
Federal Home Loan Bank Advances / Other Borrowings	30,648	141	1.84%	46,850	175	1.51%
Total Interest Deposits & Borrowings	902,977	749	0.33%	869,688	644	0.30%
Total Deposits & Borrowings	\$ 1,798,312	\$ 749	0.17%	\$ 1,751,200	\$ 644	0.15%
Net Interest Income	\$ 15,842			\$ 14,996		
Net Interest Rate Spread	3.29%			3.23%		
Net Interest Margin	3.35%			3.28%		

American Business Bank

Figures in \$000

QUARTERLY AVERAGE BALANCE SHEETS AND YIELD ANALYSIS (unaudited)

	For the three months ended:					
	June 2018			June 2017		
	Average Balance	Interest Inc/Exp	Average Yield/Rate	Average Balance	Interest Inc/Exp	Average Yield/Rate
Interest Earning Assets:						
Interest Earning Deposits with Other Financial Institutions	\$ 21,686	\$ 93	1.74%	\$ 28,432	\$ 125	1.78%
Investment Securities:						
US Agencies	528,777	2,180	1.65%	524,796	1,876	1.43%
Mortgage Backed Securities	92,146	627	2.72%	76,923	326	1.70%
State & Municipals	187,246	1,621	3.46%	224,179	2,097	3.74%
US Treasuries	10,073	37	1.49%	-	-	0.00%
Corporate Bonds	2,000	16	3.12%	6,501	45	2.79%
Securities Available-for-Sale	820,242	4,481	2.16%	832,400	4,344	2.06%
Federal Home Loan Bank Stock	10,524	171	6.50%	10,002	114	4.56%
Total Investment Securities	830,766	4,652	2.22%	842,402	4,458	2.09%
Gross Loans:						
Commercial Real Estate	698,804	7,801	4.48%	581,539	6,309	4.35%
Commercial & Industrial	275,934	3,156	4.59%	216,100	2,270	4.21%
Residential Real Estate	66,101	811	4.92%	54,343	622	4.59%
Installment and Other	3,719	78	8.36%	3,882	35	3.56%
Total Gross Loans	1,044,558	11,846	4.55%	855,864	9,236	4.33%
Total Interest Earning Assets	\$ 1,897,010	\$ 16,591	3.46%	\$ 1,726,698	\$ 13,819	3.17%
Liabilities:						
Non-Interest Bearing Demand Deposits	895,336	-	0.00%	860,856	-	0.00%
Interest Bearing Transaction Accounts	180,292	76	0.17%	169,522	64	0.15%
Money Market and Savings Deposits	629,622	455	0.29%	537,711	204	0.15%
Certificates of Deposit	62,415	77	0.49%	39,390	35	0.35%
Total Deposits	1,767,664	608	0.14%	1,607,479	303	0.08%
Federal Home Loan Bank Advances / Other Borrowings	30,648	141	1.84%	42,467	96	0.91%
Total Interest Deposits & Borrowings	902,977	749	0.33%	789,090	399	0.20%
Total Deposits & Borrowings	\$ 1,798,312	\$ 749	0.17%	\$ 1,649,946	\$ 399	0.10%
Net Interest Income	\$ 15,842			\$ 13,420		
Net Interest Rate Spread	3.29%			3.07%		
Net Interest Margin	3.35%			3.12%		

American Business Bank

Figures in \$000

YEAR-TO-DATE AVERAGE BALANCE SHEETS AND YIELD ANALYSIS (unaudited)

	For the six months ended:					
	June 2018			June 2017		
	Average Balance	Interest Inc/Exp	Average Yield/Rate	Average Balance	Interest Inc/Exp	Average Yield/Rate
Interest Earning Assets:						
Interest Earning Deposits with Other Financial Institutions	\$ 16,700	\$ 138	1.67%	\$ 15,011	\$ 161	2.17%
Investment Securities:						
US Agencies	554,279	4,761	1.72%	565,595	4,253	1.50%
Mortgage Backed Securities	91,937	1,214	2.64%	77,789	750	1.93%
State & Municipals	184,509	3,201	3.47%	248,836	4,683	3.76%
US Treasuries	10,076	74	1.48%	-	-	0.00%
Corporate Bonds	2,176	32	2.93%	6,501	89	2.75%
Securities Available-for-Sale	842,977	9,282	2.19%	898,721	9,775	2.16%
Federal Home Loan Bank Stock	10,359	353	6.82%	9,725	327	6.71%
Total Investment Securities	853,336	9,635	2.25%	908,447	10,101	2.21%
Gross Loans:						
Commercial Real Estate	679,159	14,994	4.45%	571,834	12,236	4.32%
Commercial & Industrial	257,267	5,748	4.51%	207,677	4,254	4.13%
Residential Real Estate	65,367	1,568	4.84%	48,106	1,063	4.45%
Installment and Other	3,555	148	8.37%	3,927	75	3.86%
Total Gross Loans	1,005,348	22,458	4.50%	831,544	17,628	4.27%
Total Interest Earning Assets	\$ 1,875,384	\$ 32,231	3.42%	\$ 1,755,002	\$ 27,890	3.16%
Liabilities:						
Non-Interest Bearing Demand Deposits	888,462	-	0.00%	844,899	-	0.00%
Interest Bearing Transaction Accounts	176,711	151	0.17%	170,529	124	0.15%
Money Market and Savings Deposits	611,511	789	0.26%	547,970	416	0.15%
Certificates of Deposit	59,498	138	0.47%	40,048	70	0.35%
Total Deposits	1,736,182	1,078	0.13%	1,603,446	610	0.08%
Federal Home Loan Bank Advances / Other Borrowings	38,704	315	1.64%	80,343	304	0.76%
Total Interest Deposits & Borrowings	886,424	1,393	0.32%	838,890	914	0.22%
Total Deposits & Borrowings	\$ 1,774,886	\$ 1,393	0.16%	\$ 1,683,788	\$ 914	0.11%
Net Interest Income	\$ 30,838			\$ 26,976		
Net Interest Rate Spread	3.26%			3.05%		
Net Interest Margin	3.32%			3.10%		