

AMERICAN BUSINESS BANK®

AMERICAN BUSINESS BANK ANNOUNCES RECORD GROWTH IN CORE DEPOSITS

Total Assets reach \$2.1 Billion

Los Angeles, California, October 26, 2018. AMERICAN BUSINESS BANK (OTCBB: AMBZ) today reported net income of \$4.1 million for the quarter ended September 30, 2018, or \$.53 per diluted share compared to net income of \$3.7 million or \$.48 per diluted share for the second quarter of 2018. The increase in net income was primarily due to an increase in net interest income with a reduction to loan loss provision commensurate with quarterly loan growth.

Net interest income increased by \$1.5 million or 10% to \$17.4 million for the third quarter of 2018 compared to \$15.8 million for the second quarter of 2018. This quarterly increase reflects the continuing shift from investment securities to loans.

Total assets increased \$223 million, or 16% annualized from year end December 31, 2017 to \$2.1 billion. This was driven by an increase in deposits of \$276 million, or 23% annualized growth from year end. Total loans increased \$218 million to \$1.1 billion, or 32% annualized growth from year end. This resulted in an increase in the loan to deposit ratio to 59% from 56% during the year. In the third quarter of 2018, the Bank grew loans by \$45 million and deposits by \$107 million. At September 30, 2018, non-interest bearing deposits represented 51% of total deposits.

“The investment we made in hiring seasoned banking personnel in the fourth quarter of last year negatively affected earnings in the first half of the year. The increase in loan balances funded by core deposit growth since then has resulted in a return on average equity approaching 11% for the quarter,” said Leon Blankstein, ABB’s President, CEO and Director.

Asset quality at September 30, 2018 remains excellent with non-performing assets to total assets of 0.06%, \$1.4 million in non-performing loans, and no Other Real Estate Owned (OREO). The largest nonaccrual is fully secured by real estate. At the end of the quarter, the allowance for loan losses stood at \$15.9 million, or 1.4% of total loans. For 2018 year to date, the Bank has had no charge offs.

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 4.71% for the third quarter of 2018 compared to 4.55% for the second quarter of 2018. The Bank recovered \$86,000 in interest on a paid off nonaccrual loan; this benefitted the quarterly loan yield by .04%. The new loan production weighted average coupon was 5.11% in the quarter. The Bank’s core deposits continue to be a strength with the cost of deposits at 0.17% for the most recent quarter, an increase of only 3 basis points over the prior quarter. Thus, the net interest margin in the third quarter increased to 3.46% compared to 3.35% in the second quarter of 2018.

Non-Interest Income decreased \$324,000 quarter over quarter primarily as the Bank recorded a lower gain on sale of SBA loans of \$342,000. This decline in SBA gain on sale is due to timing of fully funding before eligible for sale and a reduction in premiums.

Non-Interest Expense increased \$1.0 million for the quarter ending September 30, 2018 compared to the prior quarter. The increase in the third quarter was due to the increase in compensation and benefits. Employee total salaries have increased with a growth in the average number of employees between the

two quarters, an increase in bonus expense commensurate with surpassing goals, and higher expense on deferred compensation tied to increases in the Bank's stock price.

From a year ago, total assets increased \$344 million or 20%. This was driven by an increase in deposits of \$333 million, or 21% over the twelve months. Total loans increased \$260 million, or 30% from a year ago.

Year to date net income is below last year due to the significant investment in a growth strategy as well as the one time charge in the first quarter of \$979,000 in compensation and benefits. Full time equivalent employees at September 30, 2018 were 188, an increase of 45 employees or 31% higher than a year ago, but only 4 more than at June 30, 2018.

"We believe we have turned the corner in reaching break even with the investment in staffing as the Bank realized a significant growth in net interest income in the quarter as well as the net interest income margin grew by 11 basis points," said Karen Schoenbaum, Executive Vice President and Chief Financial Officer.

As announced in September, the Bank expanded into Riverside County with a new loan production office in Corona. "As a relationship bank, we are very pleased to have hired an experienced team of local bankers. Riverside County has been a growing market for American Business Bank, and we look forward to penetrating further in this dynamic region," said Phil Feghali, 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 six 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, our Riverside County office in Corona and our Inland Empire Office in Ontario.

Contact: Karen Schoenbaum

EVP/CFO

(213) 430-4000

www.americanbusinessbank.com

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Figures in \$000, except per share amounts

BALANCE SHEET (unaudited)

	September 2018	June 2018	December 2017	September 2017
Assets:				
Cash and Due from Banks	\$ 59,007	\$ 54,916	\$ 32,205	\$ 52,818
Interest Earning Deposits with Other Financial Institutions	62,497	41,709	9,701	19,698
Investment Securities:				
US Agencies	464,604	504,722	584,950	522,636
Mortgage Backed Securities	129,813	86,795	86,909	68,880
State and Municipals	79,396	166,504	169,803	147,104
US Treasuries	9,758	9,791	9,931	10,028
Corporate Bonds	1,976	1,995	3,394	3,376
Securities Available-for-Sale, at Fair Value	685,547	769,807	854,987	752,024
Securities Held-to-Maturity, at Amortized Cost	87,546	-	-	-
Federal Home Loan Bank Stock, at Cost	10,611	10,611	10,190	10,190
Total Investment Securities	783,704	780,418	865,177	762,214
Gross Loans:				
Commercial Real Estate	765,374	733,183	641,459	610,362
Commercial and Industrial	304,682	295,127	216,007	208,898
Residential Real Estate	64,853	61,807	59,665	55,773
Installment and Other	3,528	3,418	3,262	3,229
Total Gross Loans	1,138,437	1,093,535	920,393	878,262
Allowance for Loan and Lease Losses	(15,950)	(15,431)	(13,639)	(13,638)
Net Loans	1,122,487	1,078,104	906,754	864,624
Premises and Equipment	1,831	1,816	1,273	1,355
Other Assets	66,772	64,289	58,439	51,947
Total Assets	\$ 2,096,298	\$ 2,021,252	\$ 1,873,549	\$ 1,752,656
Liabilities:				
Non-Interest Bearing Demand Deposits	\$ 972,560	\$ 905,552	\$ 863,410	\$ 795,930
Interest Bearing Transaction Accounts	197,460	203,068	170,326	165,813
Money Market and Savings Deposits	672,047	632,257	563,611	575,235
Certificates of Deposit	73,239	67,032	42,390	45,775
Total Deposits	1,915,306	1,807,909	1,639,737	1,582,753
Federal Home Loan Bank Advances / Other Borrowings	1,000	37,000	62,000	2,000
Other Liabilities	25,048	21,686	19,009	12,821
Total Liabilities	\$ 1,941,354	\$ 1,866,595	\$ 1,720,746	\$ 1,597,574
Shareholders' Equity:				
Common Stock and Retained Earnings	\$ 175,616	\$ 170,673	\$ 160,880	\$ 162,238
Accumulated Other Comprehensive Income / (Loss)	(20,672)	(16,016)	(8,077)	(7,156)
Total Shareholders' Equity	\$ 154,944	\$ 154,657	\$ 152,803	\$ 155,082
Total Liabilities and Shareholders' Equity	\$ 2,096,298	\$ 2,021,252	\$ 1,873,549	\$ 1,752,656
Standby Letters of Credit	\$ 31,561	\$ 30,449	\$ 28,863	\$ 29,712
Per Share Information:				
Common Shares Outstanding	7,691,918	7,663,057	7,539,922	7,530,819
Book Value Per Share	\$ 20.14	\$ 20.18	\$ 20.27	\$ 20.53
Tangible Book Value Per Share	\$ 20.14	\$ 20.18	\$ 20.27	\$ 20.53

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Figures in \$000, except per share amounts

INCOME STATEMENT (unaudited)

	For the three months ended:		
	September 2018	June 2018	September 2017
<u>Interest Income:</u>			
Loans	\$ 13,156	\$ 11,846	\$ 9,614
Investment Securities	4,625	4,652	4,501
Interest Earning Deposits in Other Financial Institutions	414	93	259
Total Interest Income	18,195	16,591	14,374
<u>Interest Expense:</u>			
Money Market and Savings Deposits	700	531	329
Certificates of Deposits	96	77	41
Federal Home Loan Bank Advances / Other Borrowings	12	141	10
Total Interest Expense	808	749	380
Net Interest Income	17,387	15,842	13,994
Provision for Loan Losses	505	931	300
Net Interest Income after Provision for Loan Losses	16,882	14,911	13,694
<u>Non-Interest Income:</u>			
Deposit Fees	496	474	421
International Fees	237	220	194
Realized Securities Gains (Losses)	(208)	(149)	(18)
Gains (Losses) on Sale of SBA Loans	149	491	-
Other	504	466	402
Total Non-Interest Income	1,178	1,502	999
<u>Non-Interest Expense:</u>			
Compensation and Benefits	8,960	7,962	5,909
Occupancy and Equipment	874	853	706
Professional Services	1,042	1,207	946
Promotion Expenses	341	321	252
Other	1,383	1,234	1,510
Total Non-Interest Expense	12,600	11,577	9,323
Earnings before income taxes	5,460	4,836	5,370
Provision for Income Tax	1,318	1,106	1,587
<u>NET INCOME</u>	\$ 4,142	\$ 3,730	\$ 3,783
After-Tax Realized Securities (Gains) / Losses	\$ 158	\$ 115	\$ 13
After-Tax Cash Value - DCP ABB stocks (Gains) / Losses	\$ 356	\$ 50	\$ 986
<u>Core Net Income</u>	\$ 4,656	\$ 3,895	\$ 4,782
<u>Per Share Information:</u>			
Earnings Per Share - Basic	\$ 0.54	\$ 0.49	\$ 0.50
Earnings Per Share - Diluted	\$ 0.53	\$ 0.48	\$ 0.48
Core Earnings Per Share - Diluted	\$ 0.59	\$ 0.50	\$ 0.61
Weighted Average Shares - Basic	7,683,427	7,616,766	7,528,125
Weighted Average Shares - Diluted	7,885,205	7,847,871	7,812,483

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Figures in \$000, except per share amounts

INCOME STATEMENT (unaudited)

	For the nine months ended:	
	September 2018	September 2017
<u>Interest Income:</u>		
Loans	\$ 35,614	\$ 27,242
Investment Securities	14,260	14,603
Interest Earning Deposits in Other Financial Institutions	552	420
Total Interest Income	50,426	42,265
<u>Interest Expense:</u>		
Money Market and Savings Deposits	1,639	869
Certificates of Deposits	235	111
Federal Home Loan Bank Advances / Other Borrowings	328	314
Total Interest Expense	2,202	1,294
Net Interest Income	48,224	40,970
Provision for Loan Losses	2,268	628
Net Interest Income after Provision for Loan Losses	45,956	40,342
<u>Non-Interest Income:</u>		
Deposit Fees	1,394	1,240
International Fees	651	567
Realized Securities Gains (Losses)	(553)	(65)
Gains (Losses) on Sale of SBA Loans	744	-
Other	1,378	1,216
Total Non-Interest Income	3,614	2,958
<u>Non-Interest Expense:</u>		
Compensation and Benefits	25,715	18,772
Occupancy and Equipment	2,461	2,019
Professional Services	3,389	2,682
Promotion Expenses	934	900
Other	3,790	4,203
Total Non-Interest Expense	36,289	28,576
Earnings before income taxes	13,281	14,724
Provision for Income Tax	2,983	3,870
<u>NET INCOME</u>	\$ 10,298	\$ 10,854
After-Tax Realized Securities (Gains) / Losses	\$ 429	\$ 48
After-Tax Cash Value - DCP ABB stocks (Gains) / Losses	\$ 364	\$ 1,031
<u>Core Net Income</u>	\$ 11,091	\$ 11,933
<u>Per Share Information:</u>		
Earnings Per Share - Basic	\$ 1.35	\$ 1.45
Earnings Per Share - Diluted	\$ 1.31	\$ 1.39
Core Earnings Per Share - Diluted	\$ 1.41	\$ 1.53
Weighted Average Shares - Basic	7,623,157	7,498,052
Weighted Average Shares - Diluted	7,854,031	7,782,229

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Figures in \$000
SUPPLEMENTAL DATA (unaudited)

	September 2018	June 2018	December 2017	September 2017
Performance Ratios:				
<u>Quarterly:</u>				
Return on Average Assets (ROAA)	0.80%	0.76%	-0.54%	0.84%
Core Return on Average Assets (ROAA)	0.89%	0.77%	-0.35%	0.84%
Return on Average Equity (ROAE)	10.74%	9.81%	-6.47%	9.85%
Core Return on Average Equity (ROAE)	11.95%	10.05%	-4.12%	9.89%
<u>Year-to-Date</u>				
Return on Average Assets (ROAA)	0.69%	0.63%	0.45%	0.79%
Core Return on Average Assets (ROAA)	0.74%	0.67%	0.78%	0.87%
Return on Average Equity (ROAE)	8.98%	8.09%	5.60%	9.93%
Core Return on Average Equity (ROAE)	9.68%	8.52%	9.66%	10.91%
Capital Adequacy:				
Total Capital Ratio	14.70%	14.92%	16.51%	15.58%
Common Equity Tier 1 Ratio	13.45%	13.67%	15.26%	15.58%
Tier 1 Capital Ratio	13.45%	13.67%	15.26%	16.84%
Tier 1 Leverage Ratio	8.48%	8.66%	8.55%	8.33%
Tangible Common Equity / Tangible Assets	7.39%	7.65%	8.16%	8.85%
Asset Quality Overview				
Non-Performing Loans	\$ 1,361	\$ 2,115	\$ 915	\$ 431
Loans 90+Days Past Due and Still Accruing	-	-	-	-
Total Non-Performing Loans	1,361	2,115	915	431
Restructured Loans	237	239	243	245
Other Real Estate Owned	-	-	-	-
ALLL / Gross Loans	1.40%	1.41%	1.48%	1.55%
Non-Performing Loans / Total Loans *	0.12%	0.19%	0.10%	0.05%
Non-Performing Assets / Total Assets *	0.06%	0.10%	0.05%	0.02%
Net Charge-Offs (Recoveries) quarterly	\$ (13)	\$ (14)	\$ (1)	\$ (14)
Net Charge-Offs (Recoveries) year-to-date	\$ (43)	\$ (30)	\$ (46)	\$ (45)
Net Charge-Offs (Recoveries) year-to-date / Average Gross	(0.00%)	(0.00%)	(0.01%)	(0.01%)

* Excludes Restructured Loans

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Figures in \$000
QUARTERLY AVERAGE BALANCE SHEETS AND YIELD ANALYSIS (unaudited)

	For the three months ended:			June 2018		
	September 2018			Average	Interest	Average
	Average	Interest	Average	Balance	Inc/Exp	Yield/Rate
	Balance	Inc/Exp	Yield/Rate			
Interest Earning Assets:						
Interest Earning Deposits with Other Financial Institutions	\$ 80,898	\$ 414	2.08%	\$ 21,686	\$ 93	1.74%
Investment Securities:						
US Agencies	493,172	2,093	1.70%	528,777	2,180	1.65%
Mortgage Backed Securities	112,564	804	2.86%	92,146	627	2.72%
State & Municipals	175,161	1,496	3.41%	187,246	1,621	3.46%
US Treasuries	10,066	37	1.46%	10,073	37	1.49%
Corporate Bonds	2,000	16	3.30%	2,000	16	3.12%
Securities Available-for-Sale and Held-to-Maturity	792,963	4,446	2.19%	820,242	4,481	2.16%
Federal Home Loan Bank Stock	10,611	179	6.76%	10,524	171	6.50%
Total Investment Securities	803,574	4,625	2.25%	830,766	4,652	2.22%
Gross Loans:						
Commercial Real Estate	748,331	8,693	4.61%	698,804	7,801	4.48%
Commercial & Industrial	295,338	3,600	4.84%	275,934	3,156	4.59%
Residential Real Estate	61,767	784	5.04%	66,101	811	4.92%
Installment and Other	3,755	79	8.32%	3,719	78	8.36%
Total Gross Loans	1,109,191	13,156	4.71%	1,044,558	11,846	4.55%
Total Interest Earning Assets	\$ 1,993,663	\$ 18,195	3.57%	\$ 1,897,010	\$ 16,591	3.46%
Liabilities:						
Non-Interest Bearing Demand Deposits	956,243	-	0.00%	895,336	-	0.00%
Interest Bearing Transaction Accounts	201,146	113	0.22%	180,292	76	0.17%
Money Market and Savings Deposits	663,767	587	0.35%	629,622	455	0.29%
Certificates of Deposit	68,957	96	0.55%	62,415	77	0.49%
Total Deposits	1,890,113	796	0.17%	1,767,665	608	0.14%
Federal Home Loan Bank Advances / Other Borrowings	2,946	12	1.66%	30,648	141	1.84%
Total Interest Deposits & Borrowings	936,816	808	0.34%	902,977	749	0.33%
Total Deposits & Borrowings	\$ 1,893,059	\$ 808	0.17%	\$ 1,798,312	\$ 749	0.17%
Net Interest Income	\$ 17,387			\$ 15,842		
Net Interest Rate Spread	3.40%			3.29%		
Net Interest Margin	3.46%			3.35%		

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Figures in \$000

QUARTERLY AVERAGE BALANCE SHEETS AND YIELD ANALYSIS (unaudited)

	For the three months ended:			September 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	\$ 80,898	\$ 414	2.08%	\$ 80,854	\$ 259	1.30%
Investment Securities:						
US Agencies	493,172	2,093	1.70%	529,934	2,524	1.90%
Mortgage Backed Securities	112,564	804	2.86%	74,828	312	1.67%
State & Municipals	175,161	1,496	3.41%	159,469	1,443	3.62%
US Treasuries	10,066	37	1.46%	3,400	12	1.47%
Corporate Bonds	2,000	16	3.30%	5,290	39	2.98%
Securities Available-for-Sale and Held-to-Maturity	792,963	4,446	2.19%	772,921	4,330	2.22%
Federal Home Loan Bank Stock	10,611	179	6.76%	10,190	171	6.71%
Total Investment Securities	803,574	4,625	2.25%	783,111	4,501	2.27%
Gross Loans:						
Commercial Real Estate	748,331	8,693	4.61%	599,865	6,601	4.41%
Commercial & Industrial	295,338	3,600	4.84%	213,675	2,323	4.36%
Residential Real Estate	61,767	784	5.04%	56,625	661	4.68%
Installment and Other	3,755	79	8.32%	4,299	29	2.79%
Total Gross Loans	1,109,191	13,156	4.71%	874,464	9,614	4.41%
Total Interest Earning Assets	\$ 1,993,663	\$ 18,195	3.57%	\$ 1,738,429	\$ 14,374	3.27%
Liabilities:						
Non-Interest Bearing Demand Deposits	956,243	-	0.00%	833,169	-	0.00%
Interest Bearing Transaction Accounts	201,146	113	0.22%	176,997	72	0.17%
Money Market and Savings Deposits	663,767	587	0.35%	580,105	257	0.18%
Certificates of Deposit	68,957	96	0.55%	44,500	41	0.37%
Total Deposits	1,890,113	796	0.17%	1,634,771	370	0.09%
Federal Home Loan Bank Advances / Other Borrowings	2,946	12	1.66%	3,239	10	1.23%
Total Interest Deposits & Borrowings	936,816	808	0.34%	804,841	380	0.19%
Total Deposits & Borrowings	\$ 1,893,059	\$ 808	0.17%	\$ 1,638,010	\$ 380	0.09%
Net Interest Income	\$ 17,387			\$ 13,994		
Net Interest Rate Spread			3.40%			3.18%
Net Interest Margin			3.46%			3.23%

American Business Bank

Figures in \$000

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

	For the nine months ended:			September 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	\$ 38,334	\$ 552	1.95%	\$ 37,200	\$ 420	1.52%
Investment Securities:						
US Agencies	533,686	6,854	1.71%	553,577	6,777	1.63%
Mortgage Backed Securities	98,888	2,018	2.72%	76,791	1,063	1.85%
State & Municipals	181,359	4,696	3.45%	218,720	6,124	3.73%
US Treasuries	10,073	111	1.47%	1,146	12	1.46%
Corporate Bonds	2,116	48	3.04%	6,093	129	2.82%
Securities Available-for-Sale and Held-to-Maturity	826,122	13,727	2.19%	856,327	14,105	2.17%
Federal Home Loan Bank Stock	10,444	533	6.80%	9,882	498	6.71%
Total Investment Securities	836,566	14,260	2.25%	866,209	14,603	2.22%
Gross Loans:						
Commercial Real Estate	702,470	23,687	4.51%	581,280	18,837	4.33%
Commercial & Industrial	270,097	9,348	4.63%	209,698	6,577	4.19%
Residential Real Estate	64,153	2,352	4.90%	50,977	1,723	4.52%
Installment and Other	3,622	227	8.35%	4,053	105	3.47%
Total Gross Loans	1,040,342	35,614	4.58%	846,008	27,242	4.31%
Total Interest Earning Assets	\$ 1,915,242	\$ 50,426	3.47%	\$ 1,749,417	\$ 42,265	3.19%
Liabilities:						
Non-Interest Bearing Demand Deposits	911,304	-	0.00%	840,946	-	0.00%
Interest Bearing Transaction Accounts	184,946	264	0.19%	172,709	197	0.15%
Money Market and Savings Deposits	629,121	1,375	0.29%	558,799	673	0.16%
Certificates of Deposit	62,686	235	0.50%	41,549	111	0.36%
Total Deposits	1,788,057	1,874	0.14%	1,614,003	981	0.08%
Federal Home Loan Bank Advances / Other Borrowings	26,654	328	1.64%	54,359	314	0.77%
Total Interest Deposits & Borrowings	903,407	2,202	0.33%	827,416	1,295	0.21%
Total Deposits & Borrowings	\$ 1,814,710	\$ 2,202	0.16%	\$ 1,668,361	\$ 1,295	0.10%
Net Interest Income	\$ 48,224			\$ 40,970		
Net Interest Rate Spread			3.31%			3.09%
Net Interest Margin			3.37%			3.13%