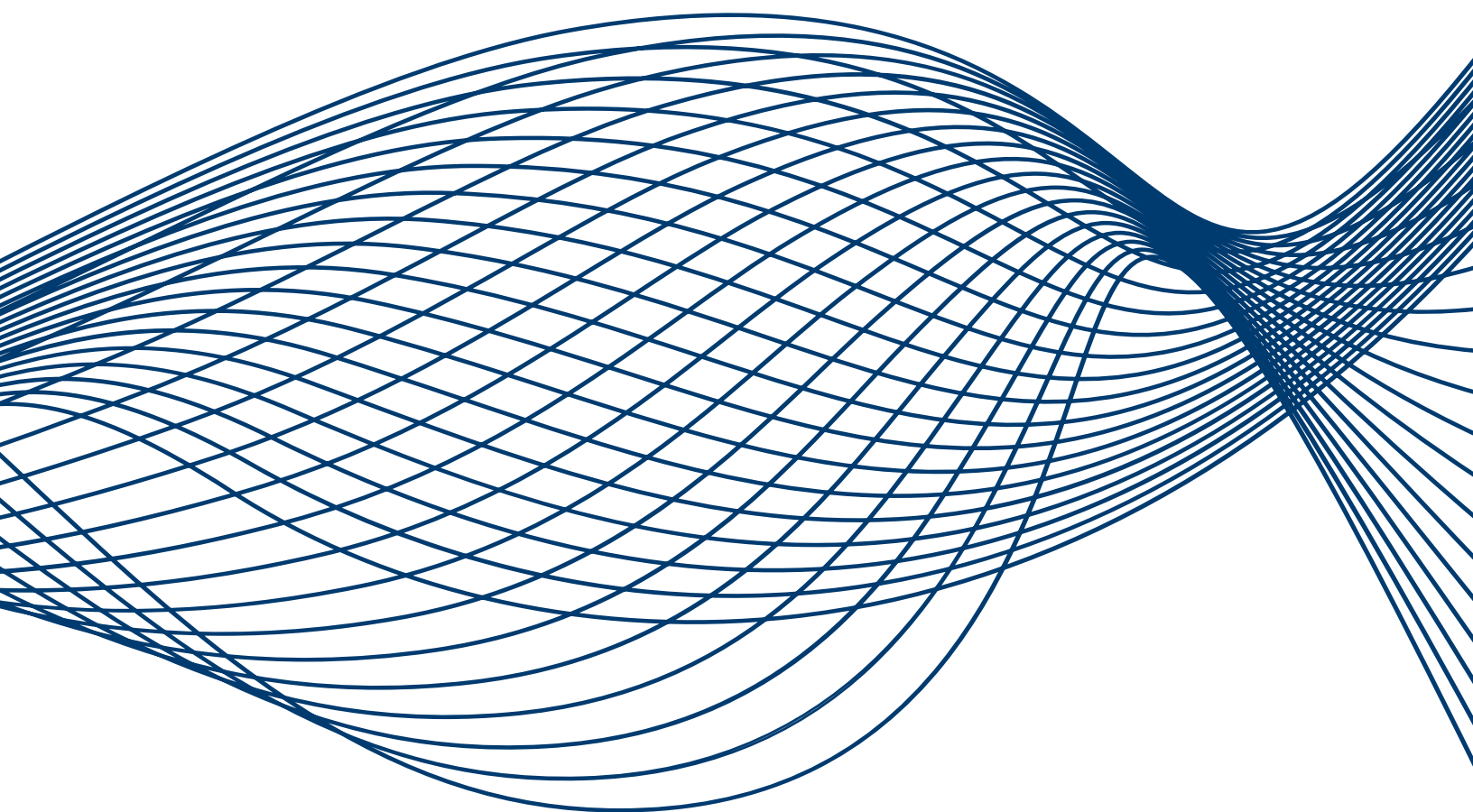




2021 Annual Shareholder Report





Dear Shareholders,

As I reflect on 2021, I am again in awe of our hard-working ABB family, and all of the success we have attained. Each of ABB's 2021 milestones happened during COVID and the trying times surrounding the pandemic. I commend our team and our clients for their continued resilience and tenacity to keep pushing forward. The pandemic is waning as I write this, and we hope it will soon be absent from our daily lives. Though these two long years have been difficult, the PPP programs, record numbers, and unfailing can-do spirit of our bankers and clients are what made 2021 shine.

Tied to the pandemic were the SBA PPP programs one and two, of which our PPP1 portfolio has nearly received full forgiveness, and we are more than halfway there with respect to the PPP2 portfolio forgiveness. I am extremely proud that we championed that program as it saved so many jobs and supported the businesses that really needed it most.

We completed 2021 with record earnings of \$39.2 million, up 36% from 2020. Excluding PPP loans, our loan portfolio grew 28% or nearly \$424 million- another record! Deposits were also increased by \$426 million or 13% from a year ago. These achievements are outstanding and would not have been realized without the diligent efforts of our staff and Relationship Managers. It is not in our culture to boast of our successes, but this last year was epic!

As the Bank continues to grow and prosper, we will continue to emphasize new technologies to enhance our client experience. As always, these technological advancements will be delivered through our people, which is our greatest strength. We recognize we must be prepared to offer the services demanded by the marketplace and progress forward, however we will always stay true to our high-touch approach.

We will continue to evolve and adapt, forever supporting our clients, staff and business associates. Our dedication to ABB and its potential is always present in our minds and surely will come to fruition as we stay true to our vision and passion for those in our fold. Again, we thank you for your loyalty, relationship, and the opportunity to roll up our sleeves and earn our seat at your table each, and every day.

In Your Service,
Leon Blankstein,
President, Chief Executive Officer, Director



Financial Statements and Report of Independent
Auditor

December 31, 2021 and 2020

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Independent Auditor's Report

Board of Directors
American Business Bank

Report on the Audit of the Financial Statements**Opinion**

We have audited the financial statements of American Business Bank (the Bank), which comprise the balance sheets as of December 31, 2021 and 2020, the related statements of income, comprehensive income, changes in shareholders' equity and cash flows for the years then ended, and the related notes to the financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with auditing standards generally accepted in the United States of America (GAAS), the Bank's internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013, and our report dated April 18, 2022, expressed an unmodified opinion on the effectiveness of the Bank's internal control over financial reporting.

Basis for Opinion

We conducted our audits in accordance with GAAS. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the Bank and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Bank's ability to continue as a going concern within one year after the date that the financial statements are issued (or within one year after the date that the financial statements are available to be issued when applicable).

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Bank's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

RSM US LLP

Los Angeles, California
April 18, 2022

American Business Bank

BALANCE SHEETS

As of December 31,

ASSETS		2021	2020
Cash and due from banks	\$	33,246,291	\$ 44,334,313
Interest earning deposits in other financial institutions		195,623,950	201,718,804
Cash and cash equivalents		228,870,241	246,053,116
Securities available-for-sale, at fair value		1,238,486,678	939,265,355
Securities held-to-maturity, at amortized cost		298,651,185	143,228,954
Federal Home Loan Bank stock, at cost		11,778,500	10,864,200
Loans receivable		2,077,782,190	2,060,909,994
Allowance for loan losses		(25,061,555)	(22,930,581)
Loans receivable, net		2,052,720,635	2,037,979,413
Furniture, equipment and leasehold improvements, net		6,579,915	7,857,492
Bank/corporate owned life insurance		28,850,883	27,738,073
Deferred income tax assets, net		17,375,796	10,615,572
Accrued interest receivable and other assets		28,961,893	30,659,507
Total assets	\$	3,912,275,726	\$ 3,454,261,682
LIABILITIES AND SHAREHOLDERS' EQUITY			
Deposits			
Non-interest bearing demand deposits	\$	1,934,443,799	\$ 1,686,091,290
Interest bearing transaction accounts		287,223,678	258,949,770
Money market and savings deposits		1,337,034,949	1,191,590,938
Certificates of deposit		39,444,948	35,777,982
Total deposits		3,598,147,374	3,172,409,980
Accrued interest payable and other liabilities		35,574,321	34,013,518
Total liabilities		3,633,721,695	3,206,423,498
Commitments and contingencies			
Shareholders' equity			
Common stock, no par value; authorized, 15,000,000 shares; issued and outstanding, 8,832,797 and 7,942,368 shares at December 31, 2021 and 2020, respectively		202,199,318	166,263,030
Accumulated other comprehensive income (loss)		(5,165,847)	6,017,874
Retained earnings		81,520,560	75,557,280
Total shareholders' equity		278,554,031	247,838,184
Total liabilities and shareholders' equity	\$	3,912,275,726	\$ 3,454,261,682

The accompanying notes are an integral part of these statements.

American Business Bank
STATEMENTS OF INCOME
For the years ended December 31,

	2021	2020
Interest income		
Interest and fees on loans	\$ 86,800,400	\$ 77,596,484
Investment securities	21,616,925	15,402,514
Interest earning deposits in other financial institutions	462,102	294,645
Total interest income	108,879,427	93,293,643
Interest expense		
Interest bearing transaction accounts	151,907	227,001
Money market and savings deposits	1,620,551	2,418,467
Certificates of deposits	46,892	106,331
Federal Home Loan Bank advances and other borrowings	7	131,025
Total interest expense	1,819,357	2,882,824
Net interest income	107,060,070	90,410,819
Provision for loan losses	1,953,000	2,564,000
Net interest income after provision for loan losses	105,107,070	87,846,819
Noninterest income		
Deposit fees	3,314,024	2,650,989
International fees	1,210,084	1,038,094
Loss on sale of investment securities, net	(32,812)	(168,346)
Gain on sale of SBA loans, net	-	19,347
Bank/corporate owned life insurance income	1,112,810	1,289,945
Other non-interest income	921,424	675,067
Total noninterest income	6,525,530	5,505,096
Noninterest expense		
Salaries and employee benefits	39,867,244	37,312,402
Occupancy and equipment	4,589,090	3,798,223
Professional services	6,042,829	6,789,815
Promotion expenses	1,734,146	1,220,284
Other expenses	6,582,734	5,071,669
Total noninterest expense	58,816,043	54,192,393
Income before income taxes	52,816,557	39,159,522
Income tax expense	13,654,024	10,386,698
NET INCOME	\$ 39,162,533	\$ 28,772,824
Earnings per share - basic	\$ 4.39	\$ 3.24
Earnings per share - diluted	\$ 4.33	\$ 3.22
Weighted average shares - basic	8,918,938	8,867,194
Weighted average shares - diluted	9,048,355	8,932,598

The accompanying notes are an integral part of these statements.

American Business Bank
STATEMENTS OF COMPREHENSIVE INCOME
For the years ended December 31,

	<u>2021</u>	<u>2020</u>
Net Income	\$ 39,162,533	\$ 28,772,824
Other Comprehensive Income:		
Unrealized gains on securities:		
Available-for-sale:		
Net change in unrealized gains (losses)	(16,317,364)	13,780,096
Reclassification of losses to net income	<u>(32,812)</u>	<u>(168,346)</u>
Net unrealized gains (losses) on securities	(16,350,176)	13,611,750
Tax effect	<u>4,833,700</u>	<u>(4,024,123)</u>
Net unrealized gains (losses) on securities, net of tax	(11,516,476)	9,587,627
Held-to-maturity:		
Net change in unamortized unrealized loss on securities available-for-sale transferred to held-to-maturity	472,419	598,557
Tax effect	<u>(139,664)</u>	<u>(176,955)</u>
Net unrealized gains on securities, net of tax	332,755	421,602
Total other comprehensive income (loss)	<u>(11,183,721)</u>	<u>10,009,229</u>
Comprehensive income	<u>\$ 27,978,812</u>	<u>\$ 38,782,053</u>

The accompanying notes are an integral part of these statements.

American Business Bank

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the years ended December 31, 2021 and 2020

	Shares outstanding	Common stock	Retained earnings	Accumulated other comprehensive income (loss)	Total shareholders' equity
Balance at December 31, 2019	7,850,171	\$ 163,872,321	\$ 46,784,456	\$ (3,991,355)	\$ 206,665,422
Exercise of stock options	26,961	383,075	-	-	383,075
Restricted stock vested	44,563	-	-	-	-
Repurchase of restricted stock at vesting	(4,830)	(144,954)	-	-	(144,954)
Distribution of restricted stock from DCP plan (1)	25,503	-	-	-	-
Stock-based compensation	-	2,152,588	-	-	2,152,588
Net income for the year	-	-	28,772,824	-	28,772,824
Other comprehensive income	-	-	-	10,009,229	10,009,229
Balance at December 31, 2020	7,942,368	\$ 166,263,030	\$ 75,557,280	\$ 6,017,874	\$ 247,838,184
Exercise of stock options	32,706	509,489	-	-	509,489
Restricted stock vested	62,302	-	-	-	-
Repurchase of restricted stock at vesting	(7,274)	(269,559)	-	-	(269,559)
Distribution of restricted stock from DCP plan (1)	2,889	-	-	-	-
10% Stock Dividend	799,806	33,195,601	(33,199,253)	-	(3,652)
Stock-based compensation	-	2,500,757	-	-	2,500,757
Net income for the year	-	-	39,162,533	-	39,162,533
Other comprehensive income (loss)	-	-	-	(11,183,721)	(11,183,721)
Balance at December 31, 2021	8,832,797	\$ 202,199,318	\$ 81,520,560	\$ (5,165,847)	\$ 278,554,031

(1) DCP: Deferred Compensation Plan - see Note L

The accompanying notes are an integral part of these statements.

American Business Bank
STATEMENTS OF CASH FLOWS
For the years ended December 31,

	2021	2020
Cash flows from operating activities:		
Net income	\$ 39,162,533	\$ 28,772,824
Adjustments to reconcile net income to net cash provided by operating activities		
Provision for loan losses	1,953,000	2,564,000
Provision (negative provision) for unfunded commitments	(425,000)	707,000
Depreciation and amortization of furniture, equipment and leasehold improvements	1,773,819	1,859,776
Net amortization of premium on securities	14,390,788	13,190,397
Amortization of operating lease right-of-use assets	1,394,357	1,337,946
Stock-based compensation expense	2,500,757	2,152,588
Bank/corporate owned life insurance income	(1,112,810)	(1,289,945)
Loss on sales of investment securities, net	32,812	168,346
Deferred income tax benefit	(2,066,188)	(434,505)
Deferred compensation expense	139,559	184,967
Post-retirement health benefits expense (amortization)	(55,165)	50,466
Changes in assets and liabilities:		
Accrued interest receivable and other assets	1,410,800	(4,926,175)
Accrued interest payable and other liabilities	793,866	2,684,844
Net cash provided by operating activities	59,893,128	47,022,529
Cash flows from investing activities:		
Purchases of Federal Home Loan Bank stock	(914,300)	(508,000)
Purchases of securities available-for-sale	(621,302,367)	(452,599,631)
Proceeds from sales of securities available-for-sale	6,185,890	15,345,677
Proceeds from maturities, paydowns and calls of securities available-for-sale	214,407,970	184,227,561
Purchases of securities held-to-maturity	(87,156,404)	(57,526,252)
Proceeds from calls of securities held-to-maturity	2,920,000	110,000
Net decrease in certificates of deposits in other financial institutions	-	500,000
Net increase in loans receivable	(16,694,222)	(573,988,165)
Purchases of furniture, equipment and leasehold improvements	(496,242)	(694,160)
Net cash used in investing activities	(503,049,675)	(885,132,970)

The accompanying notes are an integral part of these statements.

American Business Bank
STATEMENTS OF CASH FLOWS - CONTINUED
For the years ended December 31,

	2021	2020
Cash flows from financing activities:		
Net increase in deposits	\$ 425,737,394	\$ 1,007,550,631
Cash paid in lieu of fractional shares	(3,652)	-
Repurchase of restricted stock at vesting	(269,559)	(144,954)
Proceeds from exercise of stock options	509,489	383,075
	<u>425,973,672</u>	<u>1,007,788,752</u>
Net cash provided by financing activities	425,973,672	1,007,788,752
Net increase (decrease) in cash and cash equivalents	(17,182,875)	169,678,311
Cash and cash equivalents at beginning of year	<u>246,053,116</u>	<u>76,374,805</u>
Cash and cash equivalents at end of year	<u>\$ 228,870,241</u>	<u>\$ 246,053,116</u>
Supplemental cash flow information:		
Cash paid during the year for:		
Interest	\$ 1,824,185	\$ 2,934,274
Income taxes	14,065,000	11,275,000
Supplemental noncash disclosures:		
Unrealized gains (losses) on investment securities, net of tax	(11,183,721)	10,009,229
Transfer of securities from available-for-sale to held-to-maturity	73,053,648	-
Lease liabilities arising from obtaining right-of-use assets	1,107,543	-

The accompanying notes are an integral part of these statements.

American Business Bank
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

American Business Bank (the “Bank”), which commenced operations on October 1, 1998, is a California-chartered bank primarily engaged in the business of serving the banking needs of small and medium-sized firms, non-profits, along with the personal needs of business executives and professionals in Southern California. Since the Bank’s emphasis is on business banking, it does not actively solicit consumer business from the general public. The Bank’s revenues are derived principally from interest on loans and investments, and other fees. The operations and net interest income of the Bank are affected by general economic conditions and by the monetary and fiscal policies of the federal government. Lending activities are affected by the demand for business loans, commercial mortgage needs and other types of financing which is, in turn, affected primarily by interest rates and other general economic conditions. Deposit flows and cost of funds are influenced by interest rates on competing investments and by general market interest rates. The ability of the Bank’s customers to honor their loan agreements is dependent, in part, upon the general economy of the Bank’s market area and, to a lesser degree, upon the health of the local real estate market.

The accounting and reporting policies of the Bank are in accordance with accounting principles generally accepted in the United States of America (“US GAAP”) and conform to general practices within the banking industry. A summary of the significant accounting policies consistently applied in preparation of the accompanying financial statements follows.

On July 22, 2021, the Bank paid a 10% stock dividend on its common stock to shareholders of record as of June 23, 2021. The Bank paid \$3,652 of cash in lieu of fractional shares. All per share amounts and numbers of shares outstanding in this report have been retroactively applied for the stock dividend.

1. Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

Estimates that are particularly susceptible to significant change relate to the determination of the allowance for loan losses, the reserve for off-balance sheet credit commitments, investment securities impairment, deferred income taxes and the valuation of financial assets and liabilities reported at fair value. The Bank has applied its critical accounting policies and estimation methods consistently in all periods presented in these financial statements.

American Business Bank
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2021 and 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

2. Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, amounts due from banks, federal funds sold, and interest earning deposits in other financial institutions, all of which mature within ninety days. Required reserves represent cash that is restricted to meet Federal Reserve Bank (Federal Reserve) requirements. Effective March 26, 2020, the Federal Reserve reduced the reserve requirement ratio to zero percent.

3. Interest Earning Deposits in Other Financial Institutions

Interest earning deposits in other financial institutions represent short term interest earning deposits, which include money market deposit accounts with other financial institutions, and interest earning deposits with the Federal Reserve. These deposits can generally provide the Bank with immediate liquidity and generally can be liquidated the same day as is the case with the Federal Reserve and within seven days on money market deposit accounts with other financial institutions.

4. Investment Securities

Debt securities are classified based on management's intention on the date of purchase. Debt securities that management has the positive intent and ability to hold to maturity are classified as held-to-maturity and recorded at amortized cost. Securities classified as trading are recorded at fair value with changes in fair value recorded in earnings. Securities not classified as held-to-maturity or trading, are classified as available-for-sale and recorded at fair value, with unrealized gains and losses excluded from earnings and reported in other comprehensive income, net of tax. Interest and dividends are included in interest income. Premiums or discounts on securities are amortized or accreted into income using the interest method over the expected lives of the individual securities. Realized gains and losses on sales of securities are recorded using the specific identification method.

Periodically, management may reassess the appropriateness of the classification of the Bank's investments in debt securities. Transfers of securities between categories of investments are accounted for at fair value as of the transfer date, and the accounting treatment of the unrealized gains and losses and the related income tax effects are determined by the category into which the security is transferred. For transfers of securities from available-for-sale to held-to-maturity, the unrealized gain or loss becomes part of the amortized cost basis at the date of transfer and is subsequently amortized over the expected life of the security as a yield adjustment. The unrealized gain or loss at the date of transfer remains in accumulated other comprehensive income, but is amortized over the expected life of the security as a yield adjustment.

American Business Bank
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2021 and 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

The Bank regularly performs an assessment to determine whether a decline in fair value below amortized cost is other-than-temporary. Amortized cost includes adjustments made to the cost of the security for accretion, amortization, collection of cash and previous other-than-temporary impairment recognized in earnings.

Other-than-temporary impairment exists when it is probable that the Bank will be unable to recover the entire amortized cost basis of the security. The classification of other-than-temporary impairment depends on whether the Bank intends to sell the security or it is more likely than not that it will be required to sell the security before recovery of its cost basis, and on the nature of the impairment. If the Bank intends to sell a security or it is more likely than not it will be required to sell a security prior to recovery of its cost basis, the entire amount of impairment is recognized in earnings. If the Bank does not intend to sell the security or it is not more likely than not it will be required to sell the security prior to recovery of its cost basis, the credit loss component of impairment is recognized in earnings and impairment associated with non-credit factors, such as market liquidity, is recognized in other comprehensive income net of tax. A credit loss is the difference between the cost basis of the security and the present value of cash flows expected to be collected, discounted at the security's effective interest rate at the date of acquisition. The cost basis of an other-than-temporarily impaired security is written down by the amount of impairment recognized in earnings. The new cost basis is not adjusted for subsequent recoveries in fair value.

5. Federal Home Loan Bank Stock

The Bank's investment in the Federal Home Loan Bank stock represents an equity interest in the Federal Home Loan Bank of San Francisco. The investment is recorded at cost and periodically evaluated for impairment based on ultimate recovery of par value. The Bank evaluated the carrying value of our FHLB stock investment as of December 31, 2021 and 2020 and determined it was not impaired. Dividends are reported as interest income.

6. Loans Receivable

Loans receivable are stated at unpaid principal balance adjusted for deferred fees and costs on originated loans and the allowance for loan losses.

Loans on which the accrual of interest has been discontinued are designated as non-accrual loans. The accrual of interest on loans is discontinued when principal or interest is past due 90 days or when, in the opinion of management, there is reasonable doubt as to collectability. When loans are placed on non-accrual status, all interest previously accrued but not collected is reversed against current period interest income. Income on non-accrual loans is subsequently recognized only to the extent that cash is received and the loan's principal balance is deemed collectable. Generally,

American Business Bank
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2021 and 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

loans are restored to accrual status when the obligation is brought current, has performed in accordance with the contractual terms for a reasonable period of time and the ultimate collectability of the total contractual principal and interest is no longer in doubt. The past due status of loans receivable is determined based on contractual due dates for loan payments.

A loan is considered impaired when, based on current information and events, it is probable that the Bank will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Income from impaired loans is recognized on an accrual basis unless the loan is on nonaccrual status.

Impairment is measured on a loan by loan basis by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's observable market price, or the fair value of the collateral if the loan is collateral dependent.

The estimated fair values of the real estate collateral are determined primarily through third-party appraisals. When a real estate secured loan becomes impaired, a decision is made regarding whether an updated certified appraisal of the real estate is necessary. The decision is based on various considerations, including the age of the most recent appraisal, the loan-to-value ratio based on the original appraisal and the conditions of the property and the market. Appraised values are discounted to arrive at the estimated selling price of the collateral, which is considered to be the estimated fair value. The discounts also include estimated costs to sell the property.

The estimated fair values of non-real estate collateral, such as accounts receivable, inventory and equipment, are determined based on the borrower's financial statements, inventory reports, accounts receivable aging or equipment appraisals or invoices. Indications of value from these sources are generally discounted based on the age of the financial information or the quality of the assets.

Loans whose terms are modified are classified as troubled debt restructurings if the Bank grants such borrowers concessions and it is deemed that those borrowers are experiencing financial difficulty. Under the Coronavirus Aid, Relief, and Economic Security ("CARES") Act and/or related regulatory guidance, the Bank may elect not to apply TDR classification to COVID-19 related loan modifications that met all of the criteria as stipulated in the CARES Act or related regulatory guidance. Concessions granted under a troubled debt restructuring generally involve a

American Business Bank
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2021 and 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

reduction in interest rate or extension of a loan's stated maturity date. Non-accrual troubled debt restructurings are restored to accrual status if principal and interest payments, under the modified terms, are current for six consecutive months after modification. Loans classified as troubled debt restructurings are initially designated as impaired.

Nonrefundable fees and direct costs associated with the origination of loans are deferred and netted against outstanding loan balances. The net deferred loan fees and costs are recognized in interest income as an adjustment to yield over the loan term using a method that approximates effective yield.

Concentration of Credit Risk: The Bank has a concentration in commercial real estate loans generally collateralized by first deeds of trust on specific commercial properties. Most of the Bank's business activity is with customers located within Southern California. Therefore, the Bank's exposure to credit risk is significantly affected by changes in the economy in the Southern California region.

7. Allowance for Loan Losses

The allowance for loan losses (allowance) is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the collectability of the loan balance becomes unlikely. Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectability of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

The allowance calculation methodology includes segregation of the total loan portfolio into segments. The Bank's loan portfolio is comprised of the following segments: construction, commercial real estate, residential real estate, commercial, and other loans.

The allowance consists of a specific and general component. The specific component relates to loans that are classified as impaired. For loans classified as impaired, an allowance is established when the discounted cash flows (or observable market price or collateral value) of the impaired loan is lower than the carrying value of that loan. The general component covers loans by loan portfolio segments. These loan portfolio segments are evaluated for loss exposure based upon historical loss rates for each of these classes of loans, adjusted for qualitative factors. The Bank utilizes a third party vendor to calculate the quantitative portion of the general allowance based on a methodology that uses probability of default ("PD") and loss given default ("LGD") factors

American Business Bank
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2021 and 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

to arrive at a loss rate for each risk grade and for each loan portfolio segment. The PD and LGD factors are based on average industry experience from the most recent 20 quarters. Loss rates are then applied to outstanding loan balances to arrive at the quantitative portion of the allowance. The allowance is further adjusted for qualitative factors and they are:

1. Lending policies and procedures, including underwriting standards and collection, charge-off, and recovery practices.
2. National, regional, and local economic and business conditions as well as the condition of various market segments, including the value of underlying collateral for collateral dependent loans.
3. Nature and volume of the portfolio and terms of loans.
4. Experience, ability, and depth of lending management and staff.
5. Volume and severity of past due, classified and nonaccrual loans.
6. Quality of the Bank's loan review system, and the degree of oversight by the Bank's Board of Directors.
7. Existence and effect of any concentrations of credit and changes in the level of such concentrations.
8. Effect of external factors, such as competition and legal and regulatory requirements.

8. Off-Balance Sheet Credit Related Financial Instruments

In the ordinary course of business, the Bank has entered into commitments to extend credit, including commitments under commercial letters of credit and standby letters of credit. Such financial instruments are recorded when they are funded. A separate allowance in other liabilities has been established using an estimated utilization percentage and loss rate from the allowance for loan losses methodology that is applied to unfunded commitments.

9. Furniture, Equipment and Leasehold Improvements

Furniture, equipment and leasehold improvements are stated at cost, less accumulated depreciation and amortization. Depreciation on furniture and equipment is computed on a straight-line method with useful lives ranging from 2.5 to 7 years. Leasehold improvements are capitalized and amortized on the straight-line method over the estimated useful life of the improvement or the term of lease, whichever is shorter.

10. Bank/Corporate Owned Life Insurance

The Bank invests in Bank-Owned Life Insurance ("BOLI") and Corporate-Owned Life Insurance ("COLI"). BOLI and COLI involve the purchasing of life insurance by the Bank on a group of senior officers of the Bank. The Bank is the owner and beneficiary of these policies. BOLI and COLI are recorded as an asset at cash surrender value. Increases and decreases in cash value of these policies and insurance proceeds received, net of administrative charges, are recorded in

American Business Bank
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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

noninterest income and are not subject to income tax, as long as the policies are held for the lives of the participants.

11. Derivatives Not Designated as Hedging Instruments

The Bank is a party to interest rate derivatives that are not designated as hedging instruments. All derivative instruments are recognized on the balance sheet at their current fair value. These derivatives relate to interest rate swaps that the Bank enters into with customers to allow customers to convert variable rate loans to a fixed rate. The Bank pays interest to the customer at a floating rate on a notional amount and receives interest from the customer at a fixed rate for the same notional amount. At the same time the interest rate swap is entered into with the customer, an offsetting interest rate swap is entered into with another financial institution. The Bank pays the other financial institution interest at the same fixed rate on the same notional amount as the swap entered into with the customer, and receives interest from the financial institution for the same floating rate on the same notional amount. The changes in the fair value of the swaps primarily offset each other and therefore should not have a significant impact on the Bank's results of operations. The notional value at December 31, 2021 and 2020 was \$963,054 and \$995,781, respectively.

Under the interest rate swap contracts, the Bank may be required to pledge and maintain collateral for the credit support based on a certain threshold. At December 31, 2021 and 2020, the Bank was required to pledge cash collateral of \$108,782 and \$169,797.

12. Income Taxes

The Bank accounts for income taxes under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using currently enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

The Bank believes that it is more likely than not that the deferred income tax assets as of December 31, 2021 will be utilized. In arriving at this conclusion the Bank is relying on projection of future pretax income. The Bank evaluates all positive and negative evidence when projecting future taxable income from operations and gives more weight to evidence that is objectively verifiable. Management believes that it is more likely than not that the Bank will exceed these requirements.

The Bank recognizes and measures uncertain tax positions using a two-step approach. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates it is more likely than not, that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount, which is more than 50% likely of being realized upon ultimate

American Business Bank
NOTES TO FINANCIAL STATEMENTS - CONTINUED
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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

settlement. The Bank considers many factors when evaluating and estimating tax positions and tax benefits, which may require periodic adjustments. As of December 31, 2021, the Bank has identified no material uncertain tax position for which it is reasonably possible that the total amount of unrecognized tax benefits will significantly increase or decrease within 12 months.

Further, the Bank's policy is to record interest and penalties from underpayment of taxes when it is reasonably probable that the amounts will be incurred. The Bank is subject to federal income tax examinations for years beginning in 2018 and thereafter and California income tax examinations for years beginning in 2017 and thereafter.

13. Stock-Based Compensation

The Bank measures the cost of employee and director services received in exchange for an award of equity instruments based on the grant-date fair value of the award. That cost is recognized over the period during which an employee is required to provide service in exchange for the award – the requisite service period, on a straight-line basis. The Bank determines the grant-date fair value of employee share options granted using the Black-Scholes option-pricing model adjusted for the unique characteristics of these options. The Bank recognizes forfeitures as they occur.

14. Earnings Per Share

Basic earnings per share ("EPS") represent the net income available to common shareholders divided by the weighted-average number of common shares outstanding during the period. Diluted EPS reflects additional common shares that would have been outstanding if dilutive potential common shares had been issued, as well as any adjustment to income that would result from the assumed issuance. Potential dilutive common shares that may be issued by the Bank relate to outstanding stock options and restricted stock, and are determined using the treasury stock method. At December 31, 2021 and 2020, options to purchase 550 shares and 4,007 shares of common stock were outstanding, respectively, but were not included in the computation of diluted earnings per share because the options were anti-dilutive.

	2021			2020		
	Net Income	Shares	Per Share Amount	Net Income	Shares	Per Share Amount
Basic EPS						
Net income available to common shareholders	\$ 39,162,533	8,918,938	\$ 4.39	\$ 28,772,824	8,867,194	\$ 3.24
Effect of dilutive shares	-	129,417	(0.06)	-	65,404	(0.02)
Diluted EPS	<u>\$ 39,162,533</u>	<u>9,048,355</u>	<u>\$ 4.33</u>	<u>\$ 28,772,824</u>	<u>8,932,598</u>	<u>\$ 3.22</u>

American Business Bank
NOTES TO FINANCIAL STATEMENTS - CONTINUED
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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

15. Reclassification

Certain amounts in the prior year's financial statements were reclassified to conform to the current year presentation with no effect on previously reported net income or shareholders' equity.

16. Recent Accounting Pronouncements

New Accounting Pronouncements Adopted in 2021:

Effective January 1, 2021, the Bank adopted ASU 2020-08, "Codification Improvements to Subtopic 310-20, Receivables – Nonrefundable Fees and Other Costs" which clarifies the Bank should reevaluate whether a callable debt security that has multiple call dates is within the scope of ASC 310-20-35-33 at each reporting period. ASC 310-20-35-33 requires that, to the extent the amortized cost basis of an individual callable debt security exceeds the amount repayable by the issuer at the next call date, the excess should be amortized to the earliest call date. As the Bank's accounting policy to amortize premiums on investments in callable debt securities to the earliest call date is consistent with the manner required by ASU 2020-08, the adoption of this standard had no impact on the Bank's financial statements.

Accounting Standards Issued but not yet Adopted:

In June 2016, the FASB issued ASU 2016-13, Financial Instruments — Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. The new current expected credit loss ("CECL") impairment model applies to most financial assets measured at amortized cost and certain other instruments, including trade and other receivables, loan receivables, available-for-sale and held-to-maturity debt securities, net investments in leases and off-balance sheet credit exposures. In addition, the amendments in this update require credit losses be presented as an allowance rather than as a write-down on available-for-sale debt securities. In November 2019, the FASB issued ASU 2019-10, Financial Instruments — Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates. ASU 2019-10 defers the effective date of the new credit losses standard for all entities except SEC filers that are not smaller reporting companies to fiscal years beginning after December 15, 2022, including interim periods in those fiscal years, with early adoption permitted on January 1, 2019. The Bank is a public business entity that does not meet the definition of an SEC filer, and ASU 2016-13 is effective for the Bank on January 1, 2023. The guidance should be applied using a modified retrospective approach through a cumulative-effect adjustment to retained earnings as of the beginning of the reporting period of adoption. In March 2022, the FASB issued ASU 2022-02, which eliminates the troubled debt restructuring (TDR) accounting model for creditors that have adopted Topic 326. Due to the removal of the TDR accounting model, all loan modifications will now be accounted for under the general loan modification guidance in Subtopic 310-20. In addition, on a prospective basis, entities will be subject to new disclosure requirements covering modifications of receivables to borrowers experiencing financial difficulty. The provisions of ASU 2022-02 will

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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

take effect when an entity adopts Topic 326. The Bank's implementation efforts will include, but are not limited to, identifying key interpretive issues, assessing its processes, identifying the system requirements against the new guidance to determine what modifications may be required, evaluating modeling methodologies for its portfolio segments and assessing potential macroeconomic factors that will be used to determine the reasonable and supportable forecast period. We expect to recognize a one-time cumulative effect adjustment to the allowance for loan losses as of the beginning of the first reporting period in which the new standard is effective. We expect the adoption may result in an increase to the allowance for loan losses balance. The Bank is currently evaluating the impact on its financial statements.

In March 2020, the FASB issued ASU 2020-04, Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting related to contracts or hedging relationships that reference London interbank offered rate or other reference rates that are expected to be discontinued due to reference rate reform. This ASU provides temporary optional expedients and exceptions regarding the accounting requirements related to the modification of certain contracts, hedging relationships and other transactions that are affected by the reference rate reform. The guidance permits the Bank to make a one-time election to sell and/or transfer qualifying held-to-maturity securities, and not to apply modification accounting or remeasure lease payments in lease contracts if the changes to the contract are related to the discontinuation of the reference rate. If certain criteria are met, the amendments also allow exceptions to the de-designation criteria of the hedging relationship and the assessment of the hedge effectiveness during the transition period. The amendments are effective for all entities as of March 12, 2020, through December 31, 2022. The Bank does not expect the adoption of this guidance to have a material impact on its financial statements.

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December 31, 2021 and 2020

NOTE B - INVESTMENT SECURITIES

The amortized cost and fair value of the Bank's investment securities as of December 31 are as follows:

	2021			
	Amortized cost	Unrealized gains	Unrealized losses	Fair value
Securities available-for-sale				
U.S. SBA loan pool securities	\$ 187,114,517	\$ 203,761	\$ (2,147,966)	\$ 185,170,312
Residential mortgage-backed securities	736,188,357	1,194,158	(10,645,674)	726,736,841
Commercial mortgage-backed securities	80,930,888	2,076,406	(1,248,070)	81,759,224
Corporate securities	12,750,000	202,779	(49,422)	12,903,357
Municipal securities	226,277,047	6,350,698	(710,801)	231,916,944
Total securities available-for-sale	<u>\$ 1,243,260,809</u>	<u>\$ 10,027,802</u>	<u>\$ (14,801,933)</u>	<u>\$ 1,238,486,678</u>
	Amortized cost	Unrealized gains	Unrealized losses	Fair value
Securities held-to-maturity				
Municipal securities	298,651,185	8,582,181	(700,848)	306,532,518
Total securities held-to-maturity	<u>\$ 298,651,185</u>	<u>\$ 8,582,181</u>	<u>\$ (700,848)</u>	<u>\$ 306,532,518</u>
	2020			
	Amortized cost	Unrealized gains	Unrealized losses	Fair value
Securities available-for-sale				
U.S. SBA loan pool securities	\$ 231,620,431	\$ 364,657	\$ (3,882,748)	\$ 228,102,340
Residential mortgage-backed securities	318,970,083	4,047,849	(1,176,025)	321,841,907
Commercial mortgage-backed securities	93,173,036	4,551,911	(173,251)	97,551,696
Corporate securities	12,715,576	41,079	(31,835)	12,724,820
Municipal securities	271,210,184	8,202,587	(368,179)	279,044,592
Total securities available-for-sale	<u>\$ 927,689,310</u>	<u>\$ 17,208,083</u>	<u>\$ (5,632,038)</u>	<u>\$ 939,265,355</u>
	Amortized cost	Unrealized gains	Unrealized losses	Fair value
Securities held-to-maturity				
Municipal securities	143,228,954	7,713,337	(32,999)	150,909,292
Total securities held-to-maturity	<u>\$ 143,228,954</u>	<u>\$ 7,713,337</u>	<u>\$ (32,999)</u>	<u>\$ 150,909,292</u>

American Business Bank
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2021 and 2020

NOTE B - INVESTMENT SECURITIES – Continued

On May 1, 2021 the Bank reassessed its classification of certain investments and transferred \$72,951,430 of municipal securities, at fair value, from available-for-sale to held-to-maturity. The related unrealized loss of \$102,218 at the date of transfer included in accumulated other comprehensive income (AOCI) remained in AOCI, to be amortized out of AOCI with an offsetting entry to interest income as a yield adjustment through earnings. No gain or loss was recorded at the time of transfer. The amortized cost of municipal securities transferred from available-for-sale to held-to-maturity was \$154,957,499 and \$85,864,042 at December 31, 2021 and 2020, respectively. The remaining unamortized unrealized loss was \$2,599,927 and \$3,032,346 at December 31, 2021 and 2020, respectively.

The total gains and losses from sales of securities for each of the years ended December 31 are shown below:

	2021	2020
Gains from sales of securities	\$ 40,321	\$ 46,975
Losses from sales of securities	(73,133)	(215,321)
Net losses on sales of securities	<u>\$ (32,812)</u>	<u>\$ (168,346)</u>

The amortized cost and estimated fair value of investment securities at December 31, 2021, by expected maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Available-for-sale		Held-to-maturity	
	Amortized cost	Estimated fair value	Amortized cost	Estimated fair value
Due within one year	\$ 172,206,136	\$ 170,686,927	\$ -	\$ -
Due in one to five years	431,526,614	427,088,309	7,969,800	8,498,225
Due in five to ten years	267,503,157	265,219,058	3,868,078	3,859,214
Due after ten years	372,024,902	375,492,384	286,813,307	294,175,079
Total	<u>\$ 1,243,260,809</u>	<u>\$ 1,238,486,678</u>	<u>\$ 298,651,185</u>	<u>\$ 306,532,518</u>

American Business Bank
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2021 and 2020

NOTE B - INVESTMENT SECURITIES – Continued

The total carrying value of securities pledged to secure borrowings, advances and for other purposes as required or permitted by law amount to \$184,539,841 and \$219,246,992 at December 31, 2021 and 2020, respectively.

The line of credit for overnight borrowings with the Federal Reserve Bank is collateralized with securities in the amount of \$65,157,548 and \$80,292,987 at December 31, 2021 and 2020, respectively.

Pursuant to collateral agreements with the Federal Home Loan Bank (“FHLB”), advances are collateralized by certain investment securities. The carrying value of the investment securities pledged were \$63,470,869 and \$79,752,087 at December 31, 2021 and 2020, respectively.

The Bank regularly monitors investments for significant declines in fair value. The Bank has determined that the decline in fair value of these investments below their amortized costs, as set forth in the table below, are temporary based on the following: (i) those declines are primarily due to interest rate changes and not due to a deterioration in the creditworthiness of the issuers of those investments securities, (ii) the Bank does not have the intent to sell these investment securities, and (iii) it is more likely than not the Bank will not have to sell these investment securities before recovery of their cost basis. The Bank determines other-than-temporary impairment based on the information available at the time of the assessment, with particular focus on the severity and duration of specific security impairments, but new information or economic developments in the future could result in recognition of an other-than-temporary impairment loss. As of December 31, 2021, the gross unrealized losses presented in the following tables were primarily attributable to the level of market interest rates relative to the types of securities and pricing changes caused by shifting supply and demand dynamics. The Bank did not identify any securities that were deemed to be other-than-temporarily impaired as of December 31, 2021 and 2020.

American Business Bank
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2021 and 2020

NOTE B - INVESTMENT SECURITIES – Continued

The following securities have been in a continuous unrealized loss position for less than and greater than twelve months at December 31:

2021						
	Less than twelve months			Greater than twelve months		
	Number of Securities	Fair value	Unrealized loss	Number of Securities	Fair value	Unrealized loss
Securities available-for-sale						
U.S. SBA loan pool securities	3	\$ 7,778,021	\$ (7,790)	70	\$ 150,532,359	\$ (2,140,176)
Residential mortgage-backed securities	127	562,359,159	(7,957,325)	17	68,819,454	(2,688,349)
Commercial mortgage-backed securities	5	15,846,270	(253,079)	7	27,690,159	(994,991)
Corporate securities	2	3,950,578	(49,422)	-	-	-
Municipal securities	43	42,848,071	(583,479)	5	4,459,612	(127,322)
Total securities available-for-sale	180	632,782,099	(8,851,095)	99	251,501,584	(5,950,838)
Securities held-to-maturity						
Municipal securities	63	72,602,167	(646,066)	12	10,140,175	(54,782)
Total securities held-to-maturity	63	72,602,167	(646,066)	12	10,140,175	(54,782)
Total temporary impaired securities	243	\$ 705,384,266	\$ (9,497,161)	111	\$ 261,641,759	\$ (6,005,620)
2020						
	Less than twelve months			Greater than twelve months		
	Number of Securities	Fair value	Unrealized loss	Number of Securities	Fair value	Unrealized loss
Securities available-for-sale						
U.S. SBA loan pool securities	3	\$ 8,843,676	\$ (32,247)	76	\$ 211,086,222	\$ (3,850,501)
Residential mortgage-backed securities	26	111,740,270	(1,174,548)	1	305,533	(1,477)
Commercial mortgage-backed securities	7	24,648,437	(134,804)	1	4,951,687	(38,447)
Corporate securities	2	3,246,977	(3,023)	1	1,971,188	(28,812)
Municipal securities	37	39,080,121	(368,179)	-	-	-
Total securities available-for-sale	75	187,559,481	(1,712,801)	79	218,314,630	(3,919,237)
Securities held-to-maturity						
Municipal securities	8	5,816,031	(32,999)	-	-	-
Total securities held-to-maturity	8	5,816,031	(32,999)	-	-	-
Total temporary impaired securities	83	\$ 193,375,512	\$ (1,745,800)	79	\$ 218,314,630	\$ (3,919,237)

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NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2021 and 2020

NOTE C - LOANS AND ALLOWANCE FOR LOAN LOSSES

The following is a summary of the major components of loans outstanding at December 31:

	2021	2020
Construction loans	43,911,320	44,059,726
Commercial real estate loans	1,379,173,727	1,087,544,659
Residential real estate loans	89,645,560	58,913,559
Commercial loans	548,621,832	858,028,859
Other	16,429,751	12,363,191
Loans receivable	2,077,782,190	2,060,909,994
Allowance for loan losses	(25,061,555)	(22,930,581)
Loans receivable, net	<u>\$ 2,052,720,635</u>	<u>\$ 2,037,979,413</u>

Loans receivable includes net deferred loan fees of \$5,828,893 and \$10,696,884 as of December 31, 2021 and 2020, respectively.

The Bank makes loans to borrowers in a number of different industries. As a normal practice in extending credit for real estate purposes, the Bank accepts trust deeds on real property as collateral for these loans. At December 31, 2021 and 2020, most of the Bank's loans secured by real estate were collateralized by properties in Southern California.

The following table presents the activity in the allowance for loan losses by portfolio segment for each of the years ending December 31:

	2021				
	Balance, beginning of year	Charge-offs	Recoveries	Provision for loan losses	Balance, end of year
Construction	\$ 999,570	\$ -	\$ -	\$ (427,787)	\$ 571,783
Commercial real estate	15,321,938	-	-	2,541,607	17,863,545
Residential real estate	473,663	-	-	688,589	1,162,252
Commercial	5,875,779	(211,681)	456,560	(870,202)	5,250,456
Other	259,631	(66,905)	-	20,793	213,519
	<u>\$ 22,930,581</u>	<u>\$ (278,586)</u>	<u>\$ 456,560</u>	<u>\$ 1,953,000</u>	<u>\$ 25,061,555</u>

American Business Bank
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2021 and 2020

NOTE C - LOANS AND ALLOWANCE FOR LOAN LOSSES - Continued

	2020				
	Balance, beginning of year	Charge-offs	Recoveries	Provision for loan losses	Balance, end of year
Construction	\$ 1,085,156	\$ -	\$ -	\$ (85,586)	\$ 999,570
Commercial real estate	13,306,348	-	-	2,015,590	15,321,938
Residential real estate	422,744	-	-	50,919	473,663
Commercial	5,669,660	(524,000)	67,011	663,108	5,875,779
Other	339,662	(24,483)	24,483	(80,031)	259,631
	<u>\$ 20,823,570</u>	<u>\$ (548,483)</u>	<u>\$ 91,494</u>	<u>\$ 2,564,000</u>	<u>\$ 22,930,581</u>

The following tables present both the allowance for loan loss and the associated loan balance classified by loan portfolio segment and by credit evaluation methodology at December 31:

	2021				
	Individually evaluated for impairment	Allowance: Individually evaluated for impairment	Collectively evaluated for impairment	Allowance: Collectively evaluated for impairment	Total loans
Construction	\$ -	\$ -	\$ 43,911,320	\$ 571,783	\$ 43,911,320
Commercial real estate	1,857,124	-	1,377,316,603	17,863,545	1,379,173,727
Residential real estate	-	-	89,645,560	1,162,252	89,645,560
Commercial	396,928	3,205	548,224,904	5,247,251	548,621,832
Other	-	-	16,429,751	213,519	16,429,751
	<u>\$ 2,254,052</u>	<u>\$ 3,205</u>	<u>\$ 2,075,528,138</u>	<u>\$ 25,058,350</u>	<u>\$ 2,077,782,190</u>

	2020				
	Individually evaluated for impairment	Allowance: Individually evaluated for impairment	Collectively evaluated for impairment	Allowance: Collectively evaluated for impairment	Total loans
Construction	\$ -	\$ -	\$ 44,059,726	\$ 999,570	\$ 44,059,726
Commercial real estate	-	-	1,087,544,659	15,321,938	1,087,544,659
Residential real estate	-	-	58,913,559	473,663	58,913,559
Commercial	2,651,796	216,722	855,377,063	5,659,057	858,028,859
Other	-	-	12,363,191	259,631	12,363,191
	<u>\$ 2,651,796</u>	<u>\$ 216,722</u>	<u>\$ 2,058,258,198</u>	<u>\$ 22,713,859</u>	<u>\$ 2,060,909,994</u>

American Business Bank
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2021 and 2020

NOTE C - LOANS AND ALLOWANCE FOR LOAN LOSSES - Continued

The following tables present information related to impaired loans as of and for the years ended December 31:

		2021					
		Unpaid principal balance	Recorded Investment	Allowance for Loan Losses Allocated	Average Recorded Investment	Interest Income Recognized	Cash Basis Interest Recognized
With no related allowance recorded:							
Commercial real estate	\$	1,857,124	\$ 1,857,124	\$ -	\$ 1,878,235	\$ 83,281	\$ -
Commercial	\$	59,063	\$ 59,063	\$ -	\$ 62,327	\$ 3,305	\$ -
With an allowance recorded:							
Commercial	\$	342,824	\$ 337,864	\$ 3,205	\$ 348,067	\$ 990	\$ -
Total	\$	2,199,948	\$ 2,194,988	\$ 3,205	\$ 2,226,303	\$ 84,271	\$ -
		2020					
		Unpaid principal balance	Recorded Investment	Allowance for Loan Losses Allocated	Average Recorded Investment	Interest Income Recognized	Cash Basis Interest Recognized
With no related allowance recorded:							
Commercial real estate	\$	28,693	\$ 28,693	\$ -	\$ 30,359	\$ 1,897	\$ -
With an allowance recorded:							
Commercial	\$	2,842,470	\$ 2,623,103	\$ 216,722	\$ 2,834,525	\$ 10,631	\$ -
Total	\$	2,871,163	\$ 2,651,796	\$ 216,722	\$ 2,864,884	\$ 12,528	\$ -

Beginning in April 2020, the Bank participated in the Paycheck Protection Program (“PPP”), under the provisions of the CARES Act. The loans have a five year term, are fully guaranteed by the Small Business Administration (SBA) and do not carry an allowance for loan losses. Loan processing fees paid to the Bank by the SBA are accounted for as loan origination fees. The loan processing fees and related loan origination costs are deferred and netted against outstanding loan balances on the balance sheets. The net deferred loan fees are recognized in interest income over the contractual life of the loan as a yield adjustment on the loans. Payments by borrowers on PPP loans begin ten months after the loan forgiveness covered period. Under the terms of the PPP, such loans are eligible to be forgiven if certain conditions are satisfied, in which case the SBA will make payments to the Bank for the forgiven amounts. If a loan is paid off or forgiven by the SBA prior to its contractual life, the remaining unamortized deferred fees will be recognized as interest income in that period. As of December 31, 2021, PPP loans had an outstanding balance of \$147,386,967 that includes net deferred loans fees of \$3,802,753, and is included in Commercial loans. As of December 31, 2020, PPP loans had an outstanding balance of \$551,190,374 that includes net deferred loan fees of \$9,306,900. For the years ended December 31, 2021 and 2020, net loan fees for PPP loans of \$13,512,929 and \$7,529,410 were recognized in interest income, respectively. During the years ended December 31, 2021 and 2020, \$659,493,533 and \$140,956,539 of PPP loans have been forgiven, respectively.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2021 and 2020

NOTE C - LOANS AND ALLOWANCE FOR LOAN LOSSES - Continued

The Bank uses a ten point internal risk rating system to monitor the credit quality of the loans in the Bank's segments. The borrower's overall financial condition, repayment sources, guarantors and value of collateral, if appropriate, are evaluated annually or when credit deficiencies, such as delinquent loan payments arise. The criticized rating categories utilized by management generally follow bank regulatory definitions. Loans in the Pass category are those which are protected by the current net worth and paying capacity of the obligor or by the value of the underlying collateral. There are several different levels of Pass rated credits, including Watch, which includes credits that require heightened monitoring due to an identified potential weakness but demonstrates the ability to meet obligations and does not yet meet the criteria for Special Mention. The Special Mention category includes assets that show potential weaknesses or risks that deserve management's special attention. If uncorrected, the weaknesses may result in deterioration of the prospect for repayment. Loans classified Substandard have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt and have a distinct possibility that some loss will be sustained if the weaknesses are not corrected. They include loans that are inadequately protected by the current sound net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans classified Doubtful have all the weaknesses inherent in loans classified Substandard with the added characteristic that collection or liquidation in full, on the basis of current conditions and facts, is highly improbable. Loans classified as a Loss are considered uncollectible, or of such value that continuance as an asset is not warranted.

The following table presents the classes of loans summarized by the aggregate Pass and the criticized categories of Special Mention, Substandard, Doubtful and Loss within the internal risk rating system as of December 31:

2021						
	Pass	Special Mention	Substandard	Doubtful	Loss	Total
Construction	\$ 43,911,320	\$ -	\$ -	\$ -	\$ -	\$ 43,911,320
Commercial real estate	1,330,607,326	46,709,277	1,857,124	-	-	1,379,173,727
Residential real estate	89,095,560	550,000	-	-	-	89,645,560
Commercial	530,036,501	18,142,127	443,204	-	-	548,621,832
Other	16,429,751	-	-	-	-	16,429,751
	<u>\$ 2,010,080,458</u>	<u>\$ 65,401,404</u>	<u>\$ 2,300,328</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,077,782,190</u>

2020						
	Pass	Special Mention	Substandard	Doubtful	Loss	Total
Construction	\$ 44,059,726	\$ -	\$ -	\$ -	\$ -	\$ 44,059,726
Commercial real estate	1,018,791,297	58,591,817	10,161,545	-	-	1,087,544,659
Residential real estate	57,337,162	1,576,397	-	-	-	58,913,559
Commercial	827,314,098	27,020,293	3,694,468	-	-	858,028,859
Other	11,613,191	750,000	-	-	-	12,363,191
	<u>\$ 1,959,115,474</u>	<u>\$ 87,938,507</u>	<u>\$ 13,856,013</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,060,909,994</u>

American Business Bank
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2021 and 2020

NOTE C - LOANS AND ALLOWANCE FOR LOAN LOSSES - Continued

Management further monitors the performance and credit quality of the loan portfolio by analyzing the age of the portfolio as determined by the length of time a recorded payment is past due. The following table represents the classes of the loans receivable portfolio summarized by aging categories of performing loans and non-accrual loans as of December 31:

	2021						
	30-59 Days past due	60-89 Days past due	90 or more Days past due	Total past due	Current	Total loans	Non-accrual loans
Construction	\$ -	\$ -	\$ -	\$ -	\$ 43,911,320	\$ 43,911,320	\$ -
Commercial real estate	-	-	-	-	1,379,173,727	1,379,173,727	-
Residential real estate	-	-	-	-	89,645,560	89,645,560	-
Commercial	-	-	-	-	548,283,968	548,621,832	337,864
Other	-	-	-	-	16,429,751	16,429,751	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,077,444,326</u>	<u>\$ 2,077,782,190</u>	<u>\$ 337,864</u>
	2020						
	30-59 Days past due	60-89 Days past due	90 or more Days past due	Total past due	Current	Total loans	Non-accrual loans
Construction	\$ -	\$ -	\$ -	\$ -	\$ 44,059,726	\$ 44,059,726	\$ -
Commercial real estate	-	-	-	-	1,087,544,659	1,087,544,659	-
Residential real estate	-	-	-	-	58,913,559	58,913,559	-
Commercial	-	-	-	-	855,624,222	858,028,859	2,404,637
Other	-	-	-	-	12,363,191	12,363,191	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,058,505,357</u>	<u>\$ 2,060,909,994</u>	<u>\$ 2,404,637</u>

There were no troubled debt restructuring (TDR) loans modified at December 31, 2021. There was one commercial loan in the amount of \$218,466 modified in a TDR as of December 31, 2020. The Bank has allocated a specific allowance of \$62,190 for this loan at December 31, 2020. There were no additional loans modified in a TDR during the years ended December 31, 2021 and 2020.

The Bank has granted various short-term loan modifications to provide borrowers relief from the economic impact of COVID-19. In accordance with the CARES Act, and/or related regulatory guidance, the Bank elected to not apply TDR classification to COVID-19 related loan modifications that met all of the requisite criteria as stipulated in the CARES Act or related regulatory guidance. During the year ended December 31, 2020, the Bank granted modifications of \$79,999,815 of loans not classified as TDRs, which primarily comprised of short-term payment deferments. There were none and \$5,556,223 of those loans in their deferment period as of December 31, 2021 and 2020, respectively.

American Business Bank
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2021 and 2020

NOTE D - FURNITURE, EQUIPMENT AND LEASEHOLD IMPROVEMENTS, NET

The composition of the Bank's furniture, equipment and leasehold improvements at December 31 is as follows:

	2021	2020
Furniture and equipment	\$ 7,011,241	\$ 6,579,044
Leasehold improvements	7,111,023	7,083,695
Total	14,122,264	13,662,739
Less: Accumulated depreciation and amortization	(7,542,349)	(5,805,247)
	<u>\$ 6,579,915</u>	<u>\$ 7,857,492</u>

Depreciation and amortization expense was \$1,773,819 and \$1,859,776 for the years ended December 31, 2021 and 2020, respectively.

NOTE E – LEASES

The Bank enters into leases in the normal course of business primarily for its headquarters, back-office operations and loan production offices. The Bank's leases have remaining terms ranging from 1.75 to 8.50 years. Certain lease arrangements contain extension options which are typically around 5 years, while certain leases include lessee termination options. As these extension options are not generally considered reasonably certain of exercise, they are not included in the lease term. The Bank's leases do not include residual value guarantees or covenants. The Bank has elected not to recognize leases with original terms of 12 months or less on the balance sheets.

Leases are classified as operating or finance leases at the lease commencement date. Right-of-use assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at the lease commencement date based on the estimated present value of lease payments over the lease term. Lease incentives that are paid or payable to the lessee are deducted from lease payments and reduce the initial measurement of a lessee's right-of-use asset. Furthermore, the lease incentive is recognized on a straight-line basis as an offset to lease expense over the term of the lease beginning at the commencement date. The Operating lease expense, which is comprised of amortization of the ROU asset and the implicit interest accreted on the operating lease liability, is recognized on a straight-line basis over the lease term and is recorded in occupancy and equipment expense in the Statements of Income. The Bank's occupancy expense also includes variable lease costs which is comprised of the Bank's share of common area maintenance that is not included in lease liabilities and expensed as incurred.

American Business Bank
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2021 and 2020

NOTE E – LEASES - Continued

The Bank uses its incremental borrowing rate at lease commencement or at the lease amendment/modification date to calculate the present value of lease payments when the implicit rate is not known. The Bank's incremental borrowing rate is based on the FHLB amortizing advance rate, adjusted for the lease term and other factors.

As of December 31, 2021, operating lease right-of-use ("ROU") assets and related liabilities were \$8,160,828 and \$14,015,112, respectively. As of December 31, 2020, operating lease right-of-use ("ROU") assets and related liabilities were \$8,447,641 and \$14,766,982, respectively. The operating lease ROU assets and operating lease liabilities are reported in other assets and other liabilities, respectively. The Bank did not have any finance leases as of December 31, 2021 and 2020. During the year ended December 31, 2021, the Bank had one new lease in August 2021 and amended one lease to expand the office and extend the term in September 2021. During the year ended December 31, 2020, the Bank did not have any new lease agreements or lease modifications. The Bank reassessed the ROU asset and liability related to these amended leases. The total lease cost was \$1,695,482 and \$1,652,239 for the years ended December 31, 2021 and 2020, respectively.

The table below summarizes the maturity of remaining lease liabilities as of December 31, 2021:

2022	\$ 2,309,527
2023	2,329,686
2024	1,879,066
2025	1,657,220
2026	1,692,599
Thereafter	<u>5,241,747</u>
Total undiscounted lease payments	15,109,845
Less: imputed interest	<u>(1,094,733)</u>
Net lease liabilities	<u><u>\$ 14,015,112</u></u>

The table below summarizes other information related to the Bank's operating leases for the years ended December 31:

	<u>2021</u>	<u>2020</u>
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash outflows from operating leases	\$ 2,154,228	\$ 974,734
Right-of-use assets obtained in exchange for new operating lease liabilities	1,107,543	

American Business Bank
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2021 and 2020

NOTE E – LEASES - Continued

The table below summarizes other information related to the Bank's operating leases as of December 31:

	<u>2021</u>	<u>2020</u>
Operating lease weighted average remaining lease term (years)	6.89	7.62
Operating lease weighted average discount rate	2.80%	2.97%

As of December 31, 2021, the Bank entered into one additional operating lease commitment that has not yet commenced.

NOTE F - DEPOSITS

At December 31, 2021 and 2020, the Bank had certificates of deposit with balances of \$250,000 or more of \$35,039,600 and \$31,231,597, respectively.

At December 31, 2021, the scheduled maturities for certificates of deposits were as follows:

	<u>Scheduled maturities in:</u>
2022	\$ 39,244,948
2023	200,000
Total	<u>\$ 39,444,948</u>

NOTE G - ADVANCES FROM THE FEDERAL HOME LOAN BANK AND OTHER BORROWINGS

There were no Federal Home Loan Bank ("FHLB") advances at December 31, 2021 and 2020. Pursuant to agreements with the FHLB, any advances are collateralized by certain investment securities. The carrying value of the investment securities pledged were \$63,470,869 and \$79,752,087 at December 31, 2021 and 2020, respectively.

In addition, the Bank is required to purchase FHLB common stock to support its FHLB advances. FHLB stock is carried at cost as it does not have a readily determinable fair value. At December 31, 2021 and 2020, the Bank had \$11,778,500 and \$10,864,200, respectively, of FHLB common stock.

American Business Bank
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2021 and 2020

NOTE G - ADVANCES FROM THE FEDERAL HOME LOAN BANK AND OTHER
BORROWINGS – Continued

The Bank has established a Standard Credit program with the FHLB and has \$963,372,206 of its Real Estate loan portfolio pledged as collateral. This program gives the Bank a borrowing capacity of \$596,134,720 as of December 31, 2021. The Bank has \$59,027,909 of borrowing capacity supported by investment securities pledged with the FHLB. To reach a total borrowing capacity of \$655,162,629 collateralized by the current level of pledged loans and securities, the Bank would be required to purchase additional FHLB stock.

Other Borrowings represent Federal funds purchased on an overnight basis. The Bank has a line of credit commitment with four correspondent banks and the Federal Reserve Bank for overnight borrowings up to \$155,157,548 and \$170,292,987 of which none were outstanding at December 31, 2021 and 2020.

NOTE H - INCOME TAXES

Income tax expense for the years ended December 31, includes the following:

	2021	2020
Current:		
Federal	\$ 9,656,484	\$ 6,632,152
State	<u>6,063,728</u>	<u>4,189,051</u>
	<u>15,720,212</u>	<u>10,821,203</u>
Deferred:		
Federal	(1,566,789)	(409,256)
State	<u>(499,399)</u>	<u>(25,249)</u>
	<u>(2,066,188)</u>	<u>(434,505)</u>
Total income tax expense	<u>\$ 13,654,024</u>	<u>\$ 10,386,698</u>

American Business Bank
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2021 and 2020

NOTE H - INCOME TAXES - Continued

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets at December 31 are presented below:

	2021	2020
Deferred tax assets:		
Allowance for loan losses	\$ 7,391,192	\$ 6,762,465
Deferred lease liability	4,133,359	4,354,936
Accrued deferred compensation	4,549,778	4,194,767
Unrealized net loss on investment securities	2,168,212	-
State taxes	1,267,766	926,150
Accrued post-retirement health benefits	654,768	671,012
Stock-based compensation costs	702,889	594,280
Allowance for unfunded commitments	369,832	495,154
Other	915,868	489,965
Total deferred tax assets	<u>\$ 22,153,664</u>	<u>\$ 18,488,729</u>
Deferred tax liabilities:		
Depreciation and amortization	\$ (1,402,903)	\$ (1,895,332)
Lease right-of-use assets	(2,406,804)	(2,491,296)
Unrealized net gain on investment securities	-	(2,525,825)
Prepaid expenses and deferred loan costs	(968,159)	(960,704)
	<u>\$ (4,777,866)</u>	<u>\$ (7,873,157)</u>
Net deferred tax assets	<u>\$ 17,375,798</u>	<u>\$ 10,615,572</u>

The income tax provisions for 2021 and 2020 differ from the amounts computed by applying the Federal statutory rate of 21% for 2021 and 2020, as follows:

	2021	2020
Federal statutory income tax rate	\$ 11,091,477	\$ 8,223,500
State taxes, net of federal benefit	4,474,422	3,325,048
Tax exempt interest, net of interest disallowed	(1,609,124)	(1,085,252)
Other	(302,751)	(76,598)
Effective income tax expense	<u>\$ 13,654,024</u>	<u>\$ 10,386,698</u>

American Business Bank
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2021 and 2020

NOTE I - FAIR VALUE MEASUREMENTS AND FAIR VALUE OF FINANCIAL INSTRUMENTS

Accounting guidance establishes a fair value hierarchy that distinguishes between assumptions based on market data (observable inputs) and the Bank's assumptions (unobservable inputs). Determining where an asset or liability falls within that hierarchy depends on the lowest level input that is significant to the fair value measurement as a whole. An adjustment to the pricing method used within either Level 1 or Level 2 inputs could generate a fair value measurement that effectively falls in a lower level in the hierarchy. The hierarchy consists of three broad levels as follows:

- Level 1 – Quoted market prices in active markets for identical assets or liabilities
- Level 2 – Observable inputs other than Level 1, including quoted prices for similar assets or liabilities in active markets, quoted prices in less active markets, or other observable inputs that can be corroborated by observable market data
- Level 3 – Unobservable inputs developed using the Bank's estimates and assumptions, which reflect those that market participants would use

The determination of where an asset or liability falls in the hierarchy requires significant judgment. The Bank evaluates its hierarchy disclosures each quarter and based on various factors, it is possible that an asset or liability may be classified differently from quarter to quarter. However, the Bank expects that changes in classifications between different levels will be rare.

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Fair value is best determined based upon quoted market prices. However, in certain instances, there are no quoted market prices for the Bank's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using discounted cash flow method or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. The fair value estimates may not be realized in an immediate settlement of the instrument. Accordingly, the aggregate fair value amounts presented may not necessarily represent the underlying fair value of the Bank.

American Business Bank
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2021 and 2020

NOTE I - FAIR VALUE MEASUREMENTS AND FAIR VALUE OF FINANCIAL INSTRUMENTS – Continued

The following methods and assumptions were used by the Bank in estimating fair value:

Securities available-for-sale and held-to-maturity: Fair value for securities categorized as Level 1, is based on readily available quoted prices. In determining the fair value of the securities categorized as Level 2, we obtain a report from a nationally recognized broker-dealer detailing the fair value of each investment security we hold as of each reporting date. The broker-dealer uses observable market information to value the Bank's securities, with the primary source being a nationally recognized pricing service. The Bank's securities portfolio is classified within Level 2.

Impaired loans: The Bank typically adjusts the carrying amount of impaired loans when there is evidence of probable loss and when the expected fair value of the loan is less than its carrying amount. Impaired loans with specific reserves are classified as Level 3 assets. The following methods are used to determine the fair value of impaired loans:

- (1) Discounted cash flows valuation techniques generally consist of developing an expected stream of cash flows over the life of the loans and then valuing the loans at the present value by discounting the expected cash flows based on the original effective interest rate on the loan.
- (2) A specific reserve is established for an impaired loan based on the fair value of the underlying collateral, which may take the form of real estate, inventory or equipment. The fair value of the underlying collateral is generally based on third-party appraisals, or an internal evaluation if a third-party appraisal is not required by regulations, which utilizes one or more valuation techniques such as income, market, and/or cost approaches.

American Business Bank
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2021 and 2020

NOTE I - FAIR VALUE MEASUREMENTS AND FAIR VALUE OF FINANCIAL INSTRUMENTS – Continued

Assets measured at fair value on a recurring basis at December 31, are as follows:

Fair Value Measurements on a Recurring Basis at December 31, 2021 Using				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Financial assets:				
Securities available-for-sale				
U.S. SBA loan pool securities	\$ -	\$ 185,170,312	\$ -	\$ 185,170,312
Residential mortgage-backed securities	-	726,736,841	-	726,736,841
Commercial mortgage-backed securities	-	81,759,224	-	81,759,224
Corporate securities	-	12,903,357	-	12,903,357
Municipal securities	-	231,916,944	-	231,916,944
Total recurring	\$ -	\$ 1,238,486,678	\$ -	\$ 1,238,486,678

Fair Value Measurements on a Recurring Basis at December 31, 2020 Using				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Financial assets:				
Securities available-for-sale				
U.S. SBA loan pool securities	\$ -	\$ 228,102,340	\$ -	\$ 228,102,340
Residential mortgage-backed securities	-	321,841,907	-	321,841,907
Commercial mortgage-backed securities	-	97,551,696	-	97,551,696
Corporate securities	-	12,724,820	-	12,724,820
Municipal securities	-	279,044,592	-	279,044,592
Total recurring	\$ -	\$ 939,265,355	\$ -	\$ 939,265,355

American Business Bank
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2021 and 2020

NOTE I - FAIR VALUE MEASUREMENTS AND FAIR VALUE OF FINANCIAL INSTRUMENTS - Continued

Assets measured at fair value on a non-recurring basis at December 31 are as follows:

Fair Value Measurements on a Non-Recurring Basis at December 31, 2021				
	Quoted Prices in			Total
	Active Markets	Significant Other	Significant	
	for Identical	Observable	Unobservable	
	Assets (Level 1)	Inputs (Level 2)	Inputs (Level 3)	
Impaired loans:				
Commercial real estate	\$ -	\$ -	\$ 1,857,124	\$ 1,857,124
Commercial	-	-	393,723	393,723
Total non-recurring	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,250,847</u>	<u>\$ 2,250,847</u>

Fair Value Measurements on a Non-Recurring Basis at December 31, 2020				
	Quoted Prices in			Total
	Active Markets	Significant Other	Significant	
	for Identical	Observable	Unobservable	
	Assets (Level 1)	Inputs (Level 2)	Inputs (Level 3)	
Impaired loans:				
Commercial	\$ -	\$ -	\$ 2,435,074	2,435,074
Total non-recurring	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,435,074</u>	<u>\$ 2,435,074</u>

The following table presents the valuation methodology and unobservable inputs for Level 3 assets measured at fair value on a non-recurring basis at December 31:

2021					
	Fair Value	Valuation Technique(s)	Unobservable input(s)	Range of input(s)	Weighted Average
Assets:					
Impaired loans	\$ 1,916,187	Fair value of collateral	Discount rate	10% to 20%	18.42%
Impaired loans	334,660	Discounted cash flows	Discount rate	8.39%	8.39%
Total impaired loans:	<u>\$ 2,250,847</u>				

2020					
	Fair Value	Valuation Technique(s)	Unobservable input(s)	Range of input(s)	Weighted Average
Assets:					
Impaired loans	\$ 2,435,074	Discounted cash flows	Discount rate	4.75% to 5.50%	5.45%
Total impaired loans:	<u>\$ 2,435,074</u>				

American Business Bank
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2021 and 2020

NOTE I - FAIR VALUE MEASUREMENTS AND FAIR VALUE OF FINANCIAL INSTRUMENTS – Continued

The carrying amounts of and estimated fair value of financial instruments not carried at fair value, at December 31 are as follows:

		Fair Value Measurements at December 31, 2021 Using			
		Quoted Prices in	Significant Other	Significant	
		Active Markets	Observable	Unobservable	
		for Identical	Inputs (Level 2)	Inputs (Level 3)	
	Carrying Amount	Assets (Level 1)			Total
Financial Assets:					
Cash and cash equivalents	\$ 228,870,241	\$ 228,870,241	\$ -	\$ -	\$ 228,870,241
Securities held-to-maturity	298,651,185	-	306,532,518	-	306,532,518
Loans, net	2,052,720,635	-	-	2,052,883,276	2,052,883,276
Accrued interest receivable	14,209,497	-	14,209,497	-	14,209,497
Financial Liabilities:					
Non-interest bearing demand deposits	\$ 1,934,443,799	\$ -	\$ 1,934,443,799	\$ -	\$ 1,934,443,799
Interest bearing transaction accounts	287,223,678	-	287,223,678	-	287,223,678
Money market and savings deposits	1,337,034,949	-	1,337,034,949	-	1,337,034,949
Certificates of deposit	39,444,948	-	39,450,786	-	39,450,786
Accrued interest payable	21,154	-	21,154	-	21,154
		Fair Value Measurements at December 31, 2020 Using			
		Quoted Prices in	Significant Other	Significant	
		Active Markets	Observable	Unobservable	
		for Identical	Inputs (Level 2)	Inputs (Level 3)	
	Carrying Amount	Assets (Level 1)			Total
Financial Assets:					
Cash and cash equivalents	\$ 246,053,116	\$ 246,053,116	\$ -	\$ -	\$ 246,053,116
Securities held-to-maturity	143,228,954	-	143,228,954	-	143,228,954
Loans, net	2,037,979,413	-	-	2,038,549,307	2,038,549,307
Accrued interest receivable	15,168,564	-	15,168,564	-	15,168,564
Financial Liabilities:					
Non-interest bearing demand deposits	\$ 1,686,091,290	\$ -	\$ 1,686,091,290	\$ -	\$ 1,686,091,290
Interest bearing transaction accounts	258,949,770	-	258,949,770	-	258,949,770
Money market and savings deposits	1,191,590,938	-	1,191,590,938	-	1,191,590,938
Certificates of deposit	35,777,982	-	35,790,291	-	35,790,291
Accrued interest payable	25,982	-	25,982	-	25,982

American Business Bank
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2021 and 2020

NOTE J - REGULATORY MATTERS

Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classifications are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors. The Bank has elected to exclude accumulated other comprehensive income from regulatory capital.

Failure to meet minimal capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Bank's financial statements.

The Bank is subject to regulatory risk-based capital rules adopted by the federal banking agencies under Basel III. Beginning January 1, 2016, Basel III required all banking organizations to maintain a capital conservation buffer above the minimum risk-based capital requirements to avoid certain limitations on capital distributions, stock repurchases and discretionary bonus payments to executive officers. The capital conservation buffer is exclusively comprised of common equity tier 1 capital, and it applies to each of the three risk-based capital ratios but not to the leverage ratio. At December 31, 2021, the Bank was in compliance with the capital conservation buffer requirement for the common equity Tier 1, Tier 1 and total capital ratio minimums inclusive of the capital conservation buffer of 7.0%, 8.5% and 10.5%, respectively.

The quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the table below) of total, Tier 1 and common equity Tier 1 capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier 1 capital (as defined) to average assets (as defined).

American Business Bank
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2021 and 2020

NOTE J - REGULATORY MATTERS – Continued

As of December 31, 2021, the most recent regulatory notifications categorized the Bank as “well capitalized” under the regulatory framework for prompt corrective action. To be categorized as “well capitalized” the Bank must maintain minimum total risk-based, Tier I risk-based, Tier I leverage ratios and Common Equity Tier I as set forth in the table. There are no conditions or events since that notification that management believe have changed the Bank’s category. The following tables represent the amounts of regulatory capital and the capital ratios for the Bank, compared to its minimum regulatory capital requirements as of December 31, 2021 and 2020 (\$ in thousands).

	Actual		For capital adequacy purposes		To be "well capitalized" under prompt corrective action provision	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
<u>December 31, 2021:</u>						
Total capital (to risk weighted assets)	\$309,994	13.21%	\$187,780	8.00%	\$234,725	10.00%
Tier I capital (to risk weighted assets)	\$283,678	12.09%	\$140,835	6.00%	\$187,780	8.00%
Tier I leverage (to average assets)	\$283,678	7.09%	\$160,075	4.00%	\$200,094	5.00%
Common Equity Tier I (to risk weighted assets)	\$283,678	12.09%	\$105,626	4.50%	\$152,571	6.50%
	Actual		For capital adequacy purposes		To be "well capitalized" under prompt corrective action provision	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
<u>December 31, 2020:</u>						
Total capital (to risk weighted assets)	\$264,406	14.65%	\$144,385	8.00%	\$180,481	10.00%
Tier I capital (to risk weighted assets)	241,820	13.40%	108,289	6.00%	144,385	8.00%
Tier I leverage (to average assets)	241,820	6.98%	138,677	4.00%	173,346	5.00%
Common Equity Tier I (to risk weighted assets)	241,820	13.40%	81,217	4.50%	117,313	6.50%

American Business Bank
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2021 and 2020

NOTE K - DEFINED CONTRIBUTION PLAN

On June 14, 1998, the Bank established a 401(k) plan. Under the 401(k) plan, eligible employees may contribute all or a portion of their compensation, up to the maximum dollar amount determined by the IRS each year. To be eligible to participate in the 401(k) plan, employees must have attained the age of 18. The Bank matches 50% of the first 8% of the participant's contribution. The Bank contributed \$836,714 and \$818,273 to the plan during the years ended December 31, 2021 and 2020, respectively.

NOTE L - DEFERRED COMPENSATION PLAN

Deferred Compensation Plan: The Bank has a deferred compensation plan (the "Plan") which covers the Bank's Directors and certain senior officers. Each covered employee may defer a portion of their base salary, as well as incentive/bonus payments for the Plan year. The directors may defer a portion or all of their director fee compensation. The amount of compensation deferred by each participant is determined in accordance with each participant's deferral election and the provisions of the Plan. The Plan provides for each participant to have their own deferral account and select measurement investment funds available under the terms of the Plan. The Plan also allows for the Bank, in its sole discretion or in accordance with employment or other agreements, to contribute amounts annually to each participants' account.

The Bank has established a rabbi trust to hold assets contributed under the Plan. These assets remain general assets of the Bank. Participants have the same rights with other unsecured and unsubordinated indebtedness of the Bank for any deficiency in the value of the assets. The Bank has purchased life insurance policies on a selected group of current and former senior officers where the Bank is the owner and beneficiary of the policies. The BOLI and COLI are recorded as an asset at their cash surrender value. Changes in the cash surrender value of these policies, as well as a portion of the insurance proceeds received, are recorded in noninterest income and are not subject to income tax, as long as they are held for the life of the covered parties. At December 31, 2021 and 2020, the cash surrender value of the BOLI and COLI policies was \$28,850,883 and \$27,738,073, respectively, and is recorded as Bank/corporate owned life insurance on the balance sheets. At December 31, 2021, the insurance was allocated among four individual insurance companies, with balances ranging from approximately 6% to 40% of the Bank's outstanding BOLI and COLI balances.

Benefits in the Plan are payable starting at the scheduled distribution date, which is determined by the participant and must be no sooner than four years after the date of deferral, or upon the retirement or death of the participant. The benefits are payable in a lump sum or via installments over time. The amount of a participant's benefits is based on that individual's choice of measurement investment funds and how the funds performed. At December 31, 2021, there are twenty-two measurement investment funds under the Plan.

American Business Bank
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2021 and 2020

NOTE L - DEFERRED COMPENSATION PLAN - Continued

Deferrals made into the ABB Stock Unit Measurement Fund are limited to stock-based compensation granted to the directors. The number of shares is adjusted for cash dividends, stock dividends, stock splits and other similar events. Distributions from the ABB Stock Unit Measurement Fund can only be made in the form of Bank stock.

For directors and the five founders of the Bank, deferrals mirrored investment in Bank shares (the ABB Stock Unit Measurement Fund) and the number of shares is determined based on which could be purchased based upon fair value of the shares on the date of deferral. 2,889 and 25,503 shares were issued as distributions of restricted stock from the Plan for the years ended December 31, 2021 and 2020, respectively.

The deferred compensation obligation related to the Plan was \$10,159,855 and \$8,856,009 at December 31, 2021 and 2020, respectively, and is included in accrued interest and other liabilities. Compensation deferral elections by the participant and contributions from the Bank increase the deferred compensation obligation and are recorded as a charge to salaries and employee benefits expense. Contributions made by the Bank and participants were \$1,186,826 and \$886,391 for the years ended December 31, 2021 and 2020, respectively. The fair value of the participants' measurement investment funds, excluding the ABB Stock Unit Measurement Fund, increased by \$888,171 and \$1,015,642 for the years ended December 31, 2021 and 2020, respectively. Such change increased the deferred compensation obligation with a corresponding charge to salaries and employee benefits expense.

American Business Bank
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2021 and 2020

NOTE M - STOCK-BASED COMPENSATION PLANS

Stock Options

The Bank has established the 2014 Omnibus Plan (the Plan) which provides for the issuance of incentive stock options subject to the terms and conditions of the Plan. The incentive stock options issued under the plan allow employees the opportunity to purchase stock at not less than 100% of its fair value as of the grant date. Shares authorized for stock option grants under the Plan were 234,096 shares. At December 31, 2021 and 2020, 226,866 and 206,242 shares were available for future stock option grants under the Plan.

Options granted to employees have a ten-year life and typically vest over a three to five year period beginning on the second anniversary from the grant date. It is the Bank's policy that shares issued upon the exercise of stock options come from authorized, but previously un-issued shares.

The fair value of each option grant was estimated on the date of the grant using the Black-Scholes option valuation model. The expected life was estimated based on the expected exercise activity of the grantee population. The volatility factors were based on the historical volatilities of the Bank's stock, and these were used to estimate volatilities over the expected life of the options. The risk-free interest rate was the implied yield available on zero coupons (U.S. Treasury Rate) at the grant date with a remaining term equal to the expected life of the options. Estimates of fair value are not intended to predict actual future events or the value ultimately realized by employees who receive stock incentive awards, and subsequent events are not indicative of the reasonableness of the original estimates of fair value made by the Bank. No options were granted during 2021 and 2020.

The Bank's pre-tax compensation expense for incentive stock options was \$991 and \$14,312 for the years ended December 31, 2021 and 2020, respectively.

American Business Bank
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2021 and 2020

NOTE M - STOCK-BASED COMPENSATION PLANS – Continued

The following table summarizes the stock option activity for the years ended December:

Stock Options:	2021	
	Shares	Weighted average exercise price
Outstanding, beginning of period	128,429	\$16.55
Granted	-	-
Exercised	(34,649)	14.70
Forfeited or expired	<u>(1,210)</u>	35.12
Outstanding, end of period	<u>92,570</u>	\$17.00
Options exercisable at year end	<u>92,449</u>	\$16.98
Stock Options:	2020	
	Shares	Weighted average exercise price
Outstanding, beginning of period	158,661	\$15.87
Granted	-	-
Exercised	(29,656)	12.91
Forfeited	<u>(576)</u>	16.50
Outstanding, end of period	<u>128,429</u>	\$16.55
Options exercisable at year end	<u>127,038</u>	\$16.42

Total intrinsic value of options exercised was \$734,270 and \$323,890 for the years ended December 31, 2021 and 2020, respectively.

American Business Bank
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2021 and 2020

NOTE M - STOCK-BASED COMPENSATION PLANS - Continued

The following information applies to options outstanding at December 31:

2021					
Options outstanding			Options exercisable		
Range of exercise prices	Number outstanding	Weighted average remaining life (years)	Weighted average exercise price	Number exercisable	Weighted average exercise price
\$13.09 - \$21.03	87,111	1.17	\$16.28	87,111	\$16.28
\$21.75 - \$32.63	2,662	3.07	21.75	2,662	21.75
\$32.85 - \$49.28	<u>2,797</u>	5.60	34.84	<u>2,676</u>	34.93
	<u>92,570</u>	1.35	17.00	<u>92,449</u>	16.98
Aggregate intrinsic value	<u>\$2,081,757</u>			<u>\$2,080,954</u>	
2020					
Options outstanding			Options exercisable		
Range of exercise prices	Number outstanding	Weighted average remaining life (years)	Weighted average exercise price	Number exercisable	Weighted average exercise price
\$12.49 - \$19.03	112,884	1.67	\$15.36	112,884	\$15.36
\$21.03 - \$31.55	11,538	4.45	21.80	10,873	21.72
\$32.85 - \$49.28	<u>4,007</u>	6.58	34.92	<u>3,281</u>	35.05
	<u>128,429</u>	2.07	16.55	<u>127,038</u>	16.42
Aggregate intrinsic value	<u>\$1,613,749</u>			<u>\$1,609,898</u>	

American Business Bank
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2021 and 2020

NOTE M - STOCK-BASED COMPENSATION PLANS - Continued

Aggregate intrinsic value represents the difference between the Bank's closing stock price on the last trading day of the period, which was \$39.49 and \$31.83 as of December 31, 2021 and 2020, respectively, and the exercise price multiplied by the number of options outstanding or exercisable.

For the years ended December 31, 2021 and 2020, the total grant date fair value of options vested was \$7,939 and \$28,252, respectively. As of December 31, 2021 and 2020, the Bank had approximately \$333 and \$6,836 of unrecognized compensation costs related to unvested options. The Bank expects to recognize these costs over a weighted average period of 0.25 years.

Restricted Stock Awards/Units

The 2014 Omnibus Plan also provides for the issuance of Restricted Stock Awards/Units subject to the terms and conditions of the Plan. Under the Plan, 746,704 shares of restricted stock were authorized, and 361,252 and 441,733 shares were available for future awards as of December 31, 2021 and 2020, respectively. As of December 31, 2021 and 2020, a total of 460,123 and 379,642 shares, respectively, have been issued since the inception of the Plan. The Bank granted 80,481 and 98,865 Restricted Stock Awards/Units to employees and directors in 2021 and 2020, respectively.

The 2014 Omnibus Plan was amended in April 2018, whereby at the option of the employee, shares can be repurchased by the Bank, pursuant to net settlement by employees, in amounts necessary to cover income tax withholding obligations incurred through the vesting of restricted stock. The 2014 Omnibus Plan was amended in May 2019, whereby Restricted Stock Units were added to the Plan as another equity instrument that may be granted to directors and employees. The 2014 Omnibus Plan was amended in December 2020 to increase the number of shares that may be issued under the Plan by 400,000 shares.

Non-Participating Restricted Stock Units and Awards were granted to directors in 2021 and 2020, respectively, and they vest on the earlier of one year or the next annual shareholders' meeting. Restricted Stock Units and Awards are granted to employees and typically begin vesting in the second year from the grant date over a three to five year period.

The Bank recognizes compensation expense over the vesting period. The Bank recognized pre-tax compensation expense of \$2,499,767 and \$2,138,276 on restricted stock awards/units during the year ended December 31, 2021 and 2020, respectively. As of December 31, 2021 and 2020, the Bank had \$4,903,357 and \$4,930,369, respectively, of remaining unrecognized compensation costs related to the unvested portion of restricted stock awards/units which will be recognized over a weighted average period of 2.95 years.

American Business Bank
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2021 and 2020

NOTE M - STOCK-BASED COMPENSATION PLANS - Continued

The following table summarizes the restricted stock activity for the years ended December 31:

Restricted Stock:	2021	
	Shares	Weighted average grant price
Unvested, beginning of period	208,423	\$31.89
Granted	80,481	32.80
Vested	(74,211)	30.31
Cancelled and forfeited	<u>(5,001)</u>	33.44
Unvested, end of period	<u>209,692</u>	\$32.76

Restricted Stock:	2020	
	Shares	Weighted average grant price
Unvested, beginning of period	174,620	\$34.71
Granted	98,865	28.45
Vested	(54,293)	34.53
Cancelled and forfeited	<u>(10,769)</u>	32.69
Unvested, end of period	<u>208,423</u>	\$31.89

American Business Bank
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2021 and 2020

NOTE N - FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK AND
CONTINGENCIES

The Bank is a party to credit related financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit, commercial letters of credit and standby letters of credit. Such commitments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the balance sheets.

The Bank's exposure to credit loss is represented by the contractual amount of these commitments. The Bank follows the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments. The Bank evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Bank upon extension of credit, is based on management's credit evaluation of the counterparty. Collateral held varies but may include cash collateral, accounts receivable, inventory, equipment, and income-producing commercial properties.

Loan commitments to extend credit and commercial letters of credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract.

Standby letters of credit are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to guarantee future rental lease payments, captive insurance premiums and real estate borrowings obtained from different financial institutions.

Commitments generally have fixed expiration dates or other termination clauses and often require payment of a fee. Since many of the commitments and stand-by letters of credit are expected to expire without being drawn, the total commitment amounts do not necessarily represent future cash requirements.

As of December 31, 2021 and 2020, the Bank established a reserve for estimated losses on off balance sheet commitments of \$1,254,000 and \$1,679,000, respectively. These balances are included in other liabilities on the balance sheet.

At December 31, the following financial instruments were:

	2021	2020
Loan commitments to extend credit	\$ 945,780,071	\$ 858,731,106
Commercial letters of credit	3,218,554	1,450,473
Standby letters of credit	35,891,140	33,469,042

American Business Bank
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2021 and 2020

NOTE N - FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK AND
CONTINGENCIES - Continued

From time to time the Bank is a party to claims and legal proceedings arising in the ordinary course of business. The Bank accrues for any probable loss contingencies that are estimable and discloses any material losses. As of December 31, 2021, there were no legal proceedings against the Bank the outcome of which are expected to have a material adverse impact on the Bank's financial position, results of operations or cash flows, as a whole.

NOTE O - RELATED PARTY TRANSACTIONS

During 2021 and 2020, there were no existing transactions that are out of the ordinary course of business between the Bank and its executive officers, directors, principal stakeholders (beneficial owners of 5% or more of our Common Stock), or the immediate family or associates of any of the foregoing persons, or trust for the benefit of employees such as a 401(k) trust.

Some of the Bank's directors and executive officers, as well as the companies with which such directors and executive officers are associated, are customers of, and have had transactions with the Bank in the ordinary course of business. All such transactions are on substantially the same terms, including interest and collateral as those prevailing for comparable transactions with others.

The outstanding balances of related party loans at December 31, 2021 and 2020 are \$12,643,704 and \$13,645,129, respectively. Deposits from related parties held by the Bank at December 31, 2021 and 2020 amounted to \$9,354,471 and \$7,728,503, respectively.

The Bank has a liability for postretirement health benefits of \$2,220,143 and \$2,275,309 at December 31, 2021 and 2020, respectively. This accrual covers two directors who were former employees and are utilizing the benefits, and three executive officers of which two are retired and utilizing the benefits.

American Business Bank
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2021 and 2020

NOTE P – REVENUE FROM CONTRACTS WITH CUSTOMERS

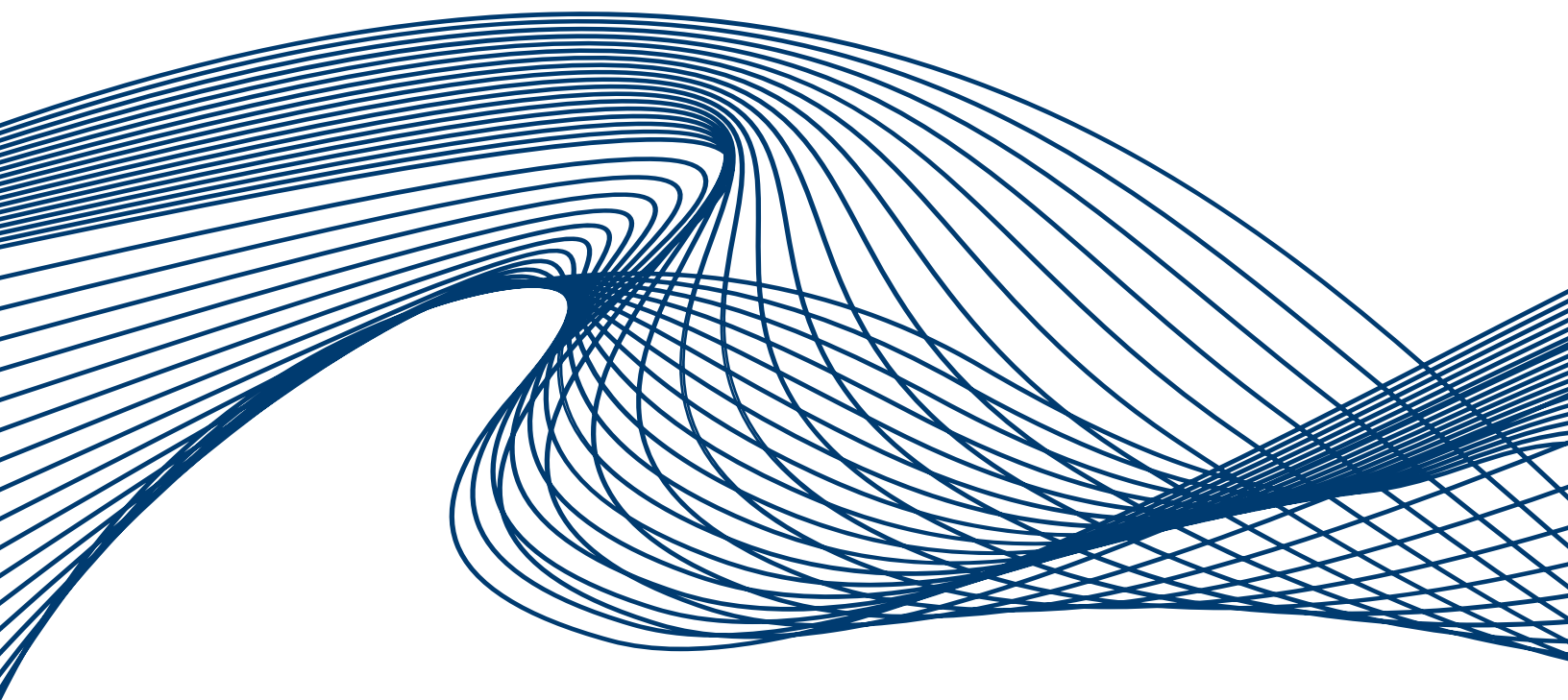
All of the Bank's revenue from contracts with customers in the scope of ASC Topic 606, Revenue from Contracts with Customers, is recognized within Non-Interest Income. The following table presents the Bank's sources of revenue from contracts with customers within the scope of ASC 606 for the twelve months ended December 31:

	<u>2021</u>	<u>2020</u>
Noninterest income		
Revenue from contracts with customers		
Customer analysis charges	\$ 3,173,687	\$ 2,552,217
Other deposit fees	140,337	98,772
Foreign currency exchange fees	666,606	466,991
Other international fees	543,478	571,103
Credit Card / Interchange fees	589,441	334,900
Other sources of non-interest income ^(a)	<u>1,411,981</u>	<u>1,481,113</u>
Total noninterest income	<u>\$ 6,525,530</u>	<u>\$ 5,505,096</u>

(a) Not within the scope of ASC 606

NOTE Q - SUBSEQUENT EVENTS

The Bank evaluated subsequent events through April 18, 2022, the date the financial statements were available to be issued.



HEADQUARTERS

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American Business Bank is headquartered in Los Angeles with seven regional Loan Production Offices strategically located in North Orange County, Orange County, South Bay, San Fernando Valley, Riverside County, Inland Empire and Long Beach.

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