



AMERICAN BUSINESS BANK REPORTS FIRST QUARTER 2020 NET INCOME

Loans and Deposits increase at double-digit annualized growth rates

First Quarter 2020 Highlights

- **Net organic loan growth** of \$59 million or 16% annualized
- **Deposit growth** of \$124 million or 23% annualized
- **Non-interest bearing demand deposits** were 51% of total deposits
- **Cost of deposits** at 0.21%
- **Nonperforming assets to total assets** at 0.18%
- **Continued status as well-capitalized**, the highest regulatory category

Covid-19 Response

- **Participation in the SBA Paycheck Protection Program (PPP)** with approximately \$675 million of PPP loans funded in Phase I covering a significant portion of existing business customers
- **Robust liquidity** in cash and high quality securities as well as more than \$600 million in Federal Home Loan Bank and other borrowing availability

Los Angeles, California, April 29, 2020. [AMERICAN BUSINESS BANK](#) (OTCQX: AMBZ) today reported net income of \$4.8 million or \$0.60 per fully diluted share for the first quarter of 2020 as compared to \$5.4 million or \$0.67 per fully diluted share for the first quarter of 2019, a decrease of 10%. Net interest income increased \$1.2 million or 6% due to strong loan growth funded by core deposit growth. However, provision for loan losses increased \$1.3 million primarily as a result of loan growth during the quarter, as well as higher qualitative factors in the allowance methodology in response to the macro-economic changes.

“The Bank’s strong growth in 2020 was a continuation of the record setting 2019 performance. Then COVID-19 and a monumental economic disruption affected our customers and our staff. We very early on enabled over 95% of our staff to work remotely even before schools shut down to ensure they were safe and healthy to provide our high level of service through technology. This allowed us to act nimbly to participate in the SBA Paycheck Protection Program (PPP) as the window opened to help our customers who are the employers in our communities,” said Leon Blankstein, AMBZ’s President, CEO and Director.

“As a Preferred SBA Lender, our SBA team with our talented bankers worked tirelessly to start accepting PPP applications working round the clock to process in the early morning hours of Friday April 3, 2020 when the SBA officially opened its portal for submission. Our expertise and experience in SBA lending has proven to be invaluable to our clients as we help them navigate this emergency funding. I’m extremely proud of our entire Bank’s efforts to meet the needs of those who rely on us to succeed. Our responsiveness with our fortress balance sheet will resonate with prospects as we navigate to the other side of this historic event,” continued Mr. Blankstein.

For the quarter ending March 31, 2020, net income was \$4.8 million or \$0.60 per fully diluted share, compared with net income of \$6.0 million or \$0.74 per fully diluted share for the fourth quarter of 2019. Net interest income for the first quarter was similar to the fourth quarter of 2019 as solid loan growth was offset by the effect of much lower interest rates, while the cost of deposits declined three basis points to 0.21%. The decrease in net income was further impacted by a \$633,000 increase in provision for loan losses, a \$1.0 million decrease in Bank/Corporate Owned Life Insurance income offset by a \$786,000 decrease in salaries and employee benefits. The allowance for loan losses as a percentage of loans increased from 1.40% at December 31, 2019 to 1.42% at March 31, 2020.

Net Interest Margin

The Bank's net interest margin for the first quarter of 2020 was 3.47% compared to 3.62% in the first quarter of 2019, representing a decrease of 0.15%. The decrease was primarily due to a total reduction of 225 basis points in prime as well as Treasury rates since August 2019. The Bank's prime rate was adjusted from 5.50% in the first quarter of 2019 to 3.25% in the first quarter of 2020. However, the impact of the rate cuts is offset by average loans being a higher percentage of average earnings assets in the first quarter of 2020 than in the first quarter of 2019. The loan to deposit ratio increased to 68% for the first quarter of 2020 from 64% for the first quarter of 2019. As of March 31, 2020, approximately 47% of the Bank's variable-rate loans are indexed to prime and 71% of these loans are at or above their floor.

The Bank's net interest margin for the first quarter of 2020 was 3.47% compared to 3.43% in the fourth quarter of 2019, representing an increase of 0.04%. This was mainly driven by average loans being a higher percentage of average earnings assets in the first quarter of 2020 than in the fourth quarter of 2019.

Net Interest Income

Net interest income increased for the first quarter of 2020 compared to the first quarter of 2019 by \$1.2 million, or 6%, due to a significant increase in average outstanding loans offset by lower yields on all interest earning assets for the periods compared. The yield on average loans decreased to 4.57% for the first quarter of 2020 compared to 4.89% for the first quarter of 2019. The Bank's core funding continues to be a strength with the cost of deposits at 0.21% for the same periods compared.

Net interest income declined slightly for the first quarter of 2020 compared to the fourth quarter of 2019 by \$163,000, or 3% annualized, even with a \$76 million increase in average outstanding loans. The slight decline was the result of one less day in the first quarter of 2020 coupled with prime rate cuts of 150 basis points in March 2020. The yield on average loans decreased to 4.57% for the first quarter of 2020 compared to 4.67% for the fourth quarter of 2019. The Bank's cost of deposits decreased 3 basis points over the prior quarter.

Non-Interest Income

Non-interest income in the first quarter of 2020 was \$411,000, a decrease of \$1.1 million, or 72% from the quarter a year ago and a decrease of \$1.2 million, or 74% compared to the fourth quarter of 2019. This was mainly attributable a decrease in Bank/Corporate owned life insurance income of over \$1 million, which is driven by the decrease in the value of the policies that are invested in mutual funds. The Bank sold one municipal bond with a realized gain of \$47,000 in the first quarter of 2020. Additionally, Deposit and International fees increased due to growth in commercial business customers.

Non-Interest Expense

Non-interest expense decreased \$975,000 for the quarter ended March 31, 2020 compared to the quarter a year ago. The decrease was predominantly due to a \$1.2 million decrease in salaries and employee benefits

expense. That decrease was attributable to a \$925,000 deferred compensation plan (DCP) expense recorded in the first quarter of 2019 primarily related to the increase in the Bank's stock price, compared to an \$837,000 DCP benefit related to the other mutual fund measurement balances recorded in the first quarter of 2020. As of June 1, 2019, the Bank is no longer required to mark-to-market its DCP obligation related to the AMBZ stock fund. Additionally, occupancy and equipment expense decreased \$101,000 in the first quarter of 2020 versus the first quarter of 2019 as the lease for the Bank's former Los Angeles headquarters expired in June 2019. Professional Services fees increased \$285,000 compared to the quarter a year ago primarily due to higher legal services expense. In other non-interest expense, the Bank received a Small Bank Assessment Credit of \$117,000 from the FDIC in the first quarter of 2020 to offset regular deposit insurance assessments. The Bank did not receive such credit in the first quarter of 2019. The efficiency ratio was 59% for the first quarter of 2020.

Compared to the fourth quarter of 2019, non-interest expense decreased \$739,000 due to a \$786,000 decrease in salaries and employee benefits, primarily as a result of an \$837,000 DCP benefit related to the other measurement funds recorded in the first quarter of 2020, compared to a \$275,000 DCP expense recorded in the fourth quarter of 2019. The decrease is offset by a \$389,000 increase in employee benefits and seasonally higher payroll tax expense. The efficiency ratio remained at 59% compared to the prior quarter.

Full time equivalent employees at March 31, 2020 were 195 compared to 189 a year ago, and the same as December 31, 2019. The Bank has 30 relationship managers in seven offices.

Balance Sheet

Total assets increased \$136 million, or 6% from year-end December 31, 2019 to \$2.54 billion. Total loans increased \$59 million to \$1.5 billion, or 4% from year-end primarily in commercial and industrial loans and non-owner occupied real estate loans. In the first quarter of 2020, the Bank grew loans by \$59 million and deposits by \$124 million. New relationships to the Bank contributed to the significant first quarter growth in deposits. At March 31, 2020, non-interest bearing deposits represented 51% of total deposits.

Outstanding unused loan commitments consist primarily of commercial lines of credit which have not been fully disbursed. As of March 31, 2020, the Company's commercial and industrial line of credit utilization is 28%.

Asset Quality

At March 31, 2020 non-performing assets to total assets was 0.18%, with \$4.2 million in non-performing loans, and no Other Real Estate Owned (OREO). Furthermore, at March 31, 2020, the Bank's level of past due loans, criticized loan and classified loans remain low at 1.32%, 3.28% and 0.31% of total loans, respectively. There are two non-accrual loans at March 31, 2020: one commercial real estate loan that is fully secured by real estate with no specific allowance and one commercial loan with a specific allowance. At the end of the quarter, the allowance for loan losses stood at \$21.9 million, or 1.42% of total loans. The Bank is required to adopt CECL, or Current Expected Credit Loss, on January 1, 2023. For the first three months of 2020, the Bank had one commercial loan charge off for \$374,000. The Bank has had minimal requests for three-month payment deferrals at this time but they meet applicable requirements to continue accruing interest. At March 31, 2020, loans to customers in the hotel, restaurant, entertainment, and recreation industries represented 5% of the loan portfolio. Retail related loans, collateralized by commercial

real estate, comprised 5% of the loan portfolio that was originally underwritten with a 55% average loan to value ratio.

Shareholder Meeting

Traditionally, the Bank's shareholder meeting has been held by May following the calendar year end. Due to the California Governor's Order to stay home, we have delayed the Bank's meeting at this time to do our part to preserve public health and safety.

ABOUT AMERICAN BUSINESS BANK

American Business Bank, headquartered in downtown Los Angeles, offers a wide range of financial services to the business marketplace. Clients include wholesalers, manufacturers, service businesses, professionals and non-profits. American Business Bank has six Loan Production Offices in strategic locations including: North Orange County in Anaheim, Orange County in Irvine, South Bay in Torrance, San Fernando Valley in Woodland Hills, Riverside County in Corona and Inland Empire in Ontario.

FORWARD LOOKING STATEMENTS

This communication contains certain forward-looking information about American Business Bank that is intended to be covered by the safe harbor for "forward-looking statements" provided by the Private Securities Litigation Reform Act of 1995. Such statements include future financial and operating results, expectations, intentions and other statements that are not historical facts. Such statements are based on information available at the time of this communication and are based on current beliefs and expectations of the Bank's management and are subject to significant risks, uncertainties and contingencies, many of which are beyond our control. Actual results may differ materially from those set forth in the forward-looking statements due to a variety of factors, including various risk factors. We are under no obligation (and expressly disclaim any such obligation) to update or alter our forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

Contact: Karen Schoenbaum
EVP/CFO
(213) 430-4000
www.americanbb.bank

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Figures in \$000, except share and per share amounts

BALANCE SHEETS (unaudited)

	March 2020	December 2019	March 2019
Assets:			
Cash and Due from Banks	\$ 36,539	\$ 31,673	\$ 54,418
Interest Earning Deposits in Other Financial Institutions	149,654	45,202	28,428
Investment Securities:			
US Agencies	265,758	284,032	415,682
Mortgage Backed Securities	286,122	292,126	181,978
State and Municipals	75,240	78,520	80,914
US Treasuries	10,116	10,009	9,878
Corporate Bonds	20,068	19,805	1,972
Securities Available-for-Sale, at Fair Value	657,304	684,492	690,424
State and Municipals Securities Held-to-Maturity, at Amortized Cost	86,499	86,707	87,325
Federal Home Loan Bank Stock, at Cost	10,356	10,356	10,356
Total Investment Securities	754,159	781,555	788,105
Loans Receivable:			
Commercial Real Estate	1,009,731	982,070	836,069
Commercial and Industrial	454,838	423,868	359,548
Residential Real Estate	76,083	76,481	58,340
Installment and Other	5,337	4,959	3,715
Total Loans Receivable	1,545,989	1,487,378	1,257,672
Allowance for Loan Losses	(21,888)	(20,824)	(17,608)
Loans Receivable, Net	1,524,101	1,466,554	1,240,064
Furniture, Equipment and Leasehold Improvements, Net	8,833	9,023	3,044
Bank/Corporate Owned Life Insurance	25,698	26,448	25,775
Other Assets	38,650	41,456	50,728
Total Assets	\$ 2,537,634	\$ 2,401,911	\$ 2,190,562
Liabilities:			
Non-Interest Bearing Demand Deposits	\$ 1,164,965	\$ 1,083,705	\$ 988,196
Interest Bearing Transaction Accounts	214,967	215,730	187,838
Money Market and Savings Deposits	872,908	827,713	722,043
Certificates of Deposit	36,044	37,712	81,934
Total Deposits	2,288,884	2,164,860	1,980,011
Federal Home Loan Bank Advances / Other Borrowings	-	-	-
Other Liabilities	33,526	30,386	36,678
Total Liabilities	\$ 2,322,410	\$ 2,195,246	\$ 2,016,689
Shareholders' Equity:			
Common Stock	\$ 164,456	\$ 163,872	\$ 155,448
Retained Earnings	51,624	46,784	30,108
Accumulated Other Comprehensive Income / (Loss)	(856)	(3,991)	(11,683)
Total Shareholders' Equity	\$ 215,224	\$ 206,665	\$ 173,873
Total Liabilities and Shareholders' Equity	\$ 2,537,634	\$ 2,401,911	\$ 2,190,562
Standby Letters of Credit	\$ 38,614	\$ 39,513	\$ 38,106
Per Share Information:			
Common Shares Outstanding	7,870,120	7,850,171	7,745,979
Book Value Per Share	\$ 27.35	\$ 26.33	\$ 22.45
Tangible Book Value Per Share	\$ 27.35	\$ 26.33	\$ 22.45

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Figures in \$000, except share and per share amounts

INCOME STATEMENTS (unaudited)

	For the three months ended:		
	March 2020	December 2019	March 2019
<u>Interest Income:</u>			
Interest and Fees on Loans	\$ 17,295	\$ 17,021	\$ 15,078
Interest on Investment Securities	3,913	3,942	4,273
Interest on Interest Earning Deposits in Other Financial Institutions	54	530	503
Total Interest Income	21,262	21,493	19,854
<u>Interest Expense:</u>			
Interest on Interest Bearing Transaction Accounts	105	154	104
Interest on Money Market and Savings Deposits	968	1,114	807
Interest on Certificates of Deposits	41	45	105
Interest on Federal Home Loan Bank Advances and Other Borrowings	131	-	-
Total Interest Expense	1,245	1,313	1,016
Net Interest Income	20,017	20,180	18,838
Provision for Loan Losses	1,434	801	90
Net Interest Income after Provision for Loan Losses	18,583	19,379	18,748
<u>Non-Interest Income:</u>			
Deposit Fees	615	562	503
International Fees	282	319	259
Gain (Loss) on Sale of Investment Securities, Net	47	-	-
Gain on Sale of SBA Loans, Net	19	65	79
Bank/Corporate Owned Life Insurance Income (Expense)	(750)	338	447
Other	198	290	185
Total Non-Interest Income	411	1,574	1,473
<u>Non-Interest Expense:</u>			
Salaries and Employee Benefits	8,219	9,005	9,444
Occupancy and Equipment	920	982	1,021
Professional Services	1,482	1,426	1,197
Promotion Expenses	366	425	264
Other	1,058	946	1,094
Total Non-Interest Expense	12,045	12,784	13,020
Earnings before income taxes	6,949	8,169	7,201
Income Tax Expense	2,110	2,179	1,800
NET INCOME	\$ 4,839	\$ 5,990	\$ 5,401
<i>Add back:</i>			
After-Tax Gain (Loss) on Sale of Investment Securities, Net	\$ (33)	\$ -	\$ -
After-Tax DCP ABB Stock Expense (Benefit)	\$ -	\$ -	\$ 402
Core Net Income	\$ 4,806	\$ 5,990	\$ 5,803
<u>Per Share Information:</u>			
Earnings Per Share - Basic	\$ 0.60	\$ 0.75	\$ 0.70
Earnings Per Share - Diluted	\$ 0.60	\$ 0.74	\$ 0.67
<i>Core Earnings Per Share - Diluted</i>	\$ 0.59	\$ 0.74	\$ 0.72
Weighted Average Shares - Basic	8,036,255	8,019,772	7,722,461
Weighted Average Shares - Diluted	8,122,355	8,117,068	8,033,433

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Figures in \$000

QUARTERLY AVERAGE BALANCE SHEETS AND YIELD ANALYSIS (unaudited)

	For the three months ended:					
	March 2020			December 2019		
	Average Balance	Interest Inc/Exp	Average Yield/Rate	Average Balance	Interest Inc/Exp	Average Yield/Rate
Interest Earning Assets:						
Interest Earning Deposits in Other Financial Institutions	\$ 27,556	\$ 54	0.79%	\$ 123,977	\$ 530	1.73%
Investment Securities:						
US Agencies	277,854	677	0.98%	297,971	774	1.04%
Mortgage Backed Securities	287,295	1,742	2.43%	258,469	1,700	2.63%
State and Municipals	166,727	1,121	2.69%	163,437	1,094	2.68%
US Treasuries	10,025	37	1.48%	10,032	37	1.46%
Corporate Bonds	19,947	150	3.00%	19,942	151	3.02%
Securities Available-for-Sale and Held-to-Maturity	761,848	3,727	1.96%	749,851	3,756	2.00%
Federal Home Loan Bank Stock	10,356	186	7.16%	10,356	186	7.18%
Total Investment Securities	772,204	3,913	2.03%	760,207	3,942	2.07%
Loans Receivable:						
Commercial Real Estate	1,005,413	11,345	4.54%	969,700	11,232	4.60%
Commercial and Industrial	436,183	5,024	4.63%	399,926	4,839	4.80%
Residential Real Estate	76,302	886	4.67%	72,137	894	4.92%
Installment and Other	5,649	40	2.88%	5,413	56	4.11%
Total Loans Receivable	1,523,547	17,295	4.57%	1,447,176	17,021	4.67%
Total Interest Earning Assets	\$ 2,323,307	\$ 21,262	3.62%	\$ 2,331,360	\$ 21,493	3.61%
Liabilities:						
Non-Interest Bearing Demand Deposits	1,104,594	-	0.00%	1,118,736	-	0.00%
Interest Bearing Transaction Accounts	202,250	105	0.21%	216,134	154	0.28%
Money Market and Savings Deposits	807,134	968	0.48%	823,561	1,114	0.54%
Certificates of Deposit	36,427	41	0.46%	38,339	45	0.47%
Total Deposits	2,150,405	1,114	0.21%	2,196,770	1,313	0.24%
Federal Home Loan Bank Advances / Other Borrowings	31,714	131	1.66%	-	-	0.00%
Total Interest Bearing Deposits and Borrowings	1,077,525	1,245	0.46%	1,078,034	1,313	0.48%
Total Deposits and Borrowings	\$ 2,182,119	\$ 1,245	0.23%	\$ 2,196,770	\$ 1,313	0.24%
Net Interest Income	\$ 20,017			\$ 20,180		
Net Interest Rate Spread			3.39%			3.37%
Net Interest Margin			3.47%			3.43%

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Figures in \$000

QUARTERLY AVERAGE BALANCE SHEETS AND YIELD ANALYSIS (unaudited)

	For the three months ended:					
	March 2020			March 2019		
	Average Balance	Interest Inc/Exp	Average Yield/Rate	Average Balance	Interest Inc/Exp	Average Yield/Rate
Interest Earning Assets:						
Interest Earning Deposits in Other Financial Institutions	\$ 27,556	\$ 54	0.79%	\$ 82,027	\$ 503	2.49%
Investment Securities:						
US Agencies	277,854	677	0.98%	433,799	1,757	1.62%
Mortgage Backed Securities	287,295	1,742	2.43%	148,059	1,118	3.02%
State and Municipals	166,727	1,121	2.69%	172,411	1,161	2.69%
US Treasuries	10,025	37	1.48%	10,052	37	1.48%
Corporate Bonds	19,947	150	3.00%	2,000	18	3.63%
Securities Available-for-Sale and Held-to-Maturity	761,848	3,727	1.96%	766,321	4,091	2.14%
Federal Home Loan Bank Stock	10,356	186	7.16%	10,356	182	7.03%
Total Investment Securities	772,204	3,913	2.03%	776,677	4,273	2.20%
Loans Receivable:						
Commercial Real Estate	1,005,413	11,345	4.54%	831,259	9,656	4.71%
Commercial and Industrial	436,183	5,024	4.63%	353,660	4,599	5.27%
Residential Real Estate	76,302	886	4.67%	59,928	788	5.33%
Installment and Other	5,649	40	2.88%	4,685	35	3.01%
Total Loans Receivable	1,523,547	17,295	4.57%	1,249,532	15,078	4.89%
Total Interest Earning Assets	\$ 2,323,307	\$ 21,262	3.62%	\$ 2,108,236	\$ 19,854	3.77%
Liabilities:						
Non-Interest Bearing Demand Deposits	1,104,594	-	0.00%	996,040	-	0.00%
Interest Bearing Transaction Accounts	202,250	105	0.21%	198,809	104	0.21%
Money Market and Savings Deposits	807,134	968	0.48%	736,155	807	0.44%
Certificates of Deposit	36,427	41	0.46%	64,601	105	0.66%
Total Deposits	2,150,405	1,114	0.21%	1,995,605	1,016	0.21%
Federal Home Loan Bank Advances / Other Borrowings	31,714	131	1.66%	-	-	0.00%
Total Interest Bearing Deposits and Borrowings	1,077,525	1,245	0.46%	999,565	1,016	0.41%
Total Deposits and Borrowings	\$ 2,182,119	\$ 1,245	0.23%	\$ 1,995,606	\$ 1,016	0.21%
Net Interest Income	\$ 20,017			\$ 18,838		
Net Interest Rate Spread			3.39%			3.56%
Net Interest Margin			3.47%			3.62%

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Figures in \$000

SUPPLEMENTAL DATA (unaudited)

	March 2020	December 2019	March 2019
<u>Performance Ratios:</u>			
<u>Quarterly:</u>			
Return on Average Assets (ROAA)	0.80%	0.99%	0.99%
<i>Core Return on Average Assets (ROAA)</i>	0.79%	0.99%	1.06%
Return on Average Equity (ROAE)	9.15%	11.74%	12.88%
<i>Core Return on Average Equity (ROAE)</i>	9.09%	11.74%	13.84%
Efficiency Ratio	59.10%	58.77%	64.10%
<i>Core Efficiency Ratio</i>	59.10%	58.77%	61.46%
<u>Year-to-Date</u>			
Return on Average Assets (ROAA)	0.80%	0.97%	0.99%
<i>Core Return on Average Assets (ROAA)</i>	0.79%	1.00%	1.06%
Return on Average Equity (ROAE)	9.15%	11.80%	12.88%
<i>Core Return on Average Equity (ROAE)</i>	9.09%	12.15%	13.84%
Efficiency Ratio	59.10%	60.29%	64.10%
<i>Core Efficiency Ratio</i>	59.10%	59.57%	61.46%
<u>Capital Adequacy:</u>			
Total Risk Based Capital Ratio	13.71%	13.82%	14.15%
Common Equity Tier 1 Capital Ratio	12.46%	12.57%	12.90%
Tier 1 Risk Based Capital Ratio	12.46%	12.57%	12.90%
Tier 1 Leverage Ratio	8.91%	8.66%	8.46%
Tangible Common Equity / Tangible Assets	8.48%	8.60%	7.94%
<u>Asset Quality Overview</u>			
Non-Performing Loans	\$ 4,225	\$ 1,855	\$ 1,222
Loans 90+ Days Past Due and Still Accruing	-	-	-
Total Non-Performing Loans	4,225	1,855	1,222
Restructured Loans	225	227	233
Other Real Estate Owned	-	-	-
ALLL / Loans Receivable	1.42%	1.40%	1.40%
Non-Performing Loans / Total Loans Receivable *	0.29%	0.14%	0.12%
Non-Performing Assets / Total Assets *	0.18%	0.09%	0.07%
Net Charge-Offs (Recoveries) quarterly	\$ 370	\$ (8)	\$ (15)
Net Charge-Offs (Recoveries) year-to-date	\$ 370	\$ (41)	\$ (15)
Net Charge-Offs (Recoveries) year-to-date / Average Loans Receivable	0.02%	(0.00%)	(0.00%)

* Includes non-accrual loans, accruing loans past due 90+ days and Troubled Debt Restructurings (TDRs).