

AMERICAN BUSINESS BANK®

AMERICAN BUSINESS BANK ANNOUNCES RECORD LOAN GROWTH OF \$119 MILLION UP 15% FOR 2017

Bank invests in its future with strategic hires in the fourth quarter

Los Angeles, California, February 13, 2018. AMERICAN BUSINESS BANK (OTCBB: AMBZ) today reported net income of \$8,319,000 for the year ended December 31, 2017, or \$1.07 per diluted share compared to net income of \$12,833,000, or \$1.68 per diluted share for the year ended December 31, 2016. The results for 2017 include a \$5.1 million (\$0.66 per diluted share) write-down of the net deferred tax asset due to the Tax Cuts and Job Acts of 2017 (Tax Reform Act) enacted in December. Without the write-down of the net deferred tax asset and gains/losses on securities and stock, diluted core earnings per share would have been \$1.82 in 2017 compared to \$1.52 in 2016.

Total assets increased \$29 million, or 2%, from \$1.84 billion in 2016 to \$1.87 billion in 2017. Total loans increased \$119 million, or 15%, to \$920 million in 2017 compared to \$801 million in 2016. Deposits increased \$40 million, or 3%, to \$1.64 billion in 2017 compared to \$1.60 billion in 2016. This resulted in an increase in the loan to deposit ratio from 49% to 55% during the year. At December 31, 2017 non-interest bearing deposits represented 53% of total deposits. Borrowings from the Federal Home Loan Bank decreased from \$103 million in 2016 to \$62 million in 2017.

Asset quality at the end of the fourth quarter remains excellent with non-performing assets to total assets of 0.05%, \$915,000 in non-performing loans, and no Other Real Estate Owned (OREO). At year end, the allowance for loan losses stood at \$13.6 million, or 1.48% of total loans. For 2017, the Bank had a net recovery of (\$46,000).

Net Interest Income increased \$5,363,000, or 11% to \$55,223,000 in 2017 compared to \$49,860,000 in 2016 primarily due to the organic loan growth the Bank achieved in 2017. For the fourth quarter of 2017, the cost of deposits was 0.09%.

Non-Interest Income decreased from \$4,366,000 in 2016 to \$924,000 in 2017. During the year, the Bank realized securities losses of (\$365,000) compared to realized securities gains of \$2.4 million in 2016. The reduction of the securities portfolio during the year was related to restructuring and repositioning in response to the Tax Reform Act.

Non-Interest Expense increased \$851,000, or 2%, to \$37.4 million in 2017 from \$36.5 million in 2016. This increase was in salaries and employee benefits as the full time equivalent employee count rose from 138 to 169 during the year. This increase mainly took place in the fourth quarter with the hiring of additional relationship managers to better penetrate our at large regional markets and create a dedicated SBA department, as well as backoffice personnel to support this growth. Additionally, effective October 31, 2017, Karen Schoenbaum joined the Bank as Executive Vice President and Chief Financial Officer.

“With Karen joining the Bank we have strengthened our leadership team to reflect our increasing size and sophistication,” said Leon Blankstein, ABB’s President, CEO and Director. “Her past experiences will assist us as we build on the results of the first twenty years of American Business Bank while being one of the few remaining independent banks serving small to medium sized business clients in the Southern California market.”

“In this same quarter we have been thrilled to gain seasoned relationship bankers familiar with our business model and an SBA group that will offer new and existing customers a robust menu of SBA offerings.”

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

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American Business Bank

Figures in \$000, except per share amounts

CONSOLIDATED BALANCE SHEET (unaudited)

	As of:		Change %
	December 2017	December 2016	
Assets:			
Cash and non-interest earning deposits	\$ 32,424	\$ 37,560	-13.7%
Interest earning deposits at other financial institutions	9,483	697	1260.5%
Investment Securities:			
US Agencies	584,950	608,695	-3.9%
Mortgage Backed Securities	86,908	77,420	12.3%
State & Municipals	169,803	260,842	-34.9%
Other	13,326	6,466	106.1%
Total Investment Securities	854,987	953,423	-10.3%
Gross Loans:			
Commercial Real Estate	609,411	519,902	17.2%
Commercial & Industrial	207,293	204,634	1.3%
Other Real Estate	91,699	72,035	27.3%
Other	11,990	4,769	151.4%
Total Gross Loans	920,393	801,340	14.9%
Allowance for Loan & Lease Losses	(13,639)	(12,965)	5.2%
Net Loans	906,754	788,375	15.0%
Premises & Equipment	1,273	1,442	-11.7%
Other Assets	68,628	62,886	9.1%
Total Assets	\$ 1,873,549	\$ 1,844,383	1.6%
Liabilities:			
Demand Deposits	\$ 863,409	\$ 831,838	3.8%
Money Market	728,402	721,720	0.9%
Time Deposits and Savings	47,925	45,718	4.8%
Total Deposits	1,639,736	1,599,276	2.5%
FHLB Advances / Other Borrowings	62,000	103,000	-39.8%
Other Liabilities	19,010	6,470	193.8%
Total Liabilities	\$ 1,720,746	\$ 1,708,746	0.7%
Shareholders' Equity:			
Common Stock & Retained Earnings	\$ 160,880	\$ 148,532	8.3%
Accumulated Other Comprehensive Income / (Loss)	(8,077)	(12,895)	-37.4%
Total Shareholders' Equity	\$ 152,803	\$ 135,637	12.7%
Total Liabilities & Shareholders' Equity	\$ 1,873,549	\$ 1,844,383	1.6%
Capital Adequacy:			
Tangible Common Equity / Tangible Assets	8.16%	7.35%	--
Common Equity Tier 1 Ratio	15.26%	15.09%	--
Tier 1 Capital Ratio	15.26%	15.09%	--
Total Capital Ratio	16.51%	16.35%	--
Tier 1 Leverage Ratio	8.55%	7.54%	--
Per Share Information:			
Common Shares Outstanding	7,539,922	7,441,655	--
Book Value Per Share	\$ 20.27	\$ 18.23	11.19%
Tangible Book Value Per Share	\$ 20.27	\$ 18.23	11.19%

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Figures in \$000, except per share amounts

CONSOLIDATED INCOME STATEMENT (unaudited)

	For the 12-month period ended:		Change %
	December 2017	December 2016	
Interest Income:			
Loans	\$ 37,559	\$ 31,564	19.0%
Investment Securities	19,377	19,786	-2.1%
Total Interest Income	56,936	51,350	10.9%
Interest Expense:			
Money Market, Interest Checking & Savings	1,232	1,154	6.8%
Time Deposits	152	180	-15.7%
Repurchase Agreements / Other Borrowings	329	156	110.8%
Total Interest Expense	1,713	1,490	15.0%
Net Interest Income	55,223	49,860	10.8%
Provision for Loan Losses	(600)	(100)	500.0%
Net Interest Income After Provision for Loan Losses	54,623	49,760	9.8%
Non-Interest Income:			
Deposit Fees	1,793	1,598	12.2%
Realized Securities Gains (Losses)	(365)	2,379	-115.3%
Other	(504)	389	-229.5%
Total Non-Interest Income	924	4,366	-78.8%
Non-Interest Expense:			
Compensation & Benefits	23,919	19,116	25.1%
Occupancy & Equipment	2,669	2,525	5.7%
Other	10,764	14,860	-27.6%
Total Non-Interest Expense	37,352	36,501	2.3%
Earnings before income taxes	18,195	17,625	3.2%
Provision for Income Tax	(9,876)	(4,792)	106.1%
NET INCOME	\$ 8,319	\$ 12,833	-35.2%
After-Tax Realized Securities (Gains) / Losses	\$ 167	\$ (1,732)	
After-Tax Cash Value - DCP ABB stocks (Gains) / Losses	\$ 575	\$ 490	
Tax Reform Act Deferred Tax Asset Writeoff	\$ 5,139	\$ -	
Core Net Income	\$ 14,200	\$ 11,591	22.5%
Per Share Information:			
Earnings Per Share - Basic	\$ 1.11	\$ 1.73	-36.0%
Earnings Per Share - Diluted	\$ 1.07	\$ 1.68	-36.7%
Core Earnings Per Share - Diluted	\$ 1.82	\$ 1.52	19.7%
Weighted Average Shares - Basic	7,508,168	7,407,287	--
Weighted Average Shares - Diluted	7,799,975	7,621,352	--

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

	December 2017	December 2016	Change %
<u>Performance Ratios</u>			
Return on Average Assets (ROAA)	0.45%	0.73%	--
Return on Average Equity (ROAE)	5.60%	9.17%	--
Core Return on Average Assets (ROAA)	0.77%	0.66%	--
Core Return on Average Equity (ROAE)	9.56%	8.28%	--
<u>Asset Quality Overview</u>			
Non-Performing Loans	\$ 915	\$ 2,104	NA
Loans 90+Days past due and still accruing	-	-	NA
Total Non-Performing Loans	\$ 915	\$ 2,104	NA
Restructured Loans (TDR's)	\$ 243	\$ 249	-2.3%
Other Real Estate Owned	0	0	--
ALLL / Gross Loans	1.48%	1.62%	--
Non-Performing Loans / Total Loans *	0.10%	0.26%	--
Non-Performing Assets / Total Assets *	0.05%	0.11%	--
Net Charge-Offs (Recoveries)	\$ (46)	\$ (107)	--
Net Charge-Offs (Recoveries) / Average Gross Loans	(0.01%)	(0.01%)	--

* Excludes Restructured Loans