

AMERICAN BUSINESS BANK®

AMERICAN BUSINESS BANK ANNOUNCES FIRST QUARTER NET INCOME INCREASES 123% OVER PRIOR YEAR

Loan Interest Income increases 27% annualized over prior quarter

First Quarter 2019 Highlights

- **Total loans increased** \$258 million or 26% from a year ago
- **Total deposits increased** \$253 million or 15% from a year ago
- **Non-interest bearing demand deposits** were 50% of total deposits
- **Nonperforming assets to total assets negligible** at 0.07%
- **Net interest income increased** by \$3.8 million or 26% over the prior year
- **Continued status as well-capitalized**, the highest regulatory category

Los Angeles, California, April 29, 2019. AMERICAN BUSINESS BANK (OTC Pink: AMBZ) today reported net income of \$5.4 million or \$0.67 per fully diluted share for the first quarter of 2019 as compared to \$2.4 million or \$0.31 per fully diluted share for the first quarter of 2018, an increase of 123%. The increase was primarily due to significant loan and core deposit growth during 2018 resulting in increased net interest income.

“The investment we made in hiring seasoned banking personnel in the fourth quarter of 2017 has paid off with the substantial increase in earnings year-over-year due to the transformative growth in loans and core deposits in 2018. The significant increase in loan interest income for the quarter is the direct result of record loan growth in the fourth quarter of 2018. Although loan and deposit growth was minimal in the first quarter of 2019, we are pleased with the pipeline for new business. The increase in the loan to deposit ratio to 64% has helped to expand the net interest margin and drive return on equity to 13%,” said Leon Blankstein, ABB’s President, CEO and Director.

For the quarter ending March 31, 2019, net income was \$5.4 million or \$0.67 per fully diluted share, compared with net income of \$6.1 million or \$0.77 per fully diluted share for the fourth quarter of 2018. The decrease in net income was due to an increase in deferred compensation plan (DCP) liability that resulted in a \$925,000 charge to compensation and benefits expense in the first quarter of 2019, compared to a decrease in DCP liability that resulted in a \$2 million reduction to compensation and benefits expense in the fourth quarter of 2018. Comparing the first quarter of 2019 core net income of \$5.8 million to the fourth quarter of 2018 core net income of \$5.0 million, which excludes the impact of DCP ABB stock funds, results in an increase of 17%.

The Bank’s net interest margin for the first quarter of 2019 was 3.62%. This compares to 3.28% in the first quarter of 2018 and 3.53% for the fourth quarter of 2018 representing increases of 0.34% and 0.09%, respectively. The increases were primarily due to average loans being a higher percentage of average earnings assets in the first quarter of 2019 than in the first and fourth quarters of 2018, as well as expansion in average loan yields for the periods compared. The loan to deposit ratio increased to 64% for the first quarter of 2019 from 58% for the first quarter of 2018 and 63% for the fourth quarter of 2018.

Net interest income increased for the first quarter of 2019 compared to the first quarter of 2018 by \$3.8 million or 26% due to an increase in average outstanding loans, a higher yield on loans and a low deposit beta for the periods compared. The yield on average loans increased to 4.89% for the first quarter of 2019

compared to 4.46% for the first quarter of 2018. The Bank's core funding continues to be a strength with the cost of deposits of 0.21% for the first quarter of 2019, an increase of 10 basis points over the quarter a year ago.

Net interest income remained steady for the first quarter of 2019 compared to the fourth quarter of 2018 even with two less days in the quarter. For the first quarter of 2019, loan interest income increased \$954,000 or 27% annualized due to an increase in average outstanding loans and a higher yield on loans. The yield on average loans increased to 4.89% for the first quarter of 2019 compared to 4.80% for the fourth quarter of 2018. The new loan production weighted average coupon was 5.22% in the quarter. The Bank's cost of deposits was at 0.21% for the most recent quarter, an increase of only 3 basis points over the prior quarter.

Non-interest income in the first quarter of 2019 was \$1.5 million, an increase of \$661,000, or 81% from \$812,000 in the quarter a year ago. This is mainly attributable to a positive \$220,000 increase in the value of corporate owned life insurance (COLI) in the first quarter of 2019 and \$195,000 of losses realized on the sale of investment securities in the first quarter of 2018. Additionally, Deposit and International fees increased \$144,000 from the quarter a year ago due to growth in commercial business customers.

Non-interest income was \$1.5 million for the first quarter of 2019, an increase of \$827,000, or 128% compared to the fourth quarter of 2018. This favorable change was due to a \$770,000 increase in the positive change in COLI value which is invested in mutual funds, from a \$323,000 negative change in the fourth quarter of 2018 to a \$447,000 positive change in the first quarter of 2019. The change in COLI value is offset by a corresponding non-cash charge (credit) to compensation and benefits expense, which is included in non-interest expense.

Non-interest expense increased \$1.0 million for the quarter ending March 31, 2019 compared to the quarter a year ago. The increase was predominantly due to the change in DCP liability that is correlated to the value of COLI investments and the Bank's stock price, with the resulting charge included in compensation and benefits expense. Additionally, occupancy and equipment expense increased \$287,000 in the first quarter of 2019 versus the first quarter of 2018 due to the planned relocation of the Bank's Los Angeles headquarters in June 2019. The current headquarters lease expires as well in the same month.

Non-interest expense increased \$3.5 million for the quarter ending March 31, 2019 compared to the prior quarter. This is mainly due to an increase in DCP liability that resulted in a \$925,000 non-cash charge to compensation and benefits expense in the first quarter of 2019, compared to a decrease in DCP liability that resulted in a \$2 million reduction to compensation and benefits expense in the prior quarter. The increase in the Bank's stock price resulted in a charge to DCP expense of \$536,000 during the most recent quarter. An additional charge to DCP expense of \$389,000 is correlated to the positive change in COLI value of \$447,000. Further, occupancy and equipment expense increased \$229,000 from the prior quarter due to the new lease agreement for its new Los Angeles headquarters.

Full time equivalent employees at March 31, 2019 were 189, an increase of 12 employees or 7% higher than a year ago, but only two less than at December 31, 2018. The Bank now has 29 relationship managers in seven offices.

Total assets increased \$258 million, or 13% from March 31, 2018 to \$2.19 billion which was driven by an increase in deposits. Other assets increased \$13 million, or 21% from December 31, 2018 mainly due to the adoption of the new lease accounting standard.

Asset quality at March 31, 2019 remains excellent with non-performing assets to total assets of 0.07%, \$1.2 million in non-performing loans, and no Other Real Estate Owned (OREO). The largest nonaccrual loan is

fully secured by real estate. At the end of the quarter, the allowance for loan losses stood at \$17.6 million, or 1.4% of total loans. For the first quarter of 2019, the Bank had no charge offs.

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.

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

BALANCE SHEET (unaudited)

	March 2019	December 2018	March 2018
Assets:			
Cash and Due from Banks	\$ 54,418	\$ 26,673	\$ 44,171
Interest Earning Deposits in Other Financial Institutions	28,428	76,599	2,705
Investment Securities:			
US Agencies	415,682	440,212	551,783
Mortgage Backed Securities	181,978	128,851	88,362
State and Municipals	80,914	77,460	177,305
US Treasuries	9,878	9,859	9,822
Corporate Bonds	1,972	1,971	1,994
Securities Available-for-Sale, at Fair Value	690,424	658,353	829,266
Securities Held-to-Maturity, at Amortized Cost	87,325	87,526	-
Federal Home Loan Bank Stock, at Cost	10,356	10,356	9,938
Total Investment Securities	788,105	756,235	839,204
Loans Receivable:			
Commercial Real Estate	836,069	827,388	671,478
Commercial and Industrial	359,548	356,583	256,068
Residential Real Estate	58,340	62,835	68,956
Installment and Other	3,715	3,455	3,042
Total Loans Receivable	1,257,672	1,250,261	999,544
Allowance for Loan Losses	(17,608)	(17,503)	(14,487)
Loans Receivable, Net	1,240,064	1,232,758	985,057
Furniture, Equipment and Leasehold Improvements, Net	3,044	1,834	1,551
Other Assets	76,503	63,344	60,250
Total Assets	\$ 2,190,562	\$ 2,157,443	\$ 1,932,938
Liabilities:			
Non-Interest Bearing Demand Deposits	\$ 988,196	\$ 983,284	\$ 876,164
Interest Bearing Transaction Accounts	187,838	211,794	179,876
Money Market and Savings Deposits	722,043	728,237	613,881
Certificates of Deposit	81,934	50,443	57,544
Total Deposits	1,980,011	1,973,758	1,727,465
Federal Home Loan Bank Advances / Other Borrowings	-	-	32,000
Other Liabilities	36,678	18,618	20,336
Total Liabilities	\$ 2,016,689	\$ 1,992,376	\$ 1,779,801
Shareholders' Equity:			
Common Stock and Retained Earnings	\$ 185,556	\$ 182,164	\$ 165,750
Accumulated Other Comprehensive Income / (Loss)	(11,683)	(17,097)	(12,613)
Total Shareholders' Equity	\$ 173,873	\$ 165,067	\$ 153,137
Total Liabilities and Shareholders' Equity	\$ 2,190,562	\$ 2,157,443	\$ 1,932,938
Standby Letters of Credit	\$ 38,106	\$ 36,411	\$ 29,220
Per Share Information:			
Common Shares Outstanding	7,745,979	7,705,590	7,588,400
Book Value Per Share	\$ 22.45	\$ 21.42	\$ 20.18
Tangible Book Value Per Share	\$ 22.45	\$ 21.42	\$ 20.18

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

INCOME STATEMENT (unaudited)

	For the three months ended:		
	March 2019	December 2018	March 2018
Interest Income:			
Interest and Fees on Loans	\$ 15,078	\$ 14,124	\$ 10,612
Interest on Investment Securities	4,273	4,747	4,983
Interest on Interest Earning Deposits in Other Financial Institutions	503	868	45
Total Interest Income	19,854	19,739	15,640
Interest Expense:			
Interest on Interest Bearing Transaction Accounts	104	110	74
Interest on Money Market and Savings Deposits	807	725	333
Interest on Certificates of Deposits	105	97	62
Interest on Federal Home Loan Bank Advances and Other Borrowings	-	1	175
Total Interest Expense	1,016	933	644
Net Interest Income	18,838	18,806	14,996
Provision for Loan Losses	90	1,543	832
Net Interest Income after Provision for Loan Losses	18,748	17,263	14,164
Non-Interest Income:			
Deposit Fees	503	505	424
International Fees	259	281	194
Gain (Loss) on Sale of Investment Securities, Net	-	(74)	(195)
Gain on Sale of SBA Loans, Net	79	141	105
Other	632	(207)	284
Total Non-Interest Income	1,473	646	812
Non-Interest Expense:			
Salaries and Employee Benefits	9,444	5,959	8,793
Occupancy and Equipment	1,021	792	734
Professional Services	1,197	1,269	1,139
Promotion Expenses	264	402	271
Other	1,094	1,130	1,054
Total Non-Interest Expense	13,020	9,552	11,991
Earnings before income taxes	7,201	8,357	2,985
Income Tax Expense	1,800	2,262	559
NET INCOME	\$ 5,401	\$ 6,095	\$ 2,426
<i>Add back:</i>			
After-Tax Gain (Loss) on Sale of Investment Securities, Net	\$ -	\$ 54	\$ 159
After-Tax DCP ABB Stock Expense (Benefit)	\$ 402	\$ (1,199)	\$ 81
Core Net Income	\$ 5,803	\$ 4,950	\$ 2,666
Per Share Information:			
Earnings Per Share - Basic	\$ 0.70	\$ 0.79	\$ 0.32
Earnings Per Share - Diluted	\$ 0.67	\$ 0.77	\$ 0.31
Core Earnings Per Share - Diluted	\$ 0.72	\$ 0.63	\$ 0.34
Weighted Average Shares - Basic	7,722,461	7,700,091	7,569,277
Weighted Average Shares - Diluted	8,033,433	7,881,465	7,830,162

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Figures in \$000

QUARTERLY AVERAGE BALANCE SHEETS AND YIELD ANALYSIS (unaudited)

	For the three months ended:					
	March 2019			December 2018		
	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	\$ 82,027	\$ 503	2.49%	\$ 150,483	\$ 868	2.34%
Investment Securities:						
US Agencies	433,799	1,757	1.62%	459,879	1,886	1.64%
Mortgage Backed Securities	148,059	1,118	3.02%	137,272	957	2.79%
State and Municipals	172,411	1,161	2.69%	174,603	1,492	3.42%
US Treasuries	10,052	37	1.48%	10,059	37	1.46%
Corporate Bonds	2,000	18	3.63%	2,000	17	3.41%
Securities Available-for-Sale and Held-to-Maturity	766,321	4,091	2.14%	783,813	4,389	2.19%
Federal Home Loan Bank Stock	10,356	182	7.03%	10,356	358	13.83%
Total Investment Securities	776,677	4,273	2.20%	794,169	4,747	2.34%
Loans Receivable:						
Commercial Real Estate	831,259	9,656	4.71%	782,799	9,164	4.64%
Commercial and Industrial	353,660	4,599	5.27%	317,882	4,031	5.03%
Residential Real Estate	59,928	788	5.33%	62,307	819	5.21%
Installment and Other	4,685	35	3.01%	4,245	110	10.32%
Total Loans Receivable	1,249,532	15,078	4.89%	1,167,233	14,124	4.80%
Total Interest Earning Assets	\$ 2,108,236	\$ 19,854	3.77%	\$ 2,111,885	\$ 19,739	3.66%
Liabilities:						
Non-Interest Bearing Demand Deposits	996,040	-	0.00%	1,029,346	-	0.00%
Interest Bearing Transaction Accounts	198,809	104	0.21%	197,465	110	0.22%
Money Market and Savings Deposits	736,155	807	0.44%	712,486	725	0.40%
Certificates of Deposit	64,601	105	0.66%	64,269	97	0.60%
Total Deposits	1,995,605	1,016	0.21%	2,003,566	932	0.18%
Federal Home Loan Bank Advances / Other Borrowings	-	-	0.00%	402	1	1.48%
Total Interest Deposits and Borrowings	999,565	1,016	0.41%	974,622	933	0.38%
Total Deposits and Borrowings	\$ 1,995,606	\$ 1,016	0.21%	\$ 2,003,969	\$ 933	0.18%
Net Interest Income		\$ 18,838			\$ 18,806	
Net Interest Rate Spread			3.56%			3.48%
Net Interest Margin			3.62%			3.53%

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Figures in \$000

QUARTERLY AVERAGE BALANCE SHEETS AND YIELD ANALYSIS (unaudited)

	For the three months ended:					
	March 2019			March 2018		
	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	\$ 82,027	\$ 503	2.49%	\$ 11,658	\$ 45	1.55%
Investment Securities:						
US Agencies	433,799	1,757	1.62%	580,066	2,580	1.78%
Mortgage Backed Securities	148,059	1,118	3.02%	91,726	587	2.56%
State and Municipals	172,411	1,161	2.69%	181,741	1,580	3.48%
US Treasuries	10,052	37	1.48%	10,079	37	1.48%
Corporate Bonds	2,000	18	3.63%	2,353	16	2.76%
Securities Available-for-Sale and Held-to-Maturity	766,321	4,091	2.14%	865,965	4,800	2.22%
Federal Home Loan Bank Stock	10,356	182	7.03%	9,938	183	7.35%
Total Investment Securities	776,677	4,273	2.20%	875,903	4,983	2.28%
Loans Receivable:						
Commercial Real Estate	831,259	9,656	4.71%	659,296	7,193	4.42%
Commercial and Industrial	353,660	4,599	5.27%	238,393	2,592	4.41%
Residential Real Estate	59,928	788	5.33%	64,624	757	4.75%
Installment and Other	4,685	35	3.01%	3,389	70	8.39%
Total Loans Receivable	1,249,532	15,078	4.89%	965,702	10,612	4.46%
Total Interest Earning Assets	\$ 2,108,236	\$ 19,854	3.77%	\$ 1,853,263	\$ 15,640	3.38%
Liabilities:						
Non-Interest Bearing Demand Deposits	996,040	-	0.00%	881,512	-	0.00%
Interest Bearing Transaction Accounts	198,809	104	0.21%	173,091	74	0.17%
Money Market and Savings Deposits	736,155	807	0.44%	593,198	333	0.23%
Certificates of Deposit	64,601	105	0.66%	56,548	62	0.44%
Total Deposits	1,995,605	1,016	0.21%	1,704,349	469	0.11%
Federal Home Loan Bank Advances / Other Borrowings	-	-	0.00%	46,850	175	1.51%
Total Interest Deposits and Borrowings	999,565	1,016	0.41%	869,687	644	0.30%
Total Deposits and Borrowings	\$ 1,995,606	\$ 1,016	0.21%	\$ 1,751,200	\$ 644	0.15%
Net Interest Income		\$ 18,838			\$ 14,996	
Net Interest Rate Spread			3.56%			3.23%
Net Interest Margin			3.62%			3.28%

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Figures in \$000

SUPPLEMENTAL DATA (unaudited)

	March 2019	December 2018	March 2018
<u>Performance Ratios:</u>			
<u>Quarterly:</u>			
Return on Average Assets (ROAA)	0.99%	1.12%	0.50%
<i>Core Return on Average Assets (ROAA)</i>	1.06%	0.91%	0.55%
Return on Average Equity (ROAE)	12.88%	15.52%	6.37%
<i>Core Return on Average Equity (ROAE)</i>	13.84%	12.61%	7.01%
Efficiency Ratio	64.10%	48.92%	74.93%
<i>Core Efficiency Ratio</i>	61.46%	57.34%	74.30%
<u>Year-to-Date</u>			
Return on Average Assets (ROAA)	0.99%	0.80%	0.50%
<i>Core Return on Average Assets (ROAA)</i>	1.06%	0.78%	0.55%
Return on Average Equity (ROAE)	12.88%	10.65%	6.37%
<i>Core Return on Average Equity (ROAE)</i>	13.84%	10.38%	7.01%
Efficiency Ratio	64.10%	63.57%	74.93%
<i>Core Efficiency Ratio</i>	61.46%	65.21%	74.30%
<u>Capital Adequacy:</u>			
Total Capital Ratio	14.15%	14.09%	14.84%
Common Equity Tier 1 Capital Ratio	12.90%	12.84%	14.84%
Tier 1 Capital Ratio	12.90%	12.84%	16.09%
Tier 1 Leverage Ratio	8.46%	8.33%	8.55%
Tangible Common Equity / Tangible Assets	7.94%	7.65%	7.92%
<u>Asset Quality Overview</u>			
Non-Performing Loans	\$ 1,222	\$ 1,222	\$ 915
Loans 90+Days Past Due and Still Accruing	-	-	-
Total Non-Performing Loans	1,222	1,222	915
Restructured Loans	233	235	241
Other Real Estate Owned	-	-	-
ALLL / Loans Receivable	1.40%	1.40%	1.45%
Non-Performing Loans / Total Loans Receivable *	0.12%	0.12%	0.12%
Non-Performing Assets / Total Assets *	0.07%	0.07%	0.06%
Net Charge-Offs (Recoveries) quarterly	\$ (15)	\$ (10)	\$ (16)
Net Charge-Offs (Recoveries) year-to-date	\$ (15)	\$ (53)	\$ (16)
Net Charge-Offs (Recoveries) year-to-date / Average Loans Receivable	(0.00%)	(0.00%)	(0.00%)

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