

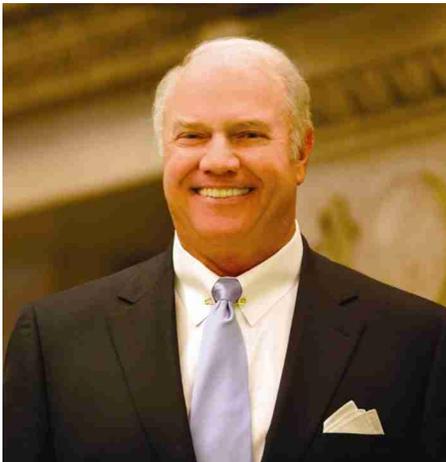
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### **As a \$1 Billion Bank with the Average Account being \$1.3 Million in Deposits, Lack of Loan Losses, a 15% Return on Equity and Approaching 1% Return on Assets, American Business Bank is Well Positioned for Growth, even in the Current Highly Regulated Banking Environment**

**Financial  
Regional – Pacific Banks  
(AMBZ-OTCBB)**

**American Business Bank**

**523 West 6<sup>th</sup> Street, Suite 900  
Los Angeles, CA 90014  
Phone: 213-430-4000**



**Donald P. Johnson  
Chief Executive Officer**

**BIO:**

Donald P. Johnson, Chief Executive Officer and Director, was one of the original organizers and founders of American Business Bank, which is a commercial bank specializing in serving the middle market business community. In 2004 he was elected to the Board of the California Bankers Association.

Mr. Johnson began his 37-year financial career as a stockbroker for Merrill Lynch where he discovered his interest in commercial banking and he

soon accepted a position with Union Bank. During his six year tenure at Union Bank, he was promoted to Vice President and Manager of Corporate Banking and Business Development in the headquarters office. Within the first 10 months of leadership, he was personally responsible for his team obtaining \$13.2 million in business. This accomplishment resulted in his being twice elected to the President's Club, an award for high achievement, for both individual production and group leadership.

Mr. Johnson left Union Bank after it was purchased by Standard Charter Bank of London to become Vice President of Investments at Bear Stearns. He was at Bear Stearns for approximately one year before being presented with the opportunity to join 1<sup>st</sup> Business Bank, a newly established institution, as Vice President and Manager of Corporate Banking. During his 16 years at 1<sup>st</sup> Business Bank, he opened de novo their San Fernando Valley Regional Office. As the Regional Vice President, he was responsible for leading his staff to profitability within seven months. Within eight years, the office grew to \$130 million in total assets.

After Mellon Bank purchased 1<sup>st</sup> Business Bank in 1997, Mr. Johnson and four other senior banking officers left 1<sup>st</sup> Business Bank to form American Business Bank. Mr. Johnson realized that with the banking mergers occurring, there were few locally based business banks to serve the burgeoning small and mid-sized company market. Mr. Johnson and his partners personally raised the more

than \$14.2 million used to capitalize American Business Bank. This was the second largest management driven capitalization in California history.

Aside from his professional commitment, Mr. Johnson is active in numerous charities. In 2004, he served as the Chairman of the Board for the Pacific Lodge Boys Home, which provides residential, psychological and educational care for troubled young men. He has served as a board member for the Aliso-Pico Group, a private group which assisted a disadvantaged community recreation area in East Los Angeles to establish programs and improve facilities. Mr. Johnson has also been a financial advisor to the Boy Scouts.

Mr. Johnson obtained his undergraduate degree in 1968 from the University of North Carolina where he served as both the Junior and the Senior class President. After college, he was a full Lieutenant in the U.S. Navy and served a tour of duty in Vietnam. He earned his MBA from Pepperdine University in 1977. He is currently a member of Toastmasters where he has achieved the ATM Gold status. He is also a member of the Jonathan Club and Lakeside Golf Club where he has served in various executive capacities.

**Company Profile:**

American Business Bank provides business banking services primarily in California. Its deposit services include corporate checking, savings, money market, and certificates of deposit; zero balance accounts; controlled

disbursement; wire transfers; automated clearing house processing; stop payments; account reconciliation; telephone notifications of return items, incoming wires, and maturing investments; tax deposits; and courier service. The company's loan portfolio comprises revolving lines of credit, asset-based lending, commercial loans, equipment financing, term lending, specialty lending, construction loans, and real estate loans. Its international banking services include import letters of credit, standby letters of credit, bankers acceptance financing, foreign exchange, export letters of credit, foreign collections, export financing programs, and international money transfers. The company also offers online banking, business and investment advisory, and cash management services. American Business Bank was founded in 1998 and is headquartered in Los Angeles, California.

**Interview conducted by:  
Lynn Fosse, Senior Editor  
CEOCFOinterviews.com**

**CEOCFO:** Mr. Johnson, you have had another good year so far in 2011; what has been going on at American Business Bank?

**Mr. Johnson:** We have continued to drive the company by acquiring very successful middle market companies as customers. We have not changed our business plan. We did not go after other facets of the banking business outside of our niche. We continue to call on one company at a time, successful companies. We spend one to five years per solicitation getting to know the company well. Ultimately, they will request a proposal from us. We do a detailed banking proposal, explaining how in all areas of business we would handle their account. If we are fortunate, they move their business to American Business Bank.

**CEOCFO:** What is the process? How do you slowly and gently get companies to understand what you do and why American Business is special?

**Mr. Johnson:** There are two types of sales in banking. One is on the first call, the company hands you a package that consists of their financial statements. They are looking to see if

you can give them an extra million dollars or cheaper loan rates or higher rates on CDs. The other way is calling on a well-run cash rich business in no hurry to change. We call on this company, talk about his business and the bank. We may meet for lunch, business meeting in the next six months to continue to get to know the business. Then over a one to five year period, their own bank may have given bad service, may have gone out of a line of business, or may have decided to deemphasize the business they are in. They turn to us and say, "Can you help us?" By that time, we have already spent years getting to know the company and can tailor our proposals in detail about lines of credit, specify who the account officer is, cash management, international, and other services. We present it to the company and the company can then make a decision based on that proposal.

**CEOCFO:** How do your people have the patience for this approach?

**Mr. Johnson:** Fortunately, a lot of the people that we hire have been in the banking business for some time. So while they are doing this laborious sales process, they also have a following developed over their banking career. These companies come to our bank to work with them. In essence, they are moving business over on a year to year basis while they are developing a longer range of prospects. These prospects are the ones that ultimately become customers of American Business Bank five years from now. The reason our relationship managers are willing to wait is because our accounts are great companies and they are worth the wait. You are proud to say XYZ company is my customer. The average relationship at ABB is \$1.3 million in deposits. We have some accounts with \$20 or \$30 million dollars. Therefore, it is exciting when you get one of these companies to be your customer.

**CEOCFO:** How has the economy fared over the last year in your area?

**Mr. Johnson:** Our venue is the middle market, actually the mature end of middle market. Most of the people have been around twenty or thirty years. They made the cuts back in

2007 and 2008 that they needed to survive and to make money. They may not be making as much as boom times, but they are making money. They found a level where their sales stabilized, and then adjusted their cost to that level. In general we witnessed in 2007 to 2009, a free-fall in sales of our customers. If somebody was doing \$120 million, it went to \$100 million, and down to \$80 million. However, in 2 years, we have seen that \$80 million move up to \$82 million. So at least we have seen the freefall in our economy stop in the middle market.

**CEOCFO:** What about your 3<sup>rd</sup> Quarter earnings; they are certainly something of which to be proud?

**Mr. Johnson:** We did \$2,320,000 in 2010 profit after tax, \$0.53 a share and in 2011 we did \$3,246,000 and .73 a share. We did roughly \$7.2 million after tax in 2009, we did \$8.7 million in 2010 and we are tracking to be at \$10 million or more in 2011.

**CEOCFO:** You recently appointed a new president, Leon Blankstein; why the shift?

**Mr. Johnson:** I'm 65 years old, at some point in time you have to execute a succession plan, plus, Leon Blankstein earned it. He deserves the title of President, and will have plenty of time to see if he can be the CEO. We feel that we have started far enough ahead to have multiple layers of key management in place. All layers are important. Someone will take his place as Executive Vice President of Regional Management and on down. We have had two all-day meetings in the last 4 months on succession planning. We are trying to put the next generation of executives in key places. I would like to stay on as CEO forever, but I know that is not going to happen. Ultimately, when I step down, I do want to remain active with the bank in some type of a board/consulting arrangement. Because it is such a great institution, I would like to help in any way that I can to keep it going on its success path.

**CEOCFO:** What is the competitive landscape for American Business Bank?

**Mr. Johnson:** It comes and goes. Every big bank makes a decision at some time to be in the middle market. Instantly there are deals made by these banks that we just will not match with conditions such as sloppy underwriting. So we just pass on it. Ultimately, these big banks have a problem staying in our market place. Our market place is a relationship market. It is knowing the owner and spending time with the owner. It is understanding the business and helping the owner when the business changes in good times or bad times. At big banks, people cannot stay in positions long enough to maintain that. They are being promoted or transferred. We have one great young executive who was with Wachovia, where they completely abandoned the middle market and we ended up hiring him.

**CEOCFO:** What is something that has happened over the course of the year that American Business Bank did that other banks are very unlikely to do?

**Mr. Johnson:** I can give you both sides of the coin. One is that we had several deals come to us with low pricing not underwritten correctly and we passed on it. Most banks do not do that. If they have a good company, even though the credit competency is not what they want, they probably take a chance and go with it. On the other side, there is a law school that we competed with one of the majors. The school looked at what we could do and what they could do, and we won we ended up getting a major account. Most midsize banks can't do that.

**CEOCFO:** Are there any new services or any new tweaks to what you offer that you feel you need to add or change at American Business Bank?

**Mr. Johnson:** We did hire a young man for our Inland Empire office in Ontario, who has an SBA background. We do not plan on going in the small business administration lending in a big way, but there are conditions where you can get better terms with the SBA. He will be doing what the

rest of us are doing, bringing in good middle market companies but also sharing an expertise the rest of us don't have. Therefore, we have just added another dimension. We provide all the banking services as support areas. We do not lead with international, or real estate, or with SBA. We lead with good banking and then provide all the services a company needs. That is why our model does not change, because we lead with top line good banking and then back it up with a great banking experience. We find a great company and provide them with what they need.

**CEOCFO:** Is there a need for additional offices?

**Mr. Johnson:** I spent about six months looking at San Diego and met

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**- Donald P. Johnson**

with some investment bankers. They basically told me that because of the rich market we are in, the best thing we can do in their opinion is to double down on our existing locations. They suggested that we build up the facilities that we have, rather than go out of market. We pulled the plug on San Diego. We are still looking for something closer in, but the capacity is so big in our existing markets, we have just scratched the surface. With electronic banking, plus couriers we can handle businesses all over the place and we continue to grow without building another office. We will keep looking, but right now, there is nothing on the drawing board.

**CEOCFO:** What is your two-minute take on government regulations, and the economic climate?

**Mr. Johnson:** I think we are headed toward an Armageddon unless there are some adjustments. Dodd/Frank is twenty-five hundred pages that regulate how many paperclips you can order. Banks above \$10 billion now have forty or fifty people that meet once a week to do nothing, but go through the impact on them. I just received an email today from somebody doing international trade stating foreign bank are worried that they are coming under American scrutiny because of American bank accounts. They are looking at forward contracts, derivatives etc. with the plan to get out of them because they do not want to be caught under this regulatory umbrella. We are still waiting on a decision on capital requirement. It is just a mess. We have taken an industry,

banks who did absolutely nothing wrong, but are now under the same scrutiny as a Goldman Sachs, AIG and all the people that were doing risky transactions. Regulators have taken a bread and butter industry and subjected it to extreme financial regulations. It is a big problem and will only get worse.

**CEOCFO:** How do you act defensively since you know all of this is going on?

**Mr. Johnson:** We are fortunate in that we are over \$1

billion. Even the regulators are telling banks that they have to get bigger than \$500 million. With the excessive regulations, the FDIC assessments and all the other things that are happening, I personally think you need to be a \$1 billion or bigger to be able to absorb it. Millions of dollars go to the FDIC, and cost of regulatory compliance is huge. We were fortunate to get to this size at the right place and at the right time.

**CEOCFO:** In closing, given the atmosphere, quality and profitability that American Business Bank has been showing and continues to show, put it together for potential investors, why should they pay attention?

**Mr. Johnson:** American Business Bank is an institution that is growing at a very good pace, with solid com-

panies for customers. This shows up in our lack of loan losses. We have a 15% return on equity and now are approaching 1% return on assets. Investors should look at ABB as an en-

tity that in a half-percent world is making 15% on equity year after-year compounding and controlling its credit quality while doing that. ABB is not doing big-time-construction lending or

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