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### After 10 Years Of Building Their Bank The Right Way, American Business Bank Is Starting To Reap The Rewards And Gain The Recognition As A Stable, Customer Focused Bank In The Southern California Area

**Financial  
Regional - Pacific Banks  
(AMBZ-OTC: BB)**

**American Business Bank**

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Los Angeles, CA 90014  
Phone: 213-430-4000**



**Donald P. Johnson  
Organizer/Co-Founder  
President and CEO**

**BIO:**

Donald P. Johnson, President and Chief Executive Officer, 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.

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> Busi-

ness 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.

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 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.

**Interview by: Lynn Fosse, Sr. Editor**

**CEOCFO:** Mr. Johnson, what is the focus at American Business Bank?

**Mr. Johnson:** “We focus on middle market business; middle market is loosely defined as companies having \$5 to \$10 million a year in sales on the low side and to \$140 million in sales on the high side. The ‘sweet spot’ of the bank is probably \$20 million to \$80 million a year sales corporations, mostly privately held.”

**CEOCFO:** Are there particular industries you focus on?

**Mr. Johnson:** “No, we look for the best athlete available as the old Raiders used to say. All we want is a well-run business. We don’t go after any particular industry segment; so we have a diversification of business types in our portfolio.”

**CEOCFO:** What is the criteria for deciding what businesses to take on?

**Mr. Johnson:** “Our marketplace would be called the mature end of the middle market. Most of our companies have been around over twenty years. So to still be in business, you have probably done something right with the past up and down problems in the economy. When we meet with the companies, the conversation is not just about the numbers. A lot of banks do “credit scoring.” We spend time with the individual, we talk to them about their business philosophy, and we talk about what they did in good and bad times. We ask about their plans for expansion. All of our relationship managers have ten or more years of experience in banking. We use our judgment on credit based on the business operator and where they are taking the company.”

**CEOCFO:** Why are your customers choosing American Business Bank?

**Mr. Johnson:** “We do one thing and we do it well. We don’t do retail, we don’t do money management, and we don’t do residential lending. We have people trained in big banks with one or two degrees. They have at least ten years or more experience and become a valuable advisor to the firm as opposed to a vendor. Our sales cycle is probably six months to five years during which we spend time to get to know the customer. Eventually they feel that we understand their business and can help them reach their goals. We have bright men and women here who represent us. If a company is at a big bank, they may get the fifth account officer in three years or something goes wrong with a banking request and they say, “Well, American Business Bank has been the only constant contact with my company, give me a proposal.” We do and we usually get the business.”

**CEOCFO:** What services do you provide?

**Mr. Johnson:** “We didn’t reinvent the wheel. It is the same banking services that other banks have. I don’t have some new technology. We have a smaller number of accounts but bigger accounts than most banks. We average \$1.3 million in deposits per account. So we can have over \$700 million here with only 540 customers. When they call in, everybody in this bank knows who they are and the service is fantastic. We take care of our employees for retention as opposed to the bigger companies that treat people as numbers. When a company deals with American Business Bank, the same receptionist consistently answers the phone, the same relationship manager goes out to see them, and the same operations people are taking care of their needs. It is a very personalized service.”

**CEOCFO:** How are your clients faring these days, and what are they doing that is different during these difficult times?

**Mr. Johnson:** “The advantage we have is that we never had a shotgun approach to new business. We don’t even have ground-floor locations; our offices are all upstairs with no signs. We have identified the best businesses around in the southern California area (or in some cases out-of-state accounts). We spent a long time to

get to know them and for them to get to know us. When you have a downturn, nobody is immune from the laws of economics; but having said that, if you spend a lot of time picking the best companies, you end up with executives and owners who have faced challenges in good and bad economies. It is not that they are without problems, but tested managers will react better; they have seen bad times before. Therefore, most of our clientele are still doing well. This may not be a record year for them, but they will be around for the good times. Because of our customers’ experience, we have no problem loans and no non-accruals.”

**CEOCFO:** How many companies and how many banks can say that?

**Mr. Johnson:** “Very few if any.”

**CEOCFO:** Why have you chosen your current locations and do you see the need for new offices?

**Mr. Johnson:** “We are always evaluating new locations. The downtown Los Angeles area was obviously identified because it is the financial hub of this area. It gives us proximity to all markets and the base to launch on different outlying locations. Our outlying regional offices were based not on getting business just because you are there. A lot of banks put up a sign and hope that somebody comes in. We have an office that is about fifty miles from here out in Ontario. I can’t get a really good banker to drive from Ontario to downtown Los Angeles everyday without committing suicide. That office is to house excellent bankers. From those great bankers come businesses. Before 1989, most of the Los Angeles banks expanded to San Diego, San Francisco but all in California. You had to stay inside the state. Today if we find good people with a following, we could run our business model in Phoenix, Dallas or anywhere else. We went north, south, east, west in southern California as they were obvious markets. Our next decision is not so obvious. The next office will probably be people driven. When we find somebody who is exactly what we want, we can build an office around them.”

**CEOCFO:** What are the intangibles you look for in someone to build an office around?

**Mr. Johnson:** “We have been doing this for a long time and we still have misses. However, in the last ten years we only had three relationship managers not work out. We spend a lot of time getting to know an applicant. What we need is a Type-A self-starter personality. We give them a nice office, freedom of movement, a great bank, and a chance to make a lot of money. We only have one marketing meeting a month for one hour. We don’t ask them where they were Tuesday or Thursday, or any time. We need people who get up in the morning and can’t wait to go out to contribute to the organization. We need somebody who can walk into a company and say ‘I should be your banker.’ The business owner must look at our officer in the same way as other professionals who advise him or it won’t work. Our relationship managers need the drive to stay in touch with the business. They also need the background and smarts to understand the business. Our type of person isn’t someone who just crunches numbers; they really have to consistently call on companies. They have to build a following while working without a boss looking over their shoulder everyday. Over a number of interviews, you try to ascertain whether or not that individual really has “fire in the belly,” if they really want to be in a line driven entrepreneurial organization.”

**CEOCFO:** Your recently released earnings show tremendous growth; what are you doing to stimulate and develop new business at this time?

**Mr. Johnson:** “We have been dealt a good hand in the sense that we have always showed solid returns. Our history has been 13% to 15% return on equity and close to a 1% return on assets. Other banks had phenomenal numbers for years by taking shortcuts in credit quality while making big construction loans as well as leveraging up the balance sheet. These business practices have brought the entire banking system to its knees. Now that the economy has imploded, people with \$4 or \$5 million in deposits would rather be in American Business Bank. At the same time, the bank that we came from, 1<sup>st</sup> Business Bank, will be absorbed into US Bank on November 15<sup>th</sup>, 2008. The hold-outs that didn’t come with us years ago are now faced with filling out all the ac-

count cards, changing their lines of credit, and having to bank with a large Minneapolis bank. If they are being forced to change banks, they had rather be here, and we are picking up employees also. Both situations are working for us at this point. We normally bring in \$6 to \$7 million a month in new deposits. We are now doing \$20 million a month.”

**CEOCFO:** So it’s a good place to be!

**Mr. Johnson:** “We are a ten-year overnight sensation.”

**CEOCFO:** Is there much competition for the type of banking that you do and how do you stand out?

**Mr. Johnson:** “We really don’t take business away from smaller community banks. It is normally the bigger banks. Smaller banks many times are doing SBA lending or a lot of construction lending or small businesses than we don’t want. We bank very solid middle market businesses, and normally that type of company is banking with Wells Fargo or Bank of America or another big bank. There are a few competitors that we run into from time to time, but the advantage we have in southern California derives from being the largest middle market business center

in the United States. There may be bigger companies in New York but in the Los Angeles area alone, there are almost thirty thousand companies within an hour in any direction of our headquarters in our marketplace. We have already built a \$700 million bank with 540 companies, so as you can see we don’t need a lot of customers to reach \$1 or \$2 billion.”

**CEOCFO:** What do you see two or three years down the line?

**Mr. Johnson:** “By next summer most of the banks will begin to get their act together. Before the end of next year, some of these government programs will start

to recede. In addition, there will be a lot less banks. There was a high before interstate banking of about 14,000 banks in the late 1980’s, and I think there are 8,400 now. There will be a lot of shotgun weddings between now and the end of next summer. Once we get through this and stabilize with most of the write-offs finished, you are going to see is a smaller group of banks but stronger. There will be less risk taking and a lot more regulation.”

**CEOCFO:** What do you see for American Business Bank?

**Mr. Johnson:** “We were given a gift this year by a couple of things coming to-

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**- Donald P. Johnson**

gether to accelerate our growth. Even with more competition, we will be well over a billion in three years. We will continue to grow by market share, as long as this management team is in place. We are not going to branch into other businesses. American Business Bank will be looking at other cities that we can roll out our business model. There is nobody doing what we are doing exclusively.”

**CEOCFO:** Why should potential investors be looking at American Business Bank?

**Mr. Johnson:** “For one thing our stock has modestly declined because we are

associated with an industry that has just been decimated even though we didn’t participate in the practices that did it. Our third quarter earnings release showed our balance sheet growing to \$705 million in assets from \$588 million 12 months ago and earnings up 7% year-to-year. Our stock went from \$21.5 to \$18 with that announcement, so I don’t know how much good news we have to give for the stock to move. It’s getting to the point now that American Business Bank is close to “book,” and book means tangible net worth. At this current price, I would think somebody would think that a solid company with almost no multiples in the stock is a great buy. American Business Bank executives keep building a great franchise. In this economy where companies are taking billions in losses, and you see American Business Bank with solid growth and increased earnings, why wouldn’t an investor think this would be a great place to put money.”

**CEOCFO:** Final thoughts, what should people remember most about American Business Bank?

**Mr. Johnson:** “We did it right, we didn’t take shortcuts, we didn’t take chances, we built it to just one solid company after

another. We didn’t jump at the business trend of the day. We didn’t do 100% loans against value. We turned down situations that we thought didn’t make sense. We are now on the winning side. We did do the right thing with our staff, our customers and our stockholders in mind. That would be the best way to say it.”

**CEOCFO:** Must feel very good to be proven right?

**Mr. Johnson:** “It took us ten years to get here, but I think we are finally being recognized. These guys do know what they are doing.”

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