

With Deposit Growth Up 16%, Loan Growth Up 7%, An Increase To \$987 Million In Assets And A 25% Increase In Earnings With No Non-Accruals Or Problem Loans, American Business Bank Has Proven To Be A Strong Bank – Even With The Current Economic Struggles And Other Banks Disappearing

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

American Business Bank

**523 West 6th Street, Suite 900
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Phone: 213-430-4000**



**Donald P. Johnson
Organizer/Co-Founder
President and Chief Executive Officer**

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.

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 1st Business Bank, a newly established institution, as Vice President and Manager of Corporate Banking. During his 16 years at 1st 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 1st Business Bank in 1997, Mr. Johnson and four other senior banking officers left 1st 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 recon-

cilement; 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, will you bring us up to date, what has been going on this past year at American Business Bank?

Mr. Johnson: We just issued a press release that through 9/30 of this year, deposit growth was up 16%, and loan growth up 7%. In addition, the bank had grown from \$856 million to the \$987 million in assets, and 25% increase in earnings with no non-accruals or problem loans.

CEOCFO: How do you do it so well?

Mr. Johnson: You have to go back to the boom times pre-2007 and not do the things that everybody else did. That includes subprime lending, using brokered deposits to fund major construction loans or making real estate loans all over the country. By being conservative we ended up in the right place at the right time.

CEOCFO: Who is your typical customer today?

Mr. Johnson: A typical customer is a company with sales on the low end of \$5 to \$10 million annually, and the high end of \$150 to \$200 million annually. Probably the sweet spot is \$20 to \$70 million in

annual sales. These are companies of all types, construction, manufacturing, distribution, and professional. We really don't have a specialty, just well-run companies.

CEOCFO: How are you attracting business and why are they coming to you?

Mr. Johnson: We are a high-touch business. Relationship managers as well as senior management have been doing this for a long time and obviously know a lot of people. We continue to stay in touch with them. We have a one to five-year sales cycle. We stay in touch with the company over that time frame. We get to know them and to understand their business. And at some point in time, if their

In 1989, we had 14,000 banks; to date we have 7,800. By all estimates of experts, with consolidation and takeovers and not being able to make money with increased regulatory burdens, we are consolidating to 5,000 banks. With those problems and industries enormous problems of earnings and bad assets, you have an institution in American Business Bank that in 2009 grew \$145 million in asset size, and had record earnings even today with the problems of the economy. ABB in 2010 has a 25% growth of earnings, and no write-offs. We will be well over \$1 billion by the year-end and then on to \$2 billion in the 6 years. So if you like a bank that is well run with no write-offs, gains of 25-30% in earnings in the worst market since 1930-1939, then we are certainly an "investment port in the storm" - Donald P. Johnson

bank lets them down or it is taken over or it is merged or has ten account officers assigned in four years, the owner will say, "Ok, you are the only constant; give me a proposal." We do it and hopefully we get the business.

CEOCFO: Do you find people are becoming more dissatisfied with their current banking relationships?

Mr. Johnson: I think that is true. Several driving forces are the countless problems coupled with many takeovers or mergers. Countrywide and Merrill Lynch going to Bank of America has to be a distraction. Many banks don't have time to focus on customer service. They are trying to (A) right their ship with problems, or (B)

absorb in some cases a shotgun wedding of mergers. So we stay in the game and end up with the accounts by avoiding those mergers or problems.

CEOCFO: What do you look for in a client before you take them on?

Mr. Johnson: We look for a well-run business, which is a simplification but the truth. Most of our businesses have been around for twenty to thirty years or more, have been through up and down business cycles, have made money in good and bad times, know when to cut, know when to hire back. We get to know these companies. They also appreciate the fact that we run our business the same as they do, with bottom line and with quality in mind.

CEOCFO: Regarding your clients or perspective clients, does it take them a while to understand the advisory capacity and what you can actually bring to the table, or do they immediately recognize the value?

Mr. Johnson: That is why we have the long sales cycle. It is difficult because they say, "You know, I really don't want to name names, but XYZ bank said that four years ago, and this bank said that ten years ago. — A bank is a bank." Over a period of time, as they get to know us they understand that all of our relationship managers are well-educated, big-bank trained, and have

been in the middle market for ten years or more. There are those of us who have been around a lot longer and are stilling handling accounts and still make calls. The owners finally realize our depth of experience over time and begin to see us as "consultants with capital". We are not vendors trying to sell the lowest price loans or the highest priced CDs.

CEOCFO: Are there products and services that you don't offer now that you would like to make available?

Mr. Johnson: We are always on the look out for new products and services, but they don't fuel our growth. We are market share driven company. We bring in

ten to sixteen new companies a month in our area of business. For me to go into other venues, whether it is investments, acquisitions or money management, American Business Bank would have to form a holding company, which would cost us with increased regulations, probably \$750 thousand a year. American Business Bank would also have to contribute capital to those different arenas, and then it would take management's time from running a middle market bank into those different avenues. We have contracts with other specialists, whether it be investment managers or investment banking, and we refer business back and forth. We let the experts in other business areas handle it. We stick to middle market banking.

CEOCFO: Would you give me a concrete example of what you might have done with a client that would cause people to say, "Wow that was really creative, or ingenious, or gee I wish my bank would do that?"

Mr. Johnson: I can give you a personal example. I was banking a company for fifteen years, a manufacturing company with a textbook balance sheet, owners guaranteed the loans and they left a lot of money in the bank. It was somewhat one-sided and to my advantage. Weeks before Christmas a number of years ago, they called me and said, "We have a chance to buy a \$30 million a year competitor in Tennessee." So we flew to Tennessee, figured out how to put together a stock and cash deal for the purchase. Five months later they called and said, "We have a chance to buy a \$30 million sales company, a competitor of another product line in Ohio." We went to Ohio, and structured a deal with a bank in Ohio plus us. They went from \$85 million to \$150 million a year company in six months,

and then ultimately built it to \$285 million and sold the company. I just believe in pay-back. In other words, you take care of each other. Nobody wins big all the time in business. For fifteen years I was actually on the winning side and in six months they got it all back in spades.

CEOCFO: You recently issued a dividend; would you tell us about that?

Mr. Johnson: We maintained our capital, around 7%, which is good for us because of our low risk profile. But we do not want to diminish it or go much below that, so we do not do cash dividends. We do stock dividends and reward our long-term stockholders. We are constantly looking at our stock price versus our retained earnings to see when we can do another stock dividend. We have done several 5% dividends and then a 10% stock dividend and will continue to look to the time when we can do another one.

CEOCFO: Given the uncertain economic times, the government's regulatory atmosphere, the healthcare bill; what do you tell your clients that come to you and say how do we plan; what do we do?

Mr. Johnson: Although healthcare reaches everybody, all of our customers, with the exception of one or two accounts are privately held businesses. So they are really under other agencies like OSHA and all sorts of other regulatory bodies. I don't think anybody in America knows what that impact of healthcare is going to be or increased regulation in general. In fact, we just had the FDIC here for three weeks; they just left last Friday, and it went well. So what we tell our clientele is not so much advising them on regulatory issues, but emphasizing that we will run a successful bank and run it well enough that regulatory issues won't affect us in helping you.

CEOCFO: What do you see ahead?

Mr. Johnson: We are finalizing the budget for next year and there is actually good news/bad news. Some day when we get out of this economic morass, we will actually have head winds. Right now, if a company is slower in sales that means that the receivables are down, the inventory is down, they are not buying new plans or equipment and there is more cash deposited in the bank. When their sales activity is increased, our customers' cash will start going into receivables and inventory and equipment. Hopefully this will increase demand for loans. But, we will have to overcome that with marketing and new business as we see cash balances go back out into the business cycle.

CEOCFO: In closing, make the case for potential investors; why American Business Bank?

Mr. Johnson: In 1989, we had 14,000 banks; to date we have 7,800. By all estimates of experts, with consolidation and takeovers and not being able to make money with increased regulatory burdens, we are consolidating to 5,000 banks. With those problems and industries enormous problems of earnings and bad assets, you have an institution in American Business Bank that in 2009 grew \$145 million in asset size, and had record earning even today with the problems of the economy. ABB in 2010 has a 25% growth of earnings, and no write-offs. We will be well over \$1 billion by the year-end and then on to \$2 billion in the 6 years. So if you like a bank that is well run with no write-offs, gains of 25-30% in earnings in the worst market since 1930-1939, then we are certainly an "investment port in the storm".

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