Preferred Bank (PFBC)

Updated January 24th, 2026, by Sure Dividend Analyst

Key Metrics

Current Price:	$84	**5 Year Annual Expected Total Return:**	15.2%	**Market Cap:**	$1.02 B
Fair Value Price:	$123	**5 Year Growth Estimate:**	4.0%	**Ex-Dividend Date[1]:**	04/09/26
% Fair Value:	68%	**5 Year Valuation Multiple Estimate:**	8.0%	**Dividend Payment Date[1]:**	04/23/26
Dividend Yield:	3.8%	**5 Year Price Target**	$150	**Years Of Dividend Growth:**	6
Dividend Risk Score:	C	**Sector:**	Financials	**Rating:**	Hold

Overview & Current Events

Preferred Bank (PFBC) is a regional commercial bank serving businesses and individuals across California, New York, and Texas. Headquartered in Los Angeles and founded in 1991, the bank operates twelve branches in California, plus locations in Flushing and Sugar Land. Preferred Bank specializes in commercial real estate, trade finance, and business lending, while also offering a full range of personal and treasury management services. As of December 31st, 2025, Preferred Bank had total assets of $7.60 billion and employed approximately 270 full-time staff.

On January 22nd, 2026, Preferred Bank released its financial results for the fourth quarter ended December 31st, 2025. The bank reported net income of $34.8 million, down from $35.9 million in Q3 2025 but up from $30.2 million in Q4 2024, primarily reflecting a decline in net interest income and higher provision for credit losses. Diluted earnings per share (EPS) for the quarter came in at $2.79, compared to $2.84 in Q3 2025 and $2.25 in the prior year period.

Net interest income totaled $70.0 million for the quarter, down from $71.3 million in Q3, as market rate cuts led to a reduction in loan yields despite deposit repricing efforts. The bank's net interest margin (NIM) contracted to 3.74%, compared to 3.92% in Q3 2025 and 4.06% in Q4 2024, reflecting the impact of Federal Reserve rate cuts. Total loans grew to $6.05 billion, a 3.1% increase on a linked-quarter basis, while total deposits rose to $6.35 billion, up from $6.23 billion in Q3 2025. Preferred Bank's capital position remained solid, with a Tier 1 leverage ratio of 10.54% and a total capital ratio of 14.47%, both slightly lower than the prior quarter but still comfortably exceeding regulatory requirements.

Noninterest income for Q4 2025 totaled $8.1 million, compared to $3.7 million in Q3, driven by a $3.6 million gain on sale of OREO properties. Noninterest expenses increased to $24.4 million, up from $21.5 million in Q3, primarily due to OREO-related expenses and a valuation charge, although personnel costs declined. Total assets reached $7.60 billion at quarter-end, up from $7.47 billion in Q3 2025, reflecting continued growth in both loans and securities.

For the full year 2025, diluted EPS was $10.41, an increase of 8.0% from $9.64 in 2024, driven by higher noninterest income and a reduced share count from stock repurchases.

Preferred Bank's 2026 strategy centers on preserving profitability, maintaining strong credit quality, and enhancing shareholder returns. The bank anticipates improved loan demand, while deposit competition remains elevated. With a solid Tier 1 leverage ratio of 10.54% and strong pre-provision earnings, Preferred Bank is well-capitalized to navigate market shifts. The bank remains committed to delivering stable results and has raised its dividend for six consecutive years.

Growth on a Per-Share Basis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
EPS	$2.56	$2.96	$4.64	$5.16	$4.65	$6.41	$8.70	$10.52	$9.64	$10.41	***$11.20***	***$13.63***
DPS	$0.63	$0.80	$1.02	$1.20	$1.20	$1.57	$1.84	$2.35	$2.80	$3.00	***$3.20***	***$4.49***
Shares[2]	14	14	15	15	15	15	15	14	14	14	***12***	***12***

[1] Estimated date

[2] In millions.

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The company has grown earnings by 16.9% per year in the last decade and 11.8% over the past five years. We expect earnings to grow on average by 4% per year for the next five years. The company has been able to increase its dividend for 6 consecutive years. Over the last five years, the average annual dividend growth rate is 15.3%. In December 2025, the company increased its quarterly dividend by 6.7% from $0.75 to $0.80 per share. During the fourth quarter of 2025, Preferred Bank repurchased 186,961 shares for a total of $16.1 million at an average price of approximately $86.12.

Valuation Analysis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Now	2031
Avg. P/E	23.1	18.7	11.0	11.9	11.1	12.0	9.6	6.9	8.7	9.0	***7.5***	***11.0***
Avg. Yld.	1.1%	1.3%	2.2%	2.0%	2.4%	2.0%	2.3%	3.0%	3.2%	3.2%	***3.8%***	***3.0%***

During the past decade shares of Preferred Bank have traded with an average price-to-earnings ratio of about 12.2 and today, it stands at 7.5. We are using 11 times earnings as a fair value baseline, implying the potential for a valuation tailwind. The company's dividend yield is currently 3.8% which is above the average yield of 2.1% over the past decade.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	24%	25%	27%	22%	23%	26%	24%	21%	22%	29%	***29%***	***33%***

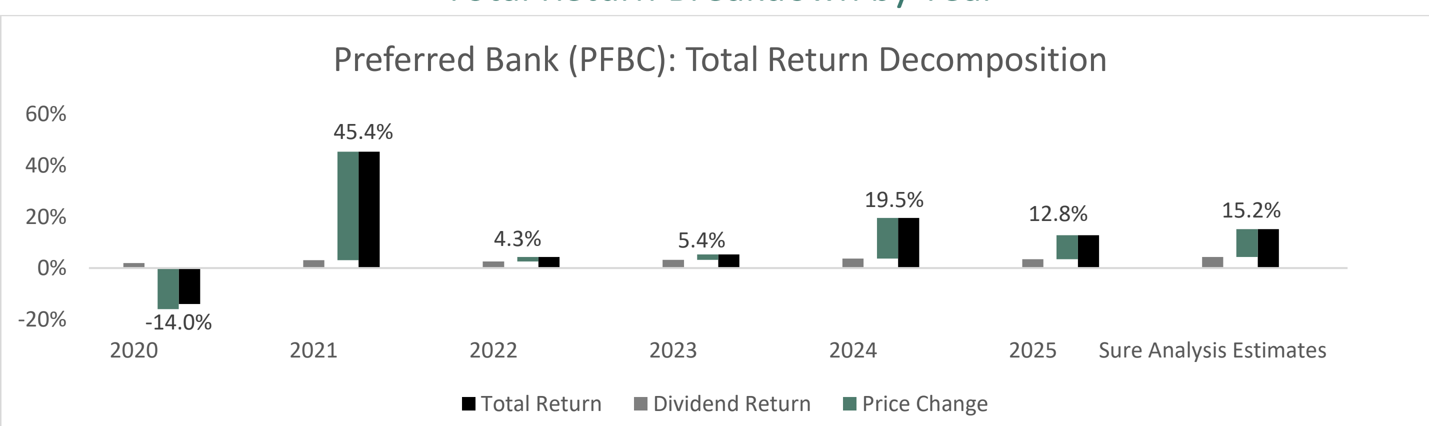
During the past five years, the company's dividend payout ratio has averaged around 24%. Preferred Bank's dividend is comfortably covered by earnings. Given the expected earnings growth, there is room for the dividend to continue to grow at least at the same pace and keep the payout ratio around the same levels which is safe.

Preferred Bank remains a well-capitalized regional bank with above-peer profitability, strong credit quality, and industry-leading efficiency. Net interest margin declined to 3.74% in Q4 2025 (vs. 3.92% in Q3 and 4.06% YoY), reflecting margin compression following Fed rate cuts. Loans grew 3.1% QoQ, while deposits rose 1.9%, signaling continued funding competitiveness. While capital and credit metrics remain strong, the efficiency ratio deteriorated to 31.2% from 28.7%, a negative trend, though still well below peer averages in the 50–60% range.

Final Thoughts & Recommendation

Preferred Bank is a commercially focused regional bank recognized for its above-peer profitability, exceptional efficiency, and strong credit management. As margin compression continued in Q4 2025 amid Federal Reserve rate cuts, balancing margin pressure, expanding fee-based income, and maintaining disciplined credit quality will be essential for sustained success as the bank navigates a persistently competitive funding environment and potentially lower rate landscape in 2026. We estimate total return potential of 15.2% per year for the stock over the next five years based on a 4% earnings-per-share growth, the dividend yield of 3.8%, and a valuation tailwind. Shares earn a hold rating.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	88	109	135	163	171	180	194	254	293	284
SG&A Exp.	23	28	32	37	42	40	43	49	52	55
D&A Exp.	1	1	1	1	1	2	2	2	2	2
Net Profit	30	36	43	71	78	69	95	129	150	131
Net Margin	33.7%	33.4%	32.2%	43.5%	45.9%	38.5%	49.2%	50.6%	51.2%	46.1%
Free Cash Flow	26	52	52	96	80	102	119	143	173	164
Income Tax	20	23	37	28	33	27	39	50	60	53

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	2,599	3,222	3,770	4,216	4,628	5,144	6,046	6,425	6,659	6,923
Cash & Equivalents	296	306	447	527	499	739	1,031	748	891	766
Acct. Recv.	8	10	11	14	15	24	15	24	34	34
Goodwill & Int.	2,335	2,924	3,415	3,800	4,158	4,618	5,460	5,795	5,964	
Total Liabilities	2	3	4	7	3	1	1	3	16	6,160
Long-Term Debt	27	125	105	100	99	99	148	148	148	148
Total Equity	264	298	355	417	470	525	587	630	695	763
LTD/E Ratio	0.10	0.42	0.30	0.24	0.21	0.19	0.25	0.23	0.21	0.19

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	1.3%	1.2%	1.2%	1.8%	1.8%	1.4%	1.7%	2.1%	2.3%	1.9%
Return on Equity	11.9%	12.9%	13.3%	18.4%	17.7%	14.0%	17.1%	21.2%	22.6%	17.9%
ROIC	10.9%	10.2%	9.8%	14.5%	14.4%	11.6%	14.0%	17.0%	18.5%	14.9%
Shares Out.	14	14	15	15	15	15	15	14	14	14
Revenue/Share	6.45	7.78	9.31	10.82	11.35	12.11	13.02	17.18	20.55	20.95
FCF/Share	1.91	3.72	3.58	6.39	5.34	6.87	8.01	9.68	12.13	12.07

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.