Preferred Bank (PFBC)

Updated April 26th, 2026, by Sure Dividend Analyst

Key Metrics

Current Price:	$94	**5 Year Annual Expected Total Return:**	11.6%	**Market Cap:**	$1.14 B
Fair Value Price:	$117	**5 Year Growth Estimate:**	4.0%	**Ex-Dividend Date[1]:**	07/09/26
% Fair Value:	80%	**5 Year Valuation Multiple Estimate:**	4.5%	**Dividend Payment Date[1]:**	07/21/26
Dividend Yield:	3.4%	**5 Year Price Target**	$142	**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 March 31st, 2026, Preferred Bank had total assets of $7.65 billion and employed approximately 270 full-time staff.

On April 22nd, 2026, Preferred Bank released its financial results for the first quarter ended March 31st, 2026. The bank reported net income of $31.1 million, down from $34.8 million in Q4 2025 and up from $30.0 million in Q1 2025, primarily reflecting a decline in net interest income and lower noninterest income, partially offset by lower provision for credit losses. Diluted earnings per share (EPS) for the quarter came in at $2.53, compared to $2.79 in Q4 2025 and $2.23 in the prior year period.

Net interest income totaled $65.3 million for the quarter, down from $70.0 million in Q4, as lower loan yields and interest income reversals led to a reduction in income despite deposit repricing efforts. The bank's net interest margin (NIM) contracted to 3.57%, compared to 3.74% in Q4 2025 and 3.75% in Q1 2025, reflecting yield compression and the impact of interest reversals. Total loans grew to $6.12 billion, an increase of $68.6 million or 1.1% on a linked-quarter basis, while total deposits rose to $6.42 billion, up from $6.35 billion in Q4 2025. Preferred Bank's capital position remained solid, with a Tier 1 leverage ratio of 10.37% and a total capital ratio of 13.98%, slightly lower than the prior quarter but still comfortably exceeding regulatory requirements.

Noninterest income for Q1 2026 totaled $4.3 million, compared to $8.1 million in Q4, reflecting the absence of prior quarter gains on sale of OREO properties. Noninterest expenses declined to $23.5 million, down from $24.4 million in Q4, primarily due to lower OREO-related expenses and valuation charges. Total assets reached $7.65 billion at quarter-end, up from $7.60 billion in Q4 2025, reflecting modest balance sheet growth.

Preferred Bank's 2026 strategy centers on preserving profitability, maintaining strong credit quality, and enhancing shareholder returns. The bank anticipates continued competitive pressure on loan yields and deposits, while loan demand remains uncertain. With a solid Tier 1 leverage ratio of 10.37% and strong pre-provision earnings, Preferred Bank is well-capitalized to navigate market shifts. The bank remains committed to delivering stable results and continues to execute on its authorized stock repurchase program.

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	***$10.60***	***$12.90***
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.

Preferred Bank (PFBC)

Updated April 26th, 2026, by Sure Dividend Analyst

The company has grown earnings by 16.9% per year in the last decade and 10.6% 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 first quarter of 2026, Preferred Bank repurchased 402,299 shares for a total of $35.8 million.

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	***8.8***	***11.0***
Avg. Yld.	1.1%	1.3%	2.2%	2.0%	2.4%	2.0%	2.3%	3.0%	3.2%	3.2%	***3.4%***	***3.2%***

During the past decade shares of Preferred Bank have traded with an average price-to-earnings ratio of 12.2 and today, it stands at 8.8. 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 3.4% 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%	***30%***	***35%***

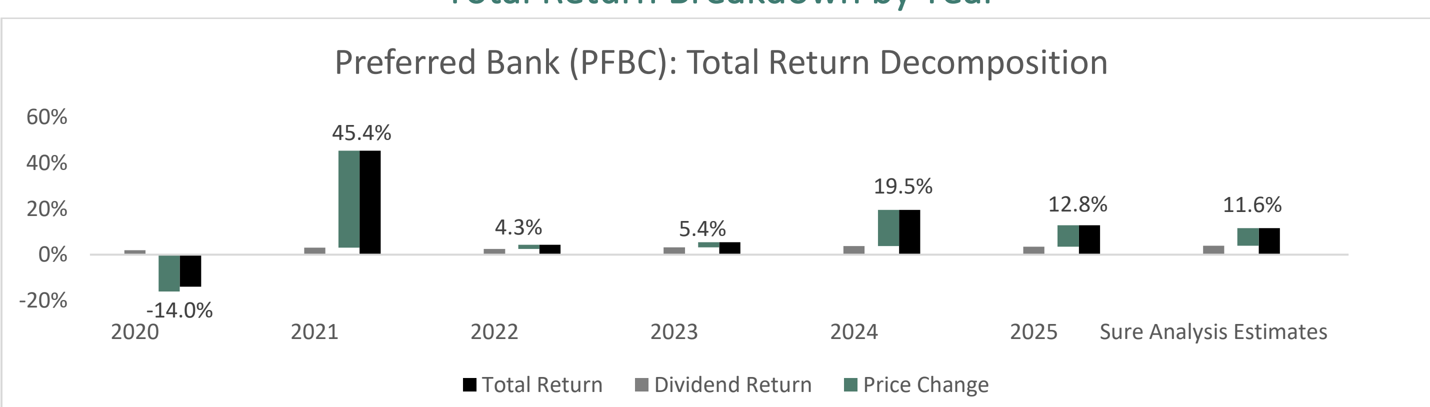
During the past five years, the company's dividend payout ratio has averaged around 24%. Preferred Bank's dividend is comfortably covered by earnings. Given the expected earnings growth, there is room for the dividend to continue to grow at least at the same pace and keep the payout ratio around the 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 3.57% in Q1 2026 (vs. 3.74% in Q4 2025 and 3.75% YoY), reflecting ongoing margin compression driven by lower loan yields and interest reversals. Loans were relatively flat QoQ, while deposits rose ~1.2%, signaling continued funding competitiveness. While capital and credit metrics remain strong, the efficiency ratio increased to 33.8% from 31.2%, 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 Q1 2026, driven by lower loan yields and interest reversals, balancing margin pressure, stabilizing core net interest income, and maintaining disciplined credit quality will be essential for sustained success as the bank navigates a persistently competitive funding environment, ongoing deposit pricing pressure, and an uncertain rate outlook in 2026. We estimate total return potential of 11.6% per year for the stock over the next five years based on a 4% earnings-per-share growth, the dividend yield of 3.4%, and a valuation tailwind. Shares earn a hold rating.

Total Return Breakdown by Year



Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.

Preferred Bank (PFBC)

Updated April 26th, 2026, by Sure Dividend Analyst

Income Statement Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenue	109	135	163	171	180	194	254	293	284	499
SG&A Exp.	28	32	37	42	40	43	49	52	55	---
D&A Exp.	1	1	1	1	2	2	2	2	2	2
Net Profit	36	43	71	78	69	95	129	150	131	134
Net Margin	33.4%	32.2%	43.5%	45.9%	38.5%	49.2%	50.6%	51.2%	46.1%	26.9%
Free Cash Flow	52	52	96	80	102	119	143	173	164	164
Income Tax	23	37	28	33	27	39	50	60	53	56

Balance Sheet Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total Assets	3,222	3,770	4,216	4,628	5,144	6,046	6,425	6,659	6,923	7,613
Cash & Equivalents	306	447	527	499	739	1,031	748	891	766	807
Acct. Recv.	10	11	14	15	24	15	24	34	34	---
Goodwill & Int.	2,924	3,415	3,800	4,158	4,618	5,460	5,795	5,964	---	---
Total Liabilities	3	4	7	3	1	1	3	16	6,160	6,824
Long-Term Debt	125	105	100	99	99	148	148	148	148	378
Total Equity	298	355	417	470	525	587	630	695	763	790
LTD/E Ratio	0.42	0.30	0.24	0.21	0.19	0.25	0.23	0.21	0.19	0.49

Profitability & Per Share Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Return on Assets	1.2%	1.2%	1.8%	1.8%	1.4%	1.7%	2.1%	2.3%	1.9%	1.8%
Return on Equity	12.9%	13.3%	18.4%	17.7%	14.0%	17.1%	21.2%	22.6%	17.9%	17.2%
ROIC	10.2%	9.8%	14.5%	14.4%	11.6%	14.0%	17.0%	18.5%	14.9%	12.8
Shares Out.	14	15	15	15	15	15	14	14	14	38.87
Revenue/Share	7.78	9.31	10.82	11.35	12.11	13.02	17.18	20.55	20.95	12.77
FCF/Share	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.