Preferred Bank (PFBC)

Updated July 24th, 2026, by Sure Dividend Analyst

Key Metrics

Current Price:	$104	**5 Year Annual Expected Total Return:**	9.5%	**Market Cap:**	$1.26 B
Fair Value Price:	$118	**5 Year Growth Estimate:**	4.0%	**Ex-Dividend Date[1]:**	10/09/26
% Fair Value:	88%	**5 Year Valuation Multiple Estimate:**	2.7%	**Dividend Payment Date[1]:**	10/21/26
Dividend Yield:	3.1%	**5 Year Price Target**	$144	**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 June 30th, 2026, Preferred Bank had total assets of $7.73 billion and employed approximately 270 full-time staff.

On July 22nd, 2026, Preferred Bank released its financial results for the second quarter ended June 30th, 2026. The bank reported net income of $33.5 million, up from $31.1 million in Q1 2026 and $32.8 million in Q2 2025, primarily reflecting higher net interest income, partially offset by lower noninterest income and slightly higher noninterest expenses. Diluted earnings per share (EPS) for the quarter came in at $2.78, compared to $2.53 in Q1 2026 and $2.57 in the prior-year period. Net interest income totaled $70.0 million for the quarter, up from $65.3 million in Q1 2026, primarily reflecting $2.9 million of interest recoveries related to nonaccrual loans that were sold or repaid. The bank's net interest margin (NIM) expanded to 3.73%, compared to 3.57% in Q1 2026 and 3.85% in Q2 2025, although the quarterly improvement benefited from the interest recoveries. Total loans grew to $6.25 billion, an increase of $124.8 million or 2.0% on a linked-quarter basis, while total deposits rose to $6.47 billion, an increase of $52.1 million or 0.8% from Q1 2026. Preferred Bank's capital position remained solid, with a Tier 1 leverage ratio of 10.55% and a total capital ratio of 13.74%, with the leverage ratio improving from the prior quarter while the total capital ratio declined modestly.

Noninterest income for Q2 2026 totaled $3.5 million, compared to $4.3 million in Q1 2026, primarily reflecting a $950,000 loss on the sale of a nonaccrual loan, partially offset by higher letter-of-credit fees. Noninterest expenses increased slightly to $23.7 million from $23.5 million in Q1 2026, primarily due to higher professional-services expenses associated with legal fees on problem loans, partially offset by lower personnel and OREO expenses. Total assets reached $7.73 billion at quarter-end, up from $7.60 billion at year-end 2025, reflecting continued balance-sheet growth.

Preferred Bank's near-term operating priorities remain centered on profitable loan growth, disciplined expense management, credit-quality improvement and maintaining a strong capital position. Management reported strong loan-origination activity and expressed optimism regarding the current operating environment, although the bank continues to face stiff competition for deposits and higher deposit rates near quarter-end. With a Tier 1 leverage ratio of 10.55%, an efficiency ratio of 32.3% and improved credit metrics, Preferred Bank remains well-capitalized to navigate market shifts.

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	***$10.75***	***$13.08***
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 10.9% 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.

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	***9.7***	***11.0***
Avg. Yld.	1.1%	1.3%	2.2%	2.0%	2.4%	2.0%	2.3%	3.0%	3.2%	3.2%	***3.1%***	***3.1%***

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 9.7. 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 3.1% which is above the average yield of 2.3% 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%***	***34%***

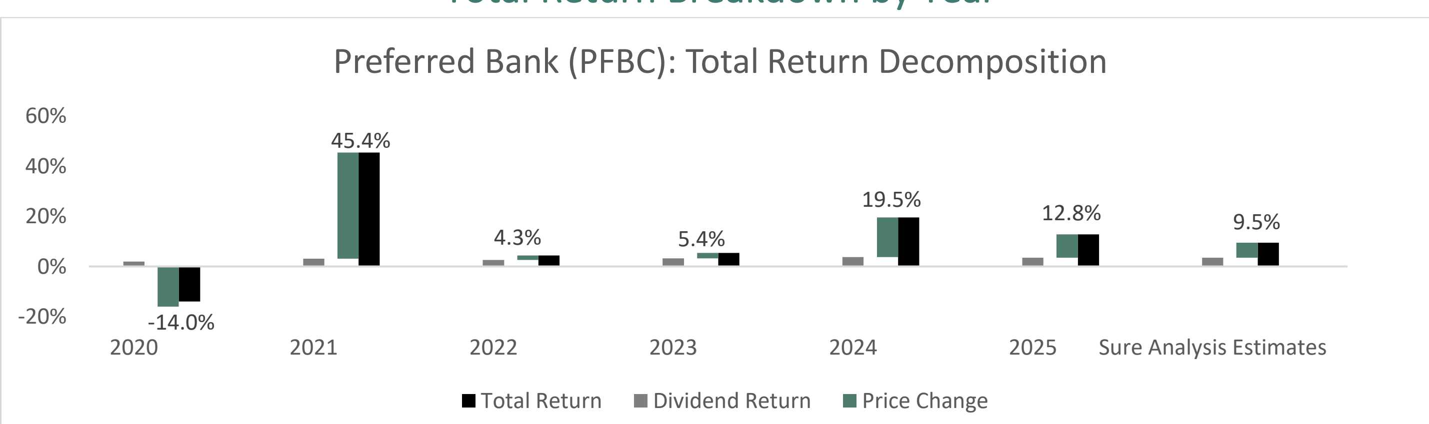
During the past five years, the company's dividend payout ratio has averaged around 24%. Preferred Bank's dividend is comfortably covered by earnings. Given the expected earnings growth, there is room for the dividend to continue to grow at least at the same pace and keep the payout ratio around the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

Preferred Bank remains a well-capitalized regional bank with above-peer profitability, improving credit quality and industry-leading efficiency. Net interest margin increased to 3.73% in Q2 2026, compared with 3.57% in Q1 2026 and 3.85% in Q2 2025, although the quarterly improvement benefited from $2.9 million of interest recoveries related to nonaccrual loans that were sold or repaid. Loans increased 2.0% quarter over quarter, while deposits rose 0.8%, reflecting strong loan-origination activity but continued competitive pressure on deposit funding. Credit metrics improved substantially, with nonperforming loans declining 41.5% and criticized loans decreasing 33.9% during the quarter. The efficiency ratio improved to 32.3% from 33.8% in Q1 2026, although it remained above 31.8% in Q2 2025, and continued to compare favorably with typical peer levels.

Final Thoughts & Recommendation

Preferred Bank is a commercially focused regional bank recognized for its above-peer profitability, exceptional efficiency, and strong credit management. We estimate total return potential of 9.5% per year for the stock over the next five years based on a 4% earnings-per-share growth, the dividend yield of 3.1%, and a valuation tailwind. Shares earn a hold rating.

Total Return Breakdown by Year



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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.