

**FEDERAL DEPOSIT INSURANCE CORPORATION**

**Washington, D.C. 20429**

**FORM 8-K**

**CURRENT REPORT**

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) **July 26, 2024**

**Preferred Bank**

(Exact name of registrant as specified in its charter)

**California**

(State or other jurisdiction  
of incorporation or organization)

**33539**

(FDIC Certificate No.)

**95-4340199**

(I.R.S. Employee  
Identification No.)

**601 S. Figueroa Street, 48th Floor, Los Angeles, California**

(Address of principal executive offices)

**90017**

(Zip code)

**(213) 891-1188**

(Registrant's telephone number including area code)

**Not applicable**

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligations of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

## **Item 2.02 Results of Operations and Financial Condition**

On July 25, 2024, Preferred Bank issued a press release announcing earnings results for the quarter ended June 30, 2024.

Press release dated July 25, 2024 is hereby attached.

### **SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

### **Preferred Bank**

Dated: July 26, 2024

By: /s/ Edward J. Czajka

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Edward J. Czajka  
Executive Vice President  
Chief Financial Officer



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**AT THE COMPANY:**

Edward J. Czajka  
Executive Vice President  
Chief Financial Officer  
(213) 891-1188

**AT FINANCIAL PROFILES:**

Jeffrey Haas  
General Information  
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**FOR IMMEDIATE RELEASE****July 25, 2024*****PREFERRED BANK REPORTS QUARTERLY RESULTS***

**LOS ANGELES, CALIFORNIA, July 25, 2024** – Preferred Bank (NASDAQ: PFBC), one of the larger independent California banks, today reported results for the quarter ended June 30, 2024. Preferred Bank (“the Bank”) reported net income of \$33.6 million or \$2.48 per diluted share for the second quarter of 2024. This represents a slight increase in net income of \$126,000 over the prior quarter but down by \$4.3 million from the same quarter last year. The decrease in net income from the prior year was due to lower net interest income because of rising deposit costs. Despite the decrease in net income, Preferred Bank continues to deliver top-of-peer group profitability metrics and long term shareholder returns.

**Highlights for the Quarter:**

- Return on average assets was 1.97%
- Return on beginning equity of 19.44%
- Net interest margin (NIM) was 3.96%
- Total loans increased by \$103 million or 1.9% for the quarter
- Total deposits increased \$77 million or 1.3% for the quarter
- Efficiency ratio was 28.3%

Li Yu, Chairman and CEO, commented, “I am pleased to report Preferred Bank’s second quarter net income of \$33.6 million or \$2.48 per fully diluted share. For the quarter, total loans grew \$103 million or 1.95% on a linked quarter basis. Deposits also grew \$77 million or 1.33% linked quarter.

“This quarter, total non-performing loans (NPL’s) increased \$22.2 million to \$40.6 million as several previously criticized loans have changed from performing status to non-accrual status. This migration is typical in the process of problem loan resolution. We are confident that these NPL’s are either fully-reserved or well-protected by collateral and cash flow. It is not likely that the resolution of these loans will present any significant impact to the Bank’s future earnings. Criticized loans at June 30, 2024, decreased \$13.0 million from the previous quarter-end and in-migration into this category seems to have slowed down. There was only one loan newly classified/criticized in the quarter. The loan was supported by adequate collateral value and cash flow with no loss exposure identified.

“During the quarter, we have charged-off \$9.0 million of loans that were fully reserved for at the end of the previous quarter. Provision expense for the quarter was \$2.5 million. The allowance for credit losses now stands at 1.34% of total loans at June 30, 2024.

“We continue to work on our balance sheet in order to reduce the asset sensitivity in the balance sheet. We are confident that with this work, when interest rates ease the impact on our earnings will be quite modest. Meanwhile, lower interest rates will typically give way to better organic growth which will positively impact earnings.

“The regulatory approval for our \$150 million stock buyback plan from 2023 has expired with \$72.5 million worth of stock repurchased thus far. We are seeking regulatory approval to extend or renew the plan. We are also pleased to report that with the \$72.5 million buyback, the Bank's tangible common equity (TCE) ratio actually improved from 10.02% as of June 30, 2023 to 10.55% as of June 30, 2024. We attribute this to the Bank’s top echelon earnings capability.

## **Results of Operations**

***Net Interest Income and Net Interest Margin.*** Net interest income before provision for credit losses was \$66.1 million for the second quarter of 2024. This was a decrease from the \$73.3 million recorded in the same quarter last year and down slightly from the \$68.5 million posted in the first quarter of 2024. A rising cost of deposits was partially to blame for the decrease in net interest income but so was the addition of new nonaccrual loans whose accrued interest totaled \$1.4 million which had to be reversed out of loan interest income. This helped to drive the Bank’s net interest margin down to 3.96% for the quarter. This compares to a margin of 4.19% in the

prior quarter and down from 4.58% one year ago. The interest reversals on the nonaccrual loans had the effect of reducing the Bank's NIM by 8 basis points for the quarter.

**Noninterest Income.** For the second quarter of 2024, noninterest income was \$3.4 million compared with \$3.1 million for the same quarter last year and compared to \$3.1 million for the first quarter of 2024. The increase over the prior quarter was primarily due to letter of credit (LC) fees which increased by \$246,000 and gains on sales of SBA loans which increased by \$250,000 partially offset by a decrease in other income of \$131,000. In comparing to the same quarter last year; LC fee income was up by \$173,000 and gains on SBA loan sales were up by \$167,000.

**Noninterest Expense.** Total noninterest expense was \$19.7 million for the second quarter of 2024 compared to \$20.0 million for the first quarter of 2024 and compared to the \$20.9 million recorded in the same period last year. The primary reason for the decrease from the prior year is the \$2.8 million valuation allowance recorded in the second quarter of last year on the Bank's other real estate owned (OREO) property. Partially offsetting that is an increase in professional services; mainly legal fees for loan resolutions. In comparing this quarter to the first quarter of 2024; personnel expenses decreased by \$956,000 and other professional services increased by \$375,000, again due mainly to legal fees. For the quarter ended June 30, 2024, the Bank's efficiency ratio was 28.3%, a tick higher than the 28.0% recorded last quarter and up off the 27.3% posted this quarter last year.

**Income Taxes.** The Bank recorded a provision for income taxes of \$13.7 million for the second quarter of 2024. This represents an effective tax rate ("ETR") of 29.0% which is identical to the ETR for last quarter and up from the 28.5% ETR recorded in the same period last year. The Bank's ETR will fluctuate slightly from quarter to quarter within a fairly small range due to the timing of taxable events throughout the year.

## **Balance Sheet Summary**

Total gross loans at June 30, 2024 were \$5.43 billion, an increase of \$155.1 million from the total of \$5.27 billion as of December 31, 2023. Total deposits increased to \$5.88 billion, up \$169.4 million from the \$5.71 billion as of December 31, 2023. Total assets were \$6.85 billion, an increase of \$187.3 million over the total of \$6.66 billion as of December 31, 2023.

## **Asset Quality**

As of June 30, 2024, nonaccrual loans increased to \$40.6 million, up from the \$18.3 million reported as of March 31, 2024 and also up from the \$28.7 million as of December 31, 2023. The increase was primarily due to the addition of an \$18 million loan secured by a hotel and the addition of two C&I loans totaling \$13.5 million

as well as a \$6.1 million loan also secured by a hotel. These additions were partially offset by the sale of a non-performing note during the quarter which totaled \$12.3 million. OREO and repossessed assets totaled \$16.7 million as of June 30, 2024, no change from the prior quarter or from December 31, 2023. Criticized loans decreased from \$86.6 million as of March 31, 2024 to \$73.7 million as of June 30, 2024. Total net charge-offs (recoveries) were \$9.0 million for the second quarter of 2024 as compared to \$3.4 million last quarter and compared to \$0 for the second quarter last year. Below is more detail of our loan quality:

### Loan Quality

	June 30, 2024	March 31, 2024
Criticized loans still accruing	\$ 33,101	\$ 68,304
Loans on nonaccrual status	40,551	18,314
Total Criticized Loans	<u>\$ 73,652</u>	<u>\$ 86,618</u>

Non-performing loans (non-accrual status) includes the following:

1. A hotel loan of \$18.0 million, in a very populated area of Los Angeles, with cash flow sufficient to service the debt and loan-to-value ratio (LTV) of 51%.
2. Two commercial and industrial (C&I) loans totaling \$13.5 million. The estimated net exposure is fully reserved.
3. A \$6.1 million loan in San Francisco collateralized by a motel with LTV of 71%. This note was sold in July at par, so that credit is already resolved.
4. Two real estate loans totaling \$1.8 million, which are now paying as agreed. These loans will be reinstated to performing status in the third quarter of 2024.

### Allowance for Credit Losses

The provision for credit losses for the second quarter of 2024 was \$2.5 million compared to \$4.4 million last quarter and compared to \$2.5 million in the same quarter last year. The aforementioned charge-offs recorded during the quarter as well as loan growth were the primary drivers of the provision for the quarter. The Bank's allowance coverage ratio is 1.34% of total loans as compared to 1.49% last quarter.

## **Capitalization**

As of June 30, 2024, the Bank's leverage ratio was 10.89%, the common equity tier 1 capital ratio was 11.52% and the total capital ratio stood at 14.93%. As of December 31, 2023, the Bank's leverage ratio was 10.85%, the common equity tier 1 ratio was 11.57% and the total capital ratio was 15.18%.

## **Conference Call and Webcast**

A conference call with simultaneous webcast to discuss Preferred Bank's second quarter 2024 financial results will be held tomorrow, July 26, 2024 at 2:00 p.m. Eastern / 11:00 a.m. Pacific. Interested participants and investors may access the conference call by dialing 844-826-3037 (domestic) or 412-317-5182 (international) and referencing "Preferred Bank." There will also be a live webcast of the call available at the Investor Relations section of Preferred Bank's website at [www.preferredbank.com](http://www.preferredbank.com).

Preferred Bank's Chairman and CEO Li Yu, President and Chief Operating Officer Wellington Chen, Chief Financial Officer Edward J. Czajka, Chief Credit Officer Nick Pi and Deputy Chief Operating Officer Johnny Hsu will discuss Preferred Bank's financial results, business highlights and outlook. After the live webcast, a replay will be available at the Investor Relations section of Preferred Bank's website. A replay of the call will also be available at 877-344-7529 (domestic) or 412-317-0088 (international) through August 9, 2024; the passcode is 7823115.

## **About Preferred Bank**

Preferred Bank is one of the larger independent commercial banks headquartered in California. The Bank is chartered by the State of California, and its deposits are insured by the Federal Deposit Insurance Corporation, or FDIC, to the maximum extent permitted by law. The Bank conducts its banking business from its main office in Los Angeles, California, and through twelve full-service branch banking offices in California (Alhambra, Century City, City of Industry, Torrance, Arcadia, Irvine (2), Diamond Bar, Pico Rivera, Tarzana and San Francisco (2)), one branch in Flushing, New York and a branch office in the Houston, Texas suburb of Sugar Land. In addition, the Bank also operates a loan production office in Sunnyvale, California. Preferred Bank offers a broad range of deposit and loan products and services to both commercial and consumer customers. The Bank provides personalized deposit services as well as real estate finance, commercial loans and trade finance to small and mid-sized businesses, entrepreneurs, real estate developers, professionals and high net worth individuals. Although originally founded as a Chinese-American Bank, Preferred Bank now derives most of its customers from the diversified mainstream market but does continue to benefit from the significant migration to California of ethnic Chinese from China and other areas of East Asia.

## **Forward-Looking Statements**

This press release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements include, but are not limited to, statements about the Bank's future financial and operating results, the Bank's plans, objectives, expectations and intentions and other statements that are not historical facts. Such statements are based upon the current beliefs and expectations of the Bank's management and are subject to significant risks and uncertainties. Actual results may differ from those set forth in the forward-looking statements. The following factors, among others, could cause actual results to differ from those set forth in the forward-looking statements: changes in economic conditions; changes in the California real estate market; the loss of senior management and other employees; natural disasters or recurring energy shortage; changes in interest rates; competition from other financial services companies; ineffective underwriting practices; inadequate allowance for loan and lease losses to cover actual losses; risks inherent in construction lending; adverse economic conditions in Asia; downturn in international trade; inability to attract deposits; inability to raise additional capital when needed or on favorable terms; inability to manage growth; inadequate communications, information, operating and financial control systems, technology from fourth party service providers; the U.S. government's monetary policies; government regulation; environmental liability with respect to properties to which the bank takes title; and the threat of terrorism. Additional factors that could cause the Bank's results to differ materially from those described in the forward-looking statements can be found in the Bank's 2023 Annual Report on Form 10-K filed with the Federal Deposit Insurance Corporation which can be found on Preferred Bank's website. The forward-looking statements in this press release speak only as of the date of the press release, and the Bank assumes no obligation to update the forward-looking statements or to update the reasons why actual results could differ from those contained in the forward-looking statements. For additional information about Preferred Bank, please visit the Bank's website at [www.preferredbank.com](http://www.preferredbank.com).

### ***Financial Tables to Follow***



**PREFERRED BANK**  
**Condensed Consolidated Statements of Operations**  
(unaudited)  
(in thousands, except for net income per share and shares)

	For the Quarter Ended		
	June 30, 2024	March 31, 2024	June 30, 2023
Interest income:			
Loans, including fees	\$ 109,451	\$ 109,980	\$ 102,220
Investment securities	17,552	16,257	15,919
Fed funds sold	291	283	272
Total interest income	<u>127,294</u>	<u>126,520</u>	<u>118,411</u>
Interest expense:			
Interest-bearing demand	24,205	22,290	16,406
Savings	79	75	47
Time certificates	35,578	34,330	25,436
FHLB borrowings	-	-	1,888
Subordinated debt	1,325	1,325	1,325
Total interest expense	<u>61,187</u>	<u>58,020</u>	<u>45,102</u>
Net interest income	<u>66,107</u>	<u>68,500</u>	<u>73,309</u>
Provision for credit losses	<u>2,500</u>	<u>4,400</u>	<u>2,500</u>
Net interest income after provision for credit losses	63,607	64,100	70,809
Noninterest income:			
Fees & service charges on deposit accounts	819	845	844
Letters of credit fee income	1,749	1,503	1,576
BOLI income	105	105	103
Net loss on called and sale of investment securities	-	-	-
Net gain on sale of loans	353	103	186
Other income	378	509	392
Total noninterest income	<u>3,404</u>	<u>3,065</u>	<u>3,101</u>
Noninterest expense:			
Salary and employee benefits	12,944	13,900	12,520
Net occupancy expense	1,716	1,711	1,476
Business development and promotion expense	403	266	200
Professional services	1,832	1,457	1,343
Office supplies and equipment expense	477	473	398
Loss on sale of OREO, valuation allowance and related expense	29	135	2,838
Other	2,296	2,086	2,077
Total noninterest expense	<u>19,697</u>	<u>20,028</u>	<u>20,852</u>
Income before provision for income taxes	<u>47,314</u>	<u>47,137</u>	<u>53,058</u>
Income tax expense	<u>13,722</u>	<u>13,671</u>	<u>15,122</u>
Net income	<u>\$ 33,592</u>	<u>\$ 33,466</u>	<u>\$ 37,936</u>
Income per share available to common shareholders			
Basic	\$ 2.51	\$ 2.48	\$ 2.63
Diluted	\$ 2.48	\$ 2.44	\$ 2.61
Weighted-average common shares outstanding			
Basic	13,362,522	13,508,878	14,419,959
Diluted	13,548,400	13,736,986	14,560,693
Cash dividends per common share	\$ 0.70	\$ 0.70	\$ 0.55

**PREFERRED BANK**  
**Condensed Consolidated Statements of Operations**  
**(unaudited)**  
**(in thousands, except for net income per share and shares)**

	For the Six Months Ended		Change %
	June 30, 2024	June 30, 2023	
<b>Interest income:</b>			
Loans, including fees	\$ 219,431	\$ 198,101	10.8%
Investment securities	33,809	28,898	17.0%
Fed funds sold	574	496	15.8%
Total interest income	<u>253,814</u>	<u>227,495</u>	<u>11.6%</u>
<b>Interest expense:</b>			
Interest-bearing demand	46,495	33,444	39.0%
Savings	154	86	78.8%
Time certificates	69,908	42,029	66.3%
FHLB borrowings	-	2,262	-100.0%
Subordinated debt	2,650	2,650	0.0%
Total interest expense	<u>119,207</u>	<u>80,471</u>	<u>48.1%</u>
Net interest income	<u>134,607</u>	<u>147,024</u>	<u>-8.4%</u>
Provision for credit losses	<u>6,900</u>	<u>3,000</u>	<u>130.0%</u>
Net interest income after provision for credit losses	<u>127,707</u>	<u>144,024</u>	<u>-11.3%</u>
<b>Noninterest income:</b>			
Fees & service charges on deposit accounts	1,664	1,538	8.2%
Letters of credit fee income	3,252	2,900	12.1%
BOLI income	210	204	3.0%
Net loss on called and sale of investment securities	-	(4,117)	-100.0%
Net gain on sale of loans	456	526	-13.3%
Other income	887	984	-9.9%
Total noninterest income	<u>6,469</u>	<u>2,035</u>	<u>217.8%</u>
<b>Noninterest expense:</b>			
Salary and employee benefits	26,844	26,248	2.3%
Net occupancy expense	3,427	2,950	16.2%
Business development and promotion expense	669	305	119.3%
Professional services	3,289	2,492	32.0%
Office supplies and equipment expense	950	802	18.5%
Loss on sale of OREO, valuation allowance and related expense	164	2,910	-94.4%
Other	4,382	4,045	8.3%
Total noninterest expense	<u>39,725</u>	<u>39,752</u>	<u>-0.1%</u>
Income before provision for income taxes	<u>94,451</u>	<u>106,307</u>	<u>-11.2%</u>
Income tax expense	<u>27,393</u>	<u>30,298</u>	<u>-9.6%</u>
Net income	<u>\$ 67,058</u>	<u>\$ 76,009</u>	<u>-11.8%</u>
<b>Income per share available to common shareholders</b>			
Basic	\$ 4.99	\$ 5.27	-5.3%
Diluted	\$ 4.93	\$ 5.21	-5.5%
<b>Weighted-average common shares outstanding</b>			
Basic	13,435,700	14,425,253	-6.9%
Diluted	13,608,783	14,581,458	-6.7%
Dividends per share	\$ 1.40	\$ 1.10	27.3%

**PREFERRED BANK**  
**Condensed Consolidated Statements of Financial Condition**  
**(unaudited)**  
**(in thousands)**

	June 30, 2024	December 31, 2023
	(Unaudited)	(Audited)
<b>Assets</b>		
Cash and due from banks	\$ 895,677	\$ 890,852
Fed funds sold	22,000	20,000
Cash and cash equivalents	917,677	910,852
Securities held-to-maturity, at amortized cost	20,605	21,171
Securities available-for-sale, at fair value	331,909	313,842
Loans held for sale, at lower of cost or fair value	955	360
Loans	5,428,600	5,273,498
Less allowance for credit losses	(72,848)	(78,355)
Less amortized deferred loan fees, net	(10,502)	(11,079)
Loans, net	5,345,250	5,184,064
Other real estate owned and repossessed assets	16,716	16,716
Customers' liability on acceptances	-	315
Bank furniture and fixtures, net	9,506	9,694
Bank-owned life insurance	10,772	10,632
Accrued interest receivable	36,618	33,892
Investment in affordable housing partnerships	60,432	65,276
Federal Home Loan Bank stock, at cost	15,000	15,000
Deferred tax assets	48,719	48,991
Income tax receivable	6,421	2,391
Operating lease right-of-use assets	22,564	22,050
Other assets	3,436	4,030
Total assets	\$ 6,846,580	\$ 6,659,276
<b>Liabilities and Shareholders' Equity</b>		
Deposits:		
Noninterest bearing demand deposits	\$ 675,767	\$ 786,995
Interest bearing deposits:	2,326,214	2,075,156
Savings	28,251	29,167
Time certificates of \$250,000 or more	1,406,149	1,317,862
Other time certificates	1,442,381	1,500,162
Total deposits	5,878,762	5,709,342
Acceptances outstanding	-	315
Subordinated debt issuance, net	148,351	148,232
Commitments to fund investment in affordable housing partnerships	27,946	30,824
Operating lease liabilities	19,149	19,766
Accrued interest payable	15,086	16,124
Other liabilities	34,158	39,568
Total liabilities	6,123,452	5,964,171
Shareholders' equity	723,128	695,105
Total liabilities and shareholders' equity	\$ 6,846,580	\$ 6,659,276
Book value per common share	\$ 54.23	\$ 50.54
Number of common shares outstanding	13,334,752	13,753,246

**PREFERRED BANK**  
**Selected Consolidated Financial Information**  
**(unaudited)**  
**(in thousands, except for ratios)**

For the Quarter Ended

	June 30, 2024	March 31, 2024	December 31, 2023	September 30, 2023	June 30, 2023
<b>Unaudited historical quarterly operations data:</b>					
Interest income	\$ 127,294	\$ 126,520	\$ 124,964	\$ 125,529	\$ 118,411
Interest expense	61,187	58,020	55,568	52,575	45,102
Interest income before provision for credit losses	66,107	68,500	69,396	72,954	73,309
Provision for credit losses	2,500	4,400	3,500	3,500	2,500
Noninterest income	3,404	3,065	2,106	2,972	3,101
Noninterest expense	19,697	20,028	17,873	19,009	20,852
Income tax expense	13,722	13,671	14,290	15,225	15,122
Net income	\$ 33,592	\$ 33,466	\$ 35,839	\$ 38,192	\$ 37,936
Earnings per share					
Basic	\$ 2.51	\$ 2.48	\$ 2.63	\$ 2.74	\$ 2.63
Diluted	\$ 2.48	\$ 2.44	\$ 2.60	\$ 2.71	\$ 2.61
<b>Ratios for the period:</b>					
Return on average assets	1.97%	2.00%	2.15%	2.25%	2.32%
Return on beginning equity	19.44%	19.36%	21.21%	22.66%	23.18%
Net interest margin (Fully-taxable equivalent)	3.96%	4.19%	4.24%	4.39%	4.58%
Noninterest expense to average assets	1.15%	1.20%	1.07%	1.12%	1.28%
Efficiency ratio	28.34%	27.99%	25.00%	25.04%	27.29%
Net charge-offs (recoveries) to average loans (annualized)	0.68%	0.26%	0.00%	0.01%	0.00%
<b>Ratios as of period end:</b>					
Tangible common equity ratio	10.55%	10.35%	10.43%	10.10%	10.02%
Tier 1 leverage capital ratio	10.89%	10.80%	10.85%	10.46%	10.61%
Common equity tier 1 risk-based capital ratio	11.52%	11.50%	11.57%	11.63%	11.51%
Tier 1 risk-based capital ratio	11.52%	11.50%	11.57%	11.63%	11.51%
Total risk-based capital ratio	14.93%	15.08%	15.18%	15.32%	15.14%
Allowances for credit losses to loans at end of period	1.34%	1.49%	1.49%	1.46%	1.40%
Allowance for credit losses to non-performing loans	1.79x	4.33x	2.73x	3.86x	13.86x
<b>Average balances:</b>					
Total securities	\$ 353,357	\$ 348,961	\$ 349,863	\$ 368,968	\$ 397,905
Total loans	5,320,360	5,263,562	5,126,918	5,086,241	5,044,004
Total earning assets	6,728,498	6,585,853	6,499,469	6,597,557	6,432,950
Total assets	6,863,829	6,718,018	6,627,349	6,719,859	6,558,651
Total time certificate of deposits	2,884,259	2,852,860	2,767,385	2,680,854	2,617,872
Total interest bearing deposits	5,203,034	5,004,834	4,906,947	4,800,227	4,549,519
Total deposits	5,901,976	5,761,488	5,689,713	5,654,350	5,481,457
Total interest bearing liabilities	5,351,347	5,153,089	5,055,143	5,069,014	4,847,596
Total equity	715,190	704,996	683,141	678,020	677,306

**PREFERRED BANK**  
**Selected Consolidated Financial Information**  
(unaudited)  
(in thousands, except for ratios)

	For the Six Months Ended	
	June 30, 2024	June 30, 2023
Interest income	\$ 253,814	\$ 227,495
Interest expense	119,207	80,471
Interest income before provision for credit losses	134,607	147,024
Provision for credit losses	6,900	3,000
Noninterest income	6,469	2,035
Noninterest expense	39,725	39,752
Income tax expense	27,393	30,298
Net income	\$ 67,058	\$ 76,009
Earnings per share		
Basic	\$ 4.99	\$ 5.27
Diluted	\$ 4.93	\$ 5.21
<b>Ratios for the period:</b>		
Return on average assets	1.99%	2.37%
Return on beginning equity	19.40%	24.31%
Net interest margin (Fully-taxable equivalent)	4.07%	4.67%
Noninterest expense to average assets	1.18%	1.24%
Efficiency ratio	28.16%	26.67%
Net charge-off (recoveries) to average loans	0.47%	0.00%
<b>Average balances:</b>		
Total securities	\$ 351,159	\$ 420,254
Total loans	5,291,961	5,028,520
Total earning assets	6,657,176	6,355,222
Total assets	6,790,924	6,480,186
Total time certificate of deposits	2,868,560	2,414,750
Total interest bearing deposits	5,103,935	4,501,301
Total deposits	5,831,732	5,480,705
Total interest bearing liabilities	5,252,219	4,740,508
Total equity	710,093	664,207

**PREFERRED BANK**  
**Selected Consolidated Financial Information**  
**(unaudited)**  
**(in thousands, except for ratios)**

	As of				
	June 30, 2024	March 31, 2024	December 31, 2023	September 30, 2023	June 30, 2023
<b>Unaudited quarterly statement of financial position data:</b>					
<b>Assets:</b>					
Cash and cash equivalents	\$ 917,677	\$ 936,600	\$ 910,852	\$ 1,021,108	\$ 1,049,745
Securities held-to-maturity, at amortized cost	20,605	20,904	21,171	21,474	21,818
Securities available-for-sale, at fair value	331,909	333,411	313,842	335,608	352,548
<b>Loans:</b>					
Real estate – Mortgage:					
Real estate—Residential	\$ 732,251	\$ 724,101	\$ 688,058	\$ 663,021	\$ 631,795
Real estate—Commercial	2,833,430	2,777,608	2,760,761	2,688,148	2,744,074
Total Real Estate – Mortgage	3,565,681	3,501,709	3,448,819	3,351,169	3,375,869
Real estate – Construction:					
R/E Construction — Residential	238,062	236,596	246,201	226,482	186,239
R/E Construction — Commercial	247,582	213,727	179,775	164,666	153,418
Total real estate construction loans	485,644	450,323	425,976	391,148	339,657
Commercial and industrial	1,371,694	1,369,529	1,394,871	1,383,216	1,398,213
SBA	5,463	3,914	3,469	2,424	4,427
Consumer and others	118	379	363	285	345
Gross loans	5,428,600	5,325,854	5,273,498	5,128,242	5,118,511
Allowance for credit losses on loans	(72,848)	(79,311)	(78,355)	(74,849)	(71,429)
Net deferred loan fees	(10,502)	(10,460)	(11,079)	(10,240)	(10,464)
Net loans, excluding loans held for sale	\$ 5,345,250	\$ 5,236,083	\$ 5,184,064	\$ 5,043,153	\$ 5,036,618
Loans held for sale	\$ 955	\$ 605	\$ 360	\$ -	\$ 176
Net loans	\$ 5,346,205	\$ 5,236,688	\$ 5,184,424	\$ 5,043,153	\$ 5,036,794
Other real estate owned and repossessed assets	\$ 16,716	\$ 16,716	\$ 16,716	\$ 16,716	\$ 16,728
Investment in affordable housing partnerships	60,432	62,854	65,276	54,679	56,844
Federal Home Loan Bank stock, at cost	15,000	15,000	15,000	15,000	15,000
Other assets	138,036	134,040	131,995	124,793	118,465
Total assets	\$ 6,846,580	\$ 6,756,213	\$ 6,659,276	\$ 6,632,530	\$ 6,667,942
<b>Liabilities:</b>					
Deposits:					
Demand	\$ 675,767	\$ 709,767	\$ 786,995	\$ 838,300	\$ 870,282
Interest bearing demand	2,326,214	2,159,948	2,075,156	2,091,384	2,005,298
Savings	28,251	29,261	29,167	30,427	32,089
Time certificates of \$250,000 or more	1,406,149	1,349,927	1,317,862	1,283,461	1,244,128
Other time certificates	1,442,381	1,552,805	1,500,162	1,439,699	1,437,194
Total deposits	\$ 5,878,762	\$ 5,801,708	\$ 5,709,342	\$ 5,683,271	\$ 5,588,991
Acceptances outstanding	\$ -	\$ -	\$ 315	\$ 103	\$ 448
Advance from Federal Home Loan Bank	-	-	-	-	150,000
Subordinated debt issuance, net	148,351	148,292	148,232	148,173	148,114
Commitments to fund investment in affordable housing partnerships	27,946	29,647	30,824	20,824	20,930
Other liabilities	68,393	77,008	75,458	109,651	90,692
Total liabilities	\$ 6,123,452	\$ 6,056,655	\$ 5,964,171	\$ 5,962,022	\$ 5,999,175
<b>Equity:</b>					
Net common stock, no par value	\$ 113,510	\$ 115,915	\$ 134,534	\$ 143,584	\$ 167,404
Retained earnings	640,675	616,417	592,325	566,027	535,373
Accumulated other comprehensive income	(31,057)	(32,774)	(31,754)	(39,103)	(34,010)
Total shareholders' equity	\$ 723,128	\$ 699,558	\$ 695,105	\$ 670,508	\$ 668,767
Total liabilities and shareholders' equity	\$ 6,846,580	\$ 6,756,213	\$ 6,659,276	\$ 6,632,530	\$ 6,667,942

**PREFERRED BANK**  
**Quarter-to-Date Average Balances, Yield and Rates**  
(Unaudited)

	Three months ended June 30,			Three months ended March 31,			Three months ended June 30,		
	2024			2024			2023		
	Average	Interest	Average	Average	Interest	Average	Average	Interest	Average
	Balance	Income or	Yield/ Rate	Balance	Expense	Yield/ Rate	Balance	Expense	Yield/ Rate
<b>ASSETS</b>									
Interest earning assets:									
Loans <sup>(1,2)</sup>	\$ 5,324,410	\$ 109,451	8.27%	\$ 5,265,940	\$ 109,980	8.40%	\$ 5,044,517	\$ 102,220	8.13%
Investment securities <sup>(3)</sup>	353,357	3,652	4.16%	348,961	3,430	3.95%	397,905	3,709	3.74%
Federal funds sold	20,866	291	5.61%	20,390	283	5.58%	20,000	272	5.45%
Other earning assets	1,029,865	13,999	5.47%	950,562	12,928	5.47%	970,528	12,311	5.09%
Total interest earning assets	6,728,498	127,393	7.61%	6,585,853	126,621	7.73%	6,432,950	118,512	7.39%
Deferred loan fees, net	(10,459)			(10,694)			(10,417)		
Allowance for credit losses on loans	(79,119)			(78,349)			(68,956)		
Noninterest earning assets:									
Cash and due from banks	10,626			11,244			12,712		
Bank furniture and fixtures	9,787			10,084			9,005		
Right of use assets	22,886			22,003			21,988		
Other assets	181,610			177,877			161,369		
Total assets	<u>\$ 6,863,829</u>			<u>\$ 6,718,018</u>			<u>\$ 6,558,651</u>		
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>									
Interest bearing liabilities:									
Deposits:									
Interest bearing demand and savings	\$ 2,318,775	\$ 24,284	4.21%	\$ 2,151,974	\$ 22,365	4.18%	\$ 1,931,647	\$ 16,453	3.42%
TCD \$250K or more	1,379,116	17,295	5.04%	1,341,298	16,501	4.95%	1,259,305	12,772	4.07%
Other time certificates	1,505,143	18,283	4.89%	1,511,562	17,829	4.74%	1,358,567	12,664	3.74%
Total interest bearing deposits	5,203,034	59,862	4.63%	5,004,834	56,695	4.56%	4,549,519	41,889	3.69%
Advance from Federal Home Loan Bank	-	-	0.00%	-	-	0.00%	150,000	1,888	5.05%
Subordinated debt, net	148,313	1,325	3.59%	148,255	1,325	3.59%	148,077	1,325	3.59%
Total interest bearing liabilities	5,351,347	61,187	4.60%	5,153,089	58,020	4.53%	4,847,596	45,102	3.73%
Noninterest bearing liabilities:									
Demand deposits	698,942			756,654			931,938		
Lease liability	19,828			19,500			20,708		
Other liabilities	78,522			83,779			81,103		
Total liabilities	6,148,639			6,013,022			5,881,345		
Shareholders' equity	715,190			704,996			677,306		
Total liabilities and shareholders' equity	<u>\$ 6,863,829</u>			<u>\$ 6,718,018</u>			<u>\$ 6,558,651</u>		
Net interest income		<u>\$ 66,206</u>			<u>\$ 68,601</u>			<u>\$ 73,410</u>	
Net interest spread			3.02%			3.20%			3.66%
Net interest margin			3.96%			4.19%			4.58%
Cost of Deposits:									
Noninterest bearing demand deposits	\$ 698,942			\$ 756,654			\$ 931,938		
Interest bearing deposits	5,203,034	59,862	4.63%	5,004,834	56,695	4.56%	4,549,519	41,889	3.69%
Total Deposits	<u>\$ 5,901,976</u>	<u>\$ 59,862</u>	<u>4.08%</u>	<u>\$ 5,761,488</u>	<u>\$ 56,695</u>	<u>3.96%</u>	<u>\$ 5,481,457</u>	<u>\$ 41,889</u>	<u>3.07%</u>

<sup>(1)</sup> Includes non-accrual loans and loans held for sale

<sup>(2)</sup> Net loan fee income of \$1.3 million, \$1.1 million and \$902,000 for the quarter ended June 30, 2024, March 31, 2024 and June 30, 2023, respectively, are included in the yield computations

<sup>(3)</sup> Yields on securities have been adjusted to a tax-equivalent basis

**PREFERRED BANK**  
**Year-to-Date Average Balances, Yield and Rates**  
**(Unaudited)**

	Six Months ended June 30,					
	2024			2023		
	Average Balance	Interest Income or Expense	Average Yield/ Rate	Average Balance	Interest Income or Expense	Average Yield/ Rate
<i>(Dollars in thousands)</i>						
<b>ASSETS</b>						
Interest earning assets:						
Loans <sup>(1,2)</sup>	\$ 5,295,175	\$ 219,431	8.33%	\$ 5,029,214	\$ 198,101	7.94%
Investment securities <sup>(3)</sup>	351,159	7,082	4.06%	420,254	7,703	3.70%
Federal funds sold	20,628	574	5.60%	20,110	496	4.97%
Other earning assets	990,214	26,927	5.47%	885,644	21,398	4.87%
Total interest earning assets	6,657,176	254,014	7.67%	6,355,222	227,698	7.23%
Deferred loan fees, net	(10,576)			(10,178)		
Allowance for credit losses on loans	(78,734)			(68,713)		
Noninterest earning assets:						
Cash and due from banks	10,729			11,920		
Bank furniture and fixtures	9,936			8,991		
Right of use assets	22,444			21,928		
Other assets	179,949			161,016		
Total assets	<u>\$ 6,790,924</u>			<u>\$ 6,480,186</u>		
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>						
Interest bearing liabilities:						
Deposits:						
Interest bearing demand/ savings	\$ 2,235,375	\$ 46,649	4.20%	\$ 2,086,551	\$ 33,530	3.24%
TCD \$250K or more	1,360,207	33,796	5.00%	1,262,670	23,515	3.76%
Other time certificates	1,508,353	36,112	4.81%	1,152,080	18,514	3.24%
Total interest bearing deposits	5,103,935	116,557	4.59%	4,501,301	75,559	3.39%
Short-term borrowings	-	-	0.00%	-	-	0.00%
Advance from Federal Home Loan Bank	-	-	0.00%	91,160	2,262	5.00%
Subordinated debt, net	148,284	2,650	3.59%	148,047	2,650	3.61%
Total interest bearing liabilities	5,252,219	119,207	4.56%	4,740,508	80,471	3.42%
Noninterest bearing liabilities:						
Demand deposits	727,797			979,404		
Lease liability	19,664			20,850		
Other liabilities	81,151			75,217		
Total liabilities	6,080,831			5,815,979		
Shareholders' equity	710,093			664,207		
Total liabilities and shareholders' equity	<u>\$ 6,790,924</u>			<u>\$ 6,480,186</u>		
Net interest income		<u>\$ 134,807</u>			<u>\$ 147,227</u>	
Net interest spread			3.11%			3.80%
Net interest margin			4.07%			4.67%
Cost of Deposits:						
Noninterest bearing demand deposits	\$ 727,797			\$ 979,404		
Interest bearing deposits	5,103,935	116,557	4.59%	4,501,301	75,559	3.39%
Total Deposits	<u>\$ 5,831,732</u>	<u>\$ 116,557</u>	4.02%	<u>\$ 5,480,705</u>	<u>\$ 75,559</u>	2.78%

<sup>(1)</sup> Includes non-accrual loans and loans held for sale

<sup>(2)</sup> Net loan fee income of \$2.4 million and \$2.1 million for the year ended June 30, 2024 and 2023, respectively, are included in the yield computations

<sup>(3)</sup> Yields on securities have been adjusted to a tax-equivalent basis



**PREFERRED BANK**  
**Loan and Credit Quality Information**

**Allowance For Credit Losses History**

	Six Months Ended June 30, 2024	Year ended December 31, 2023
	(Dollars in 000's)	
<b>Allowance For Credit Losses</b>		
Balance at Beginning of Period	\$ 78,355	\$ 68,472
Charge-Offs		
Commercial & Industrial	12,409	124
Mini-perm Real Estate	-	-
Total Charge-Offs	<u>12,409</u>	<u>124</u>
Recoveries		
Commercial & Industrial	2	7
Mini-perm Real Estate	-	-
Total Recoveries	<u>2</u>	<u>7</u>
Net Charge-Offs	12,407	117
Provision for Credit Losses:	6,900	10,000
Balance at End of Period	<u>\$ 72,848</u>	<u>\$ 78,355</u>
Average Loans Held for Investment	\$ 5,295,175	\$ 5,067,870
Loans Held for Investment at End of Period	\$ 5,428,600	\$ 5,273,498
Net Charge-Offs to Average Loans	0.47%	0.00%
Allowances for Credit Losses to Loans at End of Period	1.34%	1.49%