

Preferred Bank Reports Record Third Quarter Results

Company Release - 10/20/2025

LOS ANGELES, Oct. 20, 2025 (GLOBE NEWSWIRE) -- **Preferred Bank (NASDAQ: PFBC)**, one of the larger independent California banks, today reported results for the quarter ended September 30, 2025. Preferred Bank (“the Bank”) reported net income of \$35.9 million or \$2.84 per diluted share for the third quarter of 2025. This represents an increase in net income of \$3.1 million from the prior quarter and an increase of \$2.6 million over the same quarter last year. The increase compared to both periods was primarily due to an increase in net interest income. The primary reason that net interest income increased over the same quarter last year was due to a large \$5.0 million decrease in interest expense. In comparison to the prior quarter, gross interest income increased by \$6.4 million due to an increase in loans and investment securities.

Highlights for the Quarter:

- Return on average assets was 1.93%
- Return on average equity was 18.64%
- Total loans increased by \$132.4 million or 2.3%, linked quarter
- Total deposits increased by \$151.3 million, or 2.5%, linked quarter
- The efficiency ratio for the quarter was 28.7%

Li Yu, Chairman and CEO, commented, “We are pleased to report a quarterly record for diluted earnings per share of \$2.84 for the third quarter of 2025. Net income for the quarter was \$35.9 million.

“For the quarter, nonperforming loans decreased significantly from \$52.3 million at June 30, 2025 to \$17.6 million as of September 30, 2025. The primary reason for the decrease is the foreclosure of a loan with the balance transferred to OREO. We are happy to report that the OREO asset has already been sold as of this writing, and a large pre-tax gain was also recorded on the sale which will be reported in our fourth quarter results. Net charge-offs were \$1.6 million on a year-to-date (“YTD”) basis.

“This quarter we have also recorded reasonable growth in both loans and deposits. Total loans increased by \$132.4 million or 2.3% on a linked quarter basis. Deposits also increased by \$151.3 million or 2.5% on a linked quarter basis. Our customers appear to be slightly more optimistic but still cautious as there are a lot of uncertainties remaining in our economy. Worth noting is that without the aforementioned loan transferred to OREO, loan growth would have been near \$170 million for the quarter.

“Net interest income and the net interest margin both increased from the previous quarter while noninterest expense was relatively unchanged from previous quarters. In late June, regulators approved our stock repurchase program but for most of the time since then, the market price was above what we were willing to pay to buy it back. During the third quarter, we repurchased a total of 70,842 shares for total consideration of \$6.3 million.”

Results of Operations

Net Interest Income and Net Interest Margin. Net interest income before provision for credit losses was \$71.3 million for the third quarter of 2025. This represents a \$4.4 million increase

losses was \$71.3 million for the third quarter of 2025. This represents a \$4.4 million increase over the \$66.9 million recorded in the prior quarter and a \$2.5 million increase over the same quarter last year. The increase compared to the prior quarter was due to loan growth as well as an increase in the Bank's investment securities. This was partially offset by an increase in interest expense which was due to deposit growth and an increase in borrowings. The increase over the same period last year was due to a \$5.0 million decrease in interest expense partially offset by a smaller decrease in interest income. The Bank has made significant efforts to decrease rates on deposits and the results in this quarter are indicative of that effort. The Bank's net interest margin expanded in the quarter to 3.92% from 3.85% last quarter but was lower than the net interest margin of 4.10% recorded in the third quarter of last year.

Noninterest Income. For the third quarter of 2025, noninterest income was \$3.7 million compared with \$3.5 million for the same quarter last year and compared to \$3.8 million for the second quarter of 2025. The increase over the same quarter last year was due to letter of credit (LC) fee income which was up by \$461,000. In comparison to the prior quarter, gains on sales of loans was down by \$116,000.

Noninterest Expense. Total noninterest expense was \$21.5 million for the third quarter of 2025 compared to \$22.4 million for the second quarter of 2025 and compared to the \$22.1 million recorded in the same period last year. The primary reason for the decrease from the prior quarter was mainly due to a \$1.3 million write-down of the Bank's OREO property which occurred in the second quarter of 2025 as compared to a \$300,000 charge on OREO holdings this quarter. The decrease from the same quarter last year was due again to a \$1.7 million write-down of the same property in the third quarter of 2024. Personnel expense was \$14.2 million this quarter which was a \$715,000 increase over the same period last year but was nearly flat compared to the second quarter of 2025. Occupancy expense was up by \$414,000 over the same period last year due to the Bank's branch expansions and the change in accounting for leases which was adopted in the fourth quarter of 2024. The Bank's efficiency ratio came in at 28.7% for the quarter which compares to 31.8% last quarter and to 30.6% in the same quarter last year.

Income Taxes. The Bank recorded a provision for income taxes of \$15.0 million for the third quarter of 2025. This represents an effective tax rate ("ETR") of 29.5% which is up from the 29.0% ETR for the same quarter last year and the same as the 29.5% ETR recorded in the second quarter of 2025. 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.

Year-to-Date Results

Net income for the nine months ended September 30, 2025 was \$98.8 million or \$7.63 per diluted share compared to \$100.4 million or \$7.39 million last year. The reason that diluted earnings per share ("EPS") increased over 2024 was due to the stock repurchases that occurred in late 2024 and early 2025 which decreased the outstanding share count, leading to increased diluted earnings per share. The primary reason for the decrease in net income was a decrease in net interest income of \$2.6 million and a \$5.5 million increase in noninterest expense partially offset by a \$5.3 million decrease in the provision for credit losses.

Balance Sheet Summary

Total gross loans at September 30, 2025 were \$5.87 billion, an increase of \$231.4 million from the total of \$5.64 billion as of December 31, 2024. Total deposits were \$6.23 billion, an increase of \$312.8 million from the \$5.92 billion as of December 31, 2024. Total assets were \$7.47 billion, an increase of \$544.4 million over the total of \$6.92 billion as of December 31, 2024.

billion, an increase of \$344.4 million over the total of \$0.92 billion as of December 31, 2024.

Asset Quality

Non-accrual loans and loans 90 days or more past due and still accruing totaled \$17.6 million as of September 30, 2025. This represents a decrease from the prior quarter of \$52.3 million as the Bank foreclosed on one of its large nonaccrual loans reported as of June 30, 2025. The \$37 million multifamily nonaccrual loan was foreclosed on in the third quarter however the Bank has sold this property subsequent to September 30, 2025 and recorded a pre-tax gain on sale. Total OREO as of September 30, 2025 was \$52.6 million as of September 30, 2025 however, as of this writing, OREO totals \$14.7 million due to the aforementioned OREO sale. Total net charge-offs (recoveries) for the quarter were \$1.6 million compared to net charge-offs of \$44,000 in the prior quarter and compared to \$(3,000) in the same quarter last year.

Allowance for Credit Losses

The provision for credit losses for the third quarter of 2025 was \$2.5 million compared to \$1.6 million last quarter and compared to \$3.2 million in the same quarter last year. The Bank's allowance coverage ratio decreased to 1.27% of loans as compared to 1.29% in the prior quarter.

Capitalization

As of September 30, 2025, the Bank's tangible capital ratio was 10.38%, the leverage ratio was 10.66%, the common equity tier 1 capital ratio was 11.34% and the total capital ratio stood at 14.56%. As of December 31, 2024, the Bank's tangible capital ratio was 11.02%, the Bank's leverage ratio was 11.33%, the common equity tier 1 ratio was 11.80% and the total capital ratio was 15.11%.

Conference Call and Webcast

A conference call with simultaneous webcast to discuss Preferred Bank's third quarter 2025 financial results will be held tomorrow October 21, 2025 at 2:00 p.m. Eastern / 11:00 a.m. Pacific. Interested participants and investors may access the conference call by dialing 888-243-4451 (domestic) or 412-542-4135 (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.

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 November 4, 2025; the passcode is 7582330.

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)), two branches in New York (Manhattan and Flushing, Queens) and a branch office in the

(27), two branches in New York (Manhattan and Flushing, Queens) 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 2024 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.

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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		
	September 30, 2025	June 30, 2025	September 30, 2024
Interest income:			
Loans, including fees	\$ 110,645	\$ 105,884	\$ 114,112
Investment securities	15,977	14,326	15,032
Fed funds sold	228	233	280
Total interest income	<u>126,850</u>	<u>120,443</u>	<u>129,424</u>
Interest expense:			
Interest-bearing demand	17,562	16,171	23,211
Savings	67	71	84
Time certificates	34,792	34,932	35,956
FHLB borrowings	1,794	1,070	-
Subordinated debt	1,325	1,325	1,325
Total interest expense	<u>55,540</u>	<u>53,569</u>	<u>60,576</u>
Net interest income	71,310	66,874	68,848
Provision for credit losses	<u>2,500</u>	<u>1,600</u>	<u>3,200</u>
Net interest income after provision for credit losses	68,810	65,274	65,648
Noninterest income:			
Fees & service charges on deposit accounts	625	635	747
Letters of credit fee income	2,421	2,333	1,959
BOLI income	105	104	108
Net gain on sale of loans	56	172	91
Other income	458	518	554
Total noninterest income	<u>3,665</u>	<u>3,762</u>	<u>3,459</u>
Noninterest expense:			
Salary and employee benefits	14,240	14,247	13,525

Net occupancy expense	2,297	2,271	1,883
Business development and promotion expense	238	240	241
Professional services	1,494	1,507	1,816
Office supplies and equipment expense	361	419	435
OREO valuation allowance and related expense	463	1,479	1,915
Other	2,405	2,282	2,274
Total noninterest expense	21,498	22,445	22,089
Income before provision for income taxes	50,977	46,591	47,018
Income tax expense	15,038	13,744	13,635
Net income	\$ 35,939	\$ 32,847	\$ 33,383
Income per share available to common shareholders			
Basic	\$ 2.90	\$ 2.61	\$ 2.50
Diluted	\$ 2.84	\$ 2.57	\$ 2.46
Weighted-average common shares outstanding			
Basic	12,384,924	12,570,755	13,327,848
Diluted	12,634,174	12,776,240	13,544,273
Cash dividends per common share	\$ 0.75	\$ 0.75	\$ 0.70

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

	For the Nine Months Ended		
	September 30, 2025	September 30, 2024	Change %
Interest income:			
Loans, including fees	\$ 318,020	333,543	-4.7%
Investment securities	43,113	48,841	-11.7%
Fed funds sold	689	854	-19.3%

Interest income	2022	2021	Change %
Total interest income	361,822	383,238	-5.6%
Interest expense:			
Interest-bearing demand	50,323	69,706	-27.8%
Savings	207	238	-13.1%
Time certificates	103,611	105,864	-2.1%
FHLB borrowings	2,864	-	100.0%
Subordinated debt	3,975	3,975	0.0%
Total interest expense	160,980	179,783	-10.5%
Net interest income	200,842	203,455	-1.3%
Provision for credit losses	4,800	10,100	-52.5%
Net interest income after provision for credit losses	196,042	193,355	1.4%
Noninterest income:			
Fees & service charges on deposit accounts	1,976	2,411	-18.0%
Letters of credit fee income	6,998	5,211	34.3%
BOLI income	312	318	-1.8%
Net gain on sale of loans	503	547	-8.0%
Other income	1,636	1,441	13.5%
Total noninterest income	11,425	9,928	15.1%
Noninterest expense:			
Salary and employee benefits	43,326	40,369	7.3%
Net occupancy expense	6,862	5,310	29.2%
Business development and promotion expense	940	910	3.3%
Professional services	4,652	5,105	-8.9%
Office supplies and equipment expense	1,166	1,385	-15.8%
OREO valuation allowance and related expense	3,473	2,079	67.1%
Other	6,893	6,656	3.6%
Total noninterest expense	67,312	61,814	8.9%
Income before provision for income taxes	140,155	141,469	-0.9%
Income tax expense	41,345	41,028	0.8%
Net income	\$ 98,810	\$ 100,441	-1.6%

Income per share available to common shareholders

Basic	\$	7.77	\$	7.50	3.6%
Diluted	\$	7.63	\$	7.39	3.2%
Weighted-average common shares outstanding					
Basic		12,723,788		13,399,487	-5.0%
Diluted		12,949,445		13,587,820	-4.7%
Dividends per share					
	\$	2.25	\$	2.10	7.1%

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

	September 30, 2025	December 31, 2024
	(Unaudited)	(Audited)
Assets		
Cash and due from banks	\$ 795,459	\$ 765,515
Fed funds sold	20,000	20,000
Cash and cash equivalents	815,459	785,515
Securities held-to-maturity, at amortized cost	19,034	20,021
Securities available-for-sale, at fair value	569,115	348,706
Loans held for sale, at lower of cost or fair value	-	2,214
Loans	5,872,011	5,640,615
Less allowance for credit losses	(74,692)	(71,477)
Less amortized deferred loan fees, net	(9,956)	(9,234)
Loans, net	5,787,363	5,559,904
Other real estate owned and repossessed assets	52,609	14,991
Bank furniture and fixtures, net	7,771	8,462
Prepaid expenses and other assets	10,000	10,000

Bank-owned life insurance	10,641	10,433
Accrued interest receivable	36,449	33,561
Investment in affordable housing partnerships	73,874	58,346
Federal Home Loan Bank stock, at cost	15,000	15,000
Deferred tax assets	43,711	47,402
Income tax receivable	5,190	2,195
Operating lease right-of-use assets	27,063	13,182
Other assets	4,515	3,497
Total assets	<u>\$ 7,467,794</u>	<u>\$ 6,923,429</u>

Liabilities and Shareholders' Equity

Deposits:

Noninterest bearing demand deposits	\$ 654,302	\$ 704,859
Interest bearing deposits:	2,205,865	2,026,965
Savings	31,087	30,150
Time certificates of \$250,000 or more	1,699,757	1,477,931
Other time certificates	1,638,662	1,676,943
Total deposits	<u>6,229,673</u>	<u>5,916,848</u>

Advances from Federal Home Loan Bank	200,000	-
Subordinated debt issuance, net	148,647	148,469
Commitments to fund investment in affordable housing partnerships	24,874	21,623
Operating lease liabilities	31,073	16,990
Accrued interest payable	15,655	16,517
Other liabilities	42,230	39,830
Total liabilities	<u>6,692,152</u>	<u>6,160,277</u>

Shareholders' equity	<u>775,642</u>	<u>763,152</u>
Total liabilities and shareholders' equity	<u>\$ 7,467,794</u>	<u>\$ 6,923,429</u>

Book value per common share	\$ 62.81	\$ 57.86
Number of common shares outstanding	12,349,889	13,188,776

PREFERRED BANK
Selected Consolidated Financial Information
(unaudited)

(unaudited)
(in thousands, except for ratios)

For the Quarter Ended

**Unaudited historical
quarterly operations
data:**

	September 30, 2025	June 30, 2025	March 31, 2025	December 31, 2024	September 30, 2024
Interest income	\$ 126,850	\$ 120,443	\$ 114,529	\$ 125,858	\$ 129,424
Interest expense	55,540	53,569	51,871	56,685	60,576
Interest income before provision for credit losses	71,310	66,874	62,658	69,173	68,848
Provision for credit losses	2,500	1,600	700	2,000	3,200
Noninterest income	3,665	3,762	3,998	3,637	3,459
Noninterest expense	21,498	22,445	23,369	28,246	22,089
Income tax expense	15,038	13,744	12,563	12,343	13,635
Net income	\$ 35,939	\$ 32,847	\$ 30,024	\$ 30,221	\$ 33,383

Earnings per share

Basic	\$ 2.90	\$ 2.61	\$ 2.27	\$ 2.29	\$ 2.50
Diluted	\$ 2.84	\$ 2.57	\$ 2.23	\$ 2.25	\$ 2.46

Ratios for the period:

Return on average assets	1.93%	1.85%	1.76%	1.74%	1.95%
Return on average equity	18.64%	17.55%	15.62%	15.81%	17.77%
Net interest margin (Fully-taxable equivalent)	3.92%	3.85%	3.75%	4.06%	4.10%
Noninterest expense to average assets	1.16%	1.26%	1.37%	1.62%	1.29%
Efficiency ratio	28.67%	31.78%	35.06%	38.79%	30.55%

Net (recoveries) charge-offs to average loans (annualized)	0.11%	0.00%	-0.01%	0.47%	-0.00%
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**Ratios as of period
end:**

Tangible common equity ratio	10.38%	10.26%	10.96%	11.02%	10.92%
Tier 1 leverage capital ratio	10.66%	10.73%	11.52%	11.33%	11.28%
Common equity tier 1 risk-based capital ratio	11.34%	11.18%	11.86%	11.80%	11.66%
Tier 1 risk-based capital ratio	11.34%	11.18%	11.86%	11.80%	11.66%
Total risk-based capital ratio	14.56%	14.43%	15.15%	15.11%	15.06%
Allowances for credit losses to loans at end of period	1.27%	1.29%	1.28%	1.27%	1.36%
Allowance for credit losses to non- performing loans	4.24x	1.41x	0.91x	1.89x	3.92x

Average balances:

Total securities	\$ 583,302	\$ 503,861	\$ 402,754	\$ 350,732	\$ 356,590
Total loans	5,753,801	5,623,010	5,555,010	5,542,558	5,458,613
Total earning assets	7,234,568	6,984,272	6,780,438	6,788,487	6,684,766
Total assets	7,382,265	7,121,047	6,905,249	6,920,325	6,817,979
Total time certificate of deposits	3,330,241	3,321,327	3,164,766	3,144,523	2,874,985
Total interest bearing deposits	5,501,767	5,345,308	5,244,243	5,220,655	5,124,245
Total deposits	6,169,728	6,005,486	5,886,163	5,905,127	5,828,227
Total interest bearing liabilities	5,850,376	5,614,737	5,392,735	5,369,092	5,272,617
Total equity	764,766	750,535	779,339	760,345	747,222

PREFERRED BANK

Selected Consolidated Financial Information

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

	For the Nine Months Ended	
	September 30, 2025	September 30, 2024
Interest income	\$ 361,822	\$ 383,238
Interest expense	160,980	179,783
Interest income before provision for credit losses	200,842	203,455
Provision for credit losses	4,800	10,100
Noninterest income	11,425	9,928
Noninterest expense	67,312	61,814
Income tax expense	41,345	41,028
Net income	\$ 98,810	\$ 100,441
Earnings per share		
Basic	\$ 7.77	\$ 7.50
Diluted	\$ 7.63	\$ 7.39
Ratios for the period:		
Return on average assets	1.85%	1.97%
Return on average equity	17.27%	18.57%
Net interest margin (Fully-taxable equivalent)	3.84%	4.08%
Noninterest expense to average assets	1.26%	1.21%
Efficiency ratio	31.71%	28.97%
Net charge-off to average loans	0.04%	0.31%
Average balances:		
Total securities	\$ 497,301	\$ 352,982
Total loans	5,644,668	5,347,918
Total earning assets	7,001,424	6,666,439
Total assets	7,137,935	6,800,008
Total time certificate of deposits	3,272,717	2,870,717

Total interest bearing deposits	5,364,715	5,110,755
Total deposits	6,021,497	5,830,555
Total interest bearing liabilities	5,620,958	5,259,068
Total equity	764,826	722,560

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

As of

**Unaudited quarterly
statement of financial
position data:**

Assets:

Cash and cash equivalents	\$ 815,459	\$ 796,257	\$ 925,183	\$ 785,515	\$ 804,994
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Securities held-to-maturity, at amortized cost	19,034	19,456	19,745	20,021	20,311
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Securities available-for-sale, at fair value	569,115	577,040	390,096	348,706	337,363
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Loans:

Real estate –
Mortgage:

Real estate—Residential	\$ 793,217	\$ 767,620	\$ 779,462	\$ 790,069	\$ 753,453
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Real estate—Commercial	<u>2,890,990</u>	<u>2,868,308</u>	<u>2,897,956</u>	<u>2,840,771</u>	<u>2,882,506</u>
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Total Real Estate – Mortgage	3,684,207	3,635,928	3,677,418	3,630,840	3,635,959
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Real estate –
Construction:

R/E

Construction — Residential	285,623	291,343	306,283	296,580	274,214
R/E					
Construction — Commercial	<u>323,897</u>	<u>303,354</u>	<u>269,065</u>	<u>287,185</u>	<u>290,308</u>
Total real estate construction loans	609,520	594,697	575,348	583,765	564,522
Commercial and industrial	1,570,423	1,501,188	1,374,379	1,418,930	1,365,550
SBA	7,630	7,741	7,104	6,833	5,424
Consumer and others	<u>231</u>	<u>56</u>	<u>164</u>	<u>247</u>	<u>124</u>
Gross loans	5,872,011	5,739,610	5,634,413	5,640,615	5,571,579
Allowance for credit losses on loans	(74,692)	(73,830)	(72,274)	(71,477)	(76,051)
Net deferred loan fees	<u>(9,956)</u>	<u>(11,940)</u>	<u>(9,652)</u>	<u>(9,234)</u>	<u>(10,414)</u>
Net loans, excluding loans held for sale	<u>\$5,787,363</u>	<u>\$5,653,840</u>	<u>\$5,552,487</u>	<u>\$5,559,904</u>	<u>\$5,485,114</u>
Loans held for sale	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,214</u>	<u>\$ 225</u>
Net loans	<u>\$5,787,363</u>	<u>\$5,653,840</u>	<u>\$5,552,487</u>	<u>\$5,562,118</u>	<u>\$5,485,339</u>

Other real estate owned and repossessed assets	\$ 52,609	\$ 13,755	\$ 13,650	\$ 14,991	\$ 15,082
Investment in affordable housing partnerships	73,874	74,783	63,612	58,346	58,009
Federal Home Loan Bank stock, at cost	15,000	15,000	15,000	15,000	15,000
Other assets	<u>135,340</u>	<u>128,629</u>	<u>120,319</u>	<u>118,732</u>	<u>136,246</u>
Total assets	<u>\$7,467,794</u>	<u>\$7,278,760</u>	<u>\$7,100,092</u>	<u>\$6,923,429</u>	<u>\$6,872,344</u>

Liabilities:

Deposits:

Demand	\$ 654,302	\$ 675,102	\$ 730,270	\$ 704,859	\$ 682,859
Interest bearing demand	2,205,865	2,004,135	2,099,987	2,026,965	1,994,288
Savings	31,087	34,333	32,631	30,150	29,793

Time certificates of \$250,000 or more	1,699,757	1,681,026	1,531,715	1,477,931	1,478,500
Other time certificates	<u>1,638,662</u>	<u>1,683,737</u>	<u>1,678,132</u>	<u>1,676,943</u>	<u>1,682,324</u>
Total deposits	<u>\$6,229,673</u>	<u>\$6,078,333</u>	<u>\$6,072,735</u>	<u>\$5,916,848</u>	<u>\$5,867,764</u>

Advance from Federal Home Loan Bank	200,000	200,000	-	-	-
Subordinated debt issuance, net	148,647	148,588	148,529	148,469	148,410
Commitments to fund investment in affordable housing partnerships	24,874	30,645	20,956	21,623	23,617
Other liabilities	<u>88,958</u>	<u>73,534</u>	<u>79,268</u>	<u>73,337</u>	<u>82,436</u>
Total liabilities	<u>\$6,692,152</u>	<u>\$6,531,100</u>	<u>\$6,321,488</u>	<u>\$6,160,277</u>	<u>\$6,122,227</u>

Equity:

Common stock, no par value	\$ 210,882	\$ 210,882	\$ 210,882	\$ 210,882	\$ 210,882
Additional paid-in capital	103,235	101,088	99,603	95,791	93,631
Treasury stock	(277,351)	(271,005)	(214,406)	(201,172)	(194,585)
Retained earnings	755,587	728,891	705,360	685,108	664,808
Accumulated other comprehensive income	<u>(16,711)</u>	<u>(22,196)</u>	<u>(22,835)</u>	<u>(27,457)</u>	<u>(24,619)</u>
Total shareholders' equity	<u>\$ 775,642</u>	<u>\$ 747,660</u>	<u>\$ 778,604</u>	<u>\$ 763,152</u>	<u>\$ 750,117</u>
Total liabilities and shareholders' equity	<u>\$7,467,794</u>	<u>\$7,278,760</u>	<u>\$7,100,092</u>	<u>\$6,923,429</u>	<u>\$6,872,344</u>

PREFERRED BANK

**Quarter-to-Date Average Balances, Yield and Rates
(unaudited)**

	Three months ended September 30,			Three months ended March 31,			Th
	2025			2025			
	Interest Average			Interest Average			
	Income			Income			
	Average	or	Yield/	Average	or	Yield/	Avera
	Balance	Expense	Rate	Balance	Expense	Rate	Balar
ASSETS	<i>(Dollars in thousands)</i>						
Interest earning assets:							
Loans ^(1,2)	\$5,754,073	\$110,645	7.63%	\$5,632,204	\$105,884	7.54%	\$5,459,
Investment securities ⁽³⁾	583,302	6,257	4.26%	503,861	5,195	4.14%	356,
Federal funds sold	20,000	228	4.52%	20,511	233	4.56%	20,
Other earning assets	877,193	9,811	4.44%	827,696	9,230	4.47%	848,
Total interest earning assets	7,234,568	126,941	6.96%	6,984,272	120,542	6.92%	6,684,
Deferred loan fees, net	(10,686)			(10,005)			(10,
Allowance for credit losses on loans	(72,784)			(72,328)			(72,
Noninterest earning assets:							
Cash and due from banks	10,071			12,590			10,
Bank furniture and fixtures	7,945			8,215			9,
Right of use assets	19,153			19,917			22,
Other assets	193,998			178,386			173,
Total assets	<u>\$7,382,265</u>			<u>\$7,121,047</u>			<u>\$6,817,</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Interest bearing liabilities:

liabilities.

Deposits:

Interest
bearing
demand and
savings

\$2,171,526 \$ 17,629 3.22% \$2,023,981 \$ 16,242 3.22% \$2,249,

TCD \$250K or
more

1,686,710 17,406 4.09% 1,644,322 17,092 4.17% 1,412,

Other time
certificates

1,643,531 17,386 4.20% 1,677,005 17,840 4.27% 1,462,

Total interest
bearing
deposits

5,501,767 52,421 3.78% 5,345,308 51,174 3.84% 5,124,

Advance from
Federal Home Loan
Bank

200,000 1,794 3.56% 120,879 1,070 3.55%

Subordinated debt,
net

148,609 1,325 3.54% 148,550 1,325 3.58% 148,

Total interest
bearing
liabilities

5,850,376 55,540 3.77% 5,614,737 53,569 3.83% 5,272,

Noninterest
bearing liabilities:

Demand
deposits

667,961 660,178 703,

Lease liability

22,908 23,657 18,

Other liabilities

76,255 71,940 75,

Total liabilities

6,617,500 6,370,512 6,070,

Shareholders'
equity

764,766 750,535 747,

Total liabilities
and
shareholders'
equity

\$7,382,266 \$7,121,047 \$6,817,

Net interest income

\$ 71,401 \$ 66,973

Net interest spread

3.19% 3.10%

Net interest margin

3.92% 3.85%

Cost of Deposits:

Noninterest
bearing demand
deposits

\$ 667,961 \$ 660,178 \$ 703,

Interest bearing deposits	5,501,767	52,421	3.78%	5,345,308	51,174	3.84%	5,124,
Total Deposits	\$6,169,728	\$ 52,421	3.37%	\$6,005,486	\$ 51,174	3.42%	\$5,828,

Includes non-accrual loans
(1) and loans held for sale

Net loan fee income of \$1.1 million, \$1.7 million and \$991,000 for the quarter ended September 2025 and September 30, 2024, respectively, are included in the yield computations

Yields on securities have been
(3) adjusted to a tax-equivalent basis

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

	Nine Months ended September 30,					
	2025			2024		
	Average Balance	Interest Income or Expense	Average Yield/Rate	Average Balance	Interest Income or Expense	Average Yield/Rate
ASSETS	<i>(Dollars in thousands)</i>					
Interest earning assets:						
Loans ^(1,2)	\$5,648,323	\$318,020	7.53%	\$5,350,465	\$333,543	8.33%
Investment securities ⁽³⁾	497,301	15,546	4.18%	352,982	10,691	4.05%
Federal funds sold	20,244	689	4.55%	20,472	854	5.57%
Other earning assets	835,556	27,857	4.46%	942,520	38,448	5.45%
Total interest earning assets	7,001,424	362,112	6.91%	6,666,439	383,536	7.68%
Deferred loan fees, net	(9,965)			(10,466)		
Allowance for credit losses on loans	(72,225)			(76,775)		
Noninterest earning assets:						
Cash and due from banks	11,178			10,693		
Bank furniture and fixtures	8,198			9,762		

Right of use assets	18,105	22,462
Other assets	<u>181,220</u>	<u>177,893</u>
Total assets	<u>\$7,137,935</u>	<u>\$6,800,008</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Interest bearing liabilities:

Deposits:

Interest bearing demand/ savings	\$2,091,998	\$ 50,530	3.23%	\$2,240,038	\$ 69,944	4.17%
TCD \$250K or more	1,605,201	50,138	4.18%	1,377,621	51,662	5.01%
Other time certificates	<u>1,667,516</u>	<u>53,473</u>	<u>4.29%</u>	<u>1,493,096</u>	<u>54,202</u>	<u>4.85%</u>
Total interest \bearing deposits	5,364,715	154,141	3.84%	5,110,755	175,808	4.59%

Advance from Federal Home Loan Bank	107,692	2,864	3.56%	-	-	0.00%
Subordinated debt, net	<u>148,551</u>	<u>3,975</u>	<u>3.58%</u>	<u>148,313</u>	<u>3,975</u>	<u>3.58%</u>

Total interest bearing liabilities	5,620,958	160,980	3.83%	5,259,068	179,783	4.57%
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Noninterest bearing liabilities:

Demand deposits	656,782	719,800
Lease liability	21,857	19,401
Other liabilities	<u>73,511</u>	<u>79,179</u>
Total liabilities	<u>6,373,108</u>	<u>6,077,448</u>

Shareholders' equity	764,826	722,560
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Total liabilities and shareholders' equity	<u>\$7,137,934</u>	<u>\$6,800,008</u>
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Net interest income	<u>\$201,132</u>	<u>\$203,753</u>
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Net interest spread	3.09%	3.12%
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Net interest margin	3.84%	4.08%
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Cost of Deposits:

Noninterest bearing demand deposits	\$ 656,782			\$ 719,800		
Interest bearing deposits	<u>5,364,715</u>	<u>154,141</u>	<u>3.84%</u>	<u>5,110,755</u>	<u>175,808</u>	<u>4.59%</u>
Total Deposits	\$6,021,497	\$154,141	3.42%	\$5,830,555	\$175,808	4.03%

Includes non-accrual

includes non-accrual
loans and loans held for
(1) sale

Net loan fee income of \$3.6 million and \$3.4 million for the nine months ended September
(2) 30, 2025 and 2024, respectively, are included in the yield computations

Yields on securities have been
(3) adjusted to a tax-equivalent basis

PREFERRED BANK

Loan and Credit Quality Information

Allowance For Credit Losses History

	Nine Months Ended September 30, 2025	Year Ended December 31, 2024
	(Dollars in 000's)	
Allowance For Credit Losses		
Balance at Beginning of Period	\$ 71,477	\$ 78,355
Charge-Offs		
Commercial & Industrial	8	19,028
Mini-perm Real Estate	1,749	-
Total Charge-Offs	1,757	19,028
Recoveries		
Commercial & Industrial	172	50
Total Recoveries	172	50
Net (Recoveries) Charge-Offs	1,585	18,978
Provision for Credit Losses:	4,800	12,100
Balance at End of Period	\$ 74,692	\$ 71,477
Average Loans Held for Investment	\$ 5,644,668	\$ 5,396,844
Loans Held for Investment at End of Period	\$ 5,872,011	\$ 5,640,615
Net (Recoveries) Charge-Offs to Average Loans	0.04%	0.35%
Allowances for Credit Losses to Loans at End of Period	1.27%	1.27%

Source: Preferred Bank