PREFERRED BANK

D.A. Davidson & Co.

22nd Annual Financial Institutions Virtual Conference

Forward Looking Statements

During the course of this presentation, management may make statements regarding events or future financial performance of the Bank. These statements may include comments with respect to our objectives and strategies, and the results of our operations and our business. However, by their nature, these forward-looking statements involve numerous assumptions, uncertainties and opportunities, both general and specific. These statements are based on the beliefs and assumptions of the management of PFBC, and on the information available to management at the time the presentation materials were prepared. The risk exists that these statements may not be fulfilled. We caution readers of this presentation not to place undue reliance on these forward-looking statements as a number of factors could cause future results to differ materially from these statements. Forward-looking statements may be influenced in particular by factors such as fluctuations in interest rates and stock indices, the effects of competition in the areas in which we operate, and changes in economic, political, and regulatory conditions. We caution that the foregoing list is not exhaustive. When relying on forward-looking statements to make decisions, investors should carefully consider the aforementioned factors as well as other uncertainties and events.

Company Overview

- *Founded in December 1991*
- *$4.7 Billion commercial bank headquartered in Los Angeles, CA*
- *High-performing community banking franchise with operations in San Francisco and New York*
- *Strong insider ownership aligned with stakeholders*
  - *Directors and Officers collectively own over 9%*
- *Long history of strong organic growth and the demonstrated ability to opportunistically acquire and integrate*
- *Focused on both ethnic Chinese and mainstream markets*
- *Ample liquidity, strong capital and a short duration balance sheet*

PFBC Stock Profile

Ticker Symbol	**NASDAQ: PFBC**
Recent Price	**$35.08(12/2/19)**
Shares O/S	**14.92mm**
Market Cap	**$523.3mm**
Average Daily Volume	**112.8m**

Annual Dividend: **$1.20**
Current Yield: **3.42%**

D.A. Davidson Co.
Piper Sandler & Co.
Raymond James & Co.
B Riley FBR
Stephens, Inc.
Janney Montgomery Scott

Management Experience

- *Management team averages 32 years of industry experience*
- *Deep ties to the Chinese American and mainstream banking communities*

Name	Position	Years of Experience	Years With PFBC
Li Yu	*Chairman & CEO*	*36*	*29*
Wellington Chen	*President & COO*	*35*	*9*
Edward Czajka	*Chief Financial Officer*	*33*	*14*
Nick Pi	*Chief Credit Officer*	*29*	*17*

Management team averages over 17 years with Preferred Bank

Coronavirus

- *We took action early and began to place higher risk employees at home to work*
- *We communicated to our clients and staff early*
- *We eliminated all weekend hours at branches and reduced branch hours daily*
- *Branch staff are now working on a 50/50 two-week rotation*
- *All support and administrative personnel are working from home*
- *Executive management has been in the office since the beginning of the orders – this is essential to our ability to operate the Bank and make decisions in real time*
- *As a non-SBA lender, we obtained lending status with the SBA and originated $77 million in PPP loans for our clients*

Our Strategy

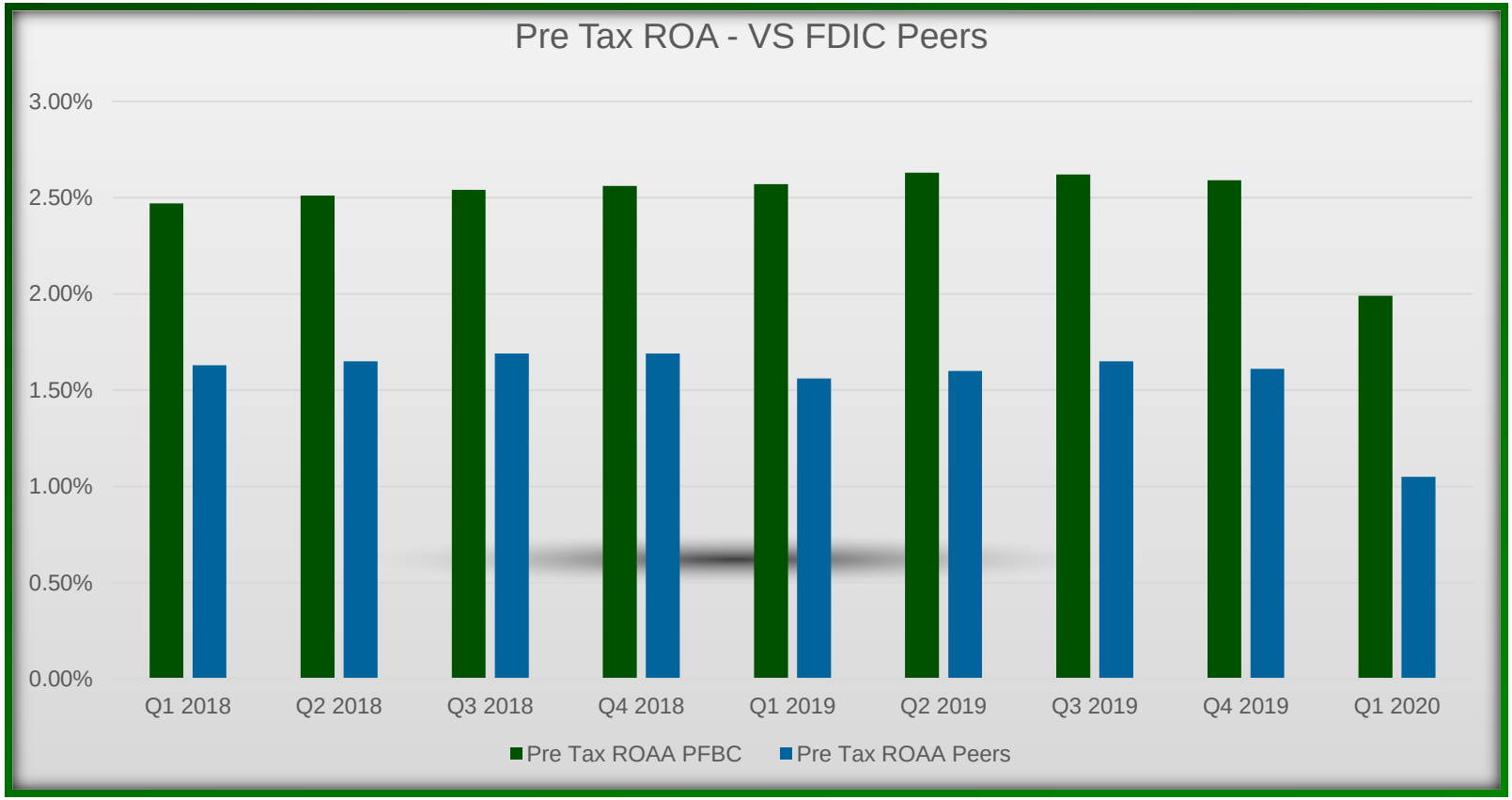
- *Stay True to Our Core Competencies*
  - *Business banking*
  - *Commercial and multi-family real estate lending*
  - *Letter of Credit Financing*
  - *Serving ethnic Chinese in the markets of:*
    - *San Gabriel Valley area of Southern California (Alhambra, Arcadia, Diamond Bar, City of Industry)*
    - *South Bay (Torrance)*
    - *Orange County (Irvine and Pico Rivera)*
    - *San Francisco (Business District)*
    - *Flushing, NY*
  - *Serving mainstream clientele in the markets of:*
    - *San Fernando Valley (Tarzana)*
    - *Downtown Los Angeles*
    - *Westside (Century City)*
    - *San Francisco (Richmond District)*

Our Strategy

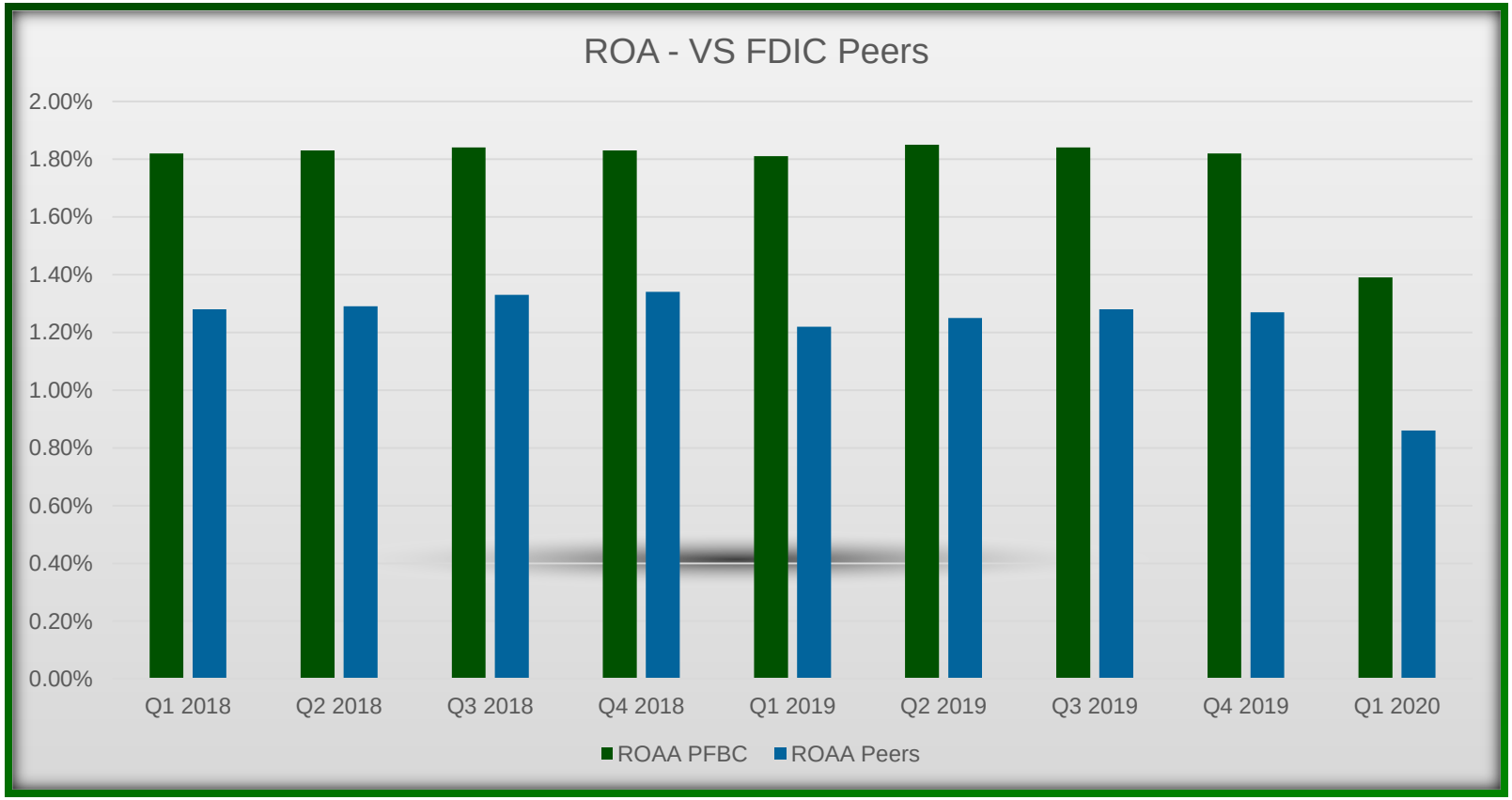
- *How We Execute – Business Model*
  - *Ultra high-touch service – our frontline personnel develop long lasting and deep relationships with their clients, fostering loyalty and word of mouth advertising*
  - *We place a large percentage of our personnel in frontline positions, (1/3 of total Bank staff are in business development positions)*
  - *Business model allows for high level of automated banking. Average branch operations staff is very small even though average branch size is $298mm in deposits*
  - *Not just originating loans, but providing customized financing solutions*
  - *Local decision-making, ability to execute and access to senior management*
  - *Efficient back office, AND no Holding Company*
    - *Efficiency Ratio of 34.9% in Q1 2020, in the top 1% in the U.S. (FDIC UBPR)*
    - *Assets per employee of $17.3mm at March 31, 2020, also among the top in the U.S.*

Branch Locations

Higher Pre-tax Profitability vs Peers…

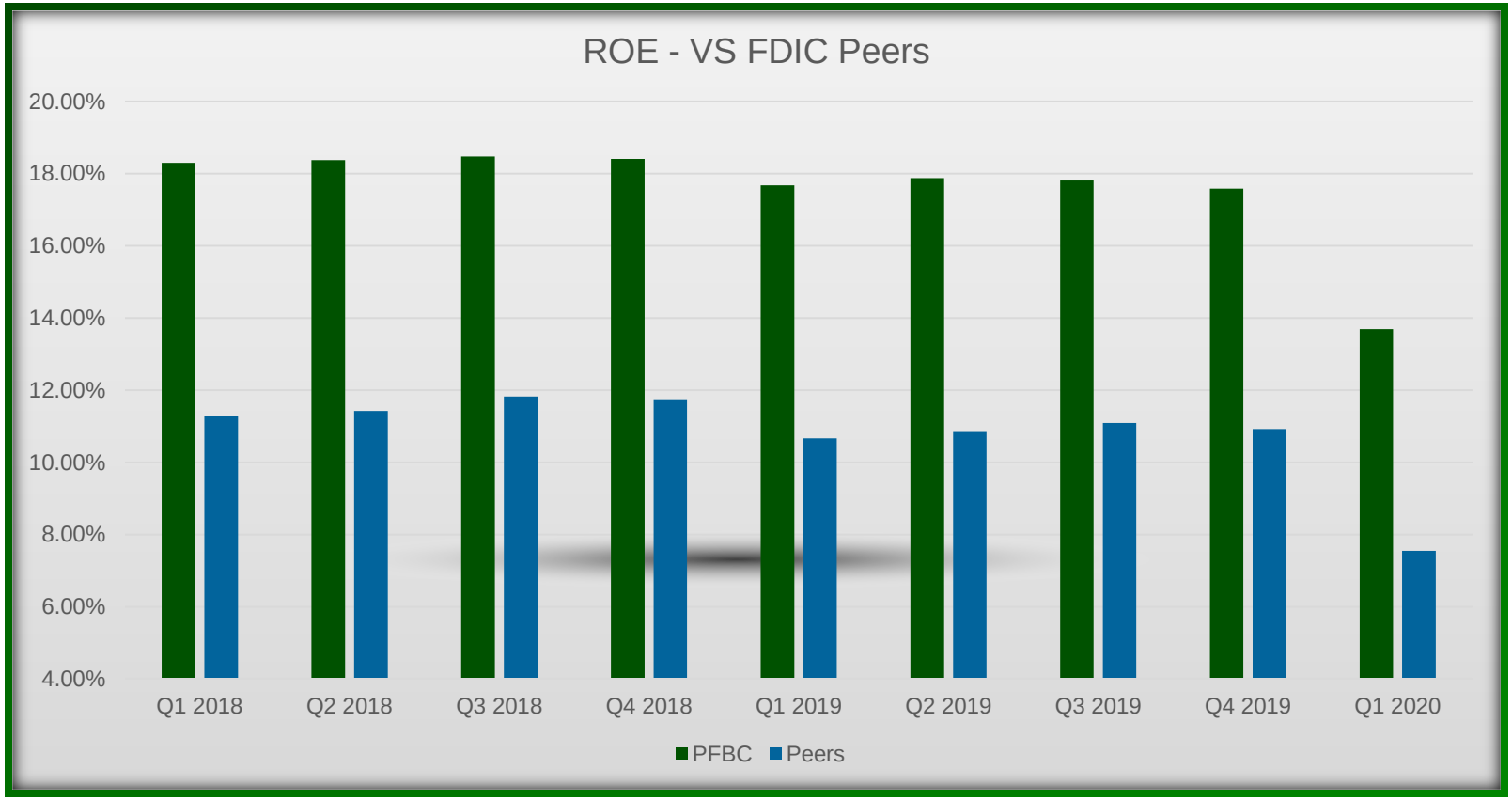


Higher Net Profitability vs Peers…

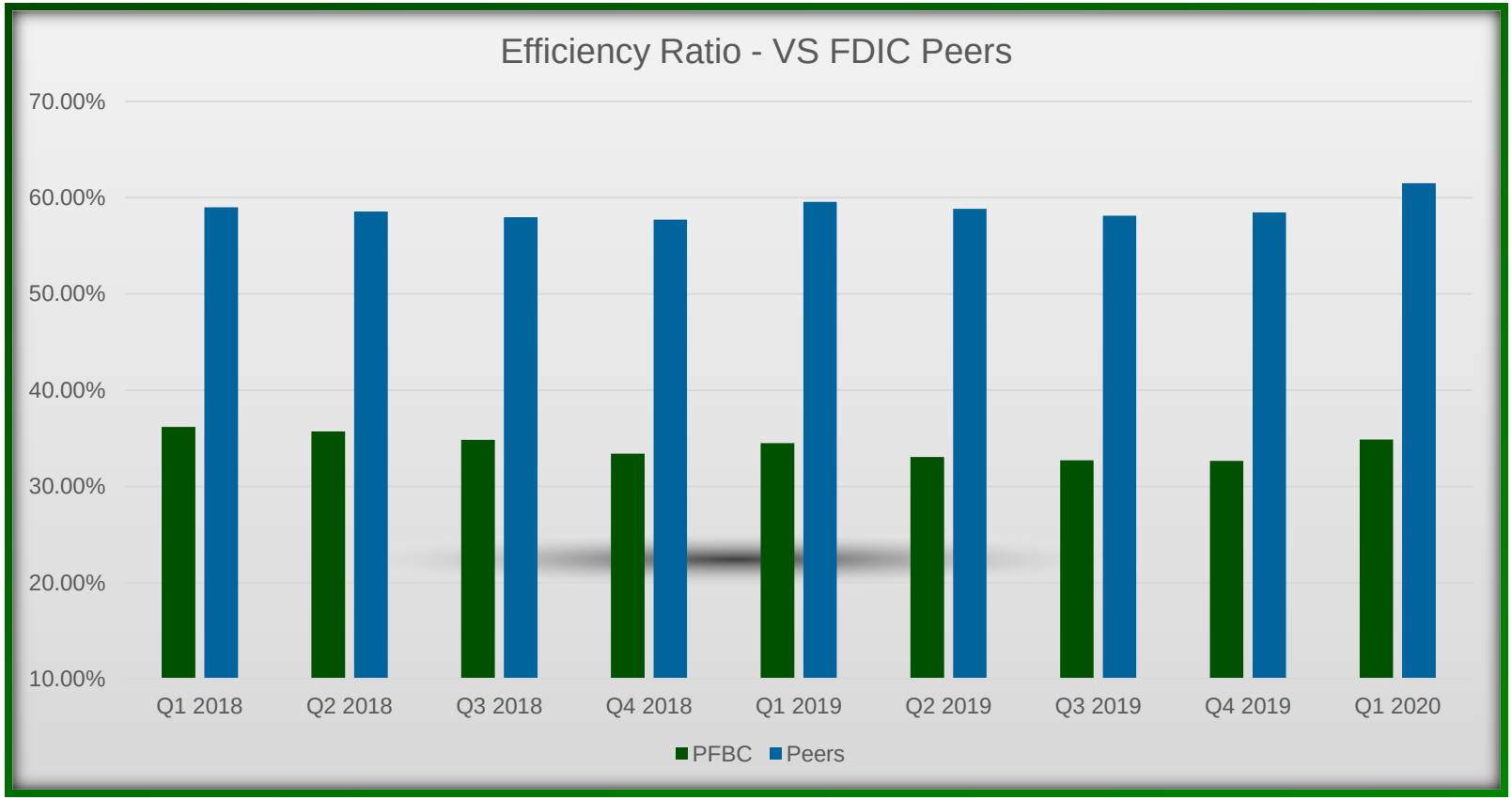


Q4 2017 ROA Includes the effect of $6.0mm DTA charge **PFBC Average ROA Above: 1.71%** **Peer: 1.23%**

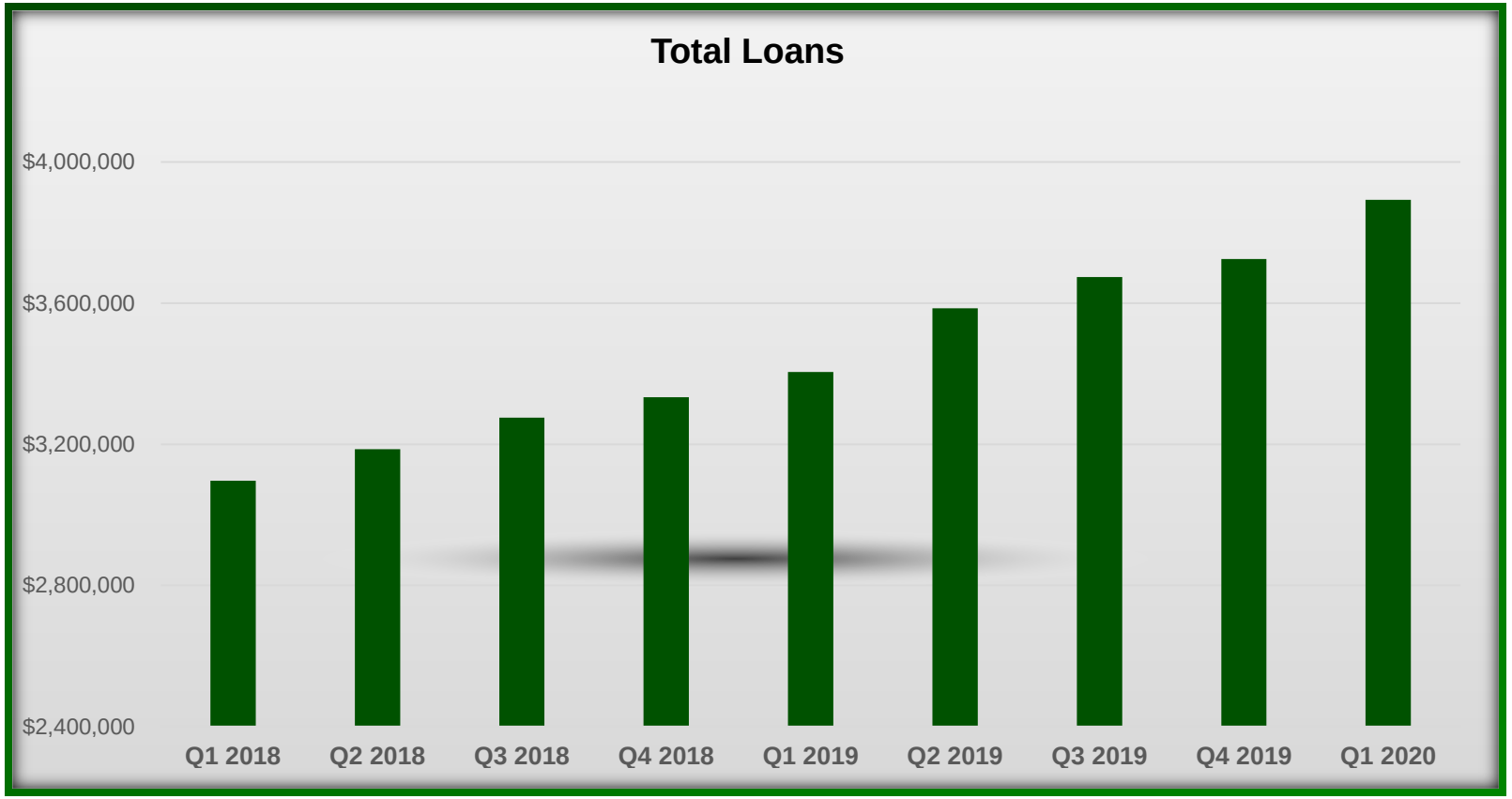
Superior Return on Equity



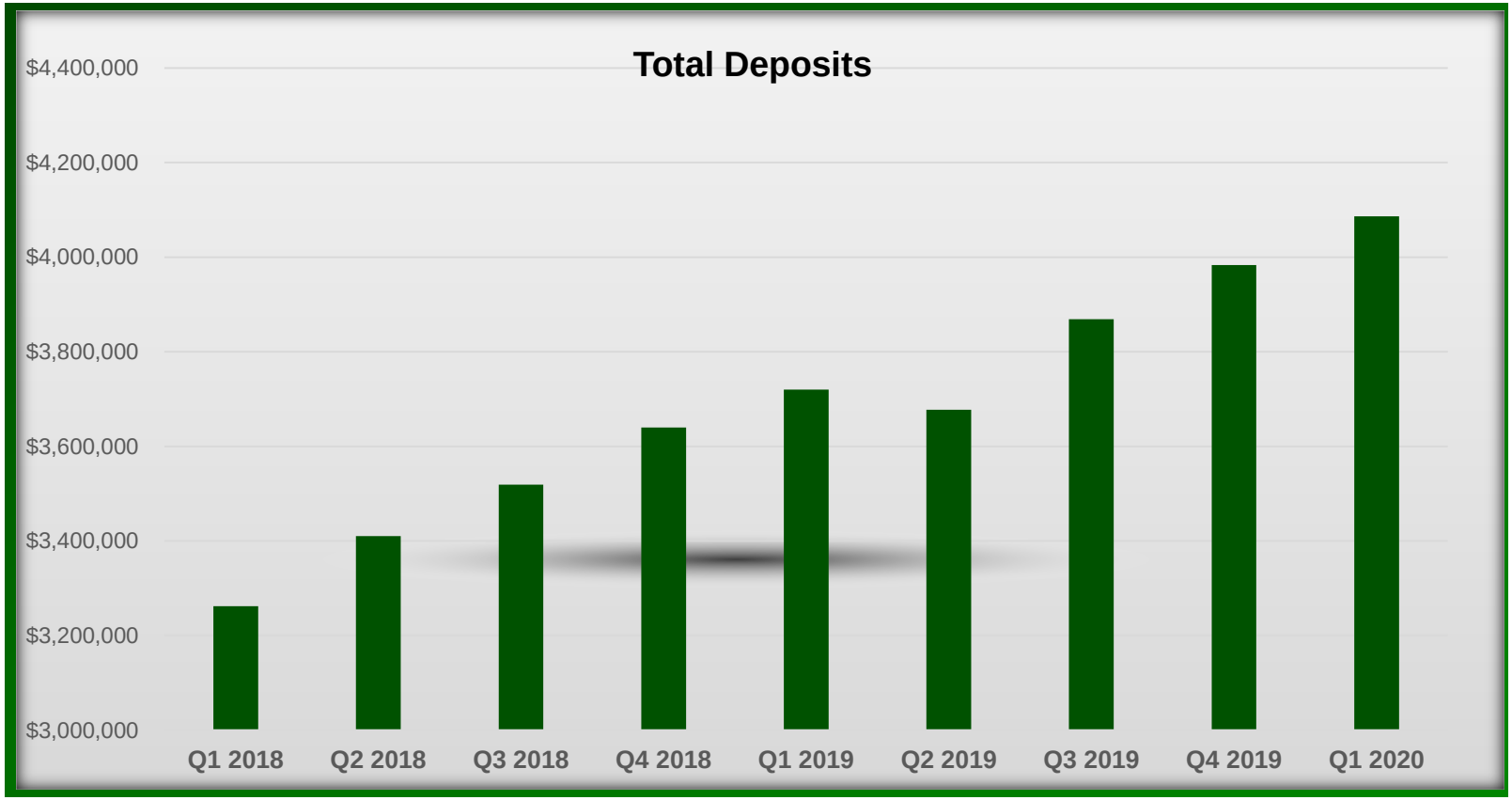
Superior Operating Efficiency vs Peers



Consistent Loan Growth…..

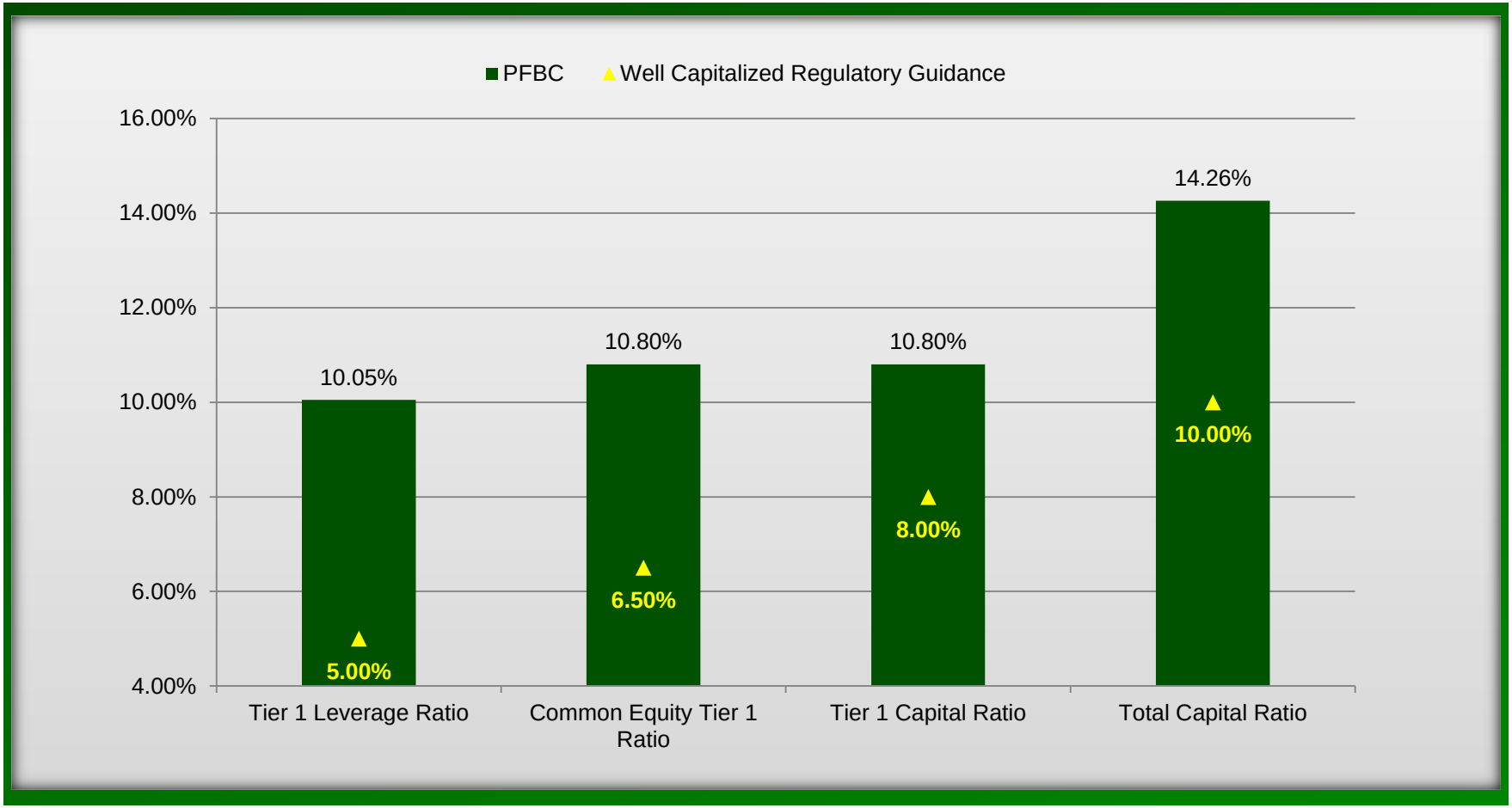


And Deposit Growth



Capital

Capital Ratios – March 31, 2020

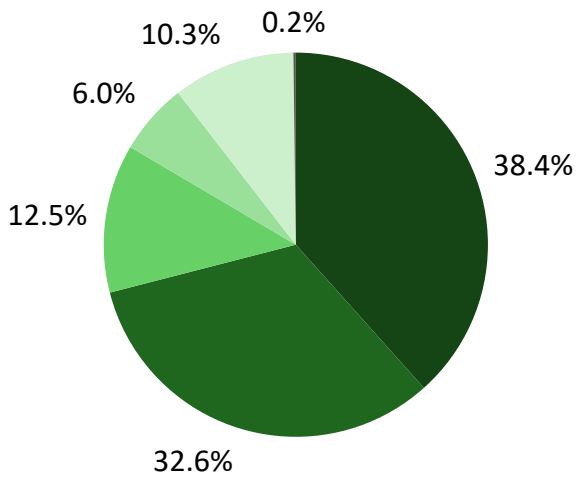


Credit Overview

Loan Portfolio Composition – March 31, 2020

- Diverse loan portfolio – 33% of loans are C & I
  - **High level of diversification among industries**
- Above-average number of Senior Lenders and Business Development staff allow PFBC to look at a high level of deal flow
  - **Drives strong loan yields**

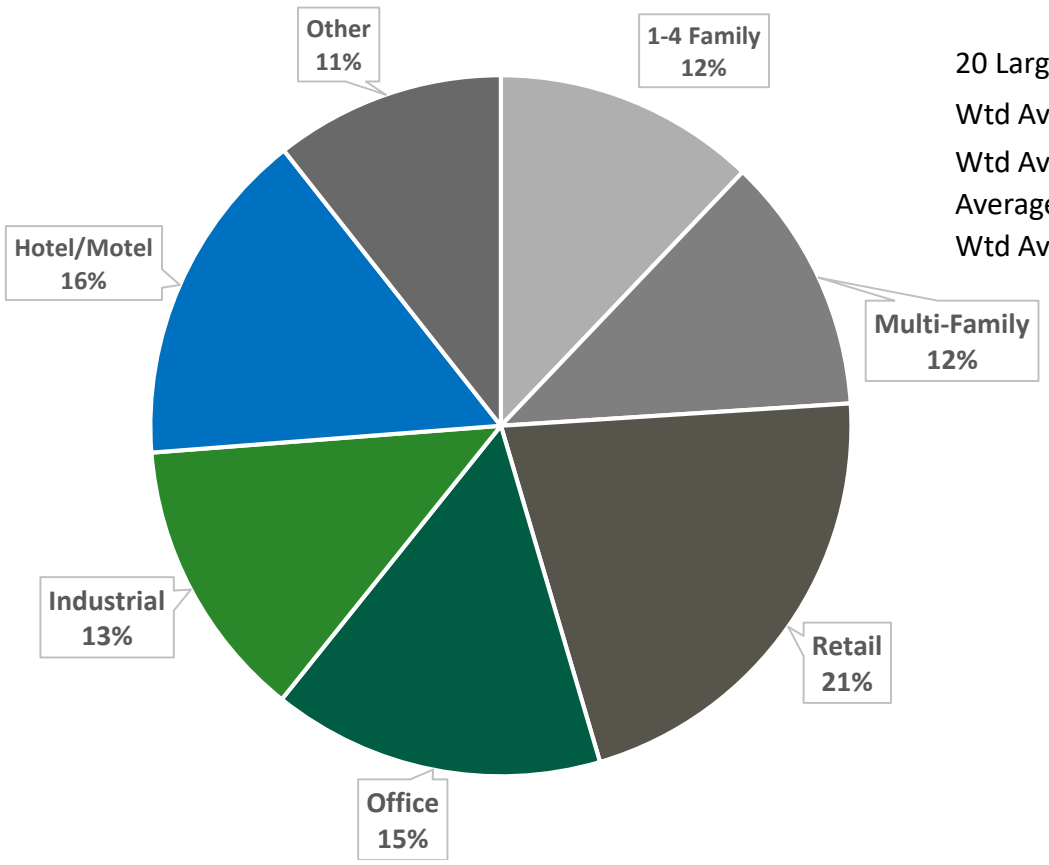
Loan Composition



Commercial Real Estate
Commercial & Industrial
1-4 Family
Multifamily
Construction & Development
Land

Gross Loans & Leases ($mm)	$3,893
MRQ Yield on Loans	5.58%
MRQ Growth Rate	4.52%
% that is Fixed Rate	6.3%

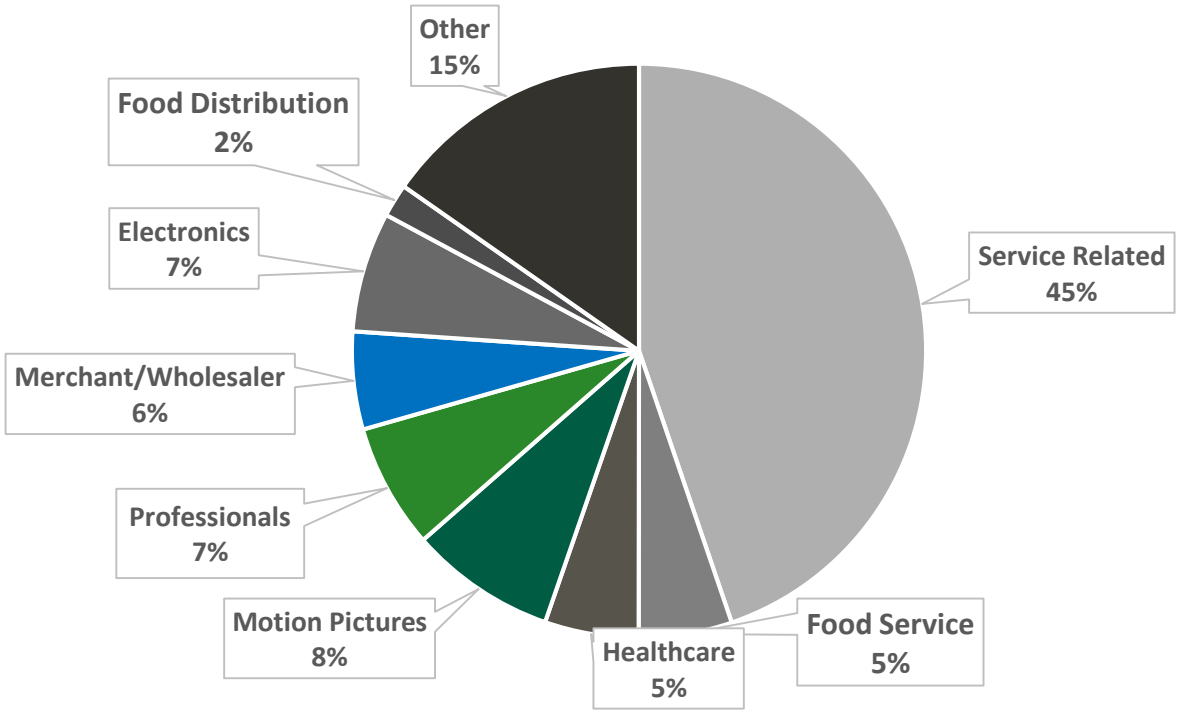
Real Estate Loan Portfolio – March 31, 2020



Portfolio Characteristics

20 Largest Relationships	33% of total CRE
Wtd Average Maturity	2.74 Years
Wtd Average Coupon	5.32%
Average DCR	1.58x
Wtd Average LTV	54.4%

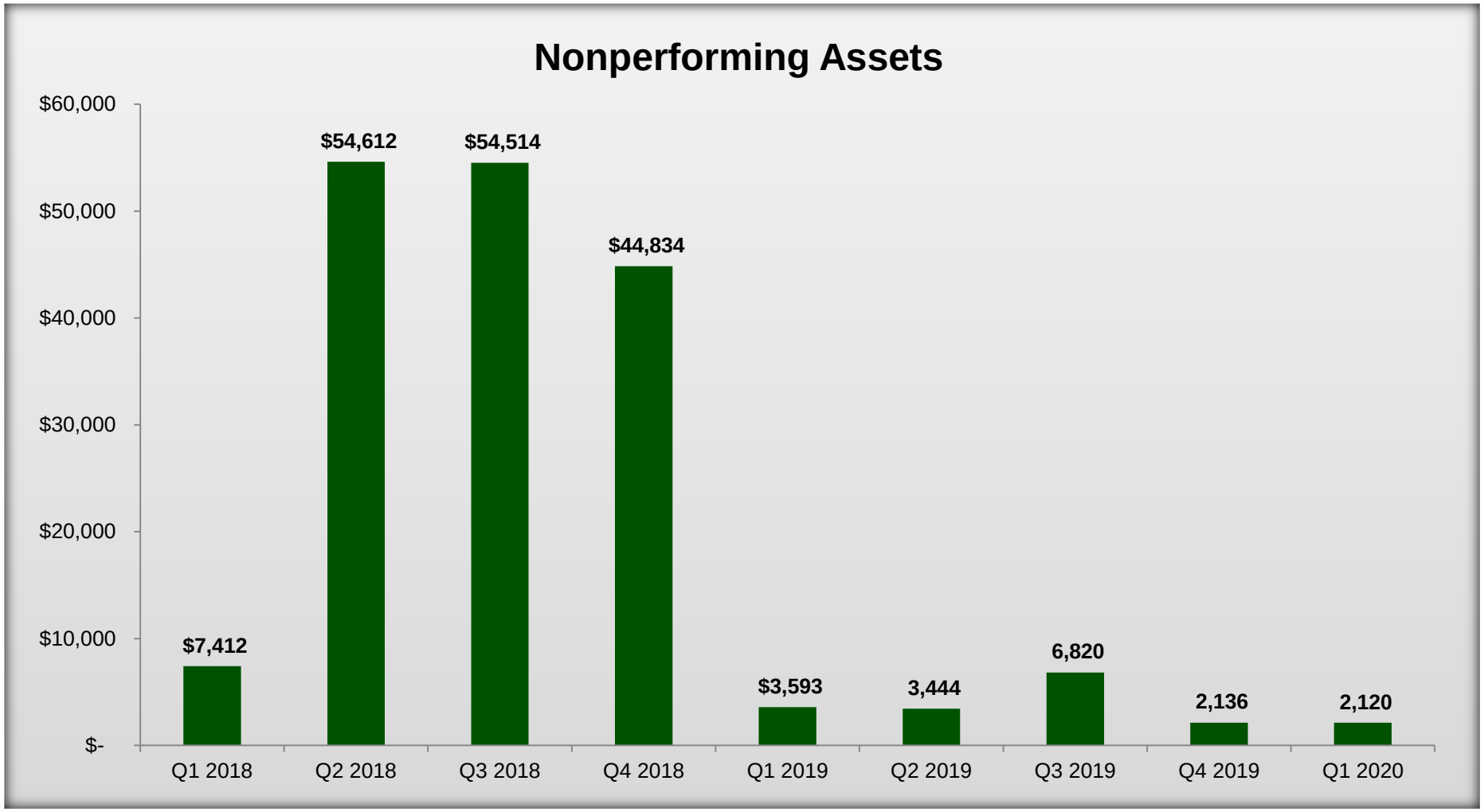
C&I Portfolio Detail – March 31, 2020



Portfolio Characteristics

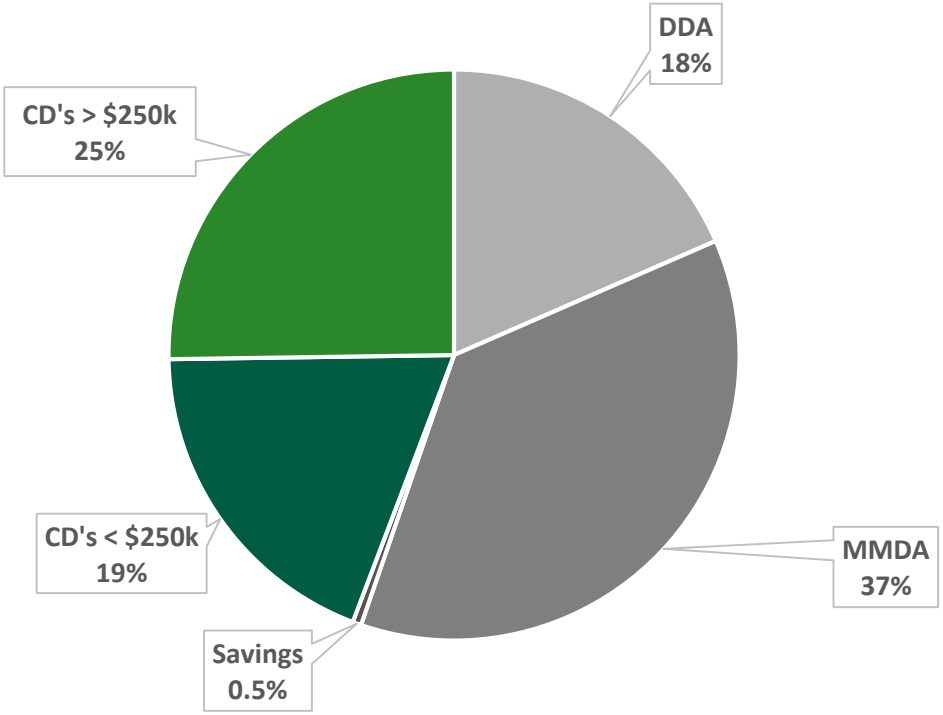
20 Largest Relationships	38% of C&I Loans
Line Usage %	73.4%
Wtd Avg Maturity	2.2 Years
Weighted Average Coupon	4.77%

NPA's


Nonperforming Assets
$60,000
$50,000
$40,000
$30,000
$20,000
$10,000
$-
$7,412
$54,612
$54,514
$44,834
$3,593
3,444
6,820
2,136
2,120
Q1 2018
Q2 2018
Q3 2018
Q4 2018
Q1 2019
Q2 2019
Q3 2019
Q4 2019
Q1 2020

Deposits

Deposit Composition – March 31, 2020



Characteristics

Percentage DDA	18.0%
MRQ Cost of Deposits	1.24%
MRQ Growth Rate	2.6%
Core Deposits / Total Deposits	58.9%

Current Challenges

- *Currently no end in sight to the pandemic – news continues to be mixed*
- *We have received deferment requests on approximately $391mm in loans*
- *Fairly sizeable retail CRE portfolio although it is characterized by low LTV neighborhood centers*
- *Hotel portfolio represents 9% of loan book although over 80% are major flagged brands – again characterized by low LTV's*
- *C&I loans represents 32% of loan portfolio*

Why We are Confident

- *Except for NY, our markets continue to have low rates of infection due to early orders*
- *We have a tremendous amount of liquidity; on and off balance sheet*
- *We have a strong capital base at over 10% tangible capital and over 14% total capital*
- *PPNR's are among the strongest in the country, and*
- *Last CCAR stress testing over a two year period, given no balance sheet growth indicates capital ratios actually **improve***
- *ACL is now 1.24% from 0.94% one quarter ago*