

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- | | |
|--|--|
| <input type="checkbox"/> Preliminary Proxy Statement | <input type="checkbox"/> Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2)) |
| <input checked="" type="checkbox"/> Definitive Proxy Statement | |
| <input type="checkbox"/> Definitive Additional Materials | |
| <input type="checkbox"/> Soliciting Material Pursuant to Rule 14a-11(c) or Rule 14a-12 | |

PREFERRED BANK

(Name of Registrant as Specified In Its Charter)

N/A

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required
- \$125 per Exchange Act Rules 0-11(c)(1)(ii), 14a-6(i)(1), 14a-6b(i)(2) or Item 22(a)(2) of Schedule 14A.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.
- (1) Title of each class of securities to which transaction applies:
 - (2) Aggregate number of securities to which transaction applies:
 - (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
 - (4) Proposed maximum aggregate value of transaction:
 - (5) Total fee paid:
- Fee paid previously with preliminary materials.
- Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11 (a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.
- (1) Amount Previously Paid:
 - (2) Form, Schedule or Registration Statement No.:
 - (3) Filing Party:
 - (4) Date Filed: April 6, 2023



NOTICE OF 2023 ANNUAL MEETING OF SHAREHOLDERS

DATE: May 16, 2023
TIME: 1:00 p.m. Pacific Time
PLACE: Preferred Bank's Corporate Headquarters
601 S. Figueroa Street, 48th Floor
Los Angeles, California 90017

TO THE SHAREHOLDERS OF PREFERRED BANK:

NOTICE IS HEREBY GIVEN that, pursuant to its bylaws and the call of its Board of Directors, the Annual Meeting of Shareholders of Preferred Bank will be held at the above referenced date, time and place for the following purposes, all as set forth in the attached Proxy Statement:

1. **ELECTION OF DIRECTORS.** To elect eight individuals to serve as the Bank's Board of Directors until the 2024 annual meeting of shareholders and they or their successors are elected and qualified.

Li Yu
Clark Hsu
Kathleen Shane
William C.Y. Cheng
Chih-Wei Wu
J. Richard Belliston
Gary S. Nunnally
Wayne Wu

2. **ADVISORY COMPENSATION VOTE.** To approve, in a non-binding advisory vote, the compensation of our named executive officers ("Say on Pay").

3. **FREQUENCY OF ADVISORY VOTE.** To express preference, in a non-binding advisory vote, on the frequency of Say on Pay.

4. **AUTHORIZATION OF SHARE REPURCHASE AUTHORITY.** To approve the general authority of the Board of Directors to authorize and implement share repurchase programs, including, without limitation, the Third Repurchase Program described herein pursuant to which the Bank may, from time to time, purchase shares of its common stock for an aggregate purchase price not to exceed \$150 million.

5. **RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS.** To ratify the appointment of Crowe LLP as our independent registered public accountants for the year ending December 31, 2023.

6. **OTHER BUSINESS.** To transact such other business as may properly come before the annual meeting and at any and all adjournments thereof.

Only shareholders of record at the close of business on April 3, 2023 will receive notice of, and be eligible to vote at the annual meeting.

Our Bylaws provide for the nomination of directors in the following manner:

“Section 2.14 ADVANCE NOTICE OF SHAREHOLDER NOMINEES FOR DIRECTOR AND OTHER SHAREHOLDER PROPOSALS.

(a) Annual Meeting of Shareholders.

(i) Nominations of individuals for election to the Board of Directors and the proposal of other business to be considered by the shareholders may be made at an annual meeting of shareholders (1) pursuant to the corporation's notice of meeting, (2) by or at the direction of the Board of Directors or (3) by any shareholder of the corporation who was a shareholder of record both at the time of giving of notice by the shareholder as provided for in this Section 2.14(a) and at the time of the annual meeting, who is entitled to vote at the meeting and who has complied with this Section 2.14(a).

(ii) For nominations or other business to be properly brought before an annual meeting by a shareholder pursuant to clause (3) of paragraph (a)(i) of this Section 2.14(a), the shareholder must have given timely notice thereof in writing to the Secretary of the corporation and such other business must otherwise be a proper matter for action by the shareholders. To be timely, a shareholder's notice shall set forth all information required under this Section 2.14(a) and shall be delivered to the Secretary at the principal executive office of the corporation not earlier than the 90th day and not later than 5:00 p.m., Pacific Time, on the 60th day prior to the first anniversary of the date of mailing of the notice for the preceding year's annual meeting; *provided, however*, that in the event that the date of the mailing of the notice for the annual meeting is advanced or delayed by more than 30 days from the first anniversary of the date of mailing of the notice for the preceding year's annual meeting, notice by the shareholder to be timely must be so delivered not earlier than the 90th day prior to the date of mailing of the notice for such annual meeting and not later than 5:00 p.m., Pacific Time, on the later of the 60th day prior to the date of mailing of the notice for such annual meeting or the tenth day following the day on which public announcement of the date of mailing of the notice for such meeting is first made. The public announcement of a postponement or adjournment of an annual meeting shall not commence a new time period for the giving of a shareholder's notice as described above.

(iii) Such shareholder's notice shall set forth (1) as to each person whom the shareholder proposes to nominate for election or re-election as a director, (A) the name, age, business address and residence address of each such person; (B) the principal occupation or employment of each such person; (C) the class and number of shares of capital stock of the corporation beneficially owned by each such person; and (D) any other information relating to such person that is required to be disclosed in solicitations of proxies for election of directors, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (including without limitation such persons' written consent to being named in the proxy statement as a nominee and to serving as a director if elected); and (2) as to the shareholder giving the notice, (A) the name and address, as they appear on the corporation's books, of such shareholder and (B) the class and number of shares of capital stock of the corporation beneficially owned by such shareholder.

(iv) Such shareholder's notice, as to any other business that the shareholder proposes to bring before the meeting, shall set forth with particularity (1) the name and address of the shareholder submitting such proposal and all persons acting in concert with such shareholder; (2) the name and address of the persons identified in clause (1), as they appear on the corporation's books (if they so appear); (3) the class and number of shares of capital stock of the corporation beneficially owned by the persons identified in clause (1); (4) a description of the proposal containing all material information relating thereto, including, without limitation, the reasons for submitting such proposal; and (v) such other information as the Board of Directors reasonably determines is necessary or appropriate to enable the Board of Directors and shareholders of the corporation to consider such proposal.

(b) Special Meeting of Shareholders. Only such business shall be conducted at a special meeting of shareholders as shall have been brought before the meeting pursuant to the corporation's notice of meeting. Nominations of individuals for election to the Board of Directors may be made at a special meeting of shareholders at which directors are to be elected (i) pursuant to the corporation's notice of meeting, (ii) by or at the direction of the Board of Directors or (iii) provided that the Board of Directors has determined that directors shall be elected at such special meeting, by any shareholder of the corporation who is a shareholder of record both at the time of giving

of notice provided for in this Section 2.14 and at the time of the special meeting, who is entitled to vote at the meeting and who complied with the notice procedures set forth in this Section 2.14(b). In the event the corporation calls a special meeting of shareholders for the purpose of electing one or more individuals to the Board of Directors, any such shareholder may nominate an individual or individuals (as the case may be) for election as a director as specified in the corporation's notice of meeting, if the shareholder's notice required by paragraph (ii) of Section 2.14(a) shall be delivered to the Secretary at the principal executive office of the corporation not earlier than the 90th day prior to such special meeting and not later than 5:00 p.m., Pacific Time, on the later of the 60th day prior to such special meeting or the tenth day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board of Directors to be elected at such meeting. The public announcement of a postponement or adjournment of a special meeting shall not commence a new time period for the giving of a shareholder's notice as described above.

(c) General.

(i) Upon written request by the Secretary or the Board of Directors or any committee thereof, any shareholder proposing a nominee for election as a director or any proposal for other business at a meeting of shareholders shall provide, within five business days of delivery of such request (or such other period as may be specified in such request), written verification, satisfactory, in the discretion of the Board of Directors or any committee thereof or any authorized officer of the corporation, to demonstrate the accuracy of any information submitted by the shareholder pursuant to this Section 2.14. If a shareholder fails to provide such written verification within such period, the information as to which written verification was requested may be deemed not to have been provided in accordance with this Section 2.14.

(ii) Only such individuals who are nominated in accordance with this Section 2.14 shall be eligible for election by shareholders as directors, and only such business shall be conducted at a meeting of shareholders as shall have been brought before the meeting in accordance with this Section 2.14. The Chairman of the meeting shall have the power to determine whether a nomination or any other business proposed to be brought before the meeting was made or proposed, as the case may be, in accordance with this Section 2.14 and, if any proposed nomination or business is not in compliance with this Section 2.14, to declare that such defective nomination or proposal be disregarded.

(iii) For purposes of this Section 2.14, (1) the "date of mailing of the notice" shall mean the date of the proxy statement for the solicitation of proxies for election of directors and (2) "public announcement" shall mean disclosure (A) in a press release reported by the Dow Jones News Service, Associated Press, Business Wire, PR Newswire or comparable news service or (B) in a document publicly filed by the corporation with the Securities and Exchange Commission pursuant to the Exchange Act.

(iv) Notwithstanding the foregoing provisions of this Section 2.14, a shareholder shall also comply with all applicable requirements of state law and of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this Section 2.14. Nothing in this Section 2.14 shall be deemed to affect any right of a shareholder to request inclusion of a proposal in, nor the right of the corporation to omit a proposal from, the corporation's proxy statement pursuant to Rule 14a-8 (or any successor provision) under the Exchange Act.

(v) A copy of this Section 2.14 shall be set forth in a notice to shareholders of any annual or special meeting of the shareholders.”

**IMPORTANT NOTICE REGARDING THE INTERNET AVAILABILITY
OF PROXY MATERIALS FOR THE ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD ON MAY 16, 2023**

The Notice of Meeting, Proxy Statement, proxy card, and the Annual Report on Form 10-K for the year ended December 31, 2022, are available on our website at <https://preferredbank.q4ir.com/proxy-materials/default.aspx>.

IT IS IMPORTANT THAT ALL SHAREHOLDERS VOTE. WE URGE YOU TO SIGN AND RETURN THE ENCLOSED PROXY AS PROMPTLY AS POSSIBLE, REGARDLESS OF WHETHER OR NOT YOU PLAN TO ATTEND THE ANNUAL MEETING IN PERSON. IF YOU DO ATTEND THE ANNUAL MEETING, YOU MAY THEN WITHDRAW YOUR PROXY AND VOTE IN PERSON.

By Order of the Board of Directors

A handwritten signature in black ink, appearing to read 'Li Yu', with a long horizontal stroke extending to the right.

Li Yu
Corporate Secretary

Los Angeles, California
Dated: April 5, 2023



Preferred Bank
601 S. Figueroa Street, 48th Floor
Los Angeles, California 90017
(213) 891-1188

PROXY STATEMENT

FOR THE ANNUAL MEETING OF SHAREHOLDERS
To Be Held on May 16, 2023

INFORMATION ABOUT THE ANNUAL MEETING AND VOTING

Why did you send me this Proxy Statement?

We sent you this Proxy Statement and the enclosed proxy card because our Board of Directors is soliciting your proxy to vote at the 2023 Annual Meeting of Shareholders (the “Annual Meeting”) of Preferred Bank (referred to in this Proxy Statement as “Preferred Bank,” “we,” “us,” and “our”).

Holders of our common stock are receiving notice of the meeting.

This Proxy Statement summarizes the information you need to know to cast an informed vote at our Annual Meeting. However, you do not need to attend the Annual Meeting to vote your shares. Instead, you may simply complete, sign and return the enclosed proxy card.

Along with this Proxy Statement, we are also sending you our Annual Report on Form 10-K for the fiscal year ended December 31, 2022, which includes our financial statements.

On what am I voting?

The matters to be considered at the Annual Meeting are set forth below.

1. **Election of Directors.** To elect eight individuals to serve as the Bank’s Board of Directors until the 2024 annual meeting of shareholders and they or their successors are elected and qualified.
2. **Advisory Compensation Vote.** To approve, in a non-binding advisory vote, the compensation of our named executive officers (“Say on Pay”).
3. **Frequency on Advisory Vote.** To express a preference, in a non-binding advisory vote, on the frequency of Say on Pay.
4. **Share Repurchase Authority Vote.** To approve the general authority of the Board of Directors to authorize and implement share repurchase programs, including, without limitation, the Third Repurchase Program described herein pursuant to which the Bank may, from time to time, purchase shares of its common stock for an aggregate purchase price not to exceed \$100 million.
5. **Ratification of Appointment of Independent Registered Public Accountants.** To ratify the appointment of Crowe LLP as our independent registered public accountants for the year ending December 31, 2023
6. **Other Business.** To transact such other business as may properly come before our Annual Meeting and at any and all adjournments thereof.

Who is entitled to vote?

We will begin mailing this Proxy Statement, the Annual Report on Form 10-K and the attached notice of Annual Meeting and the accompanying proxy card on or about April 12, 2023, to all shareholders entitled to vote.

Shareholders who were the record owners of our common stock at the close of business on April 3, 2023, the record date, will receive notice of, and be entitled to vote at, our Annual Meeting. On the record date, there were 14,432,122 shares of our common stock outstanding and no shares of preferred stock outstanding. A holder of shares of our common stock on the record date will be entitled to cast one vote for each share of common stock registered in that holder’s name on each matter to be acted upon at our Annual Meeting.

Shareholder of Record: Shares Registered in Your Name

If, on April 3, 2023, your shares were registered directly in your name with our transfer agent, Computershare, then you are a shareholder of record. As a shareholder of record, you may vote in person at the Annual Meeting or vote by proxy. Whether or not you plan to attend the Annual Meeting, we urge you to sign, date and return the enclosed proxy card to ensure your vote is counted.

Beneficial Owner: Shares Registered in the Name of a Broker, Bank or Other Nominee

If, on April 3, 2023, your shares were held in an account at a bank, brokerage firm or other agent or nominee, then you are the beneficial owner of shares held in “street name” and these proxy materials are being forwarded to you by that organization. The organization holding your account is considered the shareholder of record for purposes of voting at the Annual Meeting. As a beneficial owner, you have the right to direct your bank, broker or other agent or nominee on how to vote the shares in your account. You are also invited to attend the Annual Meeting. However, since you are not the shareholder of record, you may not vote your shares in person at our Annual Meeting unless you request and obtain a power of attorney or other proxy authority from that organization and bring it to our Annual Meeting.

What constitutes a quorum?

A majority of the outstanding shares of our common stock must be present at the Annual Meeting in person or by proxy, in order to constitute a quorum of the shareholders who will vote at this Annual Meeting. We will only conduct the business of the Annual Meeting if a quorum of the shareholders has been established. Abstentions and broker non-votes, if any, will be counted as shares present for purposes of determining the presence of a quorum of the shareholders. In addition, see below under “What Vote is Required to Approve Each Proposal?” regarding the voting requirements under California law for these proposals.

What vote is required to approve each proposal?

- | | |
|--|---|
| Proposal 1: Election of Directors | The eight nominees for director who receive the highest number of affirmative votes of the shares of common stock entitled to be voted for them shall be elected as directors. If, as a holder of common stock, you do not vote for a particular nominee, or you indicate “WITHHOLD AUTHORITY” to vote for a particular nominee on your proxy card, your vote will not count either “FOR” or “AGAINST” the nominee. Our Amended and Restated Articles of Incorporation do not permit cumulative voting. |
| Proposal 2: Non-Binding Advisory Compensation Vote | The affirmative vote of a majority of the shares of common stock represented, in person or by proxy, and voting at the Annual Meeting (which shares voting affirmatively also constitute at least a majority of the required quorum) is required to approve (non-binding) the compensation of our named executive officers (“Say on Pay”). |
| Proposal 3: Non-Binding Advisory Vote on Frequency of Say on Pay | Shareholders may vote for either every year, every two years, every three years or abstain. The frequency of the Say on Pay vote will be decided based upon which alternative receives a plurality of the votes cast. |
| Proposal 4: Share Repurchase Authority Vote | The affirmative vote of a majority of the outstanding shares of common stock entitled to vote represented, in person or by proxy, and voting at the Annual Meeting is required to approve the general authority of the Board of Directors to authorize and implement share repurchase programs, including without limitation, the Third Repurchase Program authorized by the Board of Directors on February 21, 2023. |
| Proposal 5: Ratify Selection of Independent Registered Public Accountants | The affirmative vote of a majority of the shares of common stock represented, in person or by proxy, and voting at the Annual Meeting (which shares voting affirmatively also constitute at least a majority of the required quorum) is required to ratify the selection of Crowe LLP as the Bank’s independent registered public accountants for the fiscal year 2023. |

How do I vote if I attend the annual meeting?

If you are a shareholder of record, you can attend the Annual Meeting and vote in person the shares you hold directly in your name. If you choose to do so, please bring the enclosed proxy card and proof of identification. If you want to vote in person at our Annual Meeting and you hold shares through a bank, broker or other agent or nominee, you must obtain a power of attorney or other proxy authority from that organization and bring it to our Annual Meeting. Follow the instructions from your bank, broker or other agent or nominee included with these proxy materials, or contact your bank, broker or other agent or nominee to request a power of attorney or other proxy authority. If you vote in person at the Annual Meeting, you will revoke any prior proxy you or your bank, broker or other agent or nominee may have submitted with respect to the shares of common stock you own of record or beneficially.

How do I vote if I do not attend the annual meeting?

Please sign, date and return the proxy card in the enclosed pre-paid envelope. By casting your vote, you are authorizing the individuals listed on the proxy to vote your shares in accordance with your instructions. Whether or not you plan to attend the Annual Meeting, we urge you to return the proxy card. Returning the proxy card will not affect your right to attend the Annual Meeting.

You may vote your shares by telephone by calling the toll-free telephone number shown on your proxy card. Telephone voting is available 24 hours a day, 7 days a week. Voice prompts allow you to vote your shares and confirm that your instructions have been properly recorded. The telephone voting procedures are designed to authenticate the shareholder's identity by using individual control numbers, which you will find on your proxy card. If you vote by telephone, you should NOT return your proxy card.

You may also choose to vote on the Internet. The website for Internet voting is shown on your proxy card. Internet voting is available 24 hours a day, 7 days a week. You will be given the opportunity to confirm that your instructions have been properly recorded. The Internet voting procedures are designed to authenticate the shareholder's identity by using individual control numbers, which you will find on your proxy card. If you vote on the Internet, you should NOT return your proxy card.

If you vote by telephone or Internet, your vote must be received by 1:00 a.m. Eastern Daylight Time, on May 16, 2023, to ensure that your vote is counted.

If you are a beneficial owner of shares registered in the name of your bank, broker or other agent or nominee, you should have received a proxy card and voting instructions with these proxy materials from that organization rather than from us. Simply sign, date and mail the proxy card to ensure that your vote is counted. Follow the instructions from your bank, broker or other agent or nominee included with these proxy materials, or contact your bank, broker or other agent or nominee to request a proxy card or to vote electronically.

What if I do not specify how my shares are to be voted on the proxy card?

If your proxy card is executed and returned, but does not specify how your shares are to be voted, then your common shares represented by the proxy card will be voted in accordance with the recommendations of our Board of Directors for all the proposals; such recommendations are as follows:

- (1) “**FOR**” the election of all eight nominees for Director;
- (2) “**FOR**” the advisory vote on the compensation of our named executive officers;
- (3) “**FOR**” setting the frequency of the advisory Say on Pay vote to every three years;
- (4) “**FOR**” the authorization of Share Repurchase Authority, including, without limitation, the repurchase of shares authorized by the Board of Directors on February 21, 2023, pursuant to which Preferred Bank may, from time to time, purchase shares of its common stock for an aggregate purchase price not to exceed \$150 million; and
- (6) “**FOR**” the ratification of the selection of Crowe LLP as our independent registered public accountants for the fiscal year ending December 31, 2023.

If any other matter is properly presented at the meeting, the individuals named on your proxy card will vote your shares using their best judgment. At the time of the mailing of this Proxy Statement, we knew of no matters which needed to be acted upon at the Annual Meeting, other than those discussed in the Proxy Statement.

What is the effect of broker nonvotes and abstentions?

If you hold your shares of our common stock in “street name” (that is, through a bank, broker or other agent or nominee) and you fail to instruct your bank, broker or other agent or nominee as to how to vote your shares of common stock, your bank, broker or other agent or nominee may, in its discretion, vote your shares “FOR” the ratification of the independent registered public accountants, but may not vote on any of the other proposals. This is known as a broker nonvote. It is therefore important that you provide instructions to your bank, broker or other agent or nominee if your shares are held by such person, so that your vote with respect to all the proposals is counted. A “withhold” vote with respect to any director nominee will have the effect of a vote against such nominee.

Abstentions will have no effect on Proposals 2, 4 and 5, unless there are insufficient votes in favor of the proposals, such that the affirmative votes constitute less than a majority of the required quorum. Abstentions will have no effect on Proposal 4 unless there are insufficient votes in favor of the proposal, such that the affirmative votes constitute less than a majority of the outstanding shares entitled to vote. In such cases, abstentions will have the same effect as a vote against such proposals. Abstentions will not have any effect on the outcome of Proposals 1 and 3 because they are not treated as votes cast.

May I change my vote after I return my proxy?

Yes. If you fill out and return the enclosed proxy card or vote electronically, you may change your vote at any time before the vote is conducted at the Annual Meeting. You may change your vote in any one of three ways:

- You may send to our Corporate Secretary another completed proxy card with a later date or follow the instructions to change your vote if you voted electronically by telephone or Internet.
- You may notify our Corporate Secretary in writing before the Annual Meeting that you have revoked your proxy.
- You may attend the Annual Meeting and vote in person (your attendance at the Annual Meeting, in and of itself, will not revoke your earlier proxy).

Who conducts the proxy solicitation?

We are soliciting the proxies and will bear the entire cost of this solicitation, including the preparation, assembly, printing and mailing of this Proxy Statement and any additional materials furnished to our shareholders. Copies of solicitation material will be furnished to banks, brokerage houses and other agents and nominees holding shares in their names that are beneficially owned by others so that they may forward this solicitation material to these beneficial owners. In addition, if asked, we will reimburse these persons for their reasonable expenses in forwarding the solicitation material to the beneficial owners. We have requested banks, brokerage houses and other agents and nominees to forward all solicitation materials to the beneficial owners of the shares they hold of record.

**IMPORTANT NOTICE REGARDING THE INTERNET AVAILABILITY
OF PROXY MATERIALS FOR THE ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD ON MAY 16, 2023**

The Proxy Statement, proxy card, and the Annual Report on Form 10-K for the year ended December 31, 2022, are available on our website at <https://preferredbank.q4ir.com/proxy-materials/default.aspx>.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Based solely upon information furnished to us, the following table sets forth information regarding the beneficial ownership of our common stock as of April 3, 2023 by:

- each person (or group of affiliated persons) who is known by us to own beneficially more than 5% of the outstanding shares of our common stock;
- each of our directors;
- each of our named executive officers; and
- all directors and executive officers as a group.

Except as indicated in the footnotes to this table and except as subject to community property laws where applicable, the persons named in the table have sole voting and investment power with respect to all shares of common stock shown as beneficially owned by them. You should keep the following points in mind as you read the information in the table:

- The amounts and percentage of our common stock beneficially owned by a holder are reported on the basis of the regulations of the Securities and Exchange Commission (“SEC”), as adopted by the Federal Deposit Insurance Corporation (“FDIC”), that govern the determination of beneficial ownership of securities. Under these regulations, a person or group of persons is deemed to be a “beneficial owner” of a security if that person or group has or shares “voting power,” which includes the power to vote or to direct the voting of the security, or “investment power,” which includes the power to dispose of or to direct the disposition of the security. A person or group of persons is also deemed to be a beneficial owner of any securities with respect to which that person or group has a right to acquire beneficial ownership within 60 days. Under these rules, more than one person may be deemed a beneficial owner of the same security and a person may be deemed to be a beneficial owner of securities as to which that person has no economic interest.
- The percentage of our common stock outstanding is based on 14,432,122 shares of our common stock outstanding as of April 3, 2023 and shares of common stock deemed outstanding pursuant to the definition of beneficial ownership in the preceding paragraph, which includes shares which are not actually outstanding. These shares of common stock which are beneficially owned but not outstanding, are deemed to be outstanding when computing the percentage of ownership of each person or group of persons named above, but are not deemed to be outstanding for the purpose of computing the percentage ownership of any other person or group.

| Name and Address of Beneficial Owner ⁽¹⁾ | Common Stock | |
|--|------------------|-------------------|
| | Number of Shares | Percent of Shares |
| 5% Shareholders | | |
| BlackRock Institutional Trust Company, N.A. Park Avenue Plaza, 55 East 52 nd Street, New York, NY 10055 ⁽²⁾ | 1,310,874 | 9.13% |
| T. Rowe Price Associates, Inc. 100 East Pratt Street, Baltimore, MD 21202 ⁽²⁾⁽³⁾ | 1,042,815 | 7.26% |
| The Vanguard Group..... 100 Vanguard Boulevard, Malvern, PA 19355 ⁽²⁾ | 859,904 | 5.99% |
| Fidelity Management and Research Company 245 Summer Street V5D, Boston, MA 02210 ⁽²⁾ | 817,163 | 5.69% |
| Directors | | |
| Li Yu ⁽⁴⁾ | 761,547 | 5.28% |
| J. Richard Belliston | 17,507 | * |
| William C.Y. Cheng | 78,671 | * |
| Clark Hsu ⁽⁵⁾ | 85,128 | * |
| Chih-Wei Wu | 28,417 | * |
| Gary S. Nunnelly | 30,913 | * |
| Wayne Wu ⁽⁶⁾ | 23,780 | * |
| Kathleen Shane..... | 6,500 | * |
| Named Executive Officers | | |
| Wellington Chen | 21,048 | * |
| Edward Czajka | 29,804 | * |
| Nick Pi | 6,973 | * |
| Johnny Hsu | 7,621 | * |
| All directors and executive officers as a group (12 in number)..... | 1,097,909 | 7.61% |

* Less than 1 percent.

⁽¹⁾ The address for each of the persons below, other than BlackRock Institutional Trust Company N.A., T. Rowe Price Associates, Inc., The Vanguard Group and Fidelity Management and Research Company is c/o Preferred Bank, 601 S. Figueroa Street, 48th Floor, Los Angeles, California 90017.

⁽²⁾ Outstanding shares and percent of shares based on public filings for the period ended December 31, 2022.

⁽³⁾ These securities are owned by various individual and institutional investors which T. Rowe Price Associates, Inc. (Price Associates) serves as investment advisor with power to direct investments and/or sole power to vote the securities. For purposes of the reporting requirements of the Securities Exchange Act of 1934, Price Associates is deemed to be a beneficial owner of such securities; however, Price Associates expressly disclaims that it is, in fact, the beneficial owner of such securities.

⁽⁴⁾ Includes 362,047 shares for which Mr. Yu shares beneficial ownership with his wife and 75,400 shares held in the Yu Family Foundation.

⁽⁵⁾ Includes 65,883 shares held by various Trusts of which Mr. Hsu has voting influence.

⁽⁶⁾ Includes 10,477 shares held by Pacific Health Investment Inc. of which Mr. Wu retains voting authority.

PROPOSAL 1: ELECTION OF DIRECTORS

The eight persons named below have been nominated for election to serve for a term of one year, and until their successors are elected and have qualified. Votes will be cast pursuant to the enclosed proxy card in such a way as to effect the election of the Board of Directors’ eight nominees.

In the event that any of the nominees should be unable or unwilling to accept nomination for election as a Director, it is intended that the proxy holders will vote for the election of such substitute nominee(s), if any, as shall be designated by our Board of Directors. The Board of Directors has no reason to believe that any nominee will be unable or unwilling to serve if elected to office.

The following table sets forth the name and biographies of the persons nominated by our Board of Directors to serve as directors.

Name and Age

| | Year First Elected or Appointed | Principal Occupation, Business Experience and Qualifications |
|------------------------------|--|---|
| Li Yu (82) | 1991 | Mr. Yu has been our Chief Executive Officer since 1993, and was our President from 1993 to 2012. From December 1991 to the present, he has served as Chairman of our Board of Directors. From 1987 to 1991, he was the owner of several privately held companies. From 1982 to 1987, he served as Chairman of the Board of California Pacific National Bank, which became a part of Bank of America. Mr. Yu received his MBA from the University of California, Los Angeles. He was also the past President of the National Association of Chinese American Bankers, and is formerly a member of the Board of Visitors of UCLA’s Anderson Graduate School of Management. Under his leadership, the Bank has grown from a de novo bank with \$20 million in initial capital in 1991 to one of the larger independent commercial banks in California with \$6.4 billion in total assets. Mr. Yu brings to the Board of Directors extensive management experience, demonstrated leadership, prudent judgment, a strong connection to our client base, and a deep understanding of our history and the banking business. Mr. Yu serves on the Loan Committee. |
| J. Richard Belliston (78)... | 2003 | Mr. Belliston retired from MoneyLine Lending Services in 2007 where he had served as Vice Chairman and Chief Financial Officer since 2001. Previously he served as Chief Financial Officer and then Vice Chairman of Tokai Bank of California for 25 years. Mr. Belliston is a Certified Public Accountant (inactive) and a member of the American Institute of Certified Public Accountants. He received a Bachelor’s of Science degree from Brigham Young University. Mr. Belliston’s past positions as Chief Financial Officer, his background as a former Certified Public Accountant and other activities in accounting-related business associations, and his extensive experience in the financial services industry qualify him to serve as the chairman of our Audit Committee and as one of our Audit Committee financial experts. Mr. Belliston also serves on our Compensation Committee. |

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| Gary S. Nunnelly (74)..... | 1991 | <p>Mr. Nunnelly has been Chairman of American Thermoform Corporation, a company engaged in the import and manufacture of equipment and supplies for the visually impaired since 1985. He spent several years at Union Bank during the early stage of his career and he is one of our founding directors. Mr. Nunnelly received a Bachelor's of Science degree in accounting from the University of Southern California. Like Mr. Yu, Mr. Nunnelly has a long history with us as one of our founders and has contributed to our long term growth. He brings to the Board of Directors leadership gained through his executive experience and brings knowledge of the banking industry through his years at Union Bank. He also brings to the Board of Directors expertise in the area of accounting and serves on the Audit Committee. In addition to the Audit Committee, Mr. Nunnelly serves on the Nominating and Corporate Governance Committee, and chairs the Loan Committee.</p> |
| Clark Hsu (52) | 2005 | <p>Mr. Hsu serves as our Vice Chairman of the Board of Directors and has served in such role since his appointment in May of 2011. He has been the Chairman and CEO of Lotus Creek Investments, Inc. from 2007 until present. Lotus Creek provides venture and growth capital to companies in the technology sector. Prior to Lotus Creek Investments, from 1997 to 2007, Mr. Hsu was President of Microtek Lab, Inc., which specializes in the design, manufacture and distribution of digital imaging products for consumer and commercial applications. Mr. Hsu currently serves on the Board of Directors for Microtek International, Inc., a publicly traded company in Taiwan and the parent company of Microtek Lab, Inc. Mr. Hsu received a Bachelor's degree from the University of Pennsylvania in 1992 and an MBA from the UCLA Anderson School of Business in 1997. Mr. Hsu brings to the Board of Directors strong leadership skills gained from serving as the President of complex business enterprises and his extensive board experience. His experience with numerous small and growing businesses as a venture capital executive brings to the Board a unique perspective on a significant portion of our client base. His familiarity with matters related to cross-border transactions is also an asset to the Board given our trade-related business lending. Mr. Hsu serves as the chairman of the Nominating and Corporate Governance and chairman of the Compensation Committee and serves on the Loan Committee.</p> |
| Kathleen Shane (57) | 2019 | <p>Ms. Shane is the Executive Vice President and Divisional Chief Financial Officer of the Worldwide Theatrical Marketing & Distribution Finance division of Sony Pictures Entertainment. Ms. Shane has been with Sony Pictures since 1990, beginning as a Senior Auditor, and then promoted over the years to Vice President, Senior Vice President and eventually to her current position since 2011. She began her career in 1990 as a Staff Accountant at Pearson and Kho, an accounting firm in Pasadena, California. She earned her Bachelor of Arts in Economics/Accounting from Scripps College in Claremont, California and is a licensed Certified Public Accountant. She served, from 2010 to 2019 as Board Member, Treasurer and Co-Chair of the Finance Committee at the Curtis School in Los Angeles. Ms. Shane brings a wealth of business experience from her long tenure at Sony, in addition to that, her CPA designation qualifies her to serve as an Audit Committee financial expert. In addition, Ms. Shane serves on the Loan Committee as well as the Investment Committee..</p> |

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| William C.Y.Cheng (75)..... | 1995 | Mr. Cheng has been President of H&C Industries, Inc. since 1974. H&C Industries is engaged in the export, import and distribution of chemical products. Mr. Cheng received an MBA from the University of Southern California and a Master's degree in engineering systems from UCLA. Mr. Cheng brings to the Board of Directors long and extensive experience managing a complex enterprise. His familiarity with import-export transactions is an asset to the Board of Directors because a portion of our business is related to trade finance and his deep knowledge of international trading business and finance qualifies him to serve on our Loan Committee. Mr. Cheng chairs the Investment Committee and also serves as a member of the Audit Committee. |
| Chih-Wei Wu (62) | 2012 | Mr. Wu has more than 28 years of experience in the banking industry. He was the Chief Executive Officer of Credit Suisse (Taiwan) from September 2008 to November 2012, when he decided to retire. From 2007 to 2008, he was Executive Chairman of Standard Chartered Bank, Taiwan. From 1996 to 2007, he served as President and Chief Executive Officer of Hsinchu International Bank, then a publicly traded bank in Taiwan with more than \$15 billion in assets. Mr. Wu received a MBA Degree from California State University, Chico, and a Bachelor's Degree from Soochow University in Taiwan. Mr. Wu is one of Preferred Bank's founding shareholders. Mr. Wu brings to the board in-depth experience in the banking industry and knowledge of the Bank as an institution. Further, he brings high level executive and leadership experience. Mr. Wu serves on the Nominating and Corporate Governance Committee and the Investment Committee. |
| Wayne Wu (60)..... | 2013 | Mr. Wayne Wu has been actively involved in life sciences investment since 1998. He founded Pacific Health Investment Inc. in May 2005 as a follow-on investment fund after Pacific Republic Capital. Both Pacific Health Investment and Pacific Republic Capital invested heavily in the medical device industry. Throughout the years, Mr. Wu has served on a number of Boards. Mr. Wu was the Chairman of Accuray Incorporated (NASDAQ: ARAY) from 2004 to 2010. The Accuray Cyberknife system uses robotic radiosurgery to treat solid tumors throughout the body. Mr. Wu also served on the board of Aurora Imaging Technology Inc. from 1999 to 2004. Aurora Imaging has the only U.S. FDA approved dedicated breast MRI system. Currently, in addition to Preferred Bank, Mr. Wu serves on the board of three other U.S. companies: Spire, Inc., a market leader in continuous respiration-sensing and patient-friendly ambulatory monitoring; nRichDX, Inc., an emerging leader in the liquid biopsy sample prep market and WYL Sciences, Inc., which is developing a line of skin care products for the Asia market. Mr. Wu graduated from National Central University in Taiwan. He received his MS in Mathematics from University of Southern California. Mr. Wu's extensive experience in business operations, his Board-level experience at numerous companies as well as his considerable contacts in the Bank's primary market areas makes him a well-qualified candidate to serve on the Board. Mr. Wu serves on the Compensation Committee. |

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE “FOR” EACH OF THE ABOVE-NAMED NOMINEES

Executive Officers Biographical Information

Information regarding our executive officers as of April 3, 2023 is set forth below:

Wellington Chen – Mr. Chen was promoted to President in 2012 and has been our Chief Operating Officer since June of 2011. Prior to that, Mr. Chen served over seven years as Executive Vice President and Director of Corporate Banking for East West Bank where he oversaw a significant portion of the loan and deposit production activities of the bank. Prior to joining East West Bank in December 2003, Mr. Chen was Senior Executive Vice President of Far East National Bank (“Far East”), heading up their Commercial Banking Group, Consumer Banking Group, and Branch Channel. He also served on the Board of Directors of Far East. Mr. Chen’s career with Far East began in 1986 and included a variety of branch and credit management positions. Prior to that, Mr. Chen spent three years with Security Pacific National Bank where he completed the management training program and served as an asset based lending auditor. Mr. Chen received his Bachelors of Science degree in Business Finance from the University of Southern California and is a graduate of Pacific Coast Banking School at the University of Washington. Mr. Chen serves on the Board of Directors of the Grammy Museum.

Edward J. Czajka – Mr. Czajka has been our Senior Vice President and Chief Financial Officer since 2006 and was promoted to Executive Vice President in 2008. Before joining Preferred Bank, Mr. Czajka was Chief Financial Officer of Presidio Bank, a San Francisco-based bank that was then in organization. Prior to this, Mr. Czajka was Executive Vice President and Chief Financial Officer of North Valley Bancorp, a publicly-traded multi-bank holding company located in Redding, California. From 1994 through 2000, Mr. Czajka held the position of Vice President, Corporate Controller for Pacific Capital Bancorp in Santa Barbara, California. Mr. Czajka received his Bachelors of Science degree in Business Administration from Capella University and is a graduate of the Bank Administration Institute Graduate School of Banking at Vanderbilt University. Mr. Czajka currently serves as Treasurer of the Board of Directors of Inclusion Matters by Shane’s Inspiration®, a non-profit based in Sherman Oaks, California.

Nick Pi – Mr. Pi has been with the Bank since 2003 and has been our Executive Vice President Chief Credit Officer since June 2015. Before joining us, Mr. Pi was the Senior Vice President and Commercial Real Estate Lending Team Leader of Chinatrust Bank (U.S.A.) from 2000 to 2003. Prior to this, he held various corporate titles from Assistant Vice President to Senior Vice President at Chinatrust Bank (U.S.A.), mainly in the branch operation and lending fields from 1995 to 2000. His lending and credit experience also includes Grand Pacific Financing Corporation from 1989 to 1995, an affiliate of China Trust Group. Mr. Pi received a Bachelor of Arts degree in Business from National Taiwan University, Taiwan and a MBA degree from Emporia State University.

Johnny Hsu – Mr. Hsu has been our Executive Vice President and Deputy Chief Operating Officer since 2018. Mr. Hsu has been with the Bank since 1992 when he began his banking career in branch operations. Over the next 15 years, Mr. Hsu worked in various production and portfolio management positions both at various branches and eventually at the main office. Mr. Hsu became head of Commercial Real Estate Lending in 2007. As Deputy COO, Mr. Hsu oversees a significant portion of the loan and deposit production activities for the Bank as well as heads up various special projects for the Bank. Mr. Hsu received a Bachelor of Arts degree in Economics from the University of Southern California.

BOARD MATTERS

Our Board of Directors is committed to good business practices, transparency in financial reporting and the highest level of corporate governance. Our Board of Directors has appointed a Nominating and Corporate Governance Committee consisting entirely of independent directors.

Board Qualification and Selection Process

Our Nominating and Corporate Governance Committee reviews, evaluates, and proposes prospective candidates for our Board of Directors. The Nominating and Corporate Governance Committee recommends Director nominees for selection to our Board of Directors and the Board of Directors selects the nominees for election as directors. Each member of our Board of Directors should possess the highest personal and professional ethics and integrity and be devoted to representing our best interests and the best interests of our shareholders. The goal of the Nominating and Corporate Governance Committee is to maintain a strong and experienced Board of Directors by continually assessing the board members' business background, current responsibilities, level of independence, community involvement and expected period of time available for service. In evaluating Director nominees, the Nominating and Corporate Governance Committee considers a variety of factors, including the mix of skills, experience, contacts and other qualities. Other important factors to be considered by the Nominating and Corporate Governance Committee in the selection of nominees for Director include current knowledge and contacts in our industry and other industries relevant to our business, ability to work together as an effective group and ability to commit adequate time to serve as a director. In addition, the Nominating and Corporate Governance Committee is constantly assessing the Board of Directors to determine strengths in different areas such as financial, economic and financial institution expertise, public company board experience, marketing and community relations, regional representation, diversity, business management experience and real estate expertise.

The Nominating and Corporate Governance Committee conducts an annual assessment of the composition of the Board of Directors, and will advise the Board of Directors on any proposed changes or enhancements to board composition and structure. The Nominating and Corporate Governance Committee has the authority to retain a search firm to identify Director candidates.

Board Independence

The Board of Directors has determined that, with the exception of Mr. Li Yu, our Chairman and Chief Executive Officer, all of our current directors, including all of our incumbent directors standing for re-election, are "independent" within the meaning of the director independence standards set by the NASDAQ Stock Market and the FDIC, as currently in effect. Furthermore, the Board has determined that each of the current members of the Audit Committee, Compensation Committee, and Nominating and Corporate Governance Committee are "independent" within the meaning of such director independence standards. In making such determination, our Nominating and Corporate Governance Committee evaluated banking, commercial service, familial or other transactions involving each director or immediate family member and their related interests and the Bank, if any.

Consideration of Shareholder Nominees

The policy of the Nominating and Corporate Governance Committee is to consider properly submitted shareholder recommendations for candidates for membership on our Board of Directors. In evaluating potential nominees, the Nominating and Corporate Governance Committee will look at the same factors described under the heading "Board Qualification and Selection Process" above. Recommendations must be submitted in writing and should meet the requirements of Section 2.14 of our bylaws and should be submitted in writing to:

Chair, Nominating and Corporate Governance Committee
Preferred Bank
601 S. Figueroa Street, 48th Floor
Los Angeles, California 90017

The Nominating and Corporate Governance Committee will then screen potential candidates to determine if they meet the qualification criteria. For those candidates who meet the criteria, the committee will conduct a due diligence review of the candidates' qualifications and interview the candidate if he or she is not already known to the committee.

Our Board of Directors held twelve regular meetings during 2022. Each incumbent director attended at least 75% of the total number of Board of Directors meetings plus meetings of the standing committees on which that particular director served.

Executive Sessions

Executive sessions of non-management Directors are convened as considered necessary by the Board of Directors. The Board of Directors held three executive sessions in 2022.

Attendance at Annual Meetings

Although we do not have a formal policy regarding attendance of members of our Board of Directors at our Annual Meeting, we encourage all members to attend the Annual Meeting. Six of our Directors attended the 2022 Annual Meeting.

Communications with the Board

Individuals may communicate with our Board of Directors, including a committee of the Board of Directors or individual directors, by writing to the following address:

Preferred Bank
601 South Figueroa Street, 48th Floor
Los Angeles, California 90017
Attention: Corporate Secretary

All communications sent to the Board of Directors will be communicated to the entire Board of Directors unless the chairman of the Board of Directors reasonably believes communication with the entire Board of Directors is not appropriate or necessary or unless the communication is addressed solely to a specific committee or an individual director.

Code of Personal and Business Conduct

We expect all of our Directors, executive officers and employees to adhere to the highest standards of ethics and business conduct with each other, customers, shareholders and communities we serve and to comply with all applicable laws, rules and regulations that govern our business. These principles have long been embodied in our various policies relating to director, officer and employee conduct including such subjects as employment policies, conflicts of interest, professional conduct and protection of confidential information. While the Nominating and Corporate Governance Committee may consider a waiver for an executive officer or director, we do not expect to grant such waivers. The Code of Personal and Business Conduct is posted on our web site at www.preferredbank.com by clicking on “About Us”, “Investor Relations” and then on “Governance Documents” (document entitled “Code of Ethics”). Any change to or waiver of this code of conduct (other than technical, administrative and other non-substantive changes) is required to be reported on Form 8-K filed with the FDIC.

The Role of the Board of Directors

The Board of Directors oversees our business and monitors the performance of our management. In accordance with our corporate governance principles, the Board of Directors does not involve itself in day-to-day operations. The Directors keep themselves informed through, among other things, discussions with our Chief Executive Officer, Credit Operating Officer, Chief Financial Officer, Chief Credit Officer and our Deputy Chief Operating Officer and other key employees, and our principal outside advisers (legal counsel, independent registered public accountants, investment bankers and other consultants), by reading reports and other materials furnished by management and by participating in Board and committee meetings.

Our bylaws provide that the number of Directors shall be no less than eight (8) or more than eleven (11). Our bylaws further provide that the exact number of Directors shall be fixed from time to time, within the foregoing range, by a resolution duly adopted by our Board of Directors or by our shareholders. That exact number is set at nine (9), by a resolution duly adopted by our Board of Directors, prior to the resignation of Ms. Shirley Wang.

Board Diversity

| Board Diversity Matrix (As of March 31, 2023) | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Total Number of Directors | 8 | | | | | | | | |
| | <i>Li Yu</i> <i>Clark Hsu</i> <i>J. Richard Belliston</i> <i>William C.Y. Cheng</i> <i>Chih-Wei Wu</i> <i>Gary S. Nunnally</i> <i>Wayne Wu</i> <i>Kathleen Shane</i> | | | | | | | | |
| Part I: Gender Identity | | | | | | | | | |
| Male | x | x | x | x | x | x | x | x | |
| Female | | | | | | | | | x |
| Non-Binary | | | | | | | | | |
| Did Not Disclose Gender | | | | | | | | | |
| Part II: Demographic Background | | | | | | | | | |
| African American or Black | | | | | | | | | |
| Alaskan Native or Native American | | | | | | | | | |
| Asian | x | x | | x | x | | x | | |
| Hispanic or Latinx | | | | | | | | | |
| Native Hawaiian or Pacific Islander | | | | | | | | | |
| White | | | x | | | | x | | x |
| Two or More races or Ethnicities | | | | | | | | | |
| LGBTQ+ | | | | | | | | | |
| Did Not Disclose Demographic Background | | | | | | | | | |

Board Leadership Structure

Mr. Li Yu serves as both our Chairman of the Board and Chief Executive Officer. The Board does not have a policy regarding the separation of the roles of Chief Executive Officer and Chairman of the Board. The Board believes that combining the roles of Chairman and Chief Executive Officer is the appropriate leadership model for the Bank at this time, because it promotes unified leadership and direction for the Bank, fosters greater communication between the Bank’s management and the Board, and efficiently leverages Mr. Yu’s extensive knowledge of the Bank, its history and the banking industry. The Board believes it is in the best interest of the Bank to make the determination regarding the separation of Chairman and Chief Executive Officer positions based on the direction of the Bank and the membership composition of the Board. At this time, a unified role is consistent with the present direction of the Bank and composition of the Board. The Bank does not have a lead independent director at this time.

In addition, the designation of the CEO with the additional title as Chairman is important when dealing with overseas customers and dignitaries who are less familiar with the nuances of more recent trends in corporate governance in the United States and have the perception that they are not dealing with the senior decision maker of the Bank if they are not dealing with the Chairman. The Bank has extensive experience and dealings with persons from the Far East where this perception is prevalent.

Risk Oversight and the Board

The Board of Directors maintains active involvement and responsibility for oversight of risks that could affect the Bank. The Board satisfies its responsibility for risk oversight through written or oral reports directly from the Audit Committee and senior officers with oversight responsibility for particular risks within the Bank. Such reports include risk trends, results of strategic and capital plan monitoring, results of regulatory issue monitoring, and financial, credit and operational key risk indicators. Our risk management officers conduct periodic monitoring of compliance efforts with a special focus on those areas that expose the Bank to compliance risk. The purpose of the periodic monitoring is to ensure that the Bank’s staff is adhering to established policies and procedures. Other committees of the Board consider the risks within

their areas of responsibility. For example, the Compensation Committee of the Bank considers the risks that may be implicated by our executive compensation programs.

The Committees of the Board of Directors

Our Board of Directors may delegate portions of its responsibilities to committees of its members. These standing committees of our Board of Directors meet at regular intervals to attend to their particular areas of responsibility. Our Board of Directors has established five standing committees: an Audit Committee, a Compensation Committee, a Nominating and Corporate Governance Committee, a Loan Committee and an Investment Committee. The following is a brief description of each committee.

Audit Committee. Our Audit Committee is a standing committee appointed by our Board of Directors to oversee the processes of our accounting and financial reporting and our audits of financial statements.

The members of the Audit Committee are Messrs. Belliston (Chair), Nunnely, Cheng and Ms. Shane. The Board of Directors has determined that each of the members of the Audit Committee is (i) “independent” as defined under the standards of Rule 5605(a)(2) of the NASDAQ listing standards, (ii) meets the criteria for independence as set forth in Rule 10A-3(b)(1) of the Securities Exchange Act of 1934, as amended and as adopted by the FDIC (the “Exchange Act”), (iii) is independent under FDIC Regulation 363.5, (iv) has not participated in the preparation of our financial statements at any time during the past three years and (v) is able to read and understand fundamental financial statements. In addition, our Board of Directors has determined that both Mr. Belliston and Ms. Shane qualify as “Audit Committee financial experts,” as defined under SEC rules implementing Section 407 of the Sarbanes-Oxley Act, as such rules have been adopted by the FDIC.

The Audit Committee’s authorities and responsibilities are set forth in the Audit Committee charter, and include, but are not limited to:

- appointing, retaining, compensating and overseeing our independent registered public accounting firm;
- pre-approving all auditing services and permitted non-audit services to be performed for us by the independent registered public accounting firm;
- reviewing the independence of our independent registered public accounting firm;
- reviewing and approving all related party transactions;
- establishing procedures for the receipt, retention and treatment of complaints received by us regarding accounting, internal accounting controls and auditing matters and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters;
- reviewing with the independent registered public accounting firm and the internal auditor the adequacy of our system of internal controls;
- meeting with the independent registered public accounting firm to discuss the scope of the annual audit and the procedures to be followed;
- reviewing with the independent registered public accounting firm at the completion of the annual audit the results of the audit of our financial statements and their report issued in connection with the audit; and
- providing us with the report of the Audit Committee with respect to the audited financial statements required to be included in our annual proxy materials under the federal securities laws.

The Audit Committee met ten times in 2022, held three executive sessions, and held four conference calls. The charter of the Audit Committee is available through our website at www.preferredbank.com by clicking on “Investor Relations” and then on “Governance Documents.”

Audit Committee Report

The Audit Committee Report is not deemed to be “soliciting material” or to be “filed” with the FDIC or subject to the FDIC’s proxy rules or the liabilities of Section 18 of the Exchange Act and the report shall not be deemed to be

incorporated by reference into any prior or subsequent filing by us under the Exchange Act, except to the extent we specifically incorporate the information contained in the report by reference therein.

The Audit Committee operates pursuant to a written charter revised and last approved by our Board of Directors on October 18, 2022. A copy of the Audit Committee charter is available through our website at www.preferredbank.com by clicking on “About Us”, “Investor Relations” and then on “Governance Documents.” The Audit Committee is responsible for overseeing the processes of our accounting and financial reporting and our audits of financial statements, both independent and internal.

Management is responsible for the financial reporting process, including the system of internal controls, and for the preparation of financial statements in accordance with generally accepted accounting principles. The Bank’s independent registered public accounting firm is responsible for auditing those financial statements. The Audit Committee’s responsibility is to monitor and review these processes. The Audit Committee relies, without independent verification, on the information provided to it and on the representations made by management, the internal auditors and the independent registered public accountants, and other consultants that the Audit Committee has retained.

In discharging its oversight responsibility, the Audit Committee has reviewed and discussed the audited financial statements and has met and held discussions with management and Crowe LLP, the independent registered public accountants for the Bank for the year ended December 31, 2022. Management represented to the Audit Committee that all financial statements were prepared in accordance with generally accepted accounting principles, and the Audit Committee has reviewed and discussed the financial statements with management and the independent registered public accountants. The Audit Committee discussed with the independent registered public accountants matters required to be discussed by the Public Company Accounting Oversight Board (PCAOB) in Auditing Standard No. 1301, *Communications with Audit Committees*.

The Audit Committee also obtained from the independent registered public accountants a formal written statement describing all relationships between the Bank and the accountants that bear on the accountants’ independence consistent with requirements of the PCAOB. The Audit Committee discussed with the independent registered public accountants any relationships that may impact the firm’s objectivity and independence and satisfied itself as to the accountants’ independence.

Based on these discussions and reviews, the Audit Committee recommended that the Board of Directors approve the inclusion of the Bank’s audited financial statements in its Annual Report on Form 10-K for the fiscal year ended December 31, 2022, for filing with the FDIC.

Respectfully submitted by the members of the Audit Committee:

J. Richard Belliston, Chairman
Gary S. Nunnelly
Kathleen Shane
William C. Y. Cheng

Dated: April 3, 2023

Compensation Committee. Our Compensation Committee is a standing committee appointed by our Board of Directors to oversee our compensation and employee benefit plans and practices, including our executive compensation plans and our incentive-compensation and equity-based plans.

The members of our Compensation Committee are Messrs. Hsu (Chair), Belliston, and Wayne Wu. Each member is an “independent director,” as defined by the applicable rules and regulations of the NASDAQ, and meets the applicable standards of independence prescribed for purposes of federal securities, tax and other laws relating to the Compensation Committee’s duties and responsibilities.

The Compensation Committee’s authorities and responsibilities are set forth in the Compensation Committee charter, and include, but are not limited to:

- annually evaluating the performance of our Chief Executive Officer and setting our Chief Executive Officer’s compensation level based on the evaluation;

- determining the appropriate level of compensation for our other executive officers;
- reviewing all incentive-compensation and equity-based plans and adopting or amending, or recommending that our Board of Directors adopt or amend, such plans as the Compensation Committee deems appropriate;
- annually evaluating the appropriate level of compensation for service by non-employee members of our Board of Directors and, based upon such evaluation, recommending to the Board of Directors the level of compensation that the Compensation Committee deems appropriate; and
- producing the annual report on executive compensation required to be included in our annual proxy materials under the federal securities laws.

Our Compensation Committee met four times during 2022. A copy of the charter of our Compensation Committee is available on our website at www.preferredbank.com by clicking on “Investor Relations” and then on “Governance Documents.”

Nominating and Corporate Governance Committee. The members of our Nominating and Corporate Governance Committee are Mr. Clark Hsu (Chair), Gary Nunnelly and Chih-Wei Wu. Each member is an “independent director,” as defined by the applicable rules and regulation of the NASDAQ. Our Nominating and Corporate Governance Committee is a standing committee appointed by our Board of Directors to assist our Board of Directors in promoting the best interests of the Bank and our shareholders through the implementation of sound corporate governance principles and practices. The committee seeks to accomplish this goal by, among other things:

- assisting our Board of Directors in identifying individuals qualified to become Board of Directors members;
- recommending to our Board of Directors the Director nominees for the next Annual Meeting;
- reviewing the qualifications and independence of the members of our Board of Directors and its various committees;
- recommending to our Board of Directors corporate governance guidelines and monitoring and reassessing those corporate governance guidelines;
- overseeing and reviewing our process for providing information to our Board of Directors; and
- developing and monitoring the orientation process for new Directors and the continuing education for existing Directors.

Our Nominating and Corporate Governance Committee held one meeting during 2022. A copy of the charter of the Nominating and Corporate Governance Committee is available on our website at www.preferredbank.com by clicking on “About Us”, “Investor Relations” and then on “Governance Documents.”

Loan Committee. Our Loan Committee is appointed to approve our loan policies and loan underwriting standards and all significant other real estate owned transactions. Our Loan Committee also has approval authority up to our legal lending limit, which was approximately \$218.0 million for secured loans and \$130.8 million for unsecured loans at December 31, 2022, and also reviews all loan commitments granted in excess of \$1 million on a quarterly basis for the preceding quarter. The Committee also has responsibility to approve all real estate-secured loans in excess of \$15 million and all unsecured loans over \$11 million. The members of the Loan Committee are Messrs. Nunnelly (Chair), Cheng, Hsu, Ms. Kathleen Shane and Li Yu. Our Loan Committee held eleven meetings during 2022.

Investment Committee. Our Investment Committee is appointed to adopt and maintain policies regarding our investment portfolio and to monitor the interest rates and credit risks of our investments. In addition, the Investment Committee is appointed to oversee, adopt and maintain policies regarding asset/liability management and interest rate risk. The members of the Investment Committee are Messrs. Cheng (Chair), Chi-Wei Wu and Ms. Kathleen Shane. Our Investment Committee held ten meetings during 2022.

Compensation Committee Interlocks and Insider Participation

The members of our Compensation Committee are Messrs. Hsu (Chair), Belliston, and Wayne Wu. None of the voting members of the Compensation Committee is an executive officer. None of our executive officers serves as a member of the Board of Directors or Compensation Committee of any other company that has one or more executive officers serving as a member of our Board of Directors or Compensation Committee.

Related Party Transactions

The SEC, whose rules are applicable to us as a result of their adoption and enforcement by the FDIC, requires public companies to report certain related party transactions in their public reports and also requires public companies to describe their policies and procedures relating to the review, approval or ratification of related party transactions. Historically, our practices and procedures to monitor and disclose related party transactions have included 1) the adoption of a policy requiring prior approval of loans to directors, officers and their immediate families in accordance with the requirements of Regulation O, and 2) the adoption of a code of Professional and Business Conduct which govern potential conflicts of interest. All loans to directors and our principal shareholders and their related interests are to be negotiated by the Chief Credit Officer and approved in advance by a majority of our entire Board of Directors and any interested parties are to abstain from participating directly or indirectly in the voting. The Director affected will also excuse himself during deliberations regarding the loan.

There are no existing or proposed material transactions between us and any of our executive officers, directors, or beneficial owners of 5% or more of our common stock, or the immediate family members or associates of any of the foregoing persons, except for the customer transactions discussed below.

Some of our Directors and executive officers and their immediate families, as well as the companies with which such Directors and executive officers are associated, are customers of, and have had banking transactions with us in the ordinary course of business. We anticipate having such banking transactions with such persons in the future. In the opinion of our management, all loans and commitments to lend in such transactions were made in compliance with applicable laws on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons of similar creditworthiness and did not involve more than a normal risk of collectability or present other unfavorable features. As of December 31, 2022, the aggregate principal outstanding amount of loans and other extensions of credit to all of our Directors, executive officers and principal shareholders (that is, those persons who own, control, or have power to vote more than 10% of any class of voting securities), including immediate family members and associated companies, was \$2,618,265, constituting less than 1% of our total equity capital at that date. The loans outstanding are a real estate loan secured by an industrial property (\$996,683), a revolving commercial line of credit secured by business property (\$150,000) and a commercial term loan of \$1.5 million. The real estate loan is made to the son of Gary Nunnally, one of our directors and the commercial loan is to a company previously owned by Mr. Nunnally. All terms and conditions, including interest rates and collateral, as those prevailing at the time for comparable loans for persons not related to the Bank, were similar to any other loan made to any other Bank customer of similar creditworthiness in the ordinary course of business, and did not involve more than normal risk of collection or present other unfavorable features. Details of the loans are below;

| Loan | Balance, 12/31/22 | Interest Rate | High Balance, During 2022 | Interest Paid, 2022 | Principal Paid, 2022 |
|----------------|----------------------|---------------|---------------------------|------------------------|-------------------------|
| R/E Loan | \$ 996,683 | 8.25% | \$ 1,052,132 | \$ 58,878 | \$ 55,449 |
| Commercial | \$ 150,000 | 8.50% | \$ 150,000 | \$ 7,987 | \$ - |
| Commercial LOC | \$ 1,471,582 | 8.50% | \$ 1,500,000 | \$ 45,732 | \$ 29,418 |

Compensation of Directors

All non-employee directors receive an annual fee of \$45,000 and \$1,000 for each Board of Directors meeting attended in person and \$500 if attended by phone. In addition, the Chair of the Audit Committee receives an annual fee of \$20,000, while the other members of the Audit Committee receive \$14,000. The Chair of the Compensation Committee receives an additional \$10,000 annual fee, while the other members of the Compensation Committee receive \$9,000. The Chair of the Loan Committee receives an additional \$16,000 annual fee, while the other members of the Loan Committee receive \$10,000. In addition, each member of the Loan Committee, Compensation Committee, Investment Committee and Audit Committee receives \$500 for each committee meeting they attend if it is held on a day other than a day of a regular meeting of the Board of Directors. Directors are also eligible to participate in our 2014 Equity Incentive Plan and previously were eligible to participate in our 2004 Equity Incentive Plan. On May 17, 2022, 1,300 fully vested stock awards were granted to each non-employee Director under the 2014 Equity Incentive Plan

The following table summarizes the compensation paid to our non-employee directors during 2022. Compensation paid to Mr. Li Yu is set forth in the Summary Compensation Table.

2022 Director Compensation

| Name | Fees Earned or Paid in Cash ⁽¹⁾ | Stock Awards ⁽²⁾ | Total Compensation |
|----------------------|--|-----------------------------|--------------------|
| J. Richard Belliston | \$81,833 | \$88,790 | \$170,623 |
| William C. Y. Cheng | \$71,333 | \$88,790 | \$160,123 |
| Clark Hsu | \$70,667 | \$88,790 | \$159,457 |
| Gary S. Nunnelly | \$76,667 | \$88,790 | \$165,457 |
| Kathleen Shane | \$68,333 | \$88,790 | \$157,123 |
| Chih-Wei Wu | \$48,833 | \$88,790 | \$137,623 |
| Shirley Wang | \$15,833 | \$ - | \$ 15,833 |
| Wayne Wu | \$61,000 | \$88,790 | \$149,790 |

(1) Each director received an annual fee which was set at \$45,000 for 2022. Fees in excess of the annual fee represent fees for meeting attendance and compensation for committee chairmanships.

(2) Stock award value based on the market value of the stock at grant date

(3) Ms. Shirley Wang resigned on May 17, 2022

Dated: April 3, 2023

COMPENSATION DISCUSSION AND ANALYSIS

Introduction

This Compensation Discussion and Analysis (“CD&A”) reviews the objectives and elements of the Bank’s executive compensation program and discusses the 2022 compensation earned by our named executive officers (“NEOs”) listed below. It also explains the actions the Compensation Committee of the Board (the “Compensation Committee”) took to help ensure that the ongoing executive compensation program is aligned with shareholder interests and the Bank’s business strategy.

| Name | Principal Position |
|-----------------|--|
| Li Yu | Chairman and Chief Executive Officer |
| Wellington Chen | President and Chief Operating Officer |
| Edward Czajka | Executive Vice President and Chief Financial Officer |
| Nick Pi | Executive Vice President and Chief Credit Officer |
| Johnny Hsu | Executive Vice President, Deputy Chief Operating Officer |

Executive Summary

Where We Are Today

Preferred Bank is a high-performing community banking franchise with a long, successful track record of strong financial performance and a senior leadership team with deep ties to the Chinese American and mainstream banking communities. A highly-engaged senior leadership team with the ability to execute our distinctive business model, which is focused on both ethnic Chinese and mainstream markets, has always been critical to our business. As such, our executive compensation program is designed to attract and retain the highest-level performers in our industry who can drive long-term,

top-level performance. At the same time, the program is intended to foster management stability and support our leadership succession plans.

The strength of our senior leadership team is demonstrated through our performance results. We have ample liquidity and strong capital. Additionally, we actively and purposefully manage the asset/liability sensitivity of our balance sheet in order to be able to react to changes in interest rates and market conditions. This, coupled with a highly disciplined approach to managing expenses, resulted in strong net interest margin expansion in 2022 resulting in another consecutive record year of record earnings. In addition, the Bank's credit culture and underwriting practices are strong, evidenced by continuing significant improvement in the Bank's credit metrics despite uncertain economic and market conditions created by multiple factors from the unprecedented interest rate hikes over the course of 2022 to high inflation to the war in Ukraine. Against this backdrop of uncertainty, we continued to deliver profitable metrics that are clearly superior to our peers.

Our executive compensation program has always been designed to keep our senior leadership team stable and focused on the financial and strategic performance drivers that have been integral to our continued success. Our NEO's continued to work as a cohesive team and this represents a stable center of operations which was important not only to achieving the Bank's goals, but also in encouraging the return to a work-from-office environment. Put differently, our NEO's set the example for all of the Bank's personnel with their commitment to the Bank and to its long term success.

2022 Performance Highlights

Financial & Strategic Achievements

The Bank experienced yet another strong year of financial performance and organic growth in 2022. The table below sets forth the growth and key financial metrics over the past five years.

| Fiscal Year | Diluted Earnings per Share | Net Income (\$000's) | Book Value per Share | Total Assets (\$000's) | Return on Average Assets | Return on Equity | Efficiency Ratio |
|--------------------|-----------------------------------|-----------------------------|-----------------------------|-------------------------------|---------------------------------|-------------------------|-------------------------|
| 2022 | \$ 8.70 | \$ 128,845 | \$ 43.75 | \$ 6,421,886 | 2.08% | 21.96% | 27.48% |
| 2021 | \$ 6.41 | \$ 95,240 | \$ 39.76 | \$ 6,044,917 | 1.74% | 18.13% | 31.40% |
| 2020 | \$ 4.65 | \$ 69,468 | \$ 35.01 | \$ 5,141,360 | 1.41% | 14.78% | 31.83% |
| 2019 | \$ 5.16 | \$ 78,371 | \$ 31.47 | \$ 4,628,481 | 1.82% | 17.43% | 33.26% |
| 2018 | \$ 4.64 | \$ 70,993 | \$ 27.07 | \$ 4,216,435 | 1.84% | 18.22% | 33.49% |

With the COVID-19 pandemic and the associated disruption of the local economies largely in the rear-view mirror, the Bank's earnings accelerated in 2022. This was due to growth in the Bank's loan portfolio as well as the rising interest rate environment. The Bank recorded net income of \$128.8 million, or \$8.70 per share for 2022, an increase of \$33.6 million, or 35.3% over net income recorded for 2021. For two years in a row now, the Bank has posted earnings gains of over 30% annually. The Bank's net interest income grew from 2.54% in 2021 to 4.08% in 2022, an increase of 154 basis points or 161%. Total loans grew by 14.7% while deposits grew by 6.3% in 2022. In addition, the Bank recorded another consecutive year of posting its lowest efficiency ratio in over five years; coming in at 27.5% for the year and a quarterly record of 26.0% the fourth quarter of 2022. Pre-tax, pre-provision income (PTPP) was \$186.5 million, a record for the Bank, again, its third year in a row for a record PTPP level.

These results were achieved partly because management attempts to keep the Bank's balance sheet somewhat asset sensitive; that is, when interest rates go up, the Bank earnings a higher level of net interest income as interest-earning assets reprice faster than asset sensitive liabilities. This strategy proved to be especially effective as the Federal Reserve Open Market Committee ("FOMC") raised short term rates by 450 basis points over the course of 2022. The Bank has now had 37 consecutive profitable quarters and has quadrupled in size over the last decade. During this period of asset and earnings growth, the Bank has also been highly effective in controlling overhead, maintaining one of the lowest efficiency ratios in the industry. Other significant highlights of 2022 include the following:

- Recorded its highest annual pre-tax, pre-provision income in the Bank's corporate history
- Continued to be one of the most efficient banks in the U.S., with our efficiency ratio further improving to 27.5%
- Achieved total loan growth of 14.7% and total deposit growth of 6.3%
- Grew tangible book value of shares by over 9% in a year when most banks saw theirs shrink
- Return on equity of 21.96% and return on assets of 2.08%
- Continued to have excellent credit quality, with a NPA/total asset ratio of 0.43%, compared to 0.25% in 2021

2022 Say on Pay / Shareholder Engagement

Each year, we carefully consider the results of our shareholder say-on-pay vote from the preceding year. We also take into account the feedback we receive from our major shareholders. In 2022, approximately 99% of the votes cast supported our executive compensation decisions. Based on this high level of support, we did not make substantive changes to the structure of our program. We will continue to keep an open dialogue with our shareholders to help ensure that we have a regular pulse on investor perspectives.

Compensation Governance Practices

Our executive compensation program includes the following practices and policies, which promote sound compensation governance and are in the best interests of our shareholders:

| <u>What We Do</u> | <u>What We Don't Do</u> |
|--|--|
| ✓ Heavy emphasis on variable compensation | × No “single trigger” change-in-control payments |
| ✓ 50% of CEO target long-term incentives are performance-based | × No severance payments exceeding 1.5x total cash compensation |
| ✓ Incentive Repayment (Clawback) Policy | × No option backdating or repricing |
| ✓ Modest change-in-control benefits | × No tax gross ups |
| ✓ Annual risk assessments | × No excessive perquisites |

Overview of Our Program

Compensation Philosophy and Objectives. The changes we have made to our executive compensation program were carefully developed to incorporate the information that we gathered and analyzed from investor feedback and conversations, the result of our say on pay vote, proxy advisory firms, an independent consultant, management and our full Board. The philosophy underlying our program, however, has been consistent over the years — to attract, motivate and retain the best leaders in our industry to ensure we execute on our business strategy, promote both short-and long-term growth of the Bank in a safe and sound manner, and create long-term shareholder value, all grounded in the following guiding principles:

| | |
|---------------------------------|--|
| Pay for Performance | A significant portion of an executive’s total compensation should be variable and dependent upon the attainment of certain specific and measurable annual and long-term business performance goals. |
| Shareholder Alignment | Executives should be compensated through pay elements (base salaries, annual- and long-term incentives) designed to create long-term value for our shareholders, as well as foster a culture of ownership. |
| Attraction and Retention | The executive compensation program should enable the Bank to attract highly-talented people with exceptional leadership capabilities and retain high-caliber talent. |

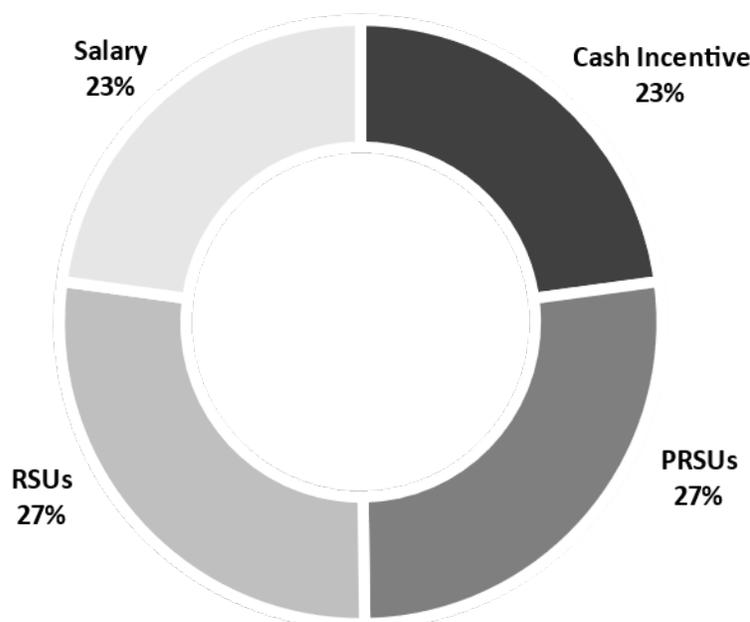
Compensation Mix. Our compensation philosophy is supported by the following principal pay elements:

| Pay Element | How Its Paid | Purpose |
|------------------------|---------------------|---|
| Base Salary | Cash (Fixed) | Reflects each NEO’s position, experience, individual performance, and expertise. Salary levels are set with the intention to attract, retain, motivate, and reward quality executives in the competitive banking marketplace. |
| Annual Cash Incentives | Cash (Variable) | Focuses NEOs on achieving short-term financial and strategic goals that drive long-term shareholder value. |

| | | |
|-----------------------------|-------------------|--|
| Long-Term Equity Incentives | Equity (Variable) | Provides incentives for NEOs to execute on longer-term financial goals that drive shareholder value creation and support the Company's goals |
|-----------------------------|-------------------|--|

CEO Target Compensation Mix: Our executive compensation program emphasizes variable pay that aligns compensation with performance and shareholder value. For our CEO, the mix of compensation elements is heavily weighted toward variable, performance-based compensation with a balanced focus on growth and profitability. The CEO's compensation has a greater emphasis on variable compensation than that of the other NEOs because his actions have a greater influence on the performance of the Company as a whole. As shown here, the significant majority (75%) of CEO pay is variable based upon annual target total direct compensation.

2022 CEO Target Pay Mix



Our Approach to Incentive Awards. Our cash and equity incentives for our CEO place a focus on attaining pre-established performance goals. The Compensation Committee chose metrics, both financial and strategic, to measure performance and ensure that pay is fully aligned with performance. Each year, the financial performance metrics upon which our NEOs' performance-based incentive awards are directly linked to the key drivers of our business and goals are set at appropriately challenging levels. The strategic goals approved by the Compensation Committee at the beginning of each year are directly related to our business and ensure that the highest priorities are identified, monitored and measured. All the financial and strategic goals are thoughtfully developed to complement each other — creating a holistic program that aligns our business strategy with the interests of our shareholders.

Decision-Making Process

Role of the Compensation Committee

Our Compensation Committee is a standing committee appointed by our Board of Directors to oversee our compensation and employee benefit plans and practices, including our executive compensation plans and our incentive-

compensation and equity-based plans. The Compensation Committee’s authorities and responsibilities are set forth above under “BOARD MATTERS – The Committees of the Board.”

The goal of the Compensation Committee is to ensure that the links between our executive compensation program and our business goals are responsible, appropriate and strongly aligned with long-term shareholder interests, and that the Bank’s compensation is competitive in the markets in which we compete for talent. The Committee annually determines the compensation levels of our NEOs by considering several factors, which include, but are not limited to:

- The latest available competitive compensation data for similar jobs and responsibilities in our local marketplace;
- The limited pool of qualified and available talent locally and the need to keep our leadership team stable;
- The Bank’s performance against internal financial measurements, as well as against our industry competitors;
- The NEO’s performance in executing our strategic initiatives; and
- Macro and local economic conditions.

Preferred Bank is a rapidly growing organization in a highly-competitive market for top management talent. We are continuously looking for individuals with the ability to thrive in a high-performance corporate environment, and the banking experience necessary, to help the Bank grow and achieve its strategic goals. The difficulty of attracting and retaining such highly qualified personnel in the markets where we operate has been a significant factor in how we determine compensation and we expect that it will continue to be a significant factor moving forward.

Role of Management

Members of our management team attend regular meetings where executive compensation, Company and individual performance, and competitive compensation levels and practices are discussed and evaluated. Only the Compensation Committee members can vote on decisions regarding NEO compensation. The CEO reviews the Committee’s recommendations pertaining to other executives (non-NEO) pay with the Compensation Committee providing transparency and oversight. Decisions on non-NEO pay are made by the CEO. The CEO does not participate in the deliberations of the Compensation Committee regarding his own compensation. Independent members of the Board make all final determinations regarding CEO compensation.

Role of the Compensation Consultant

From time to time, our Compensation Committee seeks advice from outside experts in the executive compensation field to provide input on both Board of Director compensation and executive compensation issues. In 2022, the Committee engaged Pearl Meyer & Partners, LLC (“Pearl Meyer”) for general assistance in executive compensation matters. In accordance with NASDAQ listing standards, the Committee took appropriate actions to consider the independence of Pearl Meyer.

The Role of Benchmarking and Peer Groups

We compete for executive-level banking talent in a niche market, which includes regional commercial banking organizations and other banks with a presence in the Chinese-American market. Given the uniqueness of our business, in terms of our focus on ethnic Chinese and mainstream markets and the high-performance expectations we place on our senior leaders, we believe that it is critical to evaluate our pay programs relative to our direct industry peers, as opposed to a generic group of similarly-sized financial services companies whose businesses may differ from ours.

The Compensation Committee compares our executive compensation program to a group of companies that are comparable in terms of industry, size and geography. The overall purpose of this peer group is to provide a market frame of reference for evaluating our compensation arrangements (current or proposed) and performance results, understanding compensation trends among comparable companies and reviewing other compensation and governance-related topics that may arise during the year to ensure that the features of the Bank’s executive compensation program are appropriately aligned with market-best practices.

For 2022, the Compensation Committee reviewed publicly-available information about the following companies using sources, such as filings with the SEC, reports filed with banking regulatory agencies, press releases, and similar publicly-available information: Banc of California, Banner Corporation, Bank of Marin Bancorp, CVB Financial Corp., First

Foundation, Inc., Heritage Commerce Corp., Heritage Financial Corporation, Pacific Premier Bancorp, Royal Business Bank, Westamerica Bancorporation and Sierra Bancorp.

The Compensation Committee chose to include these commercial banks in the peer group given that these companies were, on balance, of similar size and scope as the Bank (assets, revenue and market capitalization between 0.5x and 3.0x the Company), operate in similar geographic areas, and compete with the Bank for business and talent. It is important to note that the Compensation Committee does not rely exclusively on comparative data from the peer group when setting compensation for our NEOs. While peer group information can help identify general trends in executive compensation practices and overall executive compensation, the Compensation Committee recognizes there can be meaningful differences between the Bank and its peer banks. In addition to peer group data, the Compensation Committee also considers many other factors such as individual and company performance, position and associated responsibilities, retention and stability of the executive management team, tenure, and succession considerations.

2022 Executive Compensation Decisions in Detail

Base Salary

As described in the previous section of this CD&A, the Compensation Committee believes that base salaries must be market-competitive to ensure the Bank's ability to attract and retain top quality talent, but that increases in this fixed component of pay should be handled in a measured fashion. Increases above a normal merit level are considered in certain circumstances, such as promotion, additional or changed responsibilities, recognition of increased value associated with professional growth and leadership that brings additional value to the Bank, or in response to changes in market value for a given executive role. Effective March 1, 2022, the Committee approved base salary increases to each of the NEOs. The adjustments were to ensure we continue to provide appropriate salary levels as we compete for executive-level banking talent in a niche market.

| NEO | 2021 Salary | 2022 Salary | Percentage Increase |
|-----------------|--------------------|--------------------|----------------------------|
| Li Yu | \$950,000 | \$960,000 | 1.1% |
| Wellington Chen | \$560,000 | \$600,000 | 7.1% |
| Edward Czajka | \$385,000 | \$411,000 | 6.8% |
| Nick Pi | \$344,000 | \$369,600 | 7.4% |
| Johnny Hsu | \$269,000 | \$300,000 | 11.5% |

Annual Cash Incentives

The 2022 annual cash incentives provided our NEOs the opportunity to earn a performance-based annual cash incentive award. Actual award payouts depend on the achievement of pre-established performance objectives and can range from 0% to 150%. Annual cash incentives reward both the achievement of short-term financial goals, as well as the execution of activities to advance our strategic priorities. The Compensation Committee determined that for 2022, all the NEOs would be assessed against the same Corporate strategic goals as the CEO, to keep a continued strong and unified focus on the key criteria driving the Bank's success.

Target annual cash incentive award opportunities were expressed as a percentage of base salary, were established according to the NEO's level of responsibility and his or her ability to impact overall results, and to help ensure that actual payouts are appropriately aligned with our performance. The annual cash incentives are subject to payout limits, with annual cash incentive awards being capped at 150% of target.

Below is a summary of the annual cash incentives structure, including metrics and weightings for each of the NEOs for fiscal 2022:

| Mr. Yu, Chairman and CEO | |
|---|--|
| Target Annual Cash Incentive (as a % of Base Salary): 100% | |
| Target Annual Award Opportunity (as a \$ Amount): \$960,000 | |
| Performance Goals | Weighting |
| Financial Achievement Goals | 75% of Total Annual Incentive Award |
| Diluted Earnings Per Share (“DEPS”) | 70% |
| Loan Growth(Ex-PPP) | 15% |
| Deposit Growth | 15% |
| Corporate Strategic Goals | 25% of Total Annual Incentive Award |
| Compliance/BSA | 30% |
| Credit Quality | 40% |
| Organizational Development | 20% |
| Efficiency/Cost Control | 10% |

| Mr. Chen, President and COO | |
|---|--|
| Target Annual Cash Incentive (as a % of Base Salary): 80% | |
| Target Annual Award Opportunity (as a \$ Amount): \$480,000 | |
| Performance Goals | Weighting |
| Financial Achievement Goals | 50% of Total Annual Incentive Award |
| Diluted EPS | 70% |
| Loan Growth (Ex-PPP) | 15% |
| Deposit Growth | 15% |
| Corporate Strategic Goals | 50% of Total Annual Incentive Award |
| Compliance/BSA | 30% |
| Credit Quality | 40% |
| Organizational Development | 20% |
| Efficiency/Cost Control | 10% |

| Mr. Czajka, Executive Vice President and CFO | |
|---|--|
| Target Annual Cash Incentive (as a % of Base Salary): 70% | |
| Target Annual Award Opportunity (as a \$ Amount): \$287,700 | |
| Performance Goals | Weighting |
| Financial Achievement Goals | 50% of Total Annual Incentive Award |
| Diluted EPS | 70% |
| Loan Growth (Ex-PPP) | 15% |
| Deposit Growth | 15% |
| Corporate Strategic Goals | 50% of Total Annual Incentive Award |
| Compliance/BSA | 20% |
| Credit Quality | 20% |
| Organizational Development | 20% |
| Efficiency/Cost Control | 40% |

| Mr. Pi, Executive Vice President and CCO | |
|---|---|
| Target Annual Cash Incentive (as a % of Base Salary): 70% | |
| Target Annual Award Opportunity (as a \$ Amount): \$258,721 | |
| Performance Goals | Weighting |
| Financial Achievement Goals | 40% of Total Annual Incentive Award |
| Diluted EPS | 70% |
| Loan Growth (Ex-PPP) | 15% |
| Deposit Growth | 15% |
| Corporate Strategic Goals | 60 % of Total Annual Incentive Award |

| | |
|----------------------------|-----|
| Compliance/BSA | 20% |
| Credit Quality | 50% |
| Organizational Development | 20% |
| Efficiency/Cost Control | 10% |

| Mr. Hsu, Executive Vice President and Deputy COO | |
|---|---|
| Target Annual Cash Incentive (as a % of Base Salary): 70% | |
| Target Annual Award Opportunity (as a \$ Amount): \$210,000 | |
| Performance Goals | Weighting |
| Financial Achievement Goals | 40% of Total Annual Incentive Award |
| Diluted EPS | 70% |
| Loan Growth (Ex-PPP) | 15% |
| Deposit Growth | 15% |
| Corporate Strategic Goals | 60 % of Total Annual Incentive Award |
| Compliance/BSA | 30% |
| Credit Quality | 40% |
| Organizational Development | 20% |
| Efficiency/Cost Control | 10% |

The Compensation Committee, at its discretion, reserves the right to adjust downward any award payments proposed for a NEO. Amounts paid are also subject to our Clawback Policy (see page 31 of this CD&A).

2022 Financial Goals and Results. The financial portion of an NEO’s annual cash incentive award is tied to the achievement of certain financial metrics. For 2022, as outlined above, those metrics include the Bank’s diluted EPS, loan growth and deposit growth.

Target performance levels for 2022 were determined by the Compensation Committee in the context of the uncertainty surrounding changes in economic and market conditions due to geopolitical risks, inflationary pressures and interest rate levels. Target diluted EPS was set at \$6.80, which represents a 6% increase over 2021 diluted EPS. This was a challenging goal given the uncertainty created by higher inflation, higher interest rates and the possibility of an economic slowdown during the latter half of 2022. Target loan growth of 10.0% and target deposit growth of 8.5% were also appropriately challenging goals given the need to manage credit quality in a changing and uncertain business environment, continued competition among banks for quality loans, and higher competition for deposits given the forecast for higher interest rates. Performance below or above target results in an award ranging from 0% to a maximum of 150% of target. The strategic achievements are evaluated based upon demonstrated performance against the pre-determined objectives with a maximum payout of 150% of target. The table below outlines the financial goals and actual results for 2022:

| Metric | Weight | Level of Performance | | | 2022 Actual Results | Payout Achievement (as a % of Target) |
|----------------------|--------|----------------------|---------------|----------------|---------------------|---------------------------------------|
| | | Threshold (50%) | Target (100%) | Maximum (150%) | | |
| DEPS | 70% | \$6.43 | \$6.80 | \$7.30 | \$8.70 | 150.0% |
| Loan Growth (Ex-PPP) | 15% | 6.5% | 10.0% | 13.0% | 15.7% | 150.0% |
| Deposit Growth | 15% | 5.0% | 8.5% | 11.0% | 6.3% | 63.8% |

Based on these financial performance results, the portion of the annual incentive award based on financial achievement goals for each of the NEOs was paid at approximately 137% of target.

2022 Strategic Goals and Results. During its February 2023 meeting, the Compensation Committee assessed the performance of all the NEOs in achieving the strategic goals, as summarized below:

| Corporate Strategic Goals | Key Highlights |
|---------------------------|--|
| Compliance/BSA | <ul style="list-style-type: none"> Thorough preparation for Compliance/BSA regulatory examination |

| | |
|----------------------------|---|
| | <ul style="list-style-type: none"> • Successful completion of internal third party Compliance/BSA audit • Strong ongoing management of Compliance/BSA policies and programs • Effectively managed personnel transitions within the Compliance/BSA departments • Implemented significant improvements in the Bank's CRA program. |
| Credit Quality | <ul style="list-style-type: none"> • Worked closely with borrowers to manage increases in interest rates and maintain credit quality • Managed the asset sensitivity of the balance sheet with disciplined loan pricing while maintaining credit standards • Successful resolution of non-performing loans • Active and successful management of credit risk resulting in loans 30-89 days past due (a leading indicator of credit quality trends) being at near zero levels at the end of 2022 • Successfully launched SBA loan program • Continued disciplined growth of New York and Texas loan portfolios |
| Organizational Development | <ul style="list-style-type: none"> • Continued growth and development of a stable executive management team working closely together to achieve the Bank's key objectives for 2022 • Effective management practices which resulted in a significant increase in both the number of employees working from the office and the amount of time employees spent working from the office. • Continued focus on recruiting, developing and retaining key personnel in a very tight labor market |
| Efficiency/Cost Control | <ul style="list-style-type: none"> • Remained highly committed to achieving high cost efficiency throughout all levels of the organization • Ended the year with a 27.48% efficiency ratio, an almost 4% improvement from the 31.4% efficiency ratio the Bank recorded at the end of 2021. |

Based on the above assessment, the Compensation Committee determined the achievement of Corporate strategic goals to range between 98% to 99% of target.

Overall Annual Cash Incentive Payout Results. The following table lists the actual annual cash incentive awards paid to the NEOs for 2022:

| NEO | Target Award Opportunity (As a % of Base Salary) | Actual Award Payout (As a % of Salary) | Actual Award Payout (As a \$ Amount) |
|-----------------|---|---|---|
| Li Yu | 100% | 127% | \$1,220,000 |
| Wellington Chen | 80% | 94% | \$565,000 |
| Edward Czajka | 70% | 82% | \$338,000 |
| Nick Pi | 70% | 80% | \$296,000 |
| Johnny Hsu | 70% | 80% | \$240,000 |

2022 Long-Term Equity Incentives Grants

The Compensation Committee has determined that our CEO will receive half of his target long-term equity incentive award opportunity in performance-based restricted stock units, subject to the achievement of pre-determined, multi-

year financial measures, including the Bank’s return on average assets (“ROA”) and return on average equity (“ROE”) performance relative to companies in the KBW Regional Bank Index (“KRX”), measured after the end of the three-year performance period. The other half of our CEO’s equity award is granted as time-based restricted stock units. Performance-based equity incentive award payouts for our CEO are capped at 175% of target. The other NEOs continue to receive 100% of their equity incentive awards in time-based restricted stock units.

On February 10, 2022, the Compensation Committee approved equity grants to each of the NEOs as summarized below.

CEO Long-Term Equity Incentives. In granting long-term equity awards to Mr. Yu, 50% of the target value of the awards were comprised of performance-based restricted stock units (“PRSUs”), payable at the end of a three-year performance period (January 1, 2022 through December 31, 2024) based on the achievement of pre-determined financial goals. For the 2022 PRSU grant, the Compensation Committee selected ROA and ROE as the financial metrics upon which performance will be measured and awards will be earned. The Compensation Committee chose relative ROA and ROE because they are significant measures used in our industry for measuring long-term performance — they are regularly tracked by our investors and fully understood by our executives. The Compensation Committee also believes that strong execution against both measures will create superior shareholder value over the long term.

Below is a summary of the metrics and weightings effective with the 2022 grant to Mr. Yu:

| PRSU Performance Metrics | Weighting | Level of Performance | | |
|--------------------------|-----------|----------------------|-----------------|-----------------|
| | | Threshold (50%) | Target (100%) | Maximum (175%) |
| Relative ROA | 50% | 33rd percentile | 55th percentile | 80th percentile |
| Relative ROE | 50% | | | |

The actual number of PRSUs earned by Mr. Yu may be higher or lower than the target amount, depending on the Bank’s performance relative to the KRX, measured after the end of the three-year performance period

The other half of Mr. Yu’s long-term equity incentive award is granted as time-based restricted stock units (“RSUs”). Under the plan, RSUs vest in 25% increments, with the first tranche vesting on the date of the grant. As long as Mr. Yu remains with the Company, the remaining RSUs will vest in 25% increments on each December 31st thereafter, until fully vested on December 31, 2024. As of December 31, 2022, Mr. Yu was 50% vested in the RSUs granted in 2022. No dividend rights are associated with the PRSUs and RSUs until shares are issued in payment of earned units, and vested RSUs will not be released to Mr. Yu as issued shares until either the final tranche becomes vested or separation from employment, if sooner.

The Compensation Committee established the target number of PRSUs and RSUs for Mr. Yu based on the closing price of our common stock on December 31, 2021, such that his target total award value was equal to approximately 200% of his base salary (half in target PRSUs and half in RSUs). The following table shows the long-term equity incentive awards granted to Mr. Yu on February 10, 2022.

| NEO | Target PRSUs (#) | Target Grant Date Fair Market Value of PRSUs* (\$) | RSU Awards (#) | Grant Date Fair Market Value of RSUs** (\$) |
|---|------------------|--|----------------|---|
| Li Yu | 15,000 | 1,173,900 | 15,000 | 1,149,638 |
| *100% of the overall award value for the PRSUs were determined based on the closing price of our common stock on the date of grant. | | | | |
| **75% of the overall award value for the RSUs were determined based on the closing price of our common stock on the date of the grant. 25% of the overall award value for the RSUs were determined based on the closing price of our common stock on December 31, 2021. | | | | |

Other NEO Long-Term Equity Incentives. The other NEOs received time-vested restricted stock units (“RSUs”), with the same vesting and payout terms as Mr. Yu’s RSU award. The following table shows the RSU grants awarded to each of the other NEOs on February 10, 2022. These grants were made based on the Bank outperforming its 2021 budget and each NEO’s achievement of strategic goals and individual goals for 2021.

| NEO | RSU Awards (#) | Fair Market Value of RSUs |
|-----------------|----------------|---------------------------|
| Wellington Chen | 6,300 | \$452,277 |
| Ed Czajka | 4,000 | \$287,160 |
| Nick Pi | 3,400 | \$244,086 |
| Johnny Hsu | 3,400 | \$244,086 |

2023 Long-Term Equity Incentives Grants

On February 2, 2023, the Compensation Committee approved equity grants to each of the NEOs as summarized below.

CEO Long-Term Equity Incentives. In granting long-term equity awards to Mr. Yu, 50% of the target value of the awards were comprised of PRSU, payable at the end of a three-year performance period (January 1, 2023 through December 31, 2025) based on the achievement of pre-determined financial goals. For the 2023 PRSU grant, the Compensation Committee again selected ROA and ROE as the financial metrics upon which performance will be measured and awards will be earned.

Below is a summary of the metrics and weightings effective with the 2023 grant to Mr. Yu:

| PRSU Performance Metrics | Weighting | Level of Performance | | |
|--------------------------|-----------|----------------------|-----------------|-----------------|
| | | Threshold (50%) | Target (100%) | Maximum (175%) |
| Relative ROA | 50% | 33rd percentile | 55th percentile | 80th percentile |
| Relative ROE | 50% | | | |

The actual number of PRSUs earned by Mr. Yu may be higher or lower than the target amount, depending on the Bank's performance relative to the KRX, measured after the end of the three-year performance period.

The other half of Mr. Yu's long-term equity incentive award is granted as RSUs. Under the plan, RSUs vest in 25% increments, with the first tranche vesting on the date of the grant. As long as Mr. Yu remains with the Company, the remaining RSUs will vest in 25% increments on each December 31st thereafter, until fully vested on December 31, 2025. As of December 31, 2022, Mr. Yu was 25% vested in the RSUs granted in 2023. No dividend rights are associated with the PRSUs and RSUs until shares are issued in payment of earned units, and vested RSUs will not be released to Mr. Yu as issued shares until either the final tranche becomes vested or separation from employment, if sooner.

The Compensation Committee established the number of PRSUs and RSUs for Mr. Yu based on the closing price of our common stock on January 1, 2023, such that his target total award value was equal to approximately 200% of his base salary (half in target PRSUs and half in RSUs). The following table shows the long-term equity incentive awards granted to Mr. Yu on February 2, 2023.

| NEO | Target PRSUs (#) | Target Grant Date Fair Market Value of PRSUs* (\$) | RSU Awards (#) | Grant Date Fair Market Value of RSUs* (\$) |
|-------|------------------|--|----------------|--|
| Li Yu | 17,500 | \$1,305,850 | 17,500 | 1,305,850 |

*100% of the overall award value for the PRSUs were determined based on the closing price of our common stock on January 1, 2023

Other NEO Long-Term Equity Incentives. The other NEOs received RSUs, with the same vesting and payout terms as Mr. Yu's RSU award. The following table shows the RSU grants awarded to each of the other NEOs on February 2, 2023. These grants were made based on the performance of the Bank in a pandemic and each NEO's achievement of strategic goals and individual goals for 2022.

| NEO | RSU Awards (#) | Fair Market Value of RSUs (\$) |
|-----------------|-------------------|-----------------------------------|
| Wellington Chen | 7,000 | \$522,340 |
| Ed Czajka | 4,200 | \$313,404 |
| Nick Pi | 4,000 | \$298,480 |
| Johnny Hsu | 4,000 | \$298,480 |

Other Compensation Policies, Practices, and Guidelines

Clawback Policy

The Compensation Committee believes that it is in the best interest of the Company and its shareholders to create and maintain a culture that emphasizes integrity and accountability and that reinforces the Company's pay-for-performance compensation philosophy. The Bank has a Clawback Policy which provides for the recoupment of certain executive compensation in the event of an accounting restatement resulting from material noncompliance with financial reporting requirements under the federal securities laws. This Policy is designed to comply the Securities Exchange Act of 1934.

Other Compensation

Our NEOs participate in our broad-based employee benefit plans, such as medical, dental, 401(k) Retirement Savings Plan, and supplemental disability and term life insurance programs. All of the NEOs either receive an automobile allowance or the Bank leases an auto for them. In addition, Mr. Chen received payment of fees for social club memberships for personal use. The total amounts of these items are reflected in the "All Other Compensation" column of the Summary Compensation Table. The Compensation Committee believes that these items enhance the effectiveness of our NEOs and are consistent with industry practices in comparable banking companies. The Compensation Committee regularly reviews the perquisites we provide.

The Compensation Committee believes that our compensation programs are effective in furthering our objectives of attracting, retaining and motivating the best qualified officers and ultimately will serve to increase our profitability and maximize shareholder value.

Tax Deductibility of Compensation

The Compensation Committee annually reviews and considers the deductibility of the compensation paid to our executive officers, which includes each of the NEOs. However, under the Tax Cuts and Jobs Act of 2017, the exemption for qualifying performance-based compensation was repealed for taxable years beginning after December 31, 2017. As a result, compensation paid to our executive officers (on or after January 1, 2018) in excess of \$1 million may not be deductible unless it qualifies for certain transition relief. While the Company will monitor guidance and developments in this area, the Compensation Committee believes that its primary responsibility is to provide a compensation program that attracts, retains and rewards the executive talent necessary for our success. Consequently, the Compensation Committee may pay or provide, and has paid or provided, compensation that is not tax deductible or is otherwise limited as to tax deductibility.

Risk Assessment of Incentive Compensation

The Compensation Committee reviewed the Bank's compensation policies and practices for our named executive officers, as well as the incentive plans for other employees and determined that our incentive compensation programs are not reasonably likely to have a material adverse effect on the Bank. To conduct this review, the Bank evaluated its practices and policies including: the balanced mix between pay elements, short and long-term programs, Compensation Committee control over the establishment, review and approval goals, use of multiple performance measures, Compensation Committee discretion on individual awards, and Compensation Committee oversight of compensation programs.

The Compensation Committee also evaluated whether the proposed goals or the structure of the awards might have the inadvertent effect of encouraging excessive risk or other undesirable behavior. The Compensation Committee believes that its risk management framework supports risk management in the Bank's incentive arrangements.

Compensation Committee Report

The Compensation Committee Report on Executive Compensation is not deemed to be “soliciting material” or to be filed with the FDIC or subject to the FDIC’s proxy rules or the liabilities of Section 18 of the Exchange Act and the report shall not be deemed to be incorporated by reference into any prior or subsequent filing by us under the Exchange Act, except to the extent that we specifically incorporate the information contained in the report by reference therein.

The Compensation Committee reviewed and discussed with management the Compensation Discussion and Analysis set forth below as required by Item 402 of Regulation S-K promulgated under the Exchange Act. The Compensation Committee recommended to the Board of Directors and the Board of Directors approved the inclusion of the Compensation Discussion and Analysis in this Proxy Statement for the Bank’s Annual Meeting to be held on May 16, 2023.

Respectfully submitted by the members of the Compensation Committee:

Clark Hsu (Chairman)
J. Richard Belliston
Wayne Wu

The following table sets forth the compensation awarded to, earned by or paid for services received by our named executive officers for the last three fiscal years ended December 31, 2022, 2021 and 2020.

Summary Compensation Table

| Name and Principal Position | Year | Salary | Non-Equity Incentive Plan Compensation | Bonus | Stock Awards ⁽¹⁾ | All Other Compensation ⁽²⁾ | Total |
|--|------|-----------|--|-------|--------------------------------|--|-------------|
| Li Yu, Chairman and Chief Executive Officer | 2022 | \$958,333 | \$ 1,220,000 | — | \$ 2,611,700 | \$ 9,150 | \$4,799,183 |
| | 2021 | \$950,000 | \$ 1,275,909 | — | \$ 2,323,538 | \$ 8,406 | \$4,557,853 |
| | 2020 | \$950,000 | \$ 795,000 | — | \$ 1,943,820 | \$ 49,913 | \$3,833,908 |
| Wellington Chen, President & Chief Operating Officer | 2022 | \$593,333 | \$ 565,000 | — | \$ 513,573 | \$ 36,297 | \$1,708,203 |
| | 2021 | \$556,667 | \$ 473,487 | — | \$ 482,848 | \$ 35,123 | \$1,548,125 |
| | 2020 | \$536,667 | \$ 393,000 | — | \$ 460,961 | \$ 35,576 | \$1,426,204 |
| Edward Czajka, Executive Vice President, Chief Financial Officer | 2022 | \$406,667 | \$ 338,000 | — | \$ 308,144 | \$ 16,350 | \$1,069,161 |
| | 2021 | \$382,500 | \$ 279,019 | — | \$ 306,570 | \$ 15,747 | \$ 968,089 |
| | 2020 | \$366,667 | \$ 232,000 | — | \$ 302,436 | \$ 19,213 | \$ 901,103 |
| Nick Pi, Executive Vice President, Chief Credit Officer | 2022 | \$365,333 | \$ 296,000 | — | \$ 293,470 | \$ 16,350 | \$ 971,153 |
| | 2021 | \$341,667 | \$ 238,867 | — | \$ 260,585 | \$ 15,729 | \$ 841,119 |
| | 2020 | \$245,436 | \$ 201,000 | — | \$ 248,265 | \$ 16,043 | \$ 694,701 |
| Johnny Hsu, Executive Vice President, Deputy COO | 2022 | \$294,833 | \$ 240,000 | — | \$ 293,470 | \$ 16,045 | \$ 844,348 |
| | 2021 | \$265,667 | \$ 187,757 | — | \$ 260,585 | \$ 15,170 | \$ 729,179 |
| | 2020 | \$244,000 | \$ 152,000 | — | \$ 220,915 | \$ 16,305 | \$ 633,201 |

⁽¹⁾ Pursuant to SEC regulations, as adopted by the FDIC, regarding the valuation of equity awards, amounts in these columns represent the applicable full grant date fair values of stock awards in accordance with FASB ASC Topic 718, excluding the effect for forfeitures.

⁽²⁾ The components of all other compensation for 2022 are detailed below:

- (a) Mr. Yu, 401 (k) match of \$9,150.
- (b) Mr. Chen, automobile expenses of \$8,244, prorated for portion of personal use, club dues \$18,903 and 401(k) match of \$9,150.
- (c) Mr. Czajka, automobile allowance \$7,200 and 401(k) match of \$9,150.
- (d) Mr. Pi, automobile allowance \$7,200 and 401(k) match of \$9,150.
- (e) Mr. Hsu, automobile allowance \$7,200 and 401(k) match of \$8,845.

Potential Payments upon Termination or Change of Control

On November 17, 2005, we entered into a retention and severance agreement with Mr. Li Yu, our Chairman and Chief Executive Officer. On November 21, 2006, we entered into a retention and severance agreement with Mr. Nick Pi, who is now our Executive Vice President and Chief Credit Officer. We approved these agreements for the purpose of retaining key executives. Pursuant to the terms of the agreement, Mr. Yu is entitled to receive a severance payment in the event he is terminated in connection with a change of control, is terminated by us without “cause,” or voluntarily terminates based on a “good reason” (as such terms are defined in the agreements). Under the agreement, Mr. Yu is entitled to a lump sum equal to

one and one half times his annual base salary plus one and one half times his targeted annual bonus amount (subject to bonus targets being satisfied), in both cases based on the greater of such amount at either the time immediately prior to the termination or in the year that the change of control event occurred. Mr. Pi is entitled to a lump sum based on the same formula equal to his annual base salary and target bonus. The agreements also provide for additional benefits including the vesting of stock options and the provision of certain employee medical and insurance benefits for a period of eighteen months in the case of Mr. Yu and twelve months in the case of Mr. Pi, following their respective termination. Our 2014 and 2004 Equity Incentive Plans provide for full acceleration of vesting for our named executive officers upon termination of employment in connection with a change in control event. Other than those agreements, we are not a party to any other employment, change in control, non-competition or severance agreement for any named executive officer.

**Potential Payments upon Termination of Employment
As of December 31, 2022**

| Name | Cash severance Arrangements/ Compensation (\$) | Accrued Vacation (\$) | Insurance Death Benefits (\$) | Acceleration of Vested Options (unamortized expense)(\$) | Total Termination Benefits (\$) |
|--|--|--------------------------|-------------------------------------|--|---------------------------------------|
| Li Yu | | | | | |
| Voluntary Termination of Retirement | \$ — | \$ 508,357 | \$ — | \$ — | \$ 508,357 |
| Involuntary Termination (other than For Cause) | 3,267,500 | 508,357 | — | — | 3,775,856 |
| Involuntary Termination (For Cause) | — | 508,357 | — | — | 508,357 |
| Termination in Connection with Change in Control | 3,267,500 | 508,357 | — | 4,048,135 | 7,823,991 |
| Death | — | 508,357 | 4,221,049 | — | 4,729,406 |
| Disability | — | 508,357 | — | — | 508,357 |
| Wellington Chen | | | | | |
| Voluntary Termination of Retirement | — | 115,138 | — | — | 115,138 |
| Involuntary Termination (other than For Cause) | — | 115,138 | — | — | 115,138 |
| Involuntary Termination (For Cause) | — | 115,138 | — | — | 115,138 |
| Termination in Connection with Change in Control | — | 115,138 | — | 1,514,786 | 1,629,924 |
| Death | — | 115,138 | — | — | 115,138 |
| Disability | — | 115,138 | — | — | 115,138 |
| Edward Czajka | | | | | |
| Voluntary Termination of Retirement | — | 126,206 | — | — | 126,203 |
| Involuntary Termination (other than For Cause) | — | 126,203 | — | — | 126,203 |
| Involuntary Termination (For Cause) | — | 126,203 | — | — | 126,203 |
| Termination in Connection with Change in Control | — | 126,203 | — | 962,598 | 1,088,801 |
| Death | — | 126,203 | — | — | 126,203 |
| Disability | — | 126,203 | — | — | 126,203 |
| Nick Pi | | | | | |
| Voluntary Termination of Retirement | — | 90,650 | — | — | 90,650 |
| Involuntary Termination (other than For Cause) | 661,333 | 90,650 | — | — | 751,983 |
| Involuntary Termination (For Cause) | — | 90,650 | — | — | 90,650 |
| Termination in Connection with Change in Control | 661,333 | 90,650 | — | 850,868 | 1,602,651 |
| Death | — | 90,650 | 1,672,993 | — | 1,763,643 |
| Disability | — | 90,650 | — | — | 90,650 |
| Johnny Hsu | | | | | |
| Voluntary Termination or Retirement | — | 65,166 | — | — | 65,166 |
| Involuntary Termination (other than For Cause) | — | 65,166 | — | — | 65,166 |

| Name | Cash severance Arrangements/ Compensation (\$) | Accrued Vacation (\$) | Insurance Death Benefits (\$) | Acceleration of Vested Options (unamortized expense)(\$) | Total Termination Benefits (\$) |
|--|--|-----------------------|-------------------------------|--|---------------------------------|
| Involuntary Termination (For Cause) | | 65,166 | — | — | 65,166 |
| Termination in Connection with Change in Control | — | 65,166 | — | 820,820 | 885,986 |
| Death | — | 65,166 | — | — | 65,166 |
| Disability | — | 65,166 | — | — | 65,166 |

Securities Authorized for Issuance under Equity Compensation Plans

The following table summarizes information as of December 31, 2022, relating to our equity compensation plans pursuant to which grants of options, restricted stock, or other rights to acquire shares may be granted from time to time.

| Plan category | Number of securities to be issued upon exercise of outstanding options, warrants and rights (a) | Weighted-average exercise price of outstanding options, warrants and rights (b) | Number of securities remaining available for future issuance under equity compensation plans excluding securities reflected in column (a) (c) |
|--|---|---|---|
| Equity compensation plans approved by security holders - Stock Options | — | \$ — | 1,448,948 |
| Equity compensation plans approved by security holders - Deferred Compensation (1) | — | \$ — | — |
| Equity compensation plans not approved by security holders..... | — | — | — |
| Total..... | — | \$ — | 1,448,948 |

CEO Pay Ratio Disclosure

Pursuant to SEC Regulation S-K, Item 402(u), we are providing the following information about the ratio of our CEO's total annual compensation to the total annual compensation of the median employee within the Bank. The following paragraphs describe our methodology and the resulting pay ratio for the year ended December 31, 2022.

- We identified our median employee as of December 31, 2022, at which time our total employee population was 240, including part-time employees. We employed no seasonal employees nor did we have any employees residing outside the United States and therefore we did not exclude anyone based on the foreign exemption rules.
- Under relevant rules, we were required to identify the median employee by use of “consistently applied compensation measures” (“CACM”). We chose a CACM that uses total annual cash and equity compensation, gathered from our payroll data.
- After identifying the median employee, we added together all of the elements of such employee's compensation for 2022 on the same basis as we used for determining the total compensation of our CEO for 2022 as set forth in the Summary Compensation Table, resulting in total annual compensation of our median employee of \$95,167.

Our CEO's total annual compensation for 2022 was \$4,799,183, resulting in a pay ratio of our CEO's total annual compensation to the total annual compensation of the Bank's median employee of 50:1.

We have also entered into indemnification agreements with each of our directors. The agreements indemnify each director in third-party proceedings, in which the director is made a party to or threatened to be made a party to, or otherwise involved in any proceeding, by reason of the fact that the director is or was our agent. We also indemnify each director that is

made party to, or threatened to be made party to, or otherwise involved in, any proceeding which is an action by or in the right of us to procure a judgment in our favor by reason of the fact that the director is or was our agent.

Grants of 2022 Plan-Based Equity Awards Table

| Name | Grant Date | Estimated Possible Payouts Under Equity Incentive Plan Awards | | | All Other Stock Awards: Number of Shares of Stock or Units (#) (1) | Grant Date Fair Value of Stock and Option Awards (\$) |
|-----------------|------------|---|------------|-------------|--|---|
| | | Threshold (#) | Target (#) | Maximum (#) | | |
| Li Yu | 2/10/22 | 7,500 | 15,000 | 26,250 | 15,000 | \$ 2,323,528 ⁽²⁾ |
| Wellington Chen | 2/10/22 | N/A | N/A | N/A | 6,300 | \$ 482,848 ⁽³⁾ |
| Edward Czajka | 2/10/22 | N/A | N/A | N/A | 4,000 | \$ 306,570 ⁽³⁾ |
| Nick Pi | 2/10/22 | N/A | N/A | N/A | 3,400 | \$ 260,585 ⁽³⁾ |
| Johnny Hsu | 2/10/22 | N/A | N/A | N/A | 3,400 | \$ 260,585 ⁽³⁾ |

(1) These represent awards made in 2022 for the fiscal year 2021.

(2) Fair value for PRSUs is calculated using target shares grant date closing price on February 10, 2022 and the fair value for RSUs is calculated based on 25% of the shares at closing price per share on December 31, 2021, and 75% at closing price per share on the grant date of February 10, 2022.

(3) Fair value is calculated based on 25% at closing price per share on December 31, 2021, and 75% at closing price per share on the grant date of February 10, 2022.

Grants of 2022 Plan-Based Non-Equity Awards Table

| Name | Estimated Possible Payouts Under Non-Equity Incentive Plan Awards | | |
|-----------------|---|-------------|--------------|
| | Threshold (\$) | Target (\$) | Maximum (\$) |
| Li Yu | 480,000 | 960,000 | 1,440,000 |
| Wellington Chen | 240,000 | 480,000 | 720,000 |
| Edward Czajka | 143,850 | 287,700 | 431,550 |
| Nick Pi | 129,361 | 258,721 | 388,082 |
| Johnny Hsu | 105,000 | 210,000 | 315,000 |

Grants of 2023 Plan-Based Equity Awards Table

| Name | Grant Date | Estimated Possible Payouts Under Equity Incentive Plan Awards(1) | | | All Other Stock Awards: Number of Shares of Stock or Units (#) | Grant Date Fair Value of Stock and Option Awards (\$) |
|-----------------|------------|--|------------|-------------|--|---|
| | | Threshold (#) | Target (#) | Maximum (#) | | |
| Li Yu | 2/2/23 | 8,750 | 17,500 | 30,625 | 17,500 | \$ 2,560,556 ⁽²⁾ |
| Wellington Chen | 2/2/23 | N/A | N/A | N/A | 7,000 | \$ 536,498 ⁽³⁾ |
| Edward Czajka | 2/2/23 | N/A | N/A | N/A | 4,200 | \$ 321,899 ⁽³⁾ |
| Nick Pi | 2/2/23 | N/A | N/A | N/A | 4,000 | \$ 306,570 ⁽³⁾ |
| Johnny Hsu | 2/2/23 | N/A | N/A | N/A | 4,000 | \$ 306,570 ⁽³⁾ |

(1) Represents awards made in 2023 for the fiscal year 2022.

(2) Fair value for PRSUs is calculated using target shares grant date closing price on February 2, 2023 and the fair value for RSUs is calculated based on 25% of the shares at closing price per share on December 31, 2022, and 75% at closing price per share on the grant date of February 2, 2023.

(3) Fair value is calculated based on 25% at closing price per share on December 31, 2022, and 75% at closing price per share on the grant date of February 2, 2023.

The following table lists the outstanding equity awards at December 31, 2022.

Outstanding Equity Awards at December 31, 2022

| Name | Grant date | Stock Awards | | | |
|-----------------|------------|---|--|---|---|
| | | Time-based | | Performance-based | |
| | | Number of Units of Stock That Have Not Vested | Market Value of Units That Have Not Vested (1) | Number of Unearned Units That Have Not Vested (2) | Market Value of Unearned Units That Have Not Vested (3) |
| Li Yu | 02/23/21 | 4,500 | \$ 335,790 | 21,000 | \$ 1,567,020 |
| | 02/10/22 | 7,500 | 559,650 | 8,750 | 652,925 |
| | 02/02/23 | 13,125 | 979,388 | 17,500 | 1,305,850 |
| | | | | | |
| Wellington Chen | 02/23/21 | 1,750 | 130,585 | | |
| | 02/10/22 | 3,150 | 235,053 | | |
| | 02/02/23 | 5,250 | 391,755 | | |
| | | | | | |
| Edward Czajka | 02/23/21 | 3,525 | 263,036 | | |
| | 02/10/22 | 2,000 | 149,240 | | |
| | 02/02/23 | 1,050 | 78,351 | | |
| | | | | | |
| Nick Pi | 02/23/21 | 3,000 | 223,860 | | |
| | 02/10/22 | 1,700 | 126,854 | | |
| | 02/02/23 | 3,000 | 223,860 | | |
| | | | | | |
| Johnny Hsu | 02/23/21 | 2,700 | 201,474 | | |
| | 02/10/22 | 1,700 | 126,854 | | |
| | 02/02/23 | 3,000 | 223,860 | | |
| | | | | | |

Stock Vested during the 2022 Fiscal Year

| Name | Stock Awards | |
|-----------------|--------------------------------------|---|
| | Number of Shares Acquired on Vesting | Value Realized on Vesting (\$) ⁽¹⁾ |
| | (# Shares) | |
| Li Yu | 57,750 | \$ 4,309,305.00 |
| Wellington Chen | 6,550 | 488,761 |
| Edward Czajka | 5,000 | 373,100 |
| Nick Pi | 4,150 | 309,673 |
| Johnny Hsu | 4,200 | 313,404 |
| | | |

⁽¹⁾ The amount represents the product of the number of shares vested and the closing price of PFBC's common stock on the vesting date.

Pay Versus Performance

In accordance with rules adopted by the Securities and Exchange Commission (“SEC”) pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, we provide the following disclosure regarding executive “compensation actually paid” (“CAP”, as calculated in accordance with the SEC rules) and certain Company performance measures for the fiscal years listed below. For information regarding the Company’s pay-for-performance philosophy and how the Company aligns executive pay with performance, refer to our Compensation Discussion & Analysis (“CD&A”).

| Year | Summary Compensation Table Total for CEO | Compensation Actually Paid to CEO | Average Summary Compensation Table Total for non-PEO NEO's | Average Compensation Actually Paid to non-PEO NEO's | Value of Initial \$100 Investment Based on: | | | Company Selected Measure |
|--|--|-----------------------------------|--|---|---|---|-------------------------|--------------------------|
| | | | | | Total Shareholder Return | Peer Group Total Shareholder Return (1) | Net Income (In \$000's) | |
| 2022 | \$ 4,799,183 | \$ 4,873,103 | \$ 1,154,228 | \$ 1,166,403 | \$ 134.25 | \$ 87.75 | \$ 128,845 | \$ 8.70 |
| 2021 | \$ 4,557,853 | \$ 5,294,645 | \$ 1,029,497 | \$ 1,114,786 | \$ 126.08 | \$ 110.87 | \$ 95,240 | \$ 6.41 |
| 2020 | \$ 3,833,908 | \$ 3,936,073 | \$ 922,571 | \$ 920,210 | \$ 86.60 | \$ 83.39 | \$ 69,468 | \$ 4.65 |
| (1) Peer group used is the S&P BMI Bank Index | | | | | | | | |
| The valuation assumptions used to calculate equity award fair values did not materially differ from those disclosed at time of grant | | | | | | | | |

| Adjustments from Summary Compensation Table total for PEO | 2022 | 2021 | 2020 |
|---|---------------------|---------------------|---------------------|
| Deduction for change in actuarial present values reported under the "Change in Pension Value and Non-qualified Deferred Compensation Earnings" column in the Summary Compensation Table | \$ 4,799,183 | \$ 4,557,853 | \$ 3,833,908 |
| Increase for service cost of pension plans | | | |
| Increase/deduction for prior service cost of pension plans | | | |
| Deduction for amounts reported under the "Stock Awards" and "Option Awards" columns in the Summary Compensation Table | -2,611,700 | -2,323,538 | -2,038,995 |
| Increase based on fair value of awards granted during year that remain unvested as of year-end, determined as of year-end | 2,611,700 | 2,238,600 | 2,686,320 |
| Increase based on fair value of awards granted during year that vested during year, determined as of vesting date | | | |
| Increase/deduction for change in fair value from prior year-end to current year-end of awards granted prior to year that were outstanding and unvested as of year-end | 73,920 | 505,680 | -295,680 |
| Increase/deduction for change in fair value from prior year-end to vesting date of awards granted prior to year that vested during year | 177,870 | 1,289,860 | -360,360 |
| Deduction of fair value of awards granted prior to year that were forfeited during year | | | |
| Increase based on incremental value of awards modified during year | | | |
| Increase based on dividends or other earnings paid during year prior to vesting date of award | | | |
| Total Adjustments | \$ 5,050,973 | \$ 6,268,455 | \$ 3,825,193 |
| | | | |
| Adjustments from Average Summary Compensation Table total for non-PEO NEOs | 2022 | 2021 | 2020 |
| Deduction for change in actuarial present values reported under the "Change in Pension Value and Non-qualified Deferred Compensation Earnings" column in the Summary Compensation Table | \$ 1,154,228 | 1,029,497 | 922,571 |
| Increase for service cost of pension plans | | | |
| Increase/deduction for prior service cost of pension plans | | | |
| Deduction for amounts reported under the "Stock Awards" and "Option Awards" columns in the Summary Compensation Table | -376,859 | -351,695 | -335,799 |
| Increase based on fair value of awards granted during year that remain unvested as of year-end, determined as of year-end | 378,075 | 340,765 | 380,562 |
| Increase based on fair value of awards granted during year that vested during year, determined as of vesting date | | | |
| Increase/deduction for change in fair value from prior year-end to current year-end of awards granted prior to year that were outstanding and unvested as of year-end | 10,960 | 81,383 | -35,343 |
| Increase/deduction for change in fair value from prior year-end to vesting date of awards granted prior to year that vested during year | 15,323 | 99,671 | -27,720 |
| Deduction of fair value of awards granted prior to year that were forfeited during year | | | |
| Increase based on incremental value of awards modified during year | | | |
| Increase based on dividends or other earnings paid during year prior to vesting date of award | | | |
| Total Adjustments | \$ 1,181,726 | \$ 1,199,620 | \$ 904,271 |

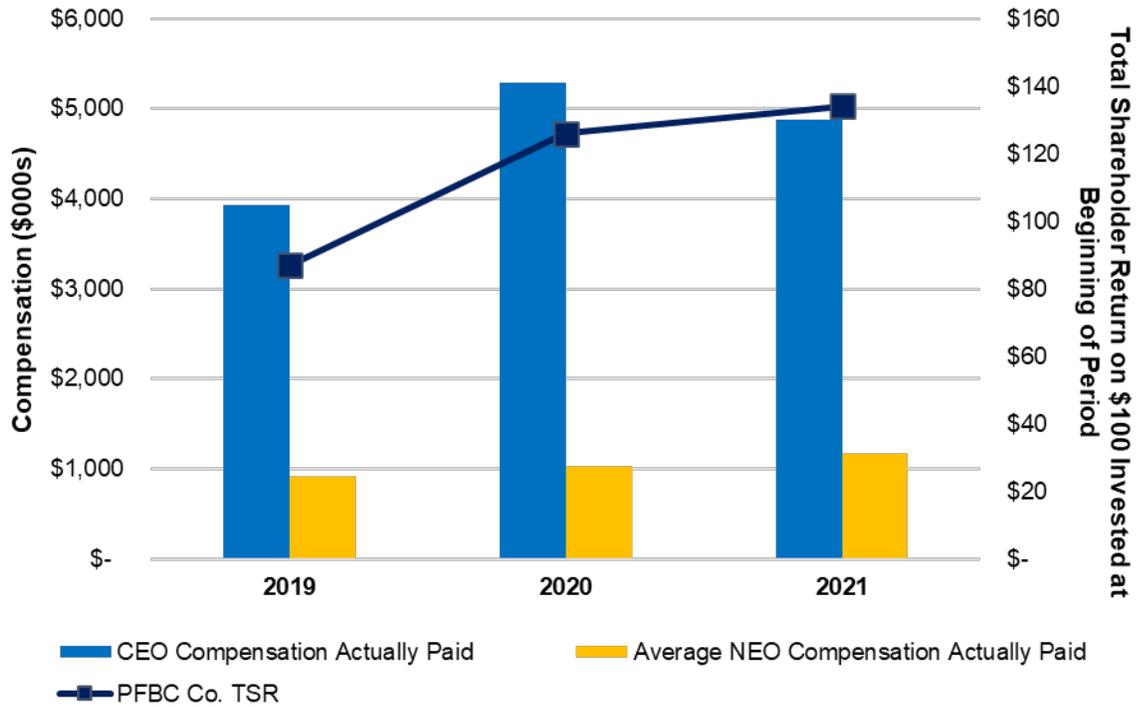
In the Bank's assessment, the most important financial performance measures used to link compensation actually paid to our NEO's, for the most recently completed fiscal year, to the Bank's performance were:

- Diluted earnings per share
- Loan growth (Ex-PPP)
- Deposit growth

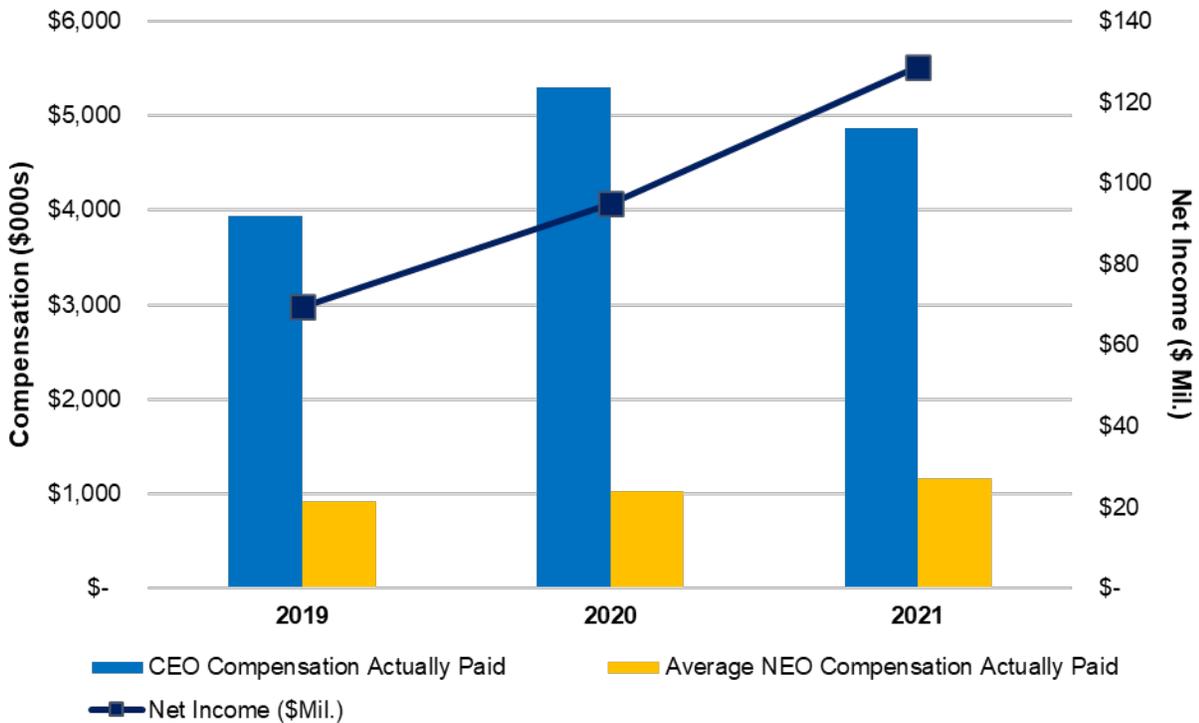
The illustrations below provide graphical descriptions of the relationships between the following:

- CAP and the Bank's cumulative TSR
- CAP and the Bank's Net Income
- Peer Group TSR to the Bank's TSR

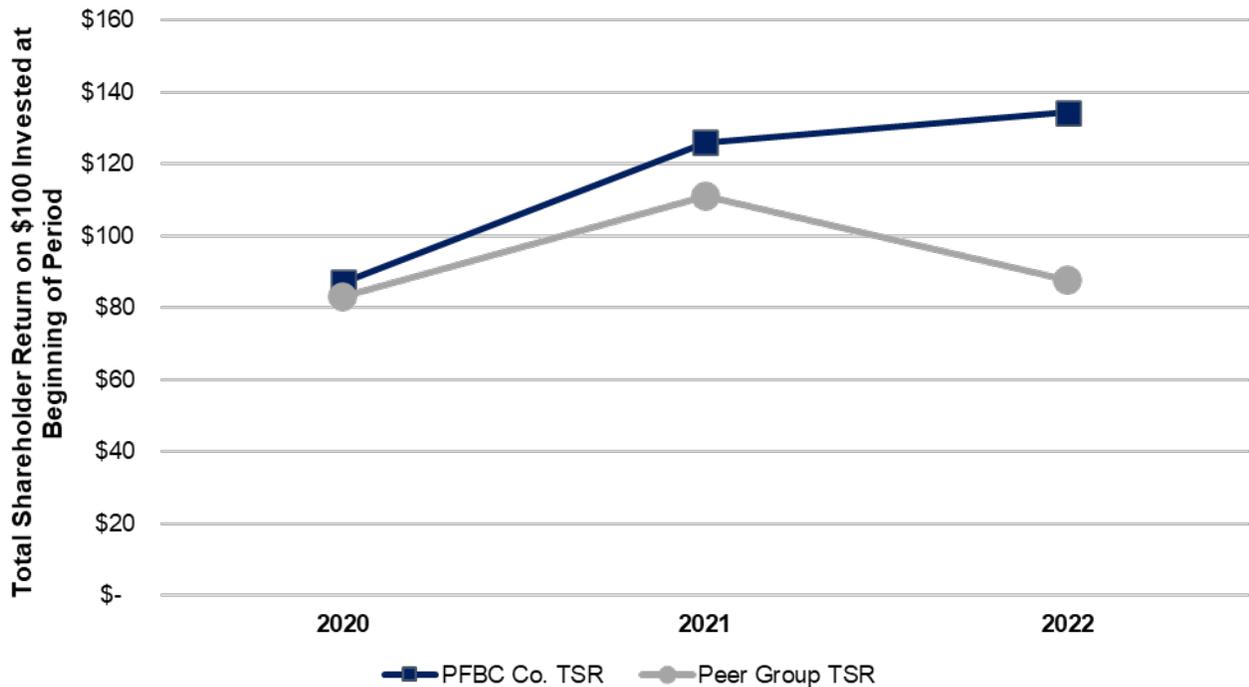
CAP vs. TSR



CAP vs. Net Income



Peer Group vs. ABC Co. TSR



PROPOSAL 2: ADVISORY (NON-BINDING) VOTE ON EXECUTIVE COMPENSATION

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”) requires, among other things, that we hold a non-binding, advisory vote on the compensation of our named executive officers, as described in the Compensation Discussion and Analysis, compensation tables and accompanying narrative discussion contained in this proxy statement.

As described in greater detail under the heading “Compensation Discussion and Analysis,” we seek to closely align the interests of our named executive officers with the interests of our shareholders. Our compensation practices are designed to encourage and motivate our named executive officers to achieve superior performance on both a short-term and long-term basis while at the same time avoiding the encouragement of unnecessary or excessive risk-taking.

Accordingly, we ask our shareholders to indicate their support for our executive compensation practices for our named executive officers and vote for the following resolution:

“RESOLVED, that the compensation paid to the Bank’s named executive officers, as disclosed pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables and narrative discussion, is hereby APPROVED.”

The vote on this resolution is not intended to address any specific element of compensation, but rather relates to the overall compensation of our named executive officers, as described in this proxy statement in accordance with the compensation disclosure rules of the SEC, as adopted by the FDIC.

This vote is advisory, which means that the vote on executive compensation is not binding on Preferred Bank, our Board of Directors or the Compensation Committee of the Board of Directors. However, the Compensation Committee will take into account the outcome of the vote when considering future executive compensation arrangements.

Your advisory vote will not be construed (i) as overruling a decision by Preferred Bank or the Board of Directors, (ii) to create or imply any change to the fiduciary duties of Preferred Bank or the Board, (iii) to create or imply any additional fiduciary duties for Preferred Bank or the Board, or (iv) to restrict or limit the ability of shareholders to make proposals for inclusion in proxy materials related to executive compensation.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE “FOR” PROPOSAL NO 2.

PROPOSAL 3: ADVISORY (NON-BINDING) VOTE ON THE FREQUENCY OF THE ADVISORY VOTE ON EXECUTIVE COMPENSATION

The Dodd-Frank Act requires us to obtain, at least once every six years, a shareholder vote on the frequency of the Say-On-Pay advisory vote on the compensation of the named executive officers discussed under Proposal 2. Shareholders may indicate whether they would prefer that we conduct future advisory votes on executive compensation once every one, two, or three years. Shareholders also may abstain from casting a vote on this proposal.

The Board of Directors has determined that an advisory vote on executive compensation that occurs once every three years is the most appropriate alternative for Preferred Bank and therefore the Board of Directors recommends that you vote for a three-year interval for the Say-On-Pay vote. In determining to recommend that shareholders vote for a frequency of once every three years, the Board of Directors considered how an advisory vote at this frequency will provide our shareholders with sufficient time to evaluate the effectiveness of our overall compensation philosophy, policies and practices in the context of our long-term business results for the corresponding period, while avoiding overemphasis on short term variations in compensation and business results. We also believe a three-year period will provide us with adequate time to engage shareholders and respond to “Say on Pay” vote results.

This vote is advisory, which means that the vote on the frequency of the Say-On-Pay vote is not binding on Preferred Bank, our Board of Directors or the Compensation Committee of the Board of Directors. The Board of Directors and the Compensation Committee will take into account the outcome of the vote, however, when considering the frequency of future Say-On-Pay votes. The Board of Directors may decide that it is in the best interests of our shareholders and Preferred Bank to hold an advisory vote on executive compensation more or less frequently than the frequency receiving the most votes cast by our shareholders.

Your advisory vote will not be construed (i) as overruling a decision by Preferred Bank or the Board of Directors, (ii) to create or imply any change to the fiduciary duties of Preferred Bank or the Board, (iii) to create or imply any additional fiduciary duties for Preferred Bank or the Board, or (iv) to restrict or limit the ability of shareholders to make proposals for inclusion in proxy materials related to executive compensation.

The proxy card provides shareholders with the opportunity to choose among four options (holding the vote every one, two or three years, or abstain from voting) and, therefore, shareholders will not be voting to approve or disapprove the recommendation of the Board of Directors.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE OPTION OF ONCE EVERY THREE YEARS AS THE PREFERRED FREQUENCY FOR SAY-ON-PAY VOTES.

PROPOSAL 4: AUTHORIZATION OF SHARE REPURCHASE AUTHORITY

The Board of Directors is seeking authority from the shareholders to implement repurchases of Preferred Bank’s outstanding equity securities from time to time in such amounts, form of transaction, and terms as it deems appropriate and in the best interests of the Bank and its shareholders in all cases subject to required approvals from the Federal Deposit Insurance Corporation (“FDIC”) and the California Department of Protection and Innovation (“CDFPI”), including the Second Repurchase Program described below.

On February 21, 2023, the Board of Directors authorized the repurchase of shares pursuant to which the Bank may, from time to time, purchase shares of its common stock for an aggregate purchase price not to exceed \$150 million (“Third Repurchase Program”). It is intended that share repurchases under the Third Repurchase Program will be executed only through open market transactions. The Third Repurchase Program does not obligate, and future repurchase programs will not obligate, the Bank to purchase any shares. The Third Repurchase Program will expire two years from the date this shareholder meeting. However, when approvals are obtained from the FDIC and the CDFPI, those approvals will only last six

months from the date of the regulator’s approval. The Board of Directors reserves the right in its discretion to terminate or decrease at any time the amount of shares it repurchases under the Third Repurchase Program and any subsequent repurchase programs it may adopt.

This Proposal 4 is seeking general authority for the Board of Directors to authorize and implement share repurchase programs, including without limitation, the Third Repurchase Program, subject to the receipt of required regulatory approvals. If approved, this Proposal is intended to comply with the requirements of and constitute required shareholder authorization under Section 1134 of the California Financial Code for any future repurchase programs without the need to seek shareholder approval for each share repurchase program.

In approving the Third Repurchase Program the Board considered a number of factors including:

- The potential for offsetting the dilutive impact of stock grants;
- The opportunity to deploy excess liquidity and capital at times when no other better uses for such funds are present;
- The opportunity to repurchase shares from time to time at attractive prices;
- Returning capital to long-term investors in a more tax-efficient manner than paying dividends;
- The potential to improve various performance metrics by which the Bank is measured based on the number of outstanding shares;
- As of February 21, 2023 and after giving full effect to the Third Repurchase Plan:
 - The Bank will continue to exceed all minimum regulatory capital requirements;
 - The aggregate purchase price of \$150,000,000 represented under 32% of the Bank’s retained earnings and the Bank has no outstanding preferential dividends in arrears; and
 - Immediately after full implementation of the Third Repurchase Plan, the value of the Bank’s assets equals or exceeds its total liabilities; and
- If and when fully implemented, the Third Repurchase Plan will not cause the common stock of the Bank to be held of record by fewer than 300 persons or otherwise to be delisted for trading on NASDAQ.

It is anticipated that any future share repurchase programs will be based on similar factors and will be subject to such conditions as may be adopted by the Board of Directors and required by the FDIC and the CDFPI.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE “FOR” PROPOSAL NO 4.

PROPOSAL 5: RATIFY SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS FOR 2023

Our Audit Committee has appointed Crowe LLP as our independent registered public accountants for the year ending December 31, 2023, and our shareholders are being asked to ratify the appointment. Crowe Horwath LLP was appointed as our independent accountants in 2016. Prior to that, KPMG, LLP audited our financial statements since the fiscal year ended December 31, 1996. All professional services rendered by Crowe LLP during 2022 were furnished at customary rates and terms. A representative of Crowe LLP is expected to be present at our Annual Meeting, will have an opportunity to make a statement if he or she desires to do so, and will be available to respond to appropriate questions from shareholders. If you do not ratify the appointment, the Audit Committee will reconsider the appointment. However, even if you ratify the appointment, the Audit Committee may appoint new independent registered public accountants at any time during the year if it believes that such a change would be in our best interests and the best interests of our shareholders.

In determining the independence of Crowe LLP, the Audit Committee considered whether the provision of non-audit services is compatible with maintaining that independence.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE “FOR” PROPOSAL NO 5.

Independent Auditor Fees

The following table shows the fees paid or accrued by us for audit and other services provided by Crowe LLP, our registered independent public auditor for the year ended December 31, 2022 and 2021.

| | December 31, | |
|---------------------------------|---------------------|----------------|
| | 2022 | 2021 |
| Audit Fees ⁽¹⁾ | \$763,441 | \$732,201 |
| Tax Fees..... | 82,897 | 83,206 |
| All Other Fees..... | — | — |
| Total Fees..... | \$846,338 | 815,407 |

⁽¹⁾ Integrated Audit and Audit of Internal Control over Reporting Fees consisted of fees for the audit of our consolidated financial statements, internal controls over financial reporting and review of financial statements included in our quarterly reports. These include estimated costs to complete the integrated audit for the years ended December 31, 2022 and 2021.

Audit Committee Pre-Approval Policy

All audit and non-audit services to be performed by Crowe require pre-approval by our Audit Committee or its chairman, provided that the chairman is required to report any decisions to pre-approve such audit related or non-audit services and fees to the full Audit Committee at its next regular meeting. All services described above were pre-approved by our Audit Committee in accordance with its pre-approval policies and procedures.

THE BOARD RECOMMENDS THAT THE SHAREHOLDERS VOTE “FOR” RATIFICATION OF THE SELECTION OF CROWE LLP AS INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS FOR 2023.

OTHER BUSINESS

We know of no other business which will be presented for consideration at our Annual Meeting other than as stated in the notice of Annual Meeting. If, however, other matters are properly brought before the meeting, it is the intention of the persons named as proxies on the enclosed proxy card to vote the shares represented thereby in accordance with their best judgment and in their discretion, and authority to do so is included in the proxy.

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires our executive officers and directors, and persons who own more than 10% of our equity securities to file reports of ownership and changes in ownership with the FDIC. The FDIC requires executive officers, directors and greater than 10% shareholders to furnish to us copies of all Section 16(a) forms they file. Based solely on our review of these reports and of certifications furnished to us, we believe that, during the fiscal year ended December 31, 2022, all executive officers, directors and greater than 10% beneficial owners complied with all applicable Section 16(a) filing requirements, except as follows:

| Last Name | First Name | Form | Date of Transaction | Form 4 Filing Date | Type of Transaction | # of Shares | Desc |
|-----------|--------------|------|---------------------|--------------------|---------------------|-------------|--------------------|
| Hsu | Clark | 4 | 11/11/2021 | 5/2/2022 | Disposition | 145 | Gift |
| Chen | Wellington | 4 | 1/13/2022 | 1/25/2022 | Acquisition | 6400 | RSU vested |
| Czajka | Edward | 4 | 1/13/2022 | 1/25/2022 | Acquisition | 5000 | RSU vested |
| Hsu | Johnny | 4 | 1/13/2022 | 1/25/2022 | Acquisition | 3000 | RSU vested |
| Yu | Li | 4 | 2/10/2022 | 3/30/2022 | Acquisition | 15000 | RSU & PRSU granted |
| Chen | Wellington | 4 | 2/10/2022 | 3/30/2022 | Acquisition | 6300 | RSU granted |
| Czajka | Edward | 4 | 2/10/2022 | 3/30/2022 | Acquisition | 4000 | RSU granted |
| Pi | Nick | 4 | 2/10/2022 | 3/30/2022 | Acquisition | 3400 | RSU granted |
| Hsu | Johnny | 4 | 2/10/2022 | 3/30/2022 | Acquisition | 3400 | RSU granted |
| Hsu | Clark | 4 | 3/15/2022 | 5/2/2022 | Disposition | 650 | Gift |
| Belliston | Richard | 4 | 5/17/2022 | 6/27/2022 | Acquisition | 1300 | Stock Granted |
| Cheng | William C.Y. | 4 | 5/17/2022 | 6/27/2022 | Acquisition | 1300 | Stock Granted |
| Hsu | Clark | 4 | 5/17/2022 | 6/27/2022 | Acquisition | 1300 | Stock Granted |
| Wu | Chih-Wei | 4 | 5/17/2022 | 6/27/2022 | Acquisition | 1300 | Stock Granted |
| Nunnelly | Gary | 4 | 5/17/2022 | 6/27/2022 | Acquisition | 1300 | Stock Granted |
| Wu | Wayne | 4 | 5/17/2022 | 6/27/2022 | Acquisition | 1300 | Stock Granted |
| Shane | Kathleen | 4 | 5/17/2022 | 6/27/2022 | Acquisition | 1300 | Stock Granted |

SHAREHOLDER PROPOSALS FOR 2024 ANNUAL MEETING OF SHAREHOLDERS

Proposals received from shareholders in accordance with Rule 14a-8 under the Exchange Act are given careful consideration by us. Shareholder proposals are eligible for consideration for inclusion in the Proxy Statement for the 2024 annual meeting of shareholders if we receive them on or before December 15, 2023. Shareholder proposals must be directed to the Corporate Secretary, Preferred Bank, 601 S. Figueroa Street, 48th Floor, Los Angeles, California 90017.

A shareholder otherwise desiring to bring a proposal before the 2024 annual meeting of shareholders (including generally any proposal relating to the nomination of a director to be elected to our Board of Directors) must comply with the then-current advance notice and information requirements in our Bylaws and deliver the proposal to our Corporate Secretary at the address set forth above on or after January 14, 2024 and on or before 5:00 p.m., Pacific Time, on February 13, 2024 (60 to 90 days prior to the first anniversary of the mailing date of the notice for this year's annual meeting) in order for such proposal to be considered timely.

ANNUAL REPORT

We have enclosed a copy of our 2022 Annual Report on Form 10-K with this Proxy Statement. If you would like another copy of our 2022 Annual Report on Form 10-K, we will send you one without charge. The Annual Report on Form 10-K includes a list of exhibits filed with the FDIC, but does not include the exhibits. If you wish to receive copies of the exhibits, we will send them to you. Expenses for copying and mailing them to you will be your responsibility. Please write to:

Financial Profiles, Inc.
11601 Wilshire Blvd Suite 1920
Los Angeles, California 90025
Attn: Larry Clark, Senior Vice President

A copy of our Annual Report on Form 10-K is also available without charge from our Bank website at www.preferredbank.com.

WHERE YOU CAN FIND MORE INFORMATION

In accordance with Sections 12, 13 and 14 of the Exchange Act and as a bank that is not a member of the Federal Reserve System, we file certain reports, proxy materials, information statements and other information with the FDIC, copies of which can be inspected and copied at the public reference facilities maintained by the FDIC, at the Public Reference Section, Room F-6043, 550 17th Street, N.W., Washington, DC 20429. Requests for copies may be made by telephone at (202) 898-8193 or by fax at (202) 898-3909. Certain financial information filed by us with the FDIC is also available electronically at the FDIC's website at <http://www.fdic.gov>. Our FDIC filings are available to the public at our website at www.preferredbank.com. Click on the *About Us* tab, then the *Investor Relations* tab and then click on the *Company Filings* tab. Other than the annual, quarterly, and current reports, proxy statements and other information we file with the FDIC, the information on our website is not part of this Proxy Statement.

You should review the information and exhibits included in our filings with the FDIC for further information about us, including but not limited to our business, our current officers and directors, our officers' and directors' compensation and beneficial ownership of our shares, our regulation and supervision, and dividend policy. Statements in this Proxy Statement concerning any document we filed with the FDIC are not intended to be comprehensive and are qualified by reference to such documents. Any requests for copies of these filings, at no cost, should be submitted or directed to:

Preferred Bank
601 S. Figueroa Street, 48th Floor
Los Angeles, California 90017
(213) 891-1188

Attention: Edward J. Czajka,
Chief Financial Officer

YOUR VOTE AT THIS YEAR'S MEETING IS IMPORTANT, NO MATTER HOW MANY OR HOW FEW SHARES YOU OWN. PLEASE SIGN AND DATE THE ENCLOSED PROXY CARD AND RETURN IT IN THE ENCLOSED POSTAGE-PAID ENVELOPE PROMPTLY.

By Order of the Board of Directors



Li Yu
Corporate Secretary

**PREFERRED BANK
PROXY FOR ANNUAL MEETING OF SHAREHOLDERS**

May 16, 2023, 1:00 p.m., Pacific Time

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

The undersigned hereby appoints Edward Czajka and Johnny Hsu, or either of them, each with full power of substitution and revocation, as proxies of the undersigned to attend the Annual Meeting of Shareholders of Preferred Bank (the “Bank”), to be held on May 16, 2023, at 1:00 p.m., Pacific Time, at the Bank’s corporate headquarters, 601 S. Figueroa Street, 48th Floor, Los Angeles, California 90017, and at any adjournment or postponement thereof, and to vote the number of shares the undersigned would be entitled to vote if personally present as indicated below. **The Board of Directors recommends a vote “FOR” its nominees for director, “FOR” each of Proposals 2, 4 and 5 and for “THREE YEARS” as the frequency of the advisory vote on Say-on-Pay.**

1. Election of directors of the Bank.

FOR ALL NOMINEES LISTED BELOW
(except as marked to the contrary below)

WITHHOLD ALL
to withhold authority to vote for all the
nominees listed below

Li Yu
Clark Hsu
Kathleen Shane
William C.Y. Cheng
Chih-Wei Wu
J. Richard Belliston
Gary S. Nunnelly
Wayne Wu

INSTRUCTIONS: TO WITHHOLD AUTHORITY FOR ANY INDIVIDUAL NOMINEE, STRIKE THAT NOMINEE’S NAME FROM THE LIST ABOVE.

2. Advisory vote approving the compensation of Preferred Bank’s named executive officers (Say-on-Pay).

FOR

AGAINST

ABSTAIN

3. Advisory vote setting the frequency of the Say on Pay vote.

ONE YEAR

TWO YEARS

THREE YEARS

ABSTAIN

4. Approval and authorization of the Share Repurchase Authority, including, without limitation, the repurchase of shares authorized by the Board of Directors on February 21, 2023, pursuant to which Preferred Bank may, from time to time, purchase shares of its common stock for an aggregate purchase price not to exceed \$150 million.

FOR

AGAINST

ABSTAIN

5. Ratification of the appointment of Crowe LLP as independent registered public accountants for the fiscal year ending December 31, 2023.

FOR

AGAINST

ABSTAIN

THIS PROXY, WHEN PROPERLY EXECUTED, WILL BE VOTED AS SPECIFIED, OR, IF NO CHOICE IS SPECIFIED, WILL BE VOTED FOR THE ELECTION OF THE DIRECTOR NOMINEES LISTED ABOVE, FOR PROPOSALS 2, 4 AND 5, AND FOR AN ADVISORY VOTE ON SAY-ON-PAY TO BE HELD EVERY THREE YEARS.

THIS PROXY ALSO CONFERS DISCRETIONARY AUTHORITY ON THE PROXY HOLDERS TO VOTE AS TO ANY OTHER MATTER THAT IS PROPERLY BROUGHT BEFORE THE ANNUAL MEETING.

**IMPORTANT NOTICE REGARDING THE INTERNET AVAILABILITY
OF PROXY MATERIALS FOR THE ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD ON MAY 16, 2023**

The notice of meeting, proxy statement, proxy card, and the Annual Report on Form 10-K for the year ended December 31, 2022, are available on our website at <https://preferredbank.q4ir.com/proxy-materials/default.aspx>.

THE UNDERSIGNED HEREBY ACKNOWLEDGES RECEIPT OF (A) THE NOTICE OF ANNUAL MEETING OF SHAREHOLDERS TO BE HELD MAY 16, 2023, (B) THE ACCOMPANYING PROXY STATEMENT AND (C) THE ANNUAL REPORT ON FORM 10-K OF THE BANK FOR THE FISCAL YEAR ENDED DECEMBER 31, 2022.

(Please sign exactly as name appears. When shares are held by joint tenants, both should sign. When signing as attorney, as executor, administrator, trustee or guardian, please give full title as such. If a corporation, please sign in full corporate name by President or other authorized officer. If a partnership, please sign in partnership name by authorized person.)

_____, 2023
Date

Signature

Signature, if held jointly

**SHAREHOLDERS ARE URGED TO MARK, DATE, SIGN AND RETURN
THIS PROXY IN THE ENVELOPE PROVIDED, WHICH REQUIRES
NO POSTAGE IF MAILED WITHIN THE UNITED STATES**