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:

☐ Preliminary Proxy Statement
X Definitive Proxy Statement
☐ Definitive Additional Materials
☐ Soliciting Material Pursuant to Rule 14a-11(c) or Rule 14a-12

☐ Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

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:

PREFERRED BANK

NOTICE OF 2019 ANNUAL MEETING OF SHAREHOLDERS

DATE:	**May 21, 2019**
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 four persons to serve on the Board of Directors as Class II Directors for a term of two years expiring at the 2021 Annual Meeting of Shareholders; each to serve until his or her successor is elected and has qualified. The following four persons are the Board of Directors' nominees to serve as Class II Directors for a term of two years:

William C.Y. Cheng
Chih-Wei Wu
Wayne Wu
Shirley Wang

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 First 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 $30 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, 2019.

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 5, 2019 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.

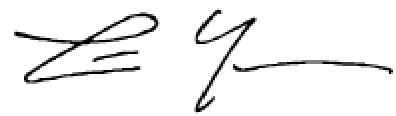
(v) A copy of this Section 2.14 shall be set forth in a notice to shareholders of any annual or special meeting of the shareholders."

IMPORTANT NOTICE REGARDING THE INTERNET AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON MAY 21, 2019

The Proxy Statement, proxy card, and the Annual Report on Form 10-K for the year ended December 31, 2018, are available on our website at http://preferredbank.com/proxymaterials/.

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



Li Yu
Corporate Secretary

Los Angeles, California
Dated: April 16, 2019

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 21, 2019

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 2019 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, 2018, 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 four persons to serve on our Board of Directors as Class II Directors for a term of two years expiring at our 2021 Annual Meeting of Shareholders; each to serve until his or her successor is elected and has 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 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 First 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 $30 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, 2019.

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 16, 2019, to all shareholders entitled to vote.

Shareholders who were the record owners of our common stock at the close of business on April 5, 2019, the record date, will receive notice of, and be entitled to vote at, our Annual Meeting. On the record date, there were 15,289,762 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 5, 2019, 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 5, 2019, 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 four 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 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 the general authority of the Board of Directors to authorize and implement share repurchase programs, including without limitation, the First Repurchase Program authorized by the Board of Directors on December 5, 2018.
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 2019.

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 21, 2019, 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 four 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 December 5, 2018, pursuant to which Preferred Bank may, from time to time, purchase shares of its common stock for an aggregate purchase price not to exceed $30 million; and

(5) "**FOR**" the ratification of the selection of Crowe LLP as our independent registered public accountants for the fiscal year ending December 31, 2019.

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.

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. 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 21, 2019

The Proxy Statement, proxy card, and the Annual Report on Form 10-K for the year ended December 31, 2018, are available on our website at http://preferredbank.com/proxymaterials/.

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 5, 2019 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 15,289,762 shares of our common stock outstanding as of April 5, 2019 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 52nd Street, New York, NY 10055 [2]	2,025,635	13.23%
T. Rowe Price Associates, Inc. 100 East Pratt Street, Baltimore, MD 21202 [2][3]	1,248,538	8.16%
Nuveen Asset Management, LLC 333 W. Wacker Drive, Chicago, IL 60606 [2]	878,323	5.74%
Directors		
Li Yu [4]	790,947	5.17%
J. Richard Belliston	11,007	*
William C.Y. Cheng	93,558	*
Clark Hsu [5]	124,550	*
Chih-Wei Wu	139,313	*
Gary S. Nunnelly	30,635	*
Wayne Wu [6]	80,900	*
Shirley Wang	780	*
Kathleen Shane	—	*
Named Executive Officers		
Edward J. Czajka [7]	34,460	*
Nick Pi [8]	7,282	*
Wellington Chen [9]	34,460	*
Robert Kosof [10]	31,304	*
All directors and executive officers as a group (13 in number)	1,370,329	8.95%

* 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. and Nuveen Asset Management, LLC 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, 2018.

(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 133,380 shares for which he shares beneficial ownership with his wife and 136,000 restricted shares. Bestwood Trust I holds 76,689 shares over which Mr. Yu has no voting or investment power for Bestwood Trust, but Mr. Yu is a potential successor trustee of these shares pursuant to their respective trust documents. None of the Bestwood Trust shares are included in the total number of shares beneficially owned by Mr. Yu.

(5) Includes 76,689 shares held by Bestwood Trust I representing 50% of the shares owned by such trust for which Mr. Hsu may be deemed to be the beneficial owner as a beneficiary under such trust.

(6) Includes 67,834 shares held by Pacific Health Investment Inc.

(7) Includes 10,500 restricted shares.

(8) Includes 7,800 restricted shares.

(9) Includes 18,300 restricted shares.

(10) Includes 5,500 restricted shares

PROPOSAL 1: ELECTION OF DIRECTORS

The four persons named below have been nominated for election to serve for a term of two years, 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' four 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 nominees, 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.

Class II Directors

Nominees for a Term Expiring in 2019

Name and Age	**Year First Elected or Appointed**	**Principal Occupation, Business Experience and Qualifications**
William C.Y. Cheng (71)	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 Loan Committee and the Nominating and Corporate Governance Committee.
Chih-Wei Wu (59)	2012	Mr. Wu has more than 27 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 USD 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 (56)................	2013	Mr. Wu has been actively involved in life sciences investment since 1998. He formed 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 the Board of a number of companies. Mr. Wu was the Chairman of Accuray Incorporated (Nasdaq: ARAY) from 2004 to 2010. Mr. Wu also served on the Board of Aurora Imaging Technology Inc. from 1999 to 2004. Currently Mr. Wu serves on the Board of four U.S. medical device companies, including Verve Medical Inc., Dallen Medical Inc., and WaveSense Inc. Mr. Wu graduated from National Central University in Taiwan with a Bachelor of Science degree in Mathematics. He received his Master's degree in Mathematics from University of Southern California. Mr. Wu's extensive experience in

		investing, 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 Investment Committee and the Compensation Committee.
Shirley Wang (50)............	2018	Ms. Wang is the founder and CEO of Plastpro, one of the largest manufacturers of fiberglass entry doors in the U.S. and has been in her current role since 1995. Prior to that, from 1991 to 1994, Ms. Wang worked in the advertising and banking industries in the U.S. She currently serves as Immediate Past Chair of the UCLA Foundation, is on the Board of Trustees of Harvard-Westlake School and serves on the Board of Los Angeles World Affairs Council. Ms. Wang is a graduate of UCLA. And hold an M.B.A. from Columbia University. Ms. Wang brings 21 years of entrepreneurial experience in operating her own company in addition to that, her short experience in banking is also beneficial to the discourse in the board room.

Class I Directors

Name and Age	**Year First Elected or Appointed**	**Principal Occupation, Business Experience and Qualifications**
Li Yu (78)........................	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. Mr. Yu also serves on the Board of Apollo Medical Holdings, (NASDAQ CM: AMEH) a health management company. 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 $4.2 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 (74)	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 and California Society of CPA's. 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 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 and

		Investment Committee.
Gary S. Nunnelly (70)......	1991	Mr. Nunnelly has been President 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. Mr. Nunnelly 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 the Loan Committee, as chairman.
Clark Hsu (48)	2005	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. In May of 2011, Mr. Hsu was appointed Vice Chairman of the Bank. 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 governance and nominating committee and Chairman of the Compensation Committee and serves on the Loan Committee.
Kathleen Shane (53)	2019	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 currently serves 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.

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 16, 2019 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 serves on the Board of Directors of the Pasadena Tournament of Roses Foundation.

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 on the Board of Directors of Inclusion Matters®, 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.

Robert Kosof – Mr. Kosof was appointed as our Executive Vice President of Commercial and Industrial Loans and Regional Branch Manager in February, 2010. Prior to that, he served as our Executive Vice President and Chief Credit Officer. He has been with us since 2008. Before joining us, he was Executive Vice President and Chief Credit Officer of RP Realty Partners Entrepreneurial Fund from 2006 to 2008. Prior to that, he was Senior Vice President and Chief Lending Officer for Bank Leumi USA from 1987 to 2006. His responsibilities included credit approval and credit quality for the California branches of the bank. From 1985 to 1987 he was Executive Vice President and Director for Olympic National Bank. From 1974 to 1985 he was Senior Vice President and head of Loan Administration which included Loan Adjustments for Imperial Bank.

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.

Executive Sessions

Executive sessions of non-management directors are convened as considered necessary by the Board of Directors. The Board of Directors held five executive sessions in 2018.

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 2018 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 S. 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 Professional 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 Professional and Business Conduct is posted on our web site at *www.preferredbank.com* by clicking on "Investor Relations" and then on "Governance Documents." 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, our Credit Operating Officer, our Chief Financial Officer, our Chief Credit 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 six (6) 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.

Our bylaws also provide for classification of our Board of Directors into two classes, designated as Class I and Class II, with each class nearly equal in numbers as the then-total number of directors constituting the entire Board of Directors permits. In addition, our bylaws provide that at each Annual Meeting the successors to Directors whose terms expire at that meeting will be elected to serve from the time of election and qualification until the second Annual Meeting following election. The term of office of the Class I Directors will expire at the Annual Meeting to be held during 2020 and the term of office of the Class II Directors will expire at the Annual Meeting to be held during 2021.

Our Board of Directors held eleven meetings during 2018. 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.

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 recent United States trends in corporate titles 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 China where this perception exists.

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), Nunnelly, and Cheng. 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 Mr. Belliston qualifies as an "Audit Committee financial expert," 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 eleven times in 2018, 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 December 5, 2018. A copy of the Audit Committee charter is available through our website at *www.preferredbank.com* by clicking on “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, 2018. 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, 2018, for filing with the FDIC.

Respectfully submitted by the members of the Audit Committee:

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

Dated: April 16, 2019

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 five times during 2018. 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), Messrs. Cheng, 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 three meetings during 2018. A copy of the charter of the Nominating and Corporate Governance Committee is available on our website at *www.preferredbank.com* by clicking on "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 $136.1 million for secured loans and $81.7 million for unsecured loans at December 31, 2018, and also reviews all loan commitments granted in excess of $1 million on a quarterly basis for the preceding quarter. The members of the Loan Committee are Messrs. Nunnelly (Chair), Cheng, Hsu, and Li Yu. Our Loan Committee held eleven meetings during 2018.

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 Mr. William Cheng (Chair) and Messrs. Belliston, Chih-Wei Wu, and Wayne Wu. Our Investment Committee held eight meetings during 2018.

Compensation Committee Interlocks and Insider Participation

The members of our Compensation Committee are Messrs. Hsu (Chair), Belliston, and 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 by the FDIC, requires public companies to report certain related person 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 person transactions. Historically, our practices and procedures to monitor and disclose related person 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, 2018, 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 approximately $1,229,182, constituting less than 1% of our total equity capital at that date. The loan outstanding is a real estate loan to the son of Gary Nunnelly, one of our directors, for the amount above. It was originated in January 2016 and carries a term of 60 months. 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.

Compensation of Directors

All non-employee directors receive an annual fee of $40,000 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 $12,000, while the other members of the Audit Committee receive $5,000. The Chair of the Compensation Committee receives an additional $10,000 annual fee, while the other members of the Compensation Committee receive $5,000. The Chair of the Loan Committee receives an additional $10,000 annual fee, while the other members of the Loan Committee receive $6,000. 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 February 20, 2018, 1,200 fully vested stock awards were granted to six non-employee Director under the 2014 Equity Incentive Plan. On September 18, 2018, 780 fully vested stock awards were granted to Ms. Shirley Wang for her appointment to the Board of Directors. On February 8, 2018, 47,000 restricted shares were awarded to Mr. Li Yu with a four-year vesting period (of which one year was already vested) under the 2014 Equity Incentive Plan.

The following table summarizes the compensation paid to our non-employee directors during 2018. Compensation paid to Mr. Li Yu is set forth in the Summary Compensation Table.

2018 Director Compensation

Name	Fees Earned or Paid in Cash (1)	Stock Awards(2)	Total Compensation
J. Richard Belliston(3)	$69,500	$76,080	$145,580
William C. Y. Cheng	$63,000	$76,080	$139,080
Clark Hsu(3)	$67,000	$76,080	$143,080
Gary S. Nunnelly(3)	$66,000	$76,080	$142,080
Wayne Wu	$47,500	$76,080	$123,580
Chih-Wei Wu	$55,000	$76,080	$131,080
Shirley Wang	$14,167	$46,410	$ 60,577

(1) Each director received an annual fee which was $40,000 for 2018. Fees in excess of the annual fee represent fees for meeting attendance and compensation for committee chairmanships.

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 21, 2019.

Respectfully submitted by the members of the Compensation Committee:

Clark Hsu (Chairman)
J. Richard Belliston
Wayne Wu

Dated: April 16, 2019

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 2018 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
Robert Kosof*	Executive Vice President, Commercial Lending

* *Although Robert Kosof is a NEO for purposes of Regulation S-K, Mr. Kosof is not a policy-setting executive and, as such, his annual incentive opportunity and award targets are based on different performance metrics than the other four NEOs — they are not tied to Bank-wide financial goals and/or strategic objectives, rather his awards are based on an assessment of performance in his specific areas of responsibility. His compensation is recommended by the CEO and approved by the Compensation Committee.*

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. Our stock has outperformed our industry peers over the three- and five-year periods ending December 31, 2018. We have ample liquidity, strong capital and we actively and purposefully manage the asset/liability sensitivity of our balance sheet to match changes in market conditions. This allows the Bank to respond quickly and safely to economic changes. Against a highly competitive environment for banks in

2018, we continue to deliver profitable and sustainable growth, with a superior efficiency ratio relative to our peers. Our executive compensation program keeps our senior leadership team stable and focused on the financial and strategic performance drivers that have been integral to our continued success.

Changes to our Executive Compensation Program for 2018 and 2019

The overall design of our executive compensation program has been consistent over many years and has not only been well-aligned with our performance, but has also helped drive strong bank performance over the past five years. In 2018, based on shareholder feedback and in response to a lower say-on-pay vote than in prior years, the Compensation Committee made several decisions about changes to the compensation program that would respond to shareholder concerns, continue to support the Bank's executive compensation philosophy and strengthen the alignment of the program with stakeholder interests.

Specifically, the Compensation Committee approved and fully implemented new, annual cash and long-term equity incentives, with actual award payouts based on the achievement of pre-established performance goals. With respect to the equity incentives of our CEO, half of his equity award is granted in performance-based restricted stock units, and will vest based on 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. The other NEOs continue to receive their equity incentive awards in time-based restricted stock units.

The annual cash and equity incentives are also subject to payout limits, with annual cash incentive awards being capped at 150% of target and the performance-based equity incentive award payouts for our CEO capped at 175% of target. The Compensation Committee, in its effort to also ensure that the compensation governance policies and other guidelines under program are aligned with market-practices and investor expectations, implemented a formal Clawback Policy effective January 1, 2019.

These changes reaffirm our commitment to designing an executive compensation program that incentivizes the top-level performance we require from our NEOs and continues to drive long-term shareholder value. Our Compensation Committee will continue to take into account shareholder feedback in considering executive compensation arrangements each year.

Overview of Our Program

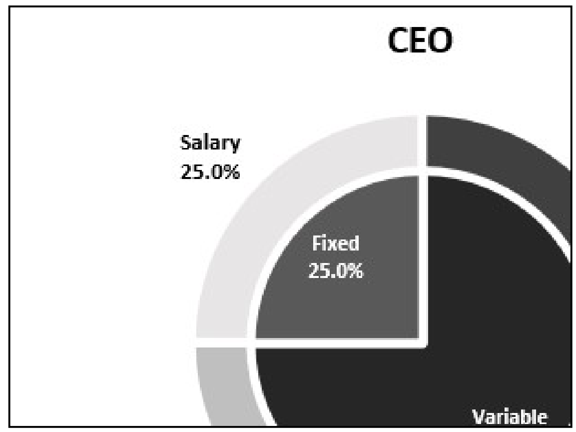
Compensation Philosophy and Objectives. The changes we have made to our executive compensation program were carefully developed to incorporate the information that we gathered and analyzed from investor feedback and conversations, the result of our say on pay vote, proxy advisory firms, an independent 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 retention strategy.

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.



A Closer Look at Our New Approach to Incentive Awards. Our cash and equity incentives for our CEO place a new 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.

Annual Cash Incentives. Effective for 2018, annual cash incentives reward both the achievement of short-term financial goals, as well as the execution of activities to advance our strategic priorities. Target annual cash incentive opportunities are based on a percentage of base salary. Below is a summary of the annual cash incentives structure, including metrics and weightings for each of the NEOs for fiscal 2018:

Mr. Yu, Chairman and CEO	
Target Annual Cash Incentive (as a % of Base Salary): 100%	
Performance Goals	***Weighting***
Financial Achievement Goals	**75% of Total Annual Incentive Award**
Diluted Earnings Per Share ("DEPS")	70%
Loan Growth	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. Wellington, President and COO	
Target Annual Cash Incentive (as a % of Base Salary): 70%	
Performance Goals	***Weighting***
Financial Achievement Goals	**50% of Total Annual Incentive Award**
Diluted EPS	70%
Loan Growth	15%
Deposit Growth	15%
Corporate Strategic / Department Goals	**50% of Total Annual Incentive Award**
CEO Corporate Strategic Goals, plus: Drive growth of loans and deposits; improve BSA/ Compliance & CRA Ratings; recruitment and organization building; loan portfolio credit quality oversight; maintain and develop regulatory relationships; manage Mortgage Business Unit; help implement and maintain cost controls.	Varies

Mr. Czajka, Executive Vice President and CFO	
Target Annual Cash Incentive (as a % of Base Salary): 60%	
Performance Goals	***Weighting***
Financial Achievement Goals	**50% of Total Annual Incentive Award**
Diluted EPS	70%
Loan Growth	15%
Deposit Growth	15%
Corporate Strategic / Department Goals	**50% of Total Annual Incentive Award**
CEO Corporate Strategic Goals, plus: Represent the Bank in all investor relationships and investor conferences; complete ATM offering; oversee bank-wide system conversion in 2018; manage all finance and accounting functions.	Varies

Mr. Pi, Executive Vice President and CCO	
Target Annual Cash Incentive (as a % of Base Salary): 60%	
Performance Goals	***Weighting***
Financial Achievement Goals	**40% of Total Annual Incentive Award**
Diluted EPS	70%
Loan Growth	15%
Deposit Growth	15%
Corporate Strategic / Department Goals	**60 % of Total Annual Incentive Award**
CEO Corporate Strategic Goals, plus: Maintain credit quality of the loan portfolio; lead efforts to work out issues with certain large loan customers, yielding favorable results for the Bank; effectively manage annual regulatory and external examinations of the Bank's loan portfolio.	Varies

The schedule below sets forth the 2018 financial performance goals. The Target diluted EPS was determined based on the Bank's annual financial budget for 2018. Target diluted EPS of $4.40 represents a 48.7% increase over 2017 diluted EPS, which includes consideration for the effect of the Tax Cut and Jobs Act of 2017. On a pre-tax basis, the Target diluted EPS for 2018 represented a 16% increase over 2017 levels. This was a challenging goal as it required the Bank to increase diluted EPS for the 5th consecutive year at an annual organic growth rate that exceeds many of our peer banks. Target loan growth of 11% and target deposit growth of 9% were also appropriately challenging goals given the heavy competition among banks for loans and deposits throughout 2018. 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. For actual 2018 results and payouts, please see page 30 of this CD&A.

Metric	Weight	Level of Performance		
		Threshold (50%)	**Target (100%)**	**Maximum (150%)**
Diluted EPS	70%	$4.10	$4.40	$4.65
Loan Growth	15%	7%	11%	14%
Deposit Growth	15%	6%	9%	12%

Long-Term Equity Incentives. On February 17, 2019, 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, 2019 through December 31, 2021) based on the achievement of pre-determined financial goals. For the 2019 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 2019 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%			

With this new design, 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 KBW Regional Bank Index ("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"). For 2018, 25% of the overall RSU award vested on the date of 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, 2021. 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 December 31, 2018, such that his target total award value was equal to 200% of his base salary (100% in target PRSUs and 100% in RSUs). The following table shows the long-term equity incentive awards granted to Mr. Yu on February 17, 2019.

NEO	Target PRSUs (#)	Target Grant Date Fair Market Value of PRSUs* ($)	RSU Awards (#)	Grant Date Fair Market Value of RSUs** ($)
Li Yu	22,000	1,126,840	22,000	1,083,555

**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, 2018.*

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 17, 2019. These grants were made based on the Bank substantially outperforming its 2018 budget and each NEO's achievement of strategic goals and individual goals for 2018.

NEO	**RSU Awards (#)**	**Fair Market Value of RSUs ($)**
Wellington Chen	6,400	315,216
Ed Czajka	5,000	246,263
Nick Pi	4,300	211,786
Robert Kosof	1,800	88,655

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:

What We Do	**What We Don't Do**
☑ 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

2018 Performance Highlights

Financial & Strategic Achievements

The Bank experienced yet another strong year of financial performance and growth in 2018. 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
2018	$ 4.64	$ 70,993	$ 27.07	$ 4,216,435	1.84%	17.04%	33.96%
2017	$ 2.96	$ 43,394	$ 23.48	$ 3,769,859	1.24%	14.46%	36.56%
2016	$ 2.56	$ 36,369	$ 20.94	$ 3,221,598	1.27%	13.77%	39.71%
2015	$ 2.17	$ 29,743	$ 19.02	$ 2,598,846	1.35%	11.81%	40.70%
2014	$ 1.78	$ 24,592	$ 17.40	$ 2,054,154	1.31%	11.02%	40.76%

The Bank showed continuing strong financial performance again in 2018. Net income before taxes of $98.7 million for 2018 was not only the highest the Bank has posted in its corporate history, but it also represented earnings growth of 22.6% over 2017. The Bank has now had 24 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 and managing costs, maintaining one of the lowest efficiency ratios in the industry. The Bank exceeded its internal financial goals set forth at the beginning of the year, most by a significant margin. Other significant highlights of 2018 include the following:

- Recorded its highest annual pre-tax 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 33.5%
- Issued $1.8mm in new common stock through an "At-the-Market" (ATM) transaction
- Demonstrated net income growth of 63.6% inclusive of Tax Bill mandated DTA charge

- Achieved total loan growth of 13.3% and total deposit growth of 11.6%
- Surpassed $4.2 billion in total assets
- Increased Return on Equity to 17.04% for 2018, compared to 14.46% for 2017
- Continued to have excellent credit quality, with a NPA/total asset ratio of 1.06%
- Had a total three-year shareholder return of 38.34%

2018 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 stockholder 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 his 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 2018, the Committee engaged Pearl Meyer & Partners, LLC ("Pearl Meyer") for general assistance in executive compensation matters, but with emphasis on informing the Committee's decisions regarding revisions to the NEO cash and equity incentive arrangements.

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 2018, 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, Opus Bank, Pacific Premier Bancorp, Royal Business Bank and Westamerica Bancorporation.

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.

2018 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.

The Compensation Committee approved the following base salary adjustments for our NEOs effective March 1, 2018:

NEO	2017 Salary	2018 Salary	Percentage Increase
Li Yu	$925,000	$950,000	2.7%
Wellington Chen	$470,000	$500,000	6.4%
Edward Czajka	$283,000	$310,000	9.5%
Nick Pi[(1)]	$242,000	$270,000	11.6%
Robert Kosof	$255,000	$260,000	2.0%

(1) Mr. Pi received an outsized base salary increase in 2018 due to the recognition of his growth within the CCO role that he had only been promoted to three years' prior.

Annual Cash Incentives

The 2018 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% of target award amounts. Target annual cash incentive award opportunities were expressed as a percentage of base salary, and were established according to the NEO's level of responsibility and his or her ability to impact overall results. 2018 target award opportunities were as follows:

NEO	**Target Award Opportunity** (As a % of Base Salary)	**Target Award Opportunity** (As a $ Amount)
Li Yu	100%	$950,000
Wellington Chen	70%	$350,000
Edward Czajka	60%	$186,000
Nick Pi	60%	$162,000

An individual NEO's annual cash incentive award is based on a combination of financial and strategic objectives. (The annual cash incentive structure, including metrics and weightings effective for 2018, is more fully discussed beginning on page 22 of this CD&A.) The Compensation Committee, at its discretion, reserves the right to adjust downward any award payments proposed for an NEO. Amounts paid are also subject to our Clawback Policy (see page 29 of this CD&A).

2018 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 2018, those metrics include the Bank's diluted EPS and loan and deposit growth. The table below outlines the financial goals and actual results for 2018:

Metric	**Weight**	**Level of Performance**			**2018 Actual Results**	**Payout Achievement (as a % of Target)**
		Threshold (50%)	Target (100%)	Maximum (150%)		
DEPS	70%	$4.10	$4.40	$4.65	$4.64	147%
Loan Growth	15%	7%	11%	14%	13.3%	142%
Deposit Growth	15%	6%	9%	12%	11.6%	145%

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 147% of target.

2018 Strategic Goals and Results. The NEOs' actual cash incentive award payouts also depend on the achievement of pre-determined strategic goals. The strategic goals for the NEOs, as determined in consultation with the CEO and reviewed with the Compensation Committee, generally encompass objectives as they relate to both our individual businesses and the entire Bank.

During its February 2019 meeting, the Compensation Committee assessed the CEO's performance in achieving the strategic goals. The Committee based achievement of Compliance/BSA goals on the completion of certain tasks related to the bank's BSA and CRA compliance ratings. The Committee reviewed and assessed the overall credit quality of the Bank's loan portfolio, which included looking at resolution of problem loans, and risk management in the loan portfolio. Organizational development was measured based on building a stable executive management team and succession planning considerations. Efficiency and cost control were measured based on the Bank's ability to remain highly cost efficient despite significant costs related to Bank-wide infrastructure upgrades and changes in 2018. The Committee performed its assessment and after input and discussion with the CEO, determined the achievement of CEO strategic goals to be 93%. The following tables summarize the level of achievement on the corporate strategic and department goals for each of the NEOs:

NEO	2018 Strategic / Departmental Goals Weighting	Payout Achievement (as a % of Target)
Li Yu	25% of Total Annual Cash Incentive Award	93%
Wellington Chen	50% of Total Annual Cash Incentive Award	90%
Edward Czajka	50% of Total Annual Cash Incentive Award	99%
Nick Pi	60% of Total Annual Cash Incentive Award	98%

Overall Annual Cash Incentive Payout Results. Based on the above results, the following table lists the actual annual cash incentive awards paid to the NEOs in 2018:

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%	133%	$1,267,000
Wellington Chen	70%	83%	$415,000
Edward Czajka	60%	74%	$229,000
Nick Pi	60%	71%	$191,000
Robert Kosof	N/A	N/A	$105,000

Other Compensation Policies, Practices, and Guidelines

Clawback Policy

The Compensation Committee believes that it is in the best interests 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. Effective January 1, 2019, the Bank adopted 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.

Deferred Compensation Plan

We adopted a Deferred Compensation Plan in 1999, which was subsequently amended in 2010. The plan was a nonqualified unfunded plan for a select group of management and highly compensated employees. As we disclosed in last year's CD&A, the Deferred Compensation Plan was terminated as of January 1, 2015, and on January 1, 2017, payments under the plan of cash and converted shares were made to the plan participants including issuance of 231,432 shares of the Bank's common stock to Plan participants.

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, and 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.

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, 2018, 2017 and 2016.

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,	2018	$945,834	$1,267,000	—	$ 2,210,395	$ 125,844	$4,549,073
Chairman and Chief	2017	$915,833	—	$1,100,000	$ 2,762,660	$ 85,957	$4,864,450
Executive Officer	2016	$861,667	—	$1,100,000	$ 2,160,990	$ 93,731	$4,216,388
Wellington Chen,	2018	$495,000	$ 415,000	—	$ 315,216	$ 62,797	$1,288,013
President & Chief	2017	$466,567	—	$ 390,000	$ 299,778	$ 49,371	$1,205,716
Operating Officer	2016	$447,167	—	$ 350,000	$ 275,050	$ 44,591	$1,116,808
Edward Czajka,	2018	$305,500	$ 229,000	—	$ 246,263	$ 24,700	$ 805,463
Executive Vice President,	2017	$281,567	—	$ 202,000	$ 205,730	$ 20,603	$ 709,900
Chief Financial Officer	2016	$273,000	—	$ 180,000	$ 165,030	$ 19,158	$ 637,188
Nick Pi,	2018	$265,334	$ 191,000	—	$ 211,786	$ 25,872	$ 693,992
Executive Vice President,	2017	$238,333	—	$ 161,000	$ 176,340	$ 18,052	$ 593,725
Chief Credit Officer	2016	$220,000	—	$ 138,000	$ 165,030	$ 17,025	$ 540,096
Robert Kosof,	2018	$259,167	N/A	$ 105,000	$ 88,655	$ 24,040	$ 476,862
Executive Vice President,	2017	$253,833	—	$ 110,000	$ 117,560	$ 18,233	$ 499,626
Commercial Lending	2016	$246,667	—	$ 100,000	$ 99,018	$ 18,485	$ 464,170

(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 and stock options in accordance with FASB ASC Topic 718, excluding the effect for forfeitures.

(2) The components of all other compensation for 2018 are detailed below:

(a) Mr. Yu, dividends on unvested restricted stock awards of $117,500, 401 (k) match of $8,250 and medical reimbursements of $94.

(b) Mr. Chen, automobile expenses of $13,247, prorated for portion of personal use, club dues $21,220, dividends on unvested restricted stock awards of $16,080, and 401(k) match of $7,100.

(c) Mr. Czajka, automobile allowance $7,200, dividends on unvested restricted stock awards of $9,100, and 401(k) match of $7,598.

(d) Mr. Pi, automobile allowance $7,200, dividends on unvested restricted stock awards of $6,672, and 401(k) match of $7,960.
(e) Mr. Kosof, automobile allowance $7,200, dividends on unvested restricted stock awards of $4,840 and 401(k) match of $7,775.

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, 2018

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	$ —	$ 357,013	$ —	$ —	$ 357,013
Involuntary Termination (other than For Cause)	3,319,251	357,013	—	—	3,676,264
Involuntary Termination (For Cause)	—	357,013	—	—	357,013
Termination in Connection with Change in Control	3,319,251	357,013	—	3,348,788	7,025,051
Death	—	357,013	2,134,456	—	2,491,469
Disability	—	357,013	—	—	357,013
Wellington Chen					
Voluntary Termination of Retirement	—	88,261	—	—	88,261
Involuntary Termination (other than For Cause)	—	88,261	—	—	88,261
Involuntary Termination (For Cause)	—	88,261	—	—	88,261
Termination in Connection with Change in Control	—	88,261	—	442,170	530,431
Death	—	88,261	—	—	88,261
Disability	—	88,261	—	—	88,261
Edward Czajka					
Voluntary Termination of Retirement	—	61,793	—	—	61,793
Involuntary Termination (other	—	61,793	—	—	61,793

Name	Cash severance Arrangements/ Compensation ($)	Accrued Vacation ($)	Insurance Death Benefits ($)	Acceleration of Vested Options (unamortized expense)($)	Total Termination Benefits ($)
than For Cause)					
Involuntary Termination (For Cause)	—	61,793	—	—	61,793
Termination in Connection with Change in Control	—	61,793	—	325,125	386,918
Death	—	61,793	—	—	61,793
Disability	—	61,793	—	—	61,793
Nick Pi					
Voluntary Termination of Retirement	—	55,867	—	—	55,867
Involuntary Termination (other than For Cause)	456,334	55,867	—	—	512,201
Involuntary Termination (For Cause)	—	55,867	—	—	55,867
Termination in Connection with Change in Control	456,334	55,867	—	278,524	790,725
Death	—	55,867	—	—	55,867
Disability	—	55,867	—	—	55,867
Robert Kosof					
Voluntary Termination or Retirement	—	53,215	—	—	53,215
Involuntary Termination (other than For Cause)	—	53,215	—	—	53,215
Involuntary Termination (For Cause)		53,215	—	—	53,215
Termination in Connection with Change in Control	—	53,215	—	126,799	180,014
Death	—	53,215	—	—	53,215
Disability	—	53,215	—	—	53,215

Securities Authorized for Issuance under Equity Compensation Plans

The following table summarizes information as of December 31, 2018, 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	—	$ —	2,057,250
Equity compensation plans approved by security holders - Deferred Compensation (1)	—	$ —	—
Equity compensation plans not approved by security holders............	—	—	—
Total..	—	$ —	2,057,250

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, 2018.

- We identified our median employee as of December 31, 2018, at which time our total employee population was 267, 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. For those employees who commenced work with us during 2018, we annualized the base salary and we made no full-time adjustments to part-time employees.
- After identifying the median employee, we added together all of the elements of such employee's compensation for 2018 on the same basis as we used for determining the total compensation of our CEO for 2018 as set forth in the Summary Compensation Table, resulting in total annual compensation of our median employee of $93,829.

Our CEO's total annual compensation for 2018 was $4,491,182, resulting in a pay ratio of our CEO's total annual compensation to the total annual compensation of the Bank's median employee of 36:1.

(2) 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 and stock options in accordance with FASB ASC Topic 718, excluding the effect for forfeitures.

(3) J. Richard Belliston is the chairman of the Audit Committee, Mr. Nunnelly is the Chair of the Loan Committee and Mr. Hsu is Chair of the Compensation Committee

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 2018 Plan-Based Awards Table

Name	Grant Date	Estimated Possible Payouts Under Non-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 ($)(2)
		Threshold ($)	Target ($)	Maximum ($)		
Li Yu	2/8/18	475,000	950,000	1,425,000	47,000	$ 2,762,660
Wellington Chen	2/8/18	175,000	350,000	525,000	5,100	$ 299,778
Edward Czajka	2/8/18	93,000	186,000	279,000	3,500	$ 205,730
Nick Pi	2/8/18	81,000	162,000	243,000	3,000	$ 176,340
Robert Kosof	2/8/18	N/A	N/A	N/A	1,500	$ 88,170

(1) These represent awards made in 2018 for the fiscal year 2017. All awards listed above have a four year vesting period of which one year was already vested at grant date. Awards will all fully vest on December 31, 2020.

(2) Fair value is calculated using the closing price of our common stock on December 29, 2017, which was the last trading day of the 2017 fiscal year, multiplied by the number of shares granted.

Grants of 2019 Plan-Based Awards Table

Name	Grant Date	Estimated Possible Payouts Under Equity Incentive Plan Awards Threshold (#)	Target (#)	Maximum (#)	All Other Stock Awards: Number of Shares of Stock or Units (#) (1)	Grant Date Fair Value of Stock and Option Awards ($)
Li Yu	2/17/19	11,000	22,000	38,500	22,000	$ 2,210,395(2)
Wellington Chen	2/17/19	N/A	N/A	N/A	6,400	$ 315,216(3)
Edward Czajka	2/17/19	N/A	N/A	N/A	5,000	$ 246,263(3)
Nick Pi	2/17/19	N/A	N/A	N/A	4,300	$ 211,786(3)
Robert Kosof	2/17/19	N/A	N/A	N/A	1,800	$ 88,655(3)

(1) These represent awards made in 2019 for the fiscal year 2018.

(2) Fair value for PRSUs is calculated using target shares grant date closing price on February 17, 2019 and the fair value for RSUs is calculated based on 25% of the shares at closing price per share on December 31, 2018 and 75% at closing price per share on the grant date of February 17, 2019.

(3) Fair value is calculated based on 25% at closing price per share on December 31, 2018 and 75% at closing price per share on the grant date of February 17, 2019.

The following table lists the outstanding equity awards at December 31, 2018. All of the awards have been adjusted for the stock dividends and stock splits declared by us since the grant date.

Outstanding Equity Awards at December 31, 2018

Name	Grant Date	Stock Awards: Number of Shares of Stock or Units That Have Not Vested	Market Value of Shares of Stock or Units That Have Not Vested(1)
Li Yu	1/31/17(2)	9,750	$ 422,663
	2/8/18(2)	23,500	$1,018,725
Wellington Chen	1/30/17(2)	1,250	$ 54,188
	2/8/18(2)	2,550	$ 110,543
Edward J. Czajka	1/30/17(2)	750	$ 32,513
	2/8/18(2)	1,750	$ 75,863
Nick Pi	1/30/17(2)	625	$ 27,094
	2/8/18(2)	1,500	$ 65,025
Robert Kosof	1/30/17(2)	375	$ 16,256
	2/8/18(2)	750	$ 32,513

(1) The aggregate market value of outstanding restricted stock awards is based on the closing price of our common stock on December 31, 2018.

(2) Restricted Stock Awards.

Option Exercises and Stock Vested during the 2018 Fiscal Year

	Stock Awards	
Name	Number of Shares Acquired on Vesting (# Shares)	Value Realized on Vesting ($) (1)
Li Yu	50,000	$ 2,167,500
Wellington Chen	8,200	$ 355,470
Edward Czajka	4,000	$ 173,400
Nick Pi	2,300	$ 99,705
Robert Kosof	2,500	$ 108,375

(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.

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 21, 2019.

Respectfully submitted by the members of the Compensation Committee:

Clark Hsu (Chairman)

J. Richard Belliston

Wayne Wu

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 Commissioner of Business Oversight ("Commissioner"), including the First Repurchase Program described below.

On December 5, 2018, 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 $30 million ("First Repurchase Program"). It is intended that share repurchases under the First Repurchase Program will be executed only through open market transactions. In the future, share repurchases also may be made in privately negotiated transactions and block trades. The First Repurchase Program does not obligate, and future repurchase programs will not obligate, the Bank to purchase any shares. The First Repurchase Program will expire in 6 months from the last date of approval to be received from the FDIC and the Commissioner. The FDIC approved the First Repurchase Program on January 9, 2019. 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 First Repurchase Program and any subsequent repurchase program it may adopt.

The Bank has applied for approval from the Commissioner and the FDIC for the First Repurchase Program. This Proposal 4 is seeking general authority for the Board of Directors to authorize and implement share repurchase programs, including without limitation, the First 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 First Repurchase Program the Board considered a number of factors including:

- The potential for offsetting the dilutive impact of stock grants and exercises of employee stock options;
- 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 December 5, 2018 and after giving full effect to the First Repurchase Plan:
    - The Bank will continue to exceed all minimum regulatory capital requirements;
    - The aggregate purchase price of $30,000,000 represented only 16% of the Bank's retained earnings and the Bank has no outstanding preferential dividends in arrears; and
    - Immediately after full implementation of the First Repurchase Plan, the value of the Bank's assets equals or exceeds its total liabilities; and
- If and when fully implemented, the First Repurchase Plan will not cause the common stock of the Bank to be held of record by fewer than 300 persons or 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 Commissioner.

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

PROPOSAL 5: RATIFY SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS FOR 2019

Our Audit Committee has appointed Crowe LLP as our independent registered public accountants for the year ending December 31, 2018, 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 2018 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, 2018 and 2017.

	December 31,	
	2018	**2017**
Audit Fees[(1)]	545,900	$475,000
Tax Fees	102,829	103,000
All Other Fees	—	149,000[(2)]
Total Fees	648,729	$727,000

(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, 2018 and 2017.

(2) Fees were primarily related to work associated to the issuance of a Comfort Letter and Consent in association with the Bank's capital offering in 2017.

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 2019.

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, 2018, all executive officers, directors and greater than 10% beneficial owners complied with all applicable Section 16(a) filing requirements, except for the following:

Type of Filing	Transaction Date	Filing Date	Type of Transaction	Director/Officer
Form 4	5/15/18	5/18/18	RSA Grant	Chih-Wei Wu
Form 4	5/15/18	5/18/18	RSA Grant	Clark Hsu
Form 5	12/31/18	3/19/19	Disposition for Taxes	Edward Czajka
Form 4	5/15/18	5/18/18	RSA Grant	Gary S. Nunnelly
Form 5	12/31/18	3/19/19	Disposition for Taxes	Li Yu
Form 5	12/31/18	3/19/19	Disposition for Taxes	Nick Pi
Form 4	5/15/18	5/18/18	RSA Grant	J. Richard Belliston
Form 3	10/10/18	11/7/18	RSA Grant	Shirley Wang
Form 4	5/15/18	5/18/18	RSA Grant	Wayne Wu
Form 5	12/31/18	3/19/19	Disposition for Taxes	Wellington Chen
Form 4	5/15/18	5/18/18	RSA Grant	William C. Y. Cheng
Form 4	2/27/18	3/21/18	Donation	William C. Y. Cheng

SHAREHOLDER PROPOSALS FOR 2020 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 2019 annual meeting of shareholders if we receive them on or before December 17, 2019. 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 2020 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 17, 2020 and on or before 5:00 p.m., Pacific Time, on February 13, 2020 (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 2018 Annual Report on Form 10-K with this Proxy Statement. If you would like another copy of our 2018 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
Attention: Kristen McNally, 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 http://www.snl.com/irweblinkx/docs.aspx?iid=1023519 or at our website at *www.preferredbank.com*. Click on 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 21, 2019, 1:00 p.m., Pacific Time

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

The undersigned hereby appoints Edward Czajka and Nick Pi, or either of them, each with full power of substitution and revocation, as proxy of the undersigned to attend the Annual Meeting of Shareholders of Preferred Bank (the "Bank"), to be held on May 21, 2019, 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

Class II Nominees

William C.Y. Cheng
Chih-Wei Wu
Wayne Wu
Shirley Wang

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 December 5, 2018, pursuant to which Preferred Bank may, from time to time, purchase shares of its common stock for an aggregate purchase price not to exceed $30 million.

☐ **FOR** ☐ **AGAINST** ☐ **ABSTAIN**

5. Ratification of the appointment of Crowe LLP as independent registered public accountants for the fiscal year ending December 31, 2019.

☐ **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 21, 2019

The proxy statement, proxy card, and the Annual Report on Form 10-K for the year ended December 31, 2018, are available on our website at http://preferredbank.com/proxymaterials/.

THE UNDERSIGNED HEREBY ACKNOWLEDGES RECEIPT OF (A) THE NOTICE OF ANNUAL MEETING OF SHAREHOLDERS TO BE HELD MAY 21, 2019, (B) THE ACCOMPANYING PROXY STATEMENT AND (C) THE ANNUAL REPORT ON FORM 10-K OF THE BANK FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018.

(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.)

____ , 2019
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