








# Regional Banks

INDUSTRY UPDATE  
June 2025

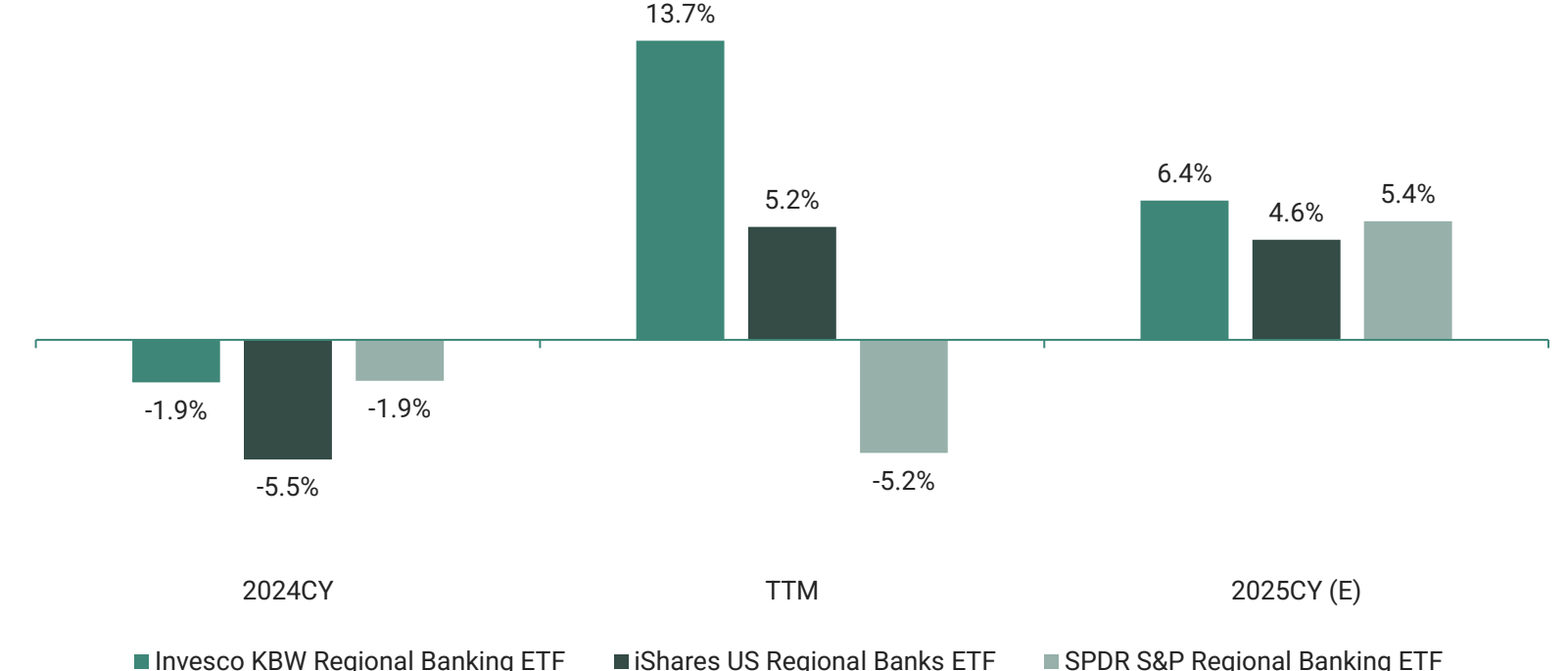
The regional banking sector entered 2025 amid a wave of consolidation, with M&A activity surging as institutions seek scale to navigate persistent challenges from the 2023 banking crisis. Bank mergers and acquisitions saw a strong start to 2025, with 34 transactions announced through March 31, 2025, an increase from 28 transactions in the first quarter of 2024. Technology adoption is accelerating as banks invest in digital transformation to compete with larger rivals and fintech disruptors. Many regional banks are partnering with technology providers to enhance mobile banking capabilities, automate loan underwriting, and improve operational efficiency without the capital investment

required for in-house development. Investors are increasingly favoring institutions with diversified revenue streams, strong capital ratios, and proven ability to generate consistent returns on equity above 10%. Similarly, banks in this market are continuing to increase commercial and industrial loan reserves while holding steady on their consumer portfolios. As interest rate volatility continues and regulatory scrutiny intensifies, regional banks with robust risk management frameworks, scalable technology platforms, and geographic diversification are positioning themselves as preferred consolidation targets and long-term survivors in an increasingly competitive landscape.

## HEADLINE TRANSACTIONS

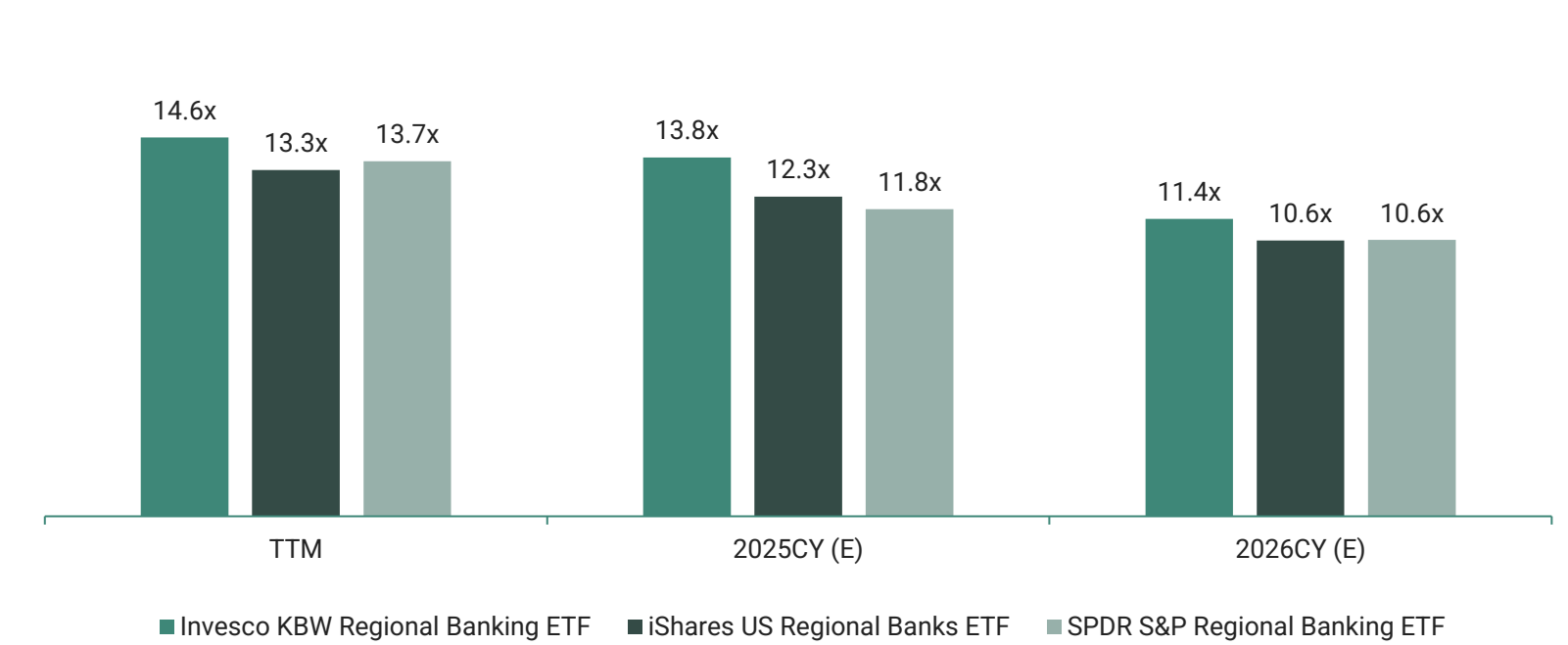
TARGET	ACQUIRER	ACQUISITION SYNOPSIS
		<b>First Carolina Bank</b> acquired <b>BM Technologies</b> in October 2024 with the deal valued at \$67M. The transaction brings enhanced banking services and technology to all current customers of both BM Technologies and First Carolina Bank Fintech. The merger brings together the customer bases of both BM Technologies and First Carolina Bank's fintech operations, resulting in a larger combined customer base for the enhanced services. This strategic move allows First Carolina Bank to modernize its offerings and compete more effectively in the digital banking landscape
		<b>Columbia Banking System</b> announced in April 2025 that it will acquire <b>Pacific Premier Bancorp</b> in an all-stock deal valued at approximately \$2 billion, creating a combined company with approximately \$70 billion in assets. The strategic rationale centers on geographic expansion, as the deal accelerates Columbia's expansion in Southern California by approximately a decade, moving its deposit market share to a top-10 position in this key market. The companies project cost savings of 30%, about 14% earnings per share accretion in 2026 and a three-year earn-back on tangible book value per share positioning the combined entity as a stronger competitor in the Western U.S. banking market
		<b>SouthState Corporation</b> completed a \$2 billion all-stock acquisition of <b>Independent Bank Group</b> in January 2025. The deal was primarily driven by SouthState's strategic expansion into high-growth markets, specifically Texas and Colorado, representing the company's first major entry into these regions. Independent Bank Group's leadership cited challenging interest rate environment and heightened regulatory scrutiny as key reasons for the sale
		In January 2025, <b>UMB Financial Corporation (Nasdaq: UMBF)</b> acquired <b>Heartland Financial USA, Inc. (Nasdaq: HTLF)</b> . As a result of this successful completion, UMB's asset size will increase to approximately \$68 billion (based on assets as of Dec. 31, 2024), expanding its geographic footprint from eight to 13 states. The acquisition also increases UMB's private wealth management AUM/AUA by 32% and significantly expands its retail deposit base
		In December 2024, <b>The Bank of Nova Scotia (Scotiabank)</b> completed its strategic minority investment in <b>KeyCorp</b> with a purchase of approximately \$2.0 billion in common stock, giving Scotiabank a 14.9% ownership stake. For KeyCorp, the investment enables the bank to "accelerate capital and earnings improvement while bolstering strategic position" at a time when regional banks face ongoing challenges from the 2023 banking crisis. For Scotiabank, the transaction provides attractive near-term returns and creates future optionality in the North American corridor as part of the Canadian bank's strategy to shift capital from developing markets to developed markets

## REVENUE GROWTH

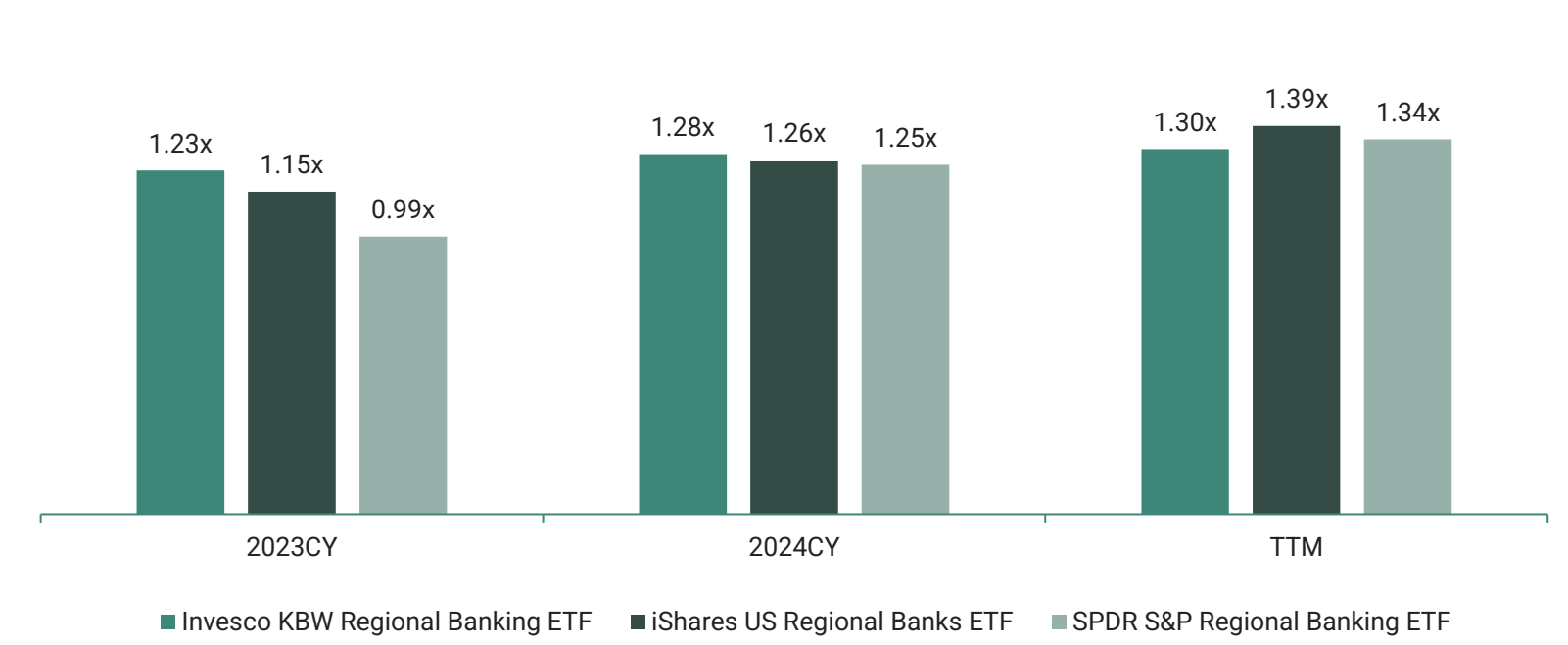


- Regional banks are projected to achieve a dramatic earnings turnaround from current negative revenue growth of -2% to -5% to strong positive growth of 4-6% by 2025, driven by normalizing interest rate environments, cost synergies from M&A activity, and operational improvements following the sector's recent crisis period
- Regional bank valuations appear attractive with P/E ratios expected to compress from current 13-15x levels to 10-11x by 2026, suggesting the market is pricing in strong earnings recovery as banks benefit from stabilizing interest rates and M&A synergies
- Regional bank price-to-book ratios have recovered from 2023 crisis lows of 1.0-1.2x to current levels around 1.3-1.4x, indicating restored investor confidence but still trading at discounts to historical norms, suggesting upside potential as banks demonstrate sustained profitability and capital generation

## PRICE / EARNINGS



## PRICE / BOOK



Note: Data from Pitchbook

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