



Sector Spotlight:

Regional Banks

Achieving Premium Valuation
and Recommended
Communication Strategies to
Differentiate from the Pack

OUTPERFORMANCE
BUILT ON TRUST™

Achieving a premium valuation in the Regional Banks sector is no easy feat. Characterized by interest rate sensitivity and hundreds of peers competing for investor attention, outperformance requires consistent through-cycle performance — driven by effective capital allocation, prudent risk management, and strong, differentiated investor communications — to stand out from the pack.

Our **Sector Spotlight: Regional Banks** evaluates 91 publicly traded U.S. regional banks to identify the factors leading to premium status, as well as recommended communication strategies to maximize valuation, differentiate as an investment, and shine a light on developing capabilities to close the gap – all with the intent of giving confidence to investors in your company’s quality, potential, and ability to deliver strong returns through rate cycles and economic shifts.

Insights from **25 Banking sector investors and analysts**, whose firms collectively have \$3.7 trillion equity assets under management, are included based on recent interviews conducted by Corbin Advisors to highlight underlying sentiment toward the sector and what differentiates banks trading at a premium.

Sector Spotlight: Regional Banks

Operating in a highly fragmented and competitive sector, Regional Banks face a tough task in attracting and retaining investor interest. With hundreds of institutions vying for capital in a crowded landscape, it is incumbent upon management teams to shape and own their narrative, differentiate their institutions, and articulate a compelling investment case.

Emerging from a challenging interest rate environment

The sector has endured a turbulent environment in recent years — from the 2020 Covid shock that saw interest rates drop to record lows, to a subsequent inflation spike prompting the most aggressive Fed tightening cycle in decades, and a prolonged inversion of the yield curve, which from 2022–2024 was the longest in U.S. history, lasting 793 days and surpassing the prior record of 624 days from 1978.

Investor confidence in the sector was further rattled by the March 2023 collapse of Silicon Valley Bank (SVB). While SVB's troubles were largely idiosyncratic, the broad selloff exemplifies how investors often group the sector together, underscoring the need to clearly differentiate your strengths and risk management approach.

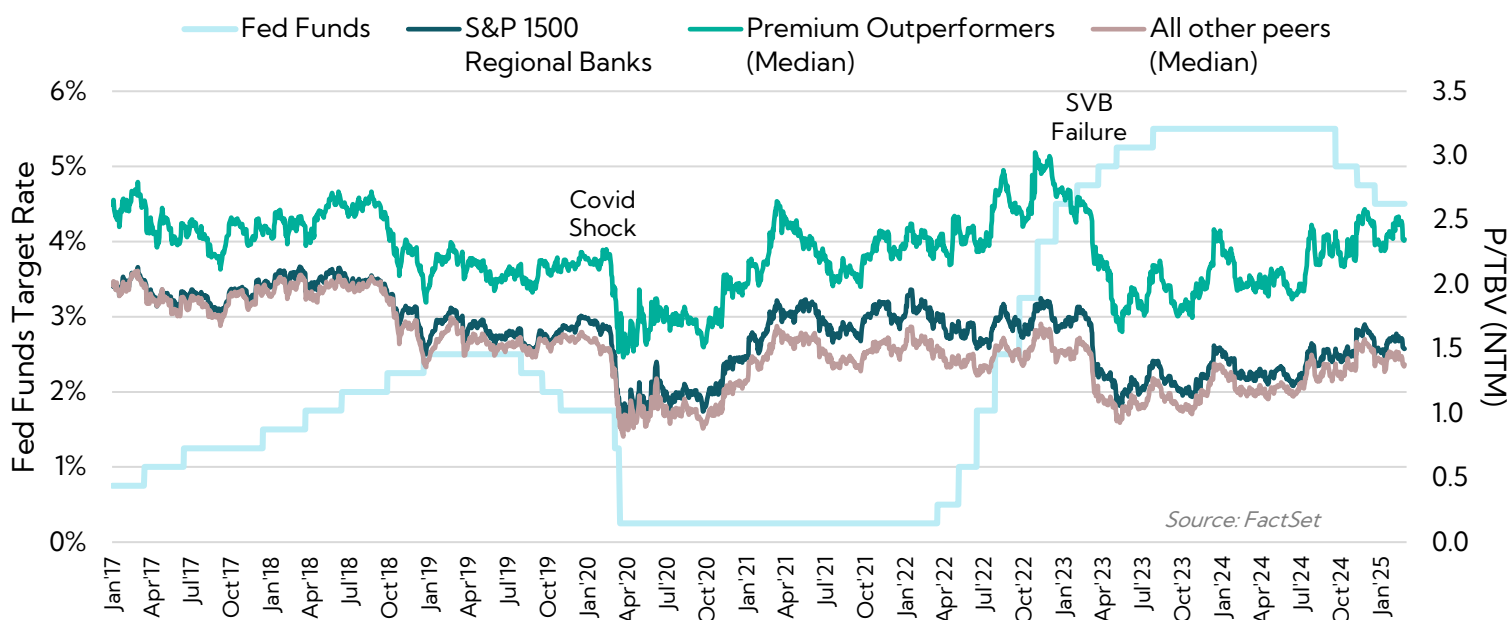
However, the Regional Banks sector has its share of outperformers – what sets these institutions apart?

Our research of publicly traded companies from the S&P 1500 Regional Banks¹ sub-industry identified **18 banks²** — denoted the **“Premium Outperformers”** — that maintained P/TBV multiples meaningfully above the sector average going back to the start of 2017. P/TBV for this group from January 1, 2017 to March 1, 2025 averaged 2.3x compared with 1.5x for all others.

Further, these outperformers span a range of market caps and geographic footprints, representing all major regions from coast to coast, including Hawaii. In terms of size, median market cap stands at ~\$3B with median total assets at ~\$15B.

To understand why these institutions are rewarded with premium valuations, we analyzed our Voice of Investor[®] interviews for the Regional Banks sector and Premium Outperformers' investor communications.

P/TBV (NTM)
(Jan. 2017 to Mar. 2025)



¹ Companies in the analysis include the S&P 1500 Regional Banks sub-industry index (91 constituents); 3 were excluded due to incomplete data. "Premium Outperformers" consist of those with a median P/TBV (NTM) in the top quintile of all study members.

² "Premium Outperformer" company tickers: BANF, BOH, CASH, CBSH, CBU, CFR, CHCO, CVBF, FFIN, FHB, GBCI, HOMB, LKFN, PRK, SFBS, TFC, TFIN, WABC

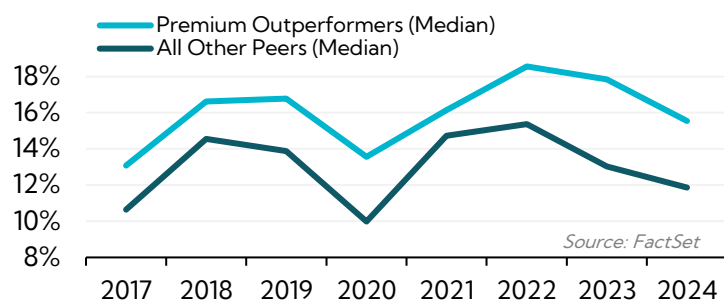
Defining Characteristics of Premium Outperformers

When evaluating regional banks, investors consider earnings growth and profitability, along with tangible book value per share (TBVPS) and return metrics. To that end, many investors look at return on tangible common equity (ROTCE) and operating leverage as primary drivers of valuation. Related, attractive efficiency ratios further signal cost discipline and long-term earnings power.

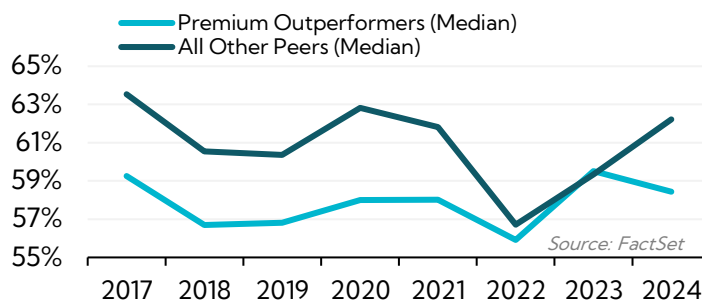
However, garnering a premium valuation in a crowded regional banking sector requires more than strong near-term financial performance. Investors reward banks that demonstrate resilience across rate cycles and economic shifts, balancing returns with disciplined risk management. Equally important is management's ability to shape investor perceptions — articulating how the bank sustains customer success and growth, mitigates risks, and enhances long-term profitability, ensuring these advantages are fully recognized in the market.

We sought to further investigate what common characteristics the **Premium Outperformers** share that set them apart. Our findings identified **five defining traits** exhibited by the top-performing regional banks that have contributed to above-average through-cycle valuations.

ROTCE (Return on Tangible Common Equity)



Efficiency Ratio



1 High returns driven by capital allocation and balance sheet management

This group stands out in our Voice of Investor® interviews and analysis for **delivering superior through-cycle returns**, with an average ROTCE of 16.0% since 2017, compared with 13.0% for all others in study universe. Their ability to generate high returns reflects not just strong earnings power but also disciplined capital allocation that balances growth opportunities with prudent risk management.

2 Expense discipline & operating leverage

Premium valuation banks consistently **drive operating leverage and efficiency**, demonstrating revenue growth that outpaces cost expansion. These banks strategically invest in technologies and operational improvements to streamline processes and enhance scalability, as evidenced by lower efficiency ratios. Since 2017, 28% of Premium Outperformers achieved average ratios below 50%, compared to just 11% of all other banks in the study group.

3 Superior deposit franchise / stable funding foundation

Outperformers differentiate themselves with **superior deposit franchises anchored by a strong core base** that provides low-cost, stable funding. These banks leverage deep local market knowledge and relationship-based banking to attract and retain deposits, particularly from high-value demographics.

4 Strong risk management & credit quality

Those demonstrating **superior risk management and credit quality** command premium valuations. Outperformers proactively manage loan portfolios, asset quality, and reserves to stay ahead of credit cycles, earning investor favor with lower net charge-off ratios and disciplined underwriting practices.

5 Differentiated investor communications

While not all excel in this area, many leverage **investor communications to differentiate their equity story**, reinforce competitive advantages, and highlight resilience. Communicating these strengths builds investor confidence and supports premium valuations, especially through economic and rate cycles.

Investor Commentary: Key Investment Factors and Premium Valuation Drivers

"It is growth and TBVPS plus accumulated dividends, which is what I call total value creation. That is the north star for these companies. What gets you that is smart capital allocation. It is not buying a bunch of bonds at generational low yields where you can destroy book value if yields increase, which the overwhelming majority in the sector did. I look at good, smart capital allocation over time. That is the most important thing, and it shows up in that total value creation metric."

Security Analyst

"Every executive at every bank needs to understand that, at the end of the day, you are a salesperson for your organization. It is not going to sell itself. I am not saying they should be promotional, but they should be coming into meetings not aggressive but front-footed. They need to understand what it is about their franchise that makes it special that should be on investors' radar screens."

Sell Side Analyst

"You cannot be a top-performing bank unless you have a very good deposit franchise."

Portfolio Manager

"We look at credit underwriting and deposit flow history and liquidity and capital metrics. We try to understand if we have a prudent or risky balance sheet. We look at the economics of the region, population movements, mix of business."

Portfolio Manager

"We listen very carefully to management's tone. It is very hard from the outside to know what is going on in a financial institution. We view financial institutions that do not want to be transparent as suspect, like they want to hide something."

Portfolio Manager

"One of the key drivers of returns that is under management's control is the efficiency ratio, so what I really want to see is improvement in efficiency. That is a key metric. It is generating good ROE by being the most efficient bank, not by taking risk and reducing your capital."

Portfolio Manager

"Delivering consistency is hugely important through efficiency and steady revenue. That stability is very important. Efficiency, capital efficiency, and ultimately if that can drive high ROE, they will be rewarded, particularly if people have confidence in the durability."

Portfolio Manager

"Relative to the investor relations side, if they wanted to do more, they could **host an analyst day**. It would give them an opportunity to walk through **what they are trying to accomplish** from a foundational perspective, **how it is different than their competitors**, **why it matters to their customers**, and then ultimately, the **outcomes it is leading to**."

Portfolio Manager

"Setting aside the ups and downs of the market, we look at ROA and ROTCE and over time, the compound of annual growth of TBVPS. In general, if you are running a bank well over the fullness of time, all three of those metrics will look good. It is more than EPS or other metrics that may exist out there. It is about the return-based metrics along with annualized growth in TBVPS, which is adjusted for ROC to shareholders."

Security Analyst

"A threat is the money center banks. They have had objectively better mousetraps than all the super regionals to build capital for the better part of the last two decades and now they are done, so they can play more offense. It puts your marginal, regional bank lender in a very precarious spot. They either need to get much bigger and leverage up their technology a lot more, or risk falling behind and then having to resort to what some peers have done, which is buy these weird lending businesses or do desperate M&A or spend a ton of money on tech and put band aids over problems that do not drive any core franchise value improvements."

Portfolio Manager

"If you are not improving your efficiency, you are set to lose market share. It is not necessarily market share gain, but it is also client quality, so if [other banks] with their technology and efficiencies are able to gain share with the best clients, that increases their profitability."

Portfolio Manager

"We see multiple expansion as they bring in above-peer loan growth and NII growth next year. All of that is important for the multiple. They are a well-regarded management team and that helps the multiple in general for stocks as well over time."

Sell Side Analyst

Premium Outperformers Archetypes

While the Premium Outperformers share common characteristics, not all banks are created equal. In our research, they primarily fit into **four primary archetypes** (sometimes multiple) that set them apart from industry peers in the eyes of investors. Understanding these archetypes is particularly important in the context of portfolio construction, as generalist investors seek to identify high-quality, differentiated banks that can outperform through economic cycles.

Importantly, your institution may not have a dominant position in your respective markets and communities, nor have the scale capabilities of larger super-regionals, but what we **encourage you to take from these outperformer archetypes is the developing or underappreciated characteristics that position your bank for long-term success**. Through consistent performance and strategic messaging, you can help investors gain appreciation for your investment story and potential.

A standout in this regard is **The Bancorp (TBBK)**. Once a valuation laggard, trading in the 5th quintile of P/TBV from 2017 through 2021, TBBK has climbed to the top-quintile from 2022 through 2024. This rerating partly reflects investor recognition of its fintech partner bank model, driving growth through innovation and specialized lending. Improved efficiency has also played a role, with its efficiency ratio improving from 53% in 2021 to 40% in 2024.

1 Large Diversifieds with Growing Footprints (Scalers)

These banks leverage broad geographic reach, operational scale, and service expansion to drive growth and efficiency. While not all are true “super-regionals” (\$100B+ in assets), they possess the resources and strategic agility to compete effectively against both national and smaller community banks. Further, their size and operational scale allow them to cross-sell a wider range of offerings.

Truist stands out as the largest among our outperformers, benefiting from a broad Southeast footprint and diverse offerings. **Commerce Bancshares**, a diversified regional with an expanding Midwest footprint, highlights its “Super-Community” banking model with local market expertise and scale advantages of a larger bank. Notably, **nearly 30% of second-quintile** valuation peers fit this archetype, including M&T Bank, Huntington, Pinnacle, and Regions Financial.

2 Market Dominant Players in High-Quality MSAs

Some achieve premium valuation by dominating specific metropolitan areas (MSAs), leveraging superior pricing power and deposit stability. Their high market share in quality segments, loyal customer bases, and limited competition drive consistent through-cycle profitability.

While regions like Texas and the Southeast are generally considered attractive markets, a presence there is not a prerequisite. **Bank of Hawaii (BOH)** and **First Hawaiian (FHB)** are prime examples, leveraging a near-duopoly in the Hawaiian banking market to maintain strong deposit franchises and profitability. **Park National (PRK)** dominates key Ohio MSAs, benefiting from long-standing client relationships, community trust, and stable credit quality.

3 Niche-Market Leaders with a “Secret Sauce”

Regional banks that specialize in high-value, underserved markets develop a defensible position that national banks may struggle to replicate. Notably, success for these banks depends in part on targeting the right niches — those with strong growth potential and sustainable demand.

For example, **Triumph Financial (TFIN)** dominates freight factoring, a critical financial service for the freight and logistics industry, leveraging deep expertise and technology-driven solutions. Another, **Home Bancshares (HOMB)**, has carved out a profitable niche in commercial real estate lending, using disciplined underwriting and strategic market selection to outperform despite a challenging CRE backdrop.

4 Technology & Innovation Leaders

Technology-driven banks differentiate themselves by leveraging digital strategies, automation, and fintech partnerships to enhance efficiency and scale. These banks often generate high-margin, fee-based revenue and expand their customer base without the heavy infrastructure costs of traditional banking.

As a leading fintech partner bank, **Pathward Financial** specializes in banking-as-a-service (BaaS), prepaid cards, and embedded finance to drive above-industry profitability. **Cullen/Frost**, in addition to its strong Texas market position, boasts the highest-rated consumer banking app of all U.S. banks, while **ServisFirst** thrives as a ‘branch-light’ commercial bank with a lean, tech-driven model.

Sector Sentiment: Financials & Regional Banks

For over a decade, Corbin has tracked investor sentiment toward the Financial sector through its **Inside The Buy-Side® Earnings Primer®** publication, which has found up-and-down views toward the sector since December 2013.

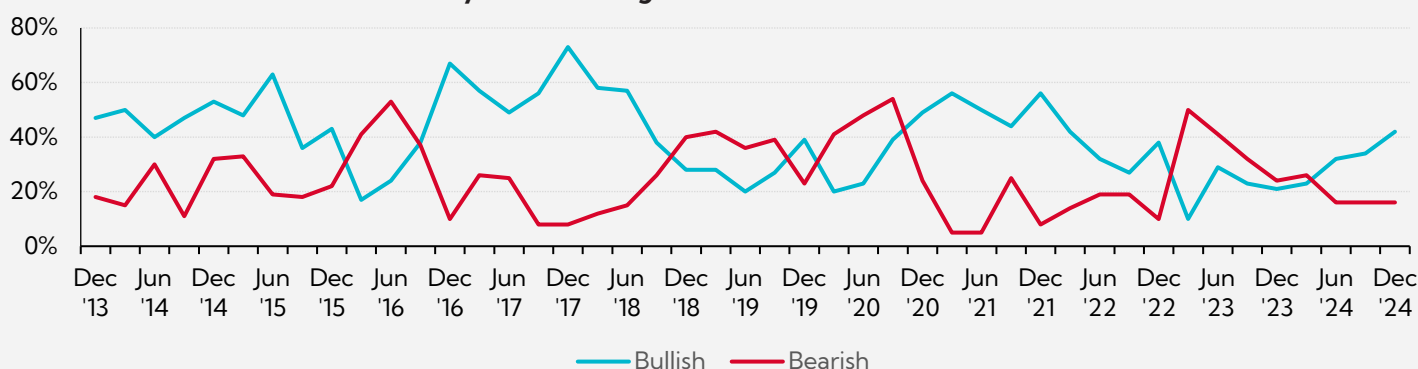
Bullishness toward the financial sector peaked in late 2017, before ebbing amid a period of Fed rate hikes through 2018. Optimism remained muted until March 2020, aligning with the onset of the Covid pandemic, before rebounding with a boost from the Fed's emergency rate cuts and a wave of fiscal stimulus. However, sentiment turned more bearish again heading into 2023 as the Fed's aggressive tightening and an inverted yield curve weighed on the banking sector.

The opportunity to capture investor mindshare is here –

Emerging from a challenging two-year stretch, regional banks have been gaining investor attention. Despite lingering macro uncertainty, sentiment inflected more positive driven by underappreciated business fundamentals along with expectations for a steeper yield curve and an improved regulatory environment.

In our latest investor survey ahead of full-year earnings reports, 65% of respondents reported being *Bullish* toward the Regional Banks sector, with the remaining 35% split between *Neutral* and *Neutral to Bullish*. However, given the unpredictability of President Trump's policy announcements, sentiment can shift quickly, making it essential for banks to stay prepared with clear positioning and communication strategies.

Inside The Buy-Side® Earnings Primer® Investor Sentiment: Financials



As it relates to Regional Banking sentiment:



- **Bullish** views driven by “underappreciated” business fundamentals, expectations for net interest margin expansion, and an improving regulatory environment

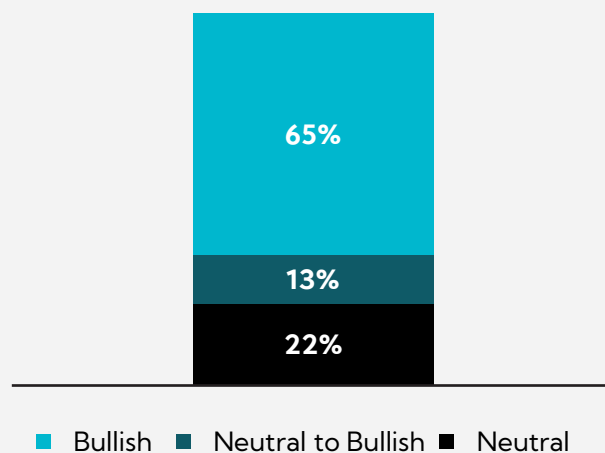


- **Neutral to Bullish** sentiment driven by similar views around a more favorable interest rate environment and lighter regulatory burden, though note some of the upside is already reflected in valuations



- **Neutral** sentiment driven by questions around competitive pressure from larger banks, private credit and fintech companies

Regional Banking Sector Sentiment



Investor Commentary: Regional Banks Sector Sentiment

Bullish

"I am bullish on the regional banking sector. Given a discounted relative valuation, you have easing of regulatory pressures with the anticipated change in regulatory leadership, so it should set up for a better M&A market, a steepening yield curve, and loan growth accelerating. We should see positive operating leverage emerging in 2025 and going forward. In general, if you want to look at it through a generalist lens, you have EPS growth for at least the next couple years, and it should be greater than the market." *Portfolio Manager*

"I am bullish toward the regional banking sector. The business fundamentals are being underappreciated in terms of earning estimates by the sell side and investors. People have been burnt so many times over the past two decades of seeing upcycles that do not pan out as well as we thought, and everyone is being a little too conservative. There are two prongs; one is the net interest income cycle and the second is the capital markets in investment banking upcycle. Those two businesses, which make up the majority of most banks' revenues and earnings, will accelerate very materially in 2025 and 2026." *Security Analyst*

"I am bullish toward the sector because of less regulation, steeper yield curve, better growth, and manageable credit." *Sell Side Analyst*

Neutral to Bullish

"My general sentiment towards the regional banking sector is neutral to bullish for a couple reasons. A shift in the interest rate environment should be a tailwind for net interest income and net interest margins for the group broadly. A lighter regulatory hand is a positive tailwind for the group; it seems an increased optimism from a business owner standpoint should be encouraging in terms of increasing demand for credit, driving loan growth and positive for employment, which is good for overall credit trends for the bank. It is a reasonably good outlook; some of that is reflected in the valuations of the stocks today, too." *Portfolio Manager*

"My sentiment toward the regional banking sector is between neutral and bullish. I am bullish because the current political regime is supportive of deregulation, pro-growth, private market re-leveraging, and the banks sit at an important cross-section within those trends. The neutral part is about peak ROA and ROTCE against already fairly lofty valuations, and it is tough to handicap fiscal austerity, new immigration policy, and tariff dynamics around inflationary and growth risks, longer-term credit, and unemployment risks." *Portfolio Manager*

"My sentiment toward the regional banking sector is moderately bullish... The potential steepening of the yield curve could be a positive and the economic backdrop and the market environment should help fee income. We expect to also get a pickup in consolidation in the banking space in terms of incremental whole bank M&A, so we believe those factors combined with broader investor ownership of the space make us constructive on the sector." *Sell Side Analyst*

Neutral

"We are overall neutral toward the regional banking sector. Over the longer term, we have been bearish. Competitive threats have developed over the past decade from private credit, such as life insurance companies, fintechs, and monolines, which have made the regional banking model more difficult. The regulatory onslaught has also made it more difficult. The larger banks have become much more competitive since they were prohibited from acquiring smaller banks, especially on the consumer side." *Portfolio Manager*

"From a stock price perspective, I am neutral. It has been a strong run from a valuation standpoint." *Security Analyst*

"I am neutral toward the regional banking sector. The sector just had a big run. It prices in a lot of good news already, so now we wait for next year when policy decisions are made, and we see what sort of give-backs there are related to the Trump administration." *Security Analyst*

Banking institutions have an opportunity to control their narratives and leverage strategic investor communications to differentiate from the pack. For those seeking to expand valuation, we offer some key considerations to bolster investor confidence in your long-term investment merits, as every quarter of a turn in multiple expansion can equate to tens or hundreds of millions (or billions) in shareholder value creation:

- **Make the investment case accessible** to generalist investors — avoid overly technical discussions and break down the investment thesis into simple, compelling themes
- Outline your ability to **deliver strong, sustainable earnings across rate environments**, how earnings power today is stronger than past cycles, and why investors should have confidence in future performance
- Investors focus on relative positioning — **highlight key areas of progress** in operational efficiency, deposit stability, loan growth, or technology investments that will help close the gap with top-performing peers
- **Identify key differentiators that may not yet be fully reflected in valuation**, whether it's a niche lending business, an advantaged funding profile, digital banking capabilities, or strong MSA market share
 - Shine a light on your "special sauce", and demonstrate how you are deepening focus on core strengths and high-value segments where you have a unique edge
- **Don't leave it up to investors to figure out your risk profile** — proactively communicate around potential headwinds and steps to mitigate, including credit quality of the loan portfolio

Wherever you currently sit on your journey to outperformance, it is critical to start with a well-defined, differentiated investment thesis — the case for why to invest — while underpinning confidence in the **Corbin Critical Five** investment factors, a distinguished group of measures cited as most important to institutional investors beyond quantitative screening when determining to allocate capital:

Management Quality	<ul style="list-style-type: none"> • Position leadership as cycle-tested and resilient, providing proof points on successful execution through rate cycles, strategic adjustments, or lessons learned that position the bank for long-term success
Long-term Strategy	<ul style="list-style-type: none"> • Keep investors anchored on the long-term vision, highlighting any strategic shifts or accelerated initiatives that strengthen competitive positioning • Connect the vision to tangible outcomes, such as greater earnings resilience, efficiency, and positive operating leverage
Execution Track Record	<ul style="list-style-type: none"> • Showcase operational and financial strengths, such as cost efficiency, disciplined risk management, and balance sheet resilience • Demonstrate consistency through cycles by outlining how you manage credit quality, grow/stabilize deposits, and increase NII/NIM across rate environments
Sustainable Competitive Advantages	<ul style="list-style-type: none"> • Communicate what sets your bank apart, whether a dominant market position, specialized lending niche, funding stability, or technology-driven efficiencies • Highlight sustainability advantages, as appropriate, given ongoing changes and importance to customers
Capital Allocation	<ul style="list-style-type: none"> • Clearly articulate your capital deployment strategy, detailing the balance between growth investments and shareholder returns • If executing an acquisition or significant merger, effective communication is critical; see our M&A white paper for best practices • Demonstrate how capital allocation enhances ROTCE, reinforcing a disciplined approach that supports sustainable value creation



Let Corbin help you cut through the noise and develop a differentiated investment thesis that serves to educate and capture investor mindshare.



Contact us today:

<https://www.corbinadvisors.com/contact/>

About Corbin Advisors

Corbin Advisors is a strategic consultancy accelerating value realization globally. We engage deeply with our clients to assess, architect, activate, and accelerate value realization, delivering research-based insights and execution excellence through a cultivated and caring team of experts with deep sector and situational experience, a best practice approach, and an outperformance mindset.

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