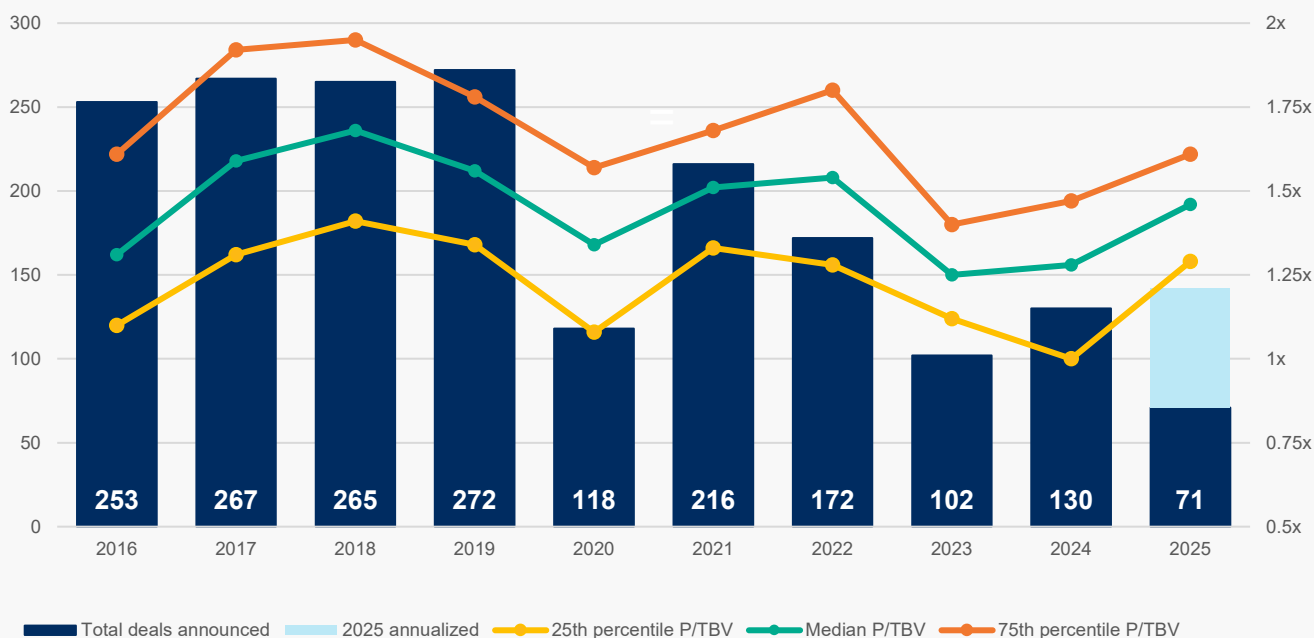


# Bank M&A Update

At the midpoint of 2025, bank merger and acquisition (M&A) activity continues to show signs of gradual recovery from the historic lows experienced in 2023. Total deal activity through the first half of the year has outpaced comparable periods in 2023 and 2024, which signals a renewed appetite among buyers despite macroeconomic uncertainty, including heightened trade policy risks and fluctuating bank valuations. A major regulatory milestone this quarter was the Financial Accounting Standards Board's (FASB's) April 30 announcement of its Accounting Standards Update (pending final approval) on purchased financial assets (PFAs), which narrows the scope to loan receivables, excludes credit card and held-to-maturity assets, and enables the gross-up approach to reduce "Day 1" double count concerns. This change has important implications for acquirers because it results in less tangible book value (TBV) dilution and more capital at close. It also has implications for sellers, who may open discussions during deal negotiations on how the new accounting treatment impacts pricing. While early adoption sentiment is mixed, the ruling might influence deal structures and pricing through the remainder of the year and into 2026, adding yet another layer of strategic consideration to the M&A landscape.

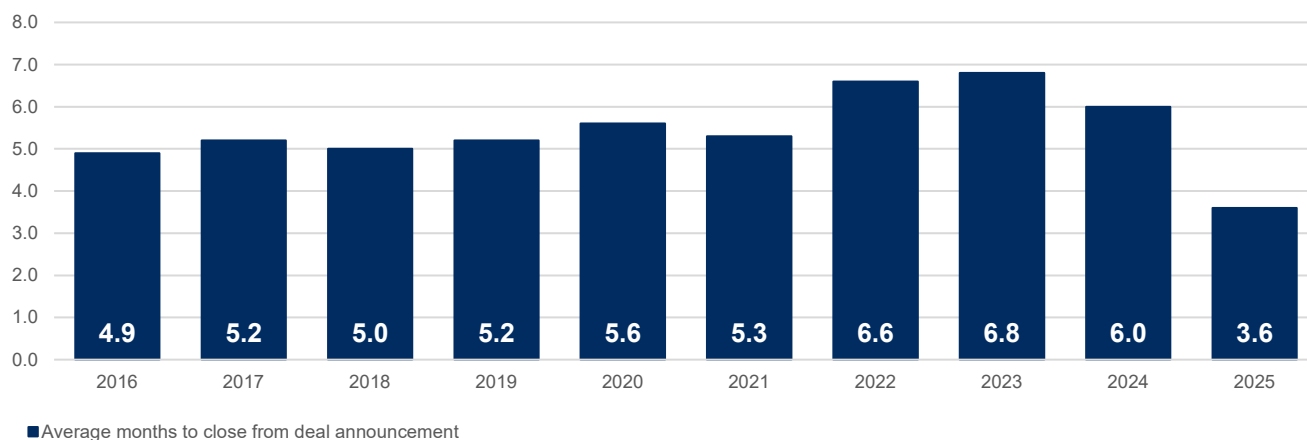
## Deal volume and price

Through 2Q2025, the banking sector recorded a total of 71 announced deals, marking a steady increase from 2024's pace and putting the year on track for approximately 142 deals — a projected 9.2% year-over-year increase. While this increase represents only modest growth, a notable shift is evident in deal momentum, as both pricing multiples and average target size are trending higher. The Midwest region continues to lead M&A activity, reflecting its historically dense banking footprint and stronger buyer confidence. Price-to-tangible book value (P/TBV) multiples are approaching pre-2022 levels, a reflection of improving sentiment among acquirers. Still, elevated capital costs, economic policy uncertainty, and shifting regulatory expectations continue to influence transaction timing and execution strategy, which leaves room for caution despite the upward trend.



## Months to close

A notable development in 2Q2025 is the decline in average months to close, which has been on average more than six months for the last three years compared to approximately three to four months in 2025 for the completed deals. This trend appears tied to early initiatives by the Trump administration aimed at accelerating federal regulatory review timelines for bank combinations. Through a combination of executive direction and agency alignment, recent transactions are progressing through the approval process more swiftly than in prior years. While it's too early to determine if this acceleration will hold long term, the initial impact has been meaningful, especially for community and mid-sized bank deals. Faster closing timelines can help support a resurgence in deal activity in the second half of 2025, assuming other macroeconomic pressures, particularly around trade and credit risk, remain manageable.



## Purchased financial assets

At its April 30 meeting, the FASB finalized decisions on the accounting for PFAs, narrowing the scope to include only loan receivables, excluding credit card receivables and held-to-maturity debt securities. The final approach retains the existing purchased credit deteriorated model while allowing the gross-up method for PFAs to address stakeholder concerns around the "Day 1 double count," and it aligns PFA accounting more closely with originated loans. For acquiring banks, the result is less TBV dilution and more capital at close, as the allowance for credit losses is now established up front. This change reduces the accretible discount and eliminates the need for provision expense at the time of closing, and fair value accretion will be driven by rates and aligned with the current interest rate environment without accretion of the credit component of the fair value mark. Meanwhile, some sellers have begun raising the issue of double count removal in discussions, suggesting that the impact – with buyers benefiting from no longer being required to factor in additional capital dilution from the double count – should be considered when negotiating purchase prices. However, with interest rate marks often outweighing credit marks in recent loan valuations and the holistic impact of PFA, we have yet to see these conversations materially shift pricing dynamics.

## Deal metrics by region

The following data provides a comprehensive overview of M&A activity segmented by region and offers insights into the geographic trends and dynamics shaping the market in 2025. This summary highlights key regional developments and patterns in the M&A landscape. Note: The following data excludes credit union-related and terminated deals.

### Mid-Atlantic

	2025 YTD	2024
Total transactions	2	13
Deal value	\$126.77M	\$68.37M
P/TBV	1.14x	1.01x
P/E	15.17x	17.03x
Buyer asset size	\$4.40B	\$7.63B
Seller asset size	\$1.39B	\$1.56B

### Southeast

	2025 YTD	2024
Total transactions	12	21
Deal value	\$202.10M	\$57.87M
P/TBV	1.60x	1.33x
P/E	14.74x	15.71x
Buyer asset size	\$8.37B	\$1.66B
Seller asset size	\$661.75M	\$351.66M

### Midwest

	2025 YTD	2024
Total transactions	24	45
Deal value	\$196.51M	\$84.39M
P/TBV	1.42x	1.33x
P/E	NA	NA
Buyer asset size	\$604.44M	\$871.67M
Seller asset size	\$114.99M	\$143.84M

### Southwest

	2025 YTD	2024
Total transactions	11	17
Deal value	\$86.90M	\$1.04B
P/TBV	1.50x	1.51x
P/E	14.08x	16.45x
Buyer asset size	\$1.29B	\$2.92B
Seller asset size	\$385.46M	\$142.79M

### Northeast

	2025 YTD	2024
Total transactions	6	7
Deal value	\$153.33M	\$564.15M
P/TBV	1.00x	1.39x
P/E	32.96x	14.22x
Buyer asset size	\$4.66B	\$5.21B
Seller asset size	\$759.37M	\$1.60B

### West

	2025 YTD	2024
Total transactions	6	5
Deal value	\$246.22M	\$118.27M
P/TBV	1.43x	0.93x
P/E	14.93x	16.14x
Buyer asset size	\$9.10B	\$2.36B
Seller asset size	\$992.72M	\$1.01B

## Conclusion

Looking ahead, the momentum seen in the first half of 2025 suggests cautious optimism for continued M&A recovery, though persistent macroeconomic and political headwinds likely will influence deal flow and pricing strategy. The finalization of the FASB's PFA accounting model will provide consistency and clarity across the deal spectrum, improving capital outcomes for acquirers, and help address long-standing valuation friction caused by "Day 1" provisioning rules. With interest rates remaining elevated and valuation sensitivity still in focus, acquirers will need to remain disciplined, strategically opportunistic, and operationally prepared to navigate an increasingly dynamic regulatory and accounting environment as the year progresses.

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# 27%

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Professionals\*  
(Includes subsidiary offices)

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Source: Data compiled from the Securities and Exchange Commission's Electronic Data Gathering, Analysis, and Retrieval (EDGAR) database (<https://www.sec.gov/search-filings>) and other publicly available filings and data.

\*As of June 2025

\*\*As of March 2025

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