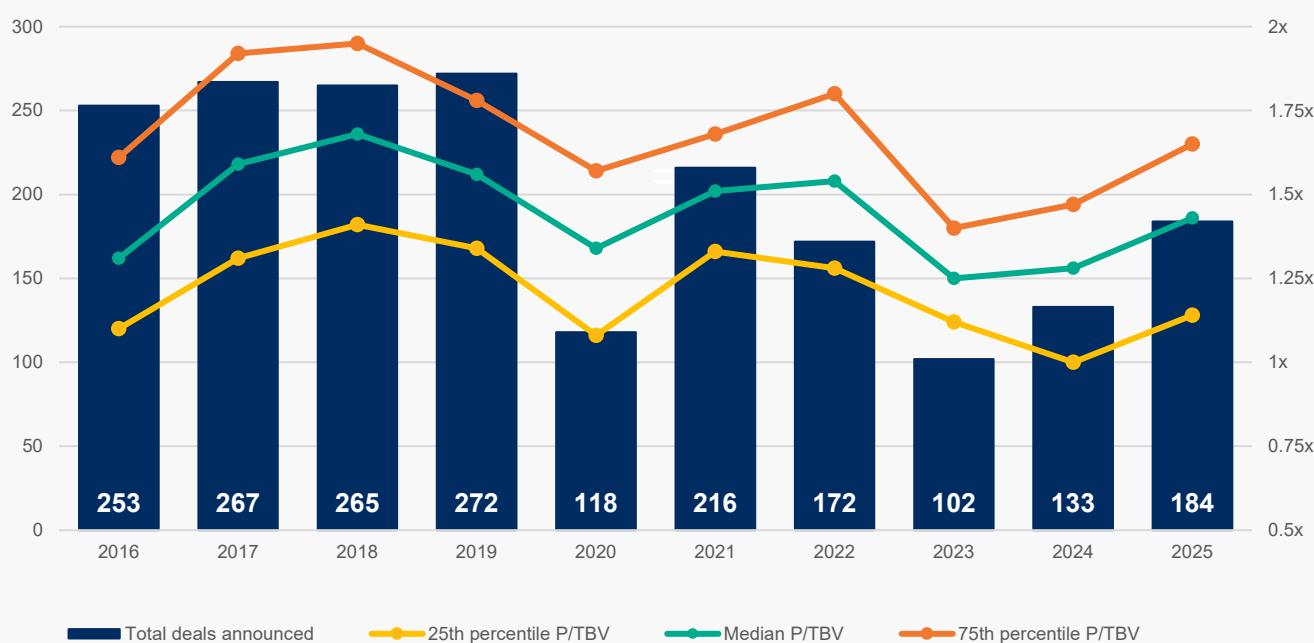


Bank M&A Update

At the close of 2025, U.S. bank merger and acquisition activity reflects a market that has regained momentum while remaining highly disciplined. Deal volume accelerated meaningfully through the second half of the year, third-quarter activity marked a cyclical high, and fourth-quarter announcements sustained an elevated pace despite typical seasonal moderation. Improved regulatory clarity, greater confidence in transaction execution, and a release of pent-up strategic activity delayed earlier in the cycle supported this resurgence. At the same time, valuation outcomes underscore a market increasingly defined by selectivity as acquirers focus on earnings durability, margin strength, and operating efficiency rather than balance sheet expansion alone. Together, these dynamics point to a more constructive and strategically driven M&A environment, with both community and regional organizations engaging more actively as 2025 concluded.

Deal volume and price

In 2025, the banking sector recorded a total of 184 announced deals, continuing the increase in year-over-year deal activity from the 2023 lows. In addition to deal activity increasing, pricing multiples continued to increase as compared to recent years. 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-2023 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.



Price drivers

Bank M&A activity in 2025 continued to reflect a highly selective, quality-driven market with valuation outcomes closely tied to earnings strength rather than balance sheet metrics alone. Transactions priced at higher P/TBV multiples consistently involved targets with stronger net interest margins, higher returns on assets and equity, and more efficient operating profiles, which underscores that buyers were paying for durable earnings power. Net interest margin emerged as one of the clearest differentiators of valuation and reinforced the premium placed on deposit franchise quality and pricing power in a competitive funding environment. Operating efficiency also improved steadily across higher-multiple deals while estimated cost savings remained relatively consistent, indicating that acquirers were not relying on aggressive expense reductions to justify premium pricing. In contrast, capital, liquidity, and leverage ratios remained relatively stable across valuation tiers, which suggests these metrics functioned as threshold requirements rather than primary drivers of price. Overall, 2025 M&A pricing reflected a willingness to pay up for certainty, favoring organizations with proven earnings durability, disciplined cost structures, and low execution risk over balance sheet-driven or turnaround opportunities.

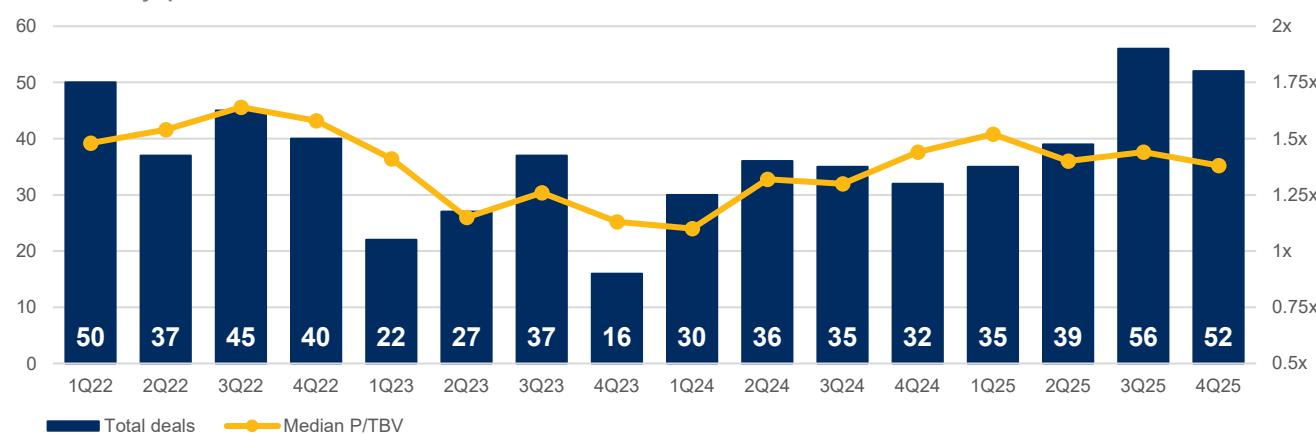
Target financials by price paid (P/TBV)

	< 1.00x	1.00x-1.25x	1.25x-1.50x	1.50x-1.75x	> 1.75x
Total transactions	11	14	13	24	10
Target total assets (\$000s)	\$2,155,792	\$882,362	\$771,393	\$2,697,591	\$1,533,551
Net interest margin	2.30%	2.90%	3.42%	3.26%	3.32%
LTM ROAA	0.29%	0.68%	0.92%	1.07%	0.85%
LTM ROAE	2.78%	7.47%	8.21%	10.14%	9.45%
Efficiency ratio	74.8%	71.7%	63.7%	60.4%	61.9%
TCE / TA	9.17%	9.24%	10.74%	9.35%	8.02%
Risk-based capital	14.23%	13.64%	14.03%	15.59%	13.64%
Right-weighted assets / Assets	72.03%	80.37%	78.10%	71.92%	75.28%
Leverage ratio	9.84%	9.71%	11.38%	10.32%	9.76%
Liquidity ratio	11.58%	18.28%	16.24%	21.10%	15.42%

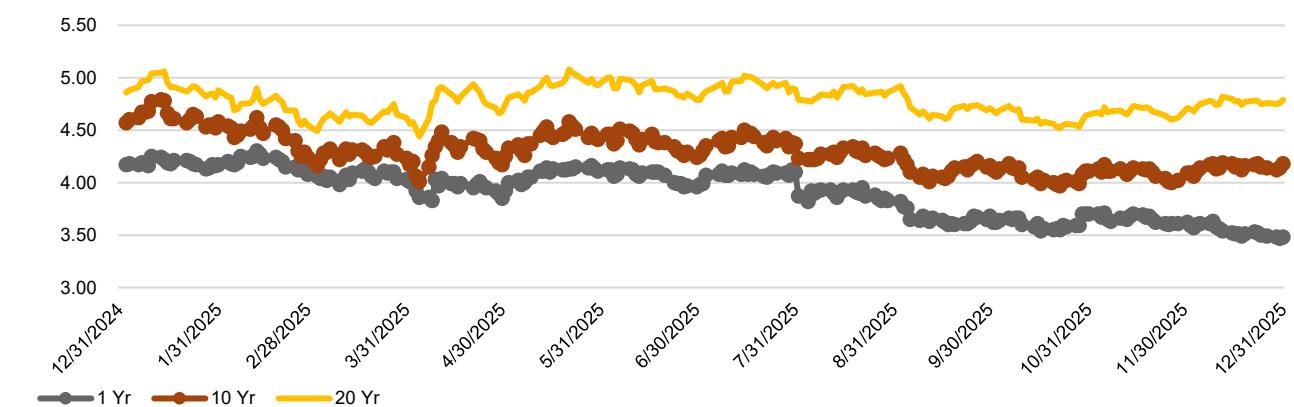
Total deals by quarter

Total U.S. bank M&A activity accelerated sharply in the second half of 2025. Deal announcements surged in the third quarter to the strongest quarterly volume in more than three years and remained elevated into year end. While fourth-quarter volume moderated slightly from the third-quarter peak, activity stayed well above earlier 2025 levels and largely reflected a seasonal trend observed in earlier years in which fourth-quarter deal activity moderates slightly compared to third-quarter activity. This increase suggests that acquirers, particularly larger community and regional banks, are taking advantage of improved regulatory clarity and strong valuation multiples to advance transactions that had been delayed earlier in the year. While deal volume has risen, the mix of transactions remains balanced, reflecting a combination of smaller community bank mergers and midsized strategic combinations that collectively point to a more active and confident market environment heading into 2026.

Total deals by quarter



Yield curve throughout 2025



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 and reflects the median of each metric besides total transactions.

Mid-Atlantic

	2025	2024
Total transactions	13	13
Deal value	\$99.09M	\$126.13M
P/TBV	1.07x	1.01x
P/E	16.42x	16.81x
Buyer asset size	\$4.29B	\$7.63B
Seller asset size	\$737.74M	\$1.56B

Southeast

	2025	2024
Total transactions	32	22
Deal value	\$180.00M	\$52.45M
P/TBV	1.64x	1.33x
P/E	14.57x	16.91x
Buyer asset size	\$3.16B	\$1.74B
Seller asset size	\$456.37M	\$348.00M

Midwest

	2025	2024
Total transactions	67	44
Deal value	\$132.08M	\$115.47M
P/TBV	1.31x	1.33x
P/E	14.30x	13.97x
Buyer asset size	\$962.56M	\$871.67M
Seller asset size	\$123.84M	\$138.80M

Southwest

	2025	2024
Total transactions	35	17
Deal value	\$327.58M	\$1.04B
P/TBV	1.52x	1.51x
P/E	14.50x	19.79x
Buyer asset size	\$2.00B	\$2.92B
Seller asset size	\$763.52M	\$142.79M

Northeast

	2025	2024
Total transactions	8	7
Deal value	\$153.33M	\$564.15M
P/TBV	1.00x	1.39x
P/E	32.96x	15.54x
Buyer asset size	\$5.61B	\$5.21B
Seller asset size	\$759.84M	\$1.60B

West

	2025	2024
Total transactions	11	5
Deal value	\$246.22M	\$102.79M
P/TBV	1.51x	0.93x
P/E	17.26x	15.43x
Buyer asset size	\$7.07B	\$2.36B
Seller asset size	\$1.24B	\$1.01B

Conclusion

The banking M&A market exited 2025 with renewed momentum and a clearer valuation framework than in prior years. While deal volume rebounded meaningfully, particularly in the second half of the year, pricing behavior remained disciplined, with higher multiples consistently reserved for targets demonstrating stronger net interest margins, efficient operations, and durable returns. Capital, liquidity, and leverage metrics continued to function as baseline requirements rather than primary drivers of valuation, reinforcing that buyers were underwriting certainty rather than optionality. The mix of transactions reflected both continued community bank consolidation and increased participation from larger regional acquirers, which contributed to a more balanced and resilient market structure. As the industry enters 2026, the prevailing tone is cautiously optimistic and characterized by sustained activity, rational pricing, and growing confidence that bank M&A has entered a more stable and execution-focused phase.

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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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