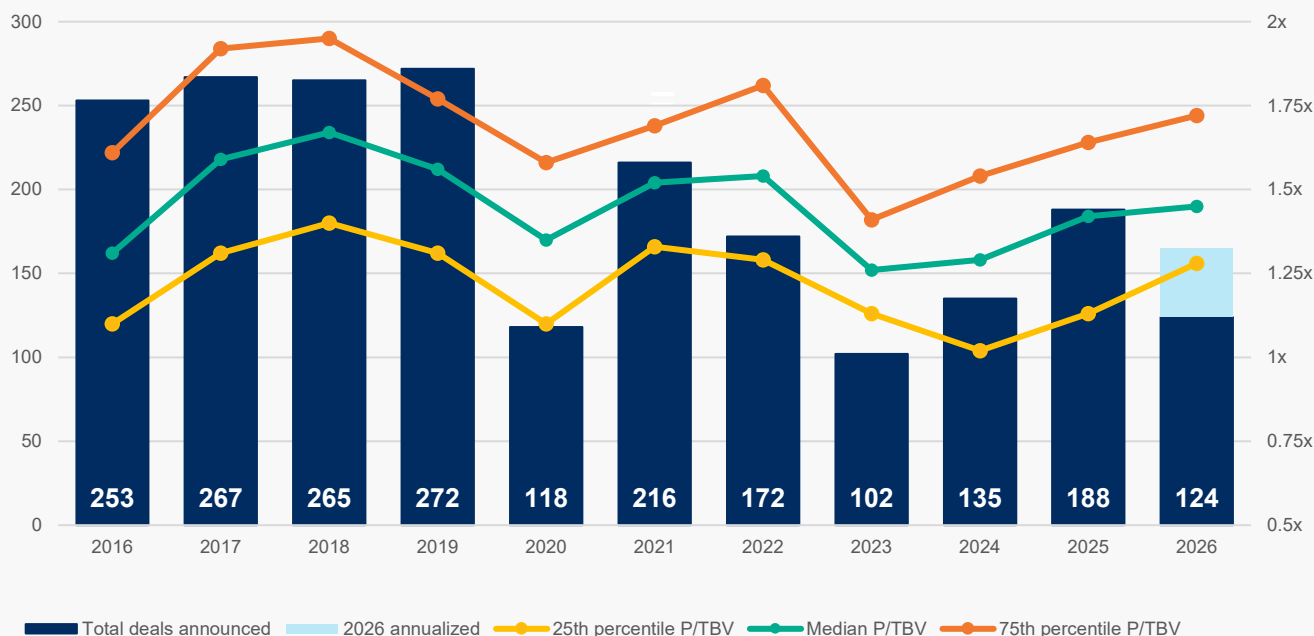


Bank M&A Update

Bank M&A activity in the third quarter returned to a more normal level at 37 announced deals, down from 50 in the prior quarter. While activity this quarter was less defined by headline volume, deal activity remains driven by an increasingly selective, buyer-oriented market. That selectivity might become more pronounced heading into year-end, as a sharp increase in interest rates will place an added emphasis on earnings stability and well-managed asset-liability positioning. Nonetheless, achieving economies of scale is expected to remain the leading rationale for deal activity. Within announced transactions, average estimated cost savings were 33.4%, with an average realization period of 2.3 years, while average completion time among applicable completed deals declined to 3.9 months. Overall, the market remains constructive but disciplined, with buyers focused on durable deposits, credible earnings improvement, clear strategic fit, and manageable integration risk.

Deal volume and price

Through Sept. 30, companies announced 124 transactions as deal activity progressed unevenly amid economic uncertainty early in the year and shifting interest rates toward year-end. The year-to-date total implies an annualized pace of approximately 165 transactions, about 12% below the 188 announcements recorded in 2025 but approximately 22% above the 135 recorded in 2024. Pricing nevertheless strengthened across the distribution: Median price-to-tangible book value (P/TBV) increased to 1.45x from 1.42x in 2025, the 25th percentile rose to 1.28x from 1.13x, and the 75th percentile increased to 1.72x from 1.64x. The lower quartile posted the largest increase, suggesting a widespread return to normalized multiples. Taken together, the lower Q3 deal count and stronger year-to-date pricing are consistent with an active but selective market in which attractive franchises continue to generate interest while more challenged targets require a clearer earnings-improvement and integration thesis.

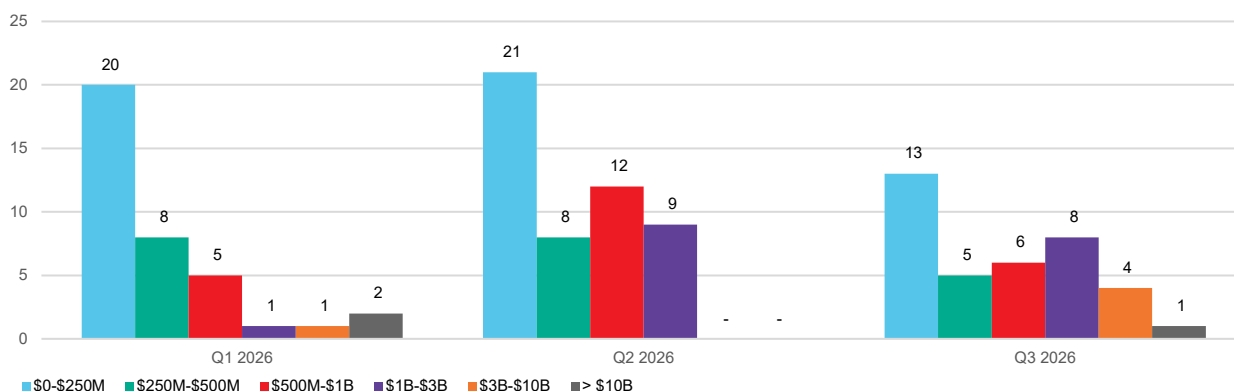


Q3 activity moved up-market

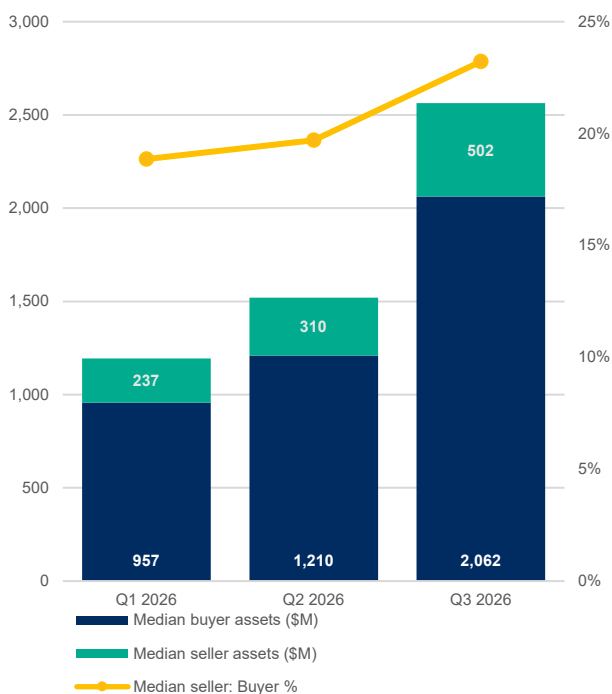
Q3 produced 37 announcements, down from 50 in Q2, but transaction size and disclosed value increased materially. The median disclosed deal value rose to approximately \$195.5 million from \$91.9 million in Q2, and median buyer and seller assets increased to approximately \$2.06 billion and \$501.8 million, respectively. Thirteen Q3 targets had more than \$1 billion in assets compared with nine in Q2, and sub-\$1 billion sellers declined to roughly 65% of quarterly activity from 80%. Disclosed Q3 deal value totaled approximately \$8.7 billion, nearly five times Q2, which reflects a greater mix of larger strategic combinations. The quarter therefore represented a shift in composition rather than a deterioration in market confidence. Buyers remained willing to deploy capital when a transaction offered meaningful market entry, density, or franchise capabilities.

13 targets had more than \$1 billion in total assets in Q3 compared to nine in Q2 and four in Q1.

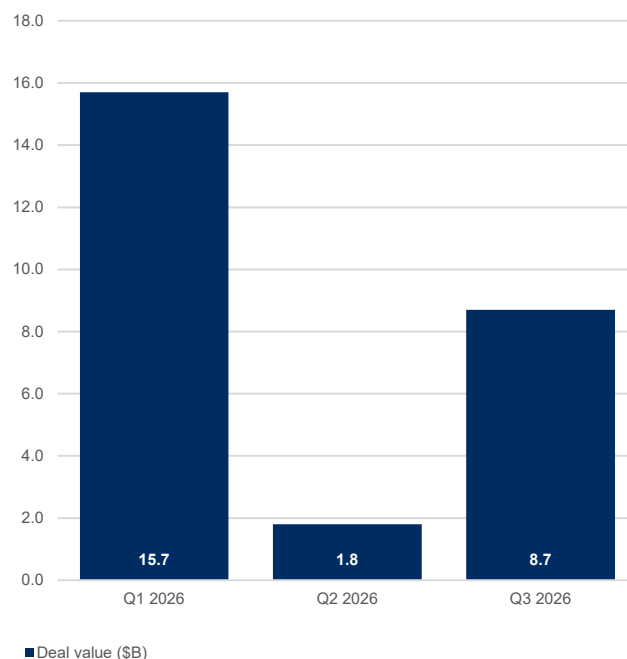
Total deals by target asset size



Buyer and seller median asset size



Total deal value



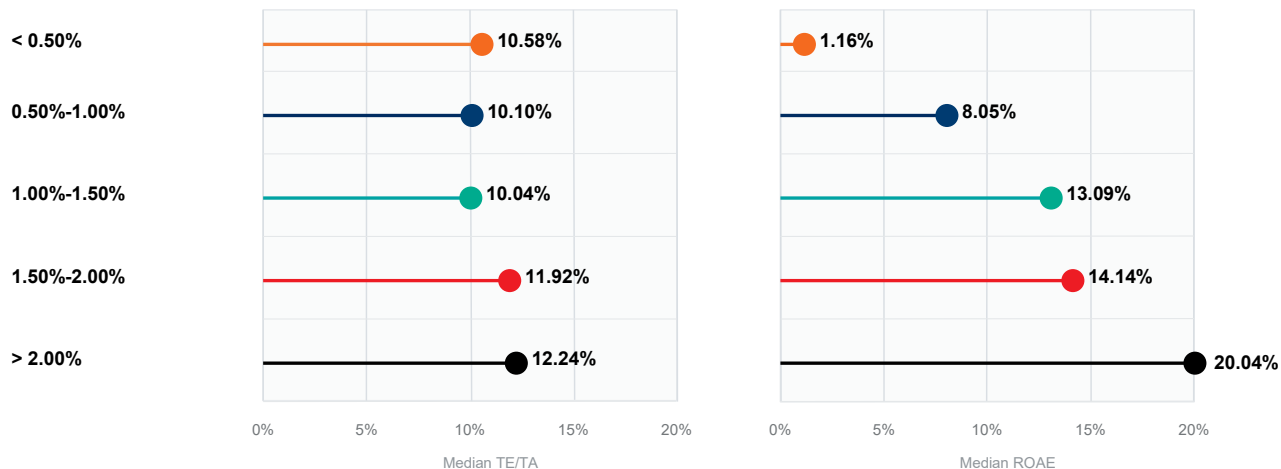
Valuation multiples by earnings performance

2026 valuation data show that lower P/TBV multiples do not necessarily indicate cheaper transactions. Targets with last twelve months return on average assets (LTM ROAA) below 0.50% received a median 1.28x P/TBV, but their median price to LTM core earnings was 43.6x, reflecting depressed earnings and greater reliance on remediation and cost savings. By comparison, targets with ROAA between 1% and 1.50% achieved a higher 1.70x P/TBV but traded at only 12.6x core earnings and had a materially better 61.8% median efficiency ratio. Nearly 59% of announced targets had ROAA below 1%, so the market is not avoiding weaker performers; rather, buyers are distinguishing between scale-driven earnings-improvement opportunities and durable, high-quality franchises. The data reinforce that normalized earnings, deposit costs, and integration assumptions remain more important than any single headline book-value multiple.

Deal metrics by target LTM ROAA

Target LTM ROAA	Deals	Median P/TBV	Median core price-to-earnings ratio	Median efficiency ratio
< 0.50%	31	1.28x	43.6x	89.7%
0.50%-1.00%	42	1.43x	16.6x	69.9%
1.00%-1.50%	34	1.70x	12.6x	61.8%
1.50%-2.00%	13	1.68x	13.3x	53.6%
> 2.00%	4	1.92x	NM	52.1%

Median tangible equity (TE)/tangible assets (TA) and LTM return on average equity (ROAE) by LTM ROAA



30%-35%

This percentage reflects the median disclosed cost-saving assumptions across each ROAA cohort, suggesting that value is driven by converting scale into earnings, not by identifying materially greater cost savings opportunities.

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 2026. 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

	YTD 2026	2025
Total transactions	6	13
Deal value	\$347.2M	\$99.09M
P/TBV	1.40x	1.07x
P/E	15.24x	16.42x
Buyer asset size	\$3.03B	\$4.29B
Seller asset size	\$838.48M	\$737.74M

Southeast

	YTD 2026	2025
Total transactions	20	33
Deal value	\$155.97M	\$180.00M
P/TBV	1.58x	1.64x
P/E	14.55x	14.68x
Buyer asset size	\$2.55B	\$3.16B
Seller asset size	\$699.88M	\$456.37M

Midwest

	YTD 2026	2025
Total transactions	51	70
Deal value	\$105.67M	\$132.08M
P/TBV	1.38x	1.31x
P/E	13.29x	14.30x
Buyer asset size	\$855.90M	\$871.67M
Seller asset size	\$263.26M	\$120.80M

Southwest

	YTD 2026	2025
Total transactions	26	35
Deal value	\$195.50M	\$299.05M
P/TBV	1.69x	1.51x
P/E	19.57x	14.50x
Buyer asset size	\$1.25B	\$2.00B
Seller asset size	\$258.54M	\$763.52M

Northeast

	YTD 2026	2025
Total transactions	6	8
Deal value	\$160.00M	\$153.33M
P/TBV	1.37x	1.00x
P/E	13.291x	32.96x
Buyer asset size	\$4.95B	\$5.61B
Seller asset size	\$743.44M	\$759.84M

West

	YTD 2026	2025
Total transactions	8	12
Deal value	\$176.97M	\$219.03M
P/TBV	1.62x	1.50x
P/E	16.88x	17.92x
Buyer asset size	\$9.88B	\$3.61B
Seller asset size	\$776.64M	\$946.78M

Looking ahead

As the market enters Q4, the outlook supports continued selective consolidation rather than a broad seller wave. Economies of scale remain the primary buyer rationale, with operating costs and succession planning as increasingly important seller considerations. However, the sharp rise in market rates late in Q3 introduces a fresh test for earnings stability and balance-sheet positioning. Liability-sensitive banks might face renewed margin pressure if funding costs reprice faster than earning-asset yields, which elevates the importance of core deposit quality, interest-rate sensitivity, and credible earnings normalization. Because the move occurred near quarter-end, its effects are not yet visible in announced transaction data but could influence Q4 diligence and valuation expectations. Buyers should remain focused on durable deposits, balanced interest-rate risk, realistic synergies, disciplined pricing, and strong execution.

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80+

Years in business



28%

Revenue from financial services sector*



5,800+

Professionals*
(Includes subsidiary offices)

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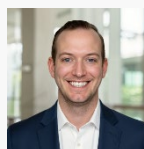
If you're interested in receiving further details or breakdowns of our valuation insights of loan portfolios and the trends in fair values, we would be delighted to connect with you. Please don't hesitate to contact us. Our team of specialists is ready to provide comprehensive information and assist you.



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*As of April 2026

Source: Data compiled from S&P Global.

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