

Shareholder Activism and Community Banks

Conditions are Ripe for Shareholder Activism Against Community Banks

Activism volume is rising and financial services is squarely in focus: Global shareholder activism rose 20% year over year in the first half of 2026 and ran 38% above the five-year first-half average, according to Lazard¹. Financial services ranked as the second most-targeted sector at the 2026 midpoint for the second year in a row.

Increased M&A activity in the sector: A less restrictive regulatory environment, combined with banks continuing to trade below historical valuation levels, has fueled a wave of M&A-focused activism. M&A demands were the most prevalent campaign objective in the first half of 2026, with Diligent Market Intelligence tracking 47 push-for-sale demands over the period – an increase of nearly 50% from the prior year. Activists are increasingly urging banks to explore strategic alternatives, including potential sales.

Value creation “gaps” attract activists: Loan portfolio restructurings reduced capital for some banks, past M&A has not delivered expected returns for others, and still others hold excess capital.

“Bandwagon” dynamics: High-profile activism campaigns and perceived wins can catalyze copycat efforts at similar banks. For example, Horizon Bancorp was targeted by PL Capital Advisors after appearing on HoldCo’s 13F. Recent shareholder activism campaigns have occurred at KeyCorp, Comerica, First Interstate, Eastern Bankshares, Columbia Bank, and BankUnited.

Shareholder activists tend to have either an industry or functional specialty: They are banking specialists (like HoldCo, PL Capital, Stilwell Value, and Seidman and Associates, with investors such as Ancora Advisors and Basswood Capital Management occasionally agitating for change at banks) or they are activism specialists (like Elliott, ValueAct, or Trian). Regardless of their specialization, all activist shareholders evaluate a target’s vulnerability before they approach. Recent years have also seen first-time activists emerge, including at Cashmere Valley Bank and Farmers and Merchants Bancshares.

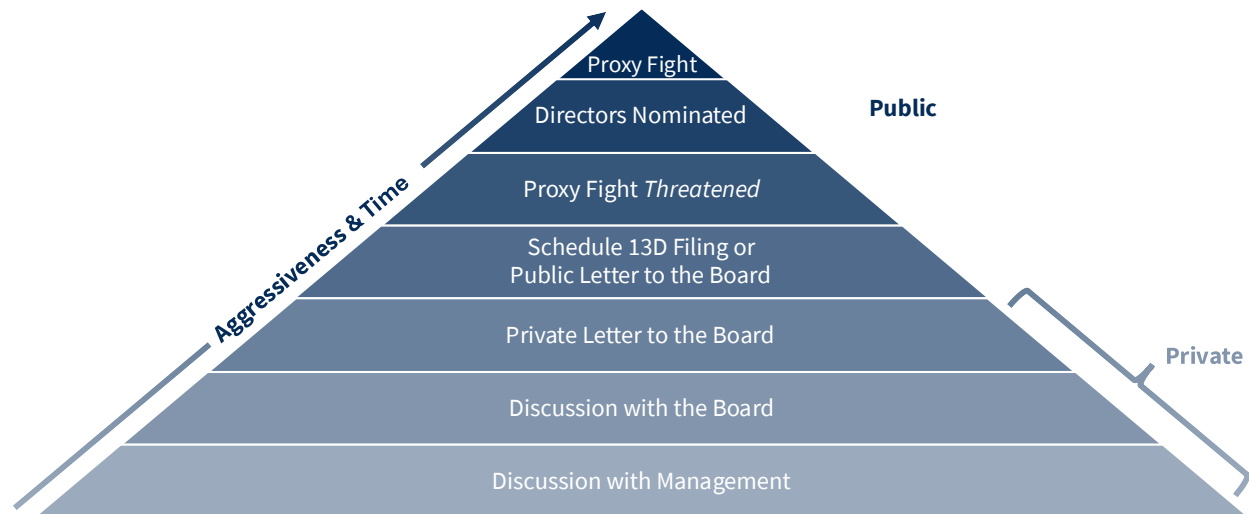
What activists want: Bank activism campaigns generally pursue one of four objectives. The most prevalent is a push for strategic alternatives – in effect, a sale of the bank. A second common demand is improved capital allocation or operational efficiency, typically framed around an argument that the stock is undervalued and that the bank should repurchase shares, pause near-term acquisitions, or cut costs. A third is a change in management, urging the board to replace the CEO. The fourth, a change in board composition, is usually a means to one of the other three ends. Whatever the stated demand, an activist’s primary goal is stock price appreciation.

Importantly, community banks have tools available to improve their defenses.
[Skip to the end for more information.](#)

¹ Lazard Review of Shareholder Activism - H1 2026

Stages and Timeline of an Activism Campaign

Escalating tactics:



Be advised: some activists contact major investors to test their campaign thesis *before* approaching the company

Activist campaigns typically progress along a spectrum of increasing aggressiveness and time. Campaigns usually begin privately, with discussions with management, then discussions with the board, followed by a private letter to the board. If the activist is not satisfied, the campaign turns public – a Schedule 13D filing or a public letter to the board, a threatened proxy fight, the nomination of director candidates, and ultimately a full proxy fight. Be advised that some activists contact major investors to test their campaign thesis before ever approaching the company.

Illustrative annual meeting timeline: For a company with a late-May annual meeting, a contested situation follows a compressed and largely rule-driven calendar. The leadup consists of private discussions and letters with management and the board. Roughly 120 to 90 days before the meeting (January–February), the bylaw-dependent deadline arrives for the activist to submit notice of intent to nominate directors; at 90 to 75 days (late February) the activist typically demands the shareholder list. At 75 to 60 days (early to mid-March), the company and activist file preliminary proxy statements, subject to a ten-day SEC review period with multiple rounds possible. At 60 days (late March), the Rule 14a-19 universal proxy deadline requires the activist to notify the company of its candidates, and at 50 days (early April) the company must notify the activist of its own slate. Definitive proxy statements are filed and first fight letters mailed at 45 to 40 days (early to mid-April), followed by a second fight letter and press release at 31 to 24 days (late April). Meetings with ISS and Glass Lewis and publication of investor presentations occur at 21 to 14 days (early May); the proxy advisors issue their reports at 14 to 7 days (mid-May), prompting press releases from both sides. The company issues a final fight letter and/or press release 5 to 2 days before the late-May meeting. Legal advisors should review filings throughout for possible deficiencies or rule violations.

Examples of Typical Campaign Activity:

- **Engagement with top shareholders and proxy advisors:** The bank and its advisors determine the engagement team, and proxy solicitors collect participant availability and schedule meetings. Preparation includes a presentation and mock Q&A. Proxy advisor meetings typically occur first, followed by engagement with discretionary shareholders and, after the proxy advisor reports are issued, meetings with large passive shareholders.
- **Proxy solicitation campaign to reach smaller shareholders:** Investor relations collaborates with legal and strategic advisors to draft, review, and edit the proxy statement, while the proxy solicitor calculates the ideal turnout for quorum and director re-election in light of the bylaws and governance structure. Meeting materials are mailed, and telephone, text message, and email outreach are used to solicit support.
- **Media campaign to supplement engagement and solicitation:** Companies leverage existing social media platforms and relevant trade and finance publications, use digital geofencing to reach high-impact decision-makers, publish short podcasts profiling targeted board members, and maintain a microsite as a repository for all campaign materials.

Activism Vulnerabilities and Next Steps

Understanding the vulnerabilities that attract an activist: Activists screen for four broad categories of weakness before they approach a bank.

- **Financial and operational underperformance:** Lagging shareholder returns over 1-, 3- and 5-year lookbacks on TSR, both absolute and relative to the KBW Nasdaq Bank Index and the bank's peer group; inefficient capital allocation, such as low ROTCE or an excessive CET1 ratio with limited buybacks or dividends; weak cost discipline, reflected in a high efficiency ratio and/or rising cost of deposits relative to peers; and prior M&A transactions that have not met performance targets.
- **Board composition:** Average director tenure of more than seven years and/or directors without relevant banking experience.
- **Cautionary feedback from shareholders and proxy advisors:** Negative vote results at annual meetings, concerns raised in ISS or Glass Lewis reports, and negative commentary from equity analysts on capital or strategy.
- **Changes in the shareholder base:** A shift in ownership away from institutions toward activists and actively managed hedge funds, or activist hedge funds disclosing Form 13F positions and/or appearing on the bank's registered list of shareholders.

Steps to take on a clear day: Before a bank is approached by an activist, it has an opportunity to prepare. Recommended steps include:

- Conduct a 360-degree review that evaluates the bank's performance, strategy, and governance from an activist's perspective.

- Establish and maintain a regular shareholder engagement program that includes proactively reaching out to and speaking with the bank's largest shareholders.
- Assess legal strengths and weaknesses and consider enhancements to improve activist defense – correctable weaknesses include cumulative voting for director elections, limited disclosure requirements for director nominations, and a low ownership threshold (below 15%) for shareholders to call a special meeting.
- Maintain relationships with state and federal regulators; state banking regulators have historically been supportive of pre-activist leadership, particularly with respect to the application of state change-of-control provisions.

Be vigilant: Monitor shareholder accumulations, ownership filings (such as publication of an HSR notice), and shareholder outreach mailboxes to receive advance notice of an activist building a stake. Specific warning signs include:

- **Shares moving into record name:** Shareholders typically hold through a broker or bank, but in preparation for nominating directors or submitting proposals they will transfer a limited number of shares into record name on the bank's books. Banks can request record holder lists from their transfer agent.
- **Form 13F:** A quarterly filing required of investment managers with more than \$100 million in assets under management, disclosing all long positions, including options and convertible securities. The next 13Fs, including HoldCo's, will be filed by November 16, 2026.
- **Schedule 13D:** Required within five business days after a shareholder with specific plans or proposals related to the bank becomes a 5% or greater beneficial owner; those plans must be disclosed in the filing. Amendments are required within two business days of a material change, including an increase or decrease of 1% or more in beneficial ownership.
- **HSR notice:** Any acquisition resulting in a shareholder holding more than \$133.9 million of shares (the 2026 threshold) may require regulatory clearance. A shareholder's HSR notice is not automatically public, but the shareholder may choose to publicize the notice.

When an activist campaign appears imminent, planning and developing materials in advance speeds decision-making. Here are the most important steps to take:

- Prepare a "break-the-glass" communications plan to deploy if an activist goes public.
- Proactively update the bank's strategy to preempt activist criticism and identify key proxy fight deadlines based on applicable state law, the articles, and the bylaws.
- Assemble a response team of outside counsel specializing in activism defense, a strategic communications firm with activism expertise, a proxy solicitor, and, potentially, an investment bank or boutique advisory firm with a dedicated activism defense team.

- Finally, walk the board and management team through a shareholder activism “boot camp” that reviews roles and decision processes, establishes communications discipline, sets timeline expectations, and plans for escalation.

Conclusion: Prepare Now, Not When the Letter Arrives

The conditions driving shareholder activism at community banks – rising campaign volume, a more permissive M&A environment, valuation gaps, and copycat dynamics – are not going away. Activists are disciplined and patient: they screen for vulnerability long before they make contact, and by the time a Schedule 13D or a public letter arrives, the calendar is already working against the bank. The institutions that fare best are the ones that have honestly assessed their own vulnerabilities, built relationships with their largest shareholders and regulators, corrected the governance weaknesses an activist would exploit, and assembled a response team before they needed one.

Every step described in this paper can be taken on a clear day. Boards and management teams should ask themselves now: If an activist looked at our bank today, what would they see? Where would they start? And how quickly could we respond?

Longacre Square Partners helps community banks answer those questions. We offer a no-cost, confidential consultation to assess your bank’s activism exposure and readiness – from a vulnerability review through shareholder engagement, communications planning, and campaign response. To learn more or to schedule a conversation, visit www.longacresquare.com or contact us at governance@longacresquare.com.