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American Bankers Association

Bank Notes

Boosting Your Bank IQ With Trusted Insights

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Mergers and Acquisitions

At a Glance: Bank merger activity is often seen as an indicator of a dynamic and competitive industry. Financial institutions may choose to merge with or acquire others to expand their product offerings or enter new markets. They are sometimes the most effective way to achieve economies of scale, such as to meet rising fixed cost burdens. These transactions are subject to various statutory requirements and must receive approval from banking regulators.

Bank mergers and acquisitions (M&As) can disrupt existing vendor relationships or, conversely, create new opportunities for growth. The acquiring or resulting institution typically reviews its operations to eliminate redundancies, reduce costs, and align with a revised strategic model.

Bank Merger Activity: Past and Present

Nearly three dozen U.S. bank mergers were announced in the first quarter of 2025, marking the highest total deal value for a first quarter since 2021.[1]

- Bank merger activity surged in the mid-1990s, driven by legislative and economic changes that eliminated outdated regulatory barriers and fostered industry expansion.
- The Riegle-Neal Interstate Banking and Branching Efficiency Act of 1997 enabled national banks to grow by merging across state lines, accelerating consolidation.
- Merger activity slowed significantly following the 2007–2008 financial crisis, as banks focused on minimizing losses and navigating an uncertain regulatory landscape.

Search databases from federal regulators to find merger activity (look for "business combinations" with the FDIC and OCC):

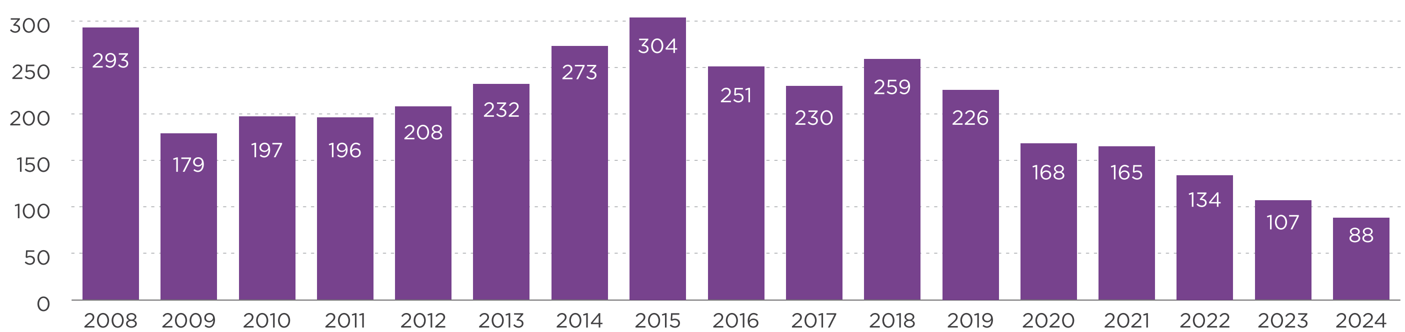
The Fed:
H.2A Release

FDIC BankFind Suite:
Find Events & Changes

OCC Corporate:
Applications Search (CAS)

FDIC Institutions

Mergers gradually increased from 2009 until the onset of the COVID-19 pandemic in 2020.



Source: FDIC. Statistics At A Glance. Historical Trends as of December 2024. https://www.fdic.gov/quarterly-banking-profile/fdic-historical-trends-december-2024-pdf

1 S&P Global. "Bank M&A activity rebounds in March, pushing Q1 2025 total deal value to $1.61B." https://www.spglobal.com/market-intelligence/en/news-insights/articles/2025/4/bank-ma-activity-rebounds-in-march-pushing-q1-2025-total-deal-value-to-161b-88328367

What Regulators Consider in Bank Mergers

In evaluating bank mergers and acquisitions, regulators focus on several key factors, including:

Impact on Market Competition – Whether the merger would reduce competition within affected markets.

- The merged bank's expected financial and managerial resources (capital, liquidity, management experience and competence)
- The possible impact of the merger on U.S. banking and financial stability
- The institutions' track records under the Community Reinvestment Act and anti-money-laundering laws

Deposit Concentration Limits – The combined institution must not exceed 10% of total deposits nationwide or 30% within any single state.[2]

Community Needs and Convenience – How well the merger serves the needs of the communities involved, including access to banking services and financial inclusion.

Note: In recent years, none of the three regulatory bodies have denied any merger applications. Additionally, rather than a formal rejection, applications can instead be withdrawn.

Why Banks Pursue Mergers

For industry providers, a bank merger can signal significant change — shifting key points of contact, or selection of a different vendor if overlapping services are in place.

Mergers most commonly occur among smaller institutions, with community banks accounting for over 90% of merger activity, according to FDIC research.[2]

In today's competitive financial landscape, small and midsize banks often pursue mergers as a strategic move to achieve greater scale, invest in technology, manage rising regulatory costs, and strengthen their position against larger banks and rapidly expanding nonbank competitors.[3]

Meanwhile, the largest banks are often restricted from further growth through mergers due to regulatory concentration limits.[1]

News about this topic pops up frequently. Monitor for pending mergers with current or future clients.

- Bank acquisitions announced in five states
- Some US banks' M&A appetite undeterred by valuations, uncertainty
- The 'joiner' era of bank M&A has begun
- Bank mergers and acquisitions in doubt with tariff whiplash
- ABA presses senators to overturn OCC merger rule

How to Prep for a Possible Customer Merger

While the ABA Community Bank 2025 Priorities Survey notes most community bank leaders report no immediate plans to pursue M&A activity in their markets this year, change can still come at any time — whether with current bank customers or future prospects.

- ✓ **Be Proactive:** Review the "change of control" clauses in your contracts and ensure you're prepared for due diligence audits. Mergers often prompt a fresh evaluation of all third-party relationships. If you've had other customers merge and you've helped them through it, consider a quick recap of your track record.
- ✓ **Demonstrate Your Value:** Mergers can shift priorities and budgets. Partners that clearly contribute to strategic goals are more likely to be retained or even expanded. Focus on aligning with the new direction of the merged entity, rather than relying solely on legacy relationships.
- ✓ **Ease the Transition:** Show flexibility in billing, onboarding processes and contract modifications. Be prepared to offer compliance support, as regulatory complexity could increase post-merger.
- ✓ **Support Customer Retention:** During mergers, banks often prioritize retaining customers in line with the strategic plan behind the merger. Acquiring institutions usually look to expand product and service offerings; stay alert to emerging needs from a larger, more diverse customer base.

Sometimes merging banks shed lines of business and customers with them – either because they're no longer a strategic fit, or because regulators demand it.

Make sure to align this part of your pitch with the overall strategic plan of the merged entity.

Conversation Starters with Bankers

1. Who will be leading the integration efforts, and what sorts of things are we handling for you that we need to think about for the integration?
2. What changes do you anticipate in your technology stack, operations or vendor strategy post-merger?
3. How can we tailor our support to help minimize disruption for your teams and customers during the transition?

Want to Know Banks Better?

See additional resources at aba.com/bankingIQ

2 Congressional Research Service. "In Focus: Bank Mergers and Acquisitions." https://www.congress.gov/crs-product/IF11956
3 ABA Banking Journal. "ABA Viewpoint: The cost of standing still." https://bankingjournal.aba.com/2025/04/the-cost-of-standing-still/