

The Long-Anticipated Wave of Bank Consolidation Starts to Break

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Key Points

- After several false starts, 2025 delivered a clear rebound in U.S. bank M&A, with deal volume and values up sharply from recent years.
- A more predictable and explicitly supportive regulatory environment has eased one of the largest brakes on consolidation.
- A steady stream of strategic deals is likely in 2026, particularly among community and regional banks, as well as some fintechs, with aging leadership teams and increasingly vocal shareholders often acting as catalysts.
- Boards seeking to be prepared should consider treating M&A as a standing agenda item and invest now in regulatory, capital and transaction execution readiness.

Coming into 2025, the long-predicted “great wave” of bank mergers still appeared theoretical. But by year’s end, announced U.S. bank deals exceeded 2024 totals, and aggregate transaction value had moved decisively higher, with activity spanning traditional community and regional bank mergers and targeted acquisitions of niche platforms.

Buyers are using M&A to gain scale in priority markets, add specialty business lines, accelerate technology and talent acquisition, and rationalize overlapping branch networks.

Regulation: Uncertainty Gives Way to Conditional Support

Regulatory uncertainty was a primary drag on bank M&A in recent years. That shifted in 2025, as the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation (FDIC) rescinded their respective Biden-era merger policy statements and reinstated prior frameworks.

Comptroller of the Currency Jonathan Gould and Acting FDIC Chairman Travis Hill have made various speeches and statements in recent months supportive of improvements to the bank M&A process and committing to greater coordination. At the Federal Reserve Board, particularly

with Michelle Bowman as vice chair for supervision, there also has been explicit emphasis on more timely decisions and the need for tailoring the M&A application process for community and regional banks.

Large, complex or novel transactions still face scrutiny focused on financial stability, competition, consumer compliance and resolvability, but banks now have greater visibility into what questions regulators will ask and the timing for approvals.

The result, so far, is that the U.S. banking regulators approved mergers in 2025 at the fastest pace since 1990, according to data analyzed by S&P Global.

Fundamentals Turn Back in Favor of Deals

Macrofinancial conditions support consolidation rather than impede it. Many banks are rebuilding capital through retained earnings and balance sheet optimization. Credit quality is still a central focus, particularly in office-focused commercial real estate, where losses have not materialized.

However, losses are increasingly concentrated in identifiable outliers, and both investors and regulators are differentiating more clearly between banks with idiosyncratic exposures and those with diversified portfolios and strong underwriting.

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At the same time, it appears that the more favorable supervisory environment has contributed to some financial institutions emerging from under restrictive enforcement actions and supervisory classifications that had effectively frozen their M&A options.

Against this backdrop, M&A is once again viewed as a legitimate tool for strategic repositioning — whether to gain scale in core markets, exit noncore geographies, add high-growth fee businesses, accelerate technology and operating-model transformation, or add talent.

A further shift in 2025 has been the emergence — and, in some cases, reemergence — of shareholder activism in the banking sector. Campaigns at midcap and regional banks have pressed boards to “evaluate strategic alternatives,” including M&A. For banks already wrestling with leadership transition or aging boards, activist pressure can accelerate internal conversations on M&A. (See “[As Activism Becomes a Year-Round Sport, Possible Regulatory Changes Could Impact Both Activists and Companies.](#)”)

In combination, these forces mean that bank boards are no longer debating whether M&A will return, but how — and on whose terms — they will participate in it.

Board Priorities for 2026

Few market observers expect 2026 to mirror the “megamerger” era of the late 1990s. Instead, most anticipate a steady flow of strategic transactions among community and regional banks, supplemented by selective acquisitions by

fintechs and foreign challenger banks seeking banking charters to provide them with access to deposits and broader product deployment capabilities.

Boards striving to be ready should consider the following:

- **Make M&A a standing agenda item.** Periodically reassess whether the bank’s strategic goals, performance trajectory, market gaps, and technology or talent needs favor buying, selling or pursuing a merger of equals. That assessment also should consider leadership succession issues as well as how shareholders, including potential activists, are likely to view the bank’s stand-alone strategy.
- **Invest in regulatory and M&A readiness.** Strong compliance and risk management records are critical to getting deals approved. Building an M&A team and ready-to-deploy diligence playbook that identifies key risks (e.g., bank regulatory, antitrust, employment and compensation, tax and intellectual property), balance sheet issues and technology dependencies will save time and enable a more thoughtful process.
- **Stress test capital and earnings.** Simple, realistic cases showing the impact of different structures on capital ratios, tangible book value dilution and earnings accretion remain critical to avoid late-stage surprises and build market credibility with investors and analysts.
- **Plan for integration at the outset.** The value of a transaction depends on disciplined execution, including branch and systems integration, customer and employee communications, and retention

of critical talent. Early planning for integration can also surface red flags to be addressed in the diligence stage and negotiations of deal terms. Post-signing, integration planning will continue in different ways, subject to applicable “gun-jumping” restrictions under antitrust law and restrictions governing the sharing of confidential supervisory information.

In Sum

After years of anticipation, the ingredients for a sustained period of bank consolidation are finally in place. In 2026, boards that have done the strategic homework — whether as buyer, seller or potential partner — will be best positioned to act swiftly when the right opportunity appears.

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