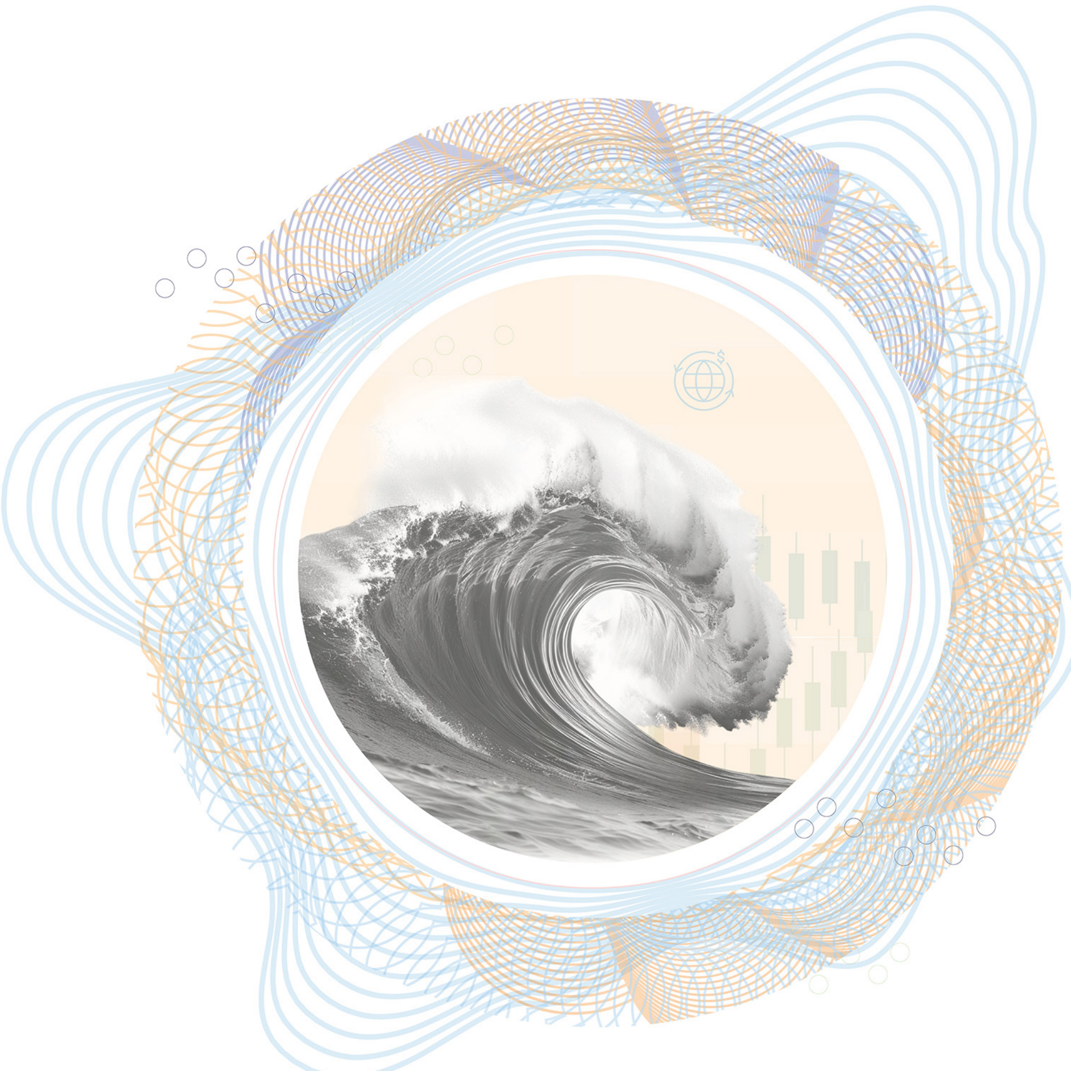

2025 US banking and capital markets M&A outlook

Rising tide

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Introduction

The mergers and acquisitions (M&A) community faces a new year of unknowns. Will volatility stay under control? What will the regulatory framework look like? Is this the time when organizations look to rev up their dealmaking engines? How can organizations take advantage of industry changes to help drive a competitive advantage in 2025?

On the one hand, there's the prospect of a shifting regulatory climate and tax reform, with the potential of more permissive antitrust policies and the suspension and potential revision of proposed Basel III Endgame rules. On the other hand, depending on how some of the new administration's policies—especially tariffs—go into effect and evolve, inflation and interest rates could remain elevated.

2024 in review

After a slower 2023 for banking and fintech M&A, deal counts, aggregate deal value, and average deal value have all begun to rebound. Meanwhile, investment management deal count continued a downward trend with deal values remaining relatively stable (figure 1).[1]

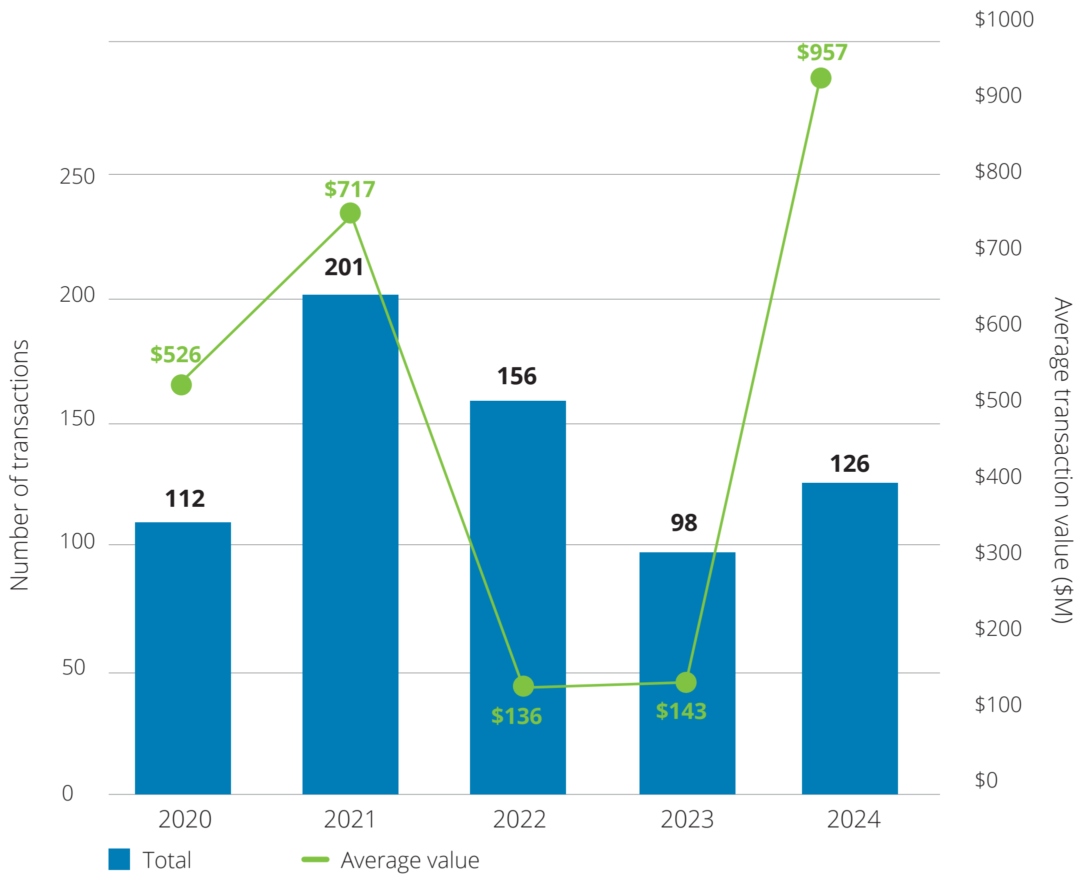
Figure 1. US banking and capital markets sector M&A activity, 2023–2024

	Number of transactions			Aggregate deal value ($M)			Average deal value ($M)		
	FY2023	**FY2024**	**YoY change**	**FY2023**	**FY2024**	**YoY change**	**FY2023**	**FY2024**	**YoY change**
Banking	98	126	28%	4,153	51,654	1,144%	143	957	568%
Investment management	380	341	-10%	39,297	37,774	-4%	1,228	1,251	2%
Fintech	88	101	15%	8,475	13,695	62%	292	442	51%

Note: Investment management is inclusive of securities transactions.
Sources: SNL Financial and S&P Global Market Intelligence as of December 31, 2024; accessed January 10, 2025.

The trends since 2020 offer some perspective. In banking, 2024 volume and average deal value were above 2023 levels and closer historical norms (figure 2).[2]

Figure 2. Banking M&A metrics



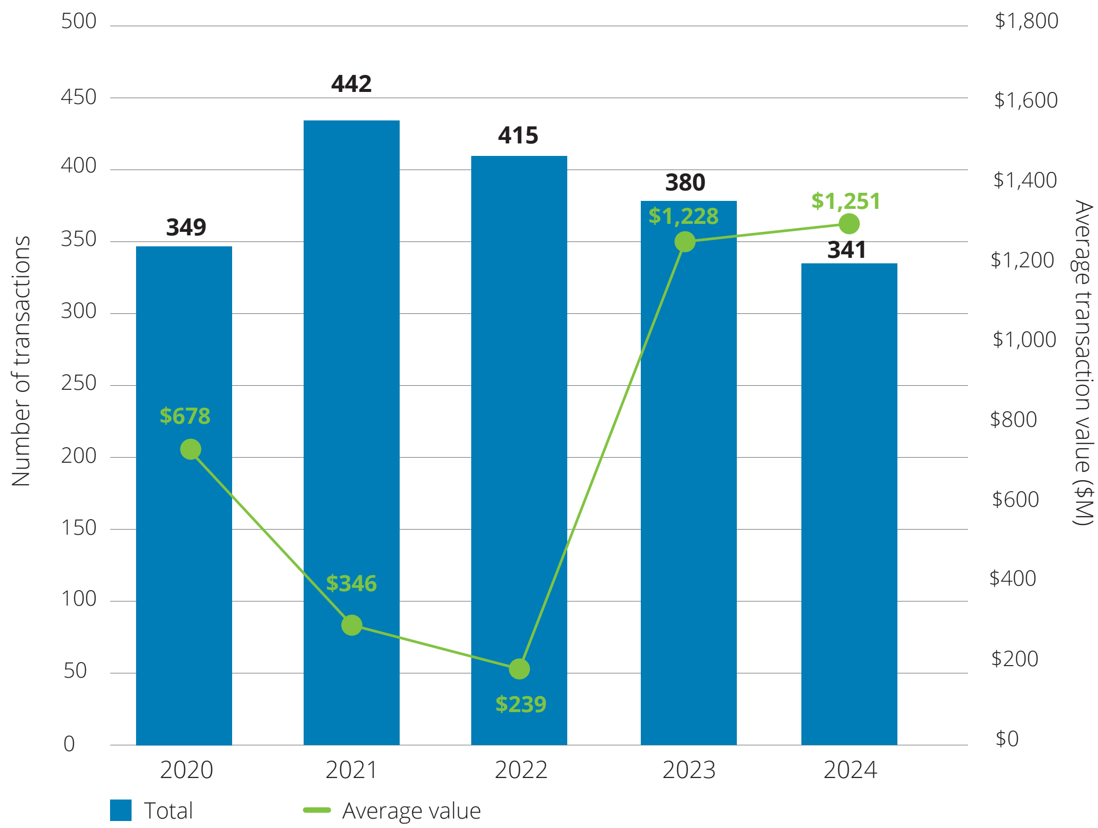
Top 5 US bank deals

Target	Buyer	Ann. date	Value ($M)	Price/TBV	Region
Discover Financial Services	Capital One Financial Corporation	2/19/24	$35,338	262%	Midwest
Independent Bank Group, Inc.	SouthState Corporation	5/20/24	$2,021	149%	Southwest
Heartland Financial USA, Inc.	UMB Financial Corporation	4/29/24	$1,990	156%	Southwest
Sandy Spring Bancorp, Inc.	Atlantic Union Bankshares Corporation	10/21/24	$1,600	130%	Mid-Atlantic
Bremer Financial Corporation	Old National Bancorp	11/25/24	$1,401	100%	Midwest

Note: Average deal size is based on disclosed deal values. Among reported deals, 53%, 47%, 58%, 70%, and 58% did not disclose deal values for FY2020, FY2021, FY2022, FY2023, and FY2024 respectively.
Sources: SNL Financial and S&P Global Market Intelligence as of December 31, 2024; accessed January 10, 2025.

Compared to banking, the number of transactions for investment management has continued to decline from a high in 2021, while average deal value went up in 2023 and remained flat in 2024 (figure 3).[3]

Figure 3. Investment management and securities M&A metrics



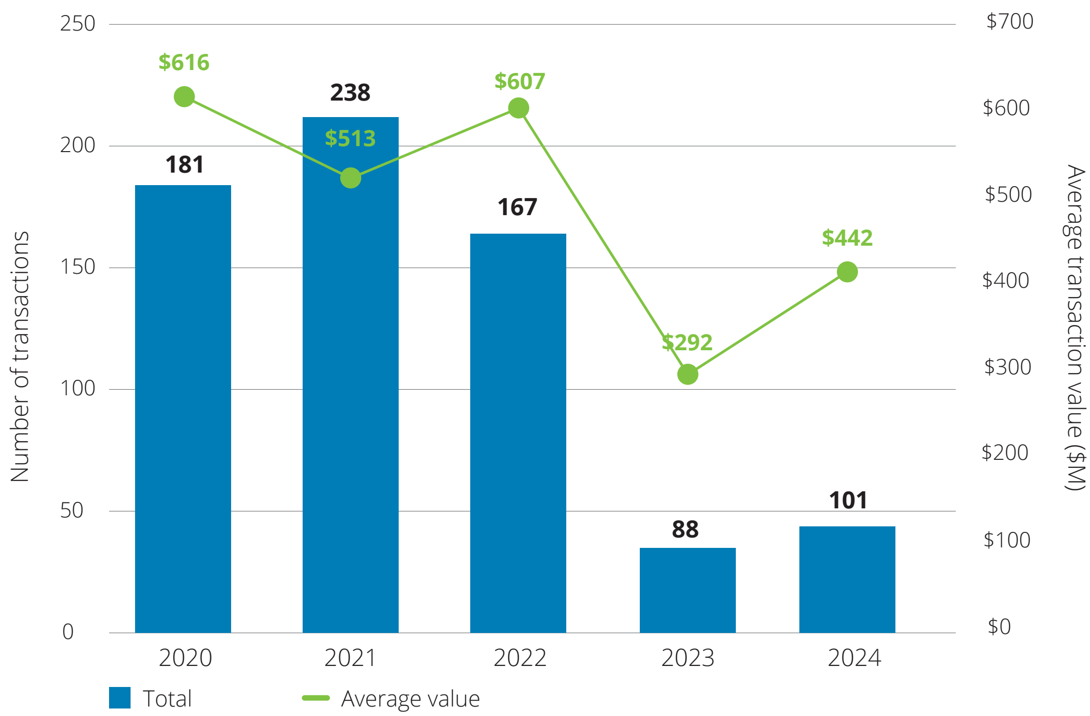
Top 5 US investment management/securities deals

Target	Buyer	Seller country	Target country	Ann. date	Value ($M)	AUM
Global Infrastructure Management, LLC	BlackRock, Inc.	USA	USA	1/12/24	$14,394	$215,480
HPS Investment Partners, LLC	BlackRock, Inc.	USA	USA	12/3/24	$14,376	N/A
International Business of GLP Capital Partners, Inc.	Ares Management Corporation	USA	N/A	10/8/24	$5,200	$61,464
AssetMark Financial Holdings, Inc.	GTCR LLC	Hong Kong	N/A	5/25/24	$2,750	N/A
PineBridge Investments Holdings US LLC	MetLife Investment Management, LLC	Hong Kong	N/A	12/23/24	$1,200	$1,440

Note: Average deal size is based on disclosed deal values. Among reported deals, 68%, 63%, 76%, 78%, and 82% of reported deals did not disclose deal values for FY2020, FY2021, FY2022, FY2023, and FY2024 respectively.
Sources: SNL Financial and S&P Global Market Intelligence as of December 31, 2024; accessed January 10, 2025.

Fintech deal volume rose marginally in 2024, remaining near a five-year low. Despite the decline in volume, average deal value increased significantly, trending back toward the five-year average (figure 4).[4] Many of the industry's largest deals were announced in the latter half of 2024, likely reflecting shifting headwinds. As the industry entered the year, uncertainty loomed over interest rates, the regulatory approval process, and an upcoming presidential election. By year's end, these uncertainties had begun to ease, bringing the pendulum back from post-pandemic lows and setting the stage for a more promising M&A environment in 2025.

Figure 4. Fintech M&A metrics



Top 5 US fintech deals						
Target	**Buyer**	**Seller country**	**Target country**	**Ann. date**	**Value (M)**	**General industry**
Envestnet, Inc.	Investor group	USA	USA	7/11/24	$4,228	Investment and capital markets technology
Cloud-based digital banking business of NCR Voyix Corporation	Investor group	USA	USA	8/6/24	$2,550	Banking technology
MoneyLion Inc.	Gen Digital Inc.	USA	USA	12/10/24	$1,347	Digital lending
NeueHealth, Inc.	New Enterprise Associates, Inc.	USA	USA	12/23/24	$997	Insurance technology
Tegus, Inc.	AlphaSense, Inc.	USA	USA	6/11/24	$930	Financial media and data solutions

Note: Average deal size is based on disclosed deal values. Among reported deals, 68%, 63%, 76%, 78%, and 82% of reported deals did not disclose deal values for FY2020, FY2021, FY2022, FY2023, and FY2024 respectively.
Sources: SNL Financial and S&P Global Market Intelligence as of December 31, 2024; accessed January 10, 2025.

Expectations for 2025

1. A rebound in banking deals

2. Pockets of divestiture among regionals

3. Investment managers' continued push into alternative asset classes

4. More interest in fintechs

1. A rebound in banking deals

A confluence of market moves in 2024 appears to have laid the groundwork for more banking deals this year. First, accumulated other comprehensive losses for banks dropped dramatically as interest rates began to ease, lowering the potential capital hole. In addition, bank valuations rose 30%, providing an additional lever to combat interest rate-driven capital issues. This could drive some action by creating a now-or-never moment for dealmakers who have concluded that bank stock currency is peaking.

Second, there looks to be more normalization around deposits and liquidity after the 2023 banking crisis. The spread between the cost of deposits and federal funds has continued to narrow. Banks have increased their reliance on certificates of deposit over other wholesale funding options, and the maturity of their CD portfolios are poised to reset at much better rates. As for credit, banks appear to be well reserved, so the impact of losses to date (especially in commercial real estate) has been less severe than initially modeled. Consolidation in the regional space could be a likely outcome of these conditions in the year ahead.

2. Pockets of divestiture among regionals

As regional banks consolidate, some may have to dispose of assets to meet regulatory requirements. Divestiture also may be on the agenda for banks intent on raising capital. Either way, a livelier M&A environment could bring out more buyers for such deals.

Additional capital may be utilized for digital modernization amid growing concerns about legacy infrastructure. Investing in advanced digital capabilities may help address these concerns while also driving growth and providing a competitive edge in the rapidly evolving market. According to Deloitte research, more than 75% of banks plan to increase investments in data management and cloud consumption to advance their enterprise-wide generative artificial intelligence (AI) strategy.[5] What's more, a separate Deloitte survey reveals that 77% of financial services sector respondents think they're gaining value from the AI investments they've already made.[6] Shedding non-core assets and operations could be one way to pay for updated digital capabilities, especially if the Federal Reserve pumps the brakes on interest rate cuts.

3. Investment managers' continued push into alternative asset classes

With the new administration beginning to take a more permissive regulatory approach to digital and alternative assets classes, related M&A opportunities will likely remain a focus in the industry.

Activity could develop along three lines. One scenario is alternatives buying other alternatives—think private equity getting into private credit, real estate, or infrastructure—in a bid to extend their capabilities or even become a one-stop shop for alternative assets investors.

Another scenario is the tie-up between traditional and alternative players, with the former bringing distribution muscle to the latter's differentiated product. These deals may lean more toward joint ventures and strategic partnerships as wealth managers explore alternatives to traditional M&A.

Finally, there's private credit. Ongoing consolidation is expected in this market as private credit lenders may expand their origination capabilities in the race to attract more capital from investors.

4. More interest in fintechs

An M&A trend has been the role of private equity as a buyer within the payments and fintech sectors. For example, one payment processor went private in a more than $5 billion deal in October 2024, and another billing platform was acquired for nearly $2 billion earlier in the year.[7]

Recent deals notwithstanding, private equity firms still hold hundreds of billions of dollars in dry powder.[8] As private equity firms start to come off the bench, this could attract other strategic buyers to the space. Banks looking to expand in the payments space may seize the opportunity to improve their existing services, gain entry to a new market, and gain a competitive advantage—all in one move. Additionally, cross-border activity could play a significant role, with international buyers targeting US fintechs and US fintechs seeking to expand their global footprint.

Catching the wave

Organizations take advantage of the M&A market to reorganize, focus on efficiency and cost reduction, boost working capital, or drive other restructuring initiatives. This strategic focus on the future of the industry can enable companies to optimize their commercial, products, and operations capabilities, and help ensure long-term growth and sustainability. Now, once again, may be time to revisit the M&A playbook and give it a stress test.

That includes gaining clarity on strategy (for example, capture sector leadership or accelerate business model transformation). It also means thinking critically about the edge the business brings to the market. Then there's getting a team in place and making sure they're prepared. In a year when dealmakers are contending with an exceptional number of moving parts, the advantage will likely go to those who made readiness a priority and can move swiftly on the right opportunities.

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