M&A trends in financial services

Q2 2025 M&A trends report

From caution to conviction: Q2’25 M&A trends reshape financial services

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Consolidation accelerates amid clarity

Despite a turbulent start, Q2’25 marked a decisive shift in M&A sentiment across the financial services sector. Regulatory easing and strategic imperatives brought dealmakers back with renewed conviction. The start of regulatory easing and perceived sentiment for a streamlined, speedier approval process started to bring dealmakers back with renewed conviction. The green shoots are promising, and as we move through the rest of 2025 we expect an uptick in the number of announced deals.

Private equity (PE) firms are poised to impact the insurance M&A landscape, with approximately $500 billion in dry powder and favorable financing conditions. They face pressure to deploy capital, fueling strategic acquisitions aimed at stable revenue streams amid market volatility. The Ryan Specialty’s acquisition of Velocity Risk Underwriters showcases the strategic value of specialty distribution and technology-enabled platforms integrating AI and big data analytics.

Insurance brokers dominate deal activity, maintaining the largest portion of deal volume across quarters even as overall transaction volumes have declined. Strategic transactions significantly outweigh financial buyer activity, indicating consolidation driven primarily by acquirers seeking synergies and market expansion rather than financial engineering.

Deal value surged—up 22 percent QoQ and 50.7 percent YoY—propelled by large-scale strategic transactions in banking and insurance.[1,2] Primary reasons driving these transactions include the desire to increase geographic reach, acquire new technology, products, skills, or lines of business, and address cost or revenue pressures. Additionally, institutions seek to scale and improve efficiency ratios or revenues. While trends in consumer credit and lending standards, such as increased credit card usage, reflect broader economic pressures like cost-of-living crises and rising tariffs, these factors alone are less likely to directly prompt M&A activity. Instead, they underscore the need for banks and insurers to innovate and adapt to evolving consumer behaviors within a competitive landscape.

Overall consumer credit grew steadily at 0.10 percent MoM, indicating stable revenue streams appealing to strategic buyers, but reflects potential risks as families relying on credit face wage growth challenges. The 0.27 percent decline in revolving credit emphasizes caution among consumers, prompting institutions to diversify offerings and influence mergers aimed at growth.

Deal volume dipped slightly, but the quality and strategic intent of deals improved, signaling a shift toward scale, specialization, and geographic expansion. Banking M&A saw heightened interest, particularly among regional players and payment solutions providers. Insurance firms advanced specialty lines and brokerage consolidation, while capital markets players pursued RIAs and crypto platforms to diversify and build scale.[3] Easing interest rates, a supportive regulatory tone, and resolution of political uncertainties provided fertile ground for dealmaking, even amid inflation and trade policy concerns.

Standout transactions, like Global Payments’ acquisition of Worldpay and Brown & Brown’s acquisition of RSC Topco, highlight the pivot toward platform integration, client acquisition, and operational scale. The sector appears poised for continued momentum, albeit cautiously due to macroeconomic volatility and execution risks.

Q2 2025 highlights

1,179
deals

-2.9%
decrease in number of deals QoQ

$123.0
deal value (in $US bn)

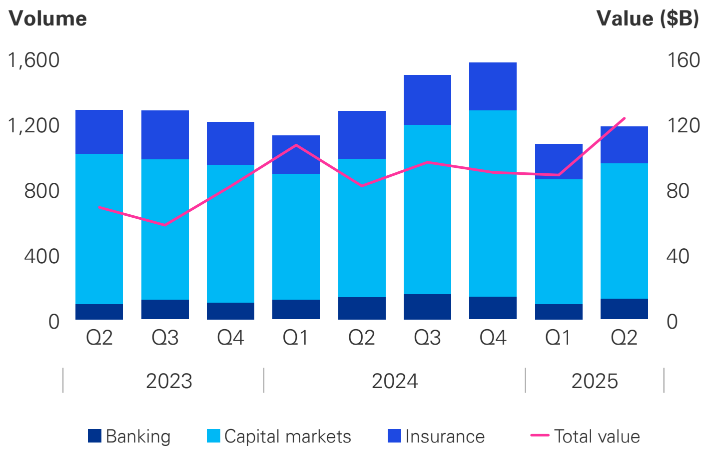
22%
increase in deal value QoQ

[1] “Global Payments Announces Agreements to Acquire Worldplay and Divest Issuer Solutions,” Global Payments, April 17, 2025
[2] “Brown & Brown, Inc. enters into agreement to acquire Accession Risk Management Group,” Brown & Brown, July 10, 2025
[3] Bryony Garlick, “Why M&A is booming in specialty insurance,” Insurance News, April 23, 2025

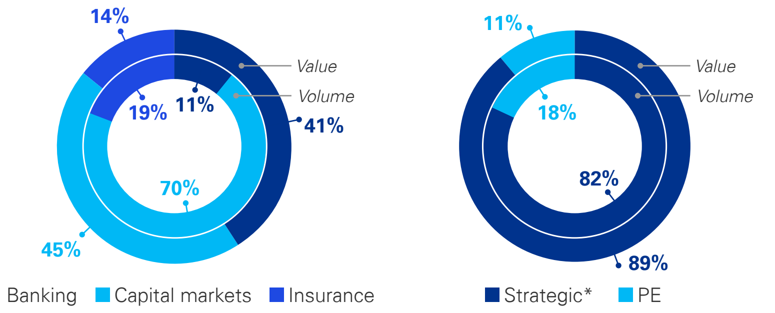
Big moves, bold gains

In Q2'25, the financial services sector recorded a 2.9 percent decline in deal volume QoQ and a 7.6 percent decline YoY, totaling 1,179 deals. However, deal value surged to US$123.0 billion, marking a 22 percent increase QoQ and a 50.7 percent increase YoY. This divergence is primarily driven by one mega transaction, the Global Payments acquisition, which has skewed overall deal values. However, the market trend suggests that strategic roll-ups, particularly among smaller banks, continue to favor meaningful yet smaller-scale acquisitions. Institutions are pursuing acquisitions that offer meaningful growth potential, scale, and competitive leverage. By concentrating on these significant transactions, they aim to realize measurable synergies and enhance operational effectiveness, thereby securing a stronger foothold in the market.

Financial services deal volume and value

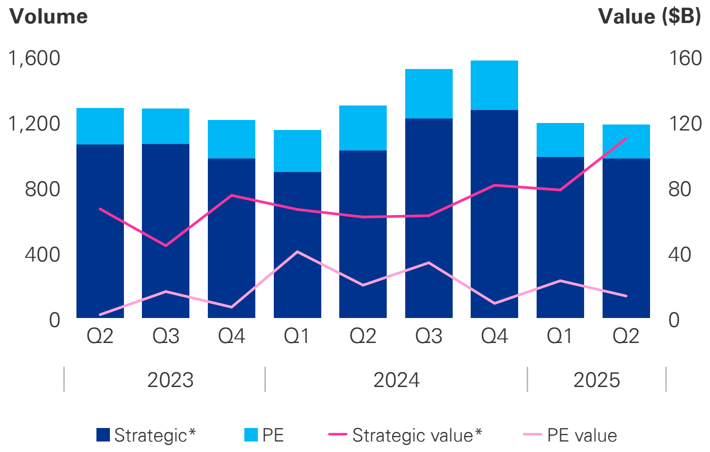


Financial services - Q2'25



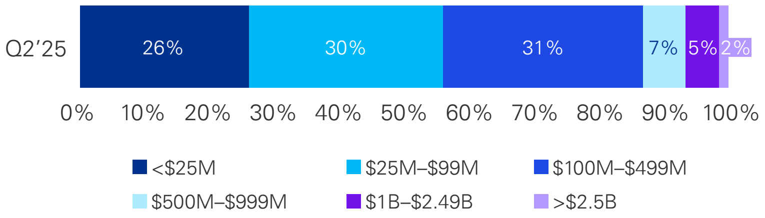
Values may not add to 100% due to rounding.
*Data also contains figures for SPAC deals.

Financial services strategic/PE deal volume and value



*Data also contains figures for SPAC deals.

Financial services total deal size mix - Q2'25



Note: Deals with disclosed values only. Values may not add to 100% due to rounding.

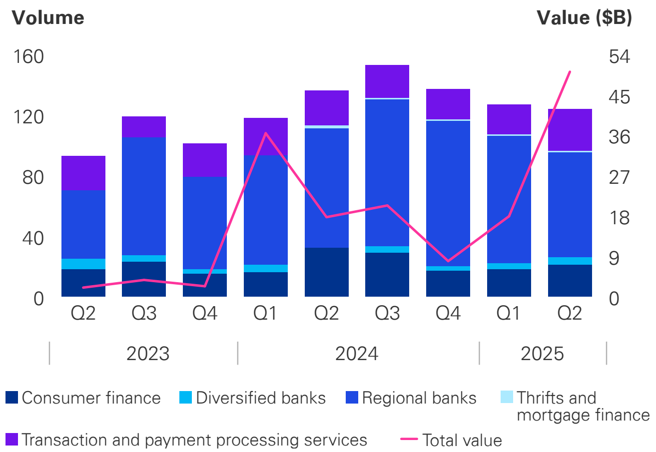
Sector data

Banking: Consolidation with conviction

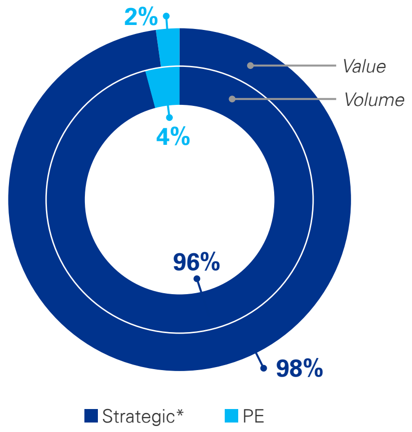
Banking deal volume dipped 2.4 percent QoQ and 8.8 percent YoY, reflecting continued caution among smaller institutions. Yet deal value skyrocketed by 179.2 percent QoQ and 183.3 percent YoY, reaching $50.1 billion—driven by landmark transactions such as Global Payments' $24.3 billion acquisition of Worldpay and Columbia Banking's merger with Pacific Premier. It's important to note that Global Payments' acquisition of Worldpay has significantly skewed overall deal value figures— accounting for a substantial portion of the increase—highlighting the unique nature of this deal compared to typical market activities. While this singular event has amplified deal values, the underlying trend remains consistent with ongoing consolidation efforts, indicating steady activity aligned with previous quarters.

Anticipated regulatory changes, such as the potential lowering of merger thresholds and interest rate adjustments, are poised to invigorate banking M&A activities. These developments are expected to fuel ambition among regional banks, prompting them to adopt more aggressive acquisition strategies. By leveraging these favorable conditions, banks aim to strengthen their market presence and enhance operational scalability. This trend underscores the ongoing progression toward consolidation and the strategic imperative for regional banks and fintechs to fortify their market positions and optimize efficiencies through significant mergers.

Banking deals by subsector



Banking strategic/PE mix

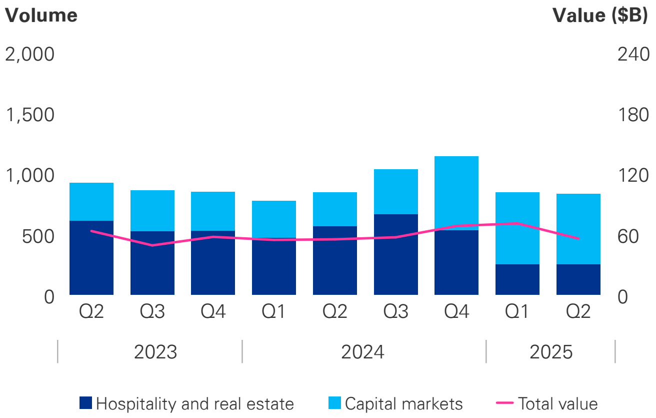


Values may not add to 100% due to rounding.
*Data also contains figures for SPAC deals.

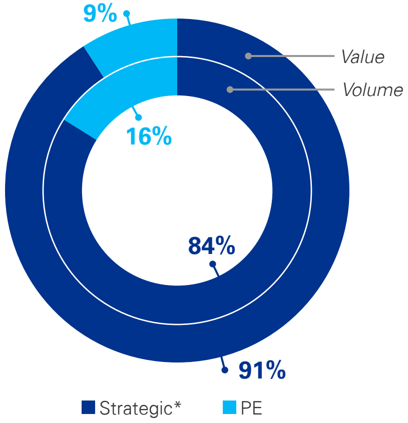
Capital Markets: Selective moves in volatile terrain

Capital markets saw a 1.5 percent decline in deal volume, QoQ and YoY, with 831 deals in Q2'25. Deal value fell 21.3 percent QoQ to $55.5 billion, though it remained 1.4 percent higher YoY, indicating sustained strategic interest in RIAs, crypto platforms, and alternative investment firms. The sector continues to recalibrate toward diversification and client acquisition, albeit with more selective dealmaking.

Capital markets deals by subsector



Capital markets strategic/ PE mix- Q2'25

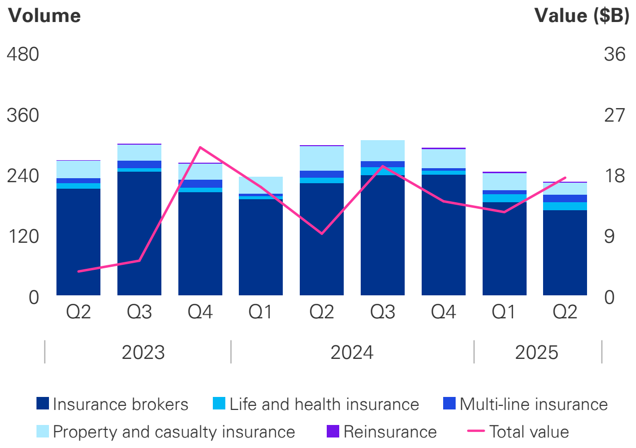


Values may not add to 100% due to rounding.
*Data also contains figures for SPAC deals.

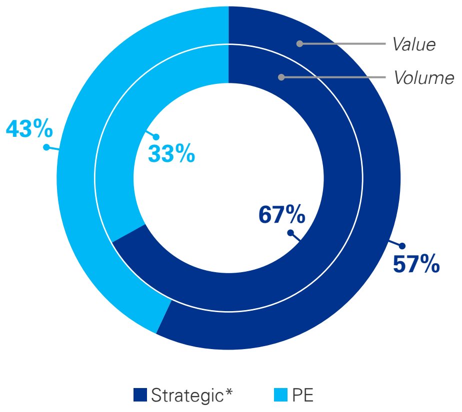
Insurance: Specialization and scale drive brokerage integration

Insurance deal volume dropped 7.8 percent QoQ and 24.3 percent YoY, totaling 224 deals, reflecting a more cautious approach amid macroeconomic uncertainty. However, deal value rose 41 percent QoQ and 90.2 percent YoY to $17.4 billion, driven by specialty segment acquisitions and brokerage consolidation. Multiples expansion in the carrier segment continues to be notably high, reflecting strategic value and demand in this area. Similarly, elevated multiples are observed in specialty deals and smaller regional distribution transactions. These trends underscore the sector's focus on specialization and scale, enhancing market positions and driving premium valuations in strategic acquisitions. This suggests that while volume is subdued, strategic intent remains strong among carriers and brokers seeking growth and scale.

Insurance deals by subsector



Insurance strategic/PE mix - Q2'25



Values may not add to 100% due to rounding.
*Data also contains figures for SPAC deals.

Top deals

	Value (billions)
Acquirer: **Global Payments Inc.** Target: **Worldpay, LLC**	$24.3
Acquirer: **Fidelity National Information Services, Inc.** Target: **Issuer Solutions business of Global Payments Inc.**	$13.5
Acquirer: **Brown & Brown, Inc.** Target: **RSC Topco, Inc.**	$9.8
Acquirer: **Coinbase Global, Inc.** Target: **Deribit FZE**	$2.9
Acquirer: **Xero Limited** Target: **Melio Payments Inc.**	$2.5

Deal data has been sourced from Capital IQ and Pitchbook, and then further refined and analyzed by KPMG LLP. The cited values and volumes cover inbound, domestic, and outbound US deals announced during the timeframe, including both majority and minority stakes. Deal values are based on publicly available data and are not exhaustive. Previously published statistics may be revised to incorporate new data or changes.

Momentum with a cautious edge

We are cautiously optimistic that deal activity in Q2'25 is signaling that the M&A engine for the financial services sector is warming up. Deal value is surging and strategic intent is sharpening, and regulatory clarity and easing interest rates have created a conducive backdrop for dealmaking. That said, inflationary pressures, trade policy uncertainty, and geopolitical risks remain potential headwinds.

As we look ahead to Q3'25, private equity firms are under increasing pressure to deploy their substantial capital reserves, which may lead to more activity in the insurance sector. A focus on technology-enabled platforms and specialty distribution highlights strategic investment priorities. Acquirers are confident in niche market positioning and catastrophe-exposed property coverage capabilities, shaping investment behaviors that reflect confidence in advanced underwriting and risk management expertise, despite challenging market conditions. Insurance deals continue to demonstrate strategic strength, with brokers leading M&A activity, positioning the sector for focused consolidation. There is a clear preference for acquisitions that prioritize synergy and market expansion, emphasizing strategic collaborations over purely financial maneuvers.

As institutions decipher the M&A marketplace, a strategic focus on divesting non-core assets is becoming increasingly significant. This approach allows organizations to concentrate on bolstering profitable segments and advancing their strategic priorities, particularly within sectors like health insurance and equipment finance. By prioritizing cores of excellence, firms can better align their investment dollars with high-impact opportunities, fostering growth in areas most aligned with their overarching business strategies.

Looking ahead to Q3'25, the implications of the One Big Beautiful Bill introduce a new era of regulatory clarity, likely expediting merger approval processes and enabling banks to capitalize on growth opportunities. We anticipate potentially increased deal volume among regional banking players as they pursue scale by expanding into new geographies, lines of business, and client segments. This legislative development is expected to drive strategic consolidation efforts, benefiting insurance M&A, which is expected to remain strong with its focus on specialty coverage and brokerage integration. Capital markets firms will also continue to explore RIAs and alternative investment platforms, encouraged by these regulatory changes, with crypto finance emerging as a strategic frontier.

Banking: "Scale or surrender"

Regional banks face a strategic crossroads as consolidation becomes imperative.

Insurance: "Specialty is the new standard"

Firms double down on niche segments to drive growth and differentiation.

Capital markets: "RIAs and crypto converge"

Wealth managers and platforms seek scale and diversification through targeted acquisitions.

Dealmakers: "Prepare for precision"

Strategy and execution excellence will separate winners from laggards in a competitive landscape.

Key considerations as we look ahead

01

Capture opportunities with strategic precision:

The window for strategic acquisitions is open, presenting significant opportunities. Firms should accelerate readiness, align leadership, and mobilize deal teams to capitalize on favorable conditions, especially by prioritizing targets with specialty capabilities and regional scale that offer differentiated expertise or geographic reach.

02

Conduct comprehensive diligence and integration planning:

With deal complexity rising, due diligence must extend beyond financials to assess targets for tech infrastructure, data integrity, AI capabilities, and customer experience alignment. Additionally, integration planning should commence at the strategy stage, requiring cross-functional coordination between corporate development and diligence teams to capture full deal value.

03

Navigate macroeconomic volatility with agile strategies:

Inflation, tariffs, and geopolitical shifts could disrupt momentum. Scenario planning and agile strategy execution will be critical as firms seek to navigate these macroeconomic challenges effectively.

How KPMG can help

KPMG LLP helps its clients overcome deal obstacles by taking a truly integrated approach to delivering value, leveraging its depth in the financial services industry, providing data-supported and tools-led insights, and delivering full M&A capabilities across the deal lifecycle.

With a financial services specialization, our teams bring both transaction and operational experience, delivering rapid results and value creation.

Our team

Experience wins the deal.

Each member of our deal team brings extensive industry experience and functional depth, working together to help you win the right deals, divest successfully and create long-term value.

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