KPMG

M&A trends in financial services

Q2 2026

Transactions favor capabilities and value over volume

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Scale moved, breadth did not

Financial services mergers and acquisitions (M&A) in the second quarter of 2026 (Q2'26) were on an upward trajectory. It was a quarter in which value held up because capital moved toward a narrow set of strategic assets, while deal volume showed that buyers remained selective, sponsor activity softened, and execution discipline mattered more than market momentum.

Q2'26 clarified what the first quarter (Q1'26) suggested. Financial services dealmaking is open, but it is not generous. In Q4'25, value rose sharply while volume eased, and prior-quarter commentary framed the market as one where larger, more executable transactions were being favored over broad activity. In Q1'26, that pattern shifted into a more selective rhythm: Deal value fell sequentially from the year-end high, deal volume dropped more sharply, and the market rewarded buyers with clear operating theses, regulatory readiness, and integration plans. In Q2'26, the picture became more split. Total deal value increased modestly quarter over quarter (QoQ) and year over year (YoY), while total volume declined on both measures, reinforcing a market where capital is being concentrated rather than broadly deployed.[1]

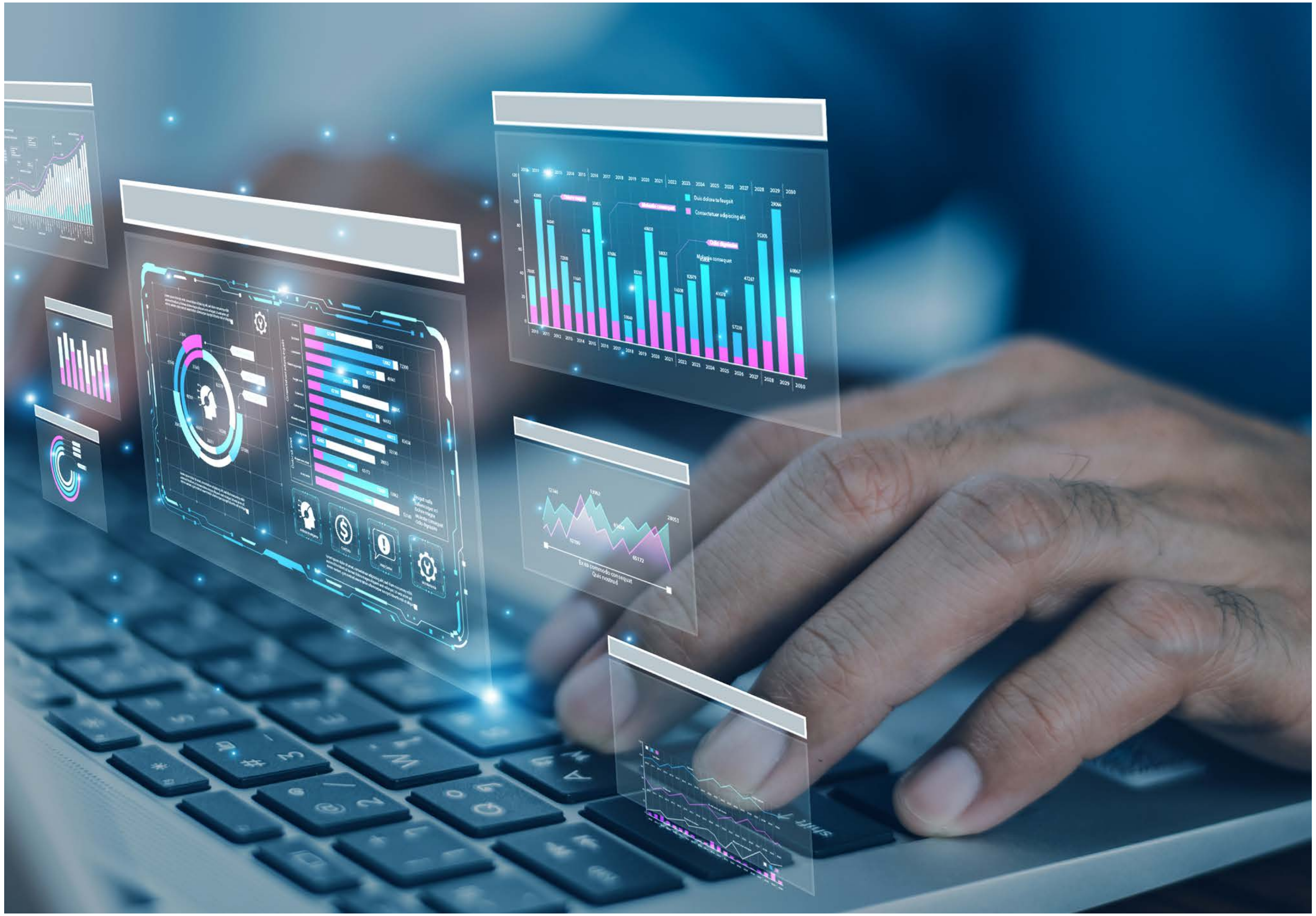
Three angles matter this quarter:

- First, concentrated value versus dispersed volume: Total announced value increased despite lower deal volume, reinforcing a trend where a relatively small number of larger transactions account for an increasing share of activity. As a result, value trends continue to provide a stronger signal of market direction than deal counts alone.
- Second, strategic buyers continue to lead the market: Strategic acquirers accounted for most of both deal volume and value in Q2'26, while private equity activity declined across both measures. Buyers remained focused on transactions that strengthened scale, distribution, and specialized capabilities rather than broad-based expansion.
- Third, capability-led acquisitions continue to attract capital: Activity remained concentrated around payments infrastructure, wealth management platforms, specialty insurance capabilities, and distribution-led business models.[2,3] Buyers increasingly favored assets that can accelerate growth, enhance operating leverage, or provide access to specialized expertise.

The watch-out is clear: In a market defined by fewer but larger transactions, success depends less on deal volume and more on securing assets that can accelerate growth and strengthen competitive advantage.

> "Q2 made clear that capital is being concentrated, not broadly deployed. In Q3, buyers that can move decisively on differentiated assets—particularly in payments, wealth, insurance, and distribution—will be best positioned."
>
> —Nadia Orawski
>
> *US Deal Advisory & Strategy Banking Leader and Financial Services Strategy Leader, KPMG LLP*

[1] White & Case LLP, "US Public M&A Market Update: H1 2026," White & Case, July 8, 2026
[2] Jeff Barrington, "Fintech M&A Activity in 2026", Windsor Drake, June 24, 2026
[3] Gregory DL Morris, "MGA Deals Surge as Scale and Specialization Drive Growth", Risk & Insurance, April 10, 2026



Q2 2026 highlights

689
deals

-6.6%
decrease in number of deals QoQ

$131.3
deal value (in $US billions)

2.1%
increase in deal value QoQ

Q2 2026 vs Q2 2025

689
deals

-22.1%
decrease in number of deals YoY

$131.3
deal value (in $US billions)

12.0%
increase in deal value YoY

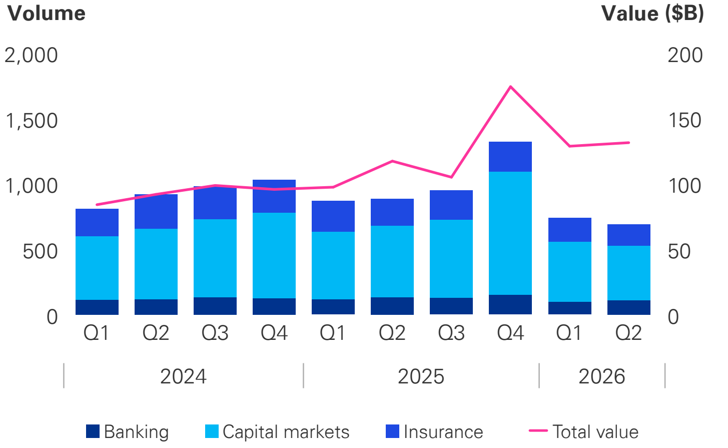
Value held, volume thinned

The data shows a market with improving headline value but weaker participation. Capital markets carried the quarter, banking showed modest volume improvement with sharply lower value, and insurance remained active in pockets but materially weaker in disclosed value.

The headline is straightforward: Value improved, but participation narrowed. Total deal value increased modestly QoQ and YoY, while volume declined materially on both measures. That combination is not a typical recovery pattern. It points to concentration, better pricing discipline, and a higher bar for investment committee approval. Buyers are willing to transact where scale, distribution, capability, or strategic control is tangible. They are less willing to transact simply because the market is open.

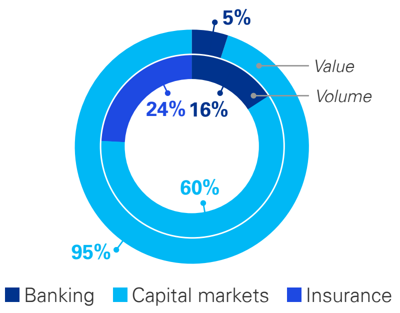
Strategic acquirers remained the main source of disclosed value. Strategic value increased QoQ and YoY, while private equity value declined sharply on both measures. This carries two implications. First, corporates with an operating synergy case are still able to justify deals even when macro conditions are uneven. Second, private equity activity is increasingly constrained by the quality of exits, financing math, valuation gaps, and the need to produce returns without relying on multiple expansion.

Financial services deal volume and value

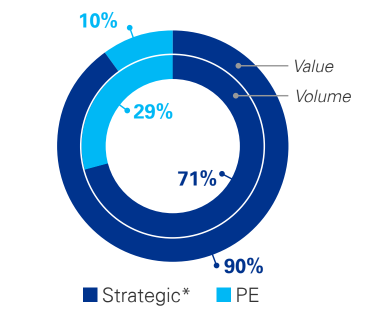


Financial services - Q2’26

Sector mix

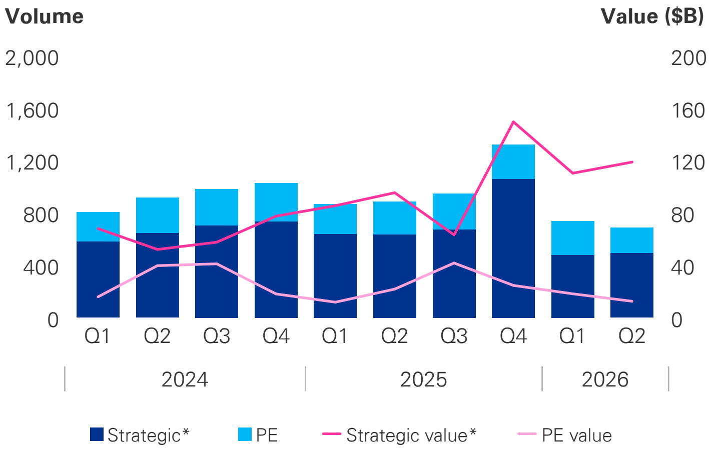


PE/strategic mix



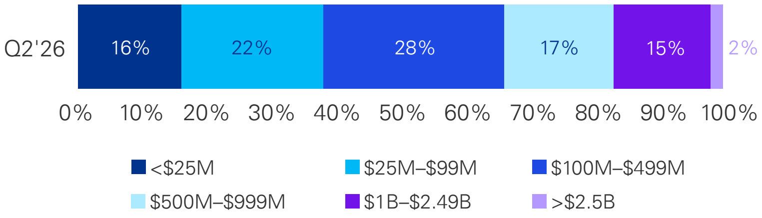
Values may not add to 100% due to rounding.
*Data also contains figures for SPAC deals.

Financial services strategic/PE deal volume and value



*Data also contains figures from SPAC deals

Financial services total deal size mix - Q2’26



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

Sector data

Banking: More volume, but smaller deals

Banking was the most visibly mixed subsector. Bank M&A was poised to maintain its strong pace in 2026, but geopolitical tensions and economic concerns reduced deals during the first six months of the year. Deal volume increased QoQ but remained down YoY, while deal value declined sharply on both measures. That tells us the banking market is not inactive; it is smaller, more tactical, and less dominated by large balance-sheet combinations than prior periods. The quarter's banking activity continued to reflect regional consolidation,[4] payments, and fintech capability acquisition, but without the same concentration of large-value transactions that shaped prior quarters. At the same time, the number of bank charter applications has increased considerably, including many from nontraditional entities.[5]

Regional and community bank consolidation remained active as institutions sought greater scale, stronger deposit franchises, and improved operating efficiency.[6] At the same time, payments and fintech assets continued to attract buyer interest as banks looked to strengthen digital capabilities and expand fee-based revenue streams. Transactions such as Nuvei's acquisition of Payoneer and Bank First's announced acquisition of PSB Holdings illustrate continued demand for payments infrastructure and strategically aligned regional consolidation opportunities.[7 8]

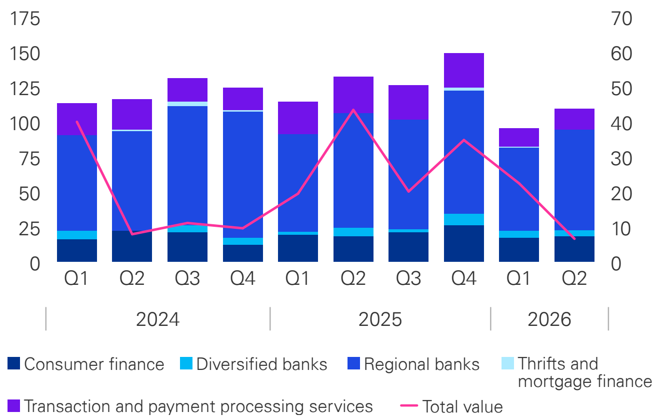
Implication: Buyers continue to prioritize scale, funding stability, and payments capabilities over broad expansion. While deal value declined significantly, the increase in deal volume suggests that consolidation remains active among regional and community banks, particularly where acquisitions can strengthen deposit franchises, improve operating efficiency, and add technology-enabled capabilities.

Decision lens for dealmakers:

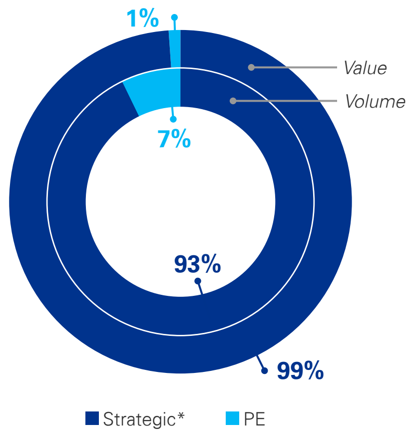
- **Next 90–180 days:** Banks should focus on deposit quality and technology as core factors in decision making.
- **Recurring execution risk:** Be wary of underestimating the dependencies among core conversion, customer retention, and regulatory sequencing.
- **Practical move:** Build a live integration and regulatory readiness playbook before exclusivity, not after announcement.

[4] International Banker, "US Regional and Mid-Sized Banks Are Dramatically Reinventing Their Business Models", International Banker, April 27, 2026
[5] BID Daily Newsletter, "Nonbank Charter Applications Are Surging—What You Need to Know," PCBB, March 24, 2026.
[6] Tyler Scott, "Banking M&A Trends Q2 2026," Rich Group, April 1, 2026
[7] Nuvei Corporation, "Nuvei to Acquire Payoneer for $2.75 Billion, Creating a Leading Global Platform for Local and Cross-Border Commerce" Nuvei Corporation press release, June 15, 2026
[8] Bank First, "Bank First Corporation Signs Agreement to Acquire PSB Holdings, Inc" PR Newswire, May 19, 2026

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: Platforms carried the quarter

Capital markets was the clear value engine in Q2'26. Deal volume declined QoQ and YoY, but deal value increased on both measures, including a significant YoY increase. This is the quarter's clearest example of value concentration. The sector did not broaden; it scaled at the top.

Residential real estate investment trust and housing-related consolidation were central to the value story. The announced merger between AvalonBay Communities and Equity Residential created a $69.0 billion enterprise value platform and reflected the strategic relevance of scale, operating leverage, and portfolio concentration in multifamily housing.[9] Berkshire Hathaway's agreement to acquire Taylor Morrison for $6.8 billion similarly reflected institutional capital's interest in residential housing exposure amid persistent housing scarcity and weaker new construction activity.[10] These deals should not be read as a broad capital markets rebound. They are better read as large, structurally motivated moves in segments where asset scarcity, operating scale, and long-term demand can be underwritten.

Wealth and asset management continued to move along a different but related track: distribution, alternatives, specialized advisory capability, and high-net-worth or ultra-high-net-worth exposure.[11] The market remains active where buyers can acquire sticky client relationships, differentiated investment capability, or advisor platforms that improve operating leverage.[12] Corient's acquisition activity, including Vivaldi Capital Management and other platform expansions, illustrates continued appetite for specialist capabilities and international or regional reach.[13]

Implication: Capital continues to concentrate on scaled platforms, differentiated distribution models, and specialized capabilities. Large transactions in housing-related platforms and continued activity across wealth management reflect a market where buyers are seeking operating leverage, stronger client relationships, and access to alternative investment capabilities rather than pursuing growth solely through increased assets under management.

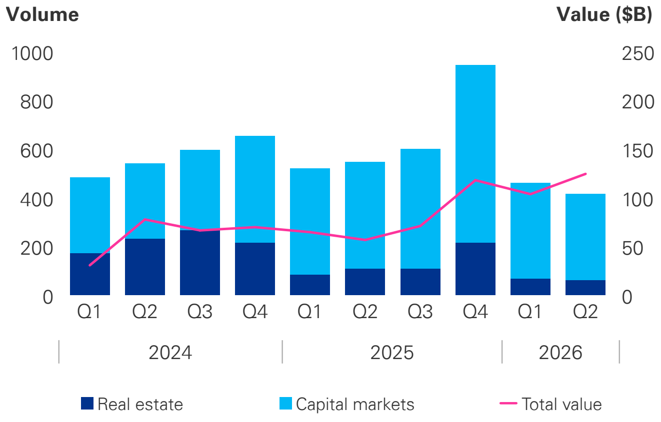
Decision lens for dealmakers:

Next 90–180 days: Capital market buyers should expect more platform-led transactions but less tolerance for vague scale claims.

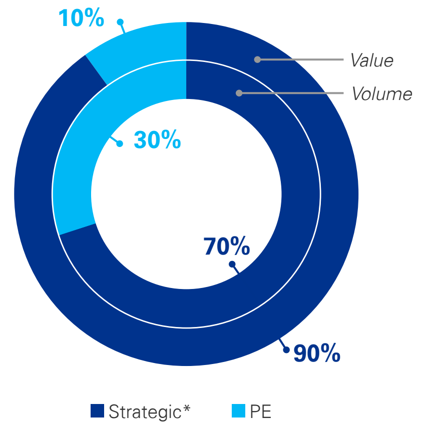
Recurring execution risk: There could be advisor or client attrition caused by weak governance design, compensation misalignment, or cultural overreach.

Practical move: Pressure-test retention and integration economics before signing, especially in wealth, alternatives, and advisory platforms.

Capital markets deals by subsector



Capital markets strategic/PE mix- Q2'26



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

[9] AvalongBay, "AvalonBay, Equity Residential Merger Would Create a Multifamily REIT Giant" HousingWire, May 21, 2026
[10] Jonathan Stempel and Rishabh Jaiswal, "Berkshire Hathaway to buy Taylor Morrison for $6.8 billion in cash to expand in housing" Reuters, June 1, 2026
[11] Cerulli, "Asset Managers Face Distribution Challenges as Alternatives Demand Accelerates" Cerulli Associates, May 14, 2026
[12] Cerulli, "High-Touch Service Drives Wealth Management Client Referrals" Cerulli Associates, May 6, 2026
[13] Corient, "Corient Announces Acquisition of Vivaldi Capital Management" Corient press release April 9, 2026

Insurance: Fewer deals, bigger intentions

Both insurance volume and value declined QoQ and YoY. Insurance M&A remained concentrated in brokerage, managing general agent platforms, distribution-led consolidation, and specialty underwriting capability.

The gap between lower disclosed value and continued deal flow matters. Sponsor-backed broker platforms continued to pursue scale and succession opportunities, while buyers increasingly favored managing general agent and distribution-led assets with specialized underwriting expertise in niches such as environmental risk, construction, trucking, and workers' compensation.[14] The quarter's transactions, including Arthur J. Gallagher's acquisition of Twin Elms, and ANV's acquisition of Specialty Comp Insurance Solutions, demonstrate that quality in insurance is being defined by specialized risk access, producer durability, delegated authority, and data reliability.[15 16]

Implication: Buyers remain willing to pursue acquisitions that provide distribution control, specialty expertise, or access to niche underwriting capabilities, even as overall disclosed deal value remains subdued. Activity continues to favor brokerage, MGA, and specialty-focused assets where earnings quality, producer retention, and underwriting expertise can support long-term growth and integration value.

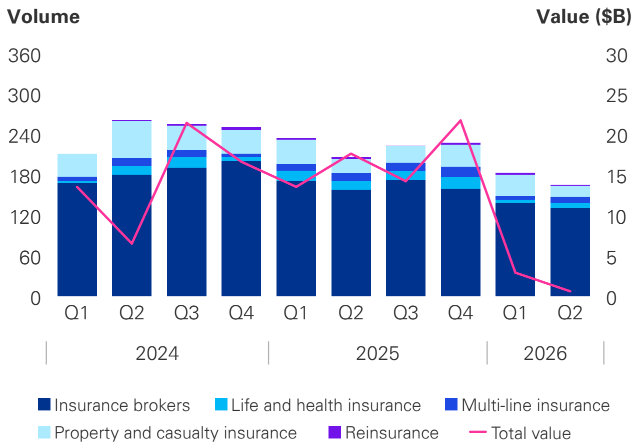
Decision lens for dealmakers:

Next 90–180 days: Insurance buyers are likely to concentrate on specialty brokers and MGA platforms, as acquirers continue to prioritize underwriting expertise, distribution control, and niche capabilities.

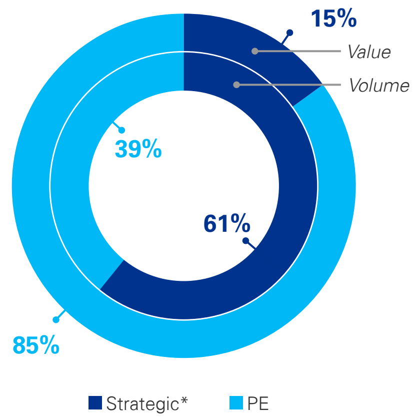
Recurring execution risk: Avoid paying for growth without diligence on producer economics, carrier concentration, delegated authority, claims data, and systems interoperability.

Practical move: Make underwriting data quality and producer retention a gating item, not a confirmatory diligence workstream.

Insurance deals by subsector



Insurance strategic/PE mix - Q2'26



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

[14] Chad Hemenway, "Trend of Fewer Insurance M&A Deals 'Bottoming Out': OPTIS," Insurance Journal, April 27, 2026
[15] Arthur J. Gallagher & Co, "Arthur J. Gallagher & Co. Acquires Twin Elms LLC," PR Newswire, May 26, 2026
[16] ANV "ANV Acquires Specialty Comp Insurance Solutions from Hub International" Business wire., June 1, 2026

Top deals

	Value (billions)
Acquirer: **Equity Residential** Target: **AvalonBay Communities, Inc**	$69.0
Acquirer: **Berkshire Hathaway Inc** Target: **Taylor Morrison Home Corporation**	$6.8
Acquirer: **Nuvei Corporation** Target: **Payoneer Global Inc**	$2.8
Acquirer: **Blue Owl Capital** Target: **Sila Realty Trust**	$2.4
Acquirer: **TPG Real Estate** Target: **ECHO Realty, L.P.**	$2.0

Q2'26 data has been updated as of 30 June 2026; 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.

The bar stays high

Looking ahead to Q3'26, the underlying drivers of financial services M&A remain intact. Strategic buyers continue to pursue scale, specialized capabilities, and distribution advantages.

Consolidation is expected to remain a primary driver of deal activity.[6] Institutions continue to use M&A to strengthen competitive positioning, expand specialized capabilities, improve operating leverage, and access new client segments. Capability-led acquisitions are expected to remain particularly active[17] across payments, wealth management, alternative investment platforms, specialty insurance, and distribution-oriented business models.

Competition for high-quality assets is also likely to remain elevated. While strategic buyers continue to account for most larger transactions, sponsors continue to fuel demand for scalable platforms.

Banking: Scale with proof

Banking activity is expected to remain focused on consolidation opportunities that strengthen deposit franchises, improve operating efficiency, and add technology-enabled capabilities. Payments-related assets and specialized financial technology capabilities are also likely to remain areas of interest as institutions continue to invest in revenue diversification and digital enablement.[6 18]

Capital markets: Platforms, not participation

Capital markets activity is expected to remain focused on platform expansion, with buyers continuing to pursue scale, distribution reach, and specialized capabilities. Recent activity suggests continued interest in REIT consolidation, wealth management platforms, and alternative investment capabilities, alongside a steady pipeline of tuck-in transactions and serial acquisitions designed to strengthen market position and broaden client offerings.[19 20]

Insurance: Specialty with discipline

Brokerage and MGA assets will remain attractive where they bring durable producer relationships, specialized underwriting, risk selection, and carrier confidence.[4] Sponsor-backed platforms will remain active, but the lower disclosed value in Q2'26 is a useful reminder that not every roll-up deserves a premium. Buyers should be prepared to walk away from assets where growth is dependent on personality-driven relationships, weak data, or insufficient control over underwriting authority.

M&A sentiment is therefore constructive but conditional. The external market is active; the financial services market is discriminating. The difference will matter. In Q3'26, winners are likely to be firms that can define exactly why a target matters, how value will be captured, which risks can destroy the thesis, and who owns execution from signing through integration. That is a narrower market. It is also a healthier one.

[4] International Banker, "US Regional and Mid-Sized Banks Are Dramatically Reinventing Their Business Models", International Banker, April 27, 2026
[6] Tyler Scott, "Banking M&A Trends Q2 2026," Rich Group, April 1, 2026
[17] Venero Capital Advisors, "Fintech M&A in 2026: What Buyers Are Paying For," Venero Capital Advisors, May 25, 2026
[18] Nick Candy and Vincent Harrison, "Sector spotlight: Fintech", J.P. Morgan, April 8, 2026
[19] Chilton Capital Management, "The Cost of Staying Public in a Discounted REIT Market", Chilton Capital Management, April 2026
[20] Emery Blackwelder, "RIA M&A Market Report: May 2026", June 24, 2026

Key considerations as we look ahead

01

Decide the role you will play

Banks and financial services firms should decide whether they are consolidators, capability buyers, partners, or sellers. Waiting for broader market confirmation can be expensive; the best assets are being contested before the data show a full recovery.

02

Underwrite integration before valuation

Technology conversion, data quality, regulatory sequencing, and control ownership should be built into the investment case before price is finalized. A deal that only works after perfect integration does not work.

03

Treat private equity selectivity as a signal

Sponsor pullback in value is not simply a financing story; it reflects tougher exit math, valuation discipline, and a higher bar for platform conviction. Strategic buyers should not assume less sponsor competition means lower-quality diligence.

04

Separate scale from concentration

Higher disclosed value can reflect a few large transactions rather than broader market strength. Dealmakers should analyze where value is being created by subsector and transaction type before using aggregate growth as a market signal.

05

Make artificial intelligence diligence practical

Artificial intelligence can improve diligence coverage and integration planning, but only if the underlying data, governance, cybersecurity, and model-risk controls are credible. Use it to sharpen underwriting, not to decorate the investment thesis.

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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