

Bank M&A deals slowed in 2022 and they're likely to stay that way in 2023

Article

The news: Bank M&A deals have dropped off significantly in 2022. **Just 130 were reported as of October 12, per S&P Global Market Intelligence. This contrasts with 206 deals in 2021** and an average of 258 deals in each of the five years preceding the onset of the pandemic.

Here we explore **the sentiments of potential acquirers and acquisition targets** who responded to the [2023 Bank M&A Survey](#), conducted by financial institution research firm

BankDirector and public accounting firm Crowe. The survey polled 250 independent directors, CEOs, chief financial officers, and other senior executives at US banks that hold less than \$100 billion in assets.

Key stat: Potential buyers are feeling the challenges around deal-making, with **39% saying they believe their bank will acquire another financial institution in 2023**. That's down from the 48% who believed they'd make an acquisition in 2022.

Other major findings: The study asked respondents about their motives for buying and selling, and what raised concerns over potential mergers or acquisitions.

Key factors for buying

- **Rising interest rates** contributed to the increased number of banks that cited a large deposit base as a main factor for making an acquisition in 2023. Fifty-eight percent of respondents named deposits as a primary reason for buying another bank, up from 36% last year.
- Additional factors for seeking a deal in 2023 include **a complementary culture (57%)** and **adding more locations in a growing market (51%)**. However, **only one-third of respondents believe there's a sufficient number of potential targets** to satisfy their growth strategies.

Reasons to sell

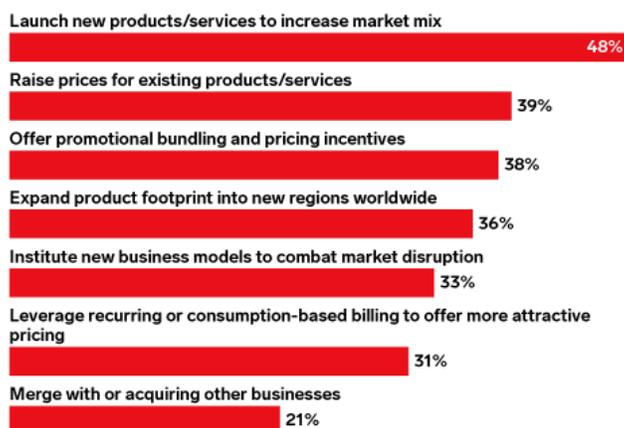
- Of those firms willing to sell within the next five years, almost half (42%) cited their **inability to provide competitive shareholder value** as a main factor. Another 38% said **CEO and senior leadership succession** is a primary reason for selling.

M&A concerns

- Most potential acquirers are concerned about **attracting and retaining talent after a merger**. Eighty-one percent said they are worried about merging competing cultures, and 68% are worried they will lose key staff.
- 59% of banks surveyed believe the US economy will slip into a recession in 2023.
- When it comes to fintech acquisitions, banks are still hesitant to pull the trigger. Fifteen percent said they've invested in a venture capital fund in 2021-2022 that backed fintechs, and **only 1% actually acquired a tech firm** in the same time. Sixteen percent of respondents said they could possibly acquire a fintech firm in 2023.

Strategies Their Company Will Undertake to Drive Revenue Growth in 2022 According to US Finance Decision-Makers

% of respondents



Note: top 3 responses

Source: BillingPlatform, "2022 Survey Trends In Finance," Feb 10, 2022

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The big takeaway: The survey findings largely align with the trends we covered in 2022. The economic downturn is causing banks to approach 2023 with cautious optimism, while many deals are in limbo due to the Fed delaying approvals as it revamps its review process. Additionally, growing regulatory scrutiny around bank-fintech partnerships is overshadowing the benefits that those partnerships can provide.

*This article originally appeared in Insider Intelligence's **Banking Innovation Briefing**—a daily recap of top stories reshaping the banking industry. Subscribe to have more hard-hitting takeaways delivered to your inbox daily.*

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