



# Community Banking Bulletin: Highlight

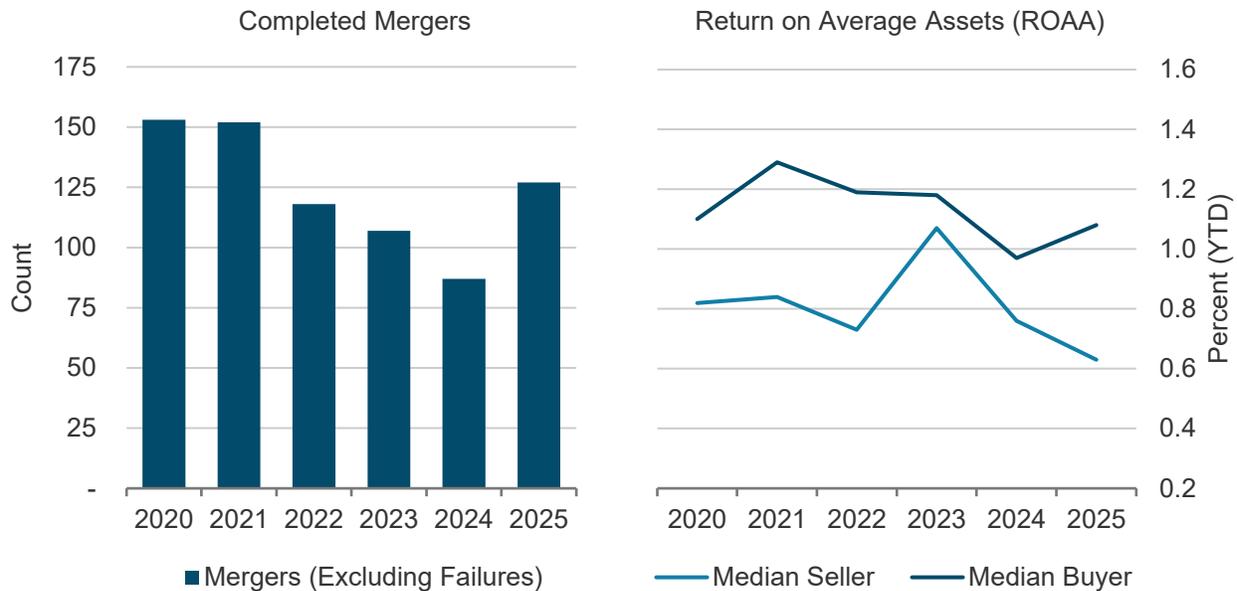
*Providing insights on community banking*

## Community bank mergers increased in 2025

By Chris Summers

*Community bank mergers accelerated in 2025, with sellers exhibiting lower profitability than acquirers.*

### Merger Counts and Earnings Performance for CBO Acquisitions



Sources: National Information Center and Reports of Condition and Income  
 Note: Return on average assets is adjusted for Subchapter S (Sub-S) status

- Consolidation in the banking industry has been occurring for some time, primarily driven by strategic mergers. The chart on the left shows completed mergers from 2020 through 2025 where the seller is a community banking organization (CBO).<sup>1</sup> Bank merger activity slowed from 2022–2024 amid higher interest rates and a decline in the fair value of fixed-rate assets, such as bonds. Acquisitions involving CBO sellers accelerated to 127 completed mergers in 2025, a total that hasn’t been reached since 2021, when 152 completed mergers occurred.
- As illustrated in the chart on the right, selling institutions generally earn less than buying institutions. This chart shows the median Sub-S adjusted ROAA for both buyers and sellers.<sup>2</sup> For sellers, the median ROAA declined to 0.6 percent in 2025, down from a median of 0.8 percent in 2024. Whereas for buyers, the median ROAA increased to 1.1 percent in 2025, up from 1.0 percent in 2024.
- Subdued loan and core deposit growth have been catalysts in margin compression, which have contributed to the earnings decline at selling CBOs. The median annual loan and core deposit growth for sellers was 0.5 percent and 0.4 percent, respectively, in 2025. For buyers, the median annual growth for loans and core deposits was 4.7 percent and 3.8 percent, respectively, in 2025.

*Questions or comments? Please contact [KC.SRM.SRA.CommunityBankingBulletin@kc.frb.org](mailto:KC.SRM.SRA.CommunityBankingBulletin@kc.frb.org)*

<sup>1</sup> Community banking organizations are defined as commercial banks having less than \$10 billion in assets.  
<sup>2</sup> ROAA, loan growth, and core deposit growth calculations exclude credit union buyers. Data was sourced from Call Reports submitted in the quarter prior to each merger’s completion.