

Core banking technology modernisation

What's next?

October 2025

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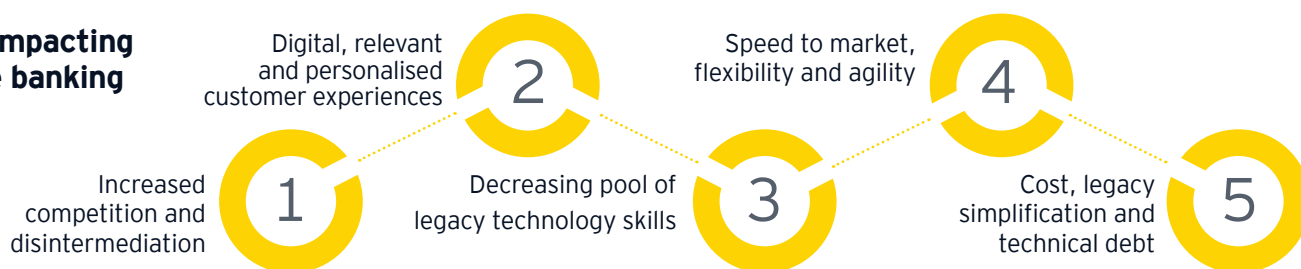
Core banking technology modernisation

Financial institutions are faced with an urgent need to transform their business, through streamlining customer engagement, enhancing product and service flexibility, while simultaneously removing legacy technology and dramatically reducing their cost to serve.

The new normal

Financial institutions are now exploring innovative strategies to grow revenue and reduce costs through the modernisation of their core banking technology.

Trends impacting the core banking agenda



Our latest research

Between June and November 2024, **EY interviewed** several banking and financial services firms to assess the **current status** of core banking technology modernisation initiatives, including **guiding principles, motivations for transformation, key challenges, benefits** and **implementation considerations**.



We obtained insights from:

12 senior technology leaders across a demography of large financial institutions, challenger banks, specialist banks and building societies.

Our findings show clients are actively modernising their legacy estate and beginning to reap benefits despite implementation challenges.

92%

Have commenced their journey to modernising their core banking platforms.

83%

Are realising benefits while still in the implementation phase of their modernisation programme.

50%

Opted for a “hollow the core” strategy to modernising their core banking platforms.

50%

Will aim to complete their modernisation programmes within a timeframe of three to five years.

40%

Will choose Gen 2 cores* to modernise their legacy estate, prioritising digital channels and product enhancements.

*Gen 2 cores are evolved from traditional core banking platforms designed on modular and service-oriented architecture. For example, Temenos, Finacle, FIS, Flexcube.



Contact us:



Dave Woolnough

UK Financial Services Core

Modernisation Leader,

Ernst & Young LLP

dave.woolnough@uk.ey.com

Key considerations for firms

- If you have not started to implement a clear modernisation strategy, you are likely to be **more than three years behind your peers**.
- There is **increased competition from smaller financial institutions**, with the majority of the specialist and challenger banks interviewed already actively implementing their core modernisation strategies.
- **Competitors are getting it right and learning from the past**; utilising better selection processes, partnering and implementation methods.
- **Winning in the market today is contingent on customer experience**, personalisation, service quality and agility, rather than just having a modern core banking platform.
- **Partnering with the “right” vendor** that delivers primary business capabilities whilst ensuring future relevance will be key. Evaluating the future risk profile of core banking software partners is also crucial.
- An emerging trend is to **treat complex products and services as “sidecar” capabilities**, while running down or decommissioning legacy capabilities over time.
- There is a decrease in the availability of **legacy technology skills**. Talent acquisition, cultural and operational barriers are some of the key challenges firms are facing.
- Legacy platforms are here to stay. Almost all clients interviewed still have **significant legacy estates** with unclear exit strategies to fully remove the legacy estate.
- There is a strong need for increased **focus and investment** on core modernisation. Without prioritisation, agility and delivery will slow, resulting in continued high cost to income ratios and a continued reduction in implementation return on investment (ROI).

How EY teams can help

We offer core modernisation solutions that cover the entire transformation lifecycle, guiding you from the development of your modernisation strategy to seamless execution.

Our differentiated front-to-back design approach, combined with ecosystem enablers, strategic alliances, and a deep understanding of enterprise resilience risks, helps ensure we can support you with a robust and effective transformation journey focused on achieving your desired strategic outcomes.

Modernisation strategy

- Business case development
- Experience and product design capabilities mapping
- Modernisation approach evaluation (e.g., hollow out vs. sidecar)
- Roadmap and sequencing
- Component strategy - buy vs. build
- Vendor selection and evaluation

Modernisation diagnostic

- Modernisation remediation
- Programme maturity review
- Business impact analysis
- System risks and regulatory review
- Core system end of life review
- Architecture and design review
- Process and journeys review

Modernisation engineering

- Requirements elicitation
- Solution design and architecture
- Front end channels development
- Product build and configuration
- Data configuration and migration
- System integration
- Quality assurance (testing) planning and execution

Modernisation delivery

- Programme setup
- Delivery model and governance
- Change management, readiness and training
- Compliance, controls and automation
- Delivery assurance

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