3 key steps for bank merger tech integration success

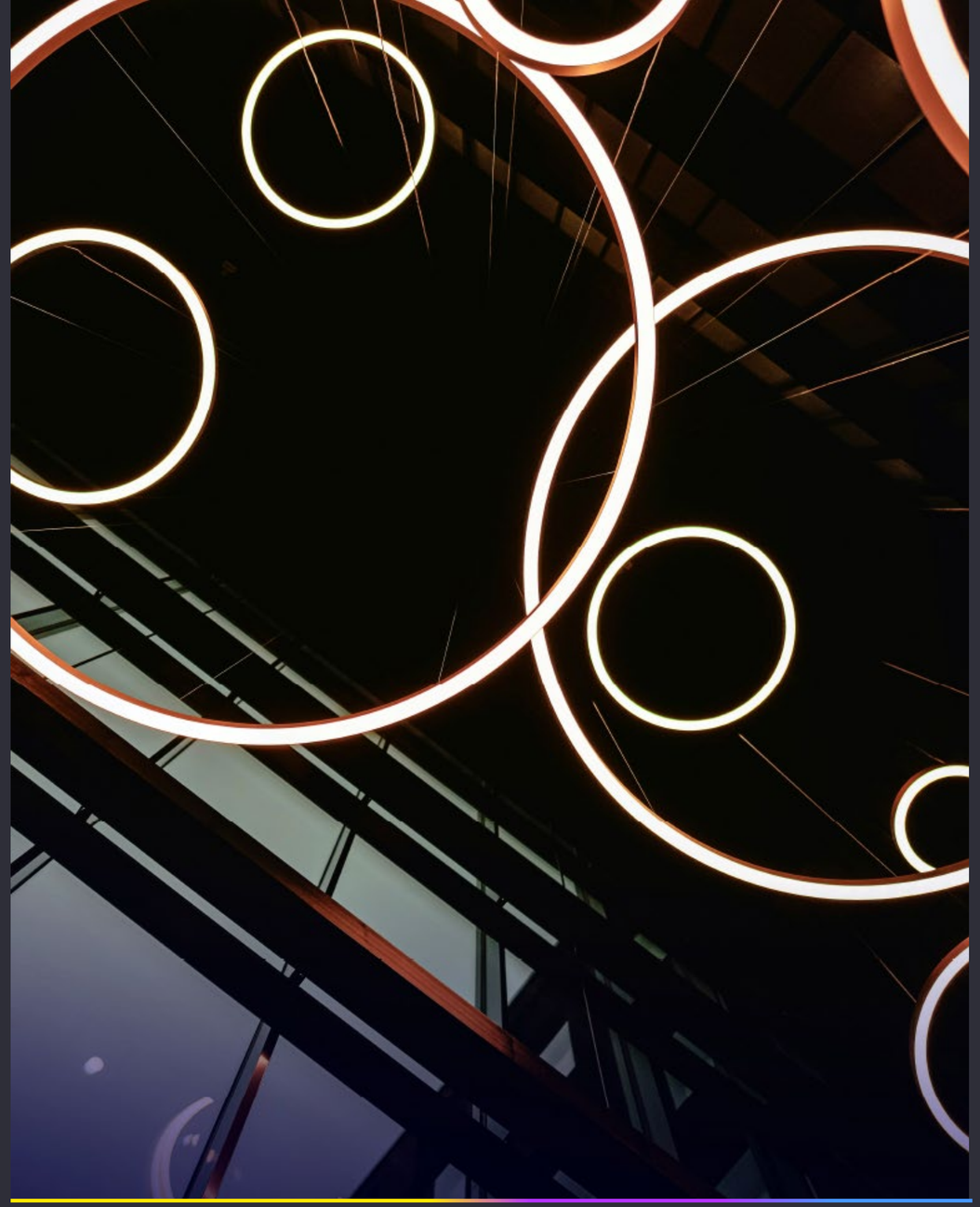
How a technology integration strategy can drive deal value

July 2025

The better the question. The better the answer.
The better the world works.

EY

Shape the future with confidence



Banks pursuing mergers today face heightened technological complexities. That's why having a well-designed technology integration strategy is essential.

More favorable regulatory shifts and declining interest rate path are expected to spur an increase in bank mergers in 2025 and beyond.

A thoughtful technology integration strategy can create value and reduce the risk of disruptions.

Tech synergies can drive growth by providing new revenue opportunities and cutting costs.

In recent years, the banking industry has witnessed a notable surge in M&A activity, encompassing an array of deal types that include FinTech acquisitions, distressed asset sales and regional banking mergers. Bank mergers are expected to further accelerate in 2025, fueled by anticipated pro-M&A policies, the potential easing of capital requirements and future rate cuts.

Much has changed from a technology perspective since the previous M&A wave, creating new challenges that are significantly impacting banking mergers:

Providing a seamless transition experience and retaining customers has become more complex in a digital and omni-channel environment.

With the heightened focus on regulatory demands and enterprise risk, these aspects can be tightly woven into the integration process.

Access to high-quality data availability has become essential.

Collaborating with and managing relationships among third-party providers is crucial for effective integration planning.

Interconnections between different business areas have exponentially increased and require close coordination, early planning and collaboration.

For banking CIOs and other top executives considering M&A, developing a thoughtful plan for combining technology systems before signing is now a pivotal differentiator. As the technology landscape has grown increasingly complex, this plan must address critical new factors—such as process automation, digital enablement and AI adoption – that banks did not historically need to prioritize. Technology synergies typically make up 40%–60% of the overall cost synergy target.[1] Our methodology and frameworks, informed by our experience with successful integrations, allow technology teams to achieve their targets and unlock revenue synergies.

By engaging early in the M&A process, technology leaders can include tech considerations in the evaluation process and align tech execution with the overall investment thesis, deal timing and synergy objectives. Without a well-planned approach, bank mergers can result in significant value erosion, customer dissatisfaction and loss in shareholder confidence. Although regulatory policies may be evolving, we expect regulatory bodies to place a greater emphasis on system compatibility and technology integration planning as key factors for banking mergers.

Having a strategic technology integration approach that includes the following three steps can help preserve deal value, limit customer disruption and accelerate growth.

> Technology synergies typically make up 40%–60% of the overall cost synergy target.[1]

[1] Based on prior EY engagements and experiences

Three key steps can help preserve deal value, limit customer disruption and accelerate integration

1 Establish an integrated business strategy

Technology integration strategy is significantly influenced by how the two businesses plan to work together. A business-architecture-driven approach can provide a holistic view of the target-state business strategy and help avoid a siloed approach to technology. This allows integration leaders to assess the business landscape — including product migration strategy, customer segmentation strategy and customer servicing strategy — and to formulate an initial hypothesis on the target-state business architecture as well as the supporting technology environment for the merging banks:

Product migration strategy: define a robust product migration strategy based on two key components:

1. Mapping the financial products of the merging banks to understand similarities and gaps
2. Mapping the underlying data fields for each product to determine migration challenges

Customer segmentation strategy: examine the different types of customers at both banks to determine the target-state customer segmentation strategy. This could potentially inform the data migration strategy and approach.

Customer servicing strategy: define a target-state servicing model by customer segment to create a unified channel strategy and operating model. This servicing model could be low-touch or digital, high-touch or hybrid based on customer segmentation and target-state business strategy. Outline the key services that will be offered across physical and digital channels, including financial advisors, branches and online banking in the target state.

For a successful business architecture-driven integration, it is critical to set up a core group of leaders from product, customer service data and technology to assess business, customer and technology impacts.

2a Identify an effective technology integration strategy

Technology integration strategy varies widely based on the underlying deal thesis:

1. A large entity acquiring a smaller entity
2. A merger of equals
3. Capital infusion

Understanding the deal thesis is critical in defining the ideal integration strategy that will reduce customer impact and enhance transaction value.

Technology leaders, in partnership with business leaders, can determine which of the following three technology integration strategies best align with their objectives and future state vision:

Forward integration:
This strategy presents the opportunity to quickly migrate the target's customers, products and employees into the buyer's technology ecosystem.

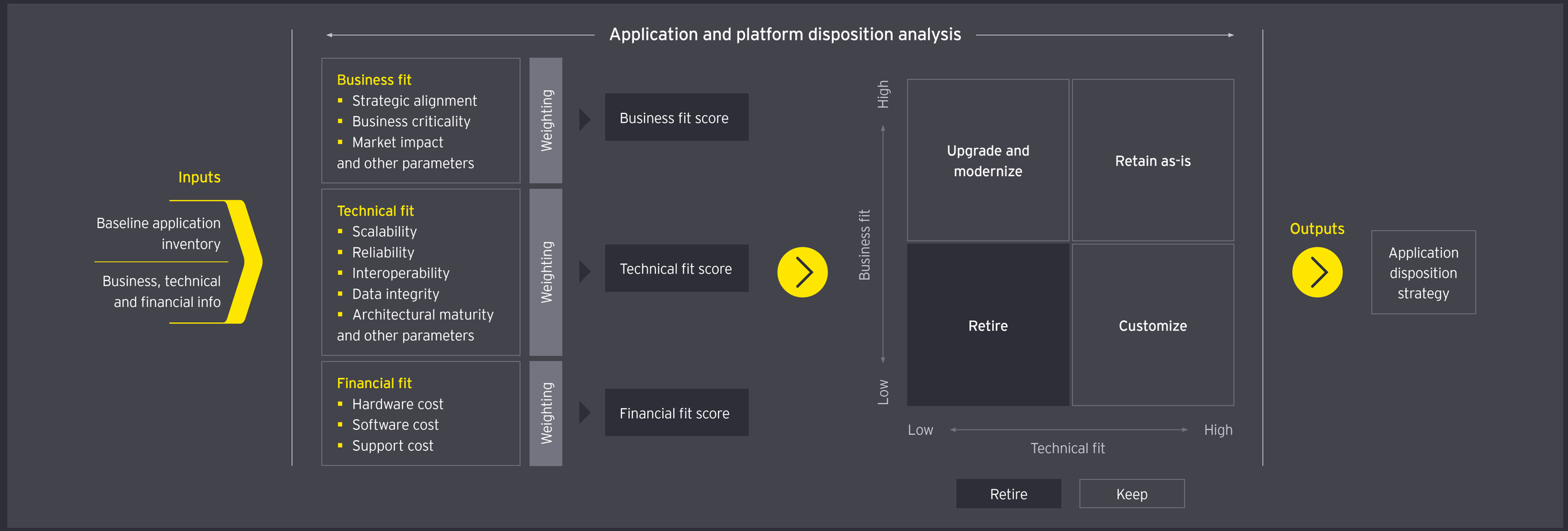
Best of breed:
This option takes the best individual technologies from both the buyer's and the target's technology stacks rather than relying on a single integrated system.

Reverse integration:
This option allows for the buyer to leverage and integrate to the target's technology as an upgrade strategy.

A bank merger typically requires comparison of full technology stack on both sides. Adopting a proven application and platform disposition framework can be an accelerator to determine the optimal technology stack for the combined entity.

Application and platform disposition framework

This framework is especially useful for banks using a best-of-breed integration strategy, as it helps them decide which software applications and platforms to keep after the merger. By carefully evaluating how well each application fits the business needs, technical requirements and financial goals, leaders can create an effective plan that supports their technology vision and boosts growth for the merged organization. It's also important to make decisions based on the application ecosystem rather than individual applications. This avoids creating a mismatched setup and reduces the need for redesigning how the systems connect.



2b Choose a data migration strategy

To define the optimal data migration strategy, integration leaders can consider speed, customer impact and execution risk.

Big bang approach is typically faster and reduces operational disruptions and one-time costs. However, this approach can introduce significant change management and execution risk.

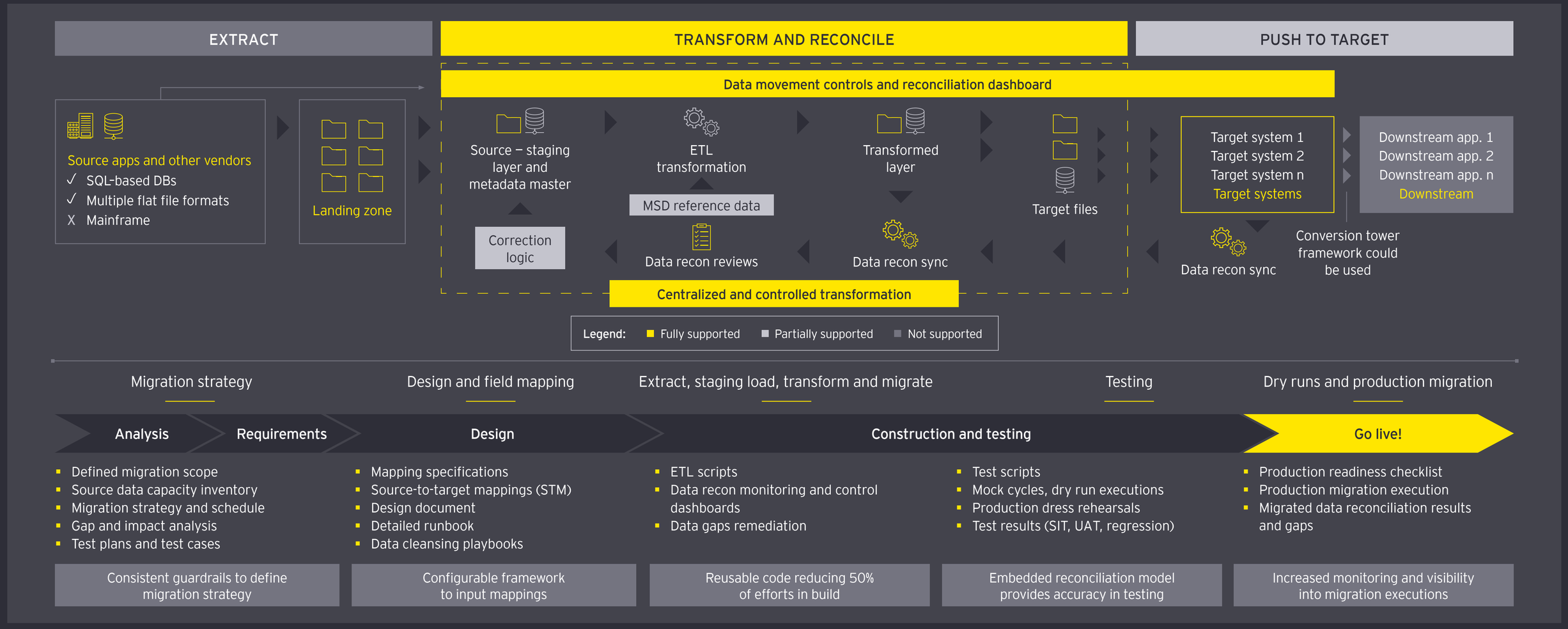
Phased delivery (by financial product, by region, by customer segment) approach decreases execution risk and effectively manages customer change but could result in incremental costs when compared to big bang.

In recent years, bank mergers have favored a phased migration approach. A key consideration is whether to migrate by bucketing by customer segments, financial products or regions. This decision is influenced by the size of products and cross-product usage by customer segments, among other factors.

Once the technology integration and data migration strategies have been identified, technology leaders can adopt several frameworks and tools to accelerate the development of integration roadmap and expedite the execution.

One example is the data factory framework. Implementing a data factory framework is crucial for seamless forward and reverse integration strategies, supporting a smooth data transfer during migrations. Leading practices for a successful migration include aligning stakeholders early, involving vendors in conversion plans, setting customer-focused goals, conducting a pilot migration with a small group and practicing event management during tests.

Data factory and conversion tower framework and architecture



3 Create value through technology synergies, capability enhancements and continued transformation

The two primary ways to achieve technology value creation are through technology synergies and capability enhancements.

In our experience, technology synergies can range between 15%–30% of the combined IT spend depending on the integration strategy adopted. Synergies can be realized both on run-rate technology costs and one-time project savings. It's important to regularly monitor these synergy goals during the integration process so that the merged companies fully benefit from the deal and improve returns for shareholders.

Capability enhancements, on the other hand, can stem from selecting the right capabilities aligned to the company's business strategy, resulting in improvements in customer experience, streamlined operations, increased productivity, enriched employee experience and proactive risk avoidance. Banks can further accelerate these enhancements by leveraging AI to unlock new revenue opportunities – such as more effective cross-selling and improved Next Best Offer capabilities – by integrating customer and transaction data from both banks.

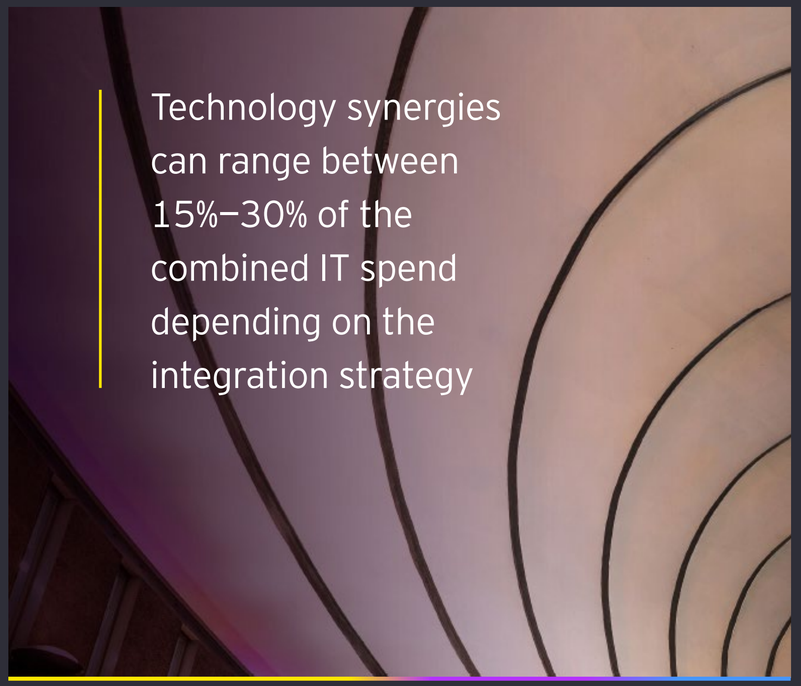
Integration leaders can consider both short-term and long-term capability and operating models to evaluate the overall synergies, the costs involved and the timeline to achieve them. This includes looking at ongoing savings from combined operations, additional costs needed to support the larger organization, one-time savings from the merger and one-time costs for integration efforts.

Technology-driven value creation and cost synergies are typically achieved through the following key areas:

1. Technology organization optimization
2. Platform and application rationalization
3. Infrastructure integration
4. Tech vendor and license consolidation and negotiation across both merging banks

While these synergies are expected to deliver medium- to long-term benefits, integration leaders also have an opportunity to unlock near-term, one-time value by evaluating and streamlining in-flight initiatives across both banks.

Integration aims not only to achieve immediate deal objectives but also to lay the groundwork for a robust technology ecosystem that is both scalable and supportive of future business growth. By focusing on building this foundational infrastructure, integration leaders can position the organization to meet long-term transformational goals.



Create value through technology synergies and continue transformation[2]

30%–40%
Technology organization optimization

20%–30%
Application rationalization

15%–25%
Infrastructure integration

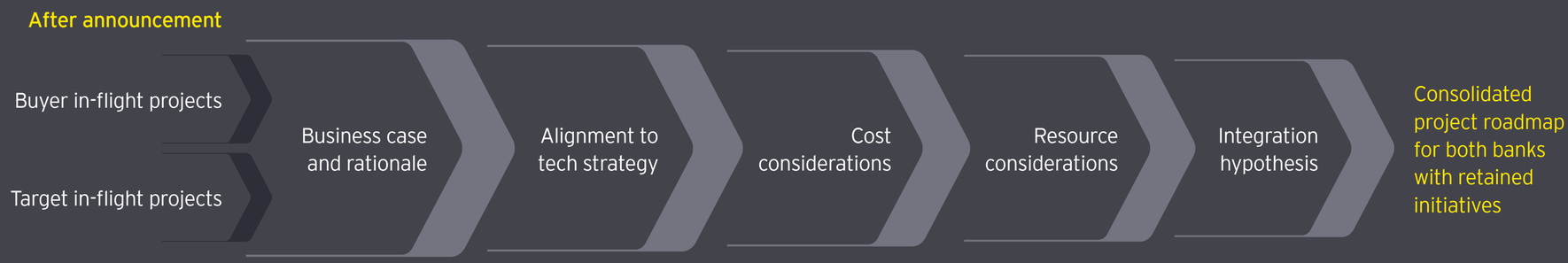
10%–20%
Vendor services consolidation

Synergy estimates indicate percentage saving from combined costs for both banks under the respective category

[2] Based on prior EY engagements and experiences

One-time technology cost savings – inflight initiatives disposition framework

Evaluating current and upcoming technology projects is important for integration plans. By doing a stop, continue, start analysis, organizations can identify ways to save money by stopping some projects and using the technology resources of the acquired company.



Assessing for major deal milestones such as day 1 and close, day 2 and legal entity consolidation can help identify potential operational disruptors. A checklist can be created that outlines essential technology needs for employee, customer, legal, regulatory and compliance risk requirements.

After signing the deal, technology leaders can build trust with the target's technology teams and identify core team members with a deep knowledge of the technology landscape. A task force with members from both organizations can develop a robust 30-60-90-day roadmap addressing the current state of the target's platforms, vendor relationships, infrastructure assets, the business continuity strategy, data retention compliance and technology contracts.

In summary

Through meticulous planning and execution, buyers can adopt a technology integration strategy that increases the potential for a seamless transition and enhances value. Given the complexities and nuances involved in banking integrations, engaging early in the M&A process is critical.

Contact us to learn more about how to plan for a successful tech integration.

Atul Sharma
Principal, Deal Technology,
Ernst & Young LLP

atul.sharma@parthenon.ey.com

Manpreet Ramana
Principal, Technology
Strategy and Transformation,
Ernst & Young LLP

manpreet.ramana@ey.com

Aabid Abbasi
Principal, AI and Data,
Ernst & Young LLP

aabid.abbasi@ey.com

EY | Building a better working world

EY is building a better working world by creating new value for clients, people, society and the planet, while building trust in capital markets.

Enabled by data, AI and advanced technology, EY teams help clients shape the future with confidence and develop answers for the most pressing issues of today and tomorrow.

EY teams work across a full spectrum of services in assurance, consulting, tax, strategy and transactions. Fueled by sector insights, a globally connected, multi-disciplinary network and diverse ecosystem partners, EY teams can provide services in more than 150 countries and territories.

All in to shape the future with confidence.

About EY-Parthenon

Our unique combination of transformative strategy, transactions and corporate finance delivers real-world value – solutions that work in practice, not just on paper. Benefiting from EY's full spectrum of services, we've reimagined strategic consulting to work in a world of increasing complexity. With deep functional and sector expertise, paired with innovative AI-powered technology and an investor mindset, we partner with CEOs, boards, private equity and governments every step of the way – enabling you to shape your future with confidence. EY-Parthenon is a brand under which a number of EY member firms across the globe provide strategy consulting services. For more information, please visit ey.com/parthenon.

US SCORE no. 27649-251US_2
2411-11045-CS ED None

ey.com