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Synergies in eurozone bank mergers

How more than a decade of mergers reveals what it takes to realize full synergy value

Summary

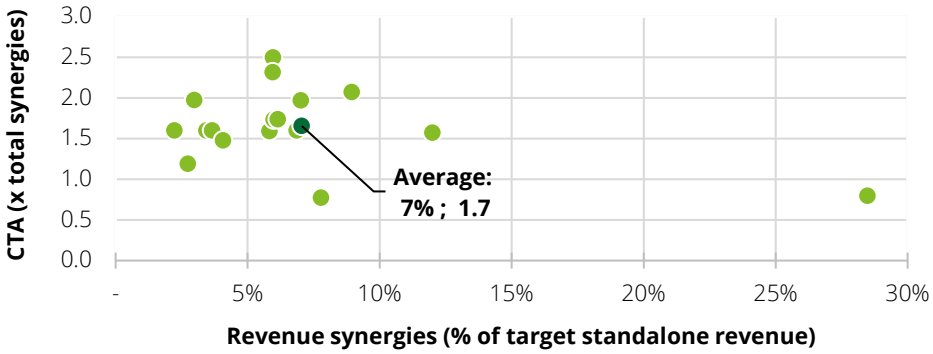
- Bank mergers demand disciplined execution to unlock promised synergy value.
- Effective integrations rely on coordinated efficiencies across IT, personnel, and property portfolios.
- On average, recurring pre-tax revenue synergies amount to roughly 7% of standalone revenue, while recurring pre-tax cost synergies reach approximately 31% of standalone costs.
- The one-off investment required to realize synergies is on average 1.7 times the size of total annual synergies.
- Successful integrations depend on realistic synergy assumptions, disciplined execution across systems and culture, strong risk management, and clear communication to turn complexity into sustainable value.
- An approach considering all stakeholders, from bidder to target, needs to rely on structured support and experience to unlock synergies and achieve seamless, resilient post-merger integration.

Bank mergers are often motivated not only by market expansion and revenue opportunities but also by the pursuit of operational synergies that streamline processes, simplify organizational structures, and eliminate inefficiencies; ultimately generating substantial cost savings. Recent transactions underscore the scale of these expectations.

Deloitte's analysis of mergers among large and medium-sized eurozone banks from 2007 to 2020 shows that recurring pre-tax revenue synergies typically reach about 7% of the target's standalone revenue, while recurring pre-tax cost synergies reach about 31% of the target's standalone cost. These synergies reflect permanent savings that repeat every year after the integration is complete.

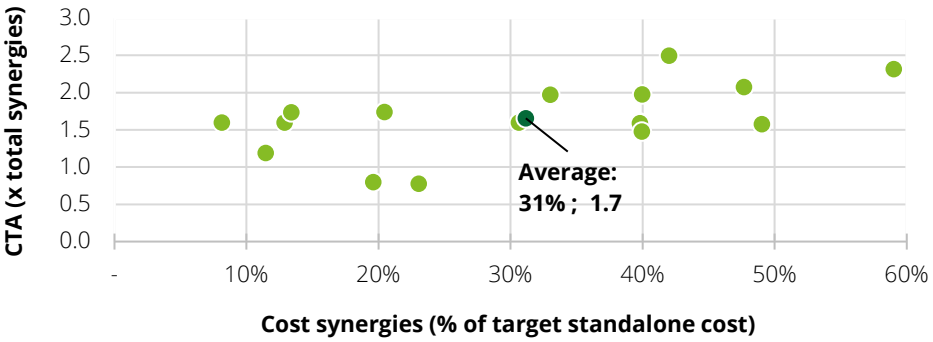
Achieving them, however, requires a significant upfront effort. The one-off investment required to realize synergies, or Cost-to-Achieve (CTA), is on average 1.7 times the size of total annual synergies. Unlike synergies, which improve the cost base year after year, CTA represents a single, non-recurring investment needed to make the integration possible, covering actions such as restructuring, system integration, and operational consolidation. In simple terms, synergies are the ongoing benefits, while CTA is the one-time cost required to unlock them.

Fig. 1 – Revenue synergies in eurozone bank mergers



Source: Deloitte analysis based on publicly available information

Fig. 2 – Cost synergies in eurozone bank mergers



Source: Deloitte analysis based on publicly available information

Realizing such ambitions on time and within budget, however, requires rigorous upfront analysis, detailed planning, and disciplined execution. History shows that even a transaction that is a financial masterpiece can devolve into a challenge.

This article outlines the strategies that enable full synergy realization, drawing on Deloitte's deep experience in bank mergers, spanning large international and mid-sized institutions.

Unlock full synergy potential

To understand how banks unlock the full potential of merger synergies, it is helpful to consider the main levers that consistently drive results. Synergy realization hinges on a few core areas, with IT as the foundation.

IT-related synergies:
These synergies offer significant potential (up to a strong double-digit percentage of the target's standalone IT costs) and generally materialize in the medium to long term. They arise through IT integration and IT optimization. IT integration aims to unify disparate systems and platforms to create a seamless operational environment. By retiring legacy applications, banks can eliminate redundant systems, reduce maintenance costs, and streamline operations. Enhanced data management, often involving the migration of data and applications to a single platform, can further support efficiency and growth, particularly when paired with the development of AI capabilities. Quick wins can also be achieved by revisiting procurement strategies and using increased scale to negotiate better terms with technology providers. While integration focuses on harmonizing systems, IT optimization concentrates on improving existing processes and infrastructure to maximize efficiency. This requires reassessing the project portfolio and prioritizing initiatives that deliver the strongest return on investment within a reasonable timeframe. In both cases, well-planned activities and steered execution to minimize risk are of paramount importance to avoid delays and increasing costs, while achieving the expected full potential from synergies.

Personnel-related synergies:
Those synergies also represent substantial potential (up to a mid-to-strong double-digit percentage of the target's standalone personnel costs) and tend to be realized more quickly. These gains come from rationalizing both front-office and middle-/back-office activities. In the front office, this may involve rethinking the role of the branch network and consolidating service centers. In the middle and back office, integrating corporate functions, such as Finance, HR, and Risk Management, helps eliminate duplicated roles and reduce overhead. However, effective synergy realization requires more than high-level structural decisions; it must be grounded in a careful assessment of the skills required to deliver the future strategy of the combined organization. Talent remains the essential asset of any successful bank.

Administrative cost synergies:
Depending on the business models and legacy structures of the merging institutions, property and facility synergies can offer the highest potential within administrative cost areas. These typically take longer to realize than personnel-related synergies, as timing often depends on contractual commitments. Property and facility synergies may be generated by reducing property costs in line with branch and headquarters consolidation and by merging contracts with associated service providers. Professional services synergies can be captured by combining spending volumes, consolidating contracts and renegotiating terms using greater scale.

Table 1 – Synergy potential by lever

	Lever	Key synergy assumptions	Synergy potential	Potential phasing
IT	**IT integration**	• Unify IT systems • Decommission legacy applications	**High**	Medium-long term
	IT optimization	• Refine IT processes • Revisit IT projects		
Personnel	**Font office**	• Rethink branch network • Consolidate service centers	**High**	Short term
	Middle & back office	• Merge corporate functions • Cut overhead, remove duplicates	**High**	Short term
Admin costs	**Property & facility**	• Consolidate branches and HQ • Streamline facility costs	**High**	Medium term
	Professional services	• Renegotiate service contracts • Combine services spend	**Moderate**	Medium term

Source: Deloitte analysis

Integration challenges and strategic takeaways

Large-scale integrations, particularly in complex, heavily regulated industries, consistently reveal a common set of challenges that test strategic ambition, operational resilience, and organizational cohesion. While integrations are often justified by significant synergy potential, experience shows that value creation depends less on bold strategic narratives and more on disciplined execution, realistic assumptions, and proactive risk management.

Integration strategy:
A recurring challenge lies in integration strategy and synergy assessment. Strategic plans frequently overestimate achievable synergies by underappreciating operational, technical, and cultural complexity. Successful integrations are those where leadership grounds ambition in detailed, bottom-up analysis, testing assumptions against real execution constraints. Realism at the outset reduces the risk of disappointment and preserves credibility throughout the integration journey.

Technology & systems integration:
Technology and systems integration often emerges as one of the most underestimated challenges. Legacy IT landscapes are typically fragmented, deeply embedded in daily operations, and resistant to rapid change. Large-scale platform migrations demand long timelines, extensive testing, and robust contingency planning. Maintaining parallel systems during transitions can dramatically increase both costs and operational risk, underscoring the need for early architectural decisions and disciplined program management.

Cultural alignment:
Equally critical is cultural alignment. Financial rationale alone cannot compensate for misalignment between organizational cultures, operating models, and institutional identities. Integrations that overlook cultural factors risk internal disengagement and erosion of customer trust. Proactive cultural management (including clear leadership signals, aligned incentives, and empathetic change leadership) is essential to maintaining cohesion during periods of uncertainty.

Customer experience protection:
From a market perspective, customer experience protection is non-negotiable. Disruptions to core services quickly undermine trust, particularly in sectors like retail banking where reliability is foundational. Even short-term service degradation can lead to customer attrition that outweighs anticipated synergies. Protecting customer-facing processes during integration should therefore be treated as a strategic priority, not an operational afterthought.

Change and risk management:
Effective change and risk management requires anticipating remediation efforts and regulatory scrutiny. Operational failures, compliance issues, and unforeseen integration challenges often carry significant financial and reputational costs. Robust risk assessments, stress scenarios, and regulatory engagement must be embedded into integration planning from the start.

Communication and transparency:
Clear and consistent communication plays a decisive role in sustaining stakeholder confidence throughout the integration. Uncertainty affects employees, customers, and regulators alike, all of whom form perceptions based on the quality and coherence of information they receive. Transparent communication about timelines, expected disruptions, and strategic intent helps manage expectations and reduce speculation. Internally, frequent and honest dialogue supports engagement and limits resistance to change; externally, proactive communication mitigates reputational risk and reinforces trust during prolonged integration phases.

Long-term value creation:
Finally, despite their difficulties, integrations can serve as catalysts for long-term value creation. When approached thoughtfully, challenges can accelerate modernization, strengthen governance, and prompt organizations to rethink outdated systems and structures. Integrations that balance execution discipline with a forward-looking mindset are better positioned not only to capture synergies, but to emerge more resilient, modern, and competitive than before.

Table 2 – Integration challenges and strategic takeaways

Integration challenge	Strategic takeaway	Explanation
Integration strategy	Assess synergy potential with greater realism	Strategic visions must be grounded in a detailed understanding of operational, technical, and cultural complexity to avoid overestimating achievable benefits.
Technology & systems integration	Never underestimate legacy IT complexity	Large-scale platform migrations require long lead times, extensive testing, and contingency planning. Parallel systems create cost and risk that grow exponentially over time.
Cultural alignment	Cultural fit is as important as financial logic	Merging institutions with different histories, identities, and operating models demands proactive management to preserve customer trust and internal cohesion.
Customer experience protection	Protect customer service during integration	Disruptions in basic services erode trust quickly, especially in retail banking where reliability is paramount. Customer attrition can outweigh expected synergies.
Change & risk management	Anticipate remediation and regulatory costs	Integration plans must account for potential operational failures, regulatory scrutiny, and the substantial costs required to resolve unforeseen issues.
Communication & transparency	Maintain clear, consistent communication	Transparent engagement with customers, staff, and regulators can mitigate reputational damage and maintain confidence during long integrations.
Long-term value creation	Use challenges as catalysts for modernization	Difficult integrations can still produce lasting benefits by forcing organizations to upgrade systems, strengthen governance, and rethink outdated structures.

Source: Deloitte analysis

Turning synergies into reality

Successful bank mergers promise substantial value creation, as recent eurozone transactions show, synergy expectations are rising, placing even greater importance on disciplined integration planning. Compelling strategic logic must be linked to proper assessment of (IT) complexity and execution rigor. Setbacks can then serve as catalysts for deeper structural reform when institutions confront root causes directly. For future mergers, the imperative is clear: Synergy targets must be grounded in realistic assessments of technological readiness, organizational alignment, and operational capacity. Banks that invest early in these foundations, supported by transparent communication and a willingness to modernize legacy architectures, stand the best chance of capturing long-term benefits. Ultimately, sustainable integration is not only a technical endeavour but a strategic journey that shapes the resilience and competitiveness of the combined organization.

Deloitte is the ideal partner

Deloitte brings together deep sector expertise and hands-on transformation capabilities to help banks unlock measurable value. The team supports clients across the full deal lifecycle, from financial, commercial, operational and IT due diligence to integration and value creation, ensuring that every transformation delivers sustainable impact.

With strong capabilities in Target Operating Model (TOM) design and implementation, Post-Merger-Integration (PMI), and IT migration, Deloitte helps credit institutions realize their full synergy potential while improving post-merger efficiency and scalability.

By combining financial services know-how with a robust transformation toolkit, Deloitte enables banks to turn integration complexity into competitive advantage and accelerate long-term growth.

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Issue 08/2026

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