



Banking deals during dynamic times

10 shifts in banking and payments M&A

The banking M&A landscape has changed: 10 shifts require distinct adjustments for financial institutions

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Simple 'deal math' has become a much more intricate 'deal calculus'

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Every financial institution looks and operates differently now

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The regulatory environment continues to be marked by uncertainty

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Customers state their preferences with where they go, what they click, and how they spend

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The M&A basics are still critical for all financial institutions

These 10 shifts bring real challenges

Shift	New challenges and keys to success	
1	Simple ‘deal math’ has become a much more intricate ‘deal calculus’	<ul style="list-style-type: none">• Challenges: Portfolio marks, CDI premia, CRE exposure, AOCI losses, and other complications have made valuation art and science• Keys: Deeper due diligence across finance/tax/products/operations/tech; distinct planning for varied capital markets and investors
2	Every financial institution looks and operates differently now	<ul style="list-style-type: none">• Challenges: Organizational design and operating models are increasingly discrepant, complicating integration design decisions• Keys: Early executive alignment on priority decisions; anchoring on deal thesis; coordination across major cross-functional streams
3	The regulatory environment continues to be marked by uncertainty	<ul style="list-style-type: none">• Challenges: Large-deal approval timelines are lengthening, Basel III reforms impact middle market, and scrutiny on integration is high• Keys: Early engagement; realistic timing expectations; readiness for closing scenarios; pre-close planning for post-close integration
4	A broader third-party ecosystem creates new opportunities and complications	<ul style="list-style-type: none">• Challenges: Large-scale vendors, FinTech partners, and dealer/indirect distribution models all create more critical path dependencies• Keys: Proactive planning; strategic negotiation; executive-level involvement; “A-Team” resourcing commitments for joint delivery
5	Customers state their preferences with where they go, what they click, and how they spend	<ul style="list-style-type: none">• Challenges: Attrition risk is rising in deposits; digital-first customers can leave easily, even as physical channels remain the mainstay• Keys: More compelling value props; deep impact analysis; frontline preparation; segmented, early, and consistent outreach
6	Employees aren’t just resources—and they’re experiencing disruption too	<ul style="list-style-type: none">• Challenges: Hybrid environments vary widely and increase culture and “key employee” risks; expectations are heightened for both• Keys: Clear expectation-setting; frequent, transparent communications; active cultural pulse-checks and responsiveness to feedback
7	Data is tougher to manage and more essential than before	<ul style="list-style-type: none">• Challenges: Legacy system data quality is mixed, analytical demands are higher than ever, and security protocols take precedent• Keys: Plan early for all tech environment requirements; keep risk and compliance close; frontload and sequence test strategically
8	Tech isn’t just for conversions, and conversions aren’t just about tech	<ul style="list-style-type: none">• Challenges: Architectural complexity, vendor data requirements, and cross-LOB platform dependencies all complicate serial cutovers• Keys: Centrally led conversion planning; early vendor alignment; rigorous balancing and reconciliation; comprehensive mock events
9	Multiple deals can speed growth, but value capture depends on careful planning	<ul style="list-style-type: none">• Challenges: Multiple acquisitions and divestitures add complexity to one-time delivery and can risk creating deal fatigue in the org• Keys: Commitments to M&A capability-building; centrally orchestrated deal leadership and planning; laser-focus on value metrics
10	The M&A basics are still critical for all financial institutions	<ul style="list-style-type: none">• Challenges: M&A in banking still represents major allocations of precious capital, multi-year execution timelines, and high delivery risk• Keys: Strategic rationale; command/control IMO; bias for speed; aggressive synergy pursuit; dedicated resources

Simple 'deal math' has become a much more intricate 'deal calculus'



What's different now?

- Equity values are volatile but up; stock is valuable currency for deals, but targets can be costly.
- CDI premiums have climbed with rates, as deposits shift to less stable and higher-cost sources.
- Previously rising rates have caused unrealized losses, impacting accumulated other comprehensive income (AOCI) and tangible book value (TBV).
- Credit risk is increasing in real estate and specialty lending given macro shifts.
- Branch and brand values are tougher to quantify as distribution shifts to digital.



Why does it matter?

- Potential earnback periods are longer with premium-priced deals, drawing scrutiny from investors.
- Deal announcements often lead to share price drops, putting buyers at a disadvantage.
- High uncertainty in future rate movement adds complexity to valuation modeling for deals.
- Higher credit risk boosts potential current expected credit loss (CECL) impact at legal day one (LD1).
- Acquisitions in new markets with unfamiliar credit risk are becoming tougher for buyers.
- A target's geographic reach and core deposits may no longer justify premium pricing.



What can banks do about it?

- Use rate hedging, smart structuring, and tax strategies early in evaluating the deal.
- Keep conservative base cases for rates, mark-to-market, and CECL at close.
- Assess non-interest expense thoroughly before signing, and align achievable synergy targets with integration plans.
- Strengthen commercial due diligence on products, go-to-market, frontline productivity, and local market competitiveness; estimate and model revenue synergies where appropriate.
- Include a full integration roadmap when estimating one-time costs.
- Expand scanning for discounted carve-outs and asset purchases that fit core strengths.
- Consider how institutional investors (e.g., private equity) can help finance the deal.

Every financial institution looks and operates differently now

What's different now?

- Bank operating models now feature a range of organizational designs, especially in complex areas like:
 - Small business banking;
 - Payments;
 - Bank operations;
 - Digital;
 - Mix of insourcing and outsourcing; and
 - FinTech and partnerships.
- Matrixed and dotted-line reporting structures are increasingly complex in multinational banks.

Why does it matter?

- Divergent models and terms can complicate decision-making, cause confusion, and delay integration.
- Operating model changes risk disrupting performance in segments where either company was strong.
- Organizational design decisions and employee impacts significantly affect deal financials and go-forward culture, for better and potentially for worse.
- Department changes often impact other groups, too, creating cross-functional challenges.
- Weak interim operating models post-close can jeopardize integration delivery, especially during major transitions.

What can banks do about it?

- Prioritize and address major decisions early, balancing speed with solid analysis.
- Accept trade-offs that align with the deal's thesis and integration principles.
- Lead organizational design and operating model work centrally, tied to the IMO.
- Plan proactively for the interim period, minimizing complexity and phase changes through fast integration.
- Appoint "two in a box" workstream leads with broad experience and strong business-as-usual (BAU) relationships.
- Define clear boundaries for P&L, cost centers, synergies, and organization design; set governance for changes.
- Leverage finance and HR experts within workstreams to keep interdependent decisions aligned.
- Communicate clear guidance, implications, and "rules" for all major operating model and organizational changes.

The regulatory environment continues to be marked by uncertainty

What's different now?

- Regulatory review timelines for large banking deals have been shortening recently compared to the previous three to five years, but there is still significant variation and uncertainty.
- Potential changes to regulatory asset thresholds is impacting middle-market positioning, which influences deal dynamics.
- Regulatory and policymaker scrutiny on integrations and outcomes continues to evolve in the US, while reviews remain intense for cross-border transactions.
- More active community groups now treat M&A as both risks and chances to secure local commitments from buyers.
- Coordination across international regulatory bodies in deals remains inconsistent.
- Regulatory considerations adjacent to M&A—such as for digital assets, open banking, and privacy—continue to have an impact on integration strategy.

Why does it matter?

- Approvals from the Office of the Comptroller of the Currency, Board of Governors of the Federal Reserve System, and/or Federal Deposit Insurance Corporation are essential for any sizable banking deal, and delays can postpone closing.
- Regulators have more frequently started to require unique commitments for specific large deals, such as off-cycle stress tests or accelerated resolution planning.
- Banks may reevaluate deals that push over asset levels of \$100 billion due to shifting regulatory asset thresholds, choosing to either use M&A to grow substantially beyond it or wait and see how the policy landscape will change.
- Large Community Benefits Plans can represent a major share of the lending portfolio, bringing risks of nonstrategic capital allocation and hidden costs of M&A.
- Poor integration results can trigger regulatory scrutiny, fines, or other consequences.

What can banks do about it?

- Engage regulatory agencies early, before signing and even before a specific transaction diligence, to understand their perspective on the organization's readiness for a deal and anticipate any risks to approval.
- Build a collaborative model between the IMO and legal, compliance, external affairs, and risk teams to coordinate with regulators during the deal.
- Set up regular reporting to agencies for integration matters, and encourage coordination among regulators for greater efficiency.
- Keep expectations for approval timing realistic. Since timelines are unpredictable, start post-close integration planning well ahead of LD1, always staying within antitrust and gun-jumping rules.
- Prepare for a range of potential closing scenarios, and remain flexible to adjust plans for the LD1 closing event (e.g., for legal entity changes, customer communications, or financial reporting scope) as timing shifts.
- Proactively plan for increased regulatory requirements that come with passing specific asset thresholds.

A broader third-party ecosystem creates new opportunities and complications

What's different now?

- Banking tech is increasingly fragmented, with focused vendors covering specific products or functions.
- Financial institutions have expanded FinTech partnerships in customer acquisition, loyalty, Banking as a Service, digital assets, and more.
- Indirect distribution remains in some sectors but is becoming more integrated, especially in retail auto and credit cards.
- Large financial and tech firms often have multifaceted relationships acting as vendor, partner, customer, and competitor at once.
- Nonbank organizations are growing as competitive threats in targeted product verticals.

Why does it matter?

- Change-in-control provisions may require contracts to be renegotiated, risking loss of favorable terms and causing delays.
- Increased vendor planning requirements, blackout periods, and critical dependencies make timelines more complex.
- Newer FinTech organizations more likely lack experience and resources for conversion and cutover collaboration.
- Market partnerships face a higher risk of business disruption before and after LD1, such as re-papering, tech changes for dealers, or brand shifts.
- Delivery failures attract regulator and customer scrutiny to the bank, regardless of fault and even if stemming from third-party delivery.
- Nontraditional ownership structures and minority interests add complexity to dealmaking.

What can banks do about it?

- Consider nontraditional deal structures with value creation for all stakeholders (e.g., minority equity, joint ventures, ongoing commercial relationships).
- Develop clear collaboration and escalation models across business, technology, operations, and procurement for third-party engagement.
- Use rapid contract analysis tools (capitalizing on natural language processing, AI, and other capabilities) in a clean room, and establish negotiation strategies early for all third-party types.
- Engage senior executives from major third parties early and maintain their involvement throughout integration.
- Dedicate top vendor resources for critical cutover delivery—get and keep the “A-Team” end to end.
- Embed integration and delivery requirements into contract addendums (such as shared plans, resource levels, onsite commitments, and one-time service level agreements).
- Provide additional guidance and support to FinTech partners lacking M&A experience.
- Incorporate partner and indirect distribution relationships into customer experience planning.

Customers state their preferences with where they go, what they click, and how they spend

What's different now?

- Rate shopping by customers has become more prevalent in high-rate environments, especially in deposits.
- More seamless digital experiences have trade-offs, as the customer base can easily withdraw and move funds to competitors just as quickly as the bank can attract them in the first place.
- Though many customers are all-digital, physical branch and ATM channels are still primary for many customers and transaction types.
- More dynamic product development and launch cycles have resulted in scattered legacy and grandfathered product account types in portfolios.
- Large-scale commercial client relationships increasingly have complex and customized data/file integrations, especially in treasury and securities products, creating more interdependencies for integration.

Why does it matter?

- Deals predicated on growth and revenue synergies may have higher risk of success, but modeling growth in the deal is increasingly needed to support premium pricing.
- More banks are opportunistically poaching customers during other competitors' M&A events.
- Unexpected deposit attrition during sign-to-close can create a different balance sheet profile than expected or desired (e.g., higher loan/deposit ratios).
- Extra "noise" across channels means client communications have lower likelihood of effectiveness with the broad customer base.
- More legacy product buildup adds complexity to account mapping, regulatory notification requirements, and overall conversion execution.
- Complex large-scale clients create more delivery risk for post-close integration cutovers.

What can banks do about it?

- Establish a central customer experience team to coordinate engagement with each line of business, marketing, and other functions.
- Develop compelling value propositions for acquired customers and begin communication pre-LD1 within legal guidelines.
- Conduct customer impact analysis across businesses to inform strategic design decisions, communications, training, and frontline prep.
- Complete shared customer analysis in clean room pre-LD1 to spot cross-marketing opportunities and portfolio leakage and dis-synergy risks.
- Align customer segmentation with operating model decisions, especially for small business, treasury, and securities.
- Prepare for enterprise, large commercial, and wealth client engagement at LD1 with collaborative banker/relationship manager (RM) models.
- Start capacity planning early for contact center spikes, factoring in hiring, training, flexible agent pooling, and vendor timelines.
- Plan for integration impacts on the buyer's customer base as well, considering both frictions and benefits.

Employees aren't just resources—and they're experiencing disruption too

What's different now?

- Hybrid work environments vary across financial institutions, from in-office requirements to flex days to all-virtual setups.
- Legacy technology and operations have increased reliance on key employees with critical systems knowledge, especially as individuals transition to retirement.
- Top “rainmaker” talent is more mobile and open to new opportunities outside traditional banking.
- The interconnected financial ecosystem leads to nuanced alumni and legacy relationship dynamics, and anticipated headcount reductions cause more voluntary exits pre-LD1, bringing both benefits and risks.
- AI is impacting different roles across the bank in different ways, as well as requiring new talent and skill sets around the deal.
- Employee trust and internal culture increasingly align with external market, brand, and customer perceptions.

Why does it matter?

- Ultimately, misaligned cultures and employee friction reduce productivity and efficiency gains from the deal.
- Hybrid work setups may reduce execution quality during critical integration moments requiring rapid response, such as systems conversion.
- Unwanted attrition risk is higher for key employee roles that have attractive opportunities elsewhere.
- Competitors are more aggressive in recruiting top bankers/RMs amid pre-LD1 uncertainty.
- Cultural friction originating inside the target organization during integration can impact the entire organization in large deals.
- LD1 and post-close integration depend heavily on acquired employees; early headcount synergies and voluntary attrition heighten delivery risk from reduced capacity.

What can banks do about it?

- Establish a central employee experience team with the HR function to coordinate proactively and plan and manage employee changes.
- Set and communicate clear expectations for in-person collaboration during integration, and plan and budget accordingly.
- Quickly develop and implement a retention strategy for key talent across the organization, while saving budget for future unknown needs that are identified after signing.
- Provide frequent, transparent updates on integration progress, including sensitive HR and organizational topics.
- Run simple, ongoing culture pulse-checks to monitor sentiment and respond to employee feedback.
- Launch buddy, ambassador, and champion programs drawing from both buyer and target organizations.
- Leverage alumni networks for due diligence on top executive hires during organizational design and talent selection.
- Carefully plan any headcount and role changes to align with integration timelines and avoid delivery risks.
- Use the integration as an opportunity to identify top talent at the target and create growth roles for future leaders.

Data is tougher to manage and more essential than before

What's different now?

- Data volumes in banks have surged with expanded instrumentation and tracking from internal and external sources.
- Analytical and reporting requirements continue to increase.
- Cybersecurity risks intensify during integration, amplified by increased use of open banking protocols and dynamically changing strategies and tools of bad actors.
- More third-party integrations make data architecture increasingly complex and create added dependencies for M&A conversions.
- Weak data governance and hygiene persist at many institutions, causing data quality issues.
- Exploration of new AI opportunities is heavily dependent on high-quality data.

Why does it matter?

- Clean room analysis before closing greatly accelerates integration planning but needs strong security and compliance controls.
- Leveraging customer/account-level data creates major opportunities for personalized cross-marketing during integration.
- Cybersecurity breaches during integration—such as data privacy incidents—can severely damage brand reputation.
- Data migration is crucial during integration; poor cutovers cause prolonged issues in reporting, manual fixes, and remediation.

What can banks do about it?

- Align closely with risk and compliance for pre-close clean room data-sharing and testing involving personally identifiable information (PII).
- Review and plan remediation for legacy data quality issues from the target during pre-close.
- Build and maintain a comprehensive data dictionary for data migration, with technology as owner but spanning all groups.
- Plan early for all testing environments needed across the integration roadmap, including setup and timing for mock events.
- Sequence and frontload all testing types (SIT, E2E, Performance) by where new development or changes are underway. Prepare thorough contingency plans for data-related risks, including cyber breaches and data quality problems.
- Identify opportunities to utilize AI to expand strategic insights and accelerate work on the integration, such as through digital assistants, automated PM activities, etc.
- Plan for Generative AI, agentic AI, and advanced analytics opportunities as part of new capabilities acquired in the deal.

Tech isn't just for conversions, and conversions aren't just about tech

What's different now?

- Tech architecture at financial institutions is more complex due to expanded offerings, more third-party integrations, and increased middle/back-office requirements.
- Bank technology budgets and investments have grown rapidly, outpacing almost all other expense categories.
- Separate vendor and regulatory approval timelines (like broker-dealer vs. core banking) have made multi-event conversion roadmaps much more common.
- Uncertainty in LD1 closing timing—largely driven by regulatory approvals—makes planning specific conversion roadmaps more difficult.
- Cross-LOB platform dependencies further complicate scheduling and executing serial cutovers.

Why does it matter?

- Successful tech integration unlocks major expense savings, efficiencies in scale, and new combined capabilities that support business growth and future innovation.
- Post-close conversions are key milestones that enable cost synergies through platform consolidation.
- Internal conversions, such as HR or procurement systems, are essential to integration and impact employees through payroll, benefits, and incentives, as well as market dependencies.
- Customer issues during conversion can draw negative media attention and regulator inquiries, leading to reputational damage and financial costs.
- The success of branch rebranding and major marketing campaigns in new markets often depends on a smooth cutover weekend to launch new advertising.

What can banks do about it?

- Set up a strong technology workstream integration structure aligned with the IMO for planning and delivery.
- Ensure all business and functional teams are engaged and have resources aligned to work required during conversion(s), not expecting or relying on technology and IMO alone.
- Align early with key vendors on required technology dates and timeline commitments for both actual conversion and preceding mock/dress events.
- Establish centrally led conversion planning from the IMO in close collaboration with technology; deploy a rigorous event management playbook for all runbook/minute-by-minute planning, and issue triage protocols and reporting requirements during conversion.
- Implement rigorous balancing and reconciliation processes centrally that all product platform teams participate in to improve the quality of conversion.
- Develop a series of major weekend checkpoints and milestones to anchor the enterprise program to the critical path of conversion.
- Design and sequence at multiple mock events strategically in alignment with end-to-end testing progress to build up to fully replicating actual conversion.
- Pre-plan and proactively manage all event-specific communications required for external regulators, board, executive committee, and related parties.

Deal sequencing impacts whether value capture is accelerated or deferred

What's different now?

- Many financial institutions have increased volume of smaller M&A deals, focusing on capability-driven or single-product FinTech acquisitions.
- Carve-out divestitures more often accompany large deals to free up capital, shed noncore businesses, or meet regulatory demands.
- Cross-enterprise dependencies, like HR and finance system changes, increasingly affect simultaneous or sequential M&A activities and resource allocation.
- Shorter regulatory approval timelines have made parallel acquisitions a more realistic strategic opportunity.

Why does it matter?

- Public investors reward successful serial M&A with valuation premiums but penalize poor deal outcomes over time.
- The fast pace and heavy workload of M&A can cause deal fatigue and negatively affect culture for both existing and new employees—this can be exacerbated by multiple deals at once.
- Long integration timelines for large bank M&A (e.g., 12–18 months or longer) can cause financial institutions to miss smaller opportunities if they can't execute deals in parallel.
- Poor outcomes in one deal can create risks for concurrent deals, particularly if triggering regulatory or policy scrutiny.
- Serial and well-managed M&A builds the organizational capability critical for ongoing acquisition success.

What can banks do about it?

- Commit to enterprise-wide M&A capability-building with playbooks, lessons learned, post-deal improvements, and resource alignment, led by functions like corporate development or the enterprise transformation office.
- Invest in dedicated M&A roles and clear career paths across central teams and key functions (legal, HR, finance, tech), creating adequate resources for parallel deals.
- For live parallel deals, create a central team for leadership and planning, supported by aligned integrated roadmaps to manage interdependencies.
- In serial acquisitions, retain and develop key acquired talent in executive positions to drive future retention and strengthen leadership.
- Regularly track and report on M&A value metrics, such as return on invested capital/return on equity, synergy realization, one-time costs, and integration timelines.
- Build a targeted public and investor relations strategy to position the bank as a “buyer of choice” and proactively attract M&A opportunities.

The M&A basics are still critical for all financial institutions

What's different now?

- Aggregate deal volume and value have rebounded from the lows of 2022–2023.
- Large deal valuations remain stable, generally averaging 1.3x–1.7x price/TBV ratio, with exceptions both above and below.
- The US continues to have momentum toward consolidation due to its more fragmented banking landscape than most other countries.
- Announced cost synergy targets for major banking deals have continued to rise, now representing a greater share of target operating expenses.
- Expanding into new product and segment verticals is a growing focus of recent deal strategies.
- New technology and tools are creating more opportunities to plan and execute M&A effectively—from rapid AI-enabled analytical insights to automated integration and separation workflows.

Why does it matter?

- Many long-standing M&A challenges for financial institutions remain unchanged. Banking and FinTech deals still typically involve:
 - Significant capital commitments;
 - The fastest path to step-change growth;
 - Potential for transformative impact on the enterprise;
 - High reward and high risk;
 - Close scrutiny from external stakeholders;
 - Non-BAU strategic initiatives; and
 - Complex, multi-party coordination.

What can banks do about it?

- Banks should focus on proven M&A success drivers alongside evolving deal strategies:
 - Clearly define the deal rationale and set guiding principles to inform major decisions.
 - Establish a strong central IMO to lead integration strategy, cross-functional planning, and execution pace across the enterprise.
 - Track progress using deal-specific metrics and dashboards for both business and integration outcomes.
 - Prioritize speed-to-value and pull forward deal timelines, as deal delays can result in substantial opportunity costs.
 - Set ambitious but realistic synergy targets and build actionable plans to deliver them, including for growth-oriented revenue synergies.
 - Staff M&A initiatives with dedicated, experienced teams—avoid treating them as ad hoc tasks.
 - Communicate consistently and transparently with all stakeholders, both internal and external.
 - Identify and address dependencies or roadblocks from other enterprise-wide projects, such as major platform upgrades.

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