

Why Execution Capacity Will Define the Next Wave of Banking M&A

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Mergers and Acquisitions (M&A) in the [financial services](#) sector are accelerating at a pace not seen in years. In 2025, the deal value of M&As in the global financial services sector surged 49 percent year-over-year.¹ The banking sector alone witnessed 13 megadeals, while community bank mergers accelerated to 127 completed transactions in 2025, the highest level since 2021.^{2,3}

With easing monetary conditions, growing competition from non-bank players and continued pressure to achieve scale, 2026 is poised for even greater M&A activity. Banks are pursuing consolidation as a strategy for cost transformation, revenue diversification and building scale, recognizing that the competitive landscape demands proactive positioning.

Amid this heightened activity, a new, critical conversation must take place in boardrooms and integration planning sessions. The complexity of executing well while keeping the core business stable has arguably never been higher. **The key question is no longer whether to pursue M&A, but whether organizations have the capacity to seamlessly execute post-merger integration.**

Without sufficient capacity, organizations risk eroding customer experience, falling short of regulatory requirements and failing to realize the full value of post-merger synergies. As the CEO of Fifth Third Bancorp, Tim Spence, states: “The outcome must be a company that is better, and not just bigger.”⁴

This article explores how leading companies are addressing this question, harnessing next-generation digital capabilities, domain expertise and capacity-extending partnerships to execute M&A with confidence and realize value at speed.



¹Global Financial Services M&A Activity Rose in 2025, with 93 Deals over \$1B in Value Announced | EY

²Global M&A Industry Trends | PwC

³Highlight: Community Bank Mergers Increased in 2025 | Federal Reserve Bank of Kansas City

⁴Earnings Call Transcript: Fifth Third Bancorp Beats Q3 2025 Forecasts | Investing.com



Five Factors Driving the Execution Gap

The enthusiasm surrounding M&A activity stands in stark contrast to the reality of integration success. An execution gap is emerging from a fundamental mismatch between strategic ambition and operational capacity. Traditional approaches to core banking technology integrations during M&A routinely overrun initial cost estimates by 50 to 100 percent and take significantly longer than expected to capture value.⁵

So what is driving this execution gap? Several forces are compounding to make post-merger integration more demanding than at any point in recent memory.



1. Intensified Regulatory Pressure

Regulatory obligations intensify during integration, as organizations are tasked with simultaneously managing legacy obligations and building unified frameworks under new scrutiny. **Compliance expenditure for retail and corporate banks has surged in recent years, with the cost of financial crime compliance alone reaching USD 61 Billion in the US and Canada.**⁶

Meanwhile, almost three-quarters (71 percent) of executives say the increasing complexity of compliance requirements over the last three years has negatively impacted profitability to some or a great extent.⁷



⁵Core Banking Migration During M&A: Seven Keys to Success | McKinsey & Company

⁶2025 Banking and Capital Markets Outlook | Deloitte

⁷Moving Faster: Reinventing Compliance to Speed Up, Not Trip Up | PwC



2. Data Fragmentation

M&A requires organizations to unify vast, disparate data ecosystems, from customer records and transaction histories to risk models and reporting frameworks. These must be reconciled, cleansed and harmonized across teams, departments and jurisdictions, all while maintaining uninterrupted customer-facing operations.

Only 25 percent of banks report having adequate data management platforms in place — even before the added complexity of integration — demonstrating the scale of this challenge.⁸ When data doesn't flow cleanly between platforms, the consequences cascade quickly: Failed transactions, duplicated communications, gaps in account visibility and delayed regulatory reporting, each of which carries its own integration risk.



3. Technical Complexity

The technical complexity of post-merger integration extends far beyond data. **A majority (54 percent) of banking executives cite integration complexity as the primary barrier to major technology initiatives.⁹**

When executing M&A, this complexity is intensified, with a critical decision sitting at the core: *Whether to re-build standard operating procedures from the ground up or blend existing processes from both sides.*

Re-building can deliver a cleaner end state but demands significant time and resources, essentially constructing a new operating model while simultaneously running two legacy models. Blending can be faster, but it risks creating a patchwork of inconsistent processes. Whichever path is chosen, executing it requires dedicated capacity that most organizations struggle to free up while simultaneously running the core business.



⁸2025 Banking and Capital Markets Outlook | Deloitte

⁹Re-engineering the Bank for Growth | PwC



4. Workforce Disruption

Integration work isn't added to available capacity; it's piled onto already-stretched teams. **Burnout is on the rise across industries, while in banking and financial services specifically, 42 percent of professionals cite heavy workload as the main contributor to heightened pressure.**¹⁰

Without surge capacity to absorb the additional load, organizations risk talent attrition, declining morale and slower execution at the very moment speed matters most.



5. Customer Experience Erosion

Customer attrition is one of the most underestimated risks in banking M&A, representing another barrier to realizing value. Service disruptions, branding confusion and inconsistent communication can erode trust quickly and push customers toward competitors.

In one recent merger, a newly combined bank's net promoter score dropped by 55 percent in a single quarter, driven by customers experiencing difficulties accessing accounts, problems with online banking and poor support response times.¹¹



¹⁰Burnout Mounts as a Third of Banking and Financial Services Plan to Leave the Industry due to High Pressure | LemonEdge

¹¹M&A is Back in US Banking | Bain & Company

Re-imagining Capacity as a Strategy for Seamless Execution

Promisingly, bridging the execution gap is not an insurmountable challenge. However, it requires a fundamental shift in how banks approach integration. The most successful institutions are rapidly recognizing that integration isn't just a project to be managed; *it's a capacity question that determines whether the deal creates or destroys value.*

Traditionally, banks have attempted to manage integration primarily through internal teams while maintaining business-as-usual operations. In today's environment, where regulatory expectations are higher, technology landscapes are more fragmented and integration timelines are compressed, this approach is increasingly unsustainable. Execution capacity must therefore be intentionally designed as part of the M&A strategy.

Forward-looking banks are addressing this challenge by extending their execution architecture through specialized external capabilities, allowing them to scale integration without compromising control.

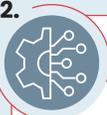
Three elements are proving particularly important:

1.



Deep Domain Expertise: Post-merger integration touches highly specialized areas such as regulatory reporting, financial crime compliance, payments operations, risk management and customer servicing. Rather than building temporary internal teams for these areas, many institutions are leveraging partners with established banking expertise and proven integration playbooks. This allows integration programs to move faster while maintaining regulatory discipline and operational continuity.

2.



Technology-led Execution Acceleration: Integration increasingly relies on next-generation technologies, including automation, [predictive analytics](#), AI-enabled workforce planning and digital twin modeling. These tools help institutions simulate integration scenarios, accelerate data harmonization and monitor operational stability during transition. However, technology alone does not deliver execution; it must be paired with teams that understand banking operations and regulatory requirements.

3.



Scalable Execution Capacity: Integration programs create large volumes of execution-intensive work across operations, risk management, technology and customer servicing. Leading banks are increasingly expanding their operational capacity by deploying specialized delivery teams to absorb this workload, while internal leadership focuses on strategic decision-making and stakeholder management. They understand that the cost and complexity of technology integration demand such approaches, utilizing capacity extensions and tracking customer experience throughout to avoid common pitfalls.¹²

When capacity is approached in this way, the pressures outlined earlier become manageable. Regulatory complexity can be absorbed by teams with dedicated expertise. Fragmented data environments can be harmonized through structured migration programs. Workforce disruption can be mitigated through surge capacity. And customer experience can be actively protected throughout the integration process.

In this model, partners do not replace internal capabilities. Instead, they act as extensions of the bank's execution capacity, enabling institutions to pursue ambitious M&A strategies while maintaining operational stability.

Taken together, this combination of strategic oversight, domain expertise, technology acceleration and scalable execution capacity allows banks to close the integration execution gap and realize deal value with greater speed and confidence.

¹²M&A is Back in US Banking | Bain & Company

The Next Wave of Banking M&A Will Be Won on Execution

The M&A environment entering 2026 offers a significant opportunity. Pipelines are robust, valuations are stabilizing and the strategic imperative for scale has never been clearer. **More than 80 percent of private equity and corporate dealmakers expect greater deal volume and aggregate value over the next 12 months than in 2025, underscoring sustained confidence in consolidation.**¹³

However, without sufficient execution capacity, organizations will struggle to extract optimal value at speed. Looking forward, execution risk will become a board-level M&A consideration. The question facing leadership in 2026 won't be about identifying attractive targets, but whether they have the capacity to deliver. That question, and how it is answered, will separate the institutions that emerge stronger in the next consolidation wave from those that don't.

Get this right, and banks can maintain operational stability in risk and customer-facing functions while

integration progresses. They can accelerate integration timelines without sacrificing quality or control. They can protect institutional talent from burnout by providing surge capacity for execution-intensive workstreams and de-risk customer experience by ensuring continuity in service delivery.

Banks that build repeatable, scalable integration capabilities will outperform peers, with operating model flexibility set to differentiate the winners. External partners who understand banking operations and regulatory expectations will prove crucial for many, acting as extensions of internal teams and maintaining operational stability while integration progresses.

This approach, treating integration execution as a strategic capability, will allow leadership to keep attention focused as transformation advances, defining the next era of banking consolidation in the process.

Explore how banking and financial services companies can strengthen integration execution and operational resilience.



¹³M&A Trends Survey: A Tale of Two Markets

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