WHITE PAPER

Why Your Bank Needs an M&A Playbook --- Now

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Opportunities Created by Current Environment

If your bank plans to survive the current wave of industry consolidation, it will likely become an active acquirer of failed institutions. Each weekend, one reads of multiple FDIC bank closures and subsequent "arranged marriages". Banks that understand how to rapidly and successfully integrate new institutions into their existing infrastructure will not only survive this flurry of consolidation; but emerge as stronger, thriving organizations.

Most bank executives are not used to swallowing entire organizations in a serial, wholesale fashion. Bank mergers were paced at a rate with which the acquiring institution could manage and deal. Now, with 750 institutions predicted to fail in 2009[1], regulators are placing deals in front of healthy banks with increased frequency. Decisions to acquire do not involve investment banks' churning spreadsheets to analyze the synergies of the new combined enterprise. Many current acquisition decisions are highly compressed. The current environment creates a once in a lifetime opportunity for banks thoroughly prepared for consolidation efforts. These banks have their own unique framework to both evaluate and then execute acquisition integrations. This framework is called the M&A Playbook.

The M&A Playbook Defined

The M&A Playbook contains a proven integration methodology built specifically for the acquiring bank. The playbook provides performance metrics, integration tools and templates that mitigate integration risk and speed value creation. The M&A Playbook serves as a roadmap that guides all aspects of the bank integration — from the branch offices to the backroom operational environments. In a way, the playbook is a more detailed plan for bank consolidations. However, the project plan has narratives on:

- the major functional areas within the bank
- the retail and commercial customers of the bank
- the products and services the bank offers
- the major systems the bank runs

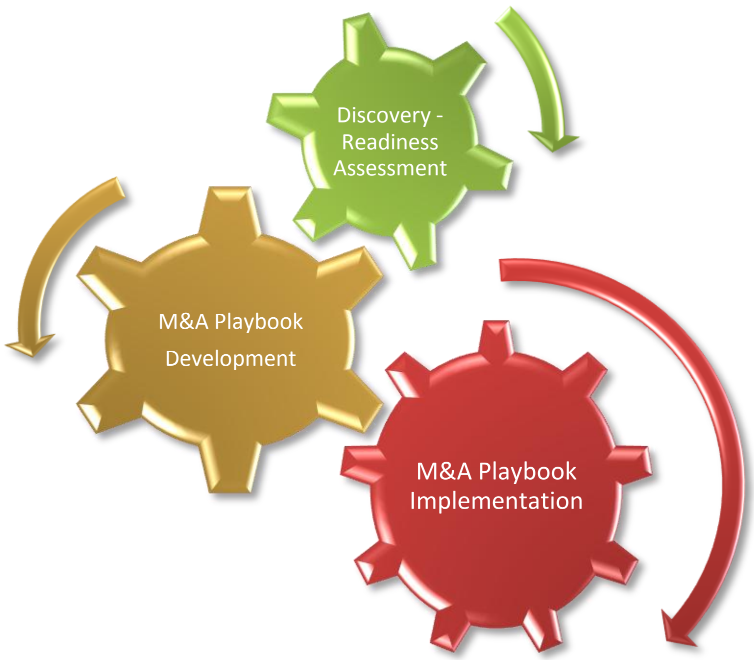
The M&A Playbook offers due diligence efforts prior to the execution of the deal. In such cases, the playbook offers a well-documented set of processes to lie against the pending institution's environment. The playbook helps bring to light holes and uncertainties that might otherwise escape the harried and stretched due diligence team. The M&A Playbook provides the deal team a consistent methodology to think through the critical issues relative to risk mitigation, expense reduction and revenue enhancement.

[1] . Aite, "IT Services Vendors in Banking", June 2009

How to Create an M&A Playbook

Realizing the value of an M&A Playbook and the short window to take advantage of bank acquisitions, financial services executives need to ask themselves how to create their own unique M&A Playbook. Their playbook should reflect the specific strategies, strengths and weaknesses of their organization, and provide the guidelines with which to evaluate and execute future transactions. The M&A Playbook must provide enough details for usefulness, but not drown bankers in details.

The three phases consist of Discovery, Development, and Implementation. The following illustration summarizes a proven approach to playbook development:



Through interviews, proprietary data evaluation and an analysis of a bank's structure and methodology, consultants develop a broad yet substantive comprehension of both the unique and common elements of the bank's acquisition integration process

Bank executives need outside experts who have executed hundreds (if not thousands) of bank integrations. These experts possess a methodology, like the steps outlined below, to quickly create a unique M&A Playbook.

Steps in Creating an M&A Playbook

Phase 1: Discovery

READINESS ASSESSMENT.

In this phase, expert and experienced consultants identify key elements of the bank's existing infrastructure and develop an understanding of the component elements. They develop a profound understanding of the bank's integration readiness. This deep understanding is critical to developing a playbook that accurately represents the bank's capabilities and its management's strategic goals.

The readiness assessment team reviews, analyzes and evaluates each functional area, the products associated with the bank unit and the functions performed by each area's supporting staff.

Phase 2: Development

The Development Phase involves the design and creation of the bank-specific M&A playbook.

PLAYBOOK DESIGN

The development phase essentially leverages the assessment to create the M&A playbook itself. The following occurs during the second phase:

- Existing tools are evaluated and created
- Unique templates are designed based on melding existing policies and procedures and best practices
- Resource plans are created and strategies are developed for supplemental resources

The Playbook design must now accommodate the need to run the existing bank with no disruptions, while deriving value from the newly acquired entity.

PLAYBOOK CREATION

The design sets the table for combining elements of the playbook together. Optimal methods of information dissemination need to be decided. Online tools, such as bank intranets and extranets, require updating. Additionally, a means of updating changes to the playbook are established.

Phase 3: Implementation

PLAYBOOK OPTIMIZATION

In this phase, experts tailor the M&A playbook to the dynamics of an actual acquisition in terms of critical activities and dates, overarching program/project and risk management architecture and specific organizational change activities.

Another element of this phase is to create a feedback and evaluation system to accommodate fresh information relating to the acquisition, such as changes in bank health, bank resources, competitive landscape and more.

Additionally, within an active acquisition/implementation environment, the M&A playbook must become a living document—one that reflects the dynamic nature of today's banking environment as well as the growth and resources of the acquiring bank.

The Benefits of Having an M&A Playbook

Many of the benefits of a unique M&A Playbook for an active acquiring institution have already been discussed. Namely, it provides a written formal guide to increase the likelihood of acquisition integration success. Having this formal guide provides a benchmark to measure acquisition success. Thus, the M&A Playbook offers great value as a document to educate and update the Board of Directors on acquisition plans and progress. The playbook also assures regulators of your bank's competencies in bank integration efforts.

Having a formal plan for such a significant effort is vital to acquisition integration success. An M&A Playbook provides healthy banks:

- A formal, written document of their acquisition methodology
- A benchmark to measure success
- A guideline to make acquisition success a serial, repeatable process
- A measuring stick for due diligence efforts
- A roadmap to increase the value of their institution

Contact Information

For more information on FIS's Acquisition Integration Partnership, or any other consulting service, please contact FIS at 800.822.6758 or visit www.fisglobal.com.