

# Growing scale through M&As

Are you considering merging with or acquiring a community bank or credit union?

As well as thinking about why, you should consider your target’s tech.

## What do you need to do?

### 1 Analyze process efficiency

How efficiently is the target institution currently run and are there areas for improvement?

What kind of tech platforms are they running, how easy is to merge them with the acquiring bank’s systems, and what cost models do they have?

### 2 Assess the detail of tech systems

What kind of technology vendors is Bank B using – are they well-known, or are systems home-grown and running on legacy technologies?

Do they have multiple siloed systems with data scattered across the bank, or do they have ‘one version of the truth’ that feeds into other internal and customer facing applications?

### 3 Look into partner dependencies

If the target is running an on-premise or cloud-based data center, who’s managing it and how much does the team rely on a third party vendor for maintenance and support?

How are the contracts structured commercially?

### 4 Bring in the experts

Recognize that while an M&A event may be rare for a bank to manage, a large technology partner like Finastra goes through technology mergers and transformations all the time.

As well as providing a platform for the newly merged entity, they can provide advice on how to migrate apps, data and knowledge as well as the tools to make the process easier.

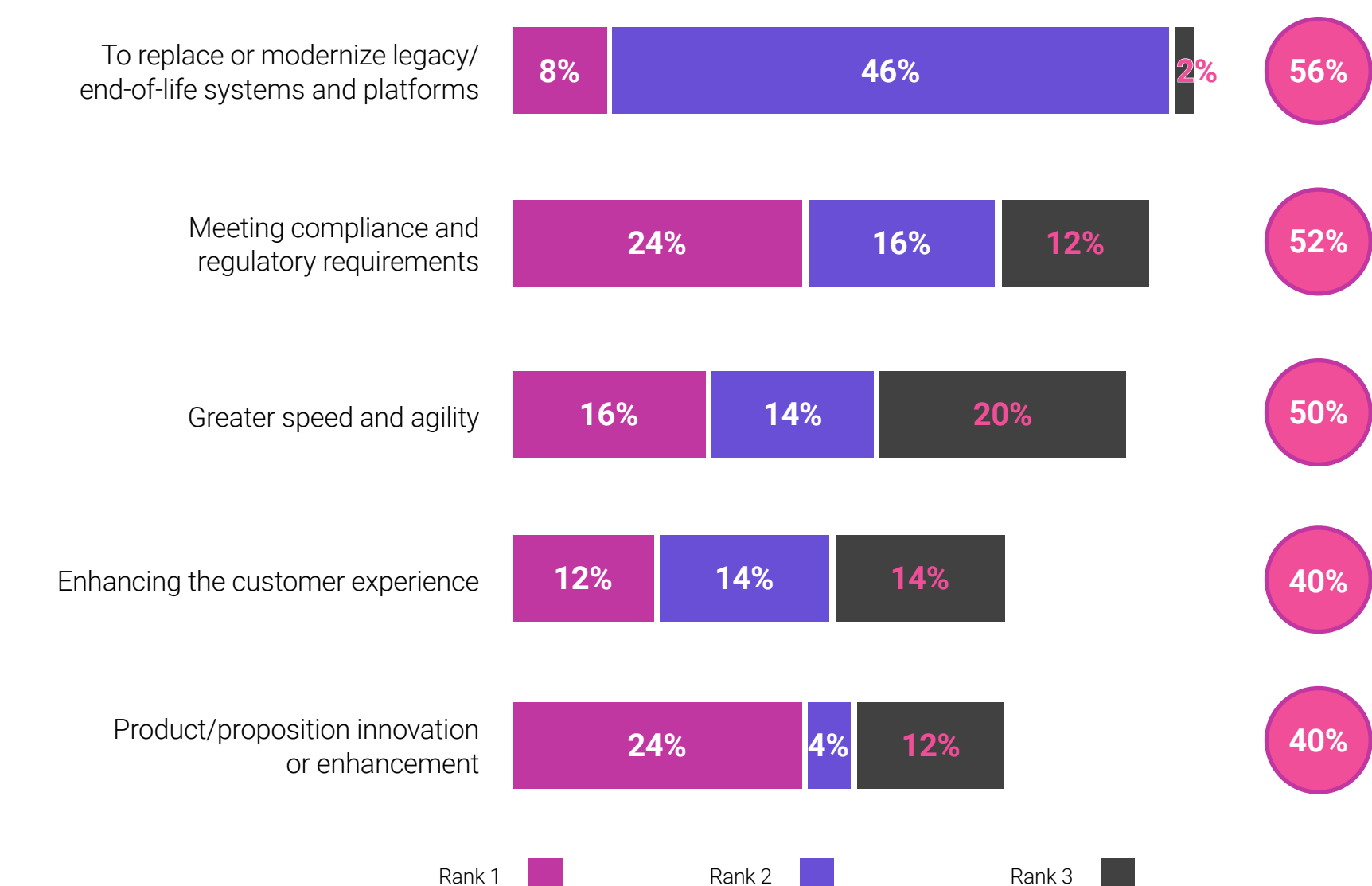
## What are your options for a post M&A banking core?

Having done due diligence into the other FI’s IT systems and partnerships, banks also need to decide how technology will support or integrate into their newco following M&A activity. There are three main options to choose from:

- Option 1:** Replace both cores with a brand new platform
- Option 2:** Keep both cores but connect them
- Option 3:** Replace one of the bank’s cores with the core of the other bank

**Option 3** is easier to achieve if one bank already has a **next-gen, cloud-based, open API platform** that can be extended to suit the new entity. It will enable the new bank to improve **customer experiences** without having to build applications from scratch. And it will let business leaders sleep easier at night knowing they don’t need to support their operations as they grow.

### Top drivers of IT strategy in 2023



Source: North American Retail Banking IT Priorities and Strategy in 2023, Celent

## What do you need to know before you undertake M&A activity?

- What are our **objectives** from merging with or acquiring another bank? Do we want to plug a skills gap, add scale with new customers, or leverage their propositions?
- What do we need to do in terms of **due diligence** when it comes to technology platforms and partnerships? Can this still be a deal breaker in M&As?
- Who** should be involved in the M&A project team?
- How do we **plan** for future **growth, agility and resilience** with the right banking systems core?
- Read **[In]organic growth in the community and regional banking sector**, our new whitepaper to find the answers to these questions and more.

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