

A TALE OF TWO MERGING BANKS WITH THE SAME PROCESSOR

paladin *fs*

SITUATION

In a financial acquisition, the California Bank of Commerce, a \$530 million asset organization running on Fiserv DNA, was purchasing Pan Pacific Bank, a \$147 million asset, West coast bank, running on Fiserv Premier. In an acquisition, there are three key pieces that have the capacity to affect cost: the early termination factor, the conversion factor, and the de-conversion factor. At the time of negotiations, the combined value of these elements added up to more than \$760K, and of that sum, Pan Pacific Bank was facing early termination fees upward of \$345 thousand, despite having less than 40 months remaining on their contract. The California Bank of Commerce hired Paladin fs (Paladin) to help ease their M&A woes at present and those that would arise along with future acquisitions, so that they wouldn't again fall into the same negative situation.

STRATEGY

Because the two banks merging were both Fiserv Banks, Paladin aimed to not only assist in the M&A negotiations, but to secure a new master contract between the California Bank of Commerce and Fiserv – and they wanted this updated contract to establish new M&A language that would benefit the aggressiveness of the bank. In the creation of the new master contract, Paladin was able to extend the agreement with Fiserv through July of 2023, but for this, they needed concessions on the acquisition costs at hand, and those that would arise with future acquisitions.

Firstly, Paladin was able to get Fiserv to acknowledge that it was ludicrous for two Fiserv banks to be charged such large sums of money for transitioning data between two systems from one provider. With this acknowledgement in hand, Paladin was able to work with Fiserv to secure price sheets and monetary de-conversion caps for banks facing similar situations in the future. In short, they were able to ensure reduced costs for Fiserv banks buying other Fiserv banks. In the new dictated package of M&A contract terms, Paladin protected the bank being purchased as well.

Paladin was able to leverage the new master agreement they had negotiated to help defray the cost of the acquisition, despite it already being penciled in. By focusing on creating win-win situations, and by leveraging the new contract coming on board, Paladin was able to successfully negotiate down the M&A fees by nearly half.

RESULTS

- **Extended agreement with Fiserv to 2023**
- **Reduced combined cost of early termination, conversion and de-conversion from \$760K to just over \$400K by using leverage of new contract coming on board**
- **Lowered the early termination fee to \$200K**
- **Established new M&A language and contract term package that:**
 - o **Secured price sheets and a tiered early termination system**
 - o **Secured de-conversion caps for Fiserv banks buying Fiserv banks**
 - o **Established language that protects the bank being purchased**
 - o **Established flex credits to offset early termination and conversion fees**