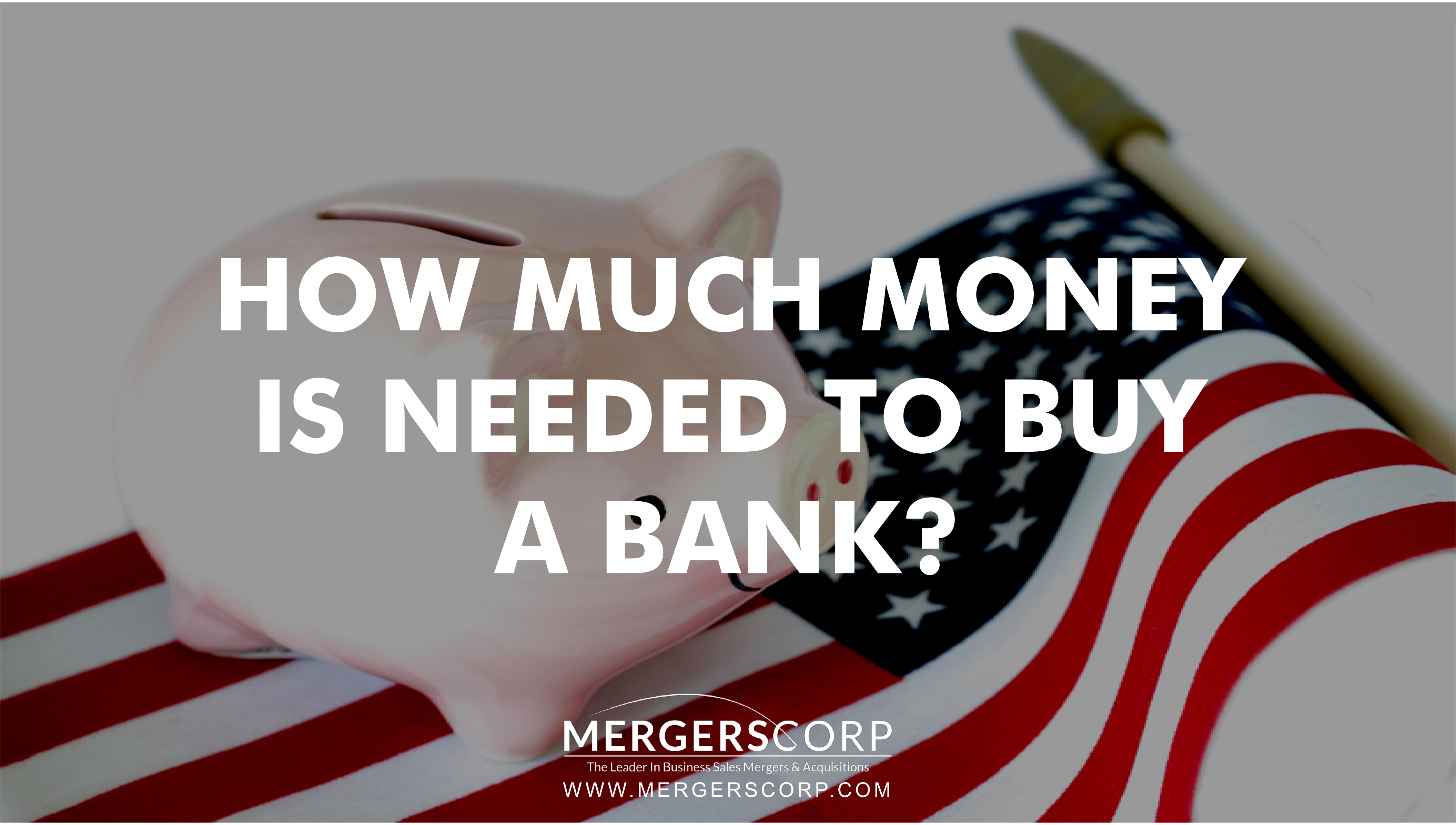
HOW MUCH MONEY
IS NEEDED TO BUY
A BANK?
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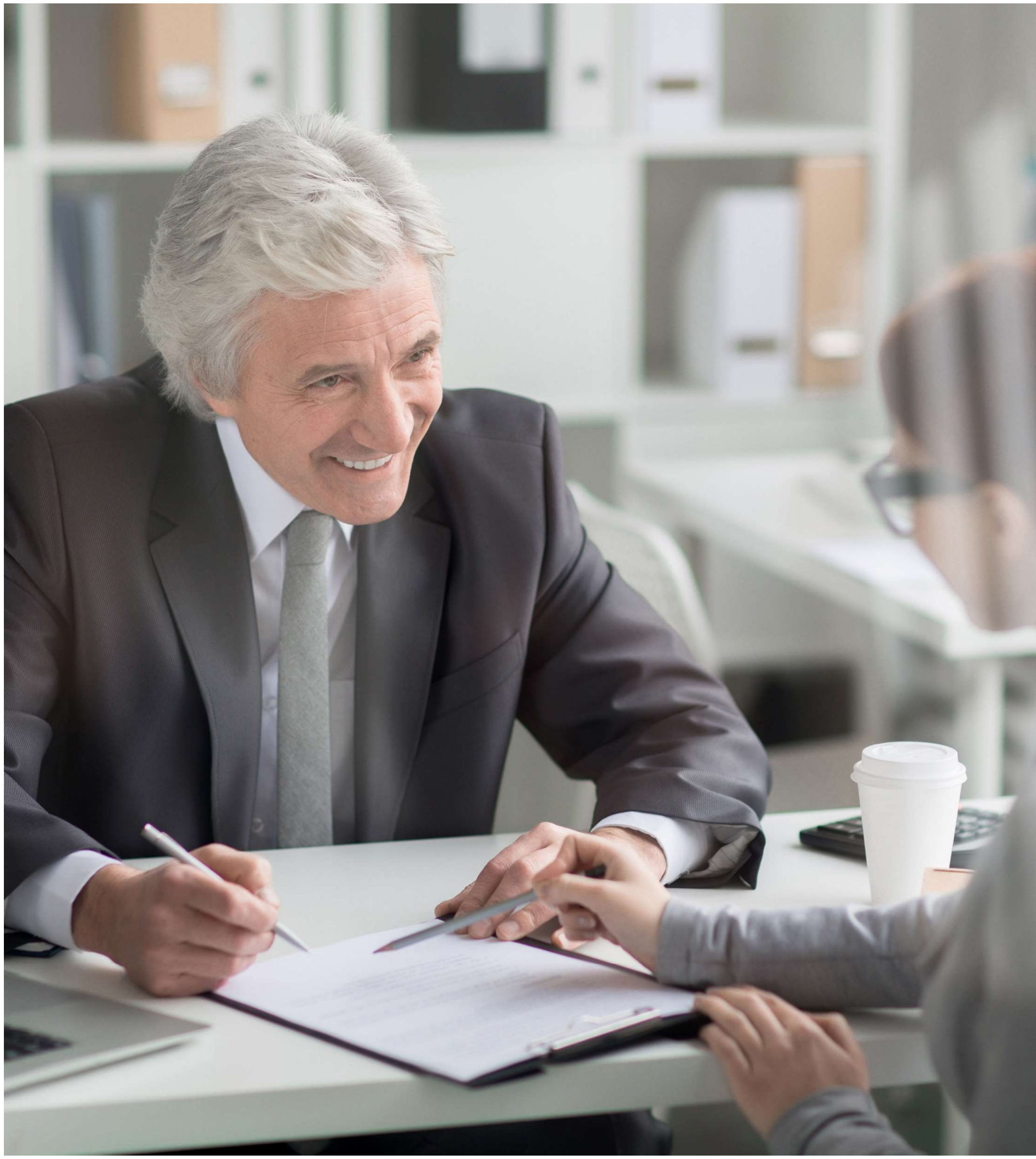
How much money is needed to buy a bank?

If you have been yearning to incorporate fresh ideas into the running of a banking organization, it is time to think of buying a bank. The acquisition process became easy, and the sector needs a serious fresh capital injection. Currently, the regulatory frameworks make it more convenient to buy an existing bank than to start a new banking institution. The rest of this post focuses on demystifying how much money is needed to buy a bank and the key processes involved.

The cost of purchasing a bank primarily depends on the overall assets together with liabilities of the bank you are buying and the profit ratios. The costs may vary substantially based on these and many other parameters in the banking industry. Typically, you will need to part with approximately $12 to $20 million when buying a bank. For those investing in the banking sector for the first time, the company you will hire to do due diligence may charge some fees for professional works.



You will also need to reach out to the regulatory agencies that monitor the banking industry to examine the status, compliance and history of the bank before you commence the buying talks. The money you need to buy a bank will also fluctuate when it has a significantly IT investment and other critical facilities that enhance or boost its banking operations.

If the financial institution has a huge asset base, you have to include their prices to the primary value and then subtract the liabilities in the time of valuation. The valuation exercise is more sophisticated than this approach, but it will give you valuable insights of the overall cost you are likely to incur.

Buying a bank remains an relatively intricate process, but you ought to have some good capital ready for a hassle-free acquisition. Many of the intermediaries you encounter will request you to deposit some money or issue proofs of funds to bid into bank buying transactions before you begin the sale negotiations.

The valuation

It is essential to perceive banks differently within the market as they operate differently too. There are always two critical approaches that assist you in valuing a bank: price to earnings and the other is price to tangible book value. Small banks are usually valued using tangible book values, while large financial institutions are valued depending on their earnings.

How to buy a bank?

Buying a bank may not be as simple as purchasing other companies. The regulations in the banking sector are strict, and the buying process needs the help of experienced attorneys, accounting, and strategic advisory team. The buying process may involve the steps below :

Locate a viable bank for sale

The first thing you need to do when purchasing a bank is to identify a financial institution willing to give its market share due to insolvency or distress. Federal Deposit Insurance Corporation (FDIC) makes it easy for prospective investors to buy a struggling bank before the regulator seizes it. If you find out that the bank struggles come as an exaggeration or its assets not properly valued, you may inject your cash to save it from a downturn.

Carry out due diligence

You will need to hire an experienced team of experts to assist you discover the ins and outs of the banks you need to buy.

The experts should help you to investigate the following :

• Audited financial statements for at least the last three years.

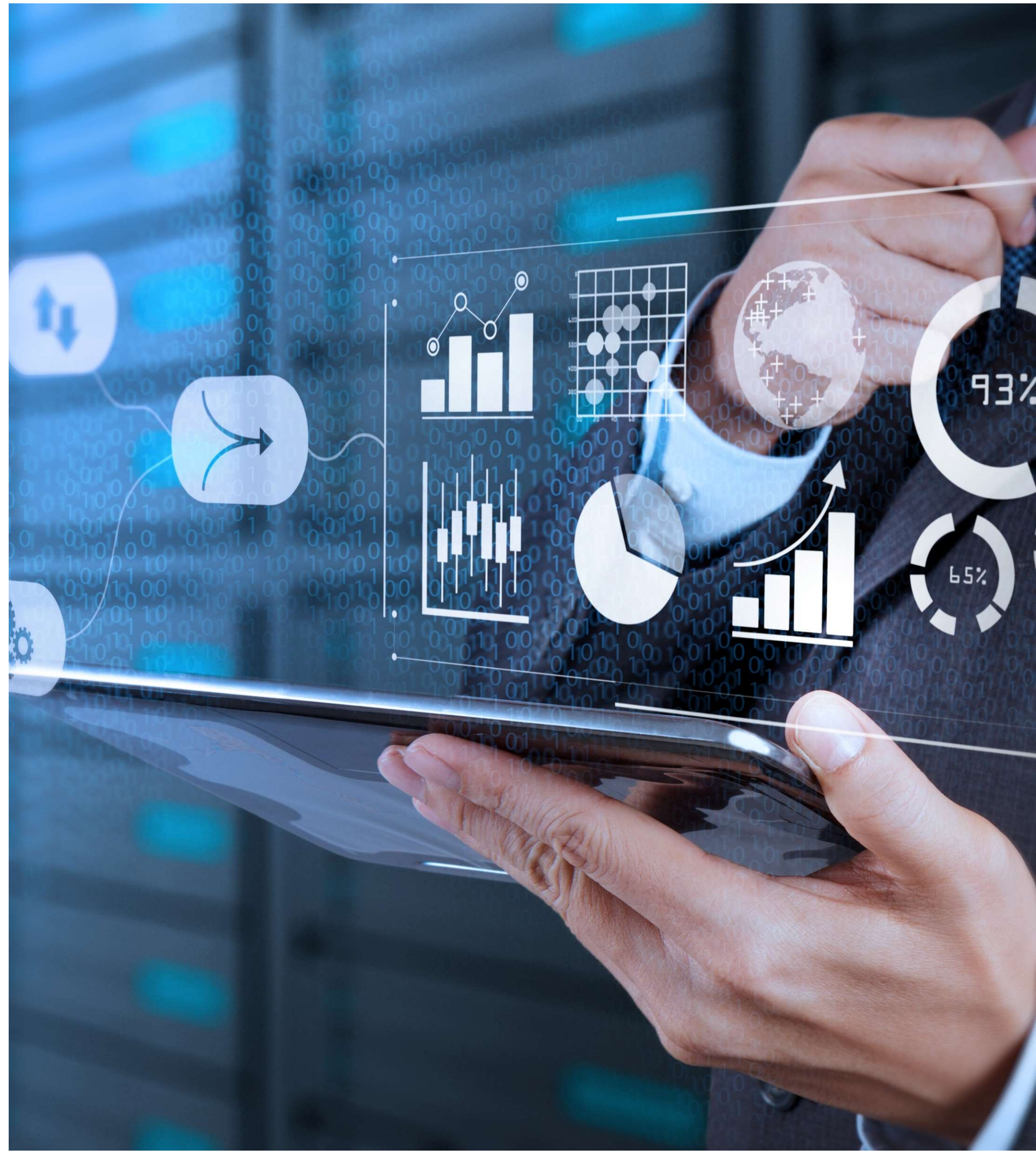
• Make sure they also examine the maturity, types, and terms of rates of all loans.

• The categories of deposits and breakdown of the rates

• The type of charters state, federal or national

• Description of the customers and lists of shareholders

• Carry out CAMEL analysis- Capital Management, Assets, Earnings, Sensitivity, and Liquidity in relation to market risks.



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Negotiate a definitive agreement

It is prudent to initiate talks with the board members of the bank you intend to buy for a reasonable price. With the help of your experts, you may proceed to draft a definitive binding sale agreement.

Seek approval from regulatory authorities

When you are finally sure that you are done with the due diligence and signing the relevant agreements with the bank, it is the time to visit the banking sector regulator for approval. You will get the approval once you adhere to all set regulation requirements.

Fund the acquisition

The last bit is of the entire bank buying process is paying the agreed cash. If you had provided a deposit for a bid, you only need to clear the balance. You should only release the cash if you are sure that each of the parties have met the terms stipulated in the agreement.If you are looking forward to purchasing and investing in a bank, visit mergerscorp.com for a worthwhile investment. Our experienced professionals at MergersCorp™ M&A International are always ready to help you buy and sell privately owned banks while addressing the interests of all parties involved for shared success and contentment.

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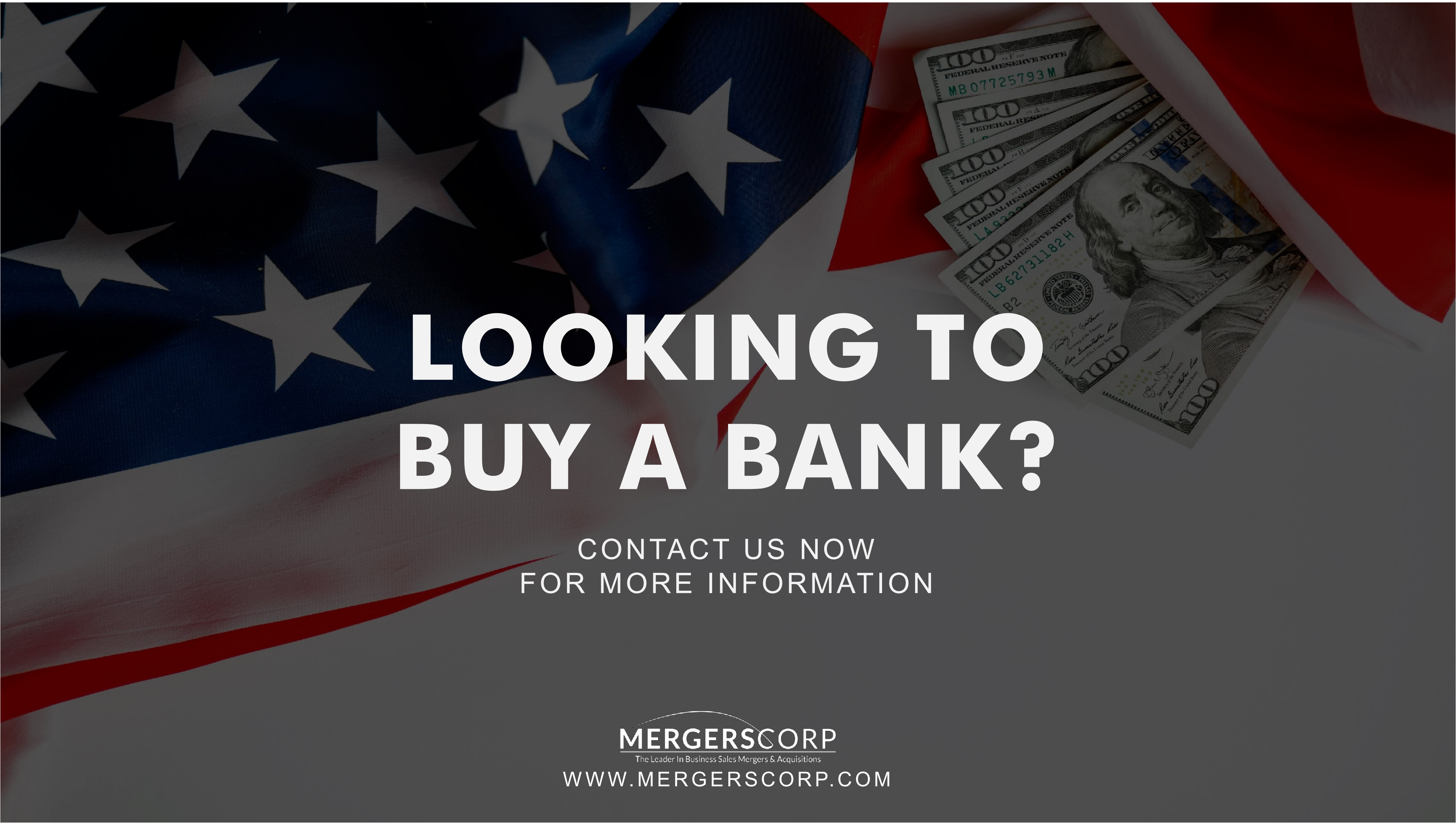
Our M&A Process

TARGET APPRAISAL	APPROACH	DUE DILIGENCE	NEGOTIATION & CLOSE	POST MERGER INTEGRATION (PMI)
Key Areas				
▪ Target & market analysis; ▪ Initial assessment of synergies & value drivers; ▪ Indicative valuation; ▪ Go or No-Go decision; ▪ Preparation of transaction documents (NDA – Non-disclosure Agreement/LOI-Letter of Intent); ▪ Select Transaction team; ▪ Appoint advisors; ▪ Consider funding ability.	▪ Initial approach letter; ▪ Signing of NDA; ▪ Prepare & share initial information requests; ▪ Formulation of LOI (Letter of Intent) & possible negotiations; ▪ Initial meeting and Q&A; ▪ Circulate information on the Target to the Transaction team.	▪ Set scope of due diligence; ▪ Set up VDR (virtual data room); ▪ Coordinating of due diligence, further meetings and Q&A sessions; ▪ Consider points relevant to the Post-Merger (PMI) phase;	▪ Revisit indicative valuation & prepare detailed valuation based on due diligence findings; ▪ SPA negotiations with the seller; ▪ Development of final structure (share/asset deal) and final valuation; ▪ Approvals; ▪ Signing of SPA & Close.	▪ Consider the extent of integration; ▪ Development of 100 Day PMI Plan; ▪ Consider short & long term objectives; ▪ Estimate requirements to capture synergies; ▪ Determine resource needs & optimal allocation.
Parties Involved				
▪ CFO; ▪ Head of M&A; ▪ Accountants; ▪ Corporate finance advisors; ▪ Consultants.	▪ Senior management; ▪ CEO, CFO, CTO; ▪ Strategy director; ▪ Head of M&A; ▪ Head of Business Development; ▪ Consultants.		▪ Company general counsel; ▪ Lawyers; ▪ Senior management.	▪ Company general counsel; ▪ Lawyers; ▪ Senior management/HR.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