

The background of the slide features a composite image. At the top left, a portion of the American flag is visible, showing the stars and stripes. Below the flag, a wooden gavel with a gold band is positioned diagonally. In the lower center, a stack of US dollar bills is fanned out, showing various denominations including \$100, \$50, and \$20 bills. The entire scene is set against a light-colored, textured wooden surface.

HOW MUCH IT COSTS TO BUY A BANK?

MERGERSCORP

The Leader In Business Sales Mergers & Acquisitions

WWW.MERGERSCORP.COM



At MergersCorp M&A International we help our clients confidentially buy and sell privately held businesses, aligning the interests of all parties for mutual success and satisfaction.

It is our goal to make the process of either buying a new business or selling your current business as smooth and efficient as possible. We know how important confidentiality is to our sellers and we treat it with the utmost importance.



WWW.MERGERSCORP.COM

HOW MUCH IT COSTS TO BUY A BANK?



WWW.MERGERSCORP.COM

How Much It Costs To Buy A Bank?

So you have decided to start or buy your own bank whether as an individual, group, or partnership? Well, banks play a very crucial role in the financial market and the economy at large.

One of the purposes for which banks exist is to create a link between depositors and borrowers through what is generally known as financial intermediation. Perhaps banks are some of the top profit earners around the world if their financial reports are anything to go by.

Therefore, you have finally made a choice that will help you share the national cake of supernormal profits that banks are currently enjoying. But there's more to starting a bank than just having a perfect idea.

This article has all the basic requirements, especially the cost aspect that is usually the most mind-sucking factor that gets many people off the line when it comes to creating a formidable and profitable bank.



Have a Good Plan

Before you go into the whole idea of the cost of starting or buying an already existing bank, it is imperative to develop a business plan, which is an essential tool for any entrepreneur looking to venture into the business world. A good plan will help you figure out the market dynamics and assist you discover the unknowns. You will be able to discover who your target customers are, the best pricing model, a business name that appeals to the clients, and the cost of starting and operating the bank among other aspects.

How Much Does It Cost to Buy a Bank?

The cost of starting a bank can be significant, considering that the banking industry is the most demanding, sensitive and most regulated around the world, and particularly in the U.S. generally, banks are required to have between \$12-20 million as a starting capital and you could raise the money locally if your intention is to have a bank for sale. Otherwise, you might be required to source the funds from investors. Once the money is available, you can now apply to start a bank through the regulatory agencies. The process of vetting applications is one that is very strict following the financial crisis.



What are the Running or Operating Costs for a Bank?

There's no one-fit-it all answer to this question. The amount of expenses varies depending on a number of factors. Generally, however, expenses may range between 15-20 percent of non-interest expenses. The median branch expense across the country is approximately \$400,000, but it may vary depending on the financial strength, the economies of scale a bank may enjoy, and the extent of the portfolio it holds.

How Do Banks Make Money?

Ordinarily, banks make their profits primarily by taking money from depositors and lending it out to private individuals, businesses, and government agencies. The primary cost of many banks is the infrastructure, including the labor cost and the cost of buildings. However, banks also invest their incomes in such a way that they earn more than the interest they pay on deposits by ensuring a desirable interest "spread." Other ways banks make money is through their normal business operations such as charging fees on withdrawals, opening savings or checking accounts, through money market accounts, and bank certificates of deposits.



How Can You Ensure Your Banking Business Makes More Profits?

The average profits earned can range somewhere between 10-25% net profit while the return on equity may range between 7% and 10%. However, stronger banks with a more robust system and expansive ATM network can wreck in more profits. Some have chosen to venture into real estate business, insurance, retirement accounts, and the stock market, hence have cast their nets wider in order to get more. The trick is to diversify your operations so as to spread the risks and earn more where possible. Now that you know what it takes to run a bank and the potential profits you can make, it is time to consult your financial advisors for more information before you set up a bank that will help you earn good profits. Remember, buying a bank is one of the most sophisticated processes that an individual or organization can undertake, so you want to have reliable and reputable experts who understand the intrigues and the soft tissue aspects around how to buy a bank.

If you are looking to buy and invest in a bank, contact mergerscorp.com. At MergersCorp M&A International we are committed to helping our clients to invest in private or community-owned banks with high chances of success.



Our M&A Process

TARGET APPRAISAL	APPROACH	DUE DILIGENCE	NEGOTIATION & CLOSE	POST MERGER INTEGRATION (PMI)
Key Areas				
<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> 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; 	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> 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				
<ul style="list-style-type: none"> CFO; Head of M&A; Accountants; Corporate finance advisors; Consultants. 	<ul style="list-style-type: none"> Senior management; CEO, CFO, CTO; Strategy director; Head of M&A; Head of Business Development; Consultants. 		<ul style="list-style-type: none"> Company general counsel; Lawyers; Senior management. 	<ul style="list-style-type: none"> Company general counsel; Lawyers; Senior management/HR.

The background of the advertisement features a close-up of the American flag on the left, with its stars and stripes clearly visible. On the right side, there is a stack of US dollar bills, including several \$100 bills, which are slightly fanned out. The entire image has a dark, semi-transparent overlay that serves as a backdrop for the white text.

LOOKING TO BUY A BANK?

CONTACT US NOW
FOR MORE INFORMATION

MERGERSCORP
The Leader In Business Sales Mergers & Acquisitions
WWW.MERGERSCORP.COM

MergersCorp.com

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

Member firms of the MergersCorp network of independent firms are affiliated with MergersCorp International. MergersCorp International provides no client services. No member firm has any authority to obligate or bind MergersCorp International or any other member firm vis-à-vis third parties, nor does MergersCorp International have any such authority to obligate or bind any member firm.

Copyright © 2020 MergersCorp International. All rights reserved.

