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Hanover Bancorp, Inc. to Further Expansion into NYC through Merger with Chinatown Federal Savings Bank

- **Enhanced market presence and strong funding growth opportunities expected**
- **Highly accretive to EPS with a short tangible book value dilution earn back period**
- **Compelling value creation for all shareholders via increased scale and strong strategic fit**

MINEOLA, NY – September 20, 2018 (GLOBE NEWSWIRE) – Hanover Bancorp, Inc. (“Hanover” or “the Company”), parent company of Hanover Community Bank, and Chinatown Federal Savings Bank (“CFSB”) are pleased to jointly announce that Hanover and CFSB have entered into a definitive agreement pursuant to which Chinatown Federal Savings Bank will merge into Hanover Community Bank in a stock and cash transaction valued at approximately \$28.8 million, inclusive of a distribution by CFSB to its shareholders. Hanover will provide merger consideration to CFSB of \$13.6 million, payable 70% in cash and 30% in Hanover common stock. In addition to the \$13.6 million consideration to be paid by Hanover, given CFSB’s substantial capital position, CFSB will pay a cash distribution to its shareholders of approximately \$15.2 million in connection with the closing of the merger.

Chinatown Federal Savings Bank, established in 1984, is a nationally chartered and minority owned community savings bank that maintains three branches, two in Manhattan and one in Sunset Park, Brooklyn. CFSB had total assets of \$132 million, total gross loans of \$89 million, and total deposits of \$100 million as of June 30, 2018.

CFSB’s deposit rich franchise is complementary with Hanover’s existing loan growth strategy in the boroughs of New York City. The combination is strategically compelling with CFSB’s loan-to-deposit ratio of approximately 89% and noninterest-bearing deposit mix of 14% (both as of June 30, 2018) complementing Hanover’s strong financial profile and high-growth track record.

Key Transaction Highlights:

- Meaningfully expedites organic growth plans in New York City, supplementing Hanover’s existing branch in Forest Hills, Queens and its new branch in Flushing, Queens, which is expected to open in early 2019
- Complements Hanover’s residential and commercial lending efforts in the boroughs, specifically, its niche financing programs for the Asian community
- Creates opportunity to leverage Hanover’s operating model, technology investments and mobile banking platform to further drive customer growth and efficiencies

- Financially compelling
 - **EPS accretive:** Approximately 12% accretive to Hanover's earnings per share (on a fully phased in basis)
 - **Minimal tangible book value dilution:** Approximately 3% dilutive at closing
 - **Short earn back period:** Earn back of tangible book value dilution projected to be approximately 2.2 years using the cross-over method
 - **Strong internal rate of return:** Projected to be over 20%
 - Results in strong pro forma capital ratios to support future growth
- The pro forma combined company will have total assets of approximately \$719 million, deposits of \$523 million, and loans of \$618 million (as of June 30, 2018)

Transaction Details:

Under the terms of the agreement CFSB will merge with and into Hanover Community Bank and each outstanding share of CFSB common stock will be exchanged for cash consideration and Hanover common stock.

The transaction has been unanimously approved by the Boards of Directors of both companies. In addition, the Board members of CFSB, owning 69% of the CFSB's outstanding voting stock, have executed voting agreements in favor of the transaction. The transaction is expected to be completed in the first quarter of 2019, subject to regulatory approvals and other customary closing conditions.

"We are very pleased to announce this transaction with Chinatown Federal Savings Bank, which enables us to further expand the Hanover franchise in the New York City market and better serve the Asian-American community," said Michael Puorro, Hanover's Chairman, President and CEO. "With our existing branch in Forest Hills, our new branch in Flushing and our niche residential lending products, we already have a presence in the Asian-American community in New York City. This transaction will significantly enhance our ability to service those customers and will allow us to further grow the foundation set by CFSB's branches in Manhattan and in Sunset Park. We believe there is compelling strategic and financial rationale and significant potential value creation for our shareholders, given the anticipated acceleration in both our balance sheet growth levels and profitability metrics through this transaction. The combined company will be ideally positioned to fill the void of community banks operating in the NYC metro market."

"Hanover is an excellent cultural fit with Chinatown Federal Savings Bank, as we have complementary business models and a focus on the Chinese-American market. We believe the expanded depth of financial products and services that will be available to our customers and the opportunity for both our employees and shareholders to be part of a high growth, high performing company provides significant value for all of our stakeholders," said David Cheng, Chairman of Chinatown Federal Savings Bank. "We look forward to being part of the Hanover organization and look forward to introducing our customers to Hanover's well-regarded management team. The additional capital and expertise Hanover brings to the table will not only enhance our current customers' banking experience, but will enable the combined entity to further grow in the New York City Chinatown market."

Keefe, Bruyette & Woods, Inc., a Stifel Company, served as financial advisor to Hanover and Windels Marx Lane & Mittendorf served as its legal counsel. Sheshunoff & Co. Investment Banking served as financial advisor to CFSB and McCarter & English, LLP, served as its legal counsel.