

McGraw Hill Federal Credit Union has agreed to merge with Pentagon Federal Credit Union

Deal Value: Undisclosed

Sandler O'Neill served as financial advisor to McGraw Hill Federal Credit Union in the transaction. Overall, this represents Sandler O'Neill's 295th financial services transaction nationwide since January 1, 2015, more than any other investment bank during that time period.¹

East Windsor, NJ – Members of McGraw Hill Federal Credit Union ("McGraw Hill") have voted in favor of a strategic merger partnership with Pentagon Federal Credit Union ("PenFed"), a \$24.5 billion credit union based in McLean, Virginia.

This proposed partnership will merge two independently successful, strong and well-capitalized credit unions and help PenFed bolster its footprint in New York and New Jersey. PenFed will continue to operate McGraw Hill's two locations in East Windsor, NJ and 55 Water Street in New York, NY. PenFed plans to add an additional Manhattan branch in the summer of 2019.

Upon the completion of the merger, the members of McGraw Hill will become members of PenFed and they will be able to take advantage of the credit union's broad range of products and services. The combined organization will serve 1.8 million members worldwide.

In a letter to McGraw Hill's members, Board Chair Mary Herzich explained that, with member value in mind, after careful consideration, the credit union believed the membership is best served by a merger with PenFed. Ms. Herzich stated, "In evaluating strategic alternatives, we determined a merger with a credit union of larger scope, scale and similar culture and commitment to member value is the answer."

"McGraw Hill Federal Credit Union has been privileged to serve its membership and community since 1935 and is excited about the new opportunities and enhanced member value this merger with PenFed is going to bring our members," said Michael Sullivan, President and CEO of McGraw Hill Federal Credit Union. "In addition, PenFed is committed to responsible growth, products and services that reflect our member's needs and making investments in the business through scalable operating systems, top-of-the-line cybersecurity infrastructure, employee training and advancements, and continued charitable support within our community."

The merger is scheduled to close on May 1, 2019.

Financial Highlights

<i>(Dollars in thousands)</i>	<u>PenFed</u>	<u>McGraw Hill</u>
Total Assets	\$24,484,751	\$425,772
Total Loans & Leases	\$19,987,246	\$346,388
Total Shares & Deposits	\$18,882,586	\$356,090
Net Worth	\$2,525,936	\$44,149
Capital / Assets	10.64%	10.52%

(1) Includes majority and minority transactions; Excludes terminated transactions and self-advisory roles

Note: Financial data as of December 31, 2018

Source: S&P Global Market Intelligence, Press release



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