

Marva V. Cummings
Director for District Licensing
Office of the Comptroller of the Currency
Northeastern District Licensing Division 340
340 Madison Avenue, Fifth Floor
New York, NY 10173-0002

RE: Application filed by First National Bank of Pennsylvania (Pittsburgh, PA) to acquire
Union Bank (Greenville, NC), Control Number: 2022-NE-Combination-327519

August 4, 2022

Dear Director Cummings,

The Pittsburgh Community Reinvestment Group (PCRG), and our 60 member organizations representing communities throughout Western Pennsylvania, are pleased to provide this letter in support of the First National Bank of Pennsylvania's (FNB, OCC Charter no. 249) proposed acquisition of Union Bank, based in Greenville, North Carolina (FDIC Charter No. 34934). As of March 31, 2022, Union Bank has approximately \$1.17 billion in total assets, \$1.05 billion in total deposits, and \$668 million in total loans and leases. Union Bank operates 15 full-service banking offices across the state of North Carolina, primarily in the Raleigh-Cary and Durham-Chapel Hill metropolitan statistical areas (MSAs), as well as in other smaller MSAs, and rural non-MSA North Carolina, according to the FDIC's most recently released Summary of Deposit data from June 30, 2021.

This merger will continue to aid FNB's growth in the region, which has steadily progressed throughout the Mid-Atlantic and Southeastern United States, including North Carolina, through the previous purchase of Yadkin Bank in 2016. FNB currently operates over 80 full-service bank offices in North Carolina, representing 33 counties and about 14.3% of FNB's total deposit share. Following the approval of the proposed acquisition, FNB will have approximately \$43.2 billion in total assets, \$35.3 billion in total deposits, and \$27.7 billion in total loans and leases.

Background on PCRG

PCRG is a coalition of community leaders and organizations working for equitable and sustainable investment practices to revitalize low- and moderate-income (LMI) communities throughout Western Pennsylvania. As an organization, we routinely publish a mortgage lending study analyzing residential mortgage lending in Allegheny County and the Pittsburgh MSA, with a particular focus on the banks with physical presences in the region. We identify trends in lending patterns, with a specific focus on LMI lending to borrowers and census tracts, as well as in substantially minority-neighborhoods. These

studies provide a reference point for bank-to-bank lending comparisons in total and by individual tracts or municipalities. Additionally, they identify macro-level trends in the retail lending market of bank, credit union, and non-depository lenders with HDMA reporting requirements.

For the following analysis, PCRG is comparing the lending of FNB to that of all banks with a physical presence in Allegheny County as of June 30, 2021. The source of the data is the raw Home Mortgage Disclosure Act (HMDA) data provided by the Federal Financial Institutions Examination Council (FFIEC) through the Consumer Financial Protection Bureau's (CFPB) HMDA data site. Specifically, this analysis is looking at owner-occupied, site-built, 1–4-unit housing, primary originations from 2012 to 2021.

First National Bank Mortgage Lending

PCRG continues to monitor the home mortgage, small business, and community development lending, in addition to the CRA performance of all banks with a physical presence in Allegheny County. This includes FNB, which has been a stalwart performer in the Pittsburgh lending space over the last decade.

Home Mortgage Lending

- Over the last decade, FNB has originated 13,119 loans, the 4th most loans in Allegheny County out of its peer banks physically represented in the area. FNB achieved this while maintaining an origination rate of 69.9%, making one of the highest rates for banks of its size and about 5% greater than the market average.
- FNB has originated 2,932 loans to LMI applicants, the 4th most loans to LMI applicants in Allegheny County, representing about 22% of their total originations, and have an above market average origination rate.
- FNB has originated 1,662 loans to LMI tracts, the 4th most loans to LMI tracts in Allegheny County, representing about 13% of their total originations, and have an above market average origination rate. In their most recent CRA examination, the OCC noted that they exceeded the aggregated distribution of lending in low-income tracts and moderate-income tracts.
- FNB has originated 237 loans to Black applicants, the 6th most loans to Black applicants in Allegheny County. This represents less than 2% of their total originations in that period and came with below average origination rates and above average rates of denial.
- FNB's share of originations to LMI applicants, LMI census tracts, and Black applicants stayed relatively consistent over the decade, before declining mildly in during the COVID-19 pandemic.

Small Business Lending

The small business lending data from 2018 to 2020 shows FNB originating 7,002 loans for \$747.5 million, with 62.8% of those loans going to businesses with less than \$1 million in annual revenue in the Pittsburgh MSA. In this period, FNB was slightly below the market aggregate in lending to low-income

tract based small businesses, while at market aggregate in lending to moderate-income tract based small businesses. Additionally, FNB made 290 CRA qualified SBA loans totaling \$39.7 million through participation in the Paycheck Protection Program (PPP). 11 of those PPP loans, totaling \$17.5 million, were to businesses in LMI census tracts.

Community Development Lending

As of June 30, 2022, FNB had \$3.4 billion in tier 1 capital. In their last CRA examination, the OCC stated that FNB originated 231 CD investments and grants, totaling \$66.8 million or 8.1% of allocated tier 1 capital (\$2.8 billion at the end of December 2020) in the Pittsburgh region. This included two, \$12 million LIHTC investments in affordable housing. These trends continued in the Charlotte MSA, and across the state of North Carolina where FNB received a high satisfactory rating in both geographies respectively in the investment test.

CRA Performance

In their August 2021 CRA performance evaluation, FNB received an Outstanding rating overall, scoring outstanding on lending, and high satisfactory on both the investment and service tests. This represents an overall improvement from their previous exam where they received a Satisfactory score overall, and a low satisfactory in the service test. PCRG has been encouraged by their increased performance in Pennsylvania as a whole, and the Pittsburgh MSA, where FNB received an Outstanding overall in both respectively.

While there is minor concern for FNB's low satisfactory service test ratings in Maryland and Ohio, and needs-to-improve in South Carolina – PCRG is overall pleased that FNB maintains strong ratings in their largest assessment areas. We have no reason to believe that the acquisition of Union Bank will not hinder any progress made by FNB in the CRA in total, nor in North Carolina where they remain high satisfactory in each test.

Summary

PCRG strongly values FNB as a banking partner and as a performer in the Pittsburgh MSA. We believe that FNB's acquisition of Union Bank will be a net positive for the Pittsburgh region, FNB's current North Carolina portfolio, and within the Union Bank footprint of North Carolina. Due to their greater size and scale, FNB will be able to leverage more sophisticated analytical tools, systems, and processes to provide a more granular response to the LMI communities with Union Banks footprint. Additional community development related staff, and mortgage products and services will allow FNB to provide greater capacity to these communities beyond the capabilities of a smaller bank.

PCRG is pleased to see FNB's commitment to expand their CRA-related products, such as the FNB Homeownership Program and the FNB Rehabilitation Program, in addition to other small business products, BankOn certified checking accounts, and financial literacy program across their new footprint. We expect FNB to maintain their commitments previously held with PCRG as a part of this acquisition.

With that in mind, PCRG strongly supports FNB's acquisition of Union Bank's 15 branch locations in North Carolina.

Respectfully,

Ernest Hogan
Executive Director
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