S&T BANCORP INC
Form 10-Q
May 10, 2012
Table of Contents

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2012

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from To

Commission file number 0-12508

S&T BANCORP, INC.

(Exact name of registrant as specified in its charter)

Pennsylvania	**25-1434426**
(State or other jurisdiction of incorporation or organization)	**(IRS Employer Identification No.)**
800 Philadelphia Street, Indiana, PA	**15701**
(Address of principal executive offices)	**(zip code)**

800-325-2265

(Registrant s telephone number, including area code)

Not Applicable

(Former name, former address, and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definition of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer	¨	Accelerated filer	x
Non-accelerated filer	¨ (Do not check if a smaller reporting company)	Smaller reporting company	¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practical date.

Common Stock, $2.50 Par Value - 28,913,220 shares as of April 30, 2012

Table of Contents

INDEX

S&T BANCORP, INC. AND SUBSIDIARIES

Table of Contents

S&T BANCORP, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(in thousands, except share and per share data)	March 31, 2012 (Unaudited)	December 31, 2011 (Audited)
ASSETS		
Cash and due from banks, including interest-bearing deposits of $332,852 and $208,854 at March 31, 2012 and December 31, 2011, respectively	$ 386,640	$ 270,526
Securities available-for-sale, at fair value	364,056	357,596
Loans held for sale	3,663	2,850
Portfolio loans, net of unearned income of $542 and $715 at March 31, 2012 and December 31, 2011, respectively	3,197,780	3,129,759
Allowance for loan losses	(47,827)	(48,841)
Portfolio loans, net	3,149,953	3,080,918
Bank owned life insurance	60,287	56,755
Premises and equipment, net	39,979	37,755
Federal Home Loan Bank stock, at cost	18,778	18,216
Goodwill	171,395	165,273
Other intangibles, net	6,202	5,728
Other assets	130,022	124,377
Total Assets	**$ 4,330,975**	**$ 4,119,994**
LIABILITIES		
Deposits:		
Noninterest-bearing demand	$ 860,108	$ 818,686
Interest-bearing demand	306,400	283,611
Money market	291,245	278,092
Savings	882,675	802,942
Certificates of deposit	1,181,927	1,152,528
Total Deposits	**3,522,355**	**3,335,859**
Securities sold under repurchase agreements	40,638	30,370
Short-term borrowings	75,000	75,000
Long-term borrowings	31,426	31,874
Junior subordinated debt securities	90,619	90,619
Other liabilities	66,519	65,746
Total Liabilities	**3,826,557**	**3,629,468**
SHAREHOLDERS EQUITY		
Common stock ($2.50 par value) Authorized 50,000,000 shares Issued 30,387,313 shares at March 31, 2012 and 29,714,038 shares at December 31, 2011 Outstanding 28,873,043 shares at March 31, 2012 and 28,131,249 shares at December 31, 2011	75,968	74,285
Additional paid-in capital	65,116	52,637
Retained earnings	419,263	421,468

Accumulated other comprehensive loss	(14,086)	(14,108)
Treasury stock (1,514,270 shares and 1,582,789 shares at March 31, 2012 and December 31, 2011, respectively, at cost)	(41,843)	(43,756)
Total Shareholders Equity	**504,418**	**490,526**
Total Liabilities and Shareholders Equity	**$ 4,330,975**	**$ 4,119,994**

See Notes to Consolidated Financial Statements

3

Table of Contents

S&T BANCORP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

	Three Months Ended March 31,	
(in thousands, except per share data)	**2012**	**2011**
INTEREST INCOME		
Loans, including fees	$ 36,337	$ 39,649
Investment Securities:		
Taxable	1,944	1,843
Tax-exempt	753	598
Dividends	106	102
Total Interest Income	**39,140**	**42,192**
INTEREST EXPENSE		
Deposits	4,751	6,062
Borrowings and junior subordinated debt securities	1,068	1,258
Total Interest Expense	**5,819**	**7,320**
NET INTEREST INCOME	**33,321**	**34,872**
Provision for loan losses	9,272	10,640
Net Interest Income After Provision for Loan Losses	**24,049**	**24,232**
NONINTEREST INCOME		
Securities gains, net	840	13
Debit and credit card fees	2,667	2,645
Wealth management fees	2,419	2,050
Service charges on deposit accounts	2,408	2,285
Insurance fees	2,212	2,132
Mortgage banking	671	625
Other	1,852	1,276
Total Noninterest Income	**13,069**	**11,026**
NONINTEREST EXPENSE		
Salaries and employee benefits	16,472	13,320
Data processing	3,240	1,504
Professional services and legal	1,900	1,588
Net occupancy	1,784	1,857
Furniture and equipment	1,238	1,177
Joint venture amortization	894	740
Other taxes	774	902

Marketing	742	601
FDIC assessment	608	1,226
Other	5,131	4,534
Total Noninterest Expense	**32,783**	**27,449**
Income Before Taxes	**4,335**	**7,809**
Provision for income taxes	855	1,514
Net Income	**3,480**	**6,295**
Preferred stock dividends and discount amortization		1,555
Net Income Available to Common Shareholders	**$ 3,480**	**$ 4,740**
Earnings per common share basic	$ 0.12	$ 0.17
Earnings per common share diluted	0.12	0.17
Dividends declared per common share	0.15	0.15
Comprehensive Income	**$ 3,502**	**$ 6,240**

See Notes to Consolidated Financial Statements

Table of Contents

S&T BANCORP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY

(Unaudited)

(in thousands, except share and per share data)	Comprehensive Income	Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total
Balance at January 1, 2011		**$ 106,137**	**$ 74,285**	**$ 51,570**	**$ 401,734**	**$ (6,334)**	**$ (48,727)**	**$ 578,665**
Net income for three months ended March 31, 2011	$ 6,295				6,295			6,295
Other Comprehensive Income, Net of Tax								
Change in unrealized gains on securities available for sale, net of tax of $98	(183)					(183)		(183)
Reclassification adjustment for net gains/losses on securities available-for-sale included in net income, net of tax of $5	(8)					(8)		(8)
Adjustment to funded status of employee benefit plans, net of tax of $73	136					136		136
Total Comprehensive Income	**$ 6,240**							
Preferred stock dividends and discount amortization		196			(1,555)			(1,359)
Cash dividends declared ($0.15 per share)					(4,193)			(4,193)
Treasury stock issued (83,605 shares)					(1,780)		2,312	532
Recognition of restricted stock compensation expense				267				267
Forfeitures of restricted stock (1,537 shares)							(37)	(37)
Balance at March 31, 2011		**$ 106,333**	**$ 74,285**	**$ 51,837**	**$ 400,501**	**$ (6,389)**	**$ (46,452)**	**$ 580,115**
Balance at January 1, 2012		**$**	**$ 74,285**	**$ 52,637**	**$ 421,468**	**$ (14,108)**	**$ (43,756)**	**$ 490,526**
Net income for three months ended March 31, 2012	$ 3,480				3,480			3,480
Other Comprehensive Income, Net of Tax								
Change in unrealized gains on securities available-for-sale, net of tax of $120	223					223		223
Reclassification adjustment for net gains on securities available-for-sale included in net income, net of tax of $307	(570)					(570)		(570)
Adjustment to funded status of employee benefit plans, net of tax of $199	369					369		369
Total Comprehensive Income	**$ 3,502**							
Cash dividends declared ($0.15 per share)					(4,220)			(4,220)
Common stock issued in acquisition (673,275 shares)			1,683	12,430				14,113
Treasury stock issued (70,999 shares)					(1,465)		1,962	497

Recognition of restricted stock compensation expense			74				74
Tax expense from stock-based compensation			(25)				(25)
Forfeitures of restricted stock (2,480 shares)						(49)	(49)
Balance at March 31, 2012	**$**	**$ 75,968**	**$ 65,116**	**$ 419,263**	**$ (14,086)**	**$ (41,843)**	**$ 504,418**

See Notes to Consolidated Financial Statements

Table of Contents

S&T BANCORP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(in thousands)	**Three Months Ended March 31, 2012**	**2011**
OPERATING ACTIVITIES		
Net income	$ 3,480	$ 6,295
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	9,272	10,640
Provision for unfunded loan commitments	252	265
Depreciation and amortization	1,507	1,465
Net amortization of discounts and premiums	457	318
Stock-based compensation expense	108	181
Securities gains, net	(840)	(13)
Deferred income taxes	646	(2,042)
Tax expense from stock-based compensation	25	
Mortgage loans originated for sale	(19,019)	(23,109)
Proceeds from the sale of loans	18,468	29,510
Gain on the sale of loans, net	(263)	(369)
Net decrease (increase) in interest receivable	637	(54)
Net (decrease) increase in interest payable	(65)	160
Net decrease in other assets	2,408	753
Net decrease in other liabilities	(852)	(11,442)
Net Cash Provided by Operating Activities	**16,221**	**12,558**
INVESTING ACTIVITIES		
Purchases of securities available-for-sale	(12,168)	(56,127)
Proceeds from maturities, prepayments and calls of securities available-for-sale	19,211	13,065
Proceeds from sales of securities available-for-sale	58,242	70
Proceeds from the redemption of Federal Home Loan Bank stock	911	
Net decrease in loans	50,569	50,965
Purchases of premises and equipment	(919)	(613)
Proceeds from the sale of premises and equipment	7	253
Payment for purchase of Mainline, net of acquired cash	4,517	
Net Cash Provided by Investing Activities	**120,370**	**7,613**
FINANCING ACTIVITIES		
Net increase in core deposits	48,639	6,991
Net decrease in certificates of deposit	(68,141)	(18,708)
Net increase (decrease) in securities sold under repurchase agreements and federal funds purchased	10,268	(2,384)
Repayments of long-term borrowings	(7,446)	(391)
Purchase of treasury shares	(49)	
Sale of treasury shares	497	532
Preferred stock dividends		(1,359)
Cash dividends paid to common shareholders	(4,220)	(4,193)
Tax (expense) benefit from stock-based compensation	(25)	
Net Cash Used in Financing Activities	**(20,477)**	**(19,512)**

Net increase in cash and cash equivalents		116,114		659
Cash and cash equivalents at beginning of period		270,526		108,196
Cash and Cash Equivalents at End of Period	**$**	**386,640**	**$**	**108,855**
Supplemental Disclosures				
Interest paid	$	5,885	$	7,159
Income taxes paid [(1)]				
Net assets acquired from Mainline, excluding cash and cash equivalents		3,846		
Transfers to other real estate owned and other repossessed assets	$	264	$	2,677

[(1)] *There were no taxes paid during either of the quarters presented above due to the carry forward of prior year overpayments.*

See Notes to Consolidated Financial Statements

Table of Contents

S&T BANCORP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. BASIS OF PRESENTATION

Principals of Consolidation

The interim Consolidated Financial Statements include the accounts of S&T Bancorp, Inc., or S&T, and its wholly owned subsidiaries. All significant intercompany transactions have been eliminated in consolidation. Investments of 20 percent to 50 percent of the outstanding common stock of investees are accounted for using the equity method of accounting.

Basis of Presentation

The accompanying unaudited interim Consolidated Financial Statements of S&T have been prepared in accordance with generally accepted accounting principles, or GAAP, in the United States for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements and should be read in conjunction with our annual report on Form 10-K for the year ended December 31, 2011, filed with the SEC on February 28, 2012. In the opinion of management, the accompanying interim financial information reflects all adjustments, including normal recurring adjustments, necessary to present fairly S&T s financial position and results of operations for each of the interim periods presented. Results of operations for interim periods are not necessarily indicative of the results of operations that may be expected for a full year or any future period.

Reclassification

Certain amounts in the prior periods financial statements have been reclassified to conform to the current period s presentation. The reclassifications had no significant effect on our results of operations or financial condition.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Recently Adopted Accounting Standards Updates

Presentation of Comprehensive Income

In December 2011, the FASB issued ASU No. 2011-12, which supersedes certain pending paragraphs in ASU No. 2011-05. It effectively defers changes that relate to the presentation of reclassification adjustments out of accumulated other comprehensive income. The amendments will be temporary to allow the FASB time to redeliberate the presentation requirements for reclassifications out of accumulated other comprehensive income for annual and interim financial statements. This amendment is effective at the same time as the amendments in ASU No. 2011-05. It should be applied retrospectively and is effective for public companies for fiscal years, and interim periods within those years, beginning after December 15, 2011. The adoption of this ASU has only impacted our presentation of comprehensive income and has not had an impact on our results of operations or financial position.

Testing Goodwill for Impairment

In September 2011, the FASB issued ASU No. 2011-08, which permits an entity to make a qualitative assessment of whether it is more likely than not that a reporting unit s fair value is less than its carrying amount before applying the two-step goodwill impairment test. If an entity concludes it is not more likely than not that its fair value is less than its carrying amount, it need not perform the two-step impairment test. This ASU is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. Early adoption is permitted. The adoption of this ASU has not had a material impact on our results of operations or financial position.

Table of Contents

S&T BANCORP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS continued

NOTE 1. BASIS OF PRESENTATION continued

Presentation of Comprehensive Income

In June 2011, the FASB issued ASU No. 2011-05, the provisions of which allow an entity the option to present the total of comprehensive income, the components of net income and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. Under both options, an entity is required to present each component of net income along with total net income, each component of other comprehensive income along with a total for other comprehensive income and a total amount for comprehensive income. ASU 2011-05 eliminates the option to present the components of other comprehensive income as part of the statement of changes in stockholders equity. ASU 2011-05 does not change the items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income. ASU 2011-05 permits companies to present in the annual period the comprehensive income components in a single continuous statement or two consecutive statements and to present in the interim periods only the total for comprehensive income in a single continuous statement or two consecutive statements. We have elected this option in a single continuous statement format for interim periods. ASU 2011-05 should be applied retrospectively and is effective for public companies for fiscal years, and interim periods within those years, beginning after December 15, 2011. The adoption of this ASU has only impacted our presentation of comprehensive income and has not had an impact on our results of operations or financial position.

Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS

In May 2011, the FASB issued ASU No. 2011-04, which represents the convergence of the FASB s and the IASB s guidance on fair value measurement. ASU 2011-04 reflects the common requirements under U.S. GAAP and IFRS for measuring fair value and for disclosing information about fair value measurements, including a consistent meaning for the term fair value. The new guidance does not extend the use of fair value but, rather, provides guidance about how fair value should be applied where it is already required or permitted under U.S. GAAP or IFRS. For U.S. GAAP, most of the changes are clarifications of existing guidance or wording changes to align with IFRS 13 Fair Value Measurement. A public company is required to apply the ASU prospectively for interim and annual periods beginning after December 15, 2011. Early adoption is not permitted for a public company. The adoption of this ASU has impacted only disclosure requirements and did not have a material impact on our results of operations or financial position.

Reconsideration of Effective Control for Repurchase Agreements

In April 2011, the FASB issued ASU No. 2011-03, which is intended to improve financial reporting of repurchase agreements, or repos, and other agreements that both entitle and obligate a transferor to repurchase or redeem financial assets before their maturity. When an entity enters into a typical repo arrangement, it transfers financial assets to a counterparty in exchange for cash with an agreement for the counterparty to return the same or equivalent financial assets for a fixed price in the future. Current guidance prescribes when an entity may or may not recognize a sale upon the transfer of financial assets subject to a repo agreement. That determination is based, in part, on whether the entity has maintained effective control over the transferred financial assets. This ASU improves the accounting for these transactions by removing from the assessment of effective control the criterion requiring the transferor to have the ability to repurchase or redeem the financial assets and focuses the assessment on the transferor s contractual rights. This guidance is effective for the first interim or annual period beginning on or after December 15, 2011. The guidance should be applied prospectively to transactions or modifications of existing transactions that occur on or after the effective date. Early adoption is not permitted. The adoption of this ASU had no impact on our results of operations or financial position.

Recently Issued Accounting Standards Updates not yet Adopted

Disclosures About Offsetting Assets and Liabilities

In December 2011, the FASB issued ASU No. 2011-11, in conjunction with the IASB s issuance of amendments to Disclosures Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7). The disclosure requirements apply to recognized financial instruments and derivative instruments that are offset or subject to an enforceable master netting arrangement. An entity shall disclose information to enable users of its financial statements to evaluate the effect or potential effect of netting arrangements on its financial position, including the effect or potential effect of rights of setoff associated with recognized assets and recognized liabilities. While both the FASB and the IASB retained the existing offsetting models under U.S. GAAP and IFRS, the new standards require disclosures to allow investors to better compare financial statements prepared under U.S. GAAP with financial statements prepared under IFRS. The new standards are effective for annual periods beginning January 1, 2013, and interim periods within those annual periods. Retrospective application is required. The adoption of this ASU is not expected to have a material impact on our results of operations or financial position.

Table of Contents

S&T BANCORP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS continued

NOTE 2. BUSINESS COMBINATION

On March 9, 2012, we completed the acquisition of 100 percent of the voting shares of Mainline Bancorp, Inc., or Mainline, located in Ebensburg, Pennsylvania, which was the sole shareholder of Mainline National Bank, in a nontaxable stock and cash transaction. The acquisition expanded our market share and footprint throughout Cambria and Blair Counties of Western Pennsylvania. Mainline shareholders were entitled to elect to receive for each share of Mainline common stock either $69.00 in cash or 3.6316 shares of S&T common stock. We paid $8.5 million in cash and issued 673,275 common shares at a fair value of $21.42 per share or $14.4 million to the former Mainline shareholders. The fair value of $21.42 per share of S&T common stock was based on the March 9, 2012 closing price. We also purchased Mainline s preferred stock issued under the U.S. Treasury Capital Purchase Program, or CPP, for $4.7 million on March 9, 2012. The preferred stock was purchased and retired as part of the merger transaction.

The acquisition was accounted for under the acquisition method of accounting, and all transactions of Mainline since the acquisition date are included in our consolidated financial statements. The assets acquired and liabilities assumed were recorded at their respective fair values and represent management s estimates based on available information.

Goodwill of $6.1 million was calculated as the excess of the consideration exchanged over the net identifiable assets acquired. The goodwill arising from the acquisition consists largely of the synergies and economies of scale expected from combining the operations of S&T and Mainline. All of the goodwill was assigned to our Community Banking segment. The goodwill recognized will not be deductible for tax purposes.

The following table summarizes total consideration, assets acquired and liabilities assumed at March 9, 2012:

(in thousands)

Consideration Paid	
Cash *	$ 13,246
Common stock	14,422
Fair value of previously held equity interest in Mainline Bancorp, Inc.	74
Fair Value of Total Consideration	**$ 27,742**

**** Cash includes $4.7 million paid to U.S. Treasury to purchase Mainline s preferred stock.***

Fair Value of Assets Acquired	
Cash and cash equivalents	$ 17,763
Securities and other investments	73,443
Loans	129,260
Premises and other equipment	2,280
Core deposit intangible	900
Other assets	12,586
Total Assets Acquired	**$ 236,232**
Fair Value of Liabilities Assumed	
Deposits	205,989

Borrowings	6,997
Other liabilities	1,637
Total Liabilities Assumed	**$ 214,623**
Total Fair Value of Identifiable Net Assets	**21,609**
Goodwill	**$ 6,133**

Provisional amounts have been recorded for the fair values of loans, deposits and the core deposit intangible at March 31, 2012. Additional adjustments will be required to finalize the acquisition accounting for Mainline since only preliminary valuations were available at the time of this filing. The measurement period for the Mainline acquisition ends March 9, 2013.

Loans acquired in the Mainline acquisition were recorded at fair value with no carryover of the related allowance for loan losses. Determining the fair value of the loans involves estimating the amount and timing of principal and interest cash flows expected to be collected on the loans and discounting those cash flows at a market rate of interest. Loans acquired with evidence of credit quality deterioration were not significant. We acquired $132.3 million of gross loans and recognized a net combined yield and credit mark of $3.0 million.

Direct costs related to the Mainline acquisition were expensed as incurred. During the first quarter 2012, we recognized $3.9 million of one-time merger related expenses, including $1.6 million in data processing contract termination and conversion costs, $1.7 million in change of control and severance payments and $0.4 million in legal and professional expenses.

Table of Contents

S&T BANCORP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS continued

NOTE 3. EARNINGS PER SHARE

The following table reconciles the numerators and denominators of basic earnings per share with that of diluted earnings per share for the periods presented:

(in thousands, except share and per share data)	Three Months Ended March 31, 2012		2011	
Numerator for Earnings per Common Share Basic:				
Net income	$	3,480	$	6,295
Less: Preferred stock dividends and discount amortization				1,555
Less: Income allocated to participating shares		7		5
Net Income Allocated to Common Shareholders	**$**	**3,473**	**$**	**4,735**
Numerator for Earnings per Common Share Diluted:				
Net income	$	3,480	$	6,295
Less: Preferred stock dividends and discount amortization				1,555
Net Income Available to Common Shareholders	**$**	**3,480**	**$**	**4,740**
Denominators:				
Weighted Average Common Shares Outstanding Basic		**28,257,450**		**27,936,723**
Add: Dilutive potential common shares		15,119		20,279
Denominator for Treasury Stock Method Diluted		**28,272,569**		**27,957,002**
Weighted Average Common Shares Outstanding Basic		**28,257,450**		**27,936,723**
Add: Average participating shares outstanding		58,855		32,233
Denominator for Two-Class Method Diluted		**28,316,305**		**27,968,956**
Earnings per common share basic	$	0.12	$	0.17
Earnings per common share diluted	$	0.12	$	0.17
Warrants considered anti-dilutive excluded from dilutive potential common shares		517,012		517,012
Stock options considered anti-dilutive excluded from dilutive potential common shares		739,282		746,435
Restricted stock considered anti-dilutive excluded from dilutive potential common shares		30,783		11,954

NOTE 4. FAIR VALUE MEASUREMENTS

We use fair value measurements when recording and disclosing certain financial assets and liabilities. Securities available-for-sale, trading assets and derivatives are recorded at fair value on a recurring basis. Additionally, from time to time, we may be required to record other assets at fair value on a nonrecurring basis, such as loans held for sale, impaired loans, other real estate owned, or OREO, mortgage servicing rights, or MSRs, and certain other assets.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants at the measurement date. An orderly transaction is a transaction that assumes exposure to the market for a period prior to the measurement date to allow for marketing activities that are usual and customary for transactions involving such assets or liabilities; it is not a forced transaction. In determining fair value, we use various valuation approaches, including market, income and cost approaches. The fair value standard establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing an asset or liability, which are developed, based on market data we have obtained from independent sources. Unobservable inputs reflect our estimate of assumptions that market participants would use in pricing an asset or liability, which are developed based on the best information available in the circumstances.

The fair value hierarchy gives the highest priority to unadjusted quoted market prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). The fair value hierarchy is broken down into three levels based on the reliability of inputs as follows:

Level 1: valuation is based upon unadjusted quoted market prices for identical instruments traded in active markets.

Level 2: valuation is based upon quoted market prices for similar instruments traded in active markets, quoted market prices for identical or similar instruments traded in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by market data.

Level 3: valuation is derived from other valuation methodologies including discounted cash flow models and similar techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect estimates of assumptions that market participants would use in determining fair value.

Table of Contents

S&T BANCORP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS continued

NOTE 4. FAIR VALUE MEASUREMENTS continued

A financial instrument s level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. Our policy is to recognize transfers between any of the fair value hierarchy levels at the end of the reporting period in which the transfer occurred.

The following are descriptions of the valuation methodologies that we use for financial instruments recorded at fair value on either a recurring or nonrecurring basis.

Recurring Basis

Securities Available-for-Sale

Securities available-for-sale include both debt and equity securities.

We obtain estimated fair values for debt securities from a third-party pricing service, which utilizes several sources for valuing fixed-income securities. The market evaluation sources for debt securities include observable inputs rather than significant unobservable inputs and are classified as Level 2. The service provider utilizes pricing models that vary by asset class and include available trade, bid and other market information. Generally, the methodologies include broker quotes, proprietary models, vast descriptive terms and conditions databases, as well as extensive quality control programs.

Marketable equity securities that have an active, quotable market are classified in Level 1. Marketable equity securities that are quotable, but are thinly traded or inactive, are classified as Level 2 and securities that are not readily traded and do not have a quotable market are classified as Level 3.

Trading Assets

We use quoted market prices to determine the fair value of our trading assets. Our trading assets are held in a Rabbi Trust under a deferred compensation plan and are invested in readily quoted mutual funds. Accordingly, these assets are classified as Level 1. Trading assets are recorded in other assets in the Consolidated Balance Sheets.

Derivative Financial Instruments

We use derivative instruments including interest rate swaps for commercial loans with our customers, and we sell mortgage loans in the secondary market and enter into interest rate lock commitments. We calculate the fair value for derivatives using widely accepted valuation techniques including discounted cash flow analysis on the expected cash flows of each derivative. Each valuation considers the contractual terms of the derivative, including the period to maturity and uses observable market based inputs, such as interest rate curves and implied volatilities. Accordingly, derivatives are classified as Level 2.

We incorporate credit valuation adjustments into the valuation models to appropriately reflect both its own nonperformance risk and the respective counterparty s nonperformance risk in calculating fair value measurements. In adjusting the fair value of our derivative contracts for the effect of nonperformance risk, we have considered the impact of netting and any applicable credit enhancements and collateral postings.

Nonrecurring Basis

Loans Held for Sale

Loans held for sale consist of 1-4 family residential loans originated for sale in the secondary market and from time to time, certain loans transferred from the loan portfolio to loans held for sale, all of which are carried at the lower of cost or fair value. The fair value of 1-4 family residential loans is based on the principal or most advantageous market currently offered for similar loans using observable market data. The fair value of the loans transferred from the loan portfolio is based on the amounts offered for these loans in currently pending sales transactions. Loans held for sale carried at fair value are classified as Level 2.

Impaired Loans

Impaired loans are carried at the lower of carrying value or fair value. Fair value is determined as the recorded investment balance less any specific reserve. We establish a specific reserve based on the following three impairment methods: 1) the present value of expected future cash flows discounted at the loan s original effective interest rate, 2) the loan s observable market price or 3) the fair value of the collateral less estimated selling costs when the loan is collateral dependent and we expect to liquidate. However, if repayment is expected to come from the operation of the collateral, rather than liquidation, then we do not consider estimated selling costs in determining the fair value of the collateral. Collateral values are generally based upon appraisals by approved, independent state certified appraisers.

Table of Contents

S&T BANCORP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS continued

NOTE 4. FAIR VALUE MEASUREMENTS continued

Appraisals may be discounted based on our historical knowledge, changes in market conditions from the time of valuation or our knowledge of the borrower and the borrower s business.

OREO and Other Repossessed Assets

OREO and other repossessed assets obtained in partial or total satisfaction of a loan are recorded at the lower of recorded investment in the loan or fair value less cost to sell. Subsequent to foreclosure, these assets are carried at the lower of the amount recorded at acquisition date or fair value less cost to sell. Accordingly, it may be necessary to record nonrecurring fair value adjustments. Fair value, when recorded, is generally based upon appraisals by approved, independent state certified appraisers. Like impaired loans, appraisals on OREO may be discounted based on our historical knowledge, changes in market conditions from the time of valuation or other information available to us.

Mortgage Servicing Rights

The fair value of MSRs is determined by calculating the present value of estimated future net servicing cash flows, considering expected mortgage loan prepayment rates, discount rates, servicing costs and other economic factors, which are determined based on current market conditions. The expected rate of mortgage loan prepayments is the most significant factor driving the value of MSRs. If the carrying value of MSRs exceeds fair value, they are considered impaired. As the valuation model includes significant unobservable inputs, MSRs are classified as Level 3 within the fair value hierarchy.

Other Assets

In accordance with GAAP, we measure certain other assets at fair value on a nonrecurring basis. Fair value is based on the application of lower of cost or fair value accounting, or write downs of individual assets. Valuation methodologies used to measure fair value are consistent with overall principles of fair value accounting and consistent with those described above.

Financial Instruments

In addition to financial instruments recorded at fair value in our financial statements, fair value accounting guidance requires disclosure of the fair value of all of an entity s assets and liabilities that are considered financial instruments. The majority of our assets and liabilities are considered financial instruments as defined in the guidance. Many of these instruments lack an available trading market as characterized by a willing buyer and willing seller engaged in an exchange transaction. Also, it is our general practice and intent to hold our financial instruments to maturity and to not engage in trading or sales activities. For fair value disclosure purposes, we substantially utilized the fair value measurement criteria as required and explained above. In cases where quoted fair values are not available, we use present value methods to determine the fair value of our financial instruments.

Cash and Cash Equivalents and Other Short-Term Assets

The carrying amounts reported in the Consolidated Balance Sheets for cash and due from banks, including interest-bearing deposits approximate fair value.

Table of Contents

S&T BANCORP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS continued

NOTE 4. FAIR VALUE MEASUREMENTS continued

Loans

The fair value of variable rate performing loans is based on carrying values adjusted for credit risk. The fair value of fixed rate performing loans is estimated using discounted cash flow analyses, utilizing interest rates currently being offered for loans with similar terms, adjusted for credit risk. The fair value of nonperforming loans is based on their carrying values less any specific reserve. The carrying amount of accrued interest approximates fair value.

Bank Owned Life Insurance

Fair value approximates net cash surrender value.

Deposits

The fair values disclosed for deposits without defined maturities (e.g., noninterest and interest-bearing demand, money market and savings accounts) are by definition equal to the amounts payable on demand. The carrying amounts for variable rate, fixed-term time deposits approximate their fair values. Estimated fair values for fixed rate and other time deposits are based on discounted cash flow analysis, using interest rates currently offered for time deposits with similar terms. The carrying amount of accrued interest approximates fair value.

Short-Term Borrowings

The carrying amounts of securities sold under repurchase agreements, federal funds purchased and other short-term borrowings approximate their fair values.

Long-Term Borrowings

The fair values disclosed for fixed rate long-term borrowings are determined by discounting their contractual cash flows using current interest rates for long-term borrowings of similar remaining maturities. The carrying amounts of variable rate long-term borrowings approximate their fair values.

Junior Subordinated Debt Securities

The variable rate junior subordinated debt securities reprice quarterly and fair values are based on carrying values.

Loan Commitments and Standby Letters of Credit

Off-balance sheet financial instruments consist of commitments to extend credit and letters of credit. Except for interest rate lock commitments, estimates of the fair value of these off-balance sheet items are not made because of the short-term nature of these arrangements and the credit standing of the counterparties.

Other

Estimates of fair value are not made for items that are not defined as financial instruments, including such items as our core deposit intangibles and the value of our trust operation.

Table of Contents

S&T BANCORP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS continued

NOTE 4. FAIR VALUE MEASUREMENTS continued

The following tables present our assets and liabilities that are measured at fair value on a recurring basis by fair value hierarchy level at March 31, 2012 and December 31, 2011. There were no transfers between Level 1 and Level 2 for items measured at fair value on a recurring basis during the periods presented.

	March 31, 2012			
(in thousands)	**Level 1**	**Level 2**	**Level 3**	**Total**
ASSETS				
Securities available-for-sale:				
Obligations of U.S. government corporations and agencies	$	$ 160,444	$	$ 160,444
Collateralized mortgage obligations of U.S. government corporations and agencies		59,488		59,488
Mortgage-backed securities of U.S. government corporations and agencies		45,983		45,983
Obligations of states and political subdivisions		86,628		86,628
Marketable equity securities	1,717	7,931	1,865	11,513
Total securities available-for-sale	1,717	360,474	1,865	364,056
Trading securities held in a Rabbi Trust	2,633			2,633
Total securities	4,350	360,474	1,865	366,689
Derivative financial assets:				
Interest rate swaps		22,532		22,532
Interest rate lock commitments		310		310
Total Assets	**$ 4,350**	**$ 383,316**	**$ 1,865**	**$ 389,531**
LIABILITIES				
Derivative financial liabilities:				
Interest rate swaps	$	$ 22,267	$	$ 22,267
Forward sale contracts		26		26
Total Liabilities	**$**	**$ 22,293**	**$**	**$ 22,293**

	December 31, 2011			
(in thousands)	**Level 1**	**Level 2**	**Level 3**	**Total**
ASSETS				

Securities available-for-sale:				
Obligations of U.S. government corporations and agencies	$	$ 142,786	$	$ 142,786
Collateralized mortgage obligations of U.S. government corporations and agencies		65,395		65,395
Mortgage-backed securities of U.S. government corporations and agencies		48,752		48,752
Obligations of states and political subdivisions		88,805		88,805
Marketable equity securities	2,855	7,316	1,687	11,858
Total securities available-for-sale	2,855	353,054	1,687	357,596
Trading securities held in a Rabbi Trust	1,949			1,949
Total securities	4,804	353,054	1,687	359,545
Derivative financial assets:				
Interest rate swaps		23,764		23,764
Interest rate lock commitments		244		244
Total Assets	**$ 4,804**	**$ 377,062**	**$ 1,687**	**$ 383,553**
LIABILITIES				
Derivative financial liabilities:				
Interest rate swaps	$	$ 23,639	$	$ 23,639
Forward sale contracts		95		95
Total Liabilities	**$**	**$ 23,734**	**$**	**$ 23,734**

Table of Contents

S&T BANCORP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS continued

NOTE 4. FAIR VALUE MEASUREMENTS continued

We classify financial instruments in Level 3 when valuation models are used because significant inputs are not observable in the market. These valuation models are prepared by third-party pricing entities because these securities are not actively traded in the market. The following table presents the changes in assets measured at fair value on a recurring basis for which we have utilized Level 3 inputs to determine the fair value for the periods presented:

(in thousands)	Three Months Ended March 31, 2012[(1)]	2011[(1)]
Marketable equity security balance at beginning of period	$ 1,687	$ 1,588
Total gains included in other comprehensive income	38	68
Purchases	140	
Transfers into (out of) Level 3		
Marketable Equity Security Balance at End of Period	**$ 1,865**	**$ 1,656**

[(1)] Changes in estimated fair value of available-for-sale investments are recorded in accumulated other comprehensive income/loss, while realized gains and losses from sales are recorded in security gains (losses), net in the Consolidated Statements of Income.

There were no sales, issuances, or settlements of Level 3 financial instruments during the periods presented. Purchases of Level 3 financial instruments represent marketable equity securities acquired from our acquisition of Mainline. Additionally, there were no transfers of financial instruments into or out of Level 3 during the periods presented. Level 3 financial instruments measured on a recurring basis accounted for less than one percent of our assets measured at fair value on a recurring basis at both March 31, 2012 and December 31, 2011. There were no Level 3 liabilities measured at fair value on a recurring basis for either period.

We may be required to measure certain assets and liabilities on a nonrecurring basis. The following tables present our assets that are measured at estimated fair value on a nonrecurring basis by the fair value hierarchy level at March 31, 2012 and December 31, 2011. There were no liabilities measured at estimated fair value on a nonrecurring basis during these periods. At March 31, 2012 and December 31, 2011, we had no loans held for sale that were recorded at fair value.

	March 31, 2012			
(in thousands)	Level 1	Level 2	Level 3	Total

ASSETS				
Impaired loans	$	$	$ 46,387	$ 46,387
Other real estate owned			3,176	3,176
Mortgage servicing rights			2,201	2,201
Total Assets	**$**	**$**	**$ 51,764**	**$ 51,764**

	December 31, 2011			
(in thousands)	**Level 1**	**Level 2**	**Level 3**	**Total**
ASSETS				
Impaired loans	$	$	$ 36,500	$ 36,500
Other real estate owned			3,739	3,739
Mortgage servicing rights			2,153	2,153
Total Assets	**$**	**$**	**$ 42,392**	**$ 42,392**

15

Table of Contents

S&T BANCORP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS continued

NOTE 4. FAIR VALUE MEASUREMENTS continued

The carrying values and fair values of our financial instruments at March 31, 2012 and December 31, 2011 are presented in the following tables:

		March 31, 2012			
(in thousands)	Carrying Value(1)	Total	Level 1	Level 2	Level 3
ASSETS					
Cash and due from banks, including interest-bearing deposits	$ 386,640	$ 386,640	$ 386,640	$	$
Securities available-for-sale	364,056	364,056	1,717	360,474	1,865
Loans held for sale	3,663	3,663			3,663
Portfolio loans	3,197,780	3,189,196			3,189,196
Federal Home Loan Bank stock, at cost	18,778	18,778			18,778
Bank owned life insurance	60,287	60,287		60,287	
Trading securities held in a Rabbi Trust	2,633	2,633	2,633		
Mortgage servicing rights	2,201	2,201			2,201
Interest rate swaps	22,532	22,532		22,532	
Interest rate lock commitments	310	310		310	
LIABILITIES					
Deposits	$ 3,522,355	$ 3,531,696	$	$	$ 3,531,696
Securities sold under repurchase agreements	40,638	40,638			40,638
Short-term borrowings	75,000	75,000			75,000
Long-term borrowings	31,426	33,509			33,509
Junior subordinated debt securities	90,619	90,619			90,619
Interest rate swaps	22,267	22,267		22,267	
Forward sale contracts	26	26		26	

(1) *As reported in the Consolidated Balance Sheets*

16

Table of Contents

S&T BANCORP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS continued

NOTE 4. FAIR VALUE MEASUREMENTS continued

		Fair Value Measurements at December 31, 2011			
(in thousands)	Carrying Value[(1)]	Total	Level 1	Level 2	Level 3
ASSETS					
Cash and due from banks, including interest-bearing deposits	$ 270,526	$ 270,526	$ 270,526	$	$
Securities available-for-sale	357,596	357,596	2,855	353,054	1,687
Loans held for sale	2,850	2,850			2,850
Portfolio loans	3,129,759	3,120,352			3,120,352
Federal Home Loan Bank stock, at cost	18,216	18,216			18,216
Bank owned life insurance	56,755	56,755		56,755	
Trading securities held in a Rabbi Trust	1,949	1,949	1,949		
Mortgage servicing rights	2,153	2,153			2,153
Interest rate swaps	23,764	23,764		23,764	
Interest rate lock commitments	244	244		244	
LIABILITIES					
Deposits	$ 3,335,859	$ 3,343,889	$	$	$ 3,343,889
Securities sold under repurchase agreements	30,370	30,370			30,370
Short-term borrowings	75,000	75,000			75,000
Long-term borrowings	31,874	34,171			34,171
Junior subordinated debt securities	90,619	90,619			90,619
Interest rate swaps	23,639	23,639		23,639	
Forward sale contracts	95	95		95	

(1) *As reported in the Consolidated Balance Sheets*

Table of Contents

S&T BANCORP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS continued

NOTE 5. SECURITIES AVAILABLE-FOR-SALE

The following tables indicate the composition of the securities available-for-sale portfolio for the periods presented:

	March 31, 2012			
(in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Obligations of U.S. government corporations and agencies	$156,392	$4,173	$(121)	$160,444
Collateralized mortgage obligations of U.S. government corporations and agencies	57,454	2,034		59,488
Mortgage-backed securities of U.S. government corporations and agencies	42,578	3,405		45,983
Obligations of states and political subdivisions	83,535	3,102	(9)	86,628
Debt Securities	**339,959**	**12,714**	**(130)**	**352,543**
Marketable equity securities	9,752	1,773	(12)	11,513
Total	**$349,711**	**$14,487**	**$(142)**	**$364,056**

	December 31, 2011			
(in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Obligations of U.S. government corporations and agencies	$138,386	$4,400	$	$142,786
Collateralized mortgage obligations of U.S. government corporations and agencies	63,202	2,193		65,395
Mortgage-backed securities of U.S. government corporations and agencies	45,289	3,463		48,752
Obligations of states and political subdivisions	85,689	3,128	(12)	88,805
Debt Securities	**332,566**	**13,184**	**(12)**	**345,738**
Marketable equity securities	10,152	2,179	(473)	11,858
Total	**$342,718**	**$15,363**	**$(485)**	**$357,596**

There were $0.9 million in gross realized gains and immaterial gross realized losses for the three months ended March 31, 2012. There were no significant gross realized gains or losses for the three months ended March 31, 2011. Realized gains and losses on the sale of securities are determined using the specific-identification method.

18

Table of Contents

S&T BANCORP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS continued

NOTE 5. SECURITIES AVAILABLE-FOR-SALE continued

The following tables present the fair value and the age of gross unrealized losses by investment category for the periods presented:

	March 31, 2012					
	Less Than 12 Months		12 Months or More		Total	
(in thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Obligations of U.S. government corporations and agencies	$ 13,034	$ (121)	$	$	$ 13,034	$ (121)
Collateralized mortgage obligations of U.S. government corporations and agencies						
Mortgage-backed securities of U.S. government corporations and agencies						
Obligations of states and political subdivisions	1,549	(9)			1,549	(9)
Debt Securities	**14,583**	**(130)**			**14,583**	**(130)**
Marketable equity securities	134	(12)			134	(12)
Total Temporarily Impaired Securities	**$ 14,717**	**$ (142)**	**$**	**$**	**$ 14,717**	**$ (142)**

	December 31, 2011					
	Less Than 12 Months		12 Months or More		Total	
(in thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Obligations of U.S. government corporations and agencies	$	$	$	$	$	$
Collateralized mortgage obligations of U.S. government corporations and agencies						
Mortgage-backed securities of U.S. government corporations and agencies						
Obligations of states and political subdivisions	502	(8)	414	(4)	916	(12)
Debt Securities	**502**	**(8)**	**414**	**(4)**	**916**	**(12)**
Marketable equity securities	5,143	(473)			5,143	(473)
Total Temporarily Impaired Securities	**$ 5,645**	**$ (481)**	**$ 414**	**$ (4)**	**$ 6,059**	**$ (485)**

We do not believe any individual unrealized loss as of March 31, 2012 represents an other than temporary impairment, or OTTI. We perform a review of our securities for OTTI on a quarterly basis to identify securities that may indicate an OTTI. Generally, we record an impairment charge when an equity security within the marketable equity securities portfolio has been in a loss position for 12 consecutive months, unless facts and circumstances suggest the need for an OTTI prior to that time. Our policy for recording an OTTI within the debt securities portfolio is based upon a number of factors, including but not limited to, the length of time and the extent to which fair value has been less than cost, the financial condition of the underlying issuer, the ability of the issuer to meet contractual obligations, the likelihood of a security recovering from any decline in fair value and whether management intends to sell the security or if it is more likely than not that management will be required to sell the security prior to it recovering.

As of March 31, 2012, the unrealized losses on eight debt securities were primarily attributable to changes in interest rates. The unrealized losses on one marketable equity security as of March 31, 2012 was attributable to temporary declines in the market value of this stock. We do not intend to sell and it is not likely that we will be required to sell any of the securities, referenced in the table above, in an unrealized loss position before recovery of their amortized cost.

Net unrealized gains of $9.3 million and $9.7 million were included in accumulated other comprehensive loss, net of tax, at March 31, 2012 and December 31, 2011, respectively. Gross unrealized gains, net of taxes, of $9.4 million and $10.0 million were netted against gross unrealized losses, net of taxes, of $0.1 million and $0.3 million, respectively, for these same periods.

Table of Contents

S&T BANCORP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS continued

NOTE 5. SECURITIES AVAILABLE-FOR-SALE continued

During the quarters ended March 31, 2012 and March 31, 2011, minimal unrealized losses were reclassified into earnings to record OTTI.

The amortized cost and fair value of available-for-sale securities at March 31, 2012 by contractual maturity, are included in the table below. Actual maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

	March 31, 2012	
(in thousands)	Amortized Cost	Fair Value
Obligations of U.S. government corporations and agencies, and obligations of states and political subdivisions		
Due in one year or less	$ 5,947	$ 6,028
Due after one year through five years	143,013	147,039
Due after five years through ten years	30,757	31,731
Due after ten years	60,210	62,274
	239,927	**247,072**
Collateralized mortgage obligations of U.S. government corporations and agencies	57,454	59,488
Mortgage-backed securities of U.S. government corporations and agencies	42,578	45,983
Debt Securities	**339,959**	**352,543**
Marketable equity securities	9,752	11,513
Total	**$ 349,711**	**$ 364,056**

At March 31, 2012 and December 31, 2011, securities with carrying values of $218.3 million and $233.9 million, respectively, were pledged to secure repurchase agreements, public funds, trust fund deposits and as collateral for our interest rate swaps.

NOTE 6. LOANS AND LOANS HELD FOR SALE

The following table indicates the composition of the loans for the periods presented:

(in thousands)	March 31, 2012	December 31, 2011

Consumer		
Home equity	$ 441,648	$ 411,404
Residential mortgage	382,884	358,846
Installment and other consumer	82,223	67,131
Consumer construction	2,211	2,440
Total Consumer Loans	**908,966**	**839,821**
Commercial		
Commercial real estate	1,416,663	1,415,333
Commercial and industrial	703,112	685,753
Commercial construction	169,039	188,852
Total Commercial Loans	**2,288,814**	**2,289,938**
Total Portfolio Loans	**3,197,780**	**3,129,759**
Allowance for loan losses	(47,827)	(48,841)
Total Portfolio Loans, net	**3,149,953**	**3,080,918**
Loans held for sale	3,663	2,850
Total Loans, Net	**$ 3,153,616**	**$ 3,083,768**

We attempt to limit our exposure to credit risk by diversifying our loan portfolio and actively managing concentrations. When concentrations exist in certain segments, we mitigate this risk by monitoring the relevant economic indicators and internal risk rating trends and through stress testing of the loans in these classes. Total commercial loans represent 72 percent and 73 percent of total portfolio loans at March 31, 2012 and December 31, 2011, respectively. Within the commercial portfolio, the commercial real estate, or CRE and commercial construction portfolios combined comprise 69 percent of total commercial loans and 50 percent of total portfolio loans at March 31, 2012 and 70 percent of total commercial loans and 51 percent of total portfolio loans at December 31, 2011. Further segmentation of the CRE and commercial construction portfolios by industry and collateral type reveal no concentration in excess of 10 percent of total loans.

Table of Contents

S&T BANCORP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS continued

NOTE 6. LOANS AND LOANS HELD FOR SALE continued

The vast majority of both commercial and consumer loans are made to businesses and individuals in our Western Pennsylvania market, resulting in a geographic concentration. The conditions of the local and regional economies are monitored closely through publicly available data as well as information supplied by our customers. Only the CRE and commercial construction portfolios combined have any significant out-of-state exposure, with 18 percent of the combined portfolio and 9 percent of total loans being out-of-state loans at March 31, 2012 and 19 percent of the combined portfolio and 10 percent of total loans being out-of-state loans at December 31, 2011. Management believes underwriting guidelines and ongoing review by credit administration mitigates the concentration risk present in the loan portfolio.

In situations where, for economic or legal reasons related to a borrower s financial difficulties, we may grant a concession for other than an insignificant period of time to the borrower that would not otherwise be considered, the related loan is classified as a troubled debt restructuring, or TDR. We strive to identify borrowers in financial difficulty early and work with them to modify to more affordable terms before their loan reaches nonaccrual status. These modified terms generally include reductions in contractual interest rates, principal deferment and extensions of maturity dates at a stated interest rate lower than the current market rate for a new loan with similar risk characteristics. These modifications are generally for longer term periods that would not be considered insignificant. While unusual, there may be instances of loan principal forgiveness. We individually evaluate all substandard commercial loans that experienced a forbearance or change in terms agreement, as well as all substandard consumer and residential mortgage loans that entered into an agreement to modify their existing loan.

All TDRs are considered to be impaired loans and will be reported as impaired loans for the remaining life of the loan, unless the restructuring agreement specifies an interest rate equal to or greater than the rate that would be accepted at the time of the restructuring for a new loan with comparable risk and it is fully expected that the remaining principal and interest will be collected according to the restructured agreement. Further, all impaired loans are reported as nonaccrual loans unless the loan is a TDR that has met the requirements to be returned to accruing status. TDRs can be returned to accruing status, if the ultimate collectability of all contractual amounts due, according to the restructured agreement, is not in doubt and there is a period of a minimum of six months of satisfactory payment performance by the borrower either immediately before or after the restructuring. We did not return any TDRs to accruing status during the quarter ended March 31, 2012.

The following table summarizes the restructured loans for the periods presented:

(in thousands)	March 31, 2012 Performing TDRs	Nonperforming TDRs	Total TDRs	December 31, 2011 Performing TDRs	Nonperforming TDRs	Total TDRs
Commercial real estate	$ 21,018	$ 11,333	$ 32,351	$ 22,284	$ 10,871	$ 33,155
Commercial and industrial	6,028	1,125	7,153	6,180		6,180
Commercial construction	12,822	5,126	17,948	19,682	2,943	22,625
Home equity		7	7			
Residential mortgage	1,321	5,372	6,693	1,570	4,370	5,940
Total	**$ 41,189**	**$ 22,963**	**$ 64,152**	**$ 49,716**	**$ 18,184**	**$ 67,900**

There were no new TDRs in the quarter ended March 31, 2012; however, we acquired $1.7 million of TDRs from the acquisition of Mainline of which $1.5 million were nonperforming. We modified $4.9 million of commercial and industrial loans for financially troubled borrowers that were not considered to be TDRs. Modifications primarily represented insignificant delays in the timing of payments that were not considered to be concessions.

Defaulted TDRs are defined as loans having a payment default of 90 days or more after the restructuring takes place. During the quarter ended March 31, 2012 we had eight TDRs totaling $6.1 million default in addition to the two TDRs totaling $0.9 million that defaulted during 2011. No other TDRs that existed at March 31, 2012 have defaulted.

The following table is a summary of nonperforming assets for the periods presented:

(in thousands)	**March 31, 2012**	**December 31, 2011**
Nonperforming Assets		
Nonaccrual loans	$ 41,540	$ 37,931
Nonaccrual TDRs	22,963	18,184
Total nonperforming loans	64,503	56,115
OREO	3,371	3,967
Total Nonperforming Assets	**$ 67,874**	**$ 60,082**

Table of Contents

S&T BANCORP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS continued

NOTE 6. LOANS AND LOANS HELD FOR SALE continued

Other real estate owned, or OREO which is included in other assets in the Consolidated Balance Sheets consists of 18 properties with 1 property comprising $1.5 million or 43 percent of the balance. It is our policy to obtain OREO appraisals on an annual basis.

NOTE 7. ALLOWANCE FOR LOAN LOSSES

We maintain an allowance for loan losses, or ALL at a level determined to be adequate to absorb estimated probable credit losses inherent in the loan portfolio as of the balance sheet date. We develop and document a systematic ALL methodology based the following portfolio segments: 1) CRE, 2) Commercial & Industrial, or C&I, 3) Commercial Construction, 4) Consumer Real Estate and 5) Other Consumer. The following are key risks within each portfolio segment:

CRE Loans secured by commercial purpose real estate, including both owner occupied properties and investment properties for various purposes such as hotels, strip malls and apartments. Operation of the individual projects as well as global cash flows of the debtors are the primary sources of repayment for these loans. The condition of the local economy is an important indicator of risk, but there are also more specific risks depending on the collateral type as well as the business prospects of the lessee, if the project is not owner occupied.

C&I Loans made to operating companies or manufacturers for the purpose of production, operating capacity, accounts receivable, inventory or equipment financing. Cash flow from the operations of the company is the primary source of repayment for these loans. The condition of the local economy is an important indicator of risk, but there are also more specific risks depending on the industry of the company. Collateral for these types of loans often do not have sufficient value in a distressed or liquidation scenario to satisfy the outstanding debt.

Commercial Construction Loans made to finance construction of buildings or other structures, as well as to finance the acquisition and development of raw land for various purposes. While the risk of these loans is generally confined to the construction and absorption periods, if there are problems, the project may not be complete, and as such, may not provide sufficient cash flow on its own to service the debt or have sufficient value in a liquidation to cover the outstanding principal. The condition of the local economy is an important indicator of risk, but there are also more specific risks depending on the type of project and the experience and resources of the developer.

Consumer Real Estate Loans secured by first and second liens such as home equity loans, home equity lines of credit and 1-4 family residences, including purchase money mortgages. The primary source of repayment for these loans is the income and assets of the borrower. The condition of the local economy, in particular the unemployment rate, is an important indicator of risk for this segment. The state of the local housing market can also have a significant impact on this portfolio because low demand and/or declining home values can limit the ability of borrowers to sell a property and satisfy the debt.

Other Consumer Loans made to individuals that may be secured by assets other than 1-4 family residences, as well as unsecured loans. This segment includes auto loans, unsecured lines and credit cards. The primary source of repayment for these loans is the income and assets of the borrower. The condition of the local economy, in particular the unemployment rate, is an important indicator of risk for this segment. The value of the collateral, if there is any, is less likely to be a source of repayment due to less certain collateral values.

We further assess risk within each portfolio segment by pooling loans with similar risk characteristics. For the commercial loan classes, the most important indicator of risk is the internally assigned risk rating, including pass, special mention and substandard. Consumer loans are pooled by type of collateral and first or second lien positions for consumer real estate loans. Historical loss rates are applied to these loan pools to determine the general reserve component of the ALL. Management monitors various credit quality indicators for both the commercial and consumer loan portfolios, including delinquency, nonperforming status and changes in risk ratings on a monthly basis.

Table of Contents

S&T BANCORP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS continued

NOTE 7. ALLOWANCE FOR LOAN LOSSES continued

The following tables present the age analysis of past due loans segregated by class of loans for the periods presented:

	March 31, 2012					
(in thousands)	Current	30-59 Days Past Due	60-89 Days Past Due	Non-performing	Total Past Due	Total Loans
Commercial real estate	$ 1,372,888	$ 10,198	$ 761	$ 32,816	$ 43,775	$ 1,416,663
Commercial and industrial	688,135	6,234	474	8,269	14,977	703,112
Commercial construction	155,512	2,067		11,460	13,527	169,039
Home equity	436,800	1,110	248	3,490	4,848	441,648
Residential mortgage	372,770	1,753	101	8,260	10,114	382,884
Installment and other consumer	81,796	324	76	27	427	82,223
Consumer construction	1,812	218		181	399	2,211
Totals	**$ 3,109,713**	**$ 21,904**	**$1,660**	**$64,503**	**$ 88,067**	**$ 3,197,780**

	December 31, 2011					
(in thousands)	Current	30-59 Days Past Due	60-89 Days Past Due	Non-performing	Total Past Due	Total Loans
Commercial real estate	$ 1,374,580	$ 7,657	$ 1,448	$ 31,648	$ 40,753	$ 1,415,333
Commercial and industrial	672,899	3,583	1,701	7,570	12,854	685,753
Commercial construction	182,305			6,547	6,547	188,852
Home equity	405,578	2,199	691	2,936	5,826	411,404
Residential mortgage	349,214	1,240	1,163	7,229	9,632	358,846
Installment and other consumer	66,675	382	70	4	456	67,131
Consumer construction	2,259			181	181	2,440
Totals	**$ 3,053,510**	**$15,061**	**$5,073**	**$56,115**	**$ 76,249**	**$ 3,129,759**

We continually monitor the commercial loan portfolio through an internal risk rating system. Loan risk ratings are assigned based upon the creditworthiness of the borrower and are reviewed on an ongoing basis according to our internal policies. Loans within the pass rating generally have a lower risk of loss than loans risk rated as special mention and substandard, which generally have an increasing risk of loss.

Our risk ratings are consistent with regulatory guidance and are as follows:

Pass The loan is currently performing and is of high quality.

Special Mention A special mention loan has potential weaknesses that warrant management s close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects or in the strength of our credit position at some future date. Economic and market conditions, beyond the borrower s control, may in the future necessitate this classification.

Substandard A substandard loan is not adequately protected by the net worth and/or paying capacity of the borrower or by the collateral pledged, if any. Substandard loans have a well-defined weakness, or weaknesses that jeopardize the liquidation of the debt. These loans are characterized by the distinct possibility that we will sustain some loss if the deficiencies are not corrected.

Table of Contents

S&T BANCORP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS continued

NOTE 7. ALLOWANCE FOR LOAN LOSSES continued

The following tables present the recorded investment in commercial loan classes by internally assigned risk ratings for the periods presented:

	March 31, 2012							
(in thousands)	**Commercial Real Estate**	**% of Total**	**Commercial and Industrial**	**% of Total**	**Commercial Construction**	**% of Total**	**Total**	**% of Total**
Pass	$ 1,244,497	87.9	$ 613,393	87.2	$ 122,277	72.3	$ 1,980,167	86.5
Special mention	71,342	5.0	34,295	4.9	14,135	8.4	119,772	5.2
Substandard	100,824	7.1	55,424	7.9	32,627	19.3	188,875	8.3
Total	**$ 1,416,663**	**100.0**	**$ 703,112**	**100.0**	**$ 169,039**	**100.0**	**$ 2,288,814**	**100.0**

	December 31, 2011							
(in thousands)	**Commercial Real Estate**	**% of Total**	**Commercial and Industrial**	**% of Total**	**Commercial Construction**	**% of Total**	**Total**	**% of Total**
Pass	$ 1,229,005	86.8	$ 600,895	87.6	$ 136,270	72.1	$ 1,966,170	85.9
Special mention	84,400	6.0	33,135	4.8	17,106	9.1	134,641	5.9
Substandard	101,928	7.2	51,723	7.6	35,476	18.8	189,127	8.2
Total	**$ 1,415,333**	**100.0**	**$ 685,753**	**100.0**	**$ 188,852**	**100.0**	**$ 2,289,938**	**100.0**

We monitor the delinquent status of the consumer portfolio on a monthly basis. Loans are considered nonperforming when interest and principal are 90 days or more past due or management has determined that a material deterioration in the borrower s financial condition exists. The risk of loss is generally highest for nonperforming loans.

The following tables indicate the recorded investment in consumer loan classes by performing and nonperforming status for the periods presented:

	March 31, 2012				
(in thousands)	**Home Equity**	**Residential Mortgage**	**Installment and other consumer**	**Consumer Construction**	**Total**

Performing	$ 438,158	$ 374,624	$ 82,196	$ 2,030	$ 897,008
Nonperforming	3,490	8,260	27	181	11,958
Total	**$ 441,648**	**$ 382,884**	**$ 82,223**	**$ 2,211**	**$ 908,966**

	December 31, 2011				
(in thousands)	**Home Equity**	**Residential Mortgage**	**Installment and other consumer**	**Consumer Construction**	**Total**
Performing	$ 408,468	$ 351,617	$ 67,127	$ 2,259	$ 829,471
Nonperforming	2,936	7,229	4	181	10,350
Total	**$ 411,404**	**$ 358,846**	**$ 67,131**	**$ 2,440**	**$ 839,821**

We individually evaluate all substandard and nonaccrual commercial loans greater than $0.5 million for impairment. Loans are considered to be impaired when based upon current information and events it is probable that we will be unable to collect all principal and interest payments due according to the original contractual terms of the loan agreement. All TDRs are considered to be impaired loans and will be reported as an impaired loan for the remaining life of the loan, unless the restructuring agreement specifies an interest rate equal to or greater than the rate that would be accepted at the time of the restructuring for a new loan with comparable risk and it is fully expected that the remaining principal and interest will be collected according to the restructured agreement. For all TDRs, regardless of size, as well as all other impaired loans, we conduct further analysis to determine the probable loss and assign a specific reserve to the loan if deemed appropriate.

Table of Contents

S&T BANCORP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS continued

NOTE 7. ALLOWANCE FOR LOAN LOSSES continued

The following tables present investments in loans considered to be impaired and related information on those impaired loans for the periods presented:

	March 31, 2012			Three Months Ended March 31, 2012	
(in thousands)	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With a related allowance recorded:					
Commercial real estate	$ 4,521	$ 4,748	$ 887	$ 4,538	$ 44
Commercial and industrial	3,736	3,736	1,085	3,746	5
Commercial construction	7,898	8,398	4,075	8,541	33
Consumer real estate					
Total with a Related Allowance Recorded	**16,155**	**16,882**	**6,047**	**16,825**	**$ 82**
Without a related allowance recorded:					
Commercial real estate	44,964	54,067		47,340	310
Commercial and industrial	8,823	9,011		7,983	35
Commercial construction	16,385	21,511		21,114	148
Consumer real estate	6,700	7,310		6,650	21
Total without a Related Allowance Recorded	**76,872**	**91,899**		**83,087**	**514**
Total:					
Commercial real estate	49,485	58,815	887	51,878	354
Commercial and industrial	12,559	12,747	1,085	11,729	40
Commercial construction	24,283	29,909	4,075	29,655	181
Consumer real estate	6,700	7,310		6,650	21
Total	**$ 93,027**	**$ 108,781**	**$ 6,047**	**$ 99,912**	**$ 596**

As of March 31, 2012, commercial real estate loans of $49.5 million comprised 53 percent of the total impaired loans of $93.0 million. These impaired loans are collateralized primarily by commercial real estate properties such as retail or strip malls, office buildings, hotels and various other types of commercial purpose properties. These loans are generally considered collateral dependent and charge-offs are recorded when a confirmed loss exists. Approximately $11.9 million of charge-offs have been recorded relating to these commercial real estate loans over the life of these loans. It is our policy to order appraisals on an annual basis on impaired loans or sooner if facts and circumstances warrant otherwise. As of March 31, 2012, an estimated fair value less cost to sell of approximately $62.9 million existed for commercial real estate impaired loans.

We have current appraisals on all but $3.6 million of the $49.5 million of impaired loans. The $3.6 million have appraisals that are currently on order.

Table of Contents

S&T BANCORP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS continued

NOTE 7. ALLOWANCE FOR LOAN LOSSES continued

(in thousands)	December 31, 2011 Recorded Investment	Unpaid Principal Balance	Related Allowance	Year Ended December 31, 2011 Average Recorded Investment	Interest Income Recognized
With a related allowance recorded:					
Commercial real estate	$ 9,049	$ 9,276	$ 3,487	$ 12,045	$ 320
Commercial and industrial	4,207	4,207	1,116	3,497	77
Commercial construction	1,975	1,975	942	3,326	4
Consumer real estate				173	
Total with a Related Allowance Recorded	**15,231**	**15,458**	**5,545**	**19,041**	**401**
Without a related allowance recorded:					
Commercial real estate	41,058	47,874		34,965	1,415
Commercial and industrial	7,784	7,784		4,128	132
Commercial construction	24,024	24,375		8,856	496
Consumer real estate	5,939	6,545		2,617	195
Total without a Related Allowance Recorded	**78,805**	**86,578**		**50,566**	**2,238**
Total:					
Commercial real estate	50,107	57,150	3,487	47,010	1,735
Commercial and industrial	11,991	11,991	1,116	7,625	209
Commercial construction	25,999	26,350	942	12,182	500
Consumer real estate	5,939	6,545		2,790	195
Total	**$ 94,036**	**$ 102,036**	**$ 5,545**	**$ 69,607**	**$ 2,639**

The following tables detail activity in the ALL for the periods presented:

(in thousands)	Three Months Ended March 31, 2012 Commercial Real Estate	Commercial and Industrial	Commercial Construction	Consumer Real Estate	Other Consumer	Total Loans
Balance at beginning of period	$ 29,804	$ 11,274	$ 3,703	$ 3,166	$ 894	$ 48,841
Charge-offs	(3,110)	(1,497)	(5,275)	(513)	(260)	(10,655)
Recoveries	36	104	99	49	81	369

Net (Charge-offs)/ Recoveries	**(3,074)**	**(1,393)**	**(5,176)**	**(464)**	**(179)**	**(10,286)**
Provision for loan losses	(2,433)	1,983	9,157	460	105	9,272
Balance at End of Period	**$ 24,297**	**$ 11,864**	**$ 7,684**	**$ 3,162**	**$ 820**	**$ 47,827**

	Three Months Ended March 31, 2011					
(in thousands)	**Commercial Real Estate**	**Commercial and Industrial**	**Commercial Construction**	**Consumer Real Estate**	**Other Consumer**	**Total Loans**
Balance at beginning of period	$ 30,425	$ 9,777	$ 5,904	$ 3,962	$ 1,319	$ 51,387
Charge-offs	(464)	(272)	(673)	(924)	(207)	(2,540)
Recoveries	524	95	711	746	100	2,176
Net (Charge-offs)/ Recoveries	**60**	**(177)**	**38**	**(178)**	**(107)**	**(364)**
Provision for loan losses	9,201	1,091	922	(558)	(16)	10,640
Balance at End of Period	**$ 39,686**	**$ 10,691**	**$ 6,864**	**$ 3,226**	**$ 1,196**	**$ 61,663**

Table of Contents

S&T BANCORP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS continued

NOTE 7. ALLOWANCE FOR LOAN LOSSES continued

The following tables present the ALL and recorded investments in loans by category for the periods presented:

	March 31, 2012					
	Allowance for Loan Losses			Portfolio Loans		
(in thousands)	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Total	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Total
Commercial real estate	$ 887	$ 23,410	$ 24,297	$ 49,485	$ 1,367,178	$ 1,416,663
Commercial and industrial	1,085	10,779	11,864	12,559	690,553	703,112
Commercial construction	4,075	3,609	7,684	24,283	144,756	169,039
Consumer real estate		3,162	3,162	6,700	820,043	826,743
Other consumer		820	820		82,223	82,223
Total	**$ 6,047**	**$ 41,780**	**$ 47,827**	**$ 93,027**	**$ 3,104,753**	**$ 3,197,780**

	December 31, 2011					
	Allowance for Loan Losses			Portfolio Loans		
(in thousands)	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Total	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Total
Commercial real estate	$ 3,487	$ 26,317	$ 29,804	$ 50,107	$ 1,365,226	$ 1,415,333
Commercial and industrial	1,116	10,158	11,274	11,991	673,762	685,753
Commercial construction						